

NEW ISSUE - Book-Entry Only

INTEREST ON THE 2008 SERIES B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Sherman & Howard L.L.C., Bond Counsel, the 2008 Series B Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado law in effect on the date of delivery of the 2008 Series B Bonds. See "Part I – TAX MATTERS."



\$165,565,000
COLORADO HOUSING AND FINANCE AUTHORITY
Multi-Family/Project Bonds
Class II Taxable Adjustable Rate Bonds
2008 Series B

Dated: Date of Delivery

Due: May 1, 2052

CUSIP: 196479 MJ5*

Price: 100%

The 2008 Series B Bonds are being issued by the Colorado Housing and Finance Authority as fully registered bonds pursuant to a Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**"), and a 2008 Series B Indenture of Trust dated as of June 1, 2008 (the "**2008 Series B Indenture**") and, together with the Master Indenture, the "**CHFA Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee.

The 2008 Series B Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2008 Series B Bonds and nominee of The Depository Trust Company, New York, New York. One fully registered bond equal to the principal amount of the 2008 Series B Bonds will be registered in the name of Cede & Co. Individual purchases of 2008 Series B Bonds will be made in book-entry form only, and beneficial owners of the 2008 Series B Bonds will not receive physical delivery of bond certificates representing their interest in the 2008 Series B Bonds, except as described herein. Upon receipt of payments of principal and interest, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the 2008 Series B Bonds. Payments of principal of and interest on the 2008 Series B Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners of the 2008 Series B Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

Proceeds of the 2008 Series B Bonds are expected to be used to refund certain outstanding bonds of the Authority previously issued to fund the origination of two uninsured mortgage loans, the proceeds of which were used for the costs of construction, renovation and demolition of housing facilities and related facilities at Fort Carson Army Base and the United States Air Force Academy in Colorado Springs, Colorado. Legally available funds of the Authority will be used to pay certain costs of issuance and to fund amounts required for deposit to the Debt Service Reserve Fund.

The 2008 Series B Bonds initially will bear interest at a weekly rate (the "**Weekly Rate**") determined prior to the date of delivery of the 2008 Series B Bonds to be effective to and including the following Tuesday, and thereafter determined on each Tuesday by Lehman Brothers[†] in its capacity as the 2008B Remarketing Agent, to be effective from and including each Wednesday to and including the following Tuesday. Following the first Interest Period, the interest rate on the 2008 Series B Bonds or any portion thereof may be adjusted to a Commercial Paper Rate, Daily Rate, Term Rate, Select Auction Variable Rate SecuritiesSM ("SAVRS") Rate or Fixed Rate as described herein. Interest on the 2008 Series B Bonds (while in an Interest Period for a Mode other than a Daily Mode, SAVRS Rate Mode or Commercial Paper Mode) will be payable on each April 1 and October 1, commencing on October 1, 2008, on any redemption date and at maturity.

While any of the 2008 Series B Bonds are in an Interest Period other than a Fixed Rate Mode, Commercial Paper Mode or SAVRS Rate Mode, holders of any such 2008 Series B Bonds will have the right to tender their Bonds for purchase and will also be required to tender their Bonds for purchase at the times and subject to the conditions set forth in the Indenture. Payment of the purchase price for the 2008 Series B Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will be supported by a standby bond purchase agreement (the "**Initial 2008B Liquidity Facility**") among Federal Home Loan Bank of Topeka (the "**2008B Liquidity Facility Provider**"), the Authority and Wells Fargo Bank, National Association, as Trustee. Coverage under the Initial 2008B Liquidity Facility, unless extended or earlier terminated, is stated to expire on June 24, 2013. **Under certain circumstances described herein, the obligation of the 2008B Liquidity Facility Provider to purchase the 2008 Series B Bonds tendered by the owners thereof or subject to mandatory purchase may be terminated or suspended and, in some of such circumstances, the suspension of such obligation will be immediate and without notice to such owners. In such event, sufficient funds may not be available to purchase such 2008 Series B Bonds. Neither the Authority nor the Remarketing Agent is obligated to purchase 2008 Series B Bonds tendered by the owners of such 2008 Series B Bonds or subject to mandatory purchase if remarketing proceeds and payments under the Initial 2008B Liquidity Facility are insufficient to pay the purchase price of such 2008 Series B Bonds.**

Certain of the 2008 Series B Bonds are subject to special redemption and optional redemption prior to maturity at par as described herein.

The Master Indenture provides for four classes of Obligations (which may be Bonds or Derivative Products) thereunder – Class I, Class II, Class III and Class IV Obligations. The 2008 Series B Bonds are being issued as Class II Bonds, payable from the revenues, assets and moneys pledged under the Indenture as described herein on an equal and ratable basis with all other Class II Obligations now or hereafter outstanding under the Master Indenture, on a basis subordinate to the Class I Obligations. Additional Obligations may be issued by the Authority under the Master Indenture in each of the four Classes and as general obligations of the Authority upon delivery of a Cash Flow Statement and satisfaction of certain other conditions as set forth in the Master Indenture. **In no event shall the 2008 Series B Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any other political subdivision thereof (other than the general credit of the Authority, which general credit is not being pledged for the payment of the 2008 Series B Bonds).**

This cover page contains only a brief description of the Authority, the 2008 Series B Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2008 Series B Bonds. Potential investors should read this entire Official Statement to obtain information necessary to make an informed investment decision. Potential investors should pay particular attention to the discussion in "Part II – CERTAIN BONDOWNERS' RISKS."

The 2008 Series B Bonds are offered when, as and if issued and delivered to the Underwriter, subject to the approval of legality by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Authority by Charles L. Borgman, Esq., its General Counsel, and by Hogan & Hartson LLP, Denver, Colorado, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the 2008B Liquidity Facility Provider by its assistant general counsel, Tad M. Kramar, Esq. The Underwriter is being represented in connection with its purchase of the 2008 Series B Bonds by its counsel, Bookhardt & O'Toole, Denver, Colorado. It is expected that the 2008 Series B Bonds will be delivered (through DTC) in New York, New York on or about June 25, 2008.

LEHMAN BROTHERS[†]

This Official Statement is dated June 19, 2008.

[†] 2008B Remarketing Agent

SM Service Mark of Lehman Brothers Inc.

* The Authority takes no responsibility for the accuracy of the CUSIP number, which is being provided solely for the convenience of the owners of the 2008 Series B Bonds.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder, under any circumstance, creates any implication that there has been no change in the affairs of the Authority or otherwise since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2008 Series B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth in this Official Statement has been furnished by the Authority and obtained from other sources believed to be reliable. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized. All information regarding the Authority and the 2008 Series B Bonds is contained in this Official Statement.

While the Authority maintains an Internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information (except in the case of the limited information provided in the section entitled "Bond Disclosures") with respect to the Bonds (including the 2008 Series B Bonds), the Borrowers, the Authority Projects, the Loans, the Initial 2008B Liquidity Facility, the 2008B Liquidity Facility Provider, or any other bonds or obligations of the Authority.

THE PRICES AT WHICH THE 2008 SERIES B BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE FRONT COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2008 SERIES B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The 2008 Series B Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Commission or any state securities commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

**This Official Statement is comprised of the front cover page,
Parts I and II and the Appendices.**

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Parts I and II and the Appendices.**

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OFFICIAL STATEMENT

\$165,565,000

COLORADO HOUSING AND FINANCE AUTHORITY
Multi-Family/Project Bonds
Class II Taxable Adjustable Rate Bonds
2008 Series B

PART I

INTRODUCTION

This Official Statement, which includes the front cover page, this Part I, Part II and the Appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "**Authority**") and otherwise in connection with the offer and sale of the above-captioned Bonds (being collectively referred to herein as the "**2008 Series B Bonds**"). The 2008 Series B Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**"), and the 2008 Series B Indenture dated as of June 1, 2008 (the "**2008 Series B Indenture**," and together with the Master Indenture, the "**CHFA Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**"). Capitalized terms used herein and not defined have the meanings specified in the CHFA Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in **Appendix C** to this Official Statement.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by the information contained in, the entire Official Statement, including the front cover page, this Part I, Part II hereof and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of 2008 Series B Bonds to potential investors is made only by means of the entire Official Statement. This Official Statement does not constitute a contract between the Authority or the Underwriter, and any one or more owners of the 2008 Series B Bonds.

Colorado Housing and Finance Authority

The Authority is a body corporate and political subdivision of the State of Colorado (the "**State**") established by the Colorado General Assembly for the purposes, among others, of increasing the supply of decent, safe and sanitary housing for low and moderate income families and promoting economic growth and development in the State. In order to achieve its authorized purposes, the Authority currently operates numerous housing, rental and business finance programs. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date." The Authority is governed by a Board of Directors and is authorized to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes. *For financial information concerning the Authority, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Selected Financial Information" and certain financial statements of the Authority attached hereto as **Appendix A**.*

Authority for Issuance

The 2008 Series B Bonds are authorized to be issued pursuant to the Colorado Housing and Finance Authority Act, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes, as amended (the "Act") and the Supplemental Public Securities Act, being Part 2 of Article 57 of Title 11 of the Colorado Revised Statutes. The 2008 Series B Bonds are being issued and secured under the Indenture.

Purposes of the 2008 Series B Bonds

Proceeds of the 2008 Series B Bonds are expected to be used to refund (i) the Authority's Outstanding Multi-Family/Project Class II and Class III Taxable Adjustable Rate Bonds (Fort Carson Housing, LLC Project), 2006 Series B-1 and B-2 (the "**2006 Series B Bonds**"), and (ii) the Authority's Multi-Family/Project Bonds (Air Force Academy Military Communities, LLC Project), 2007 Series A-1 and A-2 (the "**2007 Series A Bonds**" and, together with the 2006 Series B Bonds, the "**Refunded Bonds**"). See "Part I – PLAN OF FINANCE – Refunding Project." Legally available funds of the Authority will be used to pay certain costs of issuance and to fund amounts required for deposit to the Debt Service Reserve Fund, as described in "Part I – PLAN OF FINANCE – Sources and Uses of Funds."

The Transferred Loans

Proceeds of the 2006 Series B Bonds were used by the Authority to originate an uninsured mortgage loan (the "**2006B Loan (Fort Carson Project)**") by the purchase of certain securities issued by Fort Carson Family Housing, LLC, a Delaware limited liability company (the "**Fort Carson Borrower**") and payment of certain costs of issuance relating to the 2006 Series B Bonds and such securities. Such securities are denominated the Taxable Fort Carson Housing Revenue Bonds, Series 2006, Class II and the Taxable Fort Carson Housing Revenue Bonds, Series 2006, Class III (collectively, the "**Fort Carson Loan Obligations**"). The Fort Carson Loan Obligations were issued under an Amended and Restated Trust Indenture and Security Agreement, dated as of November 1, 2006 (the "**Fort Carson Indenture**") among the Fort Carson Borrower, The Bank of New York Trust Company, N.A., as the trustee thereunder (the "**Fort Carson Trustee**"), and Trimont Real Estate Advisors, Inc., as bondholder representative. Proceeds of the Fort Carson Loan Obligations received by the Fort Carson Borrower are being used as described in **Appendix G-1** hereto for the purpose of paying a portion of the costs of the design, construction, demolition, management, development and operation of certain new single family rental housing units and associated improvements primarily for military service members stationed at Fort Carson Army Base in Colorado Springs, Colorado (the "**Fort Carson Housing Facilities**"). See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The Transferred Loans – The 2006B Loan (Fort Carson Project)."

Proceeds of the 2007 Series A Bonds were used by the Authority to originate an uninsured mortgage loan (the "**2007A Loan (Air Force Academy Project)**") by the purchase of certain securities evidencing obligations incurred by Air Force Academy Military Communities, LLC, a Delaware limited liability company (the "**Air Force Academy Borrower**"), and payment of certain costs relating to issuance of the 2007 Series A Bonds and relating to such securities. Such securities are denominated the Military Housing Taxable Revenue Bonds (Air Force Academy Housing Privatization Project) Series 2007A (Class I, Class II, Class III and Class IV) (collectively, the "**Air Force Academy Loan Obligations**"). The Air Force Academy Loan Obligations were issued under a Master Indenture of Trust (the "**Air Force Academy Master Indenture**") and 2007A Series Indenture (collectively referred to with the Air Force Academy Master Indenture as the "**Air Force Academy Indenture**"), each dated May 1, 2007 and entered among the Air Force Academy Borrower, The Bank of New York Trust Company, N.A., as the master trustee thereunder (the "**Air Force Academy Trustee**"), and TriMont Real Estate Advisors, Inc., as bondholder representative. Proceeds of the 2007A Loan (Air Force Academy Project)

received by the Air Force Academy Borrower are being used as described in **Appendix G-1** hereto for the purpose of paying a portion of the costs of the demolition, construction and renovation of certain improvements at the United States Air Force Academy (the "**Air Force Academy**") in El Paso County, Colorado (the "**Air Force Academy Project**"). See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The Transferred Loans – The 2007A Loan (Air Force Academy Project)."

The 2006B Loan (Fort Carson Project) and the 2007A Loan (Air Force Academy Project) as so acquired and originated with proceeds of the Refunded Bonds, which will be transferred in connection with the Refunding Project, are collectively referred to herein as the "**Transferred Loans**." The Fort Carson Borrower and the Air Force Academy Borrower are collectively referred to herein as the "**2008B Borrowers**." See "Part I – CERTAIN PROGRAM ASSUMPTIONS." The Authority has pledged its full faith and credit, subject only to the provisions of any agreements with the owners of particular notes or bonds pledging any particular revenues or assets to the payment thereof, with respect to a portion of certain Loan Repayments relating to the Transferred Loans. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The Transferred Loans – Partial General Obligation Pledge for the Transferred Loans."

Description of the 2008 Series B Bonds

Interest Rates and Payments

The Authority's Multi-Family/Project Class II Taxable Adjustable Rate Bonds, 2008 Series B (the "**2008 Series B Bonds**") initially will bear interest at a Weekly Rate. While in a Weekly Rate Mode, interest on the 2008 Series B Bonds will be determined and adjusted weekly and is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2008, as described in "Part I – TERMS OF THE 2008 SERIES B BONDS," and computed on the basis of a 365-day year or a 366-day year, as applicable for the number of days actually elapsed. The 2008 Series B Bonds are to be issued in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000 and will mature on the date and in the amount shown on the front cover hereof (unless redeemed prior to maturity).

Redemption and Tender

The 2008 Series B Bonds are subject to special and optional redemption prior to maturity, as described under "Part I – TERMS OF THE 2008 SERIES B BONDS – Prior Redemption." The 2008 Series B Bonds are also subject to optional and mandatory tender for purchase as described under "Part I – TERMS OF THE 2008 SERIES B BONDS – Optional Tender and Purchase" and "– Mandatory Purchase." See also "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

For a more complete description of the 2008 Series B Bonds and the Indenture pursuant to which such 2008 Series B Bonds are being issued, see "Part I – TERMS OF THE 2008 SERIES B BONDS" and Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE."

The 2008B Borrowers

The Fort Carson Borrower is a Delaware for-profit limited liability company formed in 1999 for the purpose of leasing, designing, financing, demolishing, constructing, renovating, owning, managing, acquiring, operating and maintaining single family rental housing units and related improvements in support of Army operations located at Fort Carson Army Base in Colorado Springs, Colorado ("**Fort Carson**"), and any activities that are related or incidental to that business. Upon delivery of the 2006

Series B Bonds, it had three members: (i) GMH Military Housing – Fort Carson LLC, a Delaware limited liability company ("**GMH**"), (ii) the United States of America, acting by and through the Department of the Army (the "**Army**," the "**Government**," the "**Government Member**" or the "**United States Army**"), and (iii) GMH/Army Integrated LLC, a Delaware limited liability company, which is owned by the other two members. GMH has recently assigned its interest in the membership in the Fort Carson Borrower to BBC Military Housing – Fort Carson LLC, a Delaware limited liability company ("**BBC**"). The Authority loaned the proceeds of the 2006 Series B Bonds to the Fort Carson Borrower through the purchase of the Fort Carson Loan Obligations and payment of related costs of issuance. The Fort Carson Borrower is obligated to pay debt service on the Fort Carson Loan Obligations, and thereby repay the 2006B Loan (Fort Carson Project), solely from the limited sources as described herein. Repayment of amounts due on the Fort Carson Loan Obligations (and thereby the 2006B Loan (Fort Carson Project)) is non-recourse to the Fort Carson Borrower. See "The 2006B Loan (Fort Carson Project)" under the caption "Part I – CERTAIN PROGRAM ASSUMPTIONS – The Transferred Loans," and **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE TRANSFERRED LOANS – The 2006B Loan (Fort Carson Project)." **The information set forth in Appendix G-1 relating to the 2006B Loan (Fort Carson Project) has been obtained from the Fort Carson Borrower. The Authority has not verified this information, and makes no representation as to the accuracy or adequacy of such information.**

The Air Force Academy Borrower is a Delaware for-profit limited liability company formed as a single purpose entity for the purpose of leasing, designing, financing, demolishing, constructing, renovating, owning, managing, acquiring, operating and maintaining military housing and related improvements at the Air Force Academy and any activities that are related or incidental to that business. FC-Hunt LLC, a Delaware limited liability company ("**Managing Member**"), is the managing member of the Air Force Academy Borrower. The managing members of FC-Hunt LLC are Forest City Residential Group, Inc., an Ohio corporation, and Hunt ELP, Ltd., a Texas limited partnership. The Authority loaned the proceeds of the 2007 Series A Bonds to the Air Force Academy Borrower through the purchase of the Air Force Academy Loan Obligations evidencing obligations incurred by the Air Force Academy Borrower under the Air Force Academy Indenture and payment of related costs. The Air Force Academy Borrower is obligated to repay the 2007A Loan (Air Force Academy Project) through the payment of debt service on the Air Force Academy Loan Obligations, solely from the limited sources as described herein. Repayment of amounts due on the Air Force Academy Loan Obligations (and thereby the 2007A Loan (Air Force Academy Project)) is nonrecourse to the Air Force Academy Borrower. See "The 2007A Loan (Air Force Academy Project)" under the caption "Part I – CERTAIN PROGRAM ASSUMPTIONS – The Transferred Loans," and **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE TRANSFERRED LOANS – The 2007A Loan (Air Force Academy Project)." **The information set forth in Appendix G-1 has been obtained from the Air Force Academy Borrower. The Authority has not verified this information, and makes no representation as to the accuracy or adequacy of such information.**

Security and Sources of Payment

All Obligations under the Master Indenture (which may be Bonds or Derivative Products and may be outstanding as Class I, Class II, Class III or Class IV Obligations) will be secured by and payable from all of the Authority's rights and interests in and to the revenues, assets and moneys pledged under the Master Indenture, in particular the Revenues and the Loans (collectively, the "**Trust Estate**"). See "Part II – SECURITY FOR THE OBLIGATIONS." In accordance with the Indenture, Obligations may also be designated as general obligations of the Authority. As of May 1, 2008, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$880,915,000, with \$587,455,000 outstanding as Class I Bonds, \$236,630,000 outstanding as Class II Bonds and \$56,830,000 outstanding as Class III Bonds. The Refunded Bonds are Outstanding Class II and Class III Bonds under the Master Indenture. The Outstanding Class III Bonds, and certain Outstanding Class I Bonds and Outstanding

Class II Bonds, have been designated as general obligations of the Authority. There are no Class IV Obligations outstanding under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – Summary of Certain Authority Obligations" and **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS."

The 2008 Series B Bonds are being issued as Class II Obligations pursuant to the Indenture and will be secured by and payable from the Trust Estate as described herein. See "Part I – CERTAIN PROGRAM ASSUMPTIONS." The Trust Estate is pledged under the Indenture to secure first, the Class I Obligations, and, second, the Class II Obligations, as described in "Part II – SECURITY FOR THE OBLIGATIONS – Pledge of Trust Estate." The Class III Obligations are secured under the Master Indenture by a third priority lien on the Trust Estate. None of the 2008 Series B Bonds are being issued as Class I Obligations, Class III Obligations, or Class IV Obligations.

In addition, the 2008 Series B Bonds are secured by the Debt Service Reserve Fund established under the Master Indenture. The Debt Service Reserve Fund Requirement for the 2008 Series B Bonds will be funded as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund" and "Part II – SECURITY FOR THE OBLIGATIONS." **In no event shall the 2008 Series B Bonds constitute an obligation or liability of the State or any political subdivision thereof. The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof other than the general credit of the Authority, which general credit is not being pledged for payment of the 2008 Series B Bonds.**

Upon delivery of the 2008 Series B Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for the 2008 Series B Bonds (the "**Initial 2008B Liquidity Facility**") with Federal Home Loan Bank of Topeka, as the initial standby bond purchaser (referred to herein as the "**2008B Liquidity Facility Provider**"). See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2008B LIQUIDITY FACILITY" and **Appendix I** – "THE 2008B LIQUIDITY FACILITY PROVIDER." The Authority may replace the Initial 2008B Liquidity Facility with a new Liquidity Facility (an "**Alternate Liquidity Facility**") in accordance with the procedures set forth in the Indenture. See "Part II – SECURITY FOR THE OBLIGATIONS – Liquidity Facilities." UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE 2008B LIQUIDITY FACILITY PROVIDER TO PURCHASE THE 2008 SERIES B BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED AND, IN SOME OF SUCH CIRCUMSTANCES, THE SUSPENSION OF SUCH OBLIGATION WILL BE IMMEDIATE AND WITHOUT NOTICE TO SUCH OWNERS. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SUCH 2008 SERIES B BONDS TENDERED BY THE OWNERS OF SUCH 2008 SERIES B BONDS OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE INITIAL 2008B LIQUIDITY FACILITY DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2008 SERIES B BONDS.

Professionals Involved in the Offering

In connection with the issuance and sale of the 2008 Series B Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion included as **Appendix E** hereto. Certain legal matters relating to the 2008 Series B Bonds will be passed upon for the Authority by its General Counsel, Charles L. Borgman, Esq., and by its Disclosure Counsel, Hogan & Hartson LLP. Certain legal matters will be passed upon for the 2008B Liquidity Facility Provider by its assistant general counsel, Tad M. Kramar, Esq. The Underwriter is being represented in connection with its purchase of the 2008 Series B Bonds by its counsel, Bookhardt & O'Toole. See "Part I – LEGAL MATTERS."

Availability of Continuing Information

The Fort Carson Borrower has agreed to provide to the Authority, and the Authority will agree to file annually to the extent so received from the Fort Carson Borrower, certain annual financial information and audited financial statements relating to the Fort Carson Borrower, the Fort Carson Loan Obligations and the Fort Carson Project for the benefit of the owners of the 2008 Series B Bonds. See "Part I – CONTINUING DISCLOSURE UNDERTAKINGS" and **Appendix M** hereto.

The Air Force Academy Borrower has agreed to provide to the Authority, and the Authority will agree to file annually to the extent so received from the Air Force Academy Borrower, certain annual financial information and audited financial statements relating to the Air Force Academy Borrower, the Air Force Academy Loan Obligations and the Air Force Academy Project for the benefit of the owners of the 2008 Series B Bonds. See "Part I – CONTINUING DISCLOSURE UNDERTAKINGS" and **Appendix M** hereto.

Investment Considerations

The purchase and ownership of the 2008 Series B Bonds involve investment risks. Prospective purchasers of the 2008 Series B Bonds being offered by this Official Statement are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2008 Series B Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."

TERMS OF THE 2008 SERIES B BONDS

General Terms

The 2008 Series B Bonds will be dated the date of delivery and will mature, subject to prior redemption or purchase as described below, in the amount and on the date set forth on the front cover page of this Official Statement. The principal or redemption price of the 2008 Series B Bonds is payable to Cede & Co. Interest on the 2008 Series B Bonds will be payable on the Interest Payment Dates to Cede & Co. The 2008 Series B Bonds are subject to redemption as described in "Prior Redemption" under this caption.

Book-Entry System

DTC will act as securities depository for the 2008 Series B Bonds. The ownership of one fully registered Bond in the aggregate principal amount of the 2008 Series B Bonds will be registered in the name of Cede & Co., as nominee for DTC. Information concerning the book-entry system provided by DTC is set forth in **Appendix F – "BOOK-ENTRY SYSTEM."** **So long as the 2008 Series B Bonds are registered in the DTC book-entry form described in Appendix F, each Beneficial Owner of a 2008 Series B Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2008 Series B Bonds.**

Defeasance and Discharge

The Indenture provides the Authority with the right to discharge the pledge and lien created by the Indenture with respect to any 2008 Series B Bonds by depositing with the Trustee or the Paying Agent sufficient moneys or Defeasance Securities to pay when due the principal or Redemption Price of, if applicable, and interest due or to become due on such 2008 Series B Bonds at the maturity or redemption

thereof. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Defeasance."

Interest Rates

Generally

The 2008 Series B Bonds initially will bear interest at a Weekly Rate determined prior to the date of delivery by Lehman Brothers Inc. Thereafter, the interest rate on any portion of the 2008 Series B Bonds may be adjusted to a Commercial Paper Rate, Daily Rate, Term Rate, Select Auction Variable Rate SecuritiesSM ("SAVRS") Rate or Fixed Rate, as described herein. While the 2008 Series B Bonds are in an Interest Period for a Mode other than a Daily Mode, SAVRS Rate Mode or Commercial Paper Mode, interest will be payable on each April 1 and October 1, commencing October 1, 2008, on any redemption date or Mode Change Date and on the Maturity Date.

While in an Interest Period for a Term Rate Mode shorter than one year, a Commercial Paper Mode, a Daily Mode or a Weekly Mode, interest on the 2008 Series B Bonds is to be calculated on the basis of a 365/366 year for the actual number of days elapsed. Interest on the 2008 Series B Bonds in a SAVRS Rate Mode, Fixed Rate Mode or a Term Rate Mode of one year or longer is to be computed on the basis of a 360-day year comprised of twelve 30-day months. The 2008 Series B Bonds in a Daily Mode, Weekly Mode, Commercial Paper Mode or SAVRS Rate Mode may be purchased in denominations of \$100,000, or any integral multiples of \$5,000 in excess of \$100,000. 2008 Series B Bonds in a Term Rate Mode or Fixed Rate Mode are issuable in denominations of \$5,000 or any integral multiple thereof.

Determination of Interest Rate

General. Any 2008 Series B Bond may bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Term Rate, a SAVRS Rate or a Fixed Rate. The Mode of the 2008 Series B Bonds from the delivery date, until further designation by the Authority, will be the Weekly Mode. Thereafter, the Authority may change any of the 2008 Series B Bonds from one Mode to another Mode as described in "Adjustment Between Modes" under this caption. The interest rate on the 2008 Series B Bonds (other than when in a SAVRS Rate Mode) is to be determined by the 2008B Remarketing Agent in accordance with the Indenture as described below. The interest on any 2008 Series B Bonds may also be changed to a SAVRS Rate. The SAVRS Rate for each respective SAVRS Mode Period will be determined pursuant to auctions conducted in accordance with procedures set forth in a Supplemental Indenture to be entered into in connection with the SAVRS Rate Conversion Date. *This Official Statement does not contain a detailed description of SAVRS Rate Bonds, auction procedures and other relevant information relating thereto.*

*Conversion of the interest rate on the 2008 Series B Bonds such that all of the 2008 Series B Bonds bear interest at a Fixed Interest Rate or the SAVRS Rate will result in a termination of the Initial 2008B Liquidity Facility. See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2008B LIQUIDITY FACILITY."*

Weekly Rate. During any Interest Period in which any 2008 Series B Bonds are in a Weekly Mode, the 2008B Remarketing Agent is to determine the Weekly Rate by 4:00 p.m., Eastern time, on Tuesday of each week or, if such Tuesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day next preceding such Tuesday. The Weekly Rate determined by the 2008B Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2008B Remarketing Agent under then-existing market conditions, would result in the sale of such 2008 Series B Bonds on such date at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2008B Remarketing Agent fails to establish a Weekly Rate for any week (or if the method for determining the

Weekly Rate shall be held to be unenforceable by a court of law of competent jurisdiction), then such 2008 Series B Bonds are to bear interest from the last date on which the Weekly Rate was determined by the 2008B Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2008B Remarketing Agent determines the Weekly Rate (or until there is delivered an opinion of counsel to the effect that the method of determining such interest was enforceable) at the One Month LIBOR Rate plus 0.20%, as such rates is reported on the day such Weekly Rate would otherwise have been determined by the 2008B Remarketing Agent. The 2008B Remarketing Agent is to make the Weekly Rate available: (i) after 4:00 p.m., Eastern time, on the date of determination of such rate by telephone to any Owner, the Authority, the Trustee, the Paying Agent and the Liquidity Facility Provider; and (ii) by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or other transmission, to the Paying Agent, not later than 4:00 p.m., Eastern time, on the second Business Day after the date of such rate determination.

Daily Rate. During any Interest Period in which any 2008 Series B Bonds are in a Daily Mode, the 2008B Remarketing Agent is to determine the Daily Rate by 10:00 a.m., Eastern time, on each Business Day. The Daily Rate for any day during the Daily Rate Mode which is not a Business Day will be the Daily Rate established as of the immediately preceding Business Day. The Daily Rate determined by the 2008B Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2008B Remarketing Agent under then-existing market conditions, would result in the sale of such 2008 Series B Bonds on the date of rate determination at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2008B Remarketing Agent fails to establish a Daily Rate for any day (or if the method for determining the Daily Rate shall be held to be unenforceable by a court of law of competent jurisdiction), then such 2008 Series B Bonds are to bear interest from the last date on which the Daily Rate was determined by the 2008B Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2008B Remarketing Agent determines the Daily Rate (or until there is delivered an opinion of counsel to the effect that the method of determining such interest was enforceable) at the last lawful interest rate set by the 2008B Remarketing Agent.

Term Rates. During any Interest Period in which any 2008 Series B Bonds are in a Term Rate Mode, the 2008B Remarketing Agent is to determine the Term Rate by 4:00 p.m., Eastern time, on a Business Day no earlier than 30 Business Days and no later than the Business Day next preceding the first day of an Interest Period. The Term Rate determined by the 2008B Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2008B Remarketing Agent, will result in the sale of such 2008 Series B Bonds at a price equal to the principal amount thereof. If, for any reason, a new Term Rate for a 2008 Series B Bond that has been in the Term Rate Mode and is to continue in the Term Rate Mode is not or cannot be established, then (i) if such 2008 Series B Bond is secured by the Liquidity Facility, it will be changed to the Commercial Paper Mode with an Interest Period and Commercial Paper Rate to be determined by the 2008B Remarketing Agent in accordance with the Indenture or (ii) if such 2008 Series B Bond is not secured by the Liquidity Facility, then such Bond shall stay in the Term Rate Mode for an Interest Period ending on the next April 1 or October 1 and shall bear interest based on the One-Year LIBOR Rate in effect on such Rate Determination Date plus 0.20%. The Trustee shall promptly notify the Owners, with a copy to each National Repository, of any failed change in mode. The bonds upon which the index is based shall include not less than five "high grade" component issuers selected by Kenny Information Systems which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny Information Systems in its discretion. The yield evaluation period for the index shall be a one year evaluation. The 2008B Remarketing Agent is to give written notice of the Term Rate to the Authority and the Paying Agent upon request. If a new Interest Period is not selected by the Authority prior to the Business Day next preceding the Purchase Date for the Interest Period then in effect, the new Interest Period will be the same length as the current Interest Period, or such lesser period necessary to prevent the Interest Period from extending beyond the date which is five Business Days prior to the stated term, expiration date or termination date of the Liquidity Facility, or such date as it

may be extended, or any earlier date on which the applicable Liquidity Facility is to terminate, expire or be cancelled. No Interest Period in the Term Rate Mode may extend beyond the applicable Maturity Date.

Fixed Rate. During each Fixed Rate Mode for any 2008 Series B Bonds, the 2008B Remarketing Agent is to determine the Fixed Rate by 4:00 p.m., Eastern time, no later than the Business Day prior to the first day of the Fixed Rate Mode. The Fixed Rate determined by the 2008B Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2008B Remarketing Agent would result in the sale of such 2008 Series B Bonds on the date of rate determination at a price equal to the principal amount thereof. Upon request of any Owner, the Authority, the Trustee, the Paying Agent or the Liquidity Facility Provider, the 2008B Remarketing Agent is to make the Fixed Rate available by telephone and by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or other transmission.

Commercial Paper Rates. On the first day of each Interest Period for a 2008 Series B Bond in a Commercial Paper Mode, the 2008B Remarketing Agent is to select for such 2008 Series B Bond the Interest Period which would result in the 2008B Remarketing Agent being able to remarket such 2008 Series B Bond at par in the secondary market at the lowest interest rate then available and for the longest Interest Period available at such rate, provided that if on the first day of any Interest Period the 2008B Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Interest Period would result in a lower average interest cost on such 2008 Series B Bond, then the 2008B Remarketing Agent is to select the Interest Period which in the judgment of the 2008B Remarketing Agent would permit such 2008 Series B Bond to achieve such lower average interest cost; provided, however, that if the 2008B Remarketing Agent has received notice from the Authority that any 2008 Series B Bond is to be changed from the Commercial Paper Mode to any other Mode or is to be purchased in accordance with a mandatory purchase pursuant to the Indenture, the 2008B Remarketing Agent shall, with respect to such 2008 Series B Bond, select Interest Periods which do not extend beyond the Mandatory Purchase Date. On or after 4:00 p.m., Eastern time, on the Business Day next preceding the first day of each Interest Period for a 2008 Series B Bond in the Commercial Paper Mode, any Owner of such 2008 Series B Bond may telephone the 2008B Remarketing Agent and receive notice of the anticipated next Interest Period and the anticipated Commercial Paper Rate for such Interest Period for such 2008 Series B Bond. To receive payment of the Purchase Price, the Owner of any 2008 Series B Bond in the Commercial Paper Mode must present such Bond to the Paying Agent by 12:00 noon, Eastern time, on the first day of the Interest Period for a Commercial Paper Mode, in which case the Paying Agent shall pay the Purchase Price to such Owner by the close of business on the same day. By 12:30 p.m., Eastern time, on the first day of each Interest Period for a Commercial Paper Mode, the 2008B Remarketing Agent is to determine the Commercial Paper Rate for the Interest Period then selected for such 2008 Series B Bond and is to give notice to the Paying Agent by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission, of the new Owner, the Interest Period, the Purchase Date and the Commercial Paper Rate. By 1:00 p.m., Eastern time, on the first day of each Interest Period for a Commercial Paper Mode, the 2008B Remarketing Agent is to assign CUSIP numbers for each Commercial Paper Bond for which a Commercial Paper Rate and Interest Period have been determined on such date and notify the Paying Agent of such assignment by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission. If, for any reason, a new Commercial Paper Rate for a 2008 Series B Bond that has been in the Commercial Paper Rate Mode and is to continue in the Commercial Paper Rate Mode is not or cannot be established, then such Bond shall stay in the Commercial Paper Rate Mode and shall bear interest at the Three-Month LIBOR Rate in effect on such Rate Determination Date plus 0.20%.

Adjustment Between Modes

Any change to a different Mode requires delivery to the Trustee, the Paying Agent and the 2008B Remarketing Agent of: (i) a notice from each Rating Agency confirming that the rating on the 2008 Series B Bonds will not be withdrawn (other than a withdrawal of a short term rating upon a change to the Term Rate Mode or Fixed Rate Mode) as a result of such change in Mode; (ii) if the change is from a Short-Term Mode to a Term Rate Mode, SAVRS Rate Mode or Fixed Rate Mode, or from a Term Rate Mode to a Short-Term Mode, a favorable opinion of bond counsel; and (iii) the Liquidity Facility (except if the change is to the Fixed Rate Mode or, in the case of a change to a Term Rate, the Authority elects not to have the Liquidity Facility with respect to such Bonds in a Term Rate Mode). The Authority may change a 2008 Series B Bond (other than a 2008 Series B Bond in the Fixed Rate Mode) from one Mode to another Mode by giving written notice no later than the 45th day (or such shorter time as may be agreed upon by the Authority, the Trustee, the Paying Agent and the 2008B Remarketing Agent) preceding the proposed date of Mode change to the Trustee, the Paying Agent and the applicable Liquidity Facility Provider. Such notice is to include: (i) the new Mode; (ii) the length of the initial Interest Period if the change is to a Term Rate Mode; and (iii) whether or not the 2008 Series B Bonds to be converted to a new Mode will be covered by the Liquidity Facility. The Trustee is to give notice to Owners of 2008 Series B Bonds, with a copy to each National Repository, by mail no less than 30 days prior to the proposed date of the Mode change stating that such Bonds are subject to mandatory purchase on such date. The 2008 Series B Bonds are subject to mandatory purchase on any day on which a different Mode for such Bonds begins. See "Mandatory Purchase - Mandatory Purchase on Mode Change Date" under this caption. **So long as the 2008 Series B Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

Optional Tender and Purchase

Optional Tender during a Weekly Mode or Daily Mode

During any Interest Period for a Weekly Mode or Daily Mode, any 2008 Series B Bond (other than a Bank Bond) is to be purchased in an Authorized Denomination from its Owner at the option of the Owner on any Business Day at a purchase price equal to the principal amount thereof tendered for purchase plus accrued interest to the Purchase Date defined below (the "**Purchase Price**" for such 2008 Series B Bonds in the Weekly Mode), payable by wire transfer in immediately available funds, upon delivery to the 2008B Remarketing Agent of an irrevocable telephonic notice in the case of 2008 Series B Bonds in the Daily Mode and an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed in writing to the Paying Agent, in the case of 2008 Series B Bonds in the Weekly Mode, which notice states the CUSIP number, the Bond number, the principal amount of such 2008 Series B Bond, the principal amount thereof to be purchased and the date on which the same is to be purchased (the "**Purchase Date**" for such 2008 Series B Bonds in the Weekly Mode), which date is to be a Business Day specified by the Owner. In the case of 2008 Series B Bonds tendered for purchase during the Daily Mode, such notice is to be delivered by the Owner by no later than 11:00 a.m., Eastern time on such Business Day. In the case of 2008 Series B Bonds tendered for purchase during the Weekly Mode, such notice is to be delivered by the Owner by no later than 4:00 p.m., Eastern time on a Business Day not less than seven days before the Purchase Date specified by the Owner in such notice. For payment of such Purchase Price, such 2008 Series B Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date. An Owner who gives the notice described above may repurchase the Bonds so tendered, if the 2008B Remarketing Agent agrees to sell the tendered Bonds to such Owner, in which case the delivery requirements set forth above will be waived.

Optional Purchase at End of Term Rate Period

Unless such 2008 Series B Bonds are being changed to a Mode other than another Term Rate Mode, the owner of 2008 Series B Bonds in a Term Rate Mode may act to have its Bond (or portions thereof in Authorized Denominations) purchased on the last day of any Interest Period for a Term Rate Mode (or the next Business Day if such last day is not a Business Day) (the "**Purchase Date**" for such 2008 Series B Bonds in the Term Rate Mode) at a purchase price equal to the principal amount thereof tendered for purchase (the "**Purchase Price**" for such 2008 Series B Bonds in the Term Rate Mode) upon delivery to the 2008B Remarketing Agent of an irrevocable written notice of tender or an irrevocable telephonic notice of tender, confirmed in writing to the Paying Agent, which notice states the CUSIP number, the Bond number and the principal amount of such 2008 Series B Bond to be purchased. Such notice is to be given not later than 10:00 a.m. on a Business Day not less than seven days before such last day of the Interest Period. For payment of such Purchase Price, such 2008 Series B Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date.

Mandatory Purchase

Mandatory Purchase at End of Commercial Rate Period

On the last day of any Interest Period for the Commercial Paper Mode, the 2008 Series B Bonds in such mode are subject to mandatory tender without notice at the Purchase Price. Owners are to deliver such Bonds to the office of the Paying Agent in Denver, Colorado, at or before 12:00 noon, Eastern time, on such date. Payment of the Purchase Price is to be made by wire transfer of immediately available funds by the close of business on such date.

Mandatory Purchase on Mode Change Date

2008 Series B Bonds to be changed from one Mode to another Mode will be subject to mandatory tender for purchase on each day on which a new Mode for such Bonds begins (the "**Mode Change Date**") at a purchase price equal to the Purchase Price. The Trustee is to give notice by first-class mail, or transmitted in such other matter (such as by electronic means) as may be customary for the industry as directed in writing by the Authority, to the Owners of such Bonds, with a copy to each National Repository, no less than 30 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, the numbers of the 2008 Series B Bonds to be purchased if less than all of the Bonds owned by such Owners are to be purchased and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2008 Series B Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which such notice was mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by the Owner. 2008 Series B Bonds subject to mandatory purchase on the Mandatory Purchase Date are to be delivered (with all necessary endorsements) to the office of the Paying Agent in Denver, Colorado at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the close of business on the Mandatory Purchase Date. **So long as the 2008 Series B Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

Mandatory Purchase For Failure to Replace Liquidity Facility or Upon Certain Substitution of Alternate Liquidity Facility

In the event that the Authority does not replace the Liquidity Facility with another Liquidity Facility prior to its expiration date in accordance with the Indenture, the 2008 Series B Bonds having the benefit of such Liquidity Facility will be subject to mandatory purchase on the earlier of the last Interest Payment Date before the then current Liquidity Facility expires (whether at the stated expiration date thereof or earlier termination date) or 45 days before such stated expiration date or earlier termination date. In addition, in the event that on or prior to the 45th day next preceding the date on which an Alternate Liquidity Facility is to be substituted for the current Liquidity Facility (the "**Substitution Date**") the Authority has failed to deliver to the Paying Agent a Rating Confirmation Notice in connection with such substitution, the 2008 Series B Bonds having the benefit of the Liquidity Facility will be subject to mandatory tender for purchase five Business Days prior to the Substitution Date. The Trustee is to give notice by first-class mail (or transmitted in such other manner, such as electronic means, as may be customary for the industry as directed in writing by the Authority) to the Owners of the 2008 Series B Bonds subject to mandatory purchase, with a copy to each National Repository, no less than 30 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to transmit such notice with respect to any 2008 Series B Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which such notice was transmitted. Any notice transmitted as aforesaid will be conclusively presumed to have been given, whether or not actually received by the Owner. For payment of such Purchase Price, such 2008 Series B Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Mandatory Purchase Date.

The obligation of the 2008B Liquidity Facility Provider to purchase 2008 Series B Bonds under the Initial 2008B Liquidity Facility is subject to the condition that the long-term ratings by S&P and Moody's of the 2008 Series B Bonds shall not have been withdrawn, suspended or reduced below "BBB-" by S&P and "Baa3" by Moody's. See Appendix H – "CERTAIN TERMS OF THE INITIAL 2008B LIQUIDITY FACILITY."

Mandatory Purchase Upon Termination of Liquidity Facility

If the Trustee receives notice from the 2008B Liquidity Facility Provider that the Initial 2008B Liquidity Facility will be terminated in accordance with the provisions thereof because of the occurrence and continuance of certain specified events while any of the 2008 Series B Bonds having the benefit of such Initial 2008B Liquidity Facility are outstanding, such 2008 Series B Bonds will be subject to mandatory purchase. Such 2008 Series B Bonds will be subject to mandatory tender for purchase on a Business Day which is at least ten days subsequent to such notice from the 2008B Liquidity Facility Provider and at least five Business Days prior to the termination of the Initial 2008B Liquidity Facility. The Trustee is to give notice by first-class mail (or transmittal in such other manner, such as by electronic means, as may be customary for the industry as directed in writing by the Authority) to the Owners of the 2008 Series B Bonds, with a copy to each National Repository, subject to such mandatory purchase within two Business Days after receipt of notice from the 2008B Liquidity Facility Provider. Such notice is to state the Mandatory Purchase Date, the Purchase Price, and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to transmit such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which such notice was transmitted. Any notice transmitted as aforesaid will be conclusively presumed to have been given, whether or not actually received by the Owner. For payment

of such Purchase Price, such 2008 Series B Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date.

Payment of Tender Price Upon Purchase

Any 2008 Series B Bonds required to be purchased in accordance with the Indenture as described above are to be purchased from the Owners thereof on the Purchase Date at the Purchase Price. The Indenture creates a separate fund (the "**Purchase Fund**") to be maintained by the Paying Agent, with separate accounts designated as the Remarketing Proceeds Account and the Standby Purchase Account. Funds for the payment of the Purchase Price are to be made solely from the following sources in the order of priority indicated:

(1) proceeds of the sale of remarketed 2008 Series B Bonds (except proceeds of remarketed Bank Bonds to the extent applied to any amount owing to the 2008B Liquidity Facility Provider) pursuant to the Indenture and the Remarketing Agreement and furnished to the Paying Agent by the 2008B Remarketing Agent for deposit into the Remarketing Proceeds Account; and

(2) money furnished by the 2008B Liquidity Facility Provider to the Trustee for deposit with the Paying Agent from requests under the Initial 2008B Liquidity Facility, if any, as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2008B LIQUIDITY FACILITY."

Moneys held in the Standby Purchase Account and the Remarketing Proceeds Account will be held by the Trustee uninvested and separate and apart from all other funds and accounts. **So long as the 2008 Series B Bonds are registered in the DTC book-entry system described in Appendix F, any notices will be sent only to DTC's nominee.**

Prior Redemption

Special Redemption

Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions. Except as described in the following sentence and subject to the limitations described in the following paragraph, the 2008 Series B Bonds are subject to special redemption prior to maturity, in whole or in part at any time, upon notice as provided in the Master Indenture, at a Redemption Price equal to 100% of the Aggregate Principal Amount of the 2008 Series B Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, from and to the extent there are moneys and/or Investment Securities in the 2008 Series B Subaccount of the Class II Special Redemption Account of the Redemption Fund, on the 45th day prior to the redemption date. Amounts on deposit in the Revenue Fund, including Loan Repayments and Prepayments and amounts in excess of applicable Debt Service Reserve Fund Requirements transferred to the Revenue Fund from the applicable account of the Debt Service Reserve Fund, are to be transferred to the applicable Special Redemption Accounts of the Redemption Fund at the election of the Authority and as otherwise required in accordance with the provisions of the Master Indenture described in **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Revenue Fund."

The 2008B Borrowers may direct a voluntary prepayment of the Transferred Loans only as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – The Transferred Loans – Prepayment Rights and Limitations." However, "Prepayments" under the CHFA Indenture also include involuntary prepayment at par as a result of damage or destruction, or acceleration or sale of the related 2008B Project in the event of a default by the respective 2008B Borrower.

Cross-Calls and Recycling. Pursuant to the Master Indenture, the Authority may, by delivery of an Authority Request to the Trustee, instruct the Trustee to transfer moneys on deposit in any Series subaccount of a Class Account of the Redemption Fund to any other Series subaccount of the same Class Account to be applied to the redemption of the same Class of Bonds of a different Series. Any such Authority Request is to (i) certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture, and (ii) be accompanied by evidence of satisfaction of all Asset Requirements for the 2008 Series B Bonds. The 2008 Series B Indenture does not prohibit cross calls, but does restrict the use of certain Loan Repayments and Prepayments as discussed above under "Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions." However, the 2003 Series A Indenture, the 2001 Series A Indenture and the 2000 Series B Indenture prohibit cross calls, and other Series Indentures may in the future prohibit such cross calls, with respect to Related Series of Bonds. In addition, the Master Indenture permits the Authority, by delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, to instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Revenue Fund to a Related subaccount of the Loan Recycling Account to be used to finance or refinance Loans or Authority Projects as permitted by the Master Indenture. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Revenue Fund." *The Authority may transfer Prepayments or Loan Repayments to the Loan Recycling Account of the Program Fund to finance Loans or transfer such Prepayments or Loan Repayments to the Special Redemption Accounts of the Redemption Fund at any time in accordance with the Master Indenture.* See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

Optional Redemption

Weekly Mode, Daily Mode and Commercial Paper Mode. The 2008 Series B Bonds may be redeemed prior to maturity at the option of the Authority from any source, in whole or in part, in Authorized Denominations on any date during Interest Periods for a Weekly Mode or Daily Mode and on the last day of the Interest Period for such 2008 Series B Bonds during Interest Periods for a Commercial Paper Mode, at a redemption price equal to 100% of the principal amount of 2008 Series B Bonds to be so redeemed.

Term Rate Mode and Fixed Rate Mode. During any Interest Period for a Term Rate Mode or Fixed Rate Mode, the 2008 Series B Bonds may be redeemed prior to maturity at the option of the Authority from any source, in whole or in part on any date in Authorized Denominations at a redemption price equal to 100% of the principal amount of 2008 Series B Bonds to be so redeemed, plus accrued interest, if any, to the redemption date; provided that if on the day on which the Term Rate Mode or Fixed Rate Mode begins, the length of the Interest Period or the remaining term: (i) is greater than 15 years, then such 2008 Series B Bonds will be subject to such optional redemption on any date on or after the first April 1 or October 1 following the tenth anniversary of the beginning of such Mode; and (ii) is equal to or less than 15 years, but greater than 10 years, then such 2008 Series B Bonds will be subject to such optional redemption on any date on or after the first April 1 or October 1 following the seventh anniversary of the beginning of such Mode. The 2008 Series B Bonds will not be subject to optional redemption during a particular Term Rate Mode or Fixed Rate Mode if, on the day on which the Term Rate Mode or Fixed Rate Mode begins, the remaining term or length of the Interest Period is equal to or less than ten years. The Authority, in connection with a change to a Term Rate Mode or Fixed Rate

Mode, may waive or otherwise alter its rights to direct the redemption of any such 2008 Series B Bonds so changed to a Term Rate Mode or Fixed Rate Mode at any time without premium; provided that notice describing the waiver or alteration must be submitted to the Paying Agent, the Trustee and the 2008B Remarketing Agent, together with a favorable opinion of bond counsel addressed to them.

SAVRS Rate Mode. After a conversion, if any, to the SAVRS Rate Mode, such 2008 Series B Bonds may be redeemed prior to maturity as provided in the Supplemental Indenture to be entered into in connection with such conversion.

Mandatory Redemption of Bank Bonds

Bank Bonds are required to be redeemed in accordance with the terms of the Initial 2008B Liquidity Facility.

Selection of 2008 Series B Bonds for Partial Redemption

If less than all of the 2008 Series B Bonds are to be redeemed on any one date, the particular 2008 Series B Bonds or the respective portions thereof to be redeemed (subject to the following sentences) are to be selected by lot by the Bond Registrar in such manner as the Bond Registrar in its discretion deems fair and appropriate. Notwithstanding the provisions described in the preceding sentence, 2008 Series B Bonds bearing interest at the Weekly Rate, the Daily Rate or the Commercial Paper Rate are to be selected for redemption so as to assure that after such redemption no Owner shall retain 2008 Series B Bonds in an aggregate amount less than \$100,000. Whenever less than all of the 2008 Series B Bonds are to be redeemed, Bank Bonds are required to be redeemed before any other 2008 Series B Bonds are redeemed.

Notice of Redemption

When any 2008 Series B Bonds are to be redeemed, the Bond Registrar is to cause notice of such redemption to be mailed by first class mail, or transmitted in such other manner (such as by readily available electronic means) as may be customary for the industry as directed in writing by the Authority, not more than 30 days nor less than 15 days prior to the redemption date, to the registered owner of each 2008 Series B Bond to be redeemed at such Owner's address as it appears in the registration records of the Bond Registrar or at such other address as is furnished in writing by such Owner to the Bond Registrar and to each National Repository. However, failure to give any such notice to any Owner, or any defect therein, shall not affect the validity of the redemption proceedings for any 2008 Series B Bond with respect to which no such failure or defect has occurred.

If DTC or its nominee is the registered owner of any 2008 Series B Bonds to be redeemed, notice of redemption will only be given to DTC or its nominee as the registered owner of such 2008 Series B Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any 2008 Series B Bond to be redeemed shall not affect the validity of the redemption of such 2008 Series B Bond. See Appendix F –"BOOK-ENTRY SYSTEM."

PLAN OF FINANCE

Sources and Uses of Funds

The following are the estimated sources and uses of funds relating to the 2008 Series B Bonds.

	<u>Estimated Amounts</u>
SOURCES OF FUNDS:	
Proceeds of Taxable 2008 Series B Class II Bonds	\$165,565,000
Funds of the Authority (1)	<u>4,169,000</u>
TOTAL SOURCES OF FUNDS	<u>\$169,734,000</u>
USES OF FUNDS:	
For Redemption of 2006 Series B Bonds (Fort Carson) (2)	\$118,600,000
For Redemption of 2007 Series A Bonds (Air Force Academy) (2)	46,965,000
Deposit to Debt Service Reserve Fund (3).....	3,660,000
For Costs of Issuance and Underwriter's compensation (4).....	<u>509,000</u>
TOTAL USES OF FUNDS.....	<u>\$169,734,000</u>

-
- (1) Such amounts are being advanced by the Authority to pay certain costs of issuance and to fund the deposit of certain amounts to the Debt Service Reserve Fund.
 - (2) Proceeds of the 2008 Series B Bonds will be used to pay and redeem the Refunded Bonds which are currently outstanding under the Master Indenture, as described in "The Refunding Project" under this caption.
 - (3) The Debt Service Reserve Requirement for the 2008 Series B Bonds is \$10,812,183.12. A portion of this amount is being funded by the deposit of legally available funds of the Authority to the Debt Service Reserve Fund as shown above. The remaining amount will be satisfied by excess reserves being held under the Master Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund."
 - (4) Certain legally available funds of the Authority will be deposited to the Costs of Issuance Account in the Program Fund and used to pay costs of issuance and Underwriter's compensation relating to the 2008 Series B Bonds. For information concerning the Underwriter's compensation, see "Part I – UNDERWRITING."

The Refunding Project

The Authority has previously issued under the Master Indenture the Refunded Bonds, consisting of its Multi-Family/Project Class II and Class III Taxable Adjustable Rate Bonds (Fort Carson Housing, LLC Project), 2006 Series B-1 and B-2, outstanding in the aggregate principal amount of \$118,600,000, and its Multi-Family/Project Class II and Class III Adjustable Rate Bonds (Air Force Academy Military Communities, LLC Project), 2007 Series A-1 and A-2, outstanding in the aggregate principal amount of \$46,965,000. Proceeds of the Refunded Bonds were used respectively to fund the 2006B Loan (Fort Carson Project) and the 2007A Loan (Air Force Academy Project) as further described in **Appendix G-1** hereto and referred to collectively herein as the "**Transferred Loans.**" Proceeds of the 2008 Series B Bonds are expected to be used to redeem the Refunded Bonds on the date of issuance of the 2008 Series B Bonds, and, simultaneous with the payment and redemption of the Refunded Bonds, the Transferred Loans so funded with the proceeds of the Refunded Bonds will be deposited to the credit of the 2008B Taxable Loan Subaccount of the Restricted Loan Subaccount of the Acquisition Account. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date" and **Appendix G-1** hereto. See "– Sources and Uses of Funds" under this caption.

CERTAIN PROGRAM ASSUMPTIONS

The Transferred Loans

Generally

As a result of the Refunding Project, the Transferred Loans will be deposited to the credit of the 2008B Taxable Loan Subaccount of the Restricted Loan Subaccount of the Acquisition Account under the Master Indenture and allocated to the 2008 Series B Bonds. The Master Indenture permits the Authority to recycle payments and repayments made on any Loans, including the Transferred Loans, to make new Loans, which may include insured, uninsured, first lien or subordinate lien Loans, or to finance or refinance Authority Projects, so long as the requirements of the Master Indenture are satisfied. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Program Fund; Loan Recycling Account."

The 2006B Loan (Fort Carson Project)

Generally. Proceeds of the 2006 Series B Bonds were used to fund the 2006B Loan (Fort Carson Project) by the purchase of the Fort Carson Loan Obligations and payment of certain costs of issuance relating to the 2006 Series B Bonds and the Fort Carson Loan Obligations. Net proceeds of the Fort Carson Loan Obligations received by the Fort Carson Borrower are being applied to pay a portion of the costs of the design, construction, demolition, management, development and operation of certain housing units at Fort Carson Army Base (the "**Fort Carson Housing Facilities**"), as described in **Appendix G-1** hereto.

Security; Sources of Payment. The 2006B Loan (Fort Carson Project) is to be repaid when debt service payments are made by the Fort Carson Borrower on the Fort Carson Loan Obligations. Payment of amounts due on the Fort Carson Loan Obligations is a nonrecourse obligation of the Fort Carson Borrower. The Fort Carson Loan Obligations are special limited obligations of the Fort Carson Borrower, payable from and secured solely by (a) the operating revenues from the Fort Carson Project, subject to the prior lien thereon of certain obligations issued under the Fort Carson Indenture and outstanding in the aggregate principal amount of \$147,055,000; (b) certain funds held under the Fort Carson Indenture; and (c) a Deed of Trust granted with respect to the real property relating to the Fort Carson Project, subject to a ground lease, as further provided in the Fort Carson Indenture and described in **Appendix G-1**. *The 2006B Loan (Fort Carson Project) is not payable from any other source or otherwise insured or secured. The information set forth in Appendix G-1 has been obtained from the Fort Carson Borrower. The Authority has not verified this information, and makes no representation as to the accuracy or adequacy of such information.*

The Fort Carson Indenture does not provide for reserves for the payment of debt service on any class of the Fort Carson Loan Obligations. The failure to pay principal of or interest on a Fort Carson Loan Obligations when due prior to the final maturity date of all Fort Carson Loan Obligations of each class is not an event of default under the Fort Carson Indenture if sufficient moneys for such payment are not available in the related debt service account of the Fort Carson Indenture. Unpaid principal due and payable on a Fort Carson Loan Obligation will continue to accrue interest at the rate of interest borne by such Obligation until paid or until maturity. Unpaid interest due and payable will not accrue additional interest. See **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE TRANSFERRED LOANS – The 2006B Loan (Fort Carson Project)." The Authority has pledged its full faith and credit, subject to

certain exceptions, with respect to a portion of certain Loan Repayments relating to the 2006B Loan (Fort Carson Project). See " – Partial General Obligation Pledge for the Transferred Loans" under this caption.

Interest Rates. The Fort Carson Loan Obligations which evidence the 2006B Loan (Fort Carson Project) bear interest at an annual rate equal to 5.65%. See **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE TRANSFERRED LOANS – The 2006B Loan (Fort Carson Project)." See "Modification of Loan Terms" under this caption.

The Fort Carson Borrower. The Fort Carson Loan Obligations have been issued by, and purchased by the Authority from, the private organization referred to herein as the Fort Carson Borrower and described in **Appendix G-1** hereto. Payment of amounts due on the Fort Carson Loan Obligations (the repayment source for the 2006B Loan (Fort Carson Project)) is a nonrecourse obligation of the Fort Carson Borrower, payable on a subordinate basis solely from revenues generated by the Fort Carson Project, including the Fort Carson Housing Facilities, and other funds held and pledged under the Fort Carson Indenture. The Fort Carson Borrower is managing the construction and renovation of the Fort Carson Housing Facilities, and an affiliate of the Fort Carson Borrower is operating the Fort Carson Project, as described in **Appendix G-1**. See "Part II – CERTAIN BONDHOLDERS' RISKS – Limited Security."

Bondholder Representative. TriMont Real Estate Advisors, Inc. ("**Trimont**") is a party to the Fort Carson Indenture, serving as the initial bondholder representative for the Fort Carson Loan Obligations. Information about Trimont is provided in **Appendix G-1**. Trimont is acting as agent for the Authority in providing certain consents, approvals and directions under the Fort Carson Indenture relating to construction of the Fort Carson Housing Facilities and operation of the Fort Carson Project, which is the source of repayment for the 2006B Loan (Fort Carson Project).

Modification of Loan Terms. From time to time, the Authority may agree with the Fort Carson Borrower to modify the terms of the 2006B Loan (Fort Carson Project), so long as such modification is consistent with the restrictions of the CHFA Indenture.

Prepayment Rights and Limitations. The Fort Carson Loan Obligations are subject to redemption prior to maturity at the option of the Fort Carson Borrower from any source, including the proceeds of refunding bonds or other financing provided by the Fort Carson Borrower or from the sale or other voluntary disposition of the Fort Carson Project, at any time in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date plus the Make-Whole Premium. The "Make-Whole Premium" is defined by the Fort Carson Indenture to mean, with respect to any Fort Carson Loan Obligation, the difference between (i) the sum of the present values of the remaining scheduled payments of debt service on such Fort Carson Loan Obligation, discounted, on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the relevant Treasury Rate plus 15 basis points, plus accrued interest, if any, to the date of redemption and (ii) the principal amount of such Bond plus accrued interest to the date of redemption; provided that the "Make-Whole Premium" will not be less than zero. Optional redemption of all or a portion of the Fort Carson Loan Obligations will cause a voluntary prepayment of the 2006B Loan (Fort Carson Project) and may result, at the direction of the Authority, in redemption of the 2008 Series B Bonds at par. See "Part I – TERMS OF THE 2008 SERIES B BONDS – Prior Redemption."

The 2007A Loan (Air Force Academy Project)

Generally. Proceeds of the 2007 Series A Bonds were used to fund the 2007A Loan (Air Force Academy Project) by the purchase of the Air Force Academy Loan Obligations and payment of certain costs of issuance relating to the 2007 Series A Bonds and costs related to the 2007A Loan (Air Force

Academy Project). Net proceeds of the 2007A Loan (Air Force Academy Project) received by the Air Force Academy Borrower are being applied to pay a portion of the costs of demolition, construction and renovation of the Air Force Academy Project, as described in **Appendix G-1** hereto. The costs of the Air Force Academy Project are also being funded with net operating revenues received by the Air Force Academy Borrower from the Air Force Academy Project as well as certain on the amounts as described in **Appendix G-1** hereto.

Security; Sources of Payment. The 2007A Loan (Air Force Academy Project) is to be repaid when debt service payments are made by the Air Force Academy Borrower on the Air Force Academy Loan Obligations. Payment of amounts due on the Air Force Academy Loan Obligations is a nonrecourse obligation of the Air Force Academy Borrower. The Air Force Academy Loan Obligations are special limited obligations of the Air Force Academy Borrower, payable from and secured solely by (a) the operating revenues from the Air Force Academy Project; (b) certain funds held under the Air Force Academy Indenture and the Lockbox Agreement; and (c) a Deed of Trust granted with respect to the real property relating to the Air Force Academy Project, subject to a ground lease, as further provided in the Air Force Academy Indenture and described in **Appendix G-1**. *The 2007A Loan (Air Force Academy Project) will not be payable from any other source or otherwise insured or secured.* **The information set forth in Appendix G-1 has been obtained from the Air Force Academy Borrower. The Authority has not verified this information, and makes no representation as to the accuracy or adequacy of such information.**

Additional indebtedness may be incurred by the Air Force Academy Borrower on parity with and in some cases senior to the Air Force Academy Loan Obligations, under certain circumstances set forth in the Air Force Academy Indenture. The Air Force Academy Indenture does not provide for reserves for the payment of debt service on any class of Air Force Academy Loan Obligations. The failure to pay principal of or interest on an Air Force Academy Loan Obligation when due prior to the final maturity date of all Air Force Academy Loan Obligations of each class is not an event of default under the Air Force Academy Indenture if sufficient moneys for such payment are not available in the related debt service account of the Air Force Academy Indenture. Unpaid principal due and payable on an Air Force Academy Obligation will continue to accrue interest at the rate of interest borne by such Air Force Academy Loan Obligation until paid or until maturity. Unpaid interest due and payable will not accrue additional interest. See **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE TRANSFERRED LOANS – The 2007A Loan (Air Force Academy Project)." The Authority has pledged its full faith and credit, subject to certain exceptions, with respect to a portion of certain Loan Repayments relating to the 2007A Loan (Air Force Academy Project). See " – Partial General Obligation Pledge for the Transferred Loans" under this caption.

Interest Rates. The Air Force Academy Loan Obligations which evidence the 2007A Loan (Air Force Academy Project) bear interest at an annual rate equal to 5.71%. See **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE TRANSFERRED LOANS – The 2007A Loan (Air Force Academy Project)." See "Modification of Loan Terms" under this caption.

The Air Force Academy Borrower. The Air Force Academy Loan Obligations will evidence obligations of, and are being purchased by the Authority from, the private organization formed as a special purpose entity and referred to herein as the Air Force Academy Borrower, as described in **Appendix G-1** hereto. Payment of amounts due on the Air Force Academy Loan Obligations (the repayment source for the 2007A Loan (Air Force Academy Project)) is a nonrecourse obligation of the Air Force Academy Borrower, payable solely from operating revenues generated by the Air Force Academy Project and other funds held and pledged under the Air Force Academy Indenture and the Lockbox Agreement. The Managing Member of the Air Force Academy Borrower is managing the construction and renovation of the Air Force Academy Project, an affiliate of the Managing Member is

the contractor of the Air Force Academy Project and an affiliate of the Managing Member is serving as property manager of the Air Force Academy Project, as described in **Appendix G-1**. See "Part II – CERTAIN BONDHOLDERS' RISKS – Limited Security."

Bondholder Representative. TriMont is a party to the Air Force Academy Indenture, serving as the initial bondholder representative for the Air Force Academy Loan Obligations. Information about TriMont is provided in **Appendix G-1**. TriMont is acting as agent for the Authority in providing certain consents, approvals and directions under the Air Force Academy Indenture relating to construction and operation of the Air Force Academy Project, which is the source of repayment for the 2007A Loan (Air Force Academy Project).

Modification of Loan Terms. From time to time, the Authority may agree with the Air Force Academy Borrower to modify the terms of the 2007A Loan (Air Force Academy Project), so long as such modification is consistent with the restrictions of the CHFA Indenture.

Prepayment Rights and Limitations. The Air Force Academy Loan Obligations are subject to redemption prior to maturity at the option of the Air Force Academy Borrower from any source, including the proceeds of refunding bonds or other financing provided by the Air Force Academy Borrower or from the sale or other voluntary disposition of the Air Force Academy Project, at any time in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date plus the Make-Whole Premium. The "Make-Whole Premium" is defined by the Air Force Academy Indenture to mean, with respect to any Air Force Academy Obligation, the difference between (i) the sum of the present values of the remaining scheduled payments of debt service on such Bond, discounted, on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the relevant Treasury Rate plus 11 basis points, plus accrued interest, if any, to the date of redemption and (ii) the principal amount of such Air Force Academy Loan Obligation to be redeemed plus accrued interest to the date of redemption; provided that the "Make-Whole Premium" will not be less than zero. Optional redemption of all or a portion of the Air Force Academy Loan Obligations will cause a voluntary prepayment of the 2007A Loan (Air Force Academy Project) and may result, at the direction of the Authority, in redemption of the 2008 Series B Bonds at par. See "Part I – TERMS OF THE 2008 SERIES B BONDS – Prior Redemption."

Partial General Obligation Pledge for the Transferred Loans

To the extent that as of any Stated Interest Payment Date, any Loan Repayment due on either of the Transferred Loans since the immediately preceding Stated Interest Payment Date (or, with respect to the first Stated Interest Payment Date, since the date of issuance of the 2008 Series B Bonds) has not been received by the Authority in the amount and at the time provided with respect to the applicable Transferred Loan in the applicable Loan Agreement, the Authority shall, to the extent necessary to prevent a default in the payment of any Bonds, deposit on such Stated Interest Payment Date into the 2008 Series B subaccount of the Revenue Fund from any moneys legally available therefor an amount equal to the lesser of (a) the difference between the amount of such scheduled Loan Repayment and the amount of the Loan Repayment actually received and (b) 9.4% of the amount of the scheduled Loan Repayment with respect to the 2006B Loan (Fort Carson Project) and 27.7% of the amount of the scheduled Loan Repayment with respect to the 2007A Loan (Air Force Academy Project). The Authority has pledged its full faith and credit to the obligation described in the preceding sentence, subject only to the provisions of any agreements with the owners of particular notes or bonds pledging any particular revenues or assets to the payment thereof.

Debt Service Reserve Fund

The Debt Service Reserve Fund Requirement for the 2008 Series B Bonds will be, as of any date of calculation, an amount equal to (a) the sum of (i) two-thirds of the maximum principal and interest payment due for any period of twelve consecutive calendar months on Loans Related to the 2008 Series B Bonds that are insured or guaranteed by the United States of America and any agency or instrumentality thereof and (ii) the maximum principal and interest payment due for any period of twelve consecutive calendar months on Loans Related to the 2008 Series B Bonds that are not insured or guaranteed by the United States of America and any agency or instrumentality thereof, less (b) the aggregate amount in the subaccounts of the Debt Service Reserve Fund for all other Series of Bonds in excess of the aggregate Debt Service Reserve Fund Requirements for all such other Series of Bonds. In connection with the issuance of the 2008 Series B Bonds, legally available funds of the Authority will be deposited to the Debt Service Reserve Fund in an amount equal to \$3,660,000, and this amount together with other amounts already on deposit under the Master Indenture will be used to satisfy the Debt Service Reserve Fund Requirement for the 2008 Series B Bonds. See "Part I – PLAN OF FINANCE – Sources and Uses of Funds." **No proceeds of the 2008 Series B Bonds will be deposited to the Debt Service Reserve Fund.**

2008B Float Investment Agreement

Amounts in the 2008 Series B subaccounts of the Debt Service Fund, the Revenue Fund, and the Redemption Fund will be invested in an investment agreement (the "**2008B Float Investment Agreement**") between the Trustee and Natixis Funding Corp. (the "**2008B Investment Provider**"), subject to certain limitations set forth in the 2008B Float Investment Agreement, at an annual interest rate equal to 4.712% per annum, through May 1, 2052 or such earlier date on which the 2008 Series B Bonds are no longer outstanding. The obligations of the 2008B Investment Provider under the 2008B Float Investment Agreement are guaranteed by NATIXIS, a limited liability company with executive and supervisory boards (société anonyme à directoire et conseil de surveillance) governed by French law. The 2008B Investment Provider is a subsidiary of NATIXIS. The assumptions made by the Authority as to projected cashflows include the assumption that the investment rate provided by the 2008B Float Investment Agreement will be available as described. However, in the event that the 2008B Float Investment Agreement is terminated as a result of default by the 2008B Investment Provider or for any other reason, it may not be possible to reinvest such deposits at this assumed rate and the cashflows may be adversely affected. *Neither the Authority nor the Underwriter makes any representation about the financial condition or creditworthiness of the 2008B Investment Provider. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the 2008B Investment Provider.*

In connection with the prior issuance of Multi-Family/Project Bonds outstanding under the Master Indenture, the Authority has invested certain amounts in Series subaccounts of Funds related to such Obligations in investment agreements with the investment providers and at the rates set forth in the following table:

Outstanding Investment Agreements

<u>Series</u>	<u>Funds Invested (in related Series subaccounts)</u>	<u>Investment Provider(1)</u>	<u>Rate</u>	<u>Termination Date</u>
2000A	Revenue Fund; Redemption Fund	FGIC Capital Market Services, Inc.	6.00%	10/1/2032
2000B	Revenue Fund; Redemption Fund	CDC Funding Corp.	6.26%	4/1/2042
2001A	Revenue Fund; Redemption Fund	CDC Funding Corp.	5.26%	4/1/2043
2002A	Revenue Fund; Redemption Fund; Debt Service Reserve Fund	CDC Funding Corp.	5.50%	10/1/2042
2002C	Debt Service Reserve Fund	CDC Funding Corp.	4.89%	10/1/2042
2002C	Revenue Fund; Redemption Fund	CDC Funding Corp.	4.26%	10/1/2042
2004A	Revenue Fund; Redemption Fund	Transamerica Occidental Life Insurance Company	4.05%	10/1/2045
2004A	Debt Service Reserve Fund	Transamerica Occidental Life Insurance Company	4.50%	4/1/2045
2005A	Revenue Fund; Redemption Fund	AIG Matched Funding Corp.	4.01%	4/1/2040
2005A	Debt Service Reserve Fund	AIG Matched Funding Corp.	4.95%	4/1/2040
2005B	Revenue Fund; Redemption Fund	Transamerica Occidental Life Insurance Company	4.00%	10/1/2040
2006A	Revenue Fund; Redemption Fund	DEPFA BANK plc	4.20%	10/1/2041
2006B	Revenue Fund; Redemption Fund	MBIA Inc.	4.46%	10/1/2044 (2)
2007B	Acquisition Account	Royal Bank of Canada	5.23%	8/1/2008
2007B	Revenue Fund; Redemption Fund	Natixis Funding Corp.	4.71%/ one month LIBOR minus 10 bps	10/1/2038
2007B	Debt Service Reserve Fund	Natixis Funding Corp.	5.52%	10/1/2038
2008A	Acquisition Account	Transamerica Life Insurance Company	2.60%	12/1/2008
2008A	Revenue Fund; Redemption Fund	Natixis Funding Corp.	3.61%/ one month LIBOR minus 10 bps	4/1/2043
2008A	Debt Service Reserve Fund	Natixis Funding Corp.	4.33%	4/1/2043

- (1) Neither the Authority nor the Underwriter makes any representation about the financial condition or creditworthiness of the investment providers listed in this chart. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the Investment Providers. See "Part II – SECURITY FOR THE OBLIGATIONS."
- (2) This Investment Agreement relates to the 2006 Series B Bonds to be refunded as part of the Refunding Project and will be terminated in connection with the refunding.

In accordance with the terms of the Master Indenture, the Authority has also from time to time instructed the Trustee to invest certain moneys held by the Trustee in Funds and Accounts relating to prior Obligations in permitted Investment Securities. Information about such investments is available in filings

with national repositories that the Authority is contractually obligated to make annually in connection with certain outstanding Bonds under the Master Indenture. See "Part I – INTRODUCTION – Availability of Continuing Information."

The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the 2008B Float Investment Agreement and by the investment agreements on the preceding table will be available as described. However, in the event that the 2008B Float Investment Agreement or any investment agreement shown on the preceding table is terminated as a result of default by the respective investment provider or for any other reason, it may not be possible to reinvest such proceeds and deposits at these assumed rates and the cashflows may be adversely affected. *Neither the Authority nor the Underwriter makes any representation about the financial condition or creditworthiness of the 2008B Investment Provider, or any of the other investment providers shown on the preceding table. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the 2008B Investment Provider, as well as such other investment providers shown in the preceding table.*

2008B Derivative Products

In connection with the issuance of the Refunded Bonds, the Authority entered into certain interest rate swap agreements (formerly referred to as the "**2006B Derivative Products**" and the "**2007A Derivative Products**" and, for purposes of this Official Statement, being referred to collectively as the "**2008B Derivative Products**") with Lehman Brothers Derivative Products, Inc. (the "**2008B Counterparty**"). The 2008B Derivative Products will be modified to reallocate the payments by the 2008B Counterparty to the 2008 Series B Bonds as a result of the refunding of the Refunded Bonds.

Pursuant to the 2008B Derivative Products, the Authority will pay interest to the 2008B Counterparty at a fixed rate and will receive interest from the 2008B Counterparty at a variable rate which will be based on a LIBOR Index. The Authority will assume the risk of a difference in the amount of its actual interest payments on the 2008 Series B Bonds and the amount of such interest payments to be made by the 2008B Counterparty under the 2008B Derivative Products.

The Authority's obligation to make fixed interest payments to the 2008B Counterparty under the 2008B Derivative Products will constitute a Class II Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class II Obligations. The Authority's obligation to make termination payments under the 2008B Derivative Products in the event of early termination is a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations – Derivative Products; Interest Rate Contracts." For information concerning the Derivative Products currently Outstanding under the Master Indenture, see **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Derivative Products." See also "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products" and **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Derivative Products."

TAX MATTERS

IN THE OPINION OF BOND COUNSEL, THE INTEREST ON THE 2008 SERIES B BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TAX CODE. THE 2008 SERIES B BONDS AND THE INCOME THEREFROM ARE FREE FROM TAXATION BY THE STATE OF COLORADO UNDER COLORADO LAWS IN EFFECT AS OF THE DATE OF DELIVERY OF THE 2008 SERIES B BONDS.

Bond Counsel will express no other opinion as to any tax consequences regarding the 2008 Series B Bonds. Owners of the 2008 Series B Bonds should consult with their own tax advisors as to the tax consequences pertaining to the 2008 Series B Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the 2008 Series B Bonds prior to stated maturity, and as to other applications of federal, state, local or foreign tax laws.

Any tax advice concerning the 2008 Series B Bonds, interest on the 2008 Series B Bonds or any other federal income tax issues associated with the 2008 Series B Bonds, express or implicit in the provisions of this Official Statement, is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on any taxpayer by the Internal Revenue Service. This document supports the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

UNDERWRITING

The 2008 Series B Bonds are to be purchased from the Authority by Lehman Brothers Inc. (the "**Underwriter**"). The Underwriter has agreed, subject to certain conditions, to purchase all but not less than all of the 2008 Series B Bonds at a price equal to \$165,565,000 (being the par amount of the 2008 Series B Bonds). The Underwriter will be paid a fee of \$253,983 (plus reimbursement of certain expenses) in connection with the underwriting of the 2008 Series B Bonds. The initial public offering price may be changed from time to time by the Underwriter.

2008B REMARKETING AGENT

General

Lehman Brothers Inc. has initially been appointed to serve as 2008B Remarketing Agent for the 2008 Series B Bonds (the "**2008B Remarketing Agent**") pursuant to the Indenture and a Remarketing Agreement dated as of June 1, 2008 between the Authority and Lehman Brothers Inc. If 2008 Series B Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2008 SERIES B BONDS – Optional Tender and Purchase" and "- Mandatory Purchase," the 2008B Remarketing Agent is required to use its best efforts to remarket such 2008 Series B Bonds in accordance with the terms of the Indenture and the Remarketing Agreement. The 2008B Remarketing Agent will also be responsible for determining the rates of interest for the 2008 Series B Bonds in accordance with the Indenture. The 2008B Remarketing Agent is to transfer any proceeds of remarketing of the 2008 Series B Bonds it receives to the Paying Agent for deposit to the Remarketing Proceeds Subaccount of the Purchase Fund in accordance with the 2008 Series B Indenture.

The 2008B Remarketing Agent may at any time resign and be discharged of its duties and obligations under the Remarketing Agreement upon providing the Authority, the Trustee, the Paying

Agent and the Liquidity Facility Provider with thirty (30) days' prior written notice, except that such resignation shall not take effect until the appointment of a successor remarketing agent. The 2008B Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the 2008B Remarketing Agent, the Trustee, the Paying Agent and the Liquidity Facility Provider and upon at least thirty (30) days' prior written notice to the 2008B Remarketing Agent, except that the Authority shall not remove the 2008B Remarketing Agent until the appointment of a successor remarketing agent. Any successor remarketing agent shall be selected by the Authority and approved by the applicable Liquidity Facility Provider. The 2008B Remarketing Agent shall pay over, deliver and assign any monies and 2008 Series B Bonds held by it in such capacity to its successor.

The 2008B Remarketing Agent is Paid by the Authority

The 2008B Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing the 2008 Series B Bonds that are optionally tendered by the owners thereof, all as further described in this Official Statement. The 2008B Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the 2008B Remarketing Agent may differ from those of existing holders and potential purchasers of 2008 Series B Bonds.

The 2008B Remarketing Agent Routinely Purchases Bonds for its Own Account

The 2008B Remarketing Agent is permitted, but not obligated, to purchase tendered 2008 Series B Bonds for its own account. The 2008B Remarketing Agent, in its sole discretion, routinely acquires tendered 2008 Series B Bonds for its own inventory in order to achieve a successful remarketing of the 2008 Series B Bonds (i.e., because there otherwise are not enough buyers to purchase the 2008 Series B Bonds) or for other reasons. However, the 2008B Remarketing Agent is not obligated to purchase 2008 Series B Bonds, and may cease doing so at any time without notice. The 2008B Remarketing Agent may also make a market in the 2008 Series B Bonds by routinely purchasing and selling 2008 Series B Bonds other than in connection with an optional tender and remarketing. Such purchases and sales may be at or below par. However, the 2008B Remarketing Agent is not required to make a market in the 2008 Series B Bonds. If the 2008B Remarketing Agent purchases 2008 Series B Bonds for its own account, it may offer those 2008 Series B Bonds at a discount to par to some investors. The 2008B Remarketing Agent may also sell any 2008 Series B Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2008 Series B Bonds. The purchase of 2008 Series B Bonds by the 2008B Remarketing Agent may create the appearance that there is greater third party demand for the 2008 Series B Bonds in the market than is actually the case. The practices described above also may reduce the supply of 2008 Series B Bonds that may be tendered in a remarketing.

2008 Series B Bonds may be Offered at Different Prices on any Date

The 2008B Remarketing Agent is required to determine on the rate determination date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2008 Series B Bonds at par plus accrued interest, if any, on the date the rate becomes effective (the "Effective Date"). The interest rate will reflect, among other factors, the level of market demand for the 2008 Series B Bonds (including whether the 2008B Remarketing Agent is willing to purchase 2008 Series B Bonds for its own account). The Remarketing Agreement requires that the 2008B Remarketing Agent use its best efforts to sell tendered 2008 Series B Bonds at par, plus accrued interest. There may or may not be 2008 Series B Bonds tendered and remarketed on a rate determination date or an Effective Date, the 2008B Remarketing Agent may or may not be able to remarket any 2008 Series B Bonds tendered for purchase on such date at par and the 2008B Remarketing Agent may sell 2008 Series B Bonds at varying prices to different investors on such date or any other date. The 2008B Remarketing Agent is not obligated to

advise purchasers in a remarketing if it does not have third party buyers for all of the 2008 Series B Bonds at the remarketing price.

The Ability to Sell the 2008 Series B Bonds other than through Tender Process may be Limited

While the 2008B Remarketing Agent may buy and sell 2008 Series B Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the 2008 Series B Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008 Series B Bonds other than by tendering the 2008 Series B Bonds in accordance with the tender process.

FORWARD-LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," "project," "budget," "plan" and similar expressions identify forward-looking statements.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH 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. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LITIGATION

At the time of the delivery of and payment for the 2008 Series B Bonds, the Authority will deliver an opinion of its General Counsel, Charles L. Borgman, Esq., to the effect that no litigation before any court is pending or, to his knowledge, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the 2008 Series B Bonds, or which would materially adversely affect the financial condition of the Authority, or in any way contesting or affecting the validity or enforceability of the 2008 Series B Bonds, the Indenture or the contract for the purchase of the 2008 Series B Bonds.

RATINGS

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("**S&P**"), are expected to give the 2008 Series B Bonds ratings of "Aa2/VMIG 1" and "AA/A-1+," respectively, based (in the case of the short-term ratings) on the delivery of the Initial 2008B Liquidity Facility by the 2008B Liquidity Facility Provider. Such ratings reflect only the views of Moody's and S&P, respectively, and are not a recommendation to buy, sell or hold the 2008 Series B Bonds. An explanation of the significance of the ratings given by Moody's and S&P, respectively, may be obtained from Moody's and S&P, respectively. Generally, a rating agency bases its rating on the information and materials furnished it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if

circumstances so warrant. Neither the Authority nor the 2008B Remarketing Agent has undertaken to provide notice of any change in these ratings of the 2008 Series B Bonds. Any such downward revision or withdrawal of any such rating may have an adverse effect on the marketability or price of the 2008 Series B Bonds.

LEGAL MATTERS

In connection with the issuance and sale of the 2008 Series B Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion included as **Appendix E** hereto. Hogan & Hartson LLP will pass upon certain legal matters relating to the 2008 Series B Bonds as Disclosure Counsel to the Authority. Certain legal matters relating to the 2008 Series B Bonds will be passed upon for the Authority by Charles L. Borgman, Esq., its General Counsel. Bookhardt & O'Toole will pass upon certain matters for the Underwriter. Certain legal matters will be passed upon for the 2008B Liquidity Facility Provider by its assistant general counsel, Tad M. Kramar, Esq.

Neither Sherman & Howard L.L.C., Hogan & Hartson LLP nor Bookhardt & O'Toole have participated in any independent verification of the information concerning the financial condition or capabilities of the Authority contained in this Official Statement.

CONTINUING DISCLOSURE UNDERTAKINGS

In connection with the 2006B Loan (Fort Carson Project), the Fort Carson Borrower agreed to provide to the Authority, and in connection with its issuance of the 2008 Series B Bonds, the Authority will agree to file annually to the extent received from the Fort Carson Borrower, certain annual financial information relating to the Fort Carson Borrower, the 2006B Loan (Fort Carson Project) and the Fort Carson Project. The Fort Carson Borrower has also agreed to provide certain audited financial statements, which the Authority will agree to file annually to the extent so received. The forms of such Continuing Disclosure Undertakings are attached as **Appendix M** hereto.

In connection with the 2007A Loan (Air Force Academy Project), the Air Force Academy Borrower agreed to provide to the Authority, and in connection with its issuance of the 2008 Series B Bonds, the Authority will agree to file annually to the extent received from the Air Force Academy Borrower, certain annual financial information relating to the Air Force Academy Borrower, the 2007A Loan (Air Force Academy Project) and the Air Force Academy Project. The Air Force Academy Borrower has also agreed to provide certain audited financial statements, which the Authority will agree to file annually to the extent so received. The forms of such Continuing Disclosure Undertakings are attached as **Appendix M** hereto.

CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as the Underwriter and the initial 2008B Remarketing Agent of the 2008 Series B Bonds. An affiliate of Lehman Brothers Inc. is acting as a counterparty to the Authority under the 2008B Derivative Products and various affiliates have also acted as counterparties to the Authority under certain of the Outstanding Master Indenture Derivative Products described in **Appendix B**. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2008B Derivative Products." Federal Home Loan Bank of Topeka, which will act as the 2008B Liquidity Facility Provider, is also one of the financial institutions which provides a line of credit to the Authority, as described in "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations – Other Borrowings."

(End of Part I)

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PART II

COLORADO HOUSING AND FINANCE AUTHORITY

Background

In 1973, upon a finding that there existed in the State a shortage of decent, safe and sanitary housing available within the financial capabilities of low and moderate income families, the Colorado General Assembly established the Colorado Housing Finance Authority, since renamed the Colorado Housing and Finance Authority, as a body corporate and a political subdivision of the State for the purpose of increasing the supply of decent, safe and sanitary housing for such families. The Act authorizes the Authority, among other things, to make loans to individuals and sponsors to finance the construction, reconstruction, rehabilitation or purchase of housing facilities for low and moderate income families and to purchase mortgage loans from, and lend moneys to, qualified Mortgage Lenders under terms and conditions which provide for loans to finance housing facilities for low and moderate income families. The Act was amended in 1982 to authorize the Authority to finance project and working capital loans to commercial and industrial enterprises of small and moderate size. The Act was amended again in 1987 to create an economic development fund to enable the Authority to finance projects or provide capital for business purposes.

In order to achieve its authorized purposes, the Authority currently operates Qualified and Non-Qualified Single Family Mortgage Programs, a Rental Acquisition Program and various rental and business finance programs. See "Programs To Date" under this caption. The Act authorizes the Authority to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes as set forth in the Act. Bonds or notes issued with respect to such programs are and will be separately secured from other bonds of the Authority, including the Bonds, except as described in "Part II – SECURITY FOR THE OBLIGATIONS."

Board of Directors and Staff Officers

The Board of Directors of the Authority consists of the Colorado State Auditor, a member of the Colorado General Assembly appointed jointly by the Speaker of the House and the Majority Leader in the Senate, an executive director of a principal department of State government appointed by the Governor of Colorado and eight public members appointed by the Governor with the consent of the Senate. Members of the Board of Directors continue to serve after the end of their respective terms until a successor has been duly appointed and confirmed. The present members of the Board of Directors of the Authority are as follows:

Present Board of Directors of the Authority

<u>Name</u>	<u>Affiliation</u>	<u>End of Term</u>
Joel S. Rosenstein, Esq. Chair (1)	Attorney, Senn, Lewis & Visciano; Denver, Colorado	July 1, 2009
Eric C. Moore Chair, <u>pro tem</u> (1)	Chief Information Officer, Arapahoe Douglas Mental Health Network; Denver, Colorado	July 1, 2009
Sally W. Symanski Secretary/Treasurer (1)	Colorado State Auditor; Denver, Colorado	Standing
Sam Betters	Executive Director; Housing Authority of the City of Loveland; Loveland, Colorado	July 1, 2011
John Blumberg	Co-Founder and Principal, Black Creek Capital LLC; Denver, Colorado	July 1, 2009
Michele Dressel	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	July 1, 2009
Joseph A. Garcia	President, Colorado State University – Pueblo; Pueblo, Colorado	July 1, 2009
Roxanne M. Huber	Executive Director, Colorado Department of Revenue; Denver, Colorado	At the pleasure of the Governor
Kevin Marchman	Executive Director, National Organization of African Americans in Housing; Denver, Colorado	July 1, 2011
Rosemary Marshall	State Representative; Denver, Colorado	End of legislative biennium 2007-2008
Mark O'Connor	Senior Vice President, First Bank Holding Company, Lakewood, Colorado	July 1, 2011

(1) These Board members were elected to their respective offices effective March 27, 2008.

The principal staff officers of the Authority are as follows:

Milroy A. Alexander, **Executive Director**, joined the staff in October 1988. Mr. Alexander is a graduate of Metropolitan State College, Denver, Colorado, with a Bachelor's Degree in Accounting. Prior to assuming the responsibilities of Executive Director on January 1, 2001, Mr. Alexander served as the Authority's Director of Finance. Mr. Alexander was previously a financial manager with a major Colorado manufacturer and a senior manager with Touche Ross, a big eight international accounting and consulting firm. Mr. Alexander is a member of the Colorado Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Cris A. White, **Chief Operating Officer** since February 2002, joined the staff in 1988 and served in various capacities until January 1996. He rejoined the staff in September of 1996 as the Director of

Asset Management, after serving in the interim as a business development executive with an international equipment and real estate mortgage lender. On February 1, 2001, Mr. White was appointed Deputy Executive Director for Asset Management and Business Support Services and served until his present appointment. He also continued to serve as Director of Asset Management until December 10, 2001. Mr. White has a Bachelor's Degree in Business Administration from Regis College.

Thomas Hemmings, Chief Financial Officer, joined the staff in October 2003. Prior to joining the Authority, Mr. Hemmings served as chief financial officer for a \$650 million commercial bank located in Alabama. Mr. Hemmings has over seventeen years experience in banking and financial services, with over 10 of those years at the chief financial officer level. Mr. Hemmings is a graduate of the University of Colorado and is a Certified Public Accountant.

Charles L. Borgman, General Counsel, joined the staff in September 2004 and assumed the position of General Counsel on December 1, 2004. Mr. Borgman is a graduate of the University of Iowa and the University of Iowa College of Law and has over 30 years experience in private practice and as in-house counsel in the areas of real estate, mortgage finance, commercial transactions, title insurance, banking and work-outs. Immediately prior to joining the Authority, Mr. Borgman was Vice President and Regional Counsel for North American Title Company, a part of Lennar Corporation.

John Dolton, Head of Corporate Debt and Investment Management, joined the staff in August 1990. Prior to assuming this newly created position in 2003, Mr. Dolton served as Director of Finance/CFO (January 2001 – July 2003) and as the Manager of Treasury Operations (September 1994 – December 2000). Before joining the Authority, Mr. Dolton was an analyst for a financial planning and investment management firm. Mr. Dolton has a Bachelor's Degree in Finance from the University of Colorado and holds the Chartered Financial Analyst designation.

Steven R. Felten, Controller, joined the staff in January 2005. Prior to joining the Authority, Mr. Felten served as finance director of the City of Boulder, Colorado. Mr. Felten has also served in various financial roles in the commercial banking sector, including more than ten years as controller. Mr. Felten is a graduate of the University of Mississippi and is a Certified Public Accountant. Mr. Felten has announced his resignation as of June 30, 2008 and the Authority has a search under way for a new Controller.

Jaime Gomez, Director of Commercial Lending, joined the staff in August 1999. Prior to his current position, Mr. Gomez served as the Director of Business Finance. A corporate reorganization in July 2003 merged the Authority's Business Finance and Rental Finance Divisions, forming the Commercial Lending Division. Mr. Gomez is a graduate of the University of Colorado with a degree in Finance. Mr. Gomez has prior experience working in both the public and private sector, including five-and-a-half years as director of finance and business development for the Colorado Office of Economic Development. Mr. Gomez was also designated as a certified bank examiner by the Federal Reserve Board of Governors in February of 1991.

Karen Harkin was appointed as **Director of Home Finance** in February 2001. Ms. Harkin joined the staff in June, 1999. Ms. Harkin received a Bachelor of Science degree from the University of Wisconsin-Madison and a Masters Degree in Business Administration from the University of Dubuque, Iowa. Ms. Harkin has fifteen years experience in various capacities in public, private and non-profit real estate lending and development.

D. Brian Miller was appointed as **Director of Asset Management** in October 2003. Prior to his current position, Mr. Miller served as the Manager of Multifamily Loan Compliance Department, as well as various other positions within the Asset Management Division since joining the Authority in August

1998. Mr. Miller has over fifteen years experience in financial services and asset management. Mr. Miller is a graduate of the University of Northern Colorado with a Bachelor's Degree in Finance.

Rachel Basye, **Director of Marketing and Strategic Development**, joined the business finance division of the Authority in 1994. Ms. Basye moved to the Authority's planning and development division in 1995 which, in 2003, was expanded to include marketing and community relations activities in addition to strategic planning and program development/evaluation. Ms. Basye is a graduate of the University of Colorado at Boulder with a Bachelor's Degree in International Affairs and German. She earned her Masters Degree in Public Administration from the University of Colorado at Denver.

Rodney D. Hardin joined the staff as **Director of Information Technology** in January 2005. Prior to joining the Authority, Mr. Hardin served as SVP/CIO at Pulte Mortgage LLC for 11 years. He also served as SVP/MIS Manager at North American Mortgage for five years. He is past Chairman of the MBA Residential Technology Steering Committee. His education includes a Bachelor's Degree in Business Administration from Sonoma State University in Rohnert Park, California and a Masters Degree in Business Administration from Regis University in Denver, Colorado.

Laurie O'Brien, **Director of Loan Servicing**, joined the staff in February 2006. Prior to joining the Authority, Ms. O'Brien previously worked for several large mortgage companies in the northeastern United States and was most recently employed by Fidelity Financial Services for the past 13 years. She graduated from Medialle College in Buffalo, NY, with a Bachelor of Science Degree in Human Resource Development. Ms. O'Brien has been in loan servicing for over 22 years.

Deborah Herrera, **Director of Human Resources**, originally joined the Authority in October 2001 as a senior level Human Resources Generalist and rejoined the Authority in September 2006 as the Director. She has ten years of human resources experience, during four of which she served in a management capacity in the financial/mortgage industry. Prior to rejoining the Authority, Mrs. Herrera was a Human Resources Director for an information and analytics company serving the mortgage and finance industry. Mrs. Herrera received a Bachelor of Arts in Psychology and a Masters in Human Resources Management from the University of North Florida.

Employees and Pension Information

As of December 31, 2007, the Authority had approximately 175 full-time employees, all of whom are members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute eleven percent (11%) of each participating employee's gross salary to PERA in 2006. In 2007, the Authority's PERA contribution totaled approximately \$1,113,000, compared to an Authority contribution in 2006 of \$986,000. See footnote (11) of the audited 2007 financial statements attached as **Appendix A** hereto for further information.

Insurance Coverage

The Authority has general liability, errors and omission and employee dishonesty insurance coverage.

Selected Financial Information

The following is a brief summary of historical selected financial information for the Authority. The audited 2007 financial statements of the Authority included in **Appendix A** to this Official Statement also provide certain financial information about the Authority on a fund accounting basis, including a description of its General Fund. This information has been included solely for purposes of providing a general overview for potential purchasers of the financial status of the Authority given that the Authority operates the programs which result in the Loans securing Bonds and Derivative Products under the

Master Indenture and also services such Loans. The Bonds and Derivative Products are limited obligations of the Authority secured by and payable from the Trust Estate, except in the limited case of those Bonds and Derivative Products designated as general obligations of the Authority. See "Obligations of the Authority" and "The General Fund" under this caption. *The overall financial status of the Authority does not indicate and will not necessarily affect whether amounts will be available in the Trust Estate to pay principal and interest on Bonds when due.*

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Colorado Housing and Finance Authority
Statement of Net Assets

December 31, 2007

(with summarized financial information for December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
Assets						
Current assets:						
Cash	\$ 30,955	\$ -	\$ -	\$ -	\$ 30,955	\$ 26,365
Investments	61,020	270,673	169,370	-	501,063	490,846
Loans receivable	8,719	60,406	27,759	(717)	96,167	83,091
Accrued interest receivable	3,612	12,898	7,753	(211)	24,052	20,211
Deferred debt financing costs, net	18	642	271	-	931	882
Other assets	4,454	-	-	-	4,454	3,885
Due to (from) other funds	(23,800)	17,724	6,076	-	-	-
Total current assets	84,978	362,343	211,229	(928)	657,622	625,280
Noncurrent assets:						
Investments	4,426	39,567	37,320	-	81,313	185,265
Loans receivable, net	252,847	1,751,765	805,023	(20,791)	2,788,844	2,409,656
Capital assets - non-depreciable	7,016	-	-	-	7,016	8,545
Capital assets - depreciable, net	25,707	-	-	-	25,707	32,638
Other real estate owned, net	20	1,626	451	-	2,097	1,923
Deferred debt financing costs, net	331	11,553	4,883	-	16,767	15,882
Other assets	17,619	-	-	-	17,619	14,486
Total noncurrent assets	307,966	1,804,511	847,677	(20,791)	2,939,363	2,668,395
Total assets	\$ 392,944	\$ 2,166,854	\$ 1,058,906	\$ (21,719)	\$ 3,596,985	\$ 3,293,675
Liabilities						
Current liabilities:						
Short-term debt	\$ 64,545	\$ -	\$ -	\$ -	\$ 64,545	\$ 8,200
Bonds payable, current portion	120	4,627	8,768	-	13,515	167,782
Notes payable, current portion	3,956	-	-	-	3,956	108
Accrued interest payable	1,220	17,704	13,373	(211)	32,086	26,360
Federally assisted program advances	708	-	-	-	708	899
Accounts payable and other liabilities	21,114	596	531	-	22,241	18,893
Total current liabilities	91,663	22,927	22,672	(211)	137,051	222,242
Noncurrent liabilities:						
Bonds payable, net	111,815	2,067,027	985,181	-	3,164,023	2,794,178
Notes payable	22,594	-	-	(21,508)	1,086	5,855
Other liabilities	9,456	2,229	776	-	12,461	10,355
Total noncurrent liabilities	143,865	2,069,256	985,957	(21,508)	3,177,570	2,810,388
Total liabilities	235,528	2,092,183	1,008,629	(21,719)	3,314,621	3,032,630
Net assets						
Invested in capital assets, net of related debt	11,215	-	-	-	11,215	9,134
Restricted by bond indentures	-	74,671	50,277	-	124,948	114,920
Unrestricted	146,201	-	-	-	146,201	136,991
Total net assets	157,416	74,671	50,277	-	282,364	261,045
Total liabilities and net assets	\$ 392,944	\$ 2,166,854	\$ 1,058,906	\$ (21,719)	\$ 3,596,985	\$ 3,293,675

The accompanying notes are an integral part of these statements

Colorado Housing and Finance Authority
Statement of Revenues, Expenses and Changes in Net Assets

For the year ended December 31, 2007

(with summarized financial information for the year ended December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
Operating revenues:						
Interest on loans receivable	\$ 12,900	\$ 88,926	\$ 47,647	\$ (1,900)	\$ 147,573	\$ 121,839
Investment income	3,420	14,602	9,705	-	27,727	34,384
Net increase (decrease) in the fair value of investments	(66)	1,371	940	-	2,245	(2,468)
Rental income	10,882	-	-	-	10,882	11,638
Loan servicing income	9,547	-	-	-	9,547	8,543
Section 8 administration fees	4,561	-	-	-	4,561	4,622
Other revenues	3,448	69	-	-	3,517	2,284
Total operating revenues	44,692	104,968	58,292	(1,900)	206,052	180,842
Operating expenses:						
Interest on debt	9,719	95,872	51,715	(1,900)	155,406	134,364
Salaries and related benefits	14,341	-	-	-	14,341	12,721
General operating	15,635	652	548	-	16,835	15,426
Other interest expense	1,588	-	-	-	1,588	1,845
Depreciation	2,722	-	-	-	2,722	2,651
Provision for losses	(300)	1,500	(700)	-	500	(4,357)
Total operating expenses	43,705	98,024	51,563	(1,900)	191,392	162,650
Total operating income	987	6,944	6,729	-	14,660	18,192
Nonoperating revenues and expenses:						
Federal grant receipts	97,100	-	-	-	97,100	95,061
Federal grant payments	(97,100)	-	-	-	(97,100)	(95,061)
Gains on sales of capital assets	6,659	-	-	-	6,659	-
Total nonoperating revenues, net	6,659	-	-	-	6,659	-
Income before transfers	7,646	6,944	6,729	-	21,319	18,192
Transfers from (to) other funds	3,645	245	(3,890)	-	-	-
Change in net assets	11,291	7,189	2,839	-	21,319	18,192
Net assets:						
Beginning of year	146,125	67,482	47,438	-	261,045	242,853
End of year	\$ 157,416	\$ 74,671	\$ 50,277	\$ -	\$ 282,364	\$ 261,045

The accompanying notes are an integral part of these statements

The General Fund

Generally

CERTAIN OBLIGATIONS UNDER THE MASTER INDENTURE HAVE BEEN OR MAY IN THE FUTURE BE DESIGNATED AS GENERAL OBLIGATIONS OF THE AUTHORITY. SEE "PART II – SECURITY FOR THE OBLIGATIONS" AND **APPENDIX B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS." THE FOLLOWING INFORMATION REGARDING THE AUTHORITY'S GENERAL FUND IS PROVIDED ONLY IN CONNECTION WITH OBLIGATIONS WHICH HAVE BEEN OR ARE IN THE FUTURE SO DESIGNATED.

The General Fund is funded principally from reimbursement of administrative expenses and other allowable transfers from other funds (including the transfer of assets in excess of specified parity levels from other bond issues); loan fees payable to the Authority by borrowers; servicing fees payable to the Authority in connection with outstanding loans, income from the Authority's Rental Acquisition Program; income on investments and mortgage loans held temporarily (for warehousing purposes) and permanently in the General Fund; and administrative fees payable by the federal government in connection with the Section 8 housing assistance payments program. Uses of amounts in the General Fund include payment of general and other administrative expenses and payment of costs relating to those activities deemed necessary to fulfill the Authority's corporate purposes and not payable from other funds of the Authority. The General Fund itself is not subject to any pledge created under the Master Indenture.

The Authority Board, in its discretion, has historically from time to time designated portions of the General Fund balance to particular purposes, and may do so in the future, which may affect the availability of the General Fund for payments in connection with any Bonds or Derivative Products which have been designated as general obligations. The designations have been or may be for particular uses by means of annual appropriations to certain programs, the establishment of reserves in limited situations and the imposition of restrictions on the fund balance. Designations by the Authority's Board using each of these means may also be redesignated at any time in the Board's discretion. The Authority Board also annually restricts the fund balance of the General Fund (net of amounts previously appropriated or restricted for various funds, debt service reserves, or operating reserves) for the benefit of the holders of certain bonds of the Authority in the event that no other moneys are legally available for debt service payments. As long as the Authority is not in default under the related indenture or resolution for such bonds, the Board may withdraw such restricted amounts at any time.

Financial Information for the General Fund

The following table sets forth historical selected financial information for the General Fund for the five years ended December 31, 2007 as provided by the Authority.

Colorado Housing and Finance Authority
General Fund
Selected Financial Information
Years Ended December 31
(000s)

	<u>FY</u> <u>2007</u>	<u>FY</u> <u>2006</u>	<u>FY</u> <u>2005</u>	<u>FY</u> <u>2004</u>	<u>FY</u> <u>2003</u>
Interest and investment revenue:					
Loans receivable	\$12,900	\$12,449	\$11,241	\$10,454	\$10,094
Investments	3,420	3,061	2,016	1,744	1,955
Net increase (decrease) fair value of long-term investments	<u>(66)</u>	<u>(137)</u>	<u>441</u>	<u>(392)</u>	<u>(570)</u>
Total interest and investment revenue	16,254	15,373	13,698	11,806	11,479
Interest expense - bonds and notes payable	<u>9,719</u>	<u>9,663</u>	<u>7,681</u>	<u>5,799</u>	<u>5,345</u>
Net interest and investment revenue	6,535	5,710	6,017	6,007	6,134
Other revenue (expense):					
Rental operations	10,882	11,638	10,902	10,279	9,549
Fees and miscellaneous income	17,556	15,449	14,097	12,771	14,350
Gain on sales of capital assets	6,659	--	--	--	--
Program fees	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,665</u>
Total other revenue	<u>35,097</u>	<u>27,087</u>	<u>24,999</u>	<u>23,050</u>	<u>28,564</u>
Net revenue	41,632	32,797	34,952	29,057	34,698
Other expenses:					
Salaries and related benefits	14,341	12,721	11,322	10,668	11,545
General operating ⁽¹⁾	15,635	14,732	14,724	13,462	13,651
Provision for losses	(300)	(1,050)	870	(816)	133
Other interest expense	1,588	1,845	1,848	1,326	1,260
Transfers	(3,645)	(6,179)	(13,192)	(3,432)	(2,865)
Depreciation	<u>2,722</u>	<u>2,651</u>	<u>2,679</u>	<u>2,574</u>	<u>2,745</u>
Total other expense	<u>30,341</u>	<u>24,720</u>	<u>18,251</u>	<u>23,782</u>	<u>26,469</u>
Change in net assets	<u>\$ 11,291</u>	<u>\$ 8,077</u>	<u>\$ 12,765</u>	<u>\$ 5,275</u>	<u>\$ 8,229</u>
Net Assets, end of year	<u>\$157,416</u>	<u>\$146,125</u> ⁽²⁾	<u>\$149,244</u>	<u>\$136,479</u>	<u>\$131,204</u>
Bonds and Notes Payable	<u>\$203,030</u>	<u>\$152,455</u>	<u>\$253,738</u>	<u>\$212,798</u>	<u>\$162,623</u>
Total Assets	<u>\$392,944</u>	<u>\$327,534</u>	<u>\$428,627</u>	<u>\$359,139</u>	<u>\$305,912</u>

(1) The Authority's general operating expenses increased between 2002 and 2003 as a result of a rise in loan payoffs (prepayments) which increased the amortization of certain deferred expenses included in general operating expenses, such as service release premiums. Further information is available in the Authority's audited 2007 financial statements included in this Official Statement as **Appendix A**.

(2) The net assets shown as of December 31, 2006 reflect the restatement of net assets as of December 31, 2005. During 2006, it was determined that interfund receivables and payables arising in prior years represented amounts transferred between the various funds but not reflected as such. As a result, net assets as of December 31, 2005 were reduced by \$11,196,000.

Sources: Derived based on the audited financial statements of the Authority for years ended December 31, 2003-2007.

Authority Policy Regarding Swaps

The Master Indenture permits the Authority to enter into "Derivative Products," which include interest rate exchange or swap contracts, cash flow exchange contracts, forward swaps, interest rate floors, caps or collars and other derivative products. See **Appendix B** and "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products." Under the master indenture relating to its single family revenue bonds, the Authority is also permitted to enter, and has entered into, certain derivative obligations which are described in footnote (7) of the audited 2007 financial statements of the Authority attached in **Appendix A**. The Board of the Authority has adopted a Bond Issuance Policy, which it amends from time to time and, among other things, establishes parameters for swap agreements which may be authorized from time to time by resolution of the Board in connection with the issuance of bonds by the Authority (including Bonds under the Master Indenture). On an annual basis, the Authority staff is to provide a report to the Board regarding all outstanding swap agreements. The Board may change its Bond Issuance Policy at any time and from time to time at its sole discretion, including an expansion of the Bond Issuance Policy to permit derivative products other than swap agreements. Any changes to the Bond Issuance Policy may impact future swap agreements or other Derivative Products authorized in connection with Bonds under the Master Indenture. The Authority routinely engages a consultant to evaluate the terms of any proposed swap agreement and determine whether the base price for such swap agreement with these terms is fair in the current market environment.

Programs to Date

The following is a brief summary of the programs currently operated by the Authority. This summary has been included solely for purposes of providing information about the Authority's activities to assist a potential investor in evaluating the Authority and its programs. **Except as otherwise described herein, the loans referred to below are not pledged in any way as security for the Bonds. See "Part II – SECURITY FOR THE OBLIGATIONS."** See also "Obligations of the Authority" under this caption.

Commercial Loan Programs

Rental Finance Programs. The Commercial Lending Division of the Authority encompasses the business finance programs (described below) as well as the rental finance programs under which the Authority makes mortgage loans to qualified sponsors of low and moderate income multi-family housing within Colorado. As part of its rental finance activities, the Authority makes mortgage loans insured by an agency or instrumentality of the United States. The insured rental loans made by the Authority must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured rental loans made to date have been insured by the Federal Housing Administration ("**FHA**") under Sections 221(d)(3), 221(d)4 and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. These insured rental loans have been funded by the Authority as described in "Obligations of the Authority – Commercial Loan Programs" under this caption. In the case of a Section 542(c) claim, the Authority is responsible to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such claim. See "Obligations of the Authority – General Obligations – Loans Backed by Authority General Obligation" under this caption. For certain information regarding the Authority's outstanding insured rental loans, see footnote (3) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix A**.

The Authority also makes uninsured rental loans to §501(c)(3) nonprofit corporations and public housing authorities as well as to for-profit developers. Certain of these uninsured rental loans have been

made as a part of the Authority's Small Affordable Rental Transactions Program (the "**SMART Program**") in principal amounts under \$5 million (or in such greater amounts as approved from time to time pursuant to the delegated authority policy of the Authority as approved or amended from time to time by the Board). In addition to long-term rental loans under the SMART Program, the Authority also makes uninsured rental loans that provide interim financing for acquisition and/or rehabilitation of the acquired property. These loans, referred to as bridge loans, are generally less than two years in term, are secured by a first deed of trust on the real estate, and have full recourse to the borrower during the term of the bridge loan. In the case of for-profit developers, the loans are both full recourse to the borrower and personally guaranteed by the individual principals during the term of the bridge loan. The Authority has also made the 2006B Loan (Fort Carson Project) to a for-profit developer in support of certain single family rental housing facilities at Fort Carson Army Base in Colorado Springs, Colorado.

Uninsured rental loans have also been made by the Authority using funds from amounts in its General Fund designated as the Housing Opportunity Fund under a program referred to as the "**HOF Program**." Under the HOF Program, the Authority makes fixed interest rate loans to nonprofit and for profit developers in support of rental housing facilities targeted to low income residents. Eligible "low income" residents are defined as persons or families that earn 60% of Area Median Income or less. HOF loan interest rates are set on a sliding scale based on the income levels of the residents served by prospective rental housing facilities. All HOF loans must conform to standard CHFA due diligence processes and underwriting criteria and will be secured by either first or second mortgages on real estate (maximum Loan to Value of 90% for loans to for profit developers and 95% for loans to nonprofit developers). Loan terms on HOF loans may range from 20 to 40 years. HOF loans are generally fully amortizing over their term and do not provide for prepayment restrictions or fees. Balloon payments on HOF loans are permitted under certain circumstances. The Authority has historically acquired the HOF loans from the General Fund into the Trust Estate under the Indenture.

Under another rental finance program, the *Rental Acquisition Program* (the "**RAP Program**"), the Authority acquires and rehabilitates apartment buildings located throughout Colorado for rental to persons and families of low and moderate income. The Authority contracts with private entities to manage such buildings. For certain information concerning the RAP Program and facilities acquired, rehabilitated and operated by the Authority, see footnotes (1) and (4) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix A**. During 2006, the Authority made the decision to sell a majority of the facilities it currently owns under the RAP Program. The facilities are being offered for sale to the local housing authorities where the facilities are located, and, if those parties are not interested in the purchase, the Authority will offer the facilities to for-profit and nonprofit corporations interested in the purchase. The Authority has completed seven sales to date. The Authority has five properties to sell in 2008, four of which are currently under contract. By its sale of these facilities, the Authority has offered valuable assets at a reasonable price to organizations whose mission is the development and preservation of affordable rental housing in Colorado in all but three cases. Those three properties were offered to organizations as described above, but elected not pursue the purchase. Consequently, the Authority will sell three of its properties to parties who will not restrict the affordability of the residents. These sales do not imply that the Authority is discontinuing or closing the RAP program. The Authority intends to seek opportunities to acquire other rental properties in underserved areas within the State of Colorado after the dispositions above have been completed.

Business Finance Programs. The Authority originates uninsured loans as part of certain of its business loan programs, including the CHFA Direct Loan Program, the Non-Profit Real Estate Loan Program, the U.S. Small Business Administration ("**SBA**") 504 Program, the CHFA Rural Loan Program, the RENEW Program and the Business and Industry Loan I ("**B&I I**") Program, described below. These uninsured business loans must meet certain economic development or job creation/retention objectives under the Act and are made to small and moderate-size Colorado businesses to provide long-term, fixed

rate financing for real estate and equipment. The uninsured business loans are secured by a first lien on the assets financed, are made in amounts up to ninety percent (90%) of the lesser of cost or appraised value of the collateral, are fully-amortizing over terms of up to thirty (30) years for real estate loans and seven years for equipment, and generally require guarantees from principals of the business having a twenty percent or greater ownership interest. A guaranty is also required from the operating company if different from the Borrower.

- Under the *CHFA Direct Loan Program*, the Authority provides loans to for-profit businesses to acquire, construct and/or rehabilitate and equip commercial, retail or manufacturing facilities.
- Under the *Non-Profit Real Estate Loan Program*, the Authority provides loans to non-profit organizations to fund real estate acquisition.
- Under the *SBA 504 Program*, the Authority provides loans to for-profit businesses to finance owner-occupied real estate and/or equipment. The Program provides two structures, a direct loan option (where the Authority originates the first mortgage loan which generally finances 50% of the project costs) and a loan participation option (where the Authority purchases up to a 90% participation in a first mortgage loan). An SBA-approved company provides a second mortgage for up to 40% of the total project costs (or \$1.3 million, whichever is less), with the Borrower providing the remaining 10% of the costs.
- Under the *CHFA Rural Program*, the Authority provides loans to rural small for-profit businesses to finance real estate and/or equipment.
- Under the *RENEW Program*, the Authority provides loans to businesses involved in the recycling and waste diversion industries, with funding received from the Colorado Department of Local Affairs.
- Under the *B&I I Program*, the Authority provides loans to for-profit businesses located in rural areas, which loans are supported by the partial guaranty of the Rural Business-Cooperative Services (which guarantees to date have ranged from 55% to 80% of the loan principal amount).

In connection with its *Special Projects financing program*, the Authority has financed business loans to corporations for certain manufacturing and solid waste disposal facility projects. The Authority has also made the 2007A Loan (Air Force Academy Project) to a for-profit borrower to finance a project at the United States Air Force Academy in Colorado Springs, Colorado.

The business loan programs of the Authority also include the QIC, QAL and B&I II secondary market programs described below. Under these programs, the Authority purchases the guaranteed portion of a business loan (the "**participation interest**"), and is thereby able to provide the Borrower with the safety and predictability of a fixed-rate throughout the term of the loan at an attractive interest rate. Additionally, each of these secondary market programs is a source of profit and liquidity for originating lenders.

The *Quality Investment Capital ("QIC") Program* is a secondary market program whereby the Authority purchases the guaranteed portion of loans originated by local lenders and guaranteed by the SBA. Typically, the Authority markets the QIC Program to local lenders and potential borrowers and purchases the participation interest (which is 100% guaranteed by the SBA). Proceeds of these participation interests may be used to fund real estate, equipment, machinery and working capital.

The *Quality Agricultural Loan ("QAL") Program* is a secondary market program whereby the Authority purchases the guaranteed portion of loans originated by local lenders and guaranteed 100% by the United States Farm Service Agency ("FSA"). The Borrowers are involved in the ranching and agricultural industry throughout Colorado. Proceeds of these loans may be used to finance real estate, equipment, and machinery used in farming and ranching operations.

The *Business & Industry II ("B&I II") Program* creates a secondary market for the purchase of the United States Rural Business Service ("RBS") guaranteed portion of qualified loans with funds provided by the Authority. Participating lenders originate loans according to their own credit criteria and RBS requirements. The Program provides fixed-rate financing on the guaranteed portion of RBS loans made to borrowers located in a rural community serviced by RBS guaranteed lenders. The originating lender acts as servicer of the loans for a fee not to exceed one percent (1%) per annum of the outstanding principal balance of the guaranteed portion purchased. Proceeds of the loans may be used to finance real estate, equipment, and machinery. The participation interest is 100% guaranteed by the RBS.

Single Family Mortgage Programs

Under its Single Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings directly to individual borrowers or may purchase such mortgage loans from qualified originating Mortgage Lenders. The Authority presently purchases and originates mortgage loans under its *Qualified Single Family Mortgage Program* and its *Non-Qualified Single Family Mortgage Program*. Under its Qualified Single Family Mortgage Program, the Authority may make mortgage loans to Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. The Authority permits Eligible Borrowers under its Non-Qualified Single Family Mortgage Program to meet certain income limits which are somewhat higher than the limits permitted for the Qualified Single Family Mortgage Program. There is also no limit on prior home ownership or limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-Qualified Single Family Mortgage Program. Proceeds of a mortgage loan under the Non-Qualified Single Family Mortgage Program may also be used under the Authority's refinancing program to refinance existing mortgage loans. In many other respects, the requirements for the Non-Qualified Single Family Mortgage Program are the same as the requirements for the Authority's Qualified Single Family Mortgage Program. For certain information regarding the outstanding mortgage loans acquired under the Single Family Mortgage Programs, see footnote (3) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix A**.

Obligations of the Authority

The following is a summary of certain obligations incurred by the Authority to provide funds for and otherwise operate the Authority and the programs described in "Programs to Date" under this caption. This summary has been included solely for purposes of providing information to assist a potential investor in evaluating the Authority's financial status. See also footnote (6) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix A**.

Commercial Loan Programs

The Authority has financed rental loans with proceeds of its Multifamily Housing Insured Mortgage Revenue Bonds (outstanding as of May 1, 2008 in an aggregate principal amount of \$130,265,000) and, since 2000, has financed rental and business loans and certain guaranteed participation interests with proceeds of its Multi-Family/Project Bonds (referred to as "**Bonds**" in this

Official Statement), which were outstanding as of May 1, 2008 in an aggregate principal amount of \$880,915,000. This outstanding amount includes the Refunded Bonds but does not include the 2008 Series B Bonds described in this Official Statement. See **Appendix B** for further detail about the Bonds. Certain of the Multi-Family/Project Bonds are secured by the full faith and credit of the Authority, as described in "General Obligations – Multi-Family/Project Bonds" under this caption.

Bonds secured by a pledge of loan revenues as well as bonds secured by loan revenues and the general obligation of the Authority have also been privately placed to institutional purchasers by the Authority in order to finance rental loans. See "General Obligations – Privately Placed Bonds" under this caption. The Authority has also issued general obligation housing bonds to finance a rental loan secured by a pledge of loan revenues as well as the full faith and credit of the Authority. See "General Obligations – General Obligation Bonds" under this caption. Projects in the RAP Program have been acquired using a combination of revenue bonds, the Authority's general fund monies, proceeds of general obligation bonds and non-recourse seller carryback financing. See footnote (6) of the audited 2007 financial statements of the Authority attached in **Appendix A** for more information regarding these outstanding bonds and notes. The Authority has also acted as a conduit issuer of bonds supported by letters of credit or other credit facilities. These conduit bonds are payable only with amounts received from the conduit borrower, and are therefore not reported as obligations of the Authority on its financial statements.

Business loans and participation interests have also been financed by the Authority with the proceeds of the general obligation bonds described in "General Obligations – General Obligation Bonds" and privately placed bonds, secured by loan and participation revenues as well as the full faith and credit of the Authority. See "General Obligations – Privately Placed Bonds" under this caption. In connection with its Special Projects financing program, the Authority has acted as a conduit issuer its industrial development revenue bonds to finance certain manufacturing facilities and solid waste disposal facility projects for corporations. These bonds are payable only with amounts received from the conduit borrower and are therefore not reported as obligations of the Authority on its financial statements.

Single Family Mortgage Programs

In connection with its Single Family Mortgage Programs, the Authority has previously issued numerous series of its Single-Family Program Bonds as senior and subordinate bonds, payable from the revenues of pledged mortgage loans and outstanding as of May 1, 2008 in the aggregate principal amount of \$80,165,343. The Authority has also issued its Single Family Mortgage Bonds under a master indenture, payable from the revenues of mortgage loans held thereunder, outstanding as of May 1, 2008 in the aggregate principal amount of \$1,964,350,000. This amount does not include the \$348,955,000 aggregate principal amount of Single Family Mortgage Bonds, 2008 Series A issued by the Authority on June 5, 2008. Subordinate bonds issued as part of the Single-Family Program Bonds and Class III Single Family Mortgage Bonds outstanding under the master indenture are also general obligations of the Authority, as described in "General Obligations – Single-Family Bonds – Subordinate Bonds and Class III Bonds" under this caption. For more detailed information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see www.chfainfo.com and footnote (6) of the audited 2007 financial statements of the Authority attached in **Appendix A**. The Authority has also issued general obligation bonds through private placement in order to finance single family mortgage loans. See "General Obligations – Privately Placed Bonds" under this caption.

Except for bonds specifically identified in Appendix B as Bonds under the Master Indenture, the revenue bonds described above and at the Authority's website are secured separately from and are not on parity with the Bonds and are issued and secured under resolutions or indentures of the Authority other than the Master Indenture.

General Obligations

Many of the bonds and notes issued by the Authority to finance its programs are secured by a pledge of specific revenues, with an additional pledge of its full faith and credit, as described under this caption. Other obligations of the Authority entered in connection with its programs or its operations are not secured by specific revenues or assets other than the Authority's full faith and credit. The bonds, notes and other obligations which are general obligations of the Authority are described below.

Multi-Family/Project Bonds. The Authority has issued Class I Bonds (outstanding as of May 1, 2008 in an aggregate principal amount of \$247,240,000) in order to finance business loans which are payable not only from a senior lien on loan revenues but also as general obligations of the Authority. The Authority has also issued Class II Bonds (outstanding as of May 1, 2008 in the aggregate principal amount of \$23,090,000) and Class III Bonds (outstanding as of May 1, 2008 in an aggregate principal amount of \$56,830,000) in order to finance certain rental and business loans. These Class II Bonds and Class III Bonds are payable from loan revenues on a subordinate lien basis to the Class I Bonds and also as general obligations of the Authority. See **Appendix B** for more information about these Bonds.

Single Family Bonds – Subordinate Bonds and Class III Bonds. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds are payable from mortgage loan revenues on a subordinate lien basis and are also general obligations of the Authority. The aggregate principal amount of such Subordinate Bonds as of May 1, 2008 was \$1,245,000. The Authority has also issued Class III Single Family Mortgage Bonds, the proceeds of which have been used to finance mortgage loans for the Single Family Mortgage Programs. These Class III Bonds, outstanding in the aggregate principal amount of \$88,000,000 as of May 1, 2008, are payable from mortgage loan revenues under the Authority's master indenture and are also general obligations of the Authority.

General Obligation Bonds. The Authority has financed an uninsured rental loan in connection with a housing project in the City and County of Denver using proceeds of its publicly-offered general obligation housing bonds. As of May 1, 2008, such bonds, secured by a general obligation pledge of the Authority and loan revenues, were outstanding in an aggregate principal amount of \$3,110,000. In connection with its Special Projects financing program, the Authority has financed a business loan to the Colorado Municipal League through the public offering of general obligation bonds. As of May 1, 2008, such bonds were outstanding in the aggregate principal amount of \$1,060,000.

Privately Placed Bonds. The Authority has issued general obligation bonds through private placement in order to finance rental loans. As of May 1, 2008, such privately placed bonds were outstanding in an aggregate principal amount of \$27,060,000. The Authority has also funded participation interests and business loans using proceeds of its privately placed bonds, outstanding as of May 1, 2008 in the aggregate principal amount of \$33,667,000. In addition, the Authority has issued general obligation bonds through private placement in order to finance single family mortgage loans. As of May 1, 2008, such privately placed bonds were outstanding in an aggregate principal amount of \$44,448,748.

Loans Backed by Authority General Obligation. The Authority has acquired or originated certain uninsured rental and business loans using proceeds of, and pledged to the repayment of, the Bonds, outstanding as of June 1, 2008 in the aggregate principal amount of \$302,111,426. See **Appendix G-2**. The Authority has pledged its full faith and credit to the payment of a substantial portion of such loans. The Authority has also assumed as a general obligation 50% risk of loss in the mortgage loans originated by the Authority and insured by the FHA under Section 542(c) of the Housing and Community Development Act of 1992, as amended. As of June 1, 2008, such 542(c) mortgage loans were outstanding in the amount of approximately \$288,000,000 million (\$50,000,000 million held under the

General Resolution and securing the Multifamily Housing Insured Mortgage Revenue Bonds, \$237,000,000 million held under the Master Indenture and securing the Bonds, and \$1,000,000 held in the Authority's General Fund). In the case of a §542(c) claim, the Authority is responsible, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after the final settlement of such claim. See "Programs to Date – Commercial Loan Programs – Rental Finance Programs" under this caption. To date, the Authority has incurred risk-sharing liabilities of approximately \$8.4 million as a result of defaults on insured mortgage loans for certain projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with FHA.

Derivative Products: Interest Rate Contracts. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under the Derivative Products relating to the Bonds under the Master Indenture and under the interest rate contracts relating to the Single Family Mortgage Bonds under the related master indenture. See **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Master Indenture Derivative Products." See also "Authority Policy Regarding Swaps" under this caption and footnote (7) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix A**.

Other Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for borrowings from time to time. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of May 1, 2008, \$218,150,000 in borrowings were outstanding under those agreements. See footnote (5) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix A**. The Authority has also borrowed amounts evidenced by Rural Business Cooperative Service Notes (outstanding as of May 1, 2008 in the aggregate principal amount of \$1,158,054), which have been used to finance project or working capital loans or participations therein for small businesses in rural areas. The Authority has pledged its full faith and credit to the payment of such notes.

General Obligation Ratings. Moody's has assigned an "A1" rating and S&P has assigned an "A+" rating to the Authority's ability to repay its general obligation liabilities. The ratings have been assigned based on the Authority's management, financial performance and overall program performance. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if circumstances so warrant.

Summary of Certain Authority Obligations

The following is a table which summarizes certain obligations of the Authority and sets forth the respective outstanding amounts for such obligations as of May 1, 2008. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

Summary of Certain Authority Obligations as of May 1, 2008

<u>Certain Authority Obligations</u>	<u>Outstanding Amount (May 1, 2008)</u>
Multifamily Housing Insured Mortgage Revenue Bonds	\$ 130,265,000
Multi-Family/Project Bonds (1)	880,915,000
Single Family Program Senior/Subordinate Bonds	80,165,343
Single Family Mortgage Bonds (2)	1,964,350,000
General Obligation Bonds:	
Rental Finance	3,110,000
Business Finance	1,060,000
Privately Placed Bonds:	
Rental Finance	27,060,000
Business Finance	33,667,000
Single Family	44,448,748

- (1) These are the Bonds issued and outstanding under Master Indenture. See **Appendix B** for more information about the Bonds. This outstanding amount includes the Refunded Bonds but does not include the 2008 Series B Bonds described in this Official Statement.
- (2) This outstanding amount does not include the Authority's Single Family Mortgage Bonds, 2008 Series A issued on June 4, 2008 in an aggregate principal amount of \$348,955,000.

The following table identifies the specific components of the Authority Obligations listed on the preceding table which are general obligations of the Authority as well as other general obligations of the Authority as of May 1, 2008. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

General Obligations of the Authority as of May 1, 2008

General Obligations	Outstanding Amount (May 1, 2008)
Multi-Family/Project Bonds:	
Class I	\$247,240,000
Class II	23,090,000
Class III	56,830,000
Single-Family Program Subordinate Bonds	1,245,000
Single Family Mortgage Bonds, Class III (1)	88,000,000
General Obligation Bonds:	
Rental Finance (Denver Dry Project)	3,110,000
Business Finance (Colorado Municipal League Project)	1,060,000
Privately Placed Bonds:	
Rental Finance	27,060,000
Business Finance	33,667,000
Single Family	44,448,748
Other Borrowings:	
Line of Credit	218,150,000
Rural Business Cooperative Service Notes	1,158,054

(1) This amount does not include the Authority's Single Family Mortgage Bonds, Class III 2008 Series A-5 Bonds issued on June 4, 2008 in an aggregate principal amount of \$23,955,000.

SECURITY FOR THE OBLIGATIONS

Pledge of Trust Estate

All Obligations (which may be Bonds or Derivative Products) outstanding under the Master Indenture are secured by and payable from revenues, assets and moneys pledged for the payment thereof under the Master Indenture (the "**Trust Estate**"). The pledge and lien of the Master Indenture on the Trust Estate is created and established in the following order of priority: first, to secure the payment of the principal of and interest on the Class I Obligations; second, to secure the payment of the principal of and interest on the Class II Obligations; third, to secure the payment of the principal and interest on the Class III Obligations; and fourth, to secure the payment of principal of and interest on the Class IV Obligations. For a description of the Obligations presently outstanding under the Master Indenture, see **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS." *Notes and bonds heretofore or hereafter issued to provide funds for programs of the Authority (other than the Obligations under the Master Indenture) are and will be authorized and secured by resolutions and indentures of the Authority other than the Master Indenture, are not and will not be secured by the pledge of the Master Indenture and do not and will not rank on a parity with the Bonds. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date."*

Under the Master Indenture, the Trust Estate pledged to secure the Obligations includes:

- (i) the proceeds of Bonds issued under the Master Indenture;
- (ii) the Revenues (as described in "Revenues" under this caption) and all moneys and securities in the Funds and Accounts from time to time held by the Trustee under the terms of the Master Indenture (except moneys and securities in the Rebate Fund, the Excess Earnings Fund and a Bond Purchase Fund) and investments, if any, thereof (other than the Rebate Requirement which is to be deposited in the Rebate Fund and any Excess Earnings which are to be deposited in the Excess Earnings Fund);
- (iii) the rights and interests of the Authority in the Loans and the Financing Documents (except for certain rights and interest expressly retained by the Authority therein) described in "The Loans and Authority Projects" under this caption;
- (iv) the proceeds of mortgage insurance, guaranty benefits and other security related to Loans received by the Authority; and
- (v) all right, title and interest of the Authority in any Credit Enhancement Facility, Liquidity Facility, Derivative Product and Reciprocal Payments.

In no event shall the 2008 Series B Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof (other than the general credit of the Authority, which general credit is not pledged for the payment of the Bonds except in the case of Bonds specifically designated as general obligations of the Authority).

Revenues

Under the Master Indenture, "**Revenues**" means (a) all Loan Repayments, Prepayments and, except insofar as such payments may constitute Servicing Fees, any penalty payments on account of overdue Loan Repayments, (b) payments to be made by the Authority for deposit to the Revenue Fund with respect to Authority Projects in accordance with the most recently filed Cash Flow Statement, (c) Investment Revenues, and (d) all other payments and receipts received by the Authority with respect to Loans. "Revenues" does not include (i) Servicing Fees, unless such fees are specifically pledged to the Trustee, or (ii) any commitment, reservation, extension, or application fees charged by the Authority in connection with a Loan, or (iii) accrued interest received in connection with the purchase of any Investment Securities, or (iv) amounts collected with respect to Loans representing housing assistance payments under any applicable agreement with the U.S. Department of Housing and Urban Development.

Pursuant to the Master Indenture, all Revenues related to each Series of Bonds, in addition to other amounts, are to be deposited into the subaccount of the Revenue Fund related to such Series of Bonds. On the last business day prior to each Bond Payment Date, the Trustee is required to make certain transfers of amounts from each Series subaccount of the Revenue Fund, to the extent moneys are available, to various Funds and Accounts in a certain priority, as provided in the Master Indenture. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Allocation of Moneys in the Revenue Fund." Among these transfers, the Trustee is to deposit into: (i) the related Series Subaccount of the related Class Special Redemption Account, the Loan Recycling Account (at the election of the Authority), or any combination of the two, the amount needed, if any, to ensure that the Class Asset Requirement for the related Series of Bonds will be met on such Bond Payment Date; and

(ii) each Series subaccount of the Related Class Special Redemption Account not related to such Series of Bonds, on a proportionate basis with all such unrelated subaccounts, the amount of any deficiency resulting from the lack of moneys sufficient to make the deposit described in (i).

The Class Asset Requirements applicable to each Series of Bonds are set forth in each Related Series Indenture. See **Appendix D** – "CLASS ASSET REQUIREMENTS."

The Loans and Authority Projects

Master Indenture Requirements

The Trust Estate pledged under the Master Indenture to secure Obligations issued thereunder includes the rights and interests of the Authority in the Loans and the Financing Documents (except for certain rights and interests expressly retained by the Authority therein), and in the Authority Projects. Under the Master Indenture, "**Loan**" means a loan of money, including advances, in the form of a construction loan, a permanent loan or a combined construction and permanent loan made by the Authority to a Borrower with the proceeds of Bonds or obligations refunded by Bonds or with Prepayments for the financing of a portion of the costs of a Housing Facility or Project, which Loan is evidenced by a Note pursuant to a Loan Agreement. "**Housing Facility**" means a facility designed and financed for the primary purpose of providing dwelling accommodations in accordance with the Act. "**Project**" means a work or improvement located in the State designed to provide facilities for manufacturing, warehousing, commercial, recreational, hotel, office, research and development or other business purpose (not including a Housing Facility). "**Financing Documents**" include, with respect to any Loan, the Loan Agreement, the Note, the Mortgage and any insurance guaranties and other security for the repayment of the Loan. The Authority is permitted by the Master Indenture to apply the proceeds of Obligations issued under the Master Indenture to make or purchase (as Loans) mortgage loans which are insured or guaranteed by an agency or instrumentality of the United States under an insurance program such as the programs described in **Appendix J** – "FEDERAL INSURANCE PROGRAMS." The Authority is also permitted by the Master Indenture to apply the proceeds of Obligations issued under the Master Indenture to make or purchase (as Loans) uninsured mortgage loans made for housing facilities which are secured only by a mortgage on the related housing facilities or made for certain commercial Projects (as defined above). The Authority is also permitted by the Master Indenture to apply proceeds to Bonds for the financing of a portion of the costs of an Authority Project. An "**Authority Project**" means a housing facility or other asset intended to be owned and operated by the Authority, or the financing and refinancing of designated expenditures and/or obligations of the Authority, or any combination thereof.

Outstanding Loans, Authority Projects and Fund Balances

For information concerning the Outstanding Loans, Authority Projects and Fund balances securing the Obligations issued now and hereafter under the Master Indenture, see **Appendix G-2**.

Debt Service Reserve Fund

Each Series Indenture establishes a subaccount of the Debt Service Reserve Fund for the related Series of Bonds. The Debt Service Reserve Fund Requirement for each Series of Bonds is established by the Related Series Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund." The Debt Service Reserve Fund Requirement for any Series of Bonds is based on the maximum principal and interest due for a particular period on Loans related to a Series of Bonds and does not directly relate to the aggregate principal amount of such Bonds outstanding.

Amounts in the Debt Service Reserve Fund are to be transferred to the Debt Service Fund and applied by the Trustee to the payment of principal and interest on the Bonds issued under the Master Indenture, in order of Class, in the event that amounts on deposit in the Debt Service Fund for the Related Class are insufficient to make such payments on any Bond Payment Date. When making such payments, the Trustee is to transfer amounts first from the Series subaccount of the Debt Service Reserve Fund related to the Bonds for which the payment will be made and, second, from any unrelated Series subaccounts.

For further information with respect to the Debt Service Reserve Fund, see **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Debt Service Reserve Fund."

Liquidity Facilities

The Authority has entered into, and may in the future enter into, Liquidity Facilities in connection with Adjustable Rate Bonds issued under the Master Indenture. The Authority may elect to replace any Liquidity Facility (including but not limited to the Initial 2008B Liquidity Facility) with an Alternate Liquidity Facility. The Authority shall promptly notify the Trustee, the 2008B Remarketing Agent and the Paying Agent of the Authority's intention to deliver an Alternate Liquidity Facility at least 45 days prior to such delivery. Upon receipt of such notice, if the Alternate Liquidity Facility is to be provided by an entity other than the provider of the then current Liquidity Facility, the Trustee will promptly mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of such Alternate Liquidity Facility, by first-class mail (or transmitted in such other manner as may be customary for the industry as directed in writing by the Authority) to the 2008B Remarketing Agent, and to each Owner of the Adjustable Rate Bonds at such Owner's registered address, at least 30 days prior to delivery of the Alternate Liquidity Facility.

Pursuant to the Indenture, unless extended in accordance with the Initial 2008B Liquidity Facility, the Initial 2008B Liquidity Facility will expire at the end of the "Commitment Period," as defined in such Initial 2008B Liquidity Facility. The Authority may, at its option, submit to the 2008B Liquidity Facility Provider not later than 120 days before the Expiration Date (as defined in the respective Initial 2008B Liquidity Facility) as from time to time in effect, a request that the 2008B Liquidity Facility Provider renew the Initial 2008B Liquidity Facility and extend the Expiration Date thereof for an additional period (as the parties may agree) after the then-effective Expiration Date thereof in accordance with such Initial 2008B Liquidity Facility. Pursuant to the Initial 2008B Liquidity Facility, at the Authority's written request made in accordance with such Initial 2008B Liquidity Facility, such Initial 2008B Liquidity Facility may be renewed from time to time for a period to be determined by the parties if the 2008B Liquidity Facility Provider consents to such request in its sole discretion. Under certain circumstances, the obligation of the 2008B Liquidity Facility Provider to purchase the related 2008 Series B Bonds tendered by the owners thereof or subject to mandatory purchase may be terminated or suspended. See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2008B LIQUIDITY FACILITY – Conditions Precedent to Obligations of the 2008B Liquidity Facility Provider." In such event, sufficient funds may not be available to purchase such 2008 Series B Bonds tendered by the owners of such 2008 Series B Bonds or subject to mandatory purchase.

Any Alternate Liquidity Facility must be an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement, providing for direct payments to or upon the order of the Paying Agent of amounts up to the principal of the Adjustable Rate Bonds when due upon purchase pursuant to a tender and the interest portion of the purchase price of the Adjustable Rate Bonds consisting of accrued interest for the number of days required by each Rating Agency then rating the Adjustable Rate Bonds in order to ensure that the rating of the Adjustable Rate

Bonds will not be adversely affected, as evidenced in writing from each such Rating Agency to the Trustee, at the Maximum Rate as defined in each Series Indenture.

An Alternate Liquidity Facility (along with the requisite favorable opinions of counsel) must be delivered to the Trustee at least five business days prior to the time notice of mandatory tender must be sent to Owners of the Adjustable Rate Bonds.

Derivative Products

In connection with the issuance of certain Adjustable Rate Bonds, the Authority has entered, and expects in the future to enter, into interest rate swap agreements (the "**Derivative Products**") with a counterparty with respect to such Adjustable Rate Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2008B Derivative Products." Any payments or receipts received by the Authority under the Derivative Products will be pledged as Revenues, as described in **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Derivative Products." The Authority's obligation to make regular interest payments to the Counterparty under each of the Derivative Products has constituted, and is expected in the future to constitute, a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations, other than as indicated in **Appendix B**. The Authority's obligation to make termination payments under each of the Derivative Products in the event of early termination, and in the future is expected to be, a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

Issuance of Additional Bonds

The Master Indenture permits the Authority to issue additional Bonds thereunder from time to time, without limitation as to amount, secured on an equal lien with the outstanding Bonds of the respective class, upon delivery of a Cash Flow Statement and satisfaction of certain other conditions. The Authority may not issue additional Bonds if such issuance would result in a lowering, suspension or withdrawal of the ratings then applicable to any Bonds issued under the Master Indenture. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Issuance of Additional Bonds" and "– Issuance of Refunding Bonds." The Authority expects to issue additional Bonds in the future under the Master Indenture. See "Pledge of Trust Estate" under this caption.

CERTAIN BONDOWNERS' RISKS

Limited Security

The Bonds are special limited obligations of the Authority payable by Class priority and solely from the Trust Estate (except in the case of Bonds which have been specifically designated as general obligations of the Authority). See "Part II – SECURITY FOR THE OBLIGATIONS – Pledge of Trust Estate." There is no assurance that the Loans in or expected to be in the Trust Estate will perform in accordance with the assumptions made and that Revenues will be sufficient to pay debt service on the Bonds when due. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Revenue Fund." Additional Obligations may be issued by the Authority under the Master Indenture on a parity with each Class of Bonds outstanding, upon satisfaction of certain conditions set forth in the Master Indenture.

Origination of New Loans

There are numerous reasons why the entire amount deposited to the subaccount of the Acquisition Account of the Program Fund for a particular Series of Bonds might not be used to originate new Loans as expected and within the required timeframes. Proceeds of a Series of Bonds and exchanged amounts relating thereto in the related subaccount of the Acquisition Account which have not been used to make new Loans or finance new Authority Projects must be used to redeem Bonds of such Series at par as set forth in Part I.

Considerations Regarding Redemption at Par

A significant portion of the outstanding Loans are now subject to voluntary prepayment by the respective Borrowers at any time and, additionally, numerous loans will become subject to voluntary prepayment by the Borrowers prior to the optional redemption date. Voluntary prepayments may result from a refinancing provided by any source, including the Authority. Involuntary prepayments may also be made on the Loans as a result of damage or destruction of the housing facilities, or acceleration or sale of a Loan in the event of a Borrower default. Any Loan or Authority Project is also subject without restriction to voluntary sale, assignment or other disposition.

Current adverse economic conditions in the State and high vacancy rates in most rental housing markets have contributed to shortfalls in projected cashflows for a number of rental projects financed by the Authority. As a consequence, the Authority's rental loan portfolio is experiencing higher than normal levels of delinquencies and defaults. The Authority is actively monitoring its portfolio and undertaking workouts with borrowers as appropriate.

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, THE BONDS MAY BE REDEEMED PRIOR TO THEIR STATED MATURITY FROM ANY MONEYS AND/OR INVESTMENT SECURITIES ON DEPOSIT IN THE RESPECTIVE ACCOUNTS OF THE REDEMPTION FUND, INCLUDING UNEXPENDED BOND PROCEEDS, EXCESS REVENUES FROM REGULAR LOAN PAYMENTS, VOLUNTARY OR INVOLUNTARY PREPAYMENTS AND AMOUNTS DEPOSITED AS A RESULT OF ANY OTHER EVENT AS DESCRIBED HEREIN. SEE "PART I – TERMS OF THE 2008 SERIES B BONDS – PRIOR REDEMPTION." THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED. However, it is assumed that a substantial portion of each Series of Bonds subject to such special redemption under the Indenture will be redeemed prior to their respective stated maturities at a redemption price equal to the principal amount of such Series of Bonds to be redeemed, without premium (except in limited circumstances).

Tax Exempt Status of Tax-Exempt Bonds

The opinion to be delivered by Bond Counsel concurrently with delivery of any tax-exempt Bonds as described in "Part I – TAX MATTERS" will assume compliance by the Authority with certain requirements of the Tax Code that must be met subsequent to the issuance of such Bonds. The Authority will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements could cause the interest on the tax-exempt Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of such Bonds. Furthermore, the opinion of Bond Counsel is rendered as of the date of delivery of the particular Series of Bonds and speaks only to laws in effect as of such date. Amendments to federal and state tax laws are proposed from time to time and could be enacted in the future. There can be no assurance that any such future amendments will not adversely affect the value of such Series of Bonds, the exclusion of interest on the tax-exempt Bonds from gross income, alternative minimum taxable income, state taxable income, or any

combination from the date of issuance of the particular Series of Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

Conditions to Payment of FHA Insurance

The failure to maintain adequate casualty insurance on any Housing Facility insured under an FHA program may result in the loss of FHA mortgage insurance benefits in the event of damage to or destruction of such Project. FHA mortgage insurance benefits may also be impaired as a result of the failure to pay required mortgage insurance premiums to the FHA and failure of the mortgagee to provide the FHA on a timely basis with required notice. As described in **Appendix J – "FEDERAL INSURANCE PROGRAMS,"** the mortgagee is responsible for servicing the Loans and the maintenance of the FHA mortgage insurance in connection with insured Loans under the Multi-Family Housing Facility Loan Program. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date."

Derivative Products

Pursuant to each of the Derivative Products, the Authority will pay interest to the Counterparty at a fixed rate and will receive interest from the Counterparty at a variable rate which either will be based on a LIBOR or SIFMA Index or will be an amount equal to the actual interest payments by the Authority on the respective Adjustable Rate Bonds. To the extent Counterparty payments are based on a LIBOR or SIFMA Index, the amount of actual interest payments due on the respective Adjustable Rate Bonds may differ from the amount of such interest payments to be made by the Counterparty and the Trust Estate may not be sufficient to pay interest as due. See "Part I – CERTAIN PROGRAM ASSUMPTIONS" and "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products." See also **Appendix B – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Derivative Products."**

Risks Related to the Liquidity Providers and the Liquidity Facilities

Creditworthiness of the Liquidity Providers

The short-term credit ratings of the Adjustable Rate Bonds under the Master Indenture are based on the issuance of the respective Liquidity Facilities relating to such Adjustable Rate Bonds. Such ratings are based solely on the general credit of the respective Liquidity Provider. Any downgrade in the ratings of the related Liquidity Provider may impact the interest rate of the related Adjustable Rate Bonds.

Each Liquidity Facility provides the Trustee with the liquidity support necessary to purchase the applicable Adjustable Rate Bonds deemed tendered for purchase as described in the related Series Indenture. If remarketing proceeds are not sufficient to provide funds sufficient to pay the purchase price of tendered Adjustable Rate Bonds, the Trustee is required to draw funds under the applicable Liquidity Facility. The ability of the respective Liquidity Provider to honor such drawings may be adversely affected by its financial condition at the time of such draws. No assurance is given as to the current or future financial condition of any Liquidity Provider or the financial condition of any entity with which any Liquidity Provider may merge or by which it may be acquired. For more information about the Liquidity Providers and Outstanding Liquidity Facilities, see **Appendix B – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Liquidity Facilities."** If a Liquidity Provider becomes insolvent or otherwise becomes a debtor in bankruptcy, timely payment of the purchase price of related Adjustable Rate Bonds subject to tender for purchase might depend entirely on the sufficiency of the Trust Estate to pay such amounts.

Inability to Obtain Substitute Liquidity Facility

Each Liquidity Facility expires on a particular date which is much earlier than the maturity dates of the related Adjustable Rate Bonds. See **Appendix B**. No assurances can be given that the Authority will be able to extend any of the Liquidity Facilities or obtain a Substitute Liquidity Facility with respect to any series of Adjustable Rate Bonds upon the terms required by the respective Series Indenture until and including the final maturity dates of such Adjustable Rate Bonds or until the interest rate on such Adjustable Rate Bonds is converted to a Fixed Rate. Failure to extend a Liquidity Facility or obtain a Substitute Liquidity Facility will result in a mandatory purchase of the related Adjustable Rate Bonds prior to maturity at a price of par. The mandatory purchase of such Adjustable Rate Bonds on such a mandatory bond purchase date may not be waived.

Increased Costs Associated with Bank Bonds

Pursuant to the Liquidity Facilities, certain unpaid fees will bear interest at the "Default Rate" and Bank Bonds will bear interest at a rate as set forth in the related Liquidity Facilities. Those interest rates could be substantially higher than the variable rate that otherwise would apply to the calculation of interest on the Adjustable Rate Bonds; any increases in those interest rates will increase the amount of interest payable by the Trust Estate under the Master Indenture and may affect its sufficiency to pay the Bonds. Payment of such interest on Bank Bonds will be on parity with the lien of the related Adjustable Rate Bonds which have been purchased except that payments due on the Bank Bonds following any acceleration by the Liquidity Facility Provider will be Class III Obligations and a general obligation of the Authority.

Expiration of HAP Contracts

A portion of the insured and uninsured rental loans pledged to secure Obligations under the Master Indenture are secured in part by housing assistance payments ("**HAP**") contracts with terms expiring prior to expiration of the related insured and uninsured rental loan. Generally, these HAP contracts are renewals of previous HAP contracts, in some cases after "mark-to-market" mortgage restructurings, pursuant to the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. The insured and uninsured rental loans typically require borrowers to renew the respective HAP contract for the longer of the minimum period that the related project is subject to low-income occupancy and rent restrictions under the CHFA Regulatory Agreement (15 or 20 years) or the period the insured or uninsured rental loan is outstanding. There is no assurance that such renewals will be provided by HUD, as they are subject, among other things, to the availability of Congressional appropriations. The failure or inability to renew the HAP contracts could adversely affect the sufficiency of Revenues and assets pledged under the Master Indenture for payment of the Bonds outstanding thereunder or increase the level of prepayments. See "Considerations Regarding Redemption at Par" under this caption. For more information regarding the Section 8 Subsidy Program, see **Appendix K** hereto.

Enforcement of Regulatory Agreements

The CHFA Regulatory Agreements allow for enforcement by declaration of default under the Loans and an acceleration of the Loans at the discretion of the Authority. Such acceleration may, under certain circumstances, require HUD consent. Among other things, it may not be possible to accelerate the debt evidenced by the Loans for a covenant default relating to the Projects, including a tax-related covenant default. See "Part I – CERTAIN PROGRAM ASSUMPTIONS."

There is no provision in the Bonds or the Indenture for an acceleration of the indebtedness evidenced by the Bonds or payment of additional interest in the event interest on the Bonds were declared

taxable, and the Authority will not be liable under the Bonds or the Indenture for any such payment on the Bonds whatsoever. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The Transferred Loans."

NO IMPAIRMENT OF CONTRACT BY THE STATE

Pursuant to the provisions of Section 29-4-731 of the Act, the Authority has included in the Indenture the pledge and agreement of the State of Colorado that the State of Colorado will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with Bond Owners, or in any way impair the rights and remedies of such Owners until the Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceedings by or on behalf of such Owners, are fully met and discharged.

LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS

The Act provides that the Bonds are eligible for investment in the State by all public officers, public bodies and political subdivisions of the State, banking associations, savings and loan associations, trust companies, investment companies and insurance companies, and all executors, administrators, trustees and other fiduciaries of funds in their control or belonging to them; provided that, at the time of purchase by a public entity, such Bonds are rated in one of the two highest rating categories by one or more nationally recognized organizations which regularly rate such obligations. The Act makes the Bonds securities which may properly and legally be deposited with and received by any municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, notes or obligations of the State is authorized by law.

INDEPENDENT AUDITORS

The financial statements of the Authority as of and for the years ended December 31, 2007 and 2006, included in this Official Statement as **Appendix A**, have been audited by Clifton Gunderson LLP, independent auditors, as stated in their report appearing therein. Such financial statements represent the most current audited financial information available for the Authority.

MISCELLANEOUS

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All quotations from, and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, including the Indenture and the Initial 2008B Liquidity Facility, may be obtained, during the offering period, upon request to the Authority and upon payment to the Authority of a charge for copying, mailing and handling, at 1981 Blake Street, Denver, Colorado 80202, Attention: Executive Director.

The distribution of this Official Statement has been duly authorized by the Authority. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as an agreement or contract between the Authority and the purchasers or owners of any Bonds.

**COLORADO HOUSING AND FINANCE
AUTHORITY**

By: /s/ Milroy A. Alexander
Executive Director

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APPENDIX A

**Financial Statements for the Years ended December 31, 2007 and 2006
and Independent Auditor's Reports**

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Independent Auditor's Report

Board of Directors
Colorado Housing and Finance Authority
Denver, Colorado

We have audited the accompanying financial statements of the business-type activities and each major fund of Colorado Housing and Finance Authority as of and for the year ended December 31, 2007, which collectively comprise Colorado Housing and Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Colorado Housing and Finance Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Colorado Housing and Finance Authority's December 31, 2006 basic financial statements and, in our report dated March 29, 2007, we expressed unqualified opinions on the basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Colorado Housing and Finance Authority as of December 31, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2008 on our consideration of Colorado Housing and Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Clifton Henderson LLP

Greenwood Village, Colorado
March 27, 2008

This section of the Colorado Housing and Finance Authority’s (the “Authority”) annual financial report presents management’s discussion and analysis of the financial position and results of operations at and for the fiscal year ended December 31, 2007. This analysis should be read in conjunction with the Authority’s financial statements and accompanying notes.

Financial Highlights

- Net assets as of December 31, 2007, were \$282.4 million, an increase of \$21.3 million, or 8.2%, compared to net assets of \$261.0 million as of December 31, 2006, increasing the Authority’s capital position. Net assets as a percent of total assets decreased slightly from 7.93% as of December 31, 2006, to 7.85% as of December 31, 2007.
- As reflected in the Statement of Revenues, Expenses and Changes in Net Assets, the increase in net assets of \$21.3 million for 2007 represents a \$3.1 million, or 17.2%, increase compared to the increase in net assets for 2006 of \$18.2 million. This \$3.1 million increase was primarily due to \$6.7 million in gains on the sales of various apartment complexes owned by the Authority, discussed in more detail below, and a \$2.2 million net increase in the fair value of investments for 2007 compared to a \$2.5 million net decrease in 2006. Partially offsetting these items was a \$0.5 million provision for loan and other real estate losses in 2007 compared to a \$4.4 million negative provision for such losses in 2006, discussed in more detail below. Profitability, as measured by return on average net assets, was 7.85% in 2007 compared to 7.22% in 2006.
- Total net loans receivable as of December 31, 2007, were \$2.9 billion, an increase of \$392.3 million, or 15.7%, compared to the amount outstanding as of December 31, 2006.
- The increase in loans receivable was funded primarily by an increase in debt. As of December 31, 2007, total debt outstanding was \$3.2 billion, an increase of \$271.0 million, or 9.1%, compared to the balance at December 31, 2006.

Overview of the Financial Statements

The basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and the notes thereto. The Authority, a corporate body and political subdivision of the State of Colorado, is a public purpose financial enterprise and therefore follows enterprise fund accounting. The financial statements offer information about the Authority’s activities and operations.

The Statement of Net Assets includes all of the Authority’s assets and liabilities, presented in order of liquidity. The resulting net assets presented in these statements are displayed as invested in capital assets, net of related debt, restricted or unrestricted. Net assets are restricted when their use is subject to external limits such as bond indentures, legal agreements or statutes. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

All the Authority’s current year revenues and expenses are recorded in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the activities of the Authority’s operations over the past year, and presents the resulting change in net assets - calculated as revenues less expenses.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority’s cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operating, noncapital financing, capital financing and

investing activities. The statement provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements. The notes follow the Statement of Cash Flows.

Authority Funds – The Authority’s financial statements present the activities of its three funds – the General Fund, the Single Family Fund and the Multi-Family/Business Fund. A description of each of these funds is provided in the notes to the financial statements. Interfund activity is eliminated.

Analysis of Financial Activities

Statement of Net Assets

The following table presents condensed information about the financial position of the Authority as of December 31, 2007, and 2006, and changes in the balances of selected items during the fiscal year ended December 31, 2007.

As of December 31, (in thousands)	2007	2006	\$ Change	% Change
Assets				
Current assets	\$ 657,622	\$ 625,280	\$ 32,342	5.2%
Noncurrent assets:				
Investments	81,313	185,265	(103,952)	-56.1%
Loans receivable, net	2,788,844	2,409,656	379,188	15.7%
Capital assets, net	32,723	41,183	(8,460)	-20.5%
Other assets	36,483	32,291	4,192	13.0%
Total noncurrent assets	2,939,363	2,668,395	270,968	10.2%
Total assets	\$ 3,596,985	\$ 3,293,675	\$ 303,310	9.2%
Liabilities				
Current liabilities	\$ 137,051	\$ 222,242	\$ (85,191)	-38.3%
Noncurrent liabilities:				
Bonds and notes payable, net	3,165,109	2,800,033	365,076	13.0%
Other liabilities	12,461	10,355	2,106	20.3%
Total noncurrent liabilities	3,177,570	2,810,388	367,182	13.1%
Total liabilities	3,314,621	3,032,630	281,991	9.3%
Net assets:				
Invested in capital assets, net of related debt	11,215	9,134	2,081	22.8%
Restricted by bond indentures	124,948	114,920	10,028	8.7%
Unrestricted	146,201	136,991	9,210	6.7%
Total net assets	282,364	261,045	21,319	8.2%
Total liabilities and net assets	\$ 3,596,985	\$ 3,293,675	\$ 303,310	9.2%

Total loans receivable increased \$392.3 million, or 15.7%, during the current year, of which the noncurrent portion of the increase was \$379.2 million. This increase is largely due to new loan purchases and originations of approximately \$607.0

million, offset by loan repayments and prepayments that resulted in total principal reductions of \$212.6 million. This growth in loans receivable was primarily funded by use of bond proceeds, discussed below, in addition to the use of proceeds from sales and maturities of short-term investments

Current liabilities decreased \$85.2 million, or 38.3%, compared to 2006. This decrease was due to the maturity of \$157.7 million of short-term bonds related to the Authority’s private activity bond volume cap preservation program, partially offset by an increase of \$56.3 million in the amount borrowed under the Authority’s line of credit with the Federal Home Loan Bank. Noncurrent bonds and notes payable increased \$365.1 million, or 13.0%, compared to December 31, 2006, as a result of various new bond issues. Additional information on the Authority’s debt activities is provided under “Debt Administration”.

Statement of Revenues, Expenses and Changes in Net Assets

The following table presents condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2007, and 2006, and the change from the prior year.

For the years ended December 31, (in thousands)	2007	2006	\$ Change	% Change
Operating revenues:				
Interest on loans receivable	\$ 147,573	\$ 121,839	\$ 25,734	21.1%
Investment income	27,727	34,384	(6,657)	-19.4%
Net increase (decrease) in the fair value of investments	2,245	(2,468)	4,713	-191.0%
Rental income	10,882	11,638	(756)	-6.5%
Other revenues	17,625	15,449	2,176	14.1%
Total operating revenues	206,052	180,842	25,210	13.9%
Operating expenses:				
Interest on debt	155,406	134,364	21,042	15.7%
Salaries and related benefits	14,341	12,721	1,620	12.7%
General operating	16,835	15,426	1,409	9.1%
Other interest expense	1,588	1,845	(257)	-13.9%
Depreciation	2,722	2,651	71	2.7%
Provision for losses	500	(4,357)	4,857	-111.5%
Total operating expenses	191,392	162,650	28,742	17.7%
Total operating income	14,660	18,192	(3,532)	-19.4%
Nonoperating revenues and expenses, net	6,659	-	6,659	0.0%
Change in net assets	21,319	18,192	3,127	17.2%
Net assets:				
Beginning of year	261,045	242,853	18,192	7.5%
End of year	\$ 282,364	\$ 261,045	\$ 21,319	8.2%

Interest earned on loans of \$147.6 million, interest income on investments of \$27.7 million and interest expense on debt of \$155.4 million are the primary components of total revenues and expenses of the Authority.

Total operating revenues were \$206.1 million in 2007, an increase of \$25.2 million, or 13.9%, compared to 2006. Interest on loans receivable climbed \$25.7 million, or 21.1%, over the 2006 amount. This increase is primarily the result of a 19.5% increase in average loans outstanding.

Also contributing to the increase in operating revenues was a net increase in the fair value of investments of \$2.2 million in 2007 compared to a decrease in fair value of \$2.5 million in 2006. This increase was due to a decline in market rates in 2007 as opposed to increases in market rates for similar securities in 2006. In addition, loan servicing income, reflected in other revenues, increased \$1.0 million, or 11.8%, compared to 2006. The Authority services in excess of 99% of its loans receivable, for which it receives a monthly fee.

Total operating expenses of \$191.4 million for 2007 increased \$28.7 million, or 17.7%, compared to 2006. The rise was largely attributable to a \$21.0 million, or 15.7%, increase in interest expense on debt. This increase was due primarily to an increase in average debt volumes from 2006 to 2007.

Operating expenses also increased as a result of a provision for loan and other real estate losses of \$0.5 million in 2007 compared to a negative provision of \$4.4 million in 2006. During 2006 the Authority updated its methodology for determining the adequacy of its allowance for loan losses, taking into consideration historic losses, specific reviews of certain loans, and current economic conditions, among other factors. As a result of this analysis, the Authority determined that it could reduce its allowance for loan losses, resulting in the negative provision in 2006.

Reflected in nonoperating revenues and expenses are \$6.7 million in gains on the sales of various apartment complexes owned by the Authority, discussed in more detail below in “Capital Assets”.

Capital Assets

Capital assets, net of accumulated depreciation, as of December 31, 2007, totaled \$32.7 million, a decrease of \$8.5 million, or 20.5%, compared to the amount as of December 31, 2006. The majority of this investment in capital assets is related to the Authority’s ownership of 10 apartment complexes that provide housing to lower and moderate income families. In late 2006 the Authority began negotiations to sell as many as 13 of its then 16 apartment properties. During 2007 the Authority sold 6 of these complexes for a total gain of \$6.7 million. Of the remaining properties to be sold, one closed in the first quarter of 2008 and three other properties are under contract.

The only significant additions during 2007 were the implementation of a new servicing application for the Authority’s multi-family and business finance loans, enhancements to a software application related to single family loan origination and renovations to the Authority’s main office.

Additional information regarding the Authority’s capital assets can be found in the notes to the financial statements.

Debt Administration

As of December 31, 2007, the Authority had \$3.2 billion in bonds and notes payable outstanding and \$64.5 million outstanding under borrowing agreements with the Federal Home Loan Bank. This debt is secured by various assets and, in certain cases, the general obligation pledge of the Authority. The ratings on the debt of the Single Family Fund and the Multi-Family/Business Fund range from A1 to Aaa by Moody’s Investors Service (Moody’s) and A+ to AAA by Standard & Poor’s (S&P), depending on the underlying collateral. The ratings on the general obligation debt of the Authority are A1/A+ by Moody’s and S&P, respectively. There were no changes in ratings during 2007.

In 2007 the Authority issued \$558.8 million in debt related to its lending programs. Of this amount, \$395.0 million was issued pursuant to the Authority’s single family lending program and is reflected in the Single Family Fund, \$150.8 million was for the multi-family/business lending program and is reflected in the Multi-Family/Business Fund and \$13.0 million was issued in the form of private placements of debt to finance single family and business loans – reflected in the General Fund. Partially offsetting these new debt issues were maturities of short-term debt related to the Authority’s private activity bond volume cap preservation program, scheduled debt payments, early redemptions and refundings of various debt issues.

Additional information of the Authority’s long-term and short-term debt can be found in the notes to the financial statements.

Colorado Housing and Finance Authority
Statement of Net Assets

December 31, 2007

(with summarized financial information for December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
Assets						
Current assets:						
Cash	\$ 30,955	\$ -	\$ -	\$ -	\$ 30,955	\$ 26,365
Investments	61,020	270,673	169,370	-	501,063	490,846
Loans receivable	8,719	60,406	27,759	(717)	96,167	83,091
Accrued interest receivable	3,612	12,898	7,753	(211)	24,052	20,211
Deferred debt financing costs, net	18	642	271	-	931	882
Other assets	4,454	-	-	-	4,454	3,885
Due to (from) other funds	(23,800)	17,724	6,076	-	-	-
Total current assets	84,978	362,343	211,229	(928)	657,622	625,280
Noncurrent assets:						
Investments	4,426	39,567	37,320	-	81,313	185,265
Loans receivable, net	252,847	1,751,765	805,023	(20,791)	2,788,844	2,409,656
Capital assets - non-depreciable	7,016	-	-	-	7,016	8,545
Capital assets - depreciable, net	25,707	-	-	-	25,707	32,638
Other real estate owned, net	20	1,626	451	-	2,097	1,923
Deferred debt financing costs, net	331	11,553	4,883	-	16,767	15,882
Other assets	17,619	-	-	-	17,619	14,486
Total noncurrent assets	307,966	1,804,511	847,677	(20,791)	2,939,363	2,668,395
Total assets	\$ 392,944	\$ 2,166,854	\$ 1,058,906	\$ (21,719)	\$ 3,596,985	\$ 3,293,675
Liabilities						
Current liabilities:						
Short-term debt	\$ 64,545	\$ -	\$ -	\$ -	\$ 64,545	\$ 8,200
Bonds payable, current portion	120	4,627	8,768	-	13,515	167,782
Notes payable, current portion	3,956	-	-	-	3,956	108
Accrued interest payable	1,220	17,704	13,373	(211)	32,086	26,360
Federally assisted program advances	708	-	-	-	708	899
Accounts payable and other liabilities	21,114	596	531	-	22,241	18,893
Total current liabilities	91,663	22,927	22,672	(211)	137,051	222,242
Noncurrent liabilities:						
Bonds payable, net	111,815	2,067,027	985,181	-	3,164,023	2,794,178
Notes payable	22,594	-	-	(21,508)	1,086	5,855
Other liabilities	9,456	2,229	776	-	12,461	10,355
Total noncurrent liabilities	143,865	2,069,256	985,957	(21,508)	3,177,570	2,810,388
Total liabilities	235,528	2,092,183	1,008,629	(21,719)	3,314,621	3,032,630
Net assets						
Invested in capital assets, net of related debt	11,215	-	-	-	11,215	9,134
Restricted by bond indentures	-	74,671	50,277	-	124,948	114,920
Unrestricted	146,201	-	-	-	146,201	136,991
Total net assets	157,416	74,671	50,277	-	282,364	261,045
Total liabilities and net assets	\$ 392,944	\$ 2,166,854	\$ 1,058,906	\$ (21,719)	\$ 3,596,985	\$ 3,293,675

The accompanying notes are an integral part of these statements

Colorado Housing and Finance Authority
Statement of Revenues, Expenses and Changes in Net Assets

For the year ended December 31, 2007

(with summarized financial information for the year ended December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
Operating revenues:						
Interest on loans receivable	\$ 12,900	\$ 88,926	\$ 47,647	\$ (1,900)	\$ 147,573	\$ 121,839
Investment income	3,420	14,602	9,705	-	27,727	34,384
Net increase (decrease) in the fair value of investments	(66)	1,371	940	-	2,245	(2,468)
Rental income	10,882	-	-	-	10,882	11,638
Loan servicing income	9,547	-	-	-	9,547	8,543
Section 8 administration fees	4,561	-	-	-	4,561	4,622
Other revenues	3,448	69	-	-	3,517	2,284
Total operating revenues	44,692	104,968	58,292	(1,900)	206,052	180,842
Operating expenses:						
Interest on debt	9,719	95,872	51,715	(1,900)	155,406	134,364
Salaries and related benefits	14,341	-	-	-	14,341	12,721
General operating	15,635	652	548	-	16,835	15,426
Other interest expense	1,588	-	-	-	1,588	1,845
Depreciation	2,722	-	-	-	2,722	2,651
Provision for losses	(300)	1,500	(700)	-	500	(4,357)
Total operating expenses	43,705	98,024	51,563	(1,900)	191,392	162,650
Total operating income	987	6,944	6,729	-	14,660	18,192
Nonoperating revenues and expenses:						
Federal grant receipts	97,100	-	-	-	97,100	95,061
Federal grant payments	(97,100)	-	-	-	(97,100)	(95,061)
Gains on sales of capital assets	6,659	-	-	-	6,659	-
Total nonoperating revenues, net	6,659	-	-	-	6,659	-
Income before transfers	7,646	6,944	6,729	-	21,319	18,192
Transfers from (to) other funds	3,645	245	(3,890)	-	-	-
Change in net assets	11,291	7,189	2,839	-	21,319	18,192
Net assets:						
Beginning of year	146,125	67,482	47,438	-	261,045	242,853
End of year	\$ 157,416	\$ 74,671	\$ 50,277	\$ -	\$ 282,364	\$ 261,045

The accompanying notes are an integral part of these statements

Colorado Housing and Finance Authority
Statement of Cash Flows

For the year ended December 31, 2007

(with summarized financial information for the year ended December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
Cash flows from operating activities:						
Principal payments received on loans receivable & receipts from dispositions of other real estate owned	\$ 22,859	\$ 158,219	\$ 41,251	\$ (9,692)	\$ 212,637	\$ 219,406
Interest payments received on loans receivable	11,970	88,721	47,139	(1,956)	145,874	123,224
Payments for fundings of loans receivable	(522,266)	-	(84,734)	-	(607,000)	(601,317)
Receipt (payment) for loan transfers between funds	447,236	(413,856)	(33,380)	-	-	-
Receipts from rental operations	10,953	-	-	-	10,953	11,609
Receipts from other revenues	15,632	-	-	-	15,632	15,191
Payments for salaries and related benefits	(14,048)	-	-	-	(14,048)	(12,510)
Payments for goods and services	(18,876)	(652)	(510)	-	(20,038)	(17,778)
All other, net	4,251	-	4	-	4,255	2,217
Net cash used by operating activities	(42,289)	(167,568)	(30,230)	(11,648)	(251,735)	(259,958)
Cash flows from noncapital financing activities:						
Proceeds from issuance of short-term debt	3,362,860	-	-	-	3,362,860	3,767,804
Proceeds from issuance of bonds	13,173	392,151	149,519	-	554,843	861,731
Proceeds from issuance of notes payable	-	-	-	-	-	3,884
Receipts from federal grant programs	98,135	-	-	-	98,135	97,311
Payments for federal grant programs	(98,327)	-	-	-	(98,327)	(96,412)
Principal paid on short-term debt	(3,306,515)	-	-	-	(3,306,515)	(3,880,009)
Principal paid on bonds	(8,461)	(279,265)	(54,306)	-	(342,032)	(448,668)
Principal paid on notes payable	(72)	-	-	-	(72)	(104)
Interest paid on short-term debt	(3,318)	-	-	-	(3,318)	(3,708)
Interest paid on bonds	(5,768)	(91,954)	(48,044)	1,567	(144,199)	(127,638)
Interest paid on notes payable	(12)	-	-	-	(12)	(13)
Transfers (to) from other funds	75	-	(75)	-	-	-
Net cash provided by noncapital financing activities	51,770	20,932	47,094	1,567	121,363	174,178
Cash flows from capital and related financing activities:						
Purchase of capital assets	(3,640)	-	-	-	(3,640)	(3,167)
Proceeds from the disposal of capital assets	16,002	-	-	-	16,002	-
Principal paid on capital-related debt	(10,541)	-	-	9,692	(849)	(786)
Interest paid on capital-related debt	(1,979)	-	-	389	(1,590)	(1,845)
Net cash provided (used) by capital and related financing activities	(158)	-	-	10,081	9,923	(5,798)
Cash flows from investing activities:						
Proceeds from maturities and sales of investments	1,689,586	1,385,495	968,020	-	4,043,101	4,835,021
Purchase of investments	(1,697,331)	(1,255,450)	(992,528)	-	(3,945,309)	(4,772,223)
Income received from investments	3,012	16,591	7,644	-	27,247	31,121
Net cash provided (used) by investing activities	(4,733)	146,636	(16,864)	-	125,039	93,919
Net increase in cash	4,590	-	-	-	4,590	2,341
Cash at beginning of year	26,365	-	-	-	26,365	24,024
Cash at end of year	\$ 30,955	\$ -	\$ -	\$ -	\$ 30,955	\$ 26,365

The accompanying notes are an integral part of these statements

Continued on the next page.

Colorado Housing and Finance Authority

Statement of Cash Flows (continued)

For the year ended December 31, 2007

(with summarized financial information for the year ended December 31, 2006)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2007	2006
Reconciliation of operating income to net cash used by operating activities:						
Operating income	\$ 987	\$ 6,944	\$ 6,729	\$ -	\$ 14,660	\$ 18,192
Adjustments to reconcile operating income to net cash used by operating activities:						
Depreciation expense	2,722	-	-	-	2,722	2,651
Amortization of service release premiums	1,931	-	-	-	1,931	1,802
Amortization of deferred loan fees/costs, net	(434)	1,283	(66)	-	783	1,243
Provision for losses	(300)	1,500	(700)	-	500	(4,357)
Equity in income of joint venture	(159)	-	-	-	(159)	-
(Increase) decrease in fair value of investments	66	(1,371)	(940)	-	(2,245)	2,468
Investment income	(3,420)	(14,602)	(9,705)	-	(27,727)	(34,384)
Interest on debt	11,307	95,872	51,715	(1,900)	156,994	136,209
Changes in assets and liabilities:						
Loans receivable and other real estate owned	(54,372)	(255,702)	(73,690)	(9,692)	(393,456)	(381,807)
Accrued interest receivable on loans	(959)	(1,437)	(1,177)	(56)	(3,629)	(807)
Other assets	(5,634)	-	-	-	(5,634)	(4,721)
Due to/from other funds	2,451	(55)	(2,396)	-	-	-
Accounts payable and other liabilities	3,525	-	-	-	3,525	3,553
Net cash used by operating activities	\$ (42,289)	\$ (167,568)	\$ (30,230)	\$ (11,648)	\$ (251,735)	\$ (259,958)

The Authority defines cash and cash equivalents as cash deposits.

The accompanying notes are an integral part of these statements

(1) Organization and Summary of Significant Accounting Policies

(a) Authorizing Legislation and Reporting Entity

Authorizing Legislation - The Colorado Housing and Finance Authority (the "Authority") is a body corporate and a political subdivision of the State of Colorado (the "State") established pursuant to the Colorado Housing and Finance Authority Act, Title 29, Article 4, Part 7 of the Colorado Revised Statutes, as amended (the "Act"). The Authority is not a state agency and is not subject to administrative direction by the State. The governing body of the Authority is its board of directors. Operations of the Authority commenced in 1974. The Authority is not a component unit of the State or any other entity.

The Authority was created for the purpose of making funds available to assist private enterprise and governmental entities in providing housing facilities for lower and moderate income families. Under the Act, the Authority is also authorized to finance project and working capital loans to industrial and commercial enterprises (both for-profit and non-profit) of small and moderate size.

In 2001, the Colorado state legislature repealed the limitation on the amount of debt that the Authority can issue as well as removed the moral obligation of the State on future debt issues of the Authority. The bonds, notes and other obligations of the Authority do not constitute debt of the State.

In 1992, Colorado voters approved an amendment to the State Constitution, Article X, Section 20 which, among other things, imposes restrictions on increases in revenue and expenditures of state and local governments. In the opinion of its bond counsel, the Authority qualifies as an enterprise under the amendment and therefore is exempt from its provisions.

Blended Component Units - Hyland Park Centre Corporation ("Hyland Park"), Tanglewood Oaks Apartments Corporation ("Tanglewood"), and Village of Yorkshire Corporation ("Yorkshire") have been designated as blended component units and included in the Authority's financial statements. Hyland Park, Tanglewood and Yorkshire are public, non-profit instrumentalities of the Authority, each of which owns and operates a single, separate multi-family rental housing project. The Authority is financially accountable for these units because they have the same board of directors and management personnel, and their surplus assets are relinquished to the Authority. Separate financial statements for the individual component units may be obtained through the Authority.

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting - The Authority's funds are accounted for as enterprise funds for financial reporting purposes. All funds utilize the economic resource measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements for its funds, as well as those of the Financial Accounting Standards Board issued before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements. After November 30, 1989, the Authority only applies applicable GASB pronouncements.

Financial Statement Presentation – The Authority's financial statements include a classified Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets formatted to report operating and nonoperating revenues and expenses, a Statement of Cash Flows presented using the direct method and notes to the financial statements. The Authority's financial statements present its funds in separate columns. Summarized financial information for 2006 has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position, results of operations and cash flows on an entity-wide basis. However, the summarized financial information is not intended to present the financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States of America.

The financial activities of the Authority are recorded in three funds which are consolidated for reporting purposes and are described below.

General Fund – The General Fund is the Authority's primary operating fund. It accounts for all financial activity not specifically pledged for the repayment of bonds in the other funds.

Single Family Fund – The Single Family Fund accounts for bonds issued and assets pledged for payment of the bonds under the related indentures. Loans acquired by this fund with the proceeds of single family bond issues include FHA, conventional, USDA Rural Development and VA loans made under various loan programs.

Multi-Family/Business Fund – The Multi-Family/Business Fund accounts for bonds issued and assets pledged for payment of the bonds under the related indentures. Loans acquired by this fund with the proceeds of multi-family and business (sometimes referred to as project) bond issues include loans made for the purchase, construction or rehabilitation of multi-family rental housing. In addition, business loans are made to both for-profit and non-profit organizations primarily for the purpose of acquisition or expansion of their facilities or for the purchase of equipment.

Interfund activity is eliminated, reflected in the "Eliminations" column of the statements.

(c) Summary of Significant Accounting Policies

Investments – Investments of the Authority, with the exception of nonparticipating investment agreements which are reported at cost, are carried at fair value based on quoted market prices. Investments with a maturity of one year or less are valued at amortized cost, which approximates fair value.

Loans Receivable – Mortgage loans receivable are carried at their unpaid principal balance net of deferred down payment assistance expense, deferred fee income and an allowance for estimated loan losses. Deferred down payment assistance expense and deferred fee income are capitalized and amortized over the life of the loan using the effective interest method. Virtually all mortgage loans receivable are serviced by the Authority.

Allowance for Loan Losses - The allowance for loan losses is provided through charges against current operations based on management's periodic review of the loan portfolio. This review considers such factors as the payment history of the loans, the projected cash flows of the borrowers, estimated value of the collateral, subsidies, guarantees, mortgage insurance, historical loss experience for each loan type, additional guarantees provided by the borrowers and economic conditions. When this review determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made.

Capital Assets – The Authority's capital assets consist of two components. Corporate capital assets include those capital assets other than those used in its Rental Acquisition Program (RAP) activities. The Authority commenced its RAP operations in 1988 when the Board authorized the acquisition, rehabilitation and operation of multi-family properties to provide affordable housing to lower and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (1) general obligation and multi-family bond proceeds, (2) seller-carry notes, and (3) contributions from the General Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. As of December 31, 2007, the Authority owned a total of 10 RAP projects, including its three component units, containing 1,232 units.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$2,500 in the case of corporate capital assets and \$1,500 in the case of RAP capital assets. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives, ranging from 3-30 years.

Other Real Estate Owned - Other real estate owned represents real estate acquired through foreclosure and in-substance foreclosures. Other real estate owned is initially recorded at the lower of the investment in the loan or the estimated net realizable value.

Bond and Note Issuance Costs - Costs of debt issuance are deferred and amortized over the lives of the bond issues using the effective interest method.

Other Assets - Included in other assets are unamortized costs of mortgage servicing rights. Mortgage servicing rights are amortized over the life of the related loans using the effective interest method.

Bond Discounts and Premiums - Discounts and premiums on bonds payable are amortized over the lives of the respective bond issues using the effective interest method.

Debt Refundings - For current and advance refundings resulting in defeasance of debt reported by the Authority, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the effective interest method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

Interest Rate Swap Agreements - The Authority enters into interest rate swap agreements with rated swap counterparties in order to (1) provide lower cost fixed rate financing for its loan production needs through synthetic fixed rate structures; and (2) utilize synthetic fixed rate structures with refunding bonds in order to generate cash flow savings. The interest differentials to be paid or received under such swaps are recognized as an increase or decrease in interest expense of the related bond liability. Additional information about the swap agreements is provided in Note 7.

Compensated Absences - Employees accrue paid time off at a rate based on length of service. Employees may accrue and carry over 150% of their annual paid time off benefit. The liability for compensated absences is based on current salary rates and is reflected in the financial statements.

Operating and Nonoperating Revenues and Expenses - The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority are interest income on loans and investment income. The Authority also recognizes revenues from rental operations and other revenues, which include loan servicing fees and other administrative fees. Operating expenses include interest expense, administrative expenses, depreciation, and the provision for loan losses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Authority's nonoperating revenues and expenses consist primarily of pass-through amounts related to the Authority's role as a contract administrator of the U.S. Department of Housing and Urban Development's Section 8 subsidy program. Under the Section 8 subsidy program, tenants pay 30% of their income toward rent and the balance is paid by federal subsidy.

Budget Policies - The Authority's budget year is the calendar year. The budget is developed on a full accrual basis with estimations of revenue by source and expenses by object. The Authority is not subject to the Local Budget Government Law of Colorado pursuant to Title 29, Article 1, Part 1 of the Colorado Revised Statutes.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Reclassifications - Certain prior year amounts have been reclassified to conform to current year presentation.

(2) Cash and Investments

For General Fund investments, the Authority is authorized by means of a Board-approved investment policy to invest in notes, bonds and other obligations issued or guaranteed by the U.S. government and certain governmental agencies. Additionally, the Authority is permitted to invest, with certain restrictions as to concentration of risk, collateralization levels,

maximum periods to maturity, and/or underlying rating levels applied, in revenue or general obligations of states and their agencies, certificates of deposits, U.S. dollar denominated corporate or bank debt, commercial paper, repurchase agreements backed by U.S. government or agency securities, money market mutual funds and investment agreements. The Authority is also subject to permissible investments as authorized by Title 24, Article 75, Part 6 of the Colorado Revised Statutes (CRS). Permissible investments pursuant to the CRS are either identical to or less restrictive than the Authority's investment policy. In addition, each of the trust indentures established under the Authority's bond programs contain requirements as to permitted investments of bond fund proceeds, which may be more or less restrictive than the Authority's investment policy for General Fund monies.

As of December 31, 2007, the Authority had the following investments:

Investment Type	Investment Maturities (In Years)				Total	2006
	Less Than 1	1-5	6-10	More Than 10		
Money market mutual fund	\$ 2,011	\$ -	\$ -	\$ -	\$ 2,011	\$ 6,258
External investment pool	42,999	-	-	-	42,999	35,314
Repurchase agreement	327	-	-	-	327	1,042
U.S. Treasury	-	-	2,612	565	3,177	3,304
U.S. Government agencies	92,211	136	18,456	49,003	159,806	139,442
State & political subdivision obligations	-	-	-	10,541	10,541	10,623
Investment agreements - uncollateralized	356,903	-	-	-	356,903	456,828
Investment agreements - collateralized	6,612	-	-	-	6,612	23,300
Total	\$ 501,063	\$ 136	\$ 21,068	\$ 60,109	\$ 582,376	\$ 676,111

Interest Rate Risk – The Authority manages interest rate risk in the General Fund by generally limiting the maximum maturity date of an investment to seven years. Of the General Fund's \$65,446,000 in investments, 93% have maturities of less than one year.

In the Single Family and Multi-Family/Business Funds, the Authority matches maturities to anticipated cash flows. Of the \$59,543,000 in investments with a maturity of more than ten years held by these funds, 94% are debt service reserves.

Credit Risk – The following table provides credit ratings of the Authority's investments as determined by Moody's Investors Service and/or Standard and Poor's.

Investment Type	Rating
Money market mutual fund	AAAm
External investment pool	AAAm
Repurchase agreement	AAA
U.S. Government agencies	AAA
State & political subdivision obligations	AA-AAA
Investment agreements - uncollateralized	Unrated
Investment agreements - collateralized	Unrated

The rating for the repurchase agreements in the above table is the rating of the underlying securities. 96% of the investments in securities issued by state and political subdivisions are rated AAA.

Investment agreements meet the requirements of the rating agency providing the rating on the related debt issue, and of the Board's investment policy. Investment agreements generally provide for collateralization of balances in the event of a rating agency downgrade of the institution below certain rating requirements.

As of December 31, 2007, the Authority had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local governmental entities in Colorado to pool funds available for investment. COLOTRUST is reflected in the above tables as an external investment pool. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similar to a money market fund and each share's fair value is \$1.00.

Concentration of Credit Risk – The Authority has various maximum investment limits both by type of investment and by issuer to prevent inappropriate concentration of credit risk. The following table provides information on issuers in which the Authority has investments representing more than 5% of its total investments or of the respective funds.

Issuer	Total	General Fund	Single Family	Multi-Family/ Business
Freddie Mac	9.5%	9.4%	10.5%	8.2%
Fannie Mae	15.5%	19.3%	8.4%	24.9%

Custodial Credit Risk – Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the issuer, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All securities owned by the Authority are either in the custody of the related bond indenture trustees or held in the name of the Authority by a party other than the issuer of the security.

Custodial Credit Risk - Cash Deposits – In the case of cash deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2007, the Authority's cash deposits had a carrying amount of \$30,955,000 and a bank balance of \$31,695,000. All deposit accounts were either covered by the Federal Deposit Insurance Corporation or collateralized in accordance with the Public Deposit Protection Act.

Included in cash deposits are escrow deposits in the amount of \$23,228,000 held in a fiduciary capacity. These escrow deposits are primarily held for the payment of property taxes and insurance on behalf of the Authority's mortgagors.

(3) Loans Receivable, Other Real Estate Owned and Related Allowances

Loans receivable at December 31, 2007, and 2006, consist of the following:

	2007	2006
General Fund	\$ 275,003	\$ 211,075
Single Family Fund:		
Program Senior and Subordinate Mortgage	103,310	119,523
	1,703,903	1,432,852
Total Single Family Fund loans	1,807,213	1,552,375
Multi-Family/Business Fund:		
Insured Mortgage Revenue	99,527	126,497
Multi-Family/Project	743,750	646,868
Total Multi-Family/Business Fund loans	843,277	773,365
Less intercompany loans, included in Multi-Family/Project above	(21,508)	(31,200)
Total loans receivable	2,903,985	2,505,615
Payments in process	(5,639)	(228)
Deferred cash assistance expense	7,833	8,705
Deferred fee income	(10,767)	(9,968)
Allowance for loan losses	(10,401)	(11,377)
Total loans receivable, net	\$ 2,885,011	\$ 2,492,747

Loans in the Single Family Fund and the Multi-Family/Business Fund in the table above are grouped based on the related bond type (see Note 6 for additional information).

General Fund loans are made up of single family, multi-family and business finance loans acquired under various programs of the General Fund, warehoused loans to be acquired by the Single Family and Multi-Family/Business Funds, loans held as investments, and loans backed by bonds within the General Fund. These loans are typically collateralized by mortgages on real property and improvements. Certain of these loans are also guaranteed by agencies of the United States government.

Single family bond program loans are collateralized by mortgages on applicable real property, and in the case of loans with a loan-to-value ratio of 80% or more, are generally either insured by private mortgage insurance or the Federal Housing Administration or guaranteed by the Veterans Administration or Rural Economic and Community Development Department.

Multi-family/business bond program loans are collateralized by mortgages on applicable real estate, and, in some cases, are further insured by an agency of the United States government.

Activity in the allowance for loan losses for the year ended December 31, 2007, was as follows:

Beginning Balance	Provision	Net Charge-offs	Ending Balance
\$ (11,377)	\$ (100)	\$ 1,076	\$ (10,401)

Other real estate owned net of the related allowance of \$2,097,000 as of December 31, 2007, consisted entirely of foreclosures of single-family residences. Activity in the allowance for losses on other real estate for the year ended December 31, 2007, was as follows:

Beginning Balance	Provision	Net Writedowns	Ending Balance
\$ -	\$ (400)	\$ 183	\$ (217)

(4) Capital Assets and Rental Acquisition Program (RAP)

Capital assets activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	\$ 7,597	\$ -	\$ (1,944)	\$ 5,653
Construction in progress	948	3,194	(2,779)	1,363
Total non-depreciable capital assets	8,545	3,194	(4,723)	7,016
Depreciable capital assets:				
Cost:				
Computer equipment/software	4,526	2,467	(1,069)	5,924
Furniture and equipment	701	319	(407)	613
Rental property - non-building related	3,811	266	(2,216)	1,861
Buildings and related improvements	45,367	174	(10,500)	35,041
Total depreciable capital assets	54,405	3,226	(14,192)	43,439
Less accumulated depreciation:				
Computer equipment/software	(2,739)	(834)	1,069	(2,504)
Furniture and equipment	(510)	(56)	381	(185)
Rental property - non-building related	(2,339)	(346)	1,830	(855)
Buildings and related improvements	(16,179)	(1,486)	3,477	(14,188)
Total accumulated depreciation	(21,767)	(2,722)	6,757	(17,732)
Total depreciable capital assets, net	32,638	504	(7,435)	25,707
Total capital assets, net	\$ 41,183	\$ 3,698	\$ (12,158)	\$ 32,723

As discussed in Note 1(c), the Authority's capital assets consist of two components, corporate capital assets and RAP capital assets. Summary capital assets activity for these two components for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Corporate activities:				
Cost	\$ 14,450	\$ 3,322	\$ (1,476)	\$ 16,296
Accumulated depreciation	(5,074)	(1,207)	1,450	(4,831)
Net	9,376	2,115	(26)	11,465
RAP activities:				
Cost	48,500	318	(14,659)	34,159
Accumulated depreciation	(16,693)	(1,515)	5,307	(12,901)
Net	31,807	(1,197)	(9,352)	21,258
Total capital assets, net	\$ 41,183	\$ 918	\$ (9,378)	\$ 32,723

Summary financial information for the Authority's RAP activities as of December 31, 2007, and for the year then ended is provided below:

As of December 31, 2007	
Property, net of accumulated depreciation of \$12,901	\$ 21,258
Total assets	\$ 26,692
Total liabilities	\$ 17,628
Net assets	\$ 9,064
For the year ended December 31, 2007	
Rental income	\$ 10,882
Gains on sales of properties	6,659
Other revenues	135
General operating expenses	(6,268)
Depreciation expense	(1,515)
Interest expense	(1,588)
Operating income	\$ 8,305

(5) Short-term Debt

The Authority has agreements with the Federal Home Loan Bank of Topeka (FHLB) for borrowings in an amount not to exceed the lending limit internally established by the FHLB. Historically, this limit has been well in excess of actual or projected borrowings of the Authority. Borrowings under these agreements are used to support the Authority's various lending programs, including warehousing of loans in the General Fund, and activities related to the Authority's private activity bond volume cap preservation program. Amounts drawn under the agreements bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investments. There are no commitment fees associated with these agreements.

The Authority also has a revolving, unsecured, commercial bank line of credit agreement for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest fixed at 0.55% per annum above the London Interbank Offered Rate. This line of credit agreement terminates on July 25, 2008. The Authority pays an unused line fee at the rate of 0.15% per annum, payable in arrears on the last day of each calendar. The fee is based upon the amount by which the daily average of the aggregate principal amount of the borrowings outstanding is less than the line of credit.

The Authority additionally has an agreement with a commercial bank for a secured line of credit authorizing borrowings of up to \$10,000,000. The Authority borrows an amount based on the prior month's average daily balance of custodial funds held in a non-interest bearing account at the bank. Amounts drawn under this agreement bear interest fixed at .75% per annum, and are invested with the bank in money market instruments. The line of credit agreement terminates on August 1, 2008. There are no commitment fees associated with this agreement.

Short-term debt activity for the year ended December 31, 2007, was as follows:

Beginning Balance	Additions	Reductions	Ending Balance
\$ 8,200	\$ 3,362,860	\$ (3,306,515)	\$ 64,545

(6) Long-term Liabilities

The Authority issues bonds and notes payable to finance its lending programs. Proceeds from long-term debt of the Single Family and Multi-Family/Business Funds are used for funding of single family, multi-family and business loans. Long-term debt of the General Fund (including notes payable) is used to finance single family and business loans related to various private placements, the Authority's RAP activities and for general corporate purposes. The aggregate principal amounts of bonds and notes payable outstanding as of December 31, 2007, and 2006, are shown in the table on the following pages. Interest is payable semi-annually unless otherwise noted. Interest rates on variable debt are reset on a weekly basis by the remarketing agents.

Description and due date	Interest rate (%)	2007	2006
Bonds payable:			
General Fund:			
General Obligation Bonds:			
1992 Series A	2008-2030	9.125	\$ 3,130
1998 Series A	2008-2017	4.70 to 5.25	\$ 1,060
Total General Obligation Bonds		4,190	4,295
Single Family:			
Taxable Mortgage Revenue Bonds: (* principal and interest payable monthly)			
2000 Series A*	2008-2020	6.914	1,144
2000 Series B*	2008-2020	6.675	165
2001 Series AP*	2008-2021	6.135	1,679
2001 Series AV*	2008-2021	6.625	220
2002 Series AP*	2008-2022	5.662	524
2004 Series A*	2008-2034	4.95	1,463
2004 Series B*	2008-2035	4.98	3,311
2004 Series CV*	2008-2035	5.14	2,134
2005 Series A *	2008-2035	5.17	8,951
2005 Series B*	2008-2036	5.32	8,158
2006 Series A*	2008-2036	5.92	10,193
2007 Series A*	2008-2037	5.50	7,994
Total Single Family		45,936	42,622
Multi-Family/Business Finance:			
ACCESS Program Bonds:			
1995 Series A	2008-2015	7.67	210
Guaranteed Loan Participation Purchase Bonds: (* principal and interest payable monthly)			
1999 Series A	2008-2024	5.71	687
2000 Series A	2008-2025	6.755	214
2003 Series A*	2008-2023	5.004	2,911
2004 Series A*	2008-2024	4.62	3,148
2004 Series B*	2008-2024	4.88	7,853
2005 Series A*	2008-2025	4.81	3,417
2006 Series A*	2008-2026	5.98	4,750
2007 Series A*	2008-2027	5.89	4,959
Total Guaranteed Loan Participation Purchase Bonds		27,939	25,018
Project Loan Participation Purchase Bonds: (* principal and interest payable monthly)			
2004 Series AP*	2008-2024	4.90	6,305
Taxable Rental Project Revenue Bonds: (* principal and interest payable monthly)			
2000 Series A	2008-2020	6.152	4,519
2002 Series AV*	2008-2022	5.55	6,187
2003 Series AV*	2008-2024	5.19	3,794
2004 Series A*	2008-2024	4.90	12,855
Total Taxable Rental Project Revenue Bonds		27,355	28,029
Total Multi-Family/Business Finance		61,809	60,175
Total General Fund		111,935	107,092

Description and due date		Interest rate (%)	2007	2006
Single Family Fund:				
Single Family Program Senior and Subordinate Bonds:				
1995 Series D	2008-2026	5.625 to 7.375	415	795
1996 Series A	2008-2027	5.60 to 7.40	335	860
1996 Series B	2008-2027	7.45 to 7.65	300	695
1996 Series C	2008-2027	7.10 to 7.55	350	635
1997 Series A	2008-2027	7.00 to 7.25	985	1,585
1997 Series B	2008-2028	6.75 to 7.00	680	1,365
1997 Series C	2008-2028	6.75 to 6.875	985	1,830
1998 Series A	2008-2029	6.50 to 6.60	4,460	5,270
1998 Series B	2008-2029	5.50 to 6.55	4,443	5,416
1998 Series C	2008-2029	5.15 to 5.625	5,396	6,084
1998 Series D	2008-2029	6.125 to 6.35	5,540	6,950
1999 Series A	2008-2030	6.05 to 6.45	6,570	8,045
1999 Series B	2008-2030	6.50 to 6.80	4,220	6,470
1999 Series C	2008-2031	6.75 to 7.20	6,795	8,665
2000 Series A	2008-2031	7.25 to 7.50	3,020	3,810
2000 Series B	2008-2031	6.70 to 7.25	3,705	4,390
2000 Series C	2008-2031	5.70 to 8.40	3,185	4,375
2000 Series D	2008-2032	5.40 to 6.90	4,800	5,910
2000 Series E	2008-2032	5.375 to 7.00	3,735	4,525
2001 Series A	2008-2032	5.00 to 6.50	6,985	8,215
2001 Series B	2008-2033	5.00 to 6.80	9,100	10,750
2001 Series C	2008-2033	4.875 to 6.60	12,250	14,735
Total Single Family Program Senior and Subordinate Bonds			88,254	111,375
Single Family Mortgage Bonds:				
2001 Series AA	2008-2041	Variable & 5.25	131,840	131,840
2002 Series A	2008-2032	Variable & 4.55 to 5.65	61,650	67,500
2002 Series B	2008-2032	Variable & 4.80 to 5.40	89,805	100,035
2002 Series C	2008-2036	Variable & 4.40 to 4.95	117,155	129,180
2003 Series A	2008-2032	Variable & 4.75 to 5.15	49,970	55,860
2003 Series B	2008-2033	Variable & 5.00	150,930	165,050
2003 Series C	2008-2032	Variable & 5.00	87,070	98,405
2004 Series A	2008-2034	Variable & 5.25	98,470	107,600
2004 Series B	2008-2034	Variable & 5.25	82,245	91,315
2005 Series A	2008-2035	Variable & 5.25	87,355	95,430
2005 Series B	2008-2036	Variable & 4.60 to 5.22	168,810	175,940
2006 Series A	2008-2036	Variable & 5.00	106,985	180,260
2006 Series B	2008-2036	Variable & 5.10	190,950	279,270
2006 Series C	2008-2036	Variable & 4.625	158,680	160,000
2007 Series A	2008-2037	Variable & 4.80	175,000	-
2007 Series B	2008-2038	Variable	220,000	-
Total Single Family Mortgage Bonds			1,976,915	1,837,685
Total Single Family Fund			2,065,169	1,949,060

Description and due date	Interest rate (%)	2007	2006	
Multi-Family/Business Fund:				
Multi-Family Housing Insured - Mortgage Revenue Bonds:				
1996 Series A	2008-2037	6.00 to 6.40	1,785	2,485
1996 Series C		6.10 to 6.40	-	7,900
1997 Series A	2008-2038	5.75 to 7.125	4,970	6,190
1997 Series B	2008-2038	5.70 to 7.25	10,720	16,195
1997 Series C	2008-2039	5.00 to 5.75	22,765	23,785
1998 Series A	2008-2039	5.35 to 6.70	15,585	15,735
1998 Series B	2008-2040	5.45 to 7.00	7,110	7,140
1999 Series A	2008-2041	4.45 to 6.65	29,830	30,105
1999 Series B	2008-2041	5.25 to 5.85	5,295	5,345
1999 Series C	2008-2041	5.35 to 6.20	5,730	15,915
2002 Series AA	2008-2030	Variable	40,545	41,640
Total Multi-Family Housing Insured - Mortgage Revenue Bonds			144,335	172,435
Multi-Family/Project Bonds: (* principal and interest payable quarterly on some of the bonds)				
2000 Series A	2008-2032	Variable & 6.15	46,915	48,025
2000 Series B*	2008-2042	Variable & 5.90 to 6.10	30,180	30,455
2001 Series A	2008-2043	4.25 to 5.65	25,855	26,215
2002 Series A	2008-2042	Variable & 4.45 to 5.70	23,845	26,245
2002 Series C	2008-2042	Variable & 3.60 to 5.30	134,190	136,840
2003 Series A	2008-2033	Variable	41,355	42,370
2004 Series A	2008-2045	Variable & 2.60 to 4.80	82,255	85,080
2005 Series A	2008-2040	Variable	70,640	72,010
2005 Series B	2008-2040	Variable	26,785	33,160
2006 Series A	2008-2041	Variable	105,670	113,700
2006 Series B	2008-2044	Variable	118,600	118,600
2007 Series A	2008-2052	Variable	47,015	-
2007 Series B	2008-2038	Variable	103,745	-
Total Multi-Family/Project Bonds			857,050	732,700
Total Multi-Family/Business Fund			1,001,385	905,135
Total bonds payable			3,178,489	2,961,287
Notes payable:				
Annual payments, 2008		6.125	3,884	3,884
Annual payments, 2008-2020		1.00	585	628
Annual payments, 2008-2025		1.00	573	602
Monthly payments		4.50	-	627
No payments, principal forgiven annually		0.00	-	222
Total notes payable			5,042	5,963
Total bonds and notes payable			3,183,531	2,967,250
Deferred premiums			6,679	8,706
Deferred losses on refunding amounts			(7,630)	(8,033)
Total bonds and notes payable, net			\$ 3,182,580	\$ 2,967,923

A breakdown of bonds payable as of December 31, 2007, and 2006 by fixed and variable interest rates follows in the table below. Certain of the Authority's variable rate debt has been converted to fixed rate debt by entering into pay fixed/receive variable rate interest rate swap agreements as further described in Note 7. Such debt is referred to in the table as synthetic fixed rate debt.

Description	2007	2006
Fixed rate debt	\$ 696,509	\$ 890,902
Synthetic fixed rate debt	2,194,640	1,823,650
Variable rate debt	287,340	246,735
Total	\$ 3,178,489	\$ 2,961,287

Included in certain of the bond issues shown in the previous table are capital appreciation term bonds. The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity, and as reflected in the accompanying Statement of Net Assets at December 31, 2007, and 2006, are as follows:

Description and due date	Interest Rate (%)	Appreciated Balances		
		Maturity	2007	2006
Single Family Program Senior and Subordinate Bonds:				
1998 Series B - 2025-2029	5.50	\$ 6,053	\$ 2,123	\$ 2,011
1998 Series C - 2020-2029	5.625	12,265	4,851	4,589

Also included in the table of bonds and notes payable outstanding are certain Single Family and Multi-Family/Project bonds which carry the Authority's general obligation pledge. These bonds are presented in the following table as of December 31, 2007, and 2006:

Description	2007	2006
Single Family Program Subordinate Bonds	\$ 1,435	\$ 2,020
Single Family Mortgage Bonds, Class III	95,220	75,875
Multi-Family/Project Bonds, Class I	252,595	202,265
Multi-Family/Project Bonds, Class III	57,820	52,405
Total	\$ 407,070	\$ 332,565

Long-term liability activity for the year ended December 31, 2007, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 2,961,287	\$ 559,134	\$ (341,932)	\$ 3,178,489	\$ 13,520
Notes payable	5,963	-	(921)	5,042	3,956
Unamortized premium	8,706	-	(2,027)	6,679	28
Deferred losses on refunding	(8,033)	(109)	512	(7,630)	(33)
Total bonds and notes payable	2,967,923	559,025	(344,368)	3,182,580	17,471
Arbitrage rebate payable	1,401	2,337	(1,108)	2,630	-
Compensated absences	588	867	(785)	670	111
Deferred income	2,913	641	(300)	3,254	217
Other long-term liabilities	5,762	1,186	(713)	6,235	-
Total long-term liabilities	\$ 2,978,587	\$ 564,056	\$ (347,274)	\$ 3,195,369	\$ 17,799

Bonds and notes payable sinking fund installments and maturities subsequent to December 31, 2007, using rates in effect as of that date are as follows:

Year Ending December 31,	General Fund		Single Family		Multi-Family/Business		Notes Payable	
	Principal	Interest	Principal *	Interest	Principal	Interest	Principal	Interest
2008	\$ 120	\$ 6,105	\$ 4,600	\$ 94,244	\$ 8,800	\$ 47,097	\$ 3,956	\$ 398
2009	125	6,097	4,595	89,961	9,300	45,336	73	11
2010	130	6,090	6,175	89,686	9,820	44,941	74	10
2011	272	6,080	10,545	89,352	10,305	44,519	75	9
2012	308	6,062	24,105	88,849	10,420	44,067	76	9
2013-2017	2,078	29,911	339,370	415,167	72,440	212,217	390	32
2018-2022	14,067	28,413	259,322	354,078	92,870	196,586	295	13
2023-2027	51,520	17,406	221,479	306,706	102,995	175,476	103	2
2028-2032	1,110	11,655	367,566	249,654	130,410	152,055	-	-
2033-2037	42,205	7,702	666,121	133,805	263,475	107,279	-	-
2038-2042	-	-	172,635	11,732	113,785	53,788	-	-
2043-2047	-	-	-	-	129,750	24,814	-	-
2048-2052	-	-	-	-	47,015	11,871	-	-
Total	\$ 111,935	\$ 125,521	\$ 2,076,513	\$ 1,923,234	\$ 1,001,385	\$ 1,160,046	\$ 5,042	\$ 484

* Includes \$11.3 million of future accretion of principal value on capital appreciation bonds.

The Authority has issued certain conduit bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 2007, the amount outstanding on these bonds was \$455,812,000. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are generally guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

(7) Interest Rate Swap Agreements

Objective - The Authority has entered into pay-fixed, receive-variable interest rate swaps in order to (1) provide lower cost fixed rate financing for its production needs through synthetic fixed rate structures; and (2) utilize synthetic fixed rate structures with refunding bonds in order to generate cash flow savings.

Summary of Swap Transactions - The key terms, including the fair values and counterparty credit ratings of the outstanding swaps as of December 31, 2007, are shown in the table on the following pages. The notional amounts of the swaps match the principal amounts of the associated debt. Except as discussed under amortization risk below, the authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

Risk Disclosure

Credit Risk: All of the Authority's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the Authority is exposed to credit risk - i.e., the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the column labeled "Fair Value" in the table on the following page. The Authority is exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. As of December 31, 2007, the Authority was exposed to no credit risk with any of its counterparties. To mitigate credit risk, the Authority maintains strict credit standards for swap counterparties. All swap counterparties must be rated in the AA or higher category by either Moody's Investors Service (Moody's) or Standard & Poor's (S&P) at the time the contract is entered into.

The Authority has executed 94 swap transactions with 8 counterparties of which 57 swaps, representing approximately 48% of the notional amount of swaps outstanding, are held with 2 separate Aaa/AAA rated (Moody's and S&P respectively) special purpose vehicles, which are bankruptcy remote, both of which are affiliates of the same parent company (22% of the notional amount outstanding are held with the special purpose vehicle with a continuation structure and 26% are held with the special purpose vehicle with a terminating structure). The bankruptcy-remote nature of these special purpose vehicles makes them bankruptcy remote from each other, as well as from their parent company. Thus they should be viewed as discrete credits. Of the remaining 37 swaps, the Authority holds 14 swaps, approximately 18% of the notional amount outstanding, with a single counterparty rated Aaa/AA+. An additional 13 swaps, approximately 15% of the notional amount outstanding, are with another single counterparty rated Aa2/AA. The remaining 10 swaps, approximately 19% of the notional amount outstanding, are held with 4 counterparties, 2 of which are rated Aaa/AAA (one of which operates as a special purpose vehicle with a terminating structure), and 2 of which are rated in the Aaa/AA category by both Moody's and S&P, respectively.

Additionally, the Authority has entered into 8 forward starting swap agreements with 3 counterparties for a notional amount of \$135,815,000. The fair value of these swaps as of December 31, 2007, was a negative \$4,819,000. As of December 31, 2007, the bonds relating to these swap agreements had not been issued.

Basis Risk: The Authority is exposed to basis risk when the variable interest rate paid to the holders of its variable rate demand obligations (VRDO's) is not equivalent to the variable interest rate received from its counterparties on the related swap agreements. When exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated. The Authority's tax-exempt variable-rate bond interest payments are substantially equivalent to the Bond Market Association Municipal Swap Index (BMA, now known as SIFMA) rate (plus a trading spread). For the swaps in which the Authority is receiving its actual VRDO rate from the counterparty, the Authority is not exposed to basis risk. For the swaps in which the Authority can only receive a rate indexed on BMA, it is only exposed to basis risk to the extent that the Authority's bonds diverge from their historic trading relationship with BMA. Certain tax-exempt swaps, as indicated in the table on the following pages, contain tax risk language where in the occurrence of a tax event as described in the underlying contracts, the Authority would receive an alternative variable rate pegged at a percentage of the London Interbank Offered Rate (LIBOR). For those tax-exempt
(text continued on page 29)

Colorado Housing and Finance Authority – Notes to Financial Statements (tabular amounts are in thousands)

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating Moody's/S&P	Fair Value **
Single Family:										
2001 Series AA1	\$ 22,520	10/04/01	11/01/13	5.290%	VRDO's Rate				Aaa/AAA	\$ (795)
2001 Series AA2	46,840	10/04/01	05/01/31	4.600%	VRDO's Rate, with tax event language				Aaa/AAA	(4,624)
2002 Series A1	19,455	04/25/02	11/01/13	5.499%	VRDO's Rate				Aaa/AAA	(731)
2002 Series A3	19,090	04/25/02	11/01/21	4.749%	VRDO's Rate				Aaa/AAA	(1,862)
2002 Series B1	12,195	10/24/02	05/01/22	5.529%	VRDO's Rate				Aaa/AAA	(741)
2002 Series B2	22,930	07/18/02	11/01/13	5.285%	VRDO's Rate				Aaa/AAA	(676)
2002 Series B3	40,000	07/18/02	11/01/21	4.506%	VRDO's Rate, with tax event language				Aaa/AAA	(3,272)
2002 Series C1	28,785	10/24/02	11/01/32	5.350%	VRDO's Rate	Par optional termination right	11/01/17	21,765	Aaa/AAA	(674)
2002 Series C2	29,460	10/24/02	11/01/11	4.362%	VRDO's Rate				Aaa/AAA	(289)
2002 Series C3	40,000	10/24/02	05/01/22	4.422%	VRDO's Rate, with tax event language				Aaa/AAA	(2,763)
2003 Series A1	5,850	08/01/03	05/01/11	3.390%	LIBOR plus .05%				Aaa/AAAt	38
2003 Series A1	9,470	02/26/03	11/01/11	4.008%	LIBOR plus .05%				Aaa/AAAt	(24)
2003 Series A2	20,000	02/26/03	11/01/21	4.160%	BMA plus .05%, with tax event language				Aaa/AAAt	(1,111)
2003 Series B1	37,840	08/01/03	11/01/26	4.851%	LIBOR plus .05%	Par optional termination right	05/01/15	27,305	Aaa/AAAt	228
2003 Series B2	33,465	08/01/03	05/01/12	3.665%	LIBOR plus .05%				Aaa/AAAt	127
2003 Series B3	60,000	07/09/03	11/01/26	4.384%	BMA plus .15%	Par optional termination right	05/01/15	43,170	Aaa/AAAt	(2,816)
2003 Series C1	33,900	12/03/03	05/01/12	4.033%	LIBOR plus .05%				Aaa/AAA	(108)
2003 Series C2	40,000	11/13/03	11/01/26	4.595%	BMA plus .15%	Par optional termination right	05/01/15	28,780	Aaa/AAAt	(2,472)
2004 Series A1	27,575	09/01/04	05/01/12	4.460%	LIBOR plus .05%				Aaa/AAA	(297)
2004 Series A2	50,000	07/28/04	11/01/26	4.369%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	35,970	Aa2/AA	(3,346)
2004 Series B1	23,670	12/01/04	05/01/12	4.052%	LIBOR plus .05%				Aaa/AA	(69)
2004 Series B2	40,000	11/01/04	11/01/26	4.122%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	28,780	Aa2/AA	(1,881)
2005 Series A1	30,670	05/01/05	05/01/13	4.356%	LIBOR plus .05%				Aaa/AA	(271)
2005 Series A2	40,000	03/16/05	11/01/27	4.071%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	32,290	Aa2/AA	(1,757)
2005 Series B2	80,000	07/20/05	05/01/34	4.169%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	48,650	Aa2/AA	(4,136)
2006 Series A1	16,985	03/01/06	11/01/13	5.161%	LIBOR plus .05%				Aaa/AA	(500)
2006 Series A3	40,000	01/18/06	11/01/36	4.313%	Trigger, BMA plus .15% or 68% of LIBOR	Par optional termination right	05/01/19	37,810	Aaa/AA+	(2,503)
2006 Series B1	58,680	11/01/06	11/01/14	5.669%	LIBOR plus .05%				Aaa/AA	(2,852)
2006 Series B2	49,325	07/26/06	11/01/34	4.195%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	05/01/19	16,700	Aaa/AA+	(3,188)
2006 Series B3	62,945	07/26/06	11/01/36	4.545%	Trigger, BMA plus .15% or 68% of LIBOR	Par optional termination right	05/01/19	59,190	Aaa/AA+	(5,473)
2006 Series C1	58,680	01/02/07	11/01/14	5.314%	LIBOR plus .05%				Aaa/AA	(2,214)
2006 Series C2	14,140	12/20/06	05/01/16	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	05/01/12	7,050	Aaa/AA+	(937)
2006 Series C2	10,605	12/20/06	11/01/16	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	11/01/12	5,300	Aaa/AA+	(729)
2006 Series C2	10,605	12/20/06	11/01/17	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	11/01/13	5,300	Aaa/AA+	(759)
2006 Series C2	35,350	12/20/06	11/01/34	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	11/01/19	21,210	Aaa/AA+	(2,349)
2007 Series A1	70,000	06/01/07	05/01/15	5.191%	LIBOR plus .05%				Aaa/AA	(2,571)
2007 Series A2	70,000	05/09/07	11/01/37	4.153%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	05/01/19	62,910	Aaa/AA+	(3,167)
2007 Series B1	99,215	11/01/07	11/01/26	5.580%	LIBOR plus .05%	Par optional termination right	11/01/17	24,610	Aaa/AA	(5,010)
2007 Series B2	50,000	10/18/07	05/01/38	4.508%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	05/01/19	46,545	Aaa/AA+	(3,968)
2007 Series B3	50,000	10/18/07	05/01/38	4.405%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	As of: 1) 11/1/13 2) 11/1/15 3) 11/1/17	Up to: 1) 12,500 2) 25,000 3) 50,000	Aaa/AAAt	(2,290)
Total Single Family	1,510,245									(72,832)
Multi-Family/Business:										
2000 Series A1	12,750	03/21/00	10/01/20	5.235%	VRDO's Rate, with tax event language				Aaa/AAA	(1,860)
2000 Series A1	15,920	03/21/00	04/01/25	5.225%	VRDO's Rate, with tax event language				Aaa/AAA	(1,951)
2000 Series A2	11,545	02/01/00	04/01/15	5.800%	VRDO's Rate				Aaa/AAA	(1,301)
2000 Series B1	6,455	10/19/00	07/01/20	7.390%	LIBOR plus .25%				Aaa/AAAt	(1,029)
2002 Series A1	9,410	01/29/03	10/01/22	5.100%	VRDO's Rate				Aaa/AAA	(1,273)
2002 Series AA	30,545	07/03/02	10/01/23	6.068%	VRDO's Rate				Aaa/AAA	(5,844)
2002 Series AA	10,000	10/01/05	04/28/08	3.345%	BMA plus .05%				Aaa/AAA	-
2002 Series C1	10,350	04/01/03	10/01/32	6.129%	VRDO's Rate	Par optional termination right	As of: 1) 10/1/12 2) 4/1/15 3) 4/1/18	Up to: 1) 4,375 2) 6,575 3) all remaining	Aaa/AAA	(686)
2002 Series C2	70,715	10/01/03	10/01/32	5.124%	VRDO's Rate, with tax event language	Par optional termination right	04/01/18	59,340	Aaa/AAA	(8,541)
2002 Series C4	31,960	10/01/03	10/01/32	5.044%	VRDO's Rate, with tax event language	Par optional termination right	04/01/18	26,785	Aaa/AAA	(3,627)
2003 Series A1	22,795	10/01/03	04/01/26	4.555%	LIBOR plus .05%	Par optional termination right	10/01/09	16,576	Aaa/AAA	1,205
2004 Series A1	47,310	11/01/04	10/01/25	5.528%	LIBOR plus .05%	Par optional termination right	10/01/14	all remaining	Aa2/AA	(1,658)
2004 Series A2	10,785	09/22/04	04/01/45	4.884%	BMA plus .15%	Par optional termination right	10/01/19	all remaining	Aa2/AA	(750)
2005 Series A1 (A)	5,075	08/01/05	10/01/35	5.820%	LIBOR plus .05%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(193)
2005 Series A1 (B)	3,250	08/01/05	10/01/20	5.205%	LIBOR plus .05%				Aa2/AA	(128)
2005 Series A1 (C)	10,645	08/01/05	10/01/25	5.712%	LIBOR plus .05%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(409)
2005 Series A1 (D)	4,405	08/01/05	10/01/25	5.573%	LIBOR plus .05%	Par optional termination right	10/01/11	all remaining	Aa2/AA	(94)
2005 Series A2	20,880	07/01/05	04/01/36	4.285%	BMA plus .05%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(747)

Table continued on following page.

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating Moody's/S&P	Fair Value **
2005 Series A3 (A)	6,710	04/13/05	04/01/40	4.656%	BMA plus .15%	Par optional termination right	10/01/20	all remaining	Aa2/AA	(450)
2005 Series A3 (B)	6,685	10/01/05	04/01/32	4.480%	BMA plus .15%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(249)
2005 Series B1	14,775	03/01/06	04/01/36	5.235%	LIBOR plus .05%	Par optional termination right	10/01/15	11,125	Aaa/AA+	(205)
2005 Series B2 (A)	3,645	01/02/06	10/01/40	4.735%	BMA plus .15%	Par optional termination right	10/01/15	3,305	Aaa/AAA-	(162)
2005 Series B2 (B)	6,175	09/01/06	10/01/38	4.527%	BMA plus .15%	Par optional termination right	10/01/21	4,520	Aaa/AA+	(336)
2006 Series A1	5,275	12/01/06	04/01/27	5.715%	LIBOR plus .05%	Par optional termination right	04/01/17	3,380	Aaa/AAA	(306)
2006 Series A1	1,985	02/01/07	04/01/23	5.400%	LIBOR plus .05%				Aaa/AAA	(111)
2006 Series A1	8,205	01/01/07	04/01/27	6.002%	LIBOR plus .05%	Par optional termination right	As of: 1) 10/1/11 2) 10/1/16	Up to: 1) 1,795 2) 1,355	Aaa/AAA	(709)
2006 Series A1	4,875	01/01/07	04/01/27	5.728%	LIBOR plus .05%	Par optional termination right	As of: 1) 10/1/11 2) 10/1/16	Up to: 1) 1,045 2) 1,565	Aaa/AAA	(321)
2006 Series A1	7,460	12/01/06	04/01/27	6.020%	LIBOR plus .05%	Par optional termination right	04/01/22	2,795	Aaa/AAA	(643)
2006 Series A1	12,020	12/01/06	10/01/36	5.342%	LIBOR plus .05%	Par optional termination right	04/01/21	8,040	Aaa/AA+	(359)
2006 Series A2	5,085	11/01/06	04/01/28	4.341%	BMA plus .15%	Par optional termination right	10/01/16	3,540	Aaa/AAA	(191)
2006 Series A2	9,685	12/01/06	10/01/41	4.999%	BMA plus .15%	Par optional termination right	04/01/24	7,670	Aaa/AAA	(981)
2006 Series A2	12,620	11/01/06	04/01/39	4.626%	BMA plus .15%	Par optional termination right	10/01/16	10,880	Aaa/AAA	(548)
2006 Series A2	3,100	12/01/06	04/01/26	4.740%	BMA plus .15%	Par optional termination right	04/01/24	2,670	Aaa/AAA	(300)
2006 Series A3	2,520	11/01/06	10/01/36	4.504%	BMA plus .05%	Par optional termination right	10/01/16	2,150	Aaa/AAA	(110)
2006 Series A3	905	11/01/06	04/01/27	3.995%	BMA plus .05%				Aaa/AAA	(32)
2006 Series B1	107,500	11/29/06	10/01/44	5.172%	LIBOR				Aaa/AAA	(4,795)
2006 Series B2	11,100	11/29/06	10/01/44	5.172%	LIBOR				Aaa/AAA	(494)
2007 Series A1	33,995	05/01/07	10/01/52	5.207%	LIBOR plus .05%				Aaa/AAA	(1,676)
2007 Series A2	13,020	05/01/07	10/01/52	5.207%	LIBOR plus .05%				Aaa/AAA	(642)
2007 Series B1	8,305	08/29/07	04/01/37	5.093%	LIBOR plus .05%				Aaa/AAA	(265)
2007 Series B1	11,095	08/29/07	04/01/28	5.488%	LIBOR plus .05%	Par optional termination right	10/01/17	8,220	Aaa/AAA	(465)
2007 Series B1	8,080	08/29/07	04/01/28	5.763%	LIBOR plus .05%	Par optional termination right	10/01/12	6,920	Aaa/AAA	(306)
2007 Series B1	2,590	10/01/07	04/01/28	6.133%	LIBOR plus .05%	Par optional termination right	10/01/17	1,815	Aaa/AAA	(251)
2007 Series B1	1,230	10/01/07	04/01/38	6.360%	LIBOR plus .05%	Par optional termination right	04/01/18	1,080	Aaa/AAA	(136)
2007 Series B1	7,780	10/01/07	10/01/22	5.220%	LIBOR plus .05%	Par optional termination right	04/01/28	6,190	Aaa/AA+	(140)
2007 Series B1	4,190	11/01/07	10/01/17	5.887%	LIBOR plus .05%	Par optional termination right	04/01/18	3,510	Aaa/AAA	(339)
2007 Series B1	4,020	12/01/07	10/01/27	6.035%	LIBOR plus .05%	Par optional termination right	04/01/22	2,795	Aaa/AAA	(440)
2007 Series B2	2,955	08/29/07	10/01/36	4.292%	BMA plus .15%	Par optional termination right	10/01/17	2,040	Aaa/AAA	(100)
2007 Series B2	2,150	08/29/07	04/01/38	4.544%	BMA plus .15%	Par optional termination right	10/02/17	1,780	Aaa/AAA	(90)
2007 Series B2	4,960	08/29/07	04/01/38	4.470%	BMA plus .15%	Par optional termination right	10/02/17	4,395	Aaa/AAA	(205)
2007 Series B2	4,925	12/01/07	04/01/28	4.651%	BMA plus .15%	Par optional termination right	04/01/23	3,835	Aaa/AAA	(382)
2007 Series B3	2,675	08/29/07	10/01/37	4.304%	BMA plus .15%	Par optional termination right	10/01/17	2,065	Aaa/AAA	(94)
2007 Series B3	4,985	08/29/07	10/01/19	4.096%	BMA plus .15%	Par optional termination right	10/01/14	4,430	Aaa/AAA	(147)
2007 Series B3	2,320	12/01/07	04/01/38	4.881%	BMA plus .15%	Par optional termination right	10/01/17	2,205	Aaa/AAA	(176)
T Total Multi-Family/Business	684,395									(46,042)
T Total	\$ 2,194,640									\$ (118,874)

* VRDO indicates a Variable Rate Demand Obligation and is the actual rate paid to bondholders. BMA is the Bond Market Association Municipal Swap Index. LIBOR is the London Interbank Offered Rate.

** The fair value of the outstanding swaps are presented for informational purposes only and do not impact the financial statements. All fair values have been calculated using the mark-to-market or par value method and include the valuation of any related embedded option. Additionally, eight of the tax-exempt swap agreements contain language which transfer the risk of a tax event to the Authority. The fair value of these swaps would decrease an additional \$8,830,000 if a tax event had occurred on the valuation date.

swaps containing tax event language for which the Authority could receive a variable-rate payment other than actual or BMA, the Authority would then be negatively exposed to basis risk should the relationship between LIBOR and BMA converge. Certain tax-exempt swaps, as indicated in the table above, contain a trigger feature in which the Authority receives a rate indexed on BMA should LIBOR be less than a predetermined level (the trigger level), or a rate pegged at a percentage of LIBOR should LIBOR be equal to or greater than the predetermined trigger level. For these swaps, the Authority would be negatively exposed to basis risk during the time period it is receiving the rate based on a percentage of LIBOR should the relationship between LIBOR and BMA converge.

The Authority's taxable variable-rate bond interest payments are substantially equivalent to LIBOR (plus a trading spread). The Authority is receiving LIBOR (plus a trading spread) for all of its taxable swaps and therefore is only exposed to basis risk to the extent that the Authority's bonds diverge from their historic trading relationship with LIBOR.

Termination Risk: The Authority's swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the Authority or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either

party to terminate in the event of a significant loss of creditworthiness. The Authority views the likelihood of such events to be remote at this time. If at the time of the termination a swap has a negative value, the Authority would be liable to the counterparty for a payment equal to the fair value of such swap.

There are certain termination provisions relevant to the Authority's counterparties operating as special purpose vehicles (SPV) with a terminating structure. In the case of certain events, including the credit downgrade of the SPV or the failure of the parent company to maintain certain collateral levels, the SPV would be required to wind up its business and terminate all of its outstanding transactions with all clients, including the Authority. All such terminations would be at mid-market pricing. In the event of such termination, the Authority would be exposed to the risk of market re-entry and the cost differential between the mid-market termination and the offered price upon re-entry.

Rollover Risk: The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of December 31, 2007, the Authority is not exposed to rollover risk.

Amortization Risk: The Authority is exposed to amortization risk in the event that the swap amortization schedules fail to match the actual amortization of the underlying bonds as a result of loan prepayments which significantly deviate from expectations. If prepayments are significantly higher than anticipated, the Authority would have the option of reinvesting or recycling the prepayments, or calling unhedged bonds. Alternatively, if the Authority chose to call bonds associated with the swap, the Authority could elect an early termination of the related portions of the swap at a potential cost to the Authority. If prepayments are significantly lower than anticipated and the associated bonds remained outstanding longer than the relevant portion of the swap, the Authority could experience an increase in its exposure to unhedged variable rate bonds. Alternatively, the Authority could choose to enter into a new swap or an extension of the existing swap. If interest rates are higher at the time of entering into a new swap or swap extension, such action would result in a potential cost to the Authority.

Swap Payments and Associated Debt - Using interest rates as of December 31, 2007, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable rate interest rate payments on the bonds and net swap payments will change.

Year Ending December 31,	Principal	Interest	Swaps, Net	Total
2008	\$ 118,925	\$ 93,570	\$ 19,192	\$ 231,687
2009	119,625	84,938	19,409	223,972
2010	118,975	79,045	18,876	216,896
2011	112,925	73,297	18,234	204,456
2012	99,285	68,060	17,550	184,895
2013-2017	500,725	278,802	71,712	851,239
2018-2022	363,440	191,831	47,083	602,354
2023-2027	285,045	125,477	28,696	439,218
2028-2032	219,600	76,462	15,990	312,052
2033-2037	173,075	36,528	5,782	215,385
2038-2042	50,540	14,562	1,252	66,354
2043-2047	32,480	3,872	261	36,613
Total	\$ 2,194,640	\$ 1,126,444	\$ 264,037	\$ 3,585,121

(8) Debt Refundings

On August 29, 2007, the Authority issued its Multi-Family/Project Bonds 2007 Series B, in the aggregate principal amount of \$103,745,000. Proceeds of the bonds were used in part to refund portions of its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds 1997 Series A, and 1997 Series B, in the amount of \$6,260,000. The refunding resulted in a decrease in the aggregate debt service requirement of \$2,125,000 and an approximate economic gain to the Authority of \$961,000. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, \$109,000 was deferred and is being amortized over the estimated life of the old debt.

Economic gain or loss is calculated as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements less related upfront costs of issuance, bond call premiums and bond insurance premiums, discounted at the effective interest rate.

(9) Restricted Net Assets

The amounts restricted for the Single Family Fund and the Multi-Family/Business Fund are for the payment of principal, redemption premium, if any, or interest on all outstanding single family and multi-family/business bond issues, in the event that no other monies are legally available for such payments. The Board may withdraw all or part of this restricted balance if (1) updated cash flow projections indicate that adequate resources will exist after any withdrawal to service the outstanding debt, subject to approval by the bond trustee; (2) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (3) no default exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

Assets of the Single Family and Multi-Family/Business Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the Single Family and Multi-Family/Business Funds and are held in cash or investments. At December 31, 2007, these assets were at least equal to the amounts required to be restricted.

The Authority’s Board of Directors (the “Board”) has designated certain amounts of the unrestricted net assets of the General Fund as of December 31, 2007, for various purposes, as indicated in the following table. These designations of net assets are not binding, and can be changed by the Board.

Appropriations for loan programs:	
Housing Opportunity loans	\$ 46,983
Housing loans	421
Business finance loans	10,695
Total appropriations	58,099
Designations:	
General obligation bonds	16,479
General operating and working capital	510
Unrealized appreciation of investments	53,478
Single and multi-family bonds	17,635
Total designations	88,102
Total General Fund unrestricted net assets	\$ 146,201

(10) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

Due From Fund	Due to Fund			Total
	General	Single Family	Multi-Family/ Business	
General	\$ -	\$ 17,985	\$ 6,466	\$ 24,451
Single Family	261	-	-	261
Multi-Family/Business	390	-	-	390
Total	\$ 651	\$ 17,985	\$ 6,466	\$ 25,102

The outstanding balances between funds result mainly from the processing of loan payments which are initially received by the General Fund and then transferred to the Single Family Fund and Multi-Family/Business Fund on a month lag basis. All interfund payables are expected to be paid within one year.

The following table summarizes the Authority's transfers for the year ended December 31, 2007:

Transfers Out	Transfers In			Total
	General	Single Family	Multi-Family/ Business	
General	\$ -	\$ 248	\$ 125	\$ 373
Single Family	3	-	-	3
Multi-Family/Business	4,015	-	-	4,015
Total	\$ 4,018	\$ 248	\$ 125	\$ 4,391

The Authority makes transfers between funds primarily for the purpose of (1) making initial contributions from the General Fund to new bond series to cover bond issuance costs and (2) transferring amounts to the General Fund that are no longer restricted by bond resolutions or indentures.

(11) Retirement Plans

The Authority contributes to the Local Government Division Trust fund (Trust), previously known as the Municipal Division Trust Fund, a cost-sharing multiple-employer public defined benefit plan administered by the Public Employees' Retirement Association of Colorado (PERA). The Trust provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. Generally, all employees of the Authority are members of the Trust.

The Authority also contributes to the Health Care Trust Fund (Health Fund), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The Health Fund provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries.

Colorado Revised Statutes assign the authority to establish Trust and Health Fund benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Trust and the Health Fund. That report may be obtained by writing to PERA at P.O. Box

5800, Denver, Colorado 80217-5800, by calling PERA at 303-832-9550 or 1-800-759-PERA (7372) or from PERA's web site at www.copera.org.

Plan members and the Authority are required to contribute to the Trust at rates set by Colorado Statutes. A portion of the Authority's contribution is allocated for the Health Fund. Member contributions to the Health Fund are not required.

The contribution rate for members and the Authority's contributions to the Trust and Health Fund, which equaled the Authority's required contributions for each year, were as follows:

	2007	2006	2005
Contribution rate of covered salary:			
Members	8.00%	8.00%	8.00%
Authority:			
Trust	9.98%	9.48%	8.98%
Health Fund	1.02%	1.02%	1.02%
Total contribution rate	11.00%	10.50%	10.00%
Contributions by the Authority:			
Trust	\$ 1,010	\$ 890	\$ 743
Health Fund	103	96	84
Total contributions	\$ 1,113	\$ 986	\$ 827

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program, established under Section 401(k) of the Internal Revenue Code. Participants invest a percentage of their annual gross salaries up to the annual IRS limit of their gross salaries. The Authority contributes 1% of each participating employee's salary as part of the 401(k) match and, in addition to the 1% contribution, the Authority matches half of the employee's 401(k) contribution up to 5% of the participating employee's gross salary. The Authority's match is a maximum of 3.5%, which includes the 1% contribution. Contributions by the Authority for the years ended December 31, 2007, and 2006 were \$302,000 and \$262,000, respectively. Contributions by participating employees for the year ended December 31, 2007, was \$797,000.

Included in bonds and notes payable are bonds payable to PERA of \$36,155,000 at December 31, 2007, that carry the Authority's general obligation pledge.

(12) Risk Management

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures and purchased insurance. Commercial general liability, property losses, business automobile liability, worker's compensation and public officials' liability are all managed through purchased insurance. There were no significant reductions or changes in insurance coverage from the prior year. Settled claims did not exceed insurance coverage in any of the past three fiscal years.

(13) Commitments and Contingencies

The Authority had outstanding commitments to make or acquire single family and multi-family/business loans of \$113,524,000 and \$68,585,000, respectively, as of December 31, 2007.

There are a limited number of claims or suits pending against the authority arising in the Authority's ordinary course of business. In the opinion of the Authority's management and counsel, any losses that might result from these claims and suits are either covered by insurance or, to the extent not covered by insurance, would not materially affect the Authority's financial position.

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APPENDIX B

Outstanding Master Indenture Obligations

Outstanding Bonds

As of May 1, 2008, the Authority will have issued and have Outstanding the following Series of Bonds under the Master Indenture in the Classes as indicated:

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (May 1, 2008)</u>
2000 Series A Bonds:		
Adjustable 2000 Series A-1 (Class I)	\$56,195,000	\$12,750,000
Adjustable 2000 Series A-1 (Class III)	18,500,000(1)	15,340,000
Adjustable 2000 Series A-2 (Class I)	11,545,000	11,545,000
2000 Series A-3 (Class II)	6,700,000	6,700,000
Taxable 2000 Series A-4 (Class I)	3,640,000	0
2000 Series B Bonds:		
Taxable Floating 2000 Series B-1 (Class I)	\$ 7,780,000	\$6,305,000
2000 Series B-2 (Class I)	13,880,000	13,880,000
Adjustable 2000 Series B-3 (Class I)	5,000,000	5,000,000
2000 Series B-4 (Class I)	4,845,000	4,845,000
2000 Series B-4 (Class III)	370,000	0
2001 Series A Bonds:		
2001 Series A-1 (Class I)	\$24,350,000	\$15,545,000
2001 Series A-2 (Class II)	10,810,000	8,050,000
2001 Series A-2 (Class III)	2,890,000(1)	2,160,000
2002 Series A Bonds:		
Adjustable 2002 Series A-1 (Class I)	\$ 9,410,000	\$9,400,000
2002 Series A-2 (Class I)	3,590,000	1,695,000
2002 Series A-3 (Class II)	5,735,000	5,725,000
Adjustable 2002 Series A-4 (Class I)	19,450,000	7,025,000
2002 Series A-5 (Class I)	9,820,000	0
2002 Series B Bonds:		
Taxable Adjustable 2002 Series B-1 (Class I)	\$49,975,000	0
Taxable Adjustable 2002 Series B-2 (Class III)	14,625,000(1)	0
2002 Series C Bonds:		
Taxable Adjustable 2002 Series C-1 (Class I)	\$10,920,000	\$10,260,000
Adjustable 2002 Series C-2 (Class I)	70,715,000	70,715,000
2002 Series C-3 (Class I)	16,550,000	10,805,000
Adjustable 2002 Series C-4 (Class I)	31,960,000	31,960,000
2002 Series C-5 (Class I)	7,575,000	4,605,000
2002 Series C-6 (Class II)	5,000,000	4,495,000
2003 Series A Bonds:		
Taxable Adjustable 2003 Series A-1 (Class I)	\$37,415,000(1)	\$30,235,000
Taxable Adjustable 2003 Series A-2 (Class II)	11,365,000	9,800,000
2004 Series A Bonds:		
Taxable Adjustable 2004 Series A-1 (Class I)	\$66,280,000(1)	\$58,970,000
Adjustable 2004 Series A-2 (Class I)	10,785,000	10,785,000
2004 Series A-3 (Class II)	12,050,000	10,925,000
2005 Series A Bonds:		
Taxable Adjustable 2005 Series A-1 (Class I)	\$33,740,000(1)	\$31,490,000
Adjustable 2005 Series A-2 (Class I)	22,235,000	20,530,000
Adjustable 2005 Series A-3 (Class II)	40,275,000	16,740,000

2005 Series B Bonds:		
Taxable Adjustable 2005 Series B-1 (Class I)	\$16,550,000(1)	\$15,870,000
Adjustable 2005 Series B-2 (Class I)	10,820,000	10,680,000
Adjustable 2005 Series B-3 (Class I)	6,000,000	0
2006 Series A Bonds:		
Taxable Adjustable 2006 Series A-1 (Class I)	\$57,130,000(1)	\$55,240,000
Adjustable 2006 Series A-2 (Class I)	34,515,000	33,980,000
Adjustable 2006 Series A-3 (Class III)	22,055,000(1)	15,225,000
2006 Series B Bonds:		
Taxable Adjustable 2006 Series B-1 (Class II)	\$107,500,000	\$107,500,000 (2)
Taxable Adjustable 2006 Series B-2 (Class III)	11,100,000(1)	11,100,000 (2)
2007 Series A Bonds:		
Taxable Adjustable 2007 Series A-1 (Class II)	\$33,995,000	\$33,960,000 (2)
Taxable Adjustable 2007 Series A-2 (Class III)	13,020,000(1)	13,005,000 (2)
2007 Series B Bonds:		
Taxable Adjustable 2007 Series B-1 (Class I)	\$55,710,000	\$55,435,000
Adjustable Rate 2007 Series B-2 (Class I)	31,170,000	31,105,000
Adjustable Rate 2007 Series B-3 (Class I)	18,685,000	16,800,000
2008 Series A Bonds:		
Taxable Adjustable 2008 Series A-1 (Class II)	\$ 23,090,000(1)	\$ 23,090,000
Adjustable Rate 2008 Series A-2 (Class II)	<u>9,645,000</u>	<u>9,645,000</u>
Total Class I Bonds	\$756,415,000	\$587,455,000
Total Class II Bonds	266,165,000	236,630,000
Total Class III Bonds	82,560,000	56,830,000
Total Class IV Bonds	--	--

(1) Designated as general obligations of the Authority.

(2) These Bonds are the Refunded Bonds.

Outstanding Derivative Products

In connection with the issuance of certain Bonds under the Master Indenture, the Authority has previously entered into the following interest rate swap agreements ("**Derivative Products**"):

<u>Outstanding Derivative Products</u>	<u>Amount (1)</u>	<u>Counterparty</u>
2000 Series A Derivative Products:		
Adjustable 2000 Series A-1 (Class I)	\$12,750,000	Lehman Brothers Financial Products Inc.
Adjustable 2000 Series A-1 (Class III)	15,340,000	Lehman Brothers Financial Products Inc.
Adjustable 2000 Series A-2 (Class I)	11,545,000	Lehman Brothers Financial Products Inc.
2000 Series B Derivative Products:		
Taxable Floating 2000 Series B-1 (Class I)	\$ 6,305,000	Morgan Stanley Derivative Products Inc.
2002 Series A Derivative Products:		
Adjustable 2002 Series A-1 (Class I)	\$ 9,410,000	Lehman Brothers Financial Products Inc.
2002 Series C Derivative Products:		
Adjustable 2002 Series C-1 (Class I)	\$10,260,000	Lehman Brothers Financial Products Inc.
Adjustable 2002 Series C-2 (Class I)	70,715,000	Lehman Brothers Financial Products Inc.
Adjustable 2002 Series C-4 (Class I)	31,960,000	Lehman Brothers Financial Products Inc.
2003 Series A Derivative Products		
Taxable Adjustable 2003 Series A-1 (Class I)	\$22,250,000	Lehman Brothers Derivative Products Inc.
2004 Series A Derivative Products:		
Taxable Adjustable 2004 Series A-1 (Class I)	\$46,580,000	AIG Financial Products Corp.
Adjustable 2004 Series A-2 (Class I)	10,785,000	AIG Financial Products Corp.
2005 Series A Derivative Products:		
Taxable Adjustable 2005 Series A-1 (Class I)	\$23,135,000	AIG Financial Products Corp.
Adjustable 2005 Series A-2 (Class I)	20,530,000	AIG Financial Products Corp.
Adjustable 2005 Series A-3 (Class II)	13,290,000	AIG Financial Products Corp.
2005 Series B Derivative Products:		
Taxable Adjustable 2005 Series B-1 (Class I)	\$14,595,000	Bank of America, N.A.
Adjustable 2005 Series B-2 (Class I)	3,630,000	Bank of America, N.A.
Adjustable 2005 Series B-2 (Class I)	6,145,000	Bank of America, N.A.
2006 Series A Derivative Products:		
Taxable Adjustable 2006 Series A-1 (Class I)	\$37,280,000	Lehman Brothers Derivative Products Inc.
Taxable Adjustable 2006 Series A-1 (Class I)	11,930,000	Bank of America, N.A.
Adjustable 2006 Series A-2 (Class I)	30,295,000	Lehman Brothers Derivative Products Inc.
Adjustable 2006 Series A-3 (Class III)	3,395,000	Lehman Brothers Derivative Products Inc.
2006 Series B Derivative Products:		
Taxable Adjustable 2006 Series B-1 (Class II)	\$107,500,000 (2)	Lehman Brothers Derivative Products Inc.
Taxable Adjustable 2006 Series B-2 (Class III))	11,100,000 (2)	Lehman Brothers Derivative Products Inc.
2007 Series A Derivative Products:		
Taxable Adjustable 2007 Series A-1 (Class II)	\$33,960,000 (2)	Lehman Brothers Derivative Products Inc.
Taxable Adjustable 2007 Series A-2 (Class III))	<u>13,005,000 (2)</u>	Lehman Brothers Derivative Products Inc.
2007 Series B Derivative Products:		
Taxable Adjustable 2007 Series B-1 (Class I)	\$39,235,000	Lehman Brothers Derivative Products Inc.
Taxable Adjustable 2007 Series B-1 (Class I)	7,780,000	Bank of America, N.A.
Taxable Adjustable 2007 Series B-2 (Class I)	14,935,000	Lehman Brothers Derivative Products Inc.
Taxable Adjustable 2007 Series B-2 (Class I)	<u>9,950,000</u>	Lehman Brothers Derivative Products Inc.
2008 Series A Derivative Products:		
Taxable Adjustable 2008 Series A-1 (Class II)	\$16,675,000	Lehman Brothers Derivative Products Inc.
Adjustable 2008 Series A-2 (Class II)	<u>8,055,000</u>	Lehman Brothers Derivative Products Inc.
Total Outstanding Class I Derivative Products	<u>\$444,220,000</u>	
Total Outstanding Class II Derivative Products	<u>\$179,480,000</u>	
Total Outstanding Class III Derivative Products	<u>\$ 42,840,000</u>	

(1) As of May 1, 2008.

(2) These are the Derivative Products which will be modified and reallocated to the 2008 Series B Bonds as the 2008B Derivative Products. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2008B Derivative Products."

Except as noted in the table above, the Authority's obligation to make interest payments to the respective Counterparty under each of these Derivative Products constitutes a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of these Derivative Products in the event of early termination is a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations." See also footnote (5) to the audited 2007 financial statements of the Authority included in this Official Statement as **Appendix A**.

For a discussion of the 2008B Derivative Products expected to be modified and allocated to the 2008 Series B Bonds, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2008B Derivative Products."

Outstanding Liquidity Facilities

The Authority has previously entered into Standby Bond Purchase Agreements (constituting Liquidity Facilities under the Master Indenture) with the liquidity providers listed below with respect to the Adjustable Rate Bonds and having the expiration dates (unless extended or earlier terminated) as set forth below.

Outstanding Liquidity Facilities and Providers

<u>Series of Adjustable Rate Bonds</u>	<u>Related Liquidity Facility Provider</u>	<u>Expiration Date of Liquidity Facility</u>
2000 Series A-1 and A-2	FHLBank of Topeka	March 21, 2011
2000 Series B-3	FHLBank of Topeka	October 19, 2010
2002 Series A-1 and A-4	FHLBank of Topeka	May 14, 2010
2002 Series C-1, C-2 and C-4	FHLBank of Topeka	November 14, 2010
2003 Series A-1 and A-2	FHLBank of Topeka	September 23, 2008
2004 Series A-1 and A-2	FHLBank of Topeka	September 21, 2009
2005 Series A-1 and A-3	FHLBank of Topeka	April 12, 2010
2005 Series A-2	Dexia Credit Local	April 13, 2012
2005 Series B-1, B-2 and B-3	FHLBank of Topeka	December 13, 2010
2006 Series A-1, A-2 and A-3	DEPFA BANK plc	October 4, 2014
2006 Series B-1 and B-2 (1)	DEPFA BANK plc	November 29, 2014
2007 Series A-1 and A-2 (1)	DEPFA BANK plc	May 1, 2015
2007 Series B-1, B-2 and B-3	Calyon, New York Branch	August 29, 2012
2008 Series A-1 and A-2	FHLBank of Topeka	April 22, 2013

(1) These Liquidity Facilities relate to the Refunded Bonds and will be terminated in connection with the Refunding.

The Authority's obligations to repay the Liquidity Facility Provider prior to stated maturity for any principal amounts due on any Bank Bonds outstanding under a Liquidity Facility constitute Class III Obligations under the Master Indenture and also constitute general obligations of the Authority.

In connection with the issuance of the 2008 Series B Bonds, the Authority will enter into a Standby Bond Purchase Agreement with Federal Home Loan Bank of Topeka, as described in

Appendix H – "CERTAIN TERMS OF THE INITIAL 2008B LIQUIDITY FACILITY." See also **Appendix I** – "THE 2008B LIQUIDITY FACILITY PROVIDER."

Existing Bond Insurance

The payment of principal and interest on certain Bonds under the Master Indenture, when due, has been insured by financial guaranty insurance policies issued by MBIA Insurance Corporation ("MBIA") as described below:

<u>Series of Adjustable Rate Bonds</u>	<u>Outstanding Principal Amount (December 31, 2007)</u>
2000 Series A-1 (Class III)	\$15,920,000
2006 Series A-3 (Class III)	15,600,000
2006 Series B-1 (Class II)*	107,500,000
2006 Series B-2 (Class III)*	11,100,000
2007 Series A-1 (Class II)*	33,995,000
2007 Series A-2 (Class III)*	13,020,000

*These are the Refunded Bonds.

There can be no assurance that any change in the ratings or financial status of MBIA will not affect the ratings on such Bonds, or the availability of the Outstanding Liquidity Facilities in effect for the respective Series of such Bonds.

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APPENDIX C

Summary of Certain Provisions of the Master Indenture

The Master Indenture and the 2008 Series B Indenture (collectively, the "**Indenture**") contain various provisions and covenants, some of which are summarized below. Reference is made to the Indenture for a full and complete statement of its provisions. Copies of the Indenture are available as provided in "Part II - MISCELLANEOUS."

Certain Definitions

"Account" or "Accounts" means one or more of the special trust accounts created and established pursuant to the Master Indenture or a Series Indenture.

"Acquisition Account" mean the Account so designated, which is created and established in the Program Fund by the Master Indenture.

"Administrative Expenses" means all the Authority's expenses of administering its activities under the Indenture and the Act. Such expenses may include, without limiting the generality of the foregoing, (i) Fiduciary Expenses, (ii) the fees and expenses of any auction agent, market agent and any broker-dealer then acting under a Series Indenture with respect to auction rate Bonds, (iii) the fees and expenses of any calculation agent then acting under a Series Indenture with respect to index-based Bonds, (iv) the costs of any remarketing of any Bonds, including the fees and expenses of any remarketing agent then acting under a Series Indenture with respect to such Bonds, (v) the fees and expenses due to any Credit Facility Provider or any Liquidity Facility Provider with respect to any Bonds for which any Credit Enhancement Facility or a Liquidity Facility is in place, (vi) the fees and expenses of the Authority incurred in connection with the preparation of legal opinions and other authorized reports or statements attributable to the Bonds, (vii) fees and expenses associated with the delivery of a substitute Credit Enhancement Facility or Liquidity Facility under a Series Indenture, (viii) fees and expenses associated with the monitoring of the Bonds, the Loans, the Housing Facilities, the Projects and the Authority Projects by the Rating Agencies, (ix) fees and expenses associated with (but not payments under) Derivative Products, (x) Costs of Issuance not paid from proceeds of Bonds, and (xi) salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, including information processing equipment, telephone, software, insurance premiums, legal, accounting, management, consulting and banking services and expenses, travel and other operating costs of the Authority, and payments to pension, retirement, dental, health and hospitalization and life and disability insurance benefits, and any other employee benefits; and any other expenses required or permitted to be paid by the Authority, all to the extent properly allocable to a financing under the Indenture.

"Aggregate Principal Amount" means, as of any date of calculation, the principal amount or Compound Accreted Value of the Bond referred to.

"Amortized Value" means, when used with respect to Investment Securities purchased at a premium above or at a discount below par, the value as of any given date obtained by dividing the total amount of the premium or the discount at which such Investment Securities were purchased by the number of days remaining to the first call date (if callable) or the maturity date (if not callable) of such Investment Securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (i) in the case of Investment Securities purchased at a premium, by deducting the product thus obtained from the purchase price and (ii) in the

case of Investment Securities purchased at a discount, by adding the product thus obtained to the purchase price.

"Authority Certificate" means a document signed by an Authorized Officer either (i) attesting or acknowledging the circumstances, representations or other matters therein stated or set forth or (ii) setting forth matters to be determined by such Authorized Officer pursuant to the Master Indenture.

"Authority Derivative Payment" means a payment required to be made by or on behalf of the Authority due to a Reciprocal Payor pursuant to a Derivative Product.

"Authority Payment Account" means the Account so designated which is created and established in the Debt Service Fund with respect to General Obligation Bonds by the Master Indenture.

"Authority Project" means a housing facility or other asset intended to be owned and operated by the Authority, or the financing and refinancing of designated expenditures and/or obligations of the Authority, or any combination thereof.

"Authority Project Subaccount" means the subaccount so designated which is created and established in the Series subaccount of the Acquisition Account by the Series Indenture.

"Authority Request" means a written request or direction of the Authority signed by an Authorized Officer.

"Authorized Officer" means the Chairman, Chairman pro tem or Executive Director of the Authority and any other officer designated from time to time as an Authorized Officer by resolution of the Authority and, when used with reference to any act or document, also means any other person authorized by resolution of the Authority to perform such act or sign such document.

"Bond" or "Bonds" means any of the bonds, notes or other financial obligations (however denominated) of the Authority authorized and issued under the Indenture.

"Bond Counsel" means any attorney or firm of attorneys of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed from time to time by the Authority.

"Bond Payment Date" means each date on which interest or a Principal Installment or both are payable on such Bond, and unless limited, means all such dates.

"Borrower" means the maker of, and any other party obligated on, a promissory note in connection with a Housing Facility or Project.

"Business Day" means a day on which the Trustee, any Paying Agent, the Remarketing Agent, the Bank or banks or trust companies in New York, New York, are not authorized or required to remain closed and on which The New York Stock Exchange is not closed.

"Capital Appreciation Bonds" means any Bond of a Series, Class, tenor and maturity so designated in the Related Series Indenture for which certain determinations hereunder are made on the basis of Compound Accreted Value rather than principal amount.

"Cash Flow Statement" means, with respect to any particular Bonds, a certificate prepared by or on behalf of the Authority with respect to Cash Flows setting forth, for the period extending from the date

of such certificate to the latest maturity of the Bonds then outstanding, (i) all Revenues expected to be received during such period; (ii) the application of all such Revenues in accordance with the Indenture; (iii) the resulting balances on each Bond Payment Date and Derivative Payment Date, if any; and establishing under all scenarios included in the Cash Flows, that anticipated Revenues will be at least sufficient to pay the principal of and interest on the Obligations when due and all Administrative Expenses payable under the Indenture when due. Each Cash Flow Statement shall be accompanied by all supporting Cash Flows. Reference to a Cash Flow Statement with respect to a Series shall be taken to mean a Cash Flow Statement with respect to such Series and any other Series to which it has been linked for Cash Flow Statement purposes.

"Cash Flows" means cash flow schedules prepared by or on behalf of the Authority, presented in sufficient detail acceptable to the Rating Agencies and including a listing of all assumptions and scenarios used in the preparation of such cash flow schedules. The assumptions used and scenarios included shall be acceptable to the Rating Agencies.

"Class I Bonds" means the Colorado Housing and Finance Authority Multi-Family/Project Class I Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class I Debt Service Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Class I Obligations" means Class I Bonds and any Derivative Product the priority of payment of which is equal with that of Class I Bonds.

"Class I Sinking Fund Installment" means the amount designated for any particular due date in the Related Series Indenture for the retirement of Class I Bonds on an unconditional basis, less any amount credited pursuant to the Master Indenture.

"Class II Bonds" means the Colorado Housing and Finance Authority Multi-Family/Project Class II Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class II Debt Service Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Class II Obligations" means Class II Bonds and any Derivative Product the priority of payment of which is equal with that of Class II Bonds.

"Class II Sinking Fund Installment" means the amount designated for any particular due date for the retirement of Class II Bonds, as set forth in the Related Series Indenture, which amount may be conditioned upon the transfer of sufficient moneys to the Class II Debt Service Fund, plus all such amounts specified for any prior date or dates, to the extent such amounts have not been paid or discharged, less any amounts credited pursuant to the Master Indenture.

"Class III Bonds" means the Colorado Housing and Finance Authority Multi-Family/Project Class III Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class III Debt Service Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Class III Obligations" means Class III Bonds and any Derivative Product the priority of payment of which is equal with that of Class III Bonds.

"Class III Sinking Fund Installment" means the amount designated for any particular due date for the retirement of Class III Bonds, as set forth in the Related Series Indenture, which amount may be conditioned upon the transfer of sufficient moneys to the Class III Debt Service Fund, plus all such amounts specified for any prior date or dates, to the extent such amounts have not been paid or discharged, less any amounts credited pursuant to the Master Indenture.

"Class IV Bonds" means the Colorado Housing and Finance Authority Multi-Family/Project Class IV Bonds authorized by, and at any time Outstanding pursuant to, the Indenture.

"Class IV Debt Service Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Class IV Obligations" means Class IV Bonds and any Derivative Product the priority of payment of which is equal with that of Class IV Bonds.

"Class IV Sinking Fund Installment" means the amount designated for any particular due date for the retirement of Class IV Bonds, as set forth in the Related Series Indenture, which amount may be conditioned upon the transfer of sufficient moneys to the Class IV Debt Service Fund, plus all such amounts specified for any prior date or dates, to the extent such amounts have not been paid or discharged, less any amounts credited pursuant to the Master Indenture.

"Costs of Issuance" means the items of expense payable or reimbursable directly or indirectly by the Authority and other costs incurred by the Authority, all related to the authorization, sale and issuance of Bonds and Derivative Products or otherwise pursuant to the Indenture, which costs and items of expense shall include, but not be limited to, underwriter's compensation, initial fees and expenses due to any Credit Facility Provider or Liquidity Facility Provider, printing costs, costs of developing, reproducing, storing and safekeeping documents and other information processing or storage of materials, equipment and software related to the Bonds, filing and recording fees, travel expenses incurred by the Authority in relation to such issuance of Bonds or otherwise pursuant to the Indenture, initial fees or charges of the Trustee, the Bond Registrar and the Paying Agent, initial premiums with respect to insurance required by the Indenture to be paid by the Authority or by the Trustee, legal fees and charges, consultants' fees, accountants' fees, costs of bond ratings, and fees and charges for execution, transportation and safekeeping of the Bonds.

"Cost of Issuance Account" means the Account so designated, which is created and established within the Program Fund by the Master Indenture.

"Credit Enhancement Facility" means an insurance policy insuring, or a letter of credit or surety bond or other financial instrument providing a direct or indirect source of funds for, the timely payment of principal of and interest on the Bonds of a Series or portion thereof (but not necessarily principal due upon acceleration thereof under the Master Indenture), as shall be designated pursuant to a Series Indenture with respect to such Series.

"Credit Facility Provider" means a commercial bank or other Person providing a Credit Enhancement Facility pursuant to any Series Indenture with respect to a Series.

"Debt Service Payment" means, when used with respect to any Bond Payment Date, the sum of the (i) interest, if any, and (ii) Principal Installments, if any, due and payable on such Bond Payment Date with respect to the Bonds referred to.

"Debt Service Reserve Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Debt Service Reserve Fund Requirement," with respect to each Series of Bonds, shall have the meaning set forth in the Related Series Indenture. See Part I.

"Defeasance Securities" means any Investment Securities used to effect defeasance of Bonds in accordance with the Master Indenture if upon such defeasance the Bonds so defeased are rated in the highest rating category by each Rating Agency rating such Bond, and which are not subject to redemption by the issuer prior to their maturity.

"Depository" means any bank, trust company, or savings and loan association (including any Fiduciary) selected by the Authority and approved by the Trustee as a depository of moneys, Loans, Investment Securities or Financing Documents held under the provisions of the Indenture, and its successor or successors.

"Derivative Product" means a written contract or agreement between the Authority and a Reciprocal Payor, which provides that the Authority's obligations thereunder will be conditioned on the absence of (i) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, or (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and:

(i) under which the Authority is obligated to pay (whether on a net payment basis or otherwise) on one or more scheduled and specified Derivative Payment Dates, the Authority Derivative Payments in exchange for the Reciprocal Payor's obligations to pay (whether on a net payment basis or otherwise), or to cause to be paid, to the Authority, Reciprocal Payments on one or more scheduled and specified Derivative Payment Dates in the amounts set forth in the Derivative Product;

(ii) for which the Authority's obligations to make Authority Derivative Payments may be secured by a pledge of and lien on the Trust Estate on an equal and ratable basis with the Outstanding Class I Bonds, Class II Bonds, Class III Bonds or Class IV Bonds, as the case may be; and

(iii) under which the Reciprocal Payments are to be made directly to the Trustee for deposit into the Revenue Fund.

"Excess Earnings" means, with respect to Loans held in any subaccount of the Acquisition Account or the Loan Recycling Account established in connection with a Series of Tax-exempt Bonds, the "excess earnings," as defined in Treasury Regulations §1.148-10T, with respect thereto.

"Excess Earnings Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Fiduciary" means the Trustee, the Bond Registrar, the Paying Agent, or a Depository or any or all of them, as may be appropriate.

"Fiduciary Expenses" means the fees and expenses of the Fiduciaries, except Servicing Fees payable to such persons.

"Financing Documents" means, with respect to any Loan, the Loan Agreement between the Authority and the Borrower with respect to the Loan, the Note duly executed by the Borrower evidencing

its obligation to repay the Loan, the Mortgage on the real property or leasehold constituting part of the Housing Facility or Project, financing statements duly prepared and registered pursuant to the Uniform Commercial Code, and such insurance, guaranties and other security for the repayment of the Loan as required by the Authority.

"Fiscal Year" means a period beginning on January 1 in any year and ending December 31 of the same year or such other twelve month period as may be adopted by the Authority in accordance with law.

"Fund" or "Funds" means one or more of the special trust funds created and established pursuant to the Master Indenture or a Series Indenture.

"General Obligation Bonds" means Bonds for the payment of which the Authority pledges its full faith and credit, subject only to the provisions of any agreements with the owners of particular notes or bonds pledging any particular revenues or assets to the payment thereof.

"Housing Facility" means a facility which is designed and financed for the primary purpose of providing decent, safe and sanitary dwelling accommodations pursuant to the Act, including any buildings, land, equipment or facilities or other real or personal property, which may be financed under the Act and (if applicable) the Code and which the Authority has found to be necessary to insure required occupancy or balanced community development or necessary or desirable for sound economic or commercial development of a community.

"Indenture" means the Master Indenture authorized, executed and issued by an Authorized Officer and any amendments or supplements made in accordance with its terms, including all Series Indentures.

"Interest Payment Date" means, for each Bond, any date upon which interest on such Bond is due and payable in accordance with the Related Series Indenture.

"Investment Agreement" means any investment agreement provided by an Investment Provider, which agreement, as of the date of execution thereof, shall have no adverse impact on the rating assigned to any Bonds by any Rating Agency.

"Investment Provider" means any commercial bank or trust company, bank holding company, investment company or other entity (which may include the Trustee, the Bond Registrar or the Paying Agent), which Investment Provider shall be approved by the Authority for the purpose of providing investment agreements.

"Investment Revenues" means amounts earned on investments (other than Loans) credited to any Fund or Account pursuant to the Indenture (including gains upon the sale or disposition of such investments), except the Rebate Requirement and any Excess Earnings.

"Investment Securities" means and includes any of the following securities, if and to the extent the same are at the time legal for investment of the Authority's Funds:

- (a) Direct, general obligations, or obligations the timely payment of principal and interest of which are unconditionally guaranteed by, the United States of America;
- (b) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Farm Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National

Mortgage Association (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Farmers Home Administration; Federal Home Loan Mortgage Corporation (including participation certificates only if they guarantee timely payment of principal and interest); Government National Mortgage Association (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Federal Financing Bank; or Federal Housing Administration; or any other agency or instrumentality of the United States of America (created by an act of Congress) substantially similar to the foregoing in its legal relationship to the United States of America;

(c) Repurchase agreements, collateralized by Investment Securities described in clause (a) or clause (b) of this definition, with any institution, any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank rated by each Rating Agency rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency, and collateralized in such manner to meet all requirements for collateralized repurchase agreements of each Rating Agency rating the Bonds in order to maintain the then current rating on such Bonds by such Rating Agency;

(d) General obligations or revenue obligations (including bonds, notes or participation certificates) of, or "private activity bonds" (within the meaning of the Code), issued by any state of the United States of America or any political subdivision thereof, or any agency or instrumentality of any state of the United States of America or any political subdivision thereof, which obligations are rated by each Rating Agency then rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency, or any money market or short term investment fund investing substantially in or consisting substantially of and secured by obligations described in this paragraph (d), which fund is rated by each Rating Agency then rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency and which fund, if the income from such investment is intended to be excluded from gross income for federal income tax purposes, is included in the definition of "tax-exempt bond" set forth in Treasury Regulation §1.150-1(b);

(e) Any Investment Agreement;

(f) Certificates of deposit, interest-bearing time deposits, or other similar banking arrangements, with a bank or banks (i) rated by each Rating Agency rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency or (ii) collateralized in such manner to meet all requirements for collateralized agreements of each Rating Agency rating the Bonds in order to maintain the then current rating on such Bonds by such Rating Agency; and

(g) Commercial paper rated by each Rating Agency rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency;

(h) Shares in the statutory law trust known as the Colorado Local Government Liquid Asset Trust (COLOTRUST), created pursuant to part 7 of article 75 of title 24, Colorado Revised Statutes; and

(i) Units of a money market fund or a money market mutual fund which has a rating from each Rating Agency then rating the Bonds sufficiently high to maintain the then current rating on such Bonds by such Rating Agency.

provided, that it is expressly understood that the definition of Investment Securities shall be, and be deemed to be, expanded, or new definitions and related provisions shall be added to the Indenture, thus permitting investments with different characteristics from those listed above which the Authority deems from time to time to be in the interest of the Authority to include as Investment Securities if at the time of inclusion the Trustee shall have received written confirmation from the Rating Agencies that such inclusion will not, in and of itself, impair, or cause any of the Bonds to fail to retain, the then existing rating assigned to them by the Rating Agencies.

"Liquidity Facility" means a Liquidity Facility, letter of credit or other agreement providing liquidity with respect to any Series or portion thereof for the Authority's obligation to repurchase Bonds subject to remarketing which have not been remarketed, as shall be designated pursuant to a Series Indenture with respect to such Series.

"Liquidity Facility Provider" means a commercial bank or other Person providing a Liquidity Facility pursuant to any Series Indenture with respect to a Series.

"Loan" means a loan of money, including advances, in the form of a loan (including a construction loan, a permanent loan or a combined construction and permanent loan) made by the Authority to a Borrower with the proceeds of the Bonds or the Refunded Bonds or with Prepayments for the financing of a portion of the costs of a Housing Facility or Project, which loan is evidenced by a Note pursuant to a Loan Agreement. The Authority may use money deposited in the Acquisition Account or the Loan Recycling Account to acquire mortgage-backed securities, pass-through certificates or other instruments backed by Loans, so long as each such Loan satisfies the requirements of the Master Indenture, in which case references in the Indenture to "Loans" shall be deemed to be references to such mortgage-backed securities, pass-through certificates or other instruments.

"Loan Agreement" means, collectively, the loan agreement, any regulatory agreement, and any other agreement between the Authority and the Borrower relating to the making of the Loan and the operation of the Housing Facility or Project.

"Loan Recycling Account" means the Account so designated, which is created and established in the Program Fund by the Master Indenture.

"Loan Repayments" means, with respect to any Loan, the amounts received by the Authority in respect of scheduled payments of the principal of and/or interest on the Note by or for the account of the Authority but does not include Prepayments or Servicing Fees.

"Mortgage" means the deed of trust, mortgage or other instrument creating a lien on real property within the State and improvements constructed or to be constructed thereon or on a leasehold under a lease of such real property having a remaining term, at the time such instrument is acquired by the Authority, of not less than the term for repayment of the applicable Loan, and which secures the repayment of the Loan.

"National Repository" shall mean, at the Authority's option, either (i) each Nationally Recognized Municipal Securities Information Repository (collectively, the "**NRMSIRs**") recognized by the Securities and Exchange Commission from time to time for purposes of 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, or (ii) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositories by some other means), including without limitation the central

post office known as DisclosureUSA, managed by the Municipal Advisory Council of Texas and located at the website www.DisclosureUSA.org.

"Note" means the note or notes executed by the Borrower evidencing the Borrower's payment obligations under the Loan.

"One-Month LIBOR Rate" "Three-Month LIBOR Rate" or "One-Year LIBOR Rate" means the rate per annum relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a one month period, a three month period or a one-year period, respectively, fixed by the British Bankers' Association at 11:00 a.m., London time, on the applicable Rate Determination Date, as displayed at the Internet site, <http://www.bba.org.uk>. If such Rate Determination Date is not a business day in London, the most recently fixed London Interbank Offered Rates on U.S. dollar deposits for a one month period, a three month period or a one-year period, respectively, shall be used. If the rate is no longer available at <http://www.bba.org.uk>, the Trustee will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

"Outstanding" means, when used with respect to a Derivative Product, a Derivative Product which has not expired, been terminated or been deemed paid in accordance with the Master Indenture, and when used with reference to any Bonds as of any date, all Bonds theretofore authenticated and delivered under the Indenture except:

(a) any Bond cancelled or delivered to the Bond Registrar for cancellation on or before such date;

(b) any Bond (or any portion thereof) (i) for the payment or redemption of which there shall be held in trust under the Indenture and set aside for such payment or redemption, moneys and/or Defeasance Securities maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date which, together with income to be earned on such Defeasance Securities prior to such maturity or redemption date, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (ii) in the case of any such Bond (or any portion thereof) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the Indenture or provided for in a manner satisfactory to the Bond Registrar;

(c) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to the Indenture; and

(d) any Bond deemed to have been paid as provided in the Master Indenture.

"Owner" means (i) when used with respect to a Bond, the registered owner of such Bond, and (ii) when used with respect to a Derivative Product, any Reciprocal Payor, unless the context otherwise requires.

"Paying Agent" means the bank, trust company or national banking association, appointed as Paying Agent under the Master Indenture and having the duties, responsibilities and rights provided for in the Indenture and its successors or successors and any other corporation or association which at any time may be substituted in its place pursuant to the Indenture.

"Prepayment" means, with respect to any Loan, any moneys received or recovered by the Authority from any payment of or with respect to the principal (including any applicable penalty, fee, premium or other additional charge for prepayment of principal, but excluding any Servicing Fees with

respect to the collection of such moneys) under any Note prior to the scheduled payment of such principal as called for by such Note, whether (a) by voluntary prepayment made by the Borrower, (b) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof, (c) by the sale, assignment, endorsement or other disposition of such Loan or any part thereof by the Authority or (d) in the event of a default thereon by the Borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Loan by the Authority or by any other proceedings taken by the Authority.

"Principal Installment" means, as of any date of calculation, and for any Bond Payment Date, (a) the principal amount or Compound Accreted Value of all Bonds due and payable on such date, plus (b) any Class I, Class II, Class III or Class IV Sinking Fund Installments due and payable on such date.

"Program Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Project" means a work or improvement which is located or is to be located in the State, including but not limited to real property, buildings, equipment, furnishings and any other real or personal property or any interest therein, financed, refinanced, acquired, owned, constructed, reconstructed, extended, rehabilitated, improved or equipped, directly or indirectly, in whole or in part, by the Authority and which is designed and intended for the purpose of providing facilities for manufacturing, warehousing, commercial, recreational, hotel, office, research and development, or other business purposes, including but not limited to machinery and equipment deemed necessary for the operation thereof, excluding raw material, work in process, or stock in trade. "Project" includes more than one project or any portion of a project, but shall not include (a) a housing facility or any portion thereof unless the Authority elects to treat such housing facility or portion thereof as a Project or (b) the financing by the Authority of any county or municipal public facilities beyond the boundaries of the Project.

"Qualified Surety Bond" means any surety bond, letter of credit, insurance policy or other instrument which has liquidity features equivalent to a letter of credit, deposited in the Debt Service Reserve Fund in lieu of or in partial substitution for moneys on deposit therein, which shall have no adverse impact on the rating assigned to any Bonds by any Rating Agency.

"Rating Agency" means, at any particular time, any nationally recognized credit rating service designated by the Authority, if and to the extent such service has at the time one or more outstanding ratings of Bonds. The Authority shall at all times have designated at least one such service as a Rating Agency hereunder.

"Rebate Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Reciprocal Payments" means any payment to be made to, or for the benefit of, the Authority under a Derivative Product.

"Reciprocal Payor" means a third party which, at the time of entering into a Derivative Product, shall have no adverse impact on the rating assigned by any Rating Agency, and which is obligated to make Reciprocal Payments under a Derivative Product.

"Record Date" means (i) with respect to 2008 Series B Bonds in a Commercial Paper Mode, a Weekly Mode or a SAVRS Rate Mode, the day (whether or not a Business Day) next preceding each Interest Payment Date, (ii) with respect to 2008 Series B Bonds in the Daily Rate Mode, the last day of each month (whether or not a Business Day) and (iii) with respect to 2008 Series B Bonds in a Term Rate

Mode or a Fixed Rate Mode, the fifteenth day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

"Redemption Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Related" (whether capitalized or not) means, with respect to any particular Bond, Class, Series, Series Indenture, Supplemental Indenture, Cash Flow Statement, Fund, Account, moneys, investments, Loan (or portion thereof), Loan Repayment or Prepayment, having been created in connection with the issuance of, or having been derived from the proceeds of, or having been reallocated to, or concerning, the same Series, as the case may be.

"Revenue Fund" means the Fund so designated, which is created and established by the Master Indenture.

"Revenues" means (i) all Loan Repayments, Prepayments and, except insofar as such payments may constitute Servicing Fees, any penalty payments on account of overdue Loan Repayments, (ii) payments made by the Authority for deposit to the Revenue Fund with respect to Authority Projects in accordance with the most recently filed Cash Flow Statement, (iii) Investment Revenues, and (iv) all other payments and receipts received by the Authority with respect to Loans, other than: (a) Servicing Fees, unless such fees are specifically pledged to the Trustee, or (b) any commitment, reservation or application fees charged by the Authority in connection with a Loan, or (c) accrued interest received in connection with the purchase of any Investment Securities, or (d) amounts collected with respect to Loans representing housing assistance payments under any applicable agreement with the U.S. Department of Housing and Urban Development.

"Series" means and refers to all of the Bonds designated as such in the Related Series Indenture and authenticated and delivered on original issuance in a simultaneous transaction, regardless of variations in Class, dated date, maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Master Indenture and the Related Series Indenture.

"Series Indenture" means a Supplemental Indenture authorizing a Series of Bonds and delivered pursuant to the Master Indenture.

"Servicer" means a state-chartered bank or national banking association, state or federal savings and loan association or mortgage banking or other financial institution which has been approved by the Authority as experienced and qualified to service Loans, and any successor thereto.

"Servicing Agreement" means an agreement between the Authority and a Servicer for the servicing of Loans.

"Servicing Fees" means (a) any fees paid to or retained by a Servicer in connection with the servicing obligations undertaken by the Servicer in accordance with the Related Servicing Agreement and (b) any fees retained by or expenses reimbursed to the Authority with respect to Loans serviced by the Authority, in each case not in excess of the amount assumed in the most recently filed Cash Flow Statement.

"State" means the State of Colorado.

"Supplemental Indenture" means any supplemental indenture (including a Series Indenture) approved by the Authority in accordance with the Master Indenture amending or supplementing the Indenture.

"Trustee" means the bank, trust company or national banking association appointed as trustee by the Master Indenture and having the duties, responsibilities and rights provided for in the Master Indenture and its successor or successors, and any other corporation or association which at any time may be substituted in its place as Trustee pursuant to the Master Indenture.

"Unrelated" (whether capitalized or not) means not "Related," within the meaning of that term as defined herein.

Indenture Constitutes a Contract

In consideration of the purchase and acceptance of any and all of the Bonds and any Derivative Products authorized to be issued under the Indenture, the Indenture will be deemed to be and will constitute a contract between the Authority, the Trustee, the Bond Registrar, the Paying Agent, and the Owners from time to time of the Obligations.

Issuance of Additional Bonds

A Series of Bonds is to be authenticated by the Trustee and delivered to the Authority upon its order only upon receipt by the Trustee of:

- (a) an original executed copy of the Series Indenture authorizing such Bonds and specifying certain information as set forth in the Master Indenture;
- (b) a written order as to the delivery of such Bonds, signed by an Authorized Officer;
- (c) a certificate of an Authorized Officer stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture;
- (d) a Cash Flow Statement with respect to such Series of Bonds (and any other Series to which it may be limited for Cash Flow Statement purposes) taking into account the proposed issuance of such Bonds and the application of the proceeds thereof; and
- (e) such further documents and moneys, including Investment Agreements, as are required by the provisions of the Related Series Indenture.

The Authority may not issue Additional Bonds under the Indenture if such issuance would result in the lowering, suspension or withdrawal of the ratings then applicable to any Bonds (without regard to any Credit Enhancement Facility).

Issuance of Refunding Bonds

Bonds of one or more Series may be issued to refund Outstanding Bonds of one or more Series only upon the receipt by the Trustee of: (i) items referred to in clauses (a), (b), (c), (d) and (e) of the preceding paragraph, and (ii) certain other instructions to the Trustee. In addition, if the bonds to be refunded are Bonds, there must be deposited with the Trustee (or paying agent or escrow agent, if any) either (A) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be

issued) in an amount sufficient to effect payment or redemption at the applicable redemption price of the Bonds to be refunded, together with accrued interest on such Bonds to the due date or redemption date, or (B) Defeasance Securities, the principal of and interest on which when due, together with any moneys deposited with the Trustee (or paying agent or escrow agent), will be sufficient to pay when due the applicable principal or Redemption Price of and interest due or to become due on the Bonds to be refunded. Defeasance Securities include any Investment Securities (including direct obligations of or obligations guaranteed by the United States of America) used to effect defeasance of Bonds in accordance with the Master Indenture if upon such defeasance the Bonds so defeased are rated in the highest rating category by each Rating Agency rating such Bonds, and which are not subject to redemption by the issuer thereof prior to maturity.

Derivative Products

Pursuant to the Master Indenture, the Trustee is to acknowledge any Derivative Product entered into between the Authority and a Reciprocal Payor under which (i) the Authority may be required to make, from time to time, Authority Derivative Payments and (ii) the Trustee may receive, from time to time, Reciprocal Payments for the account of the Authority; provided that no Derivative Product may be entered into unless the Trustee receives a letter from each Rating Agency then rating a Series confirming that the action proposed to be taken by the Authority will not, in and of itself, result in a lowering, suspension or withdrawal of the ratings then applicable to any Bonds.

No later than the fourth Business Day immediately preceding each Bond Payment Date or Derivative Product Date on which a Reciprocal Payment or Authority Derivative Payment is due, the Authority is to give written notice to the Trustee stating the amount of any Reciprocal Payment due to be received by the Trustee or any Authority Derivative Payment to be paid to a Reciprocal Payor.

The Trustee is to deposit all moneys received representing Reciprocal Payments in the Revenue Fund to be applied in accordance with the Indenture. However, Reciprocal Payments may not be used to make an Authority Derivative Payment or to pay any other amounts owned to a Reciprocal Payor under a Derivative Product. The Trustee is to pay to the Reciprocal Payor from moneys in the Revenue Fund, in accordance with the Indenture, the amount of the Authority Derivative Payment due on such Bond Payment Date (as specified in the Authority's written notice) by the deposit or wire transfer of immediately available funds to the credit of the account of the Reciprocal Payor specified in such written notice, but only to the extent such payment will not result in a deficiency in the amount due on the next succeeding Bond Payment Date to the Owners of any Obligations having a priority higher than such Reciprocal Payor under such Derivative Product.

Funds Established by the Master Indenture

The Master Indenture establishes the following funds, all of which are to be held by the Trustee:

- (a) Program Fund (consisting of the Acquisition Account, the Cost of Issuance Account, the Negative Arbitrage Account and the Loan Recycling Account),
- (b) Revenue Fund,
- (c) Debt Service Reserve Fund,
- (d) Class I Debt Service Fund,
- (e) Class II Debt Service Fund,

- (f) Class III Debt Service Fund,
- (g) Class IV Debt Service Fund,
- (h) Redemption Fund (consisting of the Class I Special Redemption Account, the Class II Special Redemption Account, the Class III Special Redemption Account, and the Class IV Special Redemption Account),
- (i) Rebate Fund, and
- (j) Excess Earnings Fund.

A Bond Purchase Fund may be created and established by a Series Indenture to be held by a fiduciary to provide for the payment of the tender price or purchase price of Bonds as provided herein.

Allocation of Moneys, Investments and Loans Among Series

Except as otherwise provided in the Indenture, bond proceeds and other moneys relating to a Series of Bonds are to be deposited in the related subaccounts created with respect to such Series of Bonds. Loans made or purchased in connection with a Series of Bonds are to be allocated to such Series and held in the subaccount of the Acquisition Account created in connection with such Series of Bonds. The Authority may reallocate moneys, investments and Loans (or portions thereof) among Series by delivering an Authority Request to the Trustee specifying such reallocation under any of the following circumstances:

- (a) if and to the extent required by the Master Indenture (including meeting certain requirements with respect to the Revenue Fund and the Debt Service Reserve Fund and in the case of an Event of Default);
- (b) if and to the extent necessary to enable the Authority to deliver a Cash Flow Statement with respect to one or more Series;
- (c) in connection with an Authority Request, pursuant to the Indenture, directing the Trustee to transfer moneys to the Redemption Fund to redeem certain Bonds;
- (d) if and to the extent that the aggregate amount of moneys, investments and Loans allocated to any particular Series exceeds the aggregate amount of Outstanding Bonds of such Series.

Loans (or portions thereof) reallocated among Series are not required to meet the requirements of the Series Indenture Related to the Series to which such Loans (or portions thereof) are being reallocated if such Loans at the time of their original acquisition by the Authority met the requirements of the Master Indenture and the Series Indenture Related to such Loans at the time of their purchase.

Program Fund; Acquisition Account

There is to be deposited into the Related subaccount of the Acquisition Account established within the Program Fund the amount of Bond proceeds specified in each Series Indenture, other moneys specified in each Series Indenture, and any moneys transferred from the Related Cost of Issuance Account, as provided in the Master Indenture. Moneys deposited in the Acquisition Account of the

Program Funds are to be applied, upon Authority Request, to finance (i) Loans that satisfy certain conditions of the Indenture, and (ii) Authority Projects.

Moneys may be withdrawn from the Acquisition Account for the financing of a Loan at the direction of the Authority upon receipt by the Trustee of an Authority Request stating the name of the person to be paid and the amount to be paid. Any moneys deposited in the Acquisition Account that the Authority certifies from time to time will not be used to purchase Loans or to finance Authority Projects are to be transferred to the Redemption Fund on the date specified in the Related Series Indenture (or such later date as may be specified by the Authority and certified by the Authority as consistent with the most recently filed Cash Flow Statement and the Related Series Indenture) and applied as provided in the Related Series Indenture. In the event that no Bonds of a particular Series remain Outstanding, moneys, investments and/or Loans are to be transferred in accordance with the Authority's Request, provided that such request is accompanied by a certification that the requested transfer is consistent with the most recently filed Cash Flow Statement for all Bonds and for any Series to which such retired Series has been linked. In the event that a Loan is financed or refinanced with proceeds of more than one Series of Bonds, provisions of the Indenture relating to a Loan, Loan Repayments, Prepayments, and moneys will be interpreted and applied to relate to such Loan, Loan Repayments, Prepayments and moneys to each Series furnishing proceeds for such Loan in proportion to the respective principal amounts of Bonds of each such Series the proceeds of which were or will be used to finance or refinance such Loan.

Loans made by the Authority must meet the following requirements: (i) such Loan complies with, and is in fulfillment of the purposes of, the Act; and (ii) at the time the Authority makes the Loan, (A) the Authority reasonably believes that such Loan meets applicable requirements under the Code as in effect or as otherwise applicable with respect to such Loan; (B) the Authority has determined that the facility being financed or refinanced as completed constitutes a Housing Facility or a Project, as the case may be, for purposes of the Act; and (C) except to the extent, if any, that a variance is required as a condition to any insurance on, guaranty of or other security for such Loan, such Loan shall bear interest at the rate or rates and shall be payable as to both principal and interest at the time or times which shall be reasonably estimated to be sufficient to assure the timely payment of (1) the allocable portion of scheduled Fiduciary Expenses (as reasonably estimated by the Authority and not otherwise provided for), and (2) all Debt Service Payments on the portion of the Outstanding Bonds used or to be used to make Loans (assuming the receipt of scheduled Loan Repayments on other Loans and scheduled Revenues on moneys not yet used to finance or refinance Loans or held in any Fund or Account held by the Trustee other than the Rebate Fund or the Excess Earnings Fund).

Program Fund; Cost of Issuance Account

The Master Indenture establishes within the Program Fund a Cost of Issuance Account and provides that each Series Indenture is to create a subaccount in the Cost of Issuance Account. Moneys in a Series Cost of Issuance subaccount are to be used to pay Costs of Issuance of the Related Series of Bonds, and any excess moneys remaining therein after payment of all Costs of Issuance shall be transferred to the Related subaccount in the Acquisition Account.

Program Fund; Negative Arbitrage Account

Under the Master Indenture, a Series Indenture may establish for the Related Series of Bonds a Series Subaccount of the Negative Arbitrage Account. The Authority may create a separate subaccount of the Negative Arbitrage Account for any Housing Facility or Project financed or refinance in whole or in part with the proceeds of a Series of Bonds or with moneys in the Loan Recycling Account. Moneys in each such subaccount will be subject to the lien and pledge of the Indenture until the withdrawal and application thereof in accordance with the Indenture. The amount to be credited to each subaccount of the

Negative Arbitrage Account shall be specified by the Authority in the Related Series Indenture or in an Authority Certificate. Any moneys collected by the Authority from a Borrower to reimburse the Authority for any Authority moneys deposited to the Related subaccount of the Negative Arbitrage Account shall be and remain the property of the Authority, and shall not be subject to the lien and pledge of the Indenture.

Moneys in each subaccount of the Negative Arbitrage Account are to be transferred to the Revenue Fund on any Bond Payment Date and/or upon completion of the related Housing Facility or Project and/or the date that amounts in the Related subaccount of the Acquisition Account or the Loan Recycling Account, as the case may be, allocable to the related Housing Facility or Project are transferred to the Redemption Fund or the Revenue Fund, pursuant to the Indenture, in an amount specified in an Authority Request.

The amount in any subaccount of the Negative Arbitrage Account with respect to a defaulted Loan is to be transferred to the related subaccount of the Redemption Fund at the time that the Authority receives or recovers any Prepayment of such Mortgage Loan, upon Authority Request. If a Loan is not closed on account of any failure to meet the conditions of the Authority's written commitment to provide the Loan or for any other reason (e.g., failure to meet the conditions of the firm commitment of a governmental insurer or guarantor to insure or guarantee such Loan), provided that the Authority has issued such written commitment with respect to such Loan and is ready and willing to close, and the Authority does not finance or refinance a substitute Housing Facility or Project, the amount in the related subaccount of the Negative Arbitrage Account is to be transferred, upon Authority Request, to the Revenue Fund. Upon the completion of a Housing Facility or Project, the date that another Housing Facility or Project is substituted for such Housing Facility Project or the date that amounts in the related subaccount of the Acquisition Account or the Loan Recycling Account, as the case may be, allocable to such Housing Facility or Project are transferred to the Redemption Fund or the Revenue Fund pursuant to the Indenture, any amounts in the related subaccount of the Negative Arbitrage Account that have not been transferred to the Revenue Fund or to the Redemption Fund pursuant to the Indenture are to be paid by the Authority to the related Borrower to the extent and under the circumstances provided in any Agreement with such Borrower. Each subaccount of the Negative Arbitrage Account is to be terminated upon the earliest of the completion of the related Housing Facility or Project, the date that another Housing Facility or Project is substituted for the related Housing Facility or Project, the date that amounts in the related subaccount or the Loan Recycling Account, as the case may be, allocable to the related Housing Facility or Project are transferred to the Redemption Fund or the Revenue Fund pursuant to the Indenture or the date on which there is no remaining balance in such subaccount of the Negative Arbitrage Account.

Program Fund; Loan Recycling Account

There is to be transferred into the Loan Recycling Accounts amounts from the Revenue Fund as described in "Allocation of Moneys in the Revenue Fund" under this caption. Loans (or portions thereof) allocated to a Series of Bonds and financed or refinanced with moneys in the related subaccount of the Loan Recycling Account are to be held in such subaccount of the Loan Recycling Account. Before any moneys are transferred to the Loan Recycling Account from the Revenue Fund pursuant to the Indenture, the Authority is to file with the Trustee: (i) a Cash Flow Statement; (ii) an Authority Certificate demonstrating that the Class Asset Requirements will be met; (iii) a rating agency Confirmation, except to the extent a previous Cash Flow Statement, Authority Certificate and Confirmations shall apply to such transfer and the Loans to be made with such amounts. Amounts on deposit in the Loan Recycling Account are to be applied, upon Authority Request, (i) to finance or refinance Loans that satisfy the requirements of the Indenture, and (ii) to finance or refinance Authority Projects. The Trustee is to withdraw moneys from the related subaccount of the Loan Recycling Account for the financing of a Loan

upon receipt of an Authority Request stating (i) the name of the person to be paid and (ii) the amount to be paid. Moneys remaining in the related subaccount of the Loan Recycling Account on the date set forth in the Cash Flow Statement in connection with which such moneys were deposited in such subaccount are to be withdrawn by the Trustee on such date (or such earlier date or dates as may be specified by the Authority), and are to be transferred to the Revenue Fund.

Revenue Fund

The Master Indenture provides that each Series Indenture shall create a subaccount for the related Series of Bonds in the Revenue Fund. All Revenues related to each Series of Bonds, in addition to certain amounts transferred from the Negative Arbitrage Account, Loan Recycling Account, Debt Service Fund for each Class, Special Redemption Account for each Class, Rebate Fund and Excess Earnings Fund in accordance with the Indenture, are to be deposited in the related Subaccount of the Revenue Fund.

The Trustee is to pay from the related subaccount of the Revenue Fund (i) all Fiduciary Expenses when payable, and (ii) reasonable and necessary Administrative Expenses as provided in the following paragraph.

Allocation of Moneys in the Revenue Fund

On the last Business Day Prior to each Bond Payment Date or Derivative Payment Date, or more frequently if required by a Series Indenture, or on the other dates specifically provided below, moneys in each subaccount of the Revenue Fund are to be transferred by the Trustee to the Related (or Unrelated, as provided below) subaccounts of the following Funds and Accounts in the following order of priority:

(a) Related Subaccounts of Rebate Fund. On each December 31, an amount to be calculated by the Authority which, together with the amount therein, will equal the Rebate Requirement related to the Tax-Exempt Bonds of each respective Series, as determined by the Authority;

(b) Related Subaccounts of the Excess Earnings Fund. On each December 31, an amount to be calculated by the Authority which, together with the amount therein, will equal the amount determined by the Authority to be required to be on deposit therein;

(c) Related Subaccounts of Class I Debt Service Fund. An amount which, together with the amount therein, will equal (x) the interest due and payable on the next Bond Payment Date on all Class I Bonds of the Related Series then Outstanding and any Authorized Derivative Payment secured on a parity with the Class I Bonds accrued and unpaid as of such date; plus (y) the aggregate amount of Principal Installments becoming due and payable on the Outstanding Class I Bonds of the Related Series on such Bond Payment Date or, if such date is not a date for payment of such Principal Installments, an amount that, if made in substantially equal installments on each subsequent Bond Payment Date to an including the next Bond Payment Date that is a date for the payment of Principal Installments on related Class I Bonds, will equal the amount of the Principal Installments becoming due and payable on Outstanding Related Class I Bonds on such next Bond Payment Date;

(d) Unrelated Subaccounts of Class I Debt Service Fund. Any deficiency in such subaccount(s) of the Class I Debt Service Fund, after making any requisite transfers from the Related Debt Service Reserve Fund, resulting from the lack of moneys sufficient to make the deposit described in (c) above as of such date, on a proportionate basis with all other Unrelated such subaccounts or as otherwise directed by Authority Request;

(e) Related Subaccounts of Loan Recycling Account (Upon Authority Elections) or Class I Special Redemption Account or any combination thereof. The amount, if any, needed to ensure that the Class I Asset Requirement of the Related Series of Bonds will be met on such Bond Payment Date following such transfer, provided that any election by the Authority to make deposits into the Loan Recycling Account must be evidenced by an Authority Certificate filed with the Trustee;

(f) Unrelated Subaccounts of Class I Special Redemption Account. Any deficiency in such subaccount(s) resulting from the lack of moneys sufficient to make the deposit described in (e) above as of such date, on a proportionate basis with all other Unrelated such subaccounts or as otherwise directed by Authority Request;

(g) Related Subaccount of Class II Debt Service Fund. An amount which, together with the amount therein, will equal (x) the interest due and payable on the next Bond Payment Date on all Class II Bonds of the Related Series then Outstanding and any Authorized Derivative Payment secured on a parity with the Class II Bonds accrued and unpaid as of such date; plus (y) the aggregate amount of Principal Installments becoming due and payable on the Outstanding Class II Bonds of the Related Series on such Bond Payment Date or, if such date is not a date for payment of such Principal Installments, an amount that, if made in substantially equal installments on each subsequent Bond Payment Date to an including the next Bond Payment Date that is a date for the payment of Principal Installments on related Class II Bonds, will equal the amount of the Principal Installments becoming due and payable on Outstanding Related Class II Bonds on such next Bond Payment Date;

(h) Unrelated Subaccounts of Class II Debt Service Fund. Any deficiency in such subaccount(s) of the Class II Debt Service Fund, after making any requisite transfers from the Related Debt Service Reserve Fund, resulting from the lack of moneys sufficient to make the deposit described in (g) above as of such date, on a proportionate basis with all other Unrelated such subaccounts or as otherwise directed by Authority Request;

(i) Related Subaccount of Debt Service Reserve Fund. An amount, if any, which, together with the available amount of any Qualified Surety Bond therein, will equal the Debt Service Reserve Fund Requirement of the Related Series of Bonds;

(j) Unrelated Subaccounts of Debt Service Reserve Fund. Any deficiency in such subaccount(s) resulting from the lack of Related Revenues sufficient to make the deposit described in (i) above as such date on a proportionate basis with all other Unrelated such subaccounts or as otherwise directed by Authority Request;

(k) Related Subaccount of Loan Recycling Account (Upon Authority Election) or Class II Special Redemption Account or any combination thereof. An amount, if any, needed to ensure that the Class II Asset Requirement of the Related Series Bonds will be met on such Bond Payment Date following such transfer, provided that any election by the Authority to make deposits into the Loan Recycling Account must be evidenced by an Authority Certificate filed with the Trustee;

(l) Unrelated Subaccounts of the Class II Special Redemption Account. Any deficiency in such subaccount resulting from the lack of moneys sufficient to make the deposit described in (k) above as of such date, on a proportionate basis with all other Unrelated such subaccounts or as otherwise directed by Authority Request;

(m) To the Authority. An amount of any reasonable and necessary Fiduciary Expenses with respect to the Related Series of Bonds previously incurred but not reimbursed to the Authority or reasonably anticipated to be payable in the following six months; provided, however, that in no event shall the aggregate of all Fiduciary Expenses with respect to the Related Series of Bonds paid directly to Fiduciaries or to the Authority under this paragraph (m) exceed any limitation set forth in the Related Series Indenture for any period;

(n) To the Authority. An amount equal to any deficiency in moneys to pay reasonable and necessary Fiduciary Expenses with respect to Unrelated Series of Bonds resulting from the lack of moneys sufficient to make the deposit described in (m) above as of such date on a proportionate basis with all other Unrelated Series of Bonds or as otherwise directed by Authority Request;

(o) Related Subaccount of Class III Debt Service Fund. An amount which, together with the amount therein, will equal (x) the aggregate amount of interest becoming due and payable on such Bond Payment Date or Derivative Payment Date upon all Class III Bonds of the Related Series then Outstanding and any Authority Derivative Payment secured on a parity with the Class III Bonds accrued and unpaid as of such date; plus (y) the aggregate amount of Principal Installments required to be paid for the Outstanding Class III Bonds of the Related Series on such Bond Payment Date or, if such Bond Payment Date is not a date for the payment of such Principal Installments on Related Class III Bonds, an amount that, if made in substantially equal installments on each subsequent Bond Payment Date to an including the next Bond Payment Date that is a date for the payment of Principal Installments on related Class III Bonds, will equal the amount of the Principal Installments becoming due and payable on Outstanding Related Class III Bonds on such next Bond Payment Date;

(p) Unrelated Subaccounts of Class III Debt Service Fund. Any deficiency in such subaccounts (after making any requisite transfers from the Related subaccount of the Debt Service Reserve Fund) resulting from the lack of moneys sufficient to make the deposit described in (o) above as of such date, on a proportionate basis with all other Unrelated such subaccounts or as otherwise directed by Authority Request.

(q) To the Authority. An amount of any reasonable and necessary Administrative Expenses with respect to the Related Series of Bonds previously incurred but not reimbursed to the Authority or reasonably anticipated to be payable in the following six months; provided, however, that in no event shall the aggregate of such amounts paid to the Authority, plus amounts paid to the Authority with respect to such Series of Bonds pursuant to paragraphs (m) and (n) above and plus all Fiduciary Expenses with respect to the Related Series of Bonds paid directly to Fiduciaries exceed any limitations set forth in the Related Series Indenture;

(r) To the Authority. An amount equal to any deficiency in moneys to pay the reasonable and necessary Administrative Expenses with respect to Unrelated Series of Bonds resulting from the lack of moneys sufficient to make the deposit described in (q) above, on a proportionate basis with all other Unrelated Series of Bonds or as otherwise directed by Authority Request;

(s) Related Subaccount of Loan Recycling Account (Upon Authority Election) or Redemption Fund or any combination thereof. An amount, if any, necessary to satisfy the Class III Asset Requirement of the Related Series of Bonds, calculated as of such next succeeding Bond Payment Date and giving effect to such transfer, which amount shall be allocated to the Related subaccounts of the Class I Special Redemption Account, the Class II Special Redemption

Account and the Class III Special Redemption Account on the basis of the relative ratios represented by the Aggregate Principal Amounts Outstanding of the Related Class I Bonds, Class II Bonds and Class III Bonds, respectively, to the Aggregate Principal Amount of all Related Class I, Class II and Class III Bonds Outstanding, provided that any election by the Authority to make deposits into the Loan Recycling Account must be evidenced by an Authority Certificate filed with the Trustee;

(t) Unrelated Subaccounts of Redemption Fund. On a proportionate basis with all other Unrelated such subaccounts or as otherwise directed by Authority Request, the additional amount, if any, necessary (after the deposits required by paragraph (s) above for the Related Series of Bonds) to satisfy the Class III Asset Requirement of such Unrelated Series of Bonds, calculated as of such next succeeding Bond Payment Date and giving effect to such transfer, which amount shall be allocated to the applicable subaccount of the Class I Special Redemption Account, the Class II Special Redemption Account and the Class III Special Redemption Account on the basis of the relative ratios represented by the Aggregate Principal Amount Outstanding of the applicable Class I Bonds, Class II Bonds and Class III Bonds, respectively, to the Aggregate Principal Amount of all applicable Class I, Class II, and Class III Bonds Outstanding (for purposes of this paragraph (t), "applicable" means Related to such Unrelated Series);

(u) Related Subaccount of Class IV Debt Service Fund. An amount which, together with the amount herein, will equal (x) the aggregate amount of interest becoming due and payable on such Bond Payment Date or Derivative Payment Date upon all Class IV Bonds of the Related Series then Outstanding and any Authority Derivative Payment secured on a parity with the Class IV Bonds accrued and unpaid as of such date; plus (y) the aggregate amount of Principal Installments required to be paid for the Outstanding Class IV Bonds of the Related Series on such Bond Payment Date;

(v) Unrelated Subaccounts of Class IV Debt Service Fund. Any deficiency (after making any requisite transfers from the Related Subaccount of the Debt Service Reserve Fund) in such subaccounts resulting from the lack of moneys sufficient to make the deposit described in (u) above as of such date, on a proportionate basis with all other Unrelated such subaccounts or as otherwise directed by Authority Request; and

(w) Upon Authority Request, Related Subaccount of the Loan Recycling Account. In order to finance or refinance Loans or Authority Projects, to the extent permitted by the applicable Series Indenture.

The balance, if any, in each subaccount of the Revenue Fund (or such lesser amount as requested by the Authority) is to be paid to the Authority for the payment of Administrative Expenses or for any other purpose free and clear of any lien and pledge of the Indenture upon receipt of an Authority Request made within 30 days of such Bond Payment Date. Any balance remaining after such payment to the Authority is to be transferred to the Related subaccounts of the Redemption Fund and allocated as provided in (s) above or as set forth in an Authority Request, subject to any limitation or requirements specified in the Related Series Indenture.

In the event Bonds are to be redeemed on a date other than a Bond Payment Date, and to the extent moneys are not available in the Related subaccounts of the Class I Debt Service Fund, the Class II Debt Service Fund, the Class III Debt Service Fund or the Class IV Debt Service Fund to pay accrued interest on such redemption date for such Class I Bonds, Class II Bonds, Class III Bonds and Class IV Bonds, respectively, the Trustee is to apply or cause the Paying Agent to apply available moneys in the Related subaccount of the Revenue Fund for the payment of such interest.

Debt Service Funds

There is created a Class I Debt Service Fund, Class II Debt Service Fund, Class III Debt Service Fund and Class IV Debt Service Fund, and pursuant to each Series Indenture, subaccounts in each such Fund for each Series of Bonds. Amounts in each series subaccount of each Debt Service Fund are to be used and withdrawn by the Trustee solely for transfer to the Paying Agent (i) on each Bond Payment Date and Derivative Payment Date for the purpose of paying first the interest then the Principal Installments on the Related Class and Series of Bonds and any Authority Derivative Payment secured on a parity with the Related Class and Series of Bonds as the same shall become due and payable (including accrued interest on any Bonds of the Related Class purchased or redeemed prior to maturity pursuant to the Indenture) or (ii) on each purchase date for the purpose of paying the purchase price of the Related Class and Series of Bonds purchased in lieu of redemption by the Sinking Fund Installments for the Related Class of Bonds.

Amounts remaining in each subaccount of the Debt Service Funds after all Bonds of the Related Class has been paid or funds have been set aside and held in trust for such payment are to be transferred to the Related subaccount of the Revenue Fund.

Debt Service Reserve Fund

Upon the issuance, sale and delivery of a Series of Bonds pursuant to the Indenture, the Trustee is to deposit in the Related subaccount of the Debt Service Reserve Fund such amounts, if any, as are required by the provisions of the Related Series Indenture, which aggregate amount, together with the available amount of any Qualified Surety Bond or Bonds in the Debt Service Reserve Fund, is to be at least sufficient to equal the Debt Service Reserve Fund Requirement relating to such Series of Bonds, calculated after giving effect to the issuance of such Bonds. Additional moneys may be deposited in the Related subaccount of the Debt Service Reserve Fund in accordance with the Master Indenture.

On the last Business Day prior to each Bond Payment Date or more frequently if required by a Series Indenture, and in each case in conjunction with the transfers, deposits and payments to be made from the Revenue Fund as provided in the Master Indenture, the Trustee is to transfer from each subaccount of the Debt Service Reserve Fund to the specified subaccounts of other Funds or Accounts the following amounts (from any cash, Investment Securities or Qualified Surety Bonds therein), in the following order of priority:

(a) Related Subaccount of Class I Debt Service Fund. In the event that the amount transferred to any subaccount of the Class I Debt Service Fund from the Related subaccount of the Revenue Fund is insufficient to pay the interest and Principal Installments, if any, due on the Class I Bonds of the Related Series on the next succeeding Bond Payment Date, the amount of such insufficiency is to be transferred from the Related subaccount of the Class I Debt Service Reserve Fund;

(b) Unrelated Subaccounts of Class I Debt Service Fund. In the event that the amount transferred to a subaccount of the Class I Debt Service Fund from Unrelated subaccounts of the Revenue Fund is insufficient to pay the interest and Principal Installments, if any, due on Class I Bonds of the Related Series on the next succeeding Bond Payment Date, the amount of such insufficiency is to be transferred from Unrelated subaccounts in the Debt Service Reserve Fund, on a proportionate basis or as otherwise directed by Authority Request.

(c) Related Subaccount of Class II Debt Service Fund. In the event that the amount transferred to any subaccount of the Class II Debt Service Fund from the Related subaccount of the Revenue Fund is insufficient to pay the interest and Principal Installments, if any, due on the

Class II Bonds of the Related Series on the next succeeding Bond Payment Date, the amount of such insufficiency is to be transferred from the Related subaccount of the Debt Service Reserve Fund.

(d) Unrelated Subaccounts of Class II Debt Service Fund. In the event that the amount transferred to any subaccount of the Class II Debt Service Fund from the Unrelated subaccount of the Revenue Fund is insufficient to pay the interest and Principal Installments, if any, due on the Class II Bonds of the Related Series on the next succeeding Bond Payment Date, the amount of such insufficiency is to be transferred from Unrelated subaccounts in the Debt Service Reserve Fund, on a proportionate basis or as otherwise directed by Authority Request.

(e) Related Subaccount of Class III Debt Service Fund. In the event that the amount transferred to any subaccount of the Class III Debt Service Fund from the Related subaccount of the Revenue Fund is insufficient to pay the interest and Principal Installments, if any, due on the Class III Bonds of the Related Series on the next succeeding Bond Payment Date, the amount of such insufficiency is to be transferred from the Related subaccount of the Debt Service Reserve Fund; provided, however, that no such transfer may result in (A) the amount on deposit in the Related subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class II Asset Requirement.

(f) Unrelated Subaccounts of Class III Debt Service Fund. In the event that the amount transferred to any subaccount of the Class III Debt Service Fund from the Unrelated subaccounts of the Revenue Fund is insufficient to pay the interest and Principal Installments, if any, due on the Class III Bonds of the Related Series on the next succeeding Bond Payment Date, the amount of such insufficiency is to be transferred from the Unrelated subaccounts of the Debt Service Reserve Fund on a proportionate basis or as otherwise directed by Authority Request; provided, however, that no such transfer may result in (A) the amount on deposit in a subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class II Asset Requirement.

(g) Related Subaccount of Class IV Debt Service Fund. In the event that the amount transferred to any subaccount of the Class IV Debt Service Fund from the Related subaccounts of the Revenue Fund is insufficient to pay the interest and Principal Installments on the Class IV Bonds of the Related Series on the next succeeding Bond Payment Date, the amount of such insufficiency is to be transferred from the Related subaccount of the Debt Service Reserve Fund; provided, however, that no such transfer may result in (A) the amount on deposit in the Related subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class III Asset Requirement.

(h) Unrelated Subaccounts of Class IV Debt Service Fund. In the event that the amount transferred to any subaccount of the Class IV Debt Service Fund from the Unrelated subaccounts of the Revenue Fund is insufficient to pay the interest, and Principal Installments, if any, due on the Class IV Bonds of the Related Series on the next succeeding Bond Payment Date, the amount of such insufficiency is to be transferred from Unrelated subaccounts of the Debt Service Reserve Fund on a proportionate basis or as otherwise directed by Authority Request; provided, however, that no such transfer may result in (A) the amount on deposit in a subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit

specified in the Related Series Indenture or (B) a failure to meet the Related Class III Asset Requirement.

On or prior to each Bond Payment Date, the Trustee is to determine the Debt Service Fund Requirement for each Series of Bonds as of the next succeeding Bond Payment Date. Any amount which will then be in the Related subaccount of the Debt Service Reserve Fund (other than amounts attributable to accrued, but unrealized, interest purchased on Investment Securities) in excess of such Requirement is to be transferred by the Trustee to the Related Subaccount of the Revenue Account, upon notification of the Authority and unless otherwise instructed by an Authority Request.

Redemption Fund

There is created a Redemption Fund and within such Fund, a Class I Special Redemption Account, a Class II Special Redemption Account, a Class III Special Redemption Account and a Class IV Special Redemption Account. Within each such Class Special Redemption Account there will be created a subaccount for each Series of Bonds. Moneys transferred to any Class Special Redemption Account of the Redemption Fund from the Revenue Fund are to be used to purchase or redeem Bonds of the Class in respect of which the subaccount was established. However, at any time prior to the transmission of the notices of redemption, the Authority may by delivery of an Authority Request instruct the Trustee to transfer moneys on deposit in a Series subaccount of a Class Special Redemption Account in the Redemption Fund to another Series subaccount of the same Class Special Redemption Account in the Redemption Fund to be applied as provided in the Indenture to the redemption of the same Class of Bonds but a different Series. Such Authority Request (i) shall certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture and (ii) shall be accompanied by evidence of satisfaction of all Asset Requirements for the Related Series. See Part I.

Any amounts remaining in any subaccount after all Bonds of the Related Class and Related Series have been paid are to be transferred to the Related subaccount of the Revenue Fund.

Credit Against Sinking Fund Installments

Upon any redemption (other than by Class I Sinking Fund Installment, Class II Sinking Fund Installment, Class III Sinking Fund Installment or Class IV Sinking Fund Installment) of Bonds for which Class I Sinking Fund Installments, Class II Sinking Fund Installments, Class III Sinking Fund Installments or Class IV Sinking Fund Installments have been established, or any purchase in lieu thereof, there is to be credited by the Trustee and the Bond Registrar toward the Class I Sinking Fund Installments, Class II Sinking Fund Installment, Class III Sinking Fund Installments or Class IV Sinking Fund Installments thereafter to become due with respect thereto, on a proportionate basis and in increments of the applicable minimum denomination, an amount bearing the same ratio to each such Class I Sinking Fund Installment, Class II Sinking Fund Installment, Class III Sinking Fund Installment or Class IV Sinking Fund Installment as the total principal amount of such Class and maturity of Bonds so purchased or redeemed bears to the total amount of all such Class I Sinking Fund Installments, Class II Sinking Fund Installments, Class III Sinking Fund Installments or Class IV Sinking Fund Installments to be credited; provided, however, that, if there shall be filed with the Trustee and the Bond Registrar an Authority Request specifying a different method for crediting Class I Sinking Fund Installments, Class II Sinking Fund Installments, Class III Sinking Fund Installments or Class IV Sinking Fund Installments upon any such purchase or redemption of Bonds and certifying that such Authority Request is consistent with the most recently filed Related Cash Flow Statement and the Related Series Indenture, then such Sinking Fund Installments shall be so credited as shall be provided in such Authority Request. The portion of any such Class I Sinking Fund Installment, Class II Sinking Fund Installment, Class III Sinking

Fund Installment or Class IV Sinking Fund Installment remaining after the deduction of any such amounts credited towards the same (or the original amount of any such Class I Sinking Fund Installment, Class II Sinking Fund Installment, Class III Sinking Fund Installment or Class IV Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Class I Sinking Fund Installment, Class II Sinking Fund Installment, Class III Sinking Fund Installment or Class IV Sinking Fund Installment for the purpose of calculation of Class I Sinking Fund Installments, Class II Sinking Fund Installments, Class III Sinking Fund Installments and Class IV Sinking Fund Installments due on or scheduled for a future date.

Authority Payment Accounts

There may be created an Authority Payment Account within each Debt Service Fund and, within each such Authority Payment Account, a Series Indenture may create a subaccount for each Series of Bonds. If, following transfers made from the Revenue Account and the Debt Service Reserve Fund, there are not sufficient moneys to pay all interest due and payable on any General Obligation Bond or to pay any Principal Installment on any General Obligation Bond, the Authority is to pay to the Trustee for deposit in the Related subaccounts of the Authority Payment Accounts (upon notification of such insufficiency) the amount of such insufficiency from the Authority's other general revenues or moneys legally available therefor, subject only to agreements made or to be made with holders of notes or bonds pledging particular revenues or moneys for the payment thereof. If the amount provided by the Authority is less than the amount of such insufficiency, any shortfall is to be allocated pro rata among the holders of the Related General Obligation Bonds in proportion to the amounts then due and payable on such Bonds.

Amounts deposited in the Related subaccounts of the Authority Payment Accounts are only to be used to pay interest or Principal Installments due and payable on the Related General Obligation Bonds and may not be transferred to any Debt Service Fund for Bonds which are not General Obligation Bonds or to any other Fund or Account for any reason.

Investment of Funds

Moneys in all Funds and Accounts held by the Trustee shall be invested to the fullest extent possible in Investment Securities which mature or may be redeemed at the option of the holder not later than the times when such moneys shall be needed for payments to be made from such Funds or Accounts. Investments are to be made by the Trustee in accordance with instructions received from the Authority and may be made by the Trustee through its own bond department, commercial banking department or commercial paper department or with investment companies for which the Trustee or its affiliates may provide advisory, administrative, custodial or other services for compensation.

The interest or income earned by, or gain to, all Funds and Accounts due to the investment thereof shall be transferred to the related subaccount of the Revenue Fund, except that such income, interest or gain shall be retained in the Debt Service Reserve Fund unless, after giving effect to the transfer, the amount therein at least equals the aggregate Debt Service Reserve Fund Requirement.

Notwithstanding anything in the Indenture to the contrary, proceeds from any Credit Enhancement Facility or Liquidity Facility are to be held uninvested.

Creation of Liens

The Authority shall not issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of the Revenues or of the moneys, securities, rights or interests pledged or held or set aside by the Authority or by any Fiduciary under the Indenture, except that the Authority may issue

(i) evidences of indebtedness secured by a pledge of the Revenues to be derived after the pledge of the Revenues provided in the Indenture has been discharged and satisfied; or (ii) notes or bonds of the Authority not secured under the Indenture; or (iii) notes or bonds which are general obligations of the Authority under the Act.

Covenants Relating to Loans

The Authority has covenanted to use the proceeds of Bonds and other moneys deposited in the Funds and Accounts only in accordance with the provisions of the Indenture.

The Authority shall at all times charge and collect Loan Repayments and other amounts with respect to the Loans which, together with any other moneys estimated to be available therefor (including Prepayments, but excluding the Rebate Requirement and any Excess Earnings), are estimated to be at least sufficient for the payment of the sum of:

- (a) the aggregate Debt Service Payments; and
- (b) Administrative Expenses, as projected by the Authority.

The Authority has covenanted not to sell any Loan or any Authority Project, except in the event of a default on such Loan, unless the Authority determines that such sale would not have a material adverse effect on the ability of the Authority to pay the principal of and interest on the Outstanding Bonds.

The Authority has covenanted not to modify the financial terms of any Loan or any security therefor which will in any manner materially adversely affect the interests of the Owners of the Bonds, as determined in good faith by the Authority.

The Authority has covenanted to diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Loans and the preservation and protection of the rights and privileges of the Authority, the Trustee and the Bondholders thereunder.

Certain Other Covenants

Creation and Use of Rebate Account

There is created pursuant to each Series Indenture relating to any tax-exempt Bonds a special and a separate subaccount within the Rebate Fund to be held by the Authority for such Series of Bonds (the "**Series Rebate Account**"). There shall be transferred in accordance with the Indenture into the Series Rebate Account such amounts as shall be required to be deposited therein in accordance with Authority Certificates to meet the Authority's obligations under the covenant described below under "Tax Covenant." Amounts in the Series Rebate Account shall be used for the purpose of making the payments to the United States required by such covenant and Section 148(f) of the Tax Code. Any amounts in the Series Rebate Account in excess of those required to be on deposit therein as described below under "Tax Covenant" and Section 148(f) of the Tax Code may be withdrawn therefrom and deposited into the Revenue Fund.

Creation and Use of Excess Earnings Fund

All amounts in a subaccount of the Excess Earnings Fund relating to any tax-exempt Bonds, including all investment earnings thereon, shall remain therein until transferred or paid by the Trustee to such other Fund or the United States Department of the Treasury or for such other purpose, as the Authority shall specify, upon receipt by the Trustee of (a) an Authority Request directing the Trustee to so transfer or pay a specified amount, and (b) a written opinion of Bond Counsel to the effect that any such transfer or payment, upon satisfaction of any conditions set forth in such opinion (e.g., forgiveness of indebtedness on all or a portion of the Loans), would not cause interest on such Bonds to be includable in the gross income of the Owners thereof for federal income tax purposes. Upon receipt of an opinion of Bond Counsel that the balance in a subaccount of the Excess Earnings Fund is in excess of the amount required to be included therein, such excess shall be transferred to the Revenue Fund. Moneys in a subaccount of the Excess Earnings Fund may be used to purchase Loans in the Related subaccount of the Acquisition Account or the Loan Recycling Account, at a purchase price equal to the unpaid balances of the principal amounts of such Loans plus accrued interest, if any, thereon, and any unamortized premium, and any such Loans so purchased shall be credited to such subaccount of the Excess Earnings Fund. Loans in a subaccount of the Excess Earnings Fund may be exchanged for Loans in the Related subaccount of the Acquisition Account or the Loan Recycling Account having an aggregate principal balance not less than the aggregate principal balance of such Loans in such subaccount for the Excess Earnings Fund, upon receipt by the Trustee of an Authority Request specifying the Loans to be so exchanged. If, on the final maturity of all of a Series, there is a balance in a subaccount of the Excess Earnings Fund which is allocated to payments related to such Series, and the Trustee has not received directions meeting the requirements of the preceding sentence for the disposition of such balance, the Trustee shall obtain an opinion of Bond Counsel as to the purposes, if any, to which such balance may be applied without adversely affecting the federal income tax status of interest on such Bonds, and shall thereafter dispose of such balance in accordance with such opinion. Records of the calculation of Excess Earnings and the Excess Earnings Fund shall be retained by the Authority until six years after the retirement of all of the Bonds of the Related Series.

Tax Covenant

The Authority will covenant for the benefit of the owners of the each Series of tax-exempt Bonds that it will not take any action or omit to take any action with respect to such Series of Bonds, the proceeds thereof, or any other funds of the Authority or any facilities financed with the proceeds of such Series of Bonds, if such action or omission would cause the interest on such Series of Bonds, to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, would subject the Authority to any penalties under Section 148 of the Tax Code, or would cause such Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code. The foregoing covenants shall remain in full force and effect notwithstanding the payment in full or defeasance of such Series of Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Tax Code have been met.

Events of Default under the Indenture and Remedies

Each of the following events constitutes an "Event of Default":

- (a) default shall be made in the payment of any Principal Installment of any Class I Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) default shall be made in the payment of any installment of interest on any Class I Bond when and as the same shall become due and payable, or any other payment due under any other Class I Obligations when due and payable;

(c) default shall be made in the payment of any Principal Installment or interest on any Class II Bond or any other payment due under any other Class II Obligations when due and payable, provided that sufficient moneys for such payment are available in the Class II Debt Service Fund;

(d) default shall be made in the payment of any Principal Installment or interest on any Class III Bond or any other payment due under any other Class III Obligations when due and payable, provided that sufficient moneys for such payment are available in the Class III Debt Service Fund;

(e) default shall be made in the payment of any Principal Installment or interest on any Class IV Bond or any other payment due under any other Class IV Obligations when due and payable, provided that sufficient moneys for such payment are available in the Class IV Debt Service Fund;

(f) default shall be made by the Authority in the performance or observance of any other covenant, agreement or condition on its part contained in the Indenture (except the requirement that the Authority pay amounts to the Trustee from its other revenues, moneys or assets in connection with General Obligation Bonds) or in the Bonds, and such default shall continue for a period of 60 days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Holders of not less than 10% in principal amount of the Bonds Outstanding; or

(g) the Authority shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws or under any other applicable law or statute of the United States or of the State.

Upon the occurrence of an Event of Default the Trustee may, and upon the written request of the Owners of not less than 25% in principal amount of the Bonds Outstanding following an Event of Default described in paragraphs (a), (b), (c), (d), (e), and (g) above, and 50% in principal amount of the Bonds Outstanding following an Event of Default described in paragraph (f) above, shall give 30 days' notice in writing to the Authority of its intention to declare all Outstanding Obligations due and payable immediately. After such 30-day period the Trustee may, and upon written request of Owners of not less than 25% (except with respect to an Event of Default described in paragraph (f) or (g) above, to the extent provided in the following sentence) in principal amount of the Bonds Outstanding shall, declare all Bonds Outstanding, plus all interest accrued therein and which will accrue to the date of payment, immediately due and payable by notice to the Authority. Notwithstanding the foregoing, following an Event of Default described in paragraphs (f) or (g) above (except for a default which could adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds), the Trustee shall not declare all Obligations Outstanding immediately due and payable unless so directed by written request of Owners of 100% in principal amount of Bonds Outstanding. The Trustee may (and at the direction of the Owners of a majority in aggregate principal amount of Outstanding Bonds, shall) annul such declaration and its consequences if (i) money shall have been deposited in the Revenue Fund sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding Obligations; (ii) moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; (iii) all other amounts then payable by the

Authority under the Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee.

Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of the Owners of not less than 25% in principal amount of Outstanding Bonds, together with indemnification of the Trustee to its satisfaction, shall, proceed with such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) enforcement of the right of Bondholders to collect and enforce the payment of principal and interest due or becoming due on Loans and collect and enforce any rights in respect to the Loans or other security or mortgages securing such Loans and to require the Authority to carry out its duties under the terms of the Indenture and the Act;
- (ii) suit upon all or any part of the Obligations;
- (iii) civil action to require the Authority to account as if it were the trustee of an express trust for the Owners;
- (iv) civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and
- (v) enforcement of any other rights of the Owners conferred by law or the Indenture.

The Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any proceeding instituted by it under the Indenture or before the completion of the enforcement of any other remedy under the Indenture. Any waiver by the Trustee of an Event of Default shall not extend to any subsequent or other Event of Default or impair any right consequent thereon.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than 25% in principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture or (ii) to preserve or protect the interests of the Owners, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Owners of the Bonds not making such request.

It is further provided that no Bondholder shall have any right to institute any action unless such Holder shall have given to the Trustee written notice of an Event of Default described under paragraphs (a), (b) or (c) above and unless the holders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee and shall have afforded the Trustee a reasonable opportunity to proceed to institute action and unless, also, there shall have been offered to the Trustee reasonable security and indemnity, and the Trustee shall have refused or neglected to comply with such request within 60 days after receipt.

General Obligation Bonds Events of Default and Remedies

Any failure by the Authority to pay interest on any General Obligation Bond when due or to pay any Principal Installment on any General Obligation Bond at maturity, provided such failure does not constitute an Event of Default as described above, constitutes a "General Obligation Bond Default" under the Indenture. A General Obligation Bond Default does not constitute an Event of Default under the Indenture and does not affect the priority of the lien and pledge granted Owners of Bonds under the Indenture.

Upon the occurrence of a General Obligation Bond Default, the Trustee may and, upon the written request of the Owners of note less than 25% in Aggregate Principal Amount of Outstanding General Obligation Bond shall, give 30 days notice in writing to the Authority of its intention to declare the Aggregate Principal Amount of all General Obligation Bonds Outstanding immediately due and payable. At the end of such 30-day period the Trustee may, and upon such written request of Owners of not less than 25% in Aggregate Principal Amount of Outstanding General Obligation Bonds shall, by notice in writing to the Authority, declare the Aggregate Principal Amount of all General Obligation Bonds Outstanding immediately due and payable; and the Aggregate Principal Amount of such General Obligation Bonds shall become and be immediately due and payable. In such event, there shall be due and payable on the General Obligation Bonds an amount equal to the total principal amount of all such Bonds, plus all interest which will accrue thereon to the date of payment.

The Trustee may annul such declaration and its consequences if (i) moneys shall have been deposited in the Related Authority Payment Account sufficient to pay all matured installments of interest and principal or Redemption Price (other than principal then due only because of such declaration) of all Outstanding General Obligation Bonds; and (ii) money shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee.

Upon the occurrence and continuance of a General Obligation Bond Default, the Trustee may, and upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of the General Obligation Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce the rights of the Owners of General Obligation Bonds under the Act, the General Obligation Bonds and the Indenture by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient and consistent with the limitations specified in the Indenture, including but not limited to:

- (a) Suit upon all or any part of the General Obligation Bonds;
- (b) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of General Obligation Bonds; and
- (c) Enforcement of any other right of the Owners of General Obligation Bonds conferred by law or by the Indenture.

Regardless of the happening of a General Obligation Bond Default, the Trustee, if requested in writing by the Owners of not less than 25% in Aggregate Principal Amount of the General Obligation Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture; or (ii) to preserve or protect the interests of the Owners of the General Obligation Bonds, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole

judgment of the Trustee, is not unduly prejudicial to the interests of the Owners of General Obligation Bonds not making such request.

The rights and remedies of Owners of General Obligation Bonds upon the occurrence of a General Obligation Bond Default shall be limited to the enforcement of the Authority's general obligation covenant with respect to the Related Bonds and to the disbursement of amounts available to Owners of General Obligation Bonds from time to time in the Related Debt Service Fund, the Related Special Redemption Account and the Related Debt Service Reserve Fund after provision is made for, and after taking into account the rights of, Owners of Bonds other than General Obligation Bonds as provided in the Indenture. The exercise of remedies upon the occurrence of a General Obligation Bond Default shall not in any manner affect, disturb or prejudice the security and rights of Owners of Bonds under the Indenture.

The Trustee may waive any General Obligation Bond Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

No Owner of any General Obligation Bond shall have any right to institute any suit, action or proceeding in equity or at law for any remedy under the Indenture unless:

- (i) a General Obligation Bond Default has occurred as to which the Trustee has actual notice, or as to which the Trustee has been notified in writing; and
- (ii) the Owners of at least 25% in Aggregate Principal Amount of General Obligation Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in the Master Indenture or to institute such action, suit or proceeding in its own name; and
- (iii) such Owners of the Bonds shall have offered the Trustee indemnity as provided in the Master Indenture; and
- (iv) the Trustee shall have failed or refused to exercise the powers in the Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

Successors to Trustee

Wells Fargo Bank, National Association, has been appointed as Trustee under the Master Indenture and will act as Trustee until any successor thereto becomes successor trustee, provided that such successor company must be a bank or trust company organized under the laws of any state of the United States or a national banking association, and must be authorized by law to perform all the duties imposed upon it by the Master Indenture.

Modifications of Indenture and Outstanding Bonds

There are provided procedures whereby the Authority may amend the Master Indenture or a Series Indenture by execution and delivery of a Supplemental Indenture. Amendments that may be made without consent of Bondholders must be for such purposes as providing for the issuance of a Series of Bonds, further securing the Bonds, imposing further limitations on or surrendering rights of the Authority or curing ambiguities.

Amendments of the respective rights and obligations of the Authority and the Bondholders may be made with the written consent of the Holders of at least a majority in principal amount of the Bonds Outstanding to which the amendment applies, but no such amendment shall permit a change in the terms of redemption or maturity of the principal of any Bond Outstanding (other than the terms of a Sinking Fund Installment) or of any installment of interest thereon or a reduction in the principal amount of Redemption Price therefor or the rate of interest thereon or reduce the percentages of Bonds, the consent of the Holders of which is required to effect such amendment, or the ability to declare the Aggregate Principal Amount of Bonds due and payable without the consent of the Owners of all Bonds then Outstanding or shall materially adversely affect the rights of the Owners of Class II Bonds, Class III Bonds or Class IV Bonds without the consent of the Owners of a majority in aggregate principal amount of Class II, Class III or Class IV Bonds Outstanding, respectively.

Amendments may be made in any respect with the written consent of the Owners of all the Bonds then Outstanding.

Defeasance

All outstanding Bonds will prior to the maturity or redemption date thereof be deemed to have been paid and will cease to be entitled to the pledge of the Trust Estate under the Indenture and all covenants, agreements and other obligations of the Authority to the Bondowners will cease if the following conditions are met: (i) in case any Bonds are to be redeemed on any date prior to their maturity, the Authority has given to the Bond Registrar irrevocable instructions to transmit notice of redemption therefor, (ii) there have been deposited with the Trustee either moneys in an amount which are sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys, which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or redemption price, if applicable, of and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Bonds are not subject to redemption within the next succeeding 60 days, the Authority has given the Bond Registrar irrevocable instructions to transmit, as soon as practicable, a notice to the owners of such Bonds that the above deposit has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, of and interest on such Bonds, and (iv) except in the event of a full cash defeasance or a current refunding of less than ninety days to maturity or redemption date, the sufficiency of such moneys or Defeasance Securities shall have been confirmed to the Authority in an opinion signed by a certified public accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of the State, selected by the Authority.

Neither Defeasance Securities nor moneys deposited with the Trustee for the purpose of defeasing the Bonds nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds and any bonds or other obligations issued by the Authority the proceeds of which were used to acquire such Defeasance Securities, in whole or in part; provided that no such principal of or interest on such Defeasance Securities shall be applied to the payment of the principal or redemption price of or interest on such bonds or other obligations unless (x) the Trustee shall have received a schedule showing, for each year from the date of deposit of such Defeasance Securities until the redemption date or maturity date of said Bonds, as the case may be, the amount of principal of and interest on such Defeasance Securities and moneys, if any, deposited with the Trustee at the same time that will be available to pay the principal or Redemption Price of and interest due on said Bonds in each such year, plus the amount of any excess in each such year, and (y) the amount of such principal of or interest on such Defeasance Securities to be so applied to the payment of such bonds or other obligations does not exceed in any year the amount of such excess for, or accumulated and

unexpended to, such year. Any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, to the extent practicable and, in accordance with an opinion of Bond Counsel filed with the Trustee, permitted by Section 103 of the Code, shall be reinvested in Defeasance Securities maturing in times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be.

Any Authority Derivative Payments are deemed to have been paid and the applicable Derivative Product terminated when payment of all Authority Derivative Payments due and payable to each Reciprocal Payor under its respective Derivative Product have been made or duly provided for to the satisfaction of each Reciprocal Payor and the respective Derivative Product has been terminated.

APPENDIX D

Class Asset Requirements

The Class Asset Requirements applicable to each Series of Bonds are set forth in each Related Series Indenture. Set forth below are the Class Asset Requirements applicable to each Series of Bonds to be Outstanding under the Master Indenture upon issuance of the 2008 Series B Bonds. The Loans and Authority Projects are currently in compliance with all applicable Class Asset Requirements.

Class Asset Requirements

Pursuant to the Related Series Indenture, the Class Asset Requirements for each Series of Bonds to be Outstanding under the Master Indenture upon issuance of the 2008 Series B Bonds (except as noted) require that, as of any date of calculation:

(a) with respect to the **Class I Asset Requirement**,⁽¹⁾⁽²⁾ the sum of (i) amounts held in the related subaccount of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of the Class I Bonds of such Series), the related subaccounts of the Redemption Fund (to the extent such amounts are required to be used to redeem the Class I Bonds of such Series) and the related subaccount of the Debt Service Reserve Fund, and (ii) the sum of the quotients of the aggregate unpaid principal balances of Loans (by Loan type) and Authority Projects related to the Bonds divided by the related Class I Asset Coverage Divisors set forth on the schedule under "Asset Coverage Divisors" below (or such smaller divisors as may be permitted by each Rating Agency, as evidenced by a Confirmation from each Rating Agency), be at least equal to the Aggregate Principal Amount of Class I Bonds of such Series then Outstanding; and

(b) with respect to the **Class II Asset Requirement**,⁽¹⁾⁽³⁾ the sum of (i) amounts held in the related subaccount of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of the Class I Bonds of such Series), the related subaccount of the Class II Debt Service Fund (to the extent such amounts are required to be used to pay principal of Class II Bonds of such Series), the related subaccounts of the Redemption Fund (to the extent such amounts are required to be used to redeem Class I Bonds or Class II Bonds of such Series) and the related subaccount of the Debt Service Reserve Fund, and (ii) the sum of the quotients of the aggregate unpaid principal balance of Loans (by Loan type) and Authority Projects related to the Bonds of such Series divided by the related Asset Coverage Divisors for Class II Obligations, respectively set forth on the schedule under "Asset Coverage Divisors" below (or such smaller divisors as may be permitted by each Rating Agency, as evidenced by a Confirmation from each Rating Agency), be at least equal to the Aggregate

⁽¹⁾ The definition of Class II Asset Requirement in the 2008 Series B Indenture provides, and the definitions of Class I Asset Requirement, Class II Asset Requirement and Class III Asset Requirement in the series indentures for other outstanding and future series of Bonds provides and will provide, that amounts held in applicable subaccounts and the unpaid principal balances of Loans and Authority Projects for Unrelated Bonds in excess of the applicable Asset Requirements for such Unrelated Bonds (and not already taken into account in satisfying the Asset Requirements for any other Unrelated Bonds) will be taken into account in the calculation of such Asset Requirements for the 2008 Series B Bonds and such other outstanding and future series of Bonds.

⁽²⁾ Not applicable to 2008 Series A Bonds or 2008 Series B Bonds.

⁽³⁾ Not applicable to 2000 Series B Bonds, 2002 Series B Bonds, 2005 Series B Bonds, 2006 Series A Bonds or 2007 Series B Bonds.

Principal Amount of Class I Bonds of such Series and Class II Bonds of such Series, respectively, then Outstanding.

(c) with respect to the **Class III Asset Requirement**,⁽⁴⁾ the sum of (i) amounts held in the related subaccount of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of the Class I Bonds of such Series), the related subaccount of the Class II Debt Service Fund (to the extent such amounts are required to be used to pay principal of Class II Bonds of such Series),⁽⁵⁾ the related subaccount of the Class III Debt Service Fund (to the extent such amounts are required to be used to pay principal of Class III Bonds of such Series), the related subaccounts of the Redemption Fund and the related subaccount of the Debt Service Reserve Fund, and (ii) the sum of the unpaid principal balance of Loans and Authority Projects related to the Bonds for such Series, be at least equal to 102% of the Aggregate Principal Amount of the Bonds then Outstanding, or such lesser percentage as may be permitted by each Rating Agency, as evidenced by a Confirmation from each Rating Agency.

⁽⁴⁾ Not applicable to 2002 Series A Bonds, 2002 Series C Bonds, 2003 Series A Bonds, 2004 Series A Bonds, 2005 Series A Bonds, 2005 Series B Bonds, 2007 Series B Bonds, 2008 Series A Bonds or 2008 Series B Bonds.

⁽⁵⁾ Not included in Class III Asset Requirement for 2000 Series B Bonds.

Asset Coverage Divisors

The following table sets forth the Asset Coverage Divisors for all Series of Bonds to be outstanding under the Master Indenture upon issuance of the 2008 Series B Bonds (except as noted):

Asset Coverage Divisors

<u>Loan Type</u>	<u>Asset Coverage Divisor</u>	
	<u>Class I</u>	<u>Class II</u>
Uninsured Loan other than military housing privatization loans	1.72	1.45
FHA-Insured Section 542(c) Loan (1)	1.00	1.00
QIC, QAL or B&I II Loan	1.00	1.00
Other FHA-Insured Loan (1)	1.12	1.015
Authority Project (2)	1.30	1.18
2006B Loan (Fort Carson) (3)	1.54	1.103
2007A Loan (Air Force Academy) (3)	2.17	1.382997
Other Loans	(4)	(4)

(1) The Series Indenture related to the 2000 Series A Bonds does not distinguish between Section 542(c) Loans and other FHA-Insured Loans. The Asset Coverage Divisor for all FHA-Insured Loans related to the 2000 Series A Bonds is 1.12 for the Class I Asset Requirement and 1.015 for the Class II Asset Requirement.

(2) Certain outstanding uninsured loans described in **Appendix G-2** have been funded with Bonds backed by a general obligation of the Authority and will also be included within this category. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations – Multi-Family Project Bonds."

(3) These Loans are existing and will be transferred to become the Transferred Loans in connection with the Refunding Project. See "Part I – PLAN OF FINANCE."

(4) As may be specified by the Rating Agencies from time to time at the request of the Authority.

APPENDIX E

Form of Bond Counsel Opinion

June 25, 2008

Colorado Housing and Finance Authority
1981 Blake Street
Denver, Colorado 80202

Colorado Housing and Finance Authority
Taxable Multi-Family/Project Class II Adjustable Rate Bonds, 2008 Series B

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance of its Taxable Multi-Family/Project Class II Adjustable Rate Bonds, 2008 Series B (the "2008 Series B Bonds") in the aggregate principal amount of \$165,565,000. In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter. The 2008 Series B Bonds are authorized and issued pursuant to the Master Indenture of Trust, dated as of March 1, 2000, as amended, and as supplemented by the 2008 Series B Indenture of Trust dated as of June 1, 2008 (together, the "Indenture") between the Authority and Wells Fargo Bank, National Association (formerly, Norwest Bank Colorado, National Association), as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

Regarding questions of fact material to our opinions, we have relied upon the Authority's certified proceedings and other representations and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The 2008 Series B Bonds constitute valid and binding special, limited obligations of the Authority, payable solely from the Revenues and other assets pledged thereto under the Indenture.
2. The Indenture has been duly authorized by the Authority, duly executed and delivered by authorized officials of the Authority, and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms.
3. Interest on the 2008 Series B Bonds is not excluded from gross income for federal income tax purposes.

4. The 2008 Series B Bonds, their transfer and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date hereof..

The opinions expressed in this opinion letter above are subject to the following:

The obligations of the Authority pursuant to the 2008 Series B Bonds and the Indenture are subject to the application of equitable principles, to the reasonable exercise in the future by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

We understand that the Federal Home Loan Bank of Topeka has delivered a Standby Bond Purchase Agreement with respect to the 2008 Series B Bonds. We express no opinion as to the validity or enforceability of such Standby Bond Purchase Agreement or the security afforded thereby.

The provisions of this opinion letter concerning federal tax issues were not written and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on any taxpayer by the Internal Revenue Service. This writing supports the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not opining upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the 2008 Series B Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the 2008 Series B Bonds, except those specifically addressed herein.

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

Respectfully submitted,

APPENDIX F

Book-Entry System

The following information in this section regarding DTC and the book entry system is based solely on information provided by DTC. No representation is made by the Authority or the Underwriter as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. The Beneficial Owners of the 2008 Series B Bonds should confirm the following information with DTC or the DTC Participants.

DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee ("**Cede**") or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "**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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org. *The Authority, the Trustee, and the Underwriter undertake no responsibility for and make no representation as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.*

Purchases of 2008 Series B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 2008 Series B 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 2008 Series B Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive

certificates representing their ownership interests in 2008 Series B Bonds, except in the event that use of the book-entry system for the 2008 Series B Bonds is discontinued.

To facilitate subsequent transfers, all 2008 Series B 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 2008 Series B 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 2008 Series B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008 Series B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

While the 2008 Series Bonds are in the book-entry system, redemption notices will be sent to DTC. If less than all of the 2008 Series B Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2008 Series B 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 the 2008 Series B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2008 Series B 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 a payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participant and not of DTC, the Trustee, the Paying Agent, the Remarketing Agent, the Liquidity Facility Provider or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

THE AUTHORITY, THE TRUSTEE, THE PAYING AGENT, THE LIQUIDITY FACILITY PROVIDER, AND THE 2008B REMARKETING AGENT SHALL HAVE NO RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE BONDS, THE DELIVERY TO ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY NOTICE WITH RESPECT TO THE BONDS, INCLUDING ANY NOTICE OF REDEMPTION, THE PAYMENT TO ANY DTC PARTICIPANT OR INDIRECT

PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE BONDS OR ANY CONSENT GIVEN BY CEDE & CO., AS NOMINEE OF DTC. SO LONG AS CERTIFICATES FOR THE BONDS ARE NOT ISSUED PURSUANT TO THE INDENTURE AND THE BONDS ARE REGISTERED TO DTC, THE AUTHORITY, THE LIQUIDITY FACILITY PROVIDER, THE PAYING AGENT, THE REMARKETING AGENT AND THE TRUSTEE SHALL TREAT DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY AS, AND DEEM DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY TO BE, THE ABSOLUTE OWNER OF THE BONDS FOR ALL PURPOSES WHATSOEVER, INCLUDING WITHOUT LIMITATION (1) THE PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS, (2) GIVING NOTICE OF REDEMPTION AND OTHER MATTERS WITH RESPECT TO THE BONDS, (3) REGISTERING TRANSFERS WITH RESPECT TO THE BONDS AND (4) THE SELECTION OF BONDS FOR REDEMPTION.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority, the Trustee and the applicable Liquidity Facility Provider. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfer through DTC (or a successor depository). In that event, Bond certificates will be printed and delivered.

According to DTC, the foregoing information with respect to DTC and DTC's book-entry system has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

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 neither the Authority nor the Underwriter take any responsibility for the accuracy thereof.

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APPENDIX G-1

Certain Information about the Transferred Loans

The 2006B Loan (Fort Carson Project)

Generally

The Authority has purchased Taxable Fort Carson Housing Revenue Bonds, Series 2006 (the "**Fort Carson Loan Obligations**") issued by Fort Carson Family Housing, LLC (referred to as the "**Fort Carson Borrower**") in an aggregate principal amount of \$118,600,000, comprised of \$107,500,000 aggregate principal amount of Class II Taxable Fort Carson Housing Revenue Bonds, Series 2006 and \$11,100,000 aggregate principal amount of Class III Taxable Fort Carson Housing Revenue Bonds, Series 2006. The Authority owns all of the Fort Carson Loan Obligations.

The Fort Carson Borrower is a Delaware limited liability company that was formed in 1999 to engage in the demolition, construction, renovation and management of residential family housing as part of a military housing privatization project at Fort Carson in El Paso County, Colorado (the "**1999 Project**"). The 1999 Project was financed with the proceeds of the Fort Carson Borrower's \$147,035,000 Fort Carson Family Housing, LLC Taxable Fort Carson Housing Revenue Bonds, Series 1999 (the "**1999 Bonds**," which were issued pursuant to a Trust Indenture and Security Agreement, dated as of November 15, 1999 (as amended through November 1, 2006, the "**Original Indenture**"), between the Fort Carson Borrower and The Bank of New York Trust Company, N.A. (as successor-in-interest to Bank One, Colorado, N.A., the "**Fort Carson Trustee**"). The Original Indenture was amended and restated pursuant to the Amended and Restated Trust Indenture and Security Agreement dated as of November 1, 2006 in connection with the issuance of the Fort Carson Loan Obligations (as so amended and restated, the "**Fort Carson Indenture**").

At the time the 1999 Bonds were issued, all equity interests in the Company were owned by affiliates of J.A. Jones, Inc. GMH Military Housing - Fort Carson LLC ("**GMH**") acquired all such interests in the Fort Carson Borrower in 2003. The Fort Carson Borrower was restructured in 2005 and at the time the Fort Carson Loan Obligations were sold, its members were GMH, which served as the manager of the Fort Carson Borrower, the United States Government, acting by and through the Secretary of the Army (the "**Government**") and GMH/Army Integrated LLC. The restructuring was undertaken to bring the 1999 Project into line with the structure that is used by the Army in most of its other military housing privatization projects. In 2008, Balfour Beatty plc, an international engineering, construction, investment and services group, acquired the military housing division of GMH Communities Trust. As a result, the members of the Fort Carson Borrower were changed so that its members are now BBC Military Housing – Fort Carson LLC (the "**Managing Member**"), the Government and BBC/Army Integrated LLC, which is owned by the Army and Balfour Beatty Military Housing Investments LLC. The Fort Carson Borrower is a single purpose entity with no significant assets other than its interest in the Fort Carson Project.

The Fort Carson Borrower has used the proceeds of the Fort Carson Loan Obligations to finance an expansion of the 1999 Project (such expansion, the "**2006 Project**" and, together with the 1999 Project, referred to as the "**Fort Carson Project**") by constructing 404 additional housing units at Fort Carson and demolishing 8 housing units and performing capital improvements on housing units that were part of the 1999 Project (referred to as the "**2006B Housing Facilities**").

The Fort Carson Loan Obligations are subordinate to the 1999 Bonds, which are senior in priority of payment of debt service to the Fort Carson Loan Obligations. The Fort Carson Indenture does not provide for reserves for the payment of debt service on the Fort Carson Loan Obligations.

Fort Carson

Fort Carson, known as the "Mountain Post," is an Army post located on approximately 137,000 acres on the south side of Colorado Springs, Colorado. Colorado Springs was selected as the site for an Army training camp on January 6, 1942, one month after the attack on Pearl Harbor. The camp was named Camp Carson in honor of Brigadier General Christopher "Kit" Carson. Camp Carson became Fort Carson in 1954, when it became a permanent military installation.

Fort Carson is currently the headquarters of the 1st Army Division West (a headquarters established in August 2006 to oversee training of all Army Reservists and National Guardsmen, converted from the former 7th ID headquarters) and home to, among other units, three brigades of the 4th Infantry Division and the 10th Special Forces Group. Fort Carson is also home for the 10th Combat Support Hospital units of the Colorado National Guard, a Naval Reserve Center, a training group for the 91st Division and other military units.

Affiliated with Fort Carson is the Pinon Canyon Maneuver Site ("**PCMS**") which is located 150 miles southeast of Fort Carson. PCMS, comprised of 236,000 acres of land, serves as a training asset for Fort Carson, other installations and the National Guard and Reserve units from all branches of the military. PCMS was designed to provide critical maneuver lands for larger units of soldiers. PCMS hosts two major military exercises each year. For each, roughly 5,000 troops, 300 heavy tracked vehicles and 400 wheeled vehicles spend a month in the wilderness of Pinon Canyon performing intensive war maneuver exercises. PCMS, combined with Fort Carson's training areas, comprise maneuver training lands second only to the National Training Center in size. The Government is currently considering a proposal to expand PCMS, possibly by up to 750,000 acres. Combined with the resources of Fort Carson, this would be the largest training site in the country.

Military Housing Demand

A 2005 Housing Market Analysis ("**HMA**") of Fort Carson, prepared for the Government by Robert D. Niehus, Inc., anticipated that, by 2010, the total effective demand for housing units (whether on or off-base) for families stationed at Fort Carson will be 14,975 units. The report predicted that the government will be required to provide 3,687 housing units to meet this demand. This requirement included housing units for key and essential personnel, housing for personnel whose total income falls below 50% of the area median income and units resulting from a community housing shortfall. This requirement would satisfy approximately 25% of total effective family housing demand at Fort Carson. The existing family housing units on post at Fort Carson together with the Fort Carson Project's proposed 404 new units, will not meet the HMA-computed government-provided housing requirement. The HMA takes into account proposed changes in military personnel stationed at the base due to realignment of units at the post announced in 2005. Military families who cannot or do not choose to live in the Fort Carson Project are expected to either own their homes or pay market rents and compete with the civilian population for the available supply of rental housing.

A Market Study for the Expansion of the Military Family Housing Privatization Project at Fort Carson was prepared by Value Tech Realty Services, Inc. in 2006. The Market Study indicated that, at the time it was performed, the occupancy rates at multi-family housing projects in Colorado Springs averaged approximately 91%. According to the Market Study, market rents often exceed the Basic Allowance for Housing ("**BAH**"), particularly among the junior-enlisted pay grades, causing many

military residents to incur significant out-of-pocket expenses to accommodate their housing needs, including expenses for utilities.

The 2006B Housing Facilities are designed to meet the increased housing needs at Fort Carson based on the military base realignment and closure recommendations of the federal government announced in 2005 and force structure increases. Once the 2006B Housing Facilities are complete, Fort Carson will provide 3,060 housing units, roughly 83% of the overall government-provided housing requirement identified by the HMA.

Fort Carson Project

On September 30, 1999, the Government awarded the first ever family housing privatization project to Fort Carson Family Housing Limited Liability Company, the predecessor to the Fort Carson Borrower. The project scope included the complete renovation and modernization of 1,823 existing units and the concurrent construction of 841 new units to be completed during an initial development period of four years. Work for the 1999 Project and renovation was completed on schedule. Approximately \$228 million was spent during the initial development phase of the 1999 Project. The 1999 Project has 2,664 housing units.

The intent of the 2006 Project is to improve the overall quality of living at Fort Carson. Accordingly, homes built as part of the 1999 Project and currently assigned to senior enlisted and junior officers will be reassigned to junior-enlisted families. This will immediately increase the quantity of newer housing available to those needing it the most - the junior-enlisted families. Work being performed during the initial development period of the 2006 Project (the "Initial Development Period"), which is anticipated to last three years includes the construction of approximately 400 new units located in three new communities - one for junior-enlisted families, one for junior officers and senior-enlisted and one for more senior officers. It is anticipated that 8 existing homes will be demolished.

In addition, the development plan for the 2006 Project calls for capital improvements to the existing units. These capital improvements will include improving the existing housing by adding central air conditioning to approximately 800 existing housing units. In addition, improvements might include improving windows to improve energy savings capabilities on selected homes, improving irrigation systems to assist in maintaining landscaping and improving exterior appearance of selected homes. In addition, a community center that may be used for overall community functioning will be constructed using funds from the remaining proceeds of the 1999 Bonds.

The following table summarizes the units anticipated to be available at Fort Carson at the end of the Initial Development Period of the 2006 Project.

	Estimated
	<u>Units</u>
Existing Homes	2,664
New construction	404
Demolished units	<u>-8</u>
Total Units at Fort Carson	3,060

The Ground Lease

The Government and the Fort Carson Borrower entered into that certain Ground Lease DACA45-1-99-6168, effective November 18, 1999, which was amended and restated on December 21, 2005 and as amended further by Supplemental Agreement No. 1 to be effective November 29, 2006 (the "**Ground Lease**") to, grant and convey to the Fort Carson Borrower a leasehold estate in the Fort Carson Project. In consideration of the Government entering into the Ground Lease, the Fort Carson Borrower is required to (i) design, develop, manage, rehabilitate, renovate and maintain the Fort Carson Project in accordance with the terms of the Ground Lease, and (ii) convey the improvements to the Government upon the expiration or earlier termination of the Ground Lease in accordance with its terms, without compensation to the Fort Carson Borrower.

The term of the Ground Lease commenced on November 18, 1999 and expires on November 17, 2049, and may be extended by the Government for one additional period of 25 years, provided the Fort Carson Borrower accepts the lease extension in accordance with the Ground Lease. Except as otherwise provided in the Ground Lease or the Deed for the improvements, the Fort Carson Project has been leased to the Fort Carson Borrower "as is", without any representation or warranty as to the condition of the Fort Carson Project or obligation of the Government to alter or repair or remediate, except as otherwise provided in the Ground Lease or as required by applicable law, Environmental Conditions (as defined in the Ground Lease) or discharges that exist or have occurred prior to the effective date of the Ground Lease. Additionally, except as otherwise provided in the Ground Lease or Deed, the Government is not liable for any latent or patent defects in the Fort Carson Project. Except as otherwise stated in specified provisions of the Ground Lease, the Government is responsible for response actions for Environmental Conditions at the Fort Carson Project occurring prior to the effective date and for related Environmental Claims (as defined in the Ground Lease).

The violation by either party to the Ground Lease of the terms and conditions of the Ground Lease will constitute a noncompliance thereunder. Noncompliance may be elevated to a default under the Ground Lease following the applicable notice and cure period and written notice to the party in non-compliance. The Fort Carson Borrower will also be in default under the Ground Lease if, among other things, it or its Managing Member: (i) institutes or is subject to a bankruptcy-related action; (ii) permits the attachment or sequestration of any of the Fort Carson Project and/or assets that is not promptly discharged or bonded; or (iii) is terminated or dissolved without being reconstituted or reincorporated within 60 days.

Subject to the applicable provisions of the Ground Lease, in addition to certain other rights and remedies, either party to the Ground Lease may terminate the Ground Lease as to all or any part of the Fort Carson Project in the event of certain defaults by the other party that are not cured prior to the expiration of the specified notice and cure periods (as such cure periods may be extended pursuant to the Ground Lease). Such termination will be effective as of the date specified in a notice of termination sent to the defaulting party and the Fort Carson Trustee, which termination date will be at least 15, but not more than 30 days, after receipt of such notice by the defaulting party and the Fort Carson Trustee.

In the event that a termination default by either party affects only a portion of the Fort Carson Project and the remainder of the Fort Carson Project remains physically and financially viable for the purposes for which the Ground Lease was executed, the parties have agreed (i) to continue to operate the remainder of the Fort Carson Project in accordance with the requirements of the Ground Lease, (ii) to modify the obligations of the parties pursuant to the Ground Lease in a manner appropriate to the loss of the applicable portion of the Fort Carson Project, and (iii) that remedies or damages will be based upon the portion of the Fort Carson Project with respect to which the termination default occurred; provided, however, that in all such cases, the consent of the Fort Carson Trustee will be obtained to such continued

operation and modification if the effect of the modification on the Fort Carson Project, and/or the provisions of the Ground Lease would be to cause default under the financing documents.

If the Government terminates the Ground Lease pursuant to its terms, the Fort Carson Borrower must surrender title to all of the improvements located on the Project site to the Government without additional compensation. If the Fort Carson Borrower terminates the Ground Lease pursuant to the Ground Lease, the Fort Carson Borrower will be entitled to pursue any legal remedy available. If either party defaults, but the non-defaulting party does not want to terminate the Ground Lease, the non-defaulting party may seek damages, any other remedy available under law, or specific performance.

Environmental Matters

The Government and the Fort Carson Borrower (through an environmental consultant) have separately conducted various studies and investigations and issued various reports for the purposes of ascertaining existing environmental conditions at the Fort Carson Project site, assessing the environmental impacts of the 2006 Project, and advising the Fort Carson Borrower regarding various operations and maintenance activities. The Government made findings that the 2006 Project will not result in significant impact to human health or the environment and that the Project site is suitable for lease to the Fort Carson Borrower. Both the Government's and the Fort Carson Borrower's studies, investigations, and reports indicate that certain areas of the 2006 Project site may have contamination present and that certain responsibilities, liabilities and risks may result therefrom. The Fort Carson Borrower and/or the Government will be required to address any environmental conditions identified pursuant to the terms of the Ground Lease and other applicable project agreements. However, the costs of any required remediation or removal of substances may be material, and such remediation or removal may result in, among other things, liability or a material effect on operating or other Project expenses. If the Fort Carson Borrower does not have sufficient available funds to effect any required remediation or otherwise discharge any liabilities associated with the environmental condition, its ability to finance the Fort Carson Project and to pay debt service on the Fort Carson Loan Obligations could be materially affected.

Operating Results

The Fort Carson Borrower's audited financial statements for the fiscal years ending December 31, 2007 and 2006 are attached as part of this Appendix G-1. The following chart summarizes the Fort Carson Borrower's operating results for the past five fiscal years ending December 31.

	Year ended December 31,				
	2003	2004	2005	2006	2007
Rent Revenue	\$25,245,962	\$27,321,850	\$31,426,742	\$30,850,335	\$31,852,252
Interest Income	\$1,463,662	\$549,778	\$277,246	\$562,126	\$6,028,841
Miscellaneous Revenue	\$0	\$0	\$78,924	\$83,536	\$219,345
Operating Expenses	(\$12,910,576)	(\$15,740,949)	(\$16,941,039)	(\$21,470,381)	(\$20,531,202)
Interest Expense	(\$8,330,126)	(\$10,994,438)	(\$11,256,558)	(\$12,393,596)	(\$17,234,093)
Organization Costs	\$0	\$0	(\$404,069)	\$0	\$0
Net Income	\$5,468,922	\$1,136,241	\$3,181,246	(\$2,367,980)	\$335,144

The 1999 Bonds; Fort Carson Loan Obligations

The 1999 Bonds. The 1999 Bonds were issued in three maturities. Set forth below, for each such maturity, is the aggregate principal amount outstanding as of November 21, 2006, the final maturity date and the interest rate borne.

Fort Carson 1999 Bonds

<u>Principal Amount Outstanding at November 21, 2006</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
\$25,010,000	7.52%	November 15, 2014
\$38,445,000	7.65%	November 15, 2021
\$78,855,000	7.86%	November 15, 2029

Fort Carson Loan Obligations. The Fort Carson Loan Obligations have been issued as book-entry bonds in two classes: \$107,500,000 aggregate principal amount of Class II Taxable Fort Carson Housing Revenue Bonds, Series 2006 and \$11,100,000 aggregate principal amount of Class III Taxable Fort Carson Housing Revenue Bonds, Series 2006. The Fort Carson Loan Obligations are dated the date of their delivery (the same date as the date of delivery of the Authority's 2006 Series Bonds) and will mature on the dates and in the amounts set forth below. The Fort Carson Loan Obligations are term bonds bearing interest at the rates set forth below from their date of delivery and are payable on the 15th date of each month, commencing December 15, 2006. Interest will be calculated on a 360-day year of 12 months.

Fort Carson 2006 Class II Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
March 15, 2047	\$107,500,000	5.65%

Fort Carson 2006 Class III Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
September 15, 2044	\$11,100,000	5.65%

Priority of Payment; Failure to Pay Debt Service. The 1999 Bonds are senior in priority of payment of debt service to the Fort Carson 2006 Class II Bonds and the Fort Carson 2006 Class III Bonds. The Fort Carson 2006 Class II Bonds are senior in priority of payment of debt service to the Fort Carson 2006 Class III Bonds. The Fort Carson Indenture does not provide for reserves for the payment of debt service on either class of Fort Carson Loan Obligations.

If the amount on deposit in the debt service account established under the Fort Carson Indenture for the Fort Carson 2006 Class II Bonds or the Fort Carson 2006 Class III Bonds is not sufficient to pay, on any interest payment date, the principal or redemption price of and interest on the Class II Bonds or the Class III Bonds, as applicable, due and payable on such date, the amount of the insufficiency will accrue and be added to the next scheduled installment of debt service on the related class of Fort Carson 2006 Bonds until paid. **The failure to pay principal or redemption price of or interest on a Fort Carson 2006 Class II Bond or a Fort Carson 2006 Class III Bond when due prior to the final maturity date of all Fort Carson Loan Obligations of such class (September 15, 2044) is not an event of default under the Fort Carson Indenture if sufficient moneys for such payment are not available in the related debt service account under the Fort Carson Indenture. Unpaid principal due and payable on a Fort Carson Loan Obligation will continue to accrue interest at the rate of interest borne by such Loan Obligation until paid or until maturity. Unpaid interest due and payable will not accrue additional interest.**

Additional Bonds. The Fort Carson Borrower may issue additional bonds for the purpose of refunding the 1999 Bonds, which additional bonds may be issued at a priority equal to the 1999 Bonds, but only if the 1999 Bonds are to be redeemed in whole (such additional bonds, the "**1999 Refunding Bonds**"). If the 1999 Bonds are to be redeemed in part, any such additional bonds may only be issued on a parity with, or subordinated to, the Fort Carson Loan Obligations.

The Fort Carson Borrower is also permitted to issue additional bonds under the Fort Carson Indenture on a parity with, or subordinate to, the Fort Carson 2006 Class II Bonds or the Fort Carson 2006 Class III Bonds for other purposes relating to the Fort Carson Project. Certain conditions must be satisfied in order for the Fort Carson Borrower to issue additional bonds, including the condition that the Fort Carson Borrower must obtain confirmation from each rating agency then rating the 1999 Bonds or Fort Carson Loan Obligations (or any outstanding additional bonds) that, without regard to any credit enhancement, the issuance of such additional bonds will not, in and of itself, result in a lowering, suspension or withdrawal of any such rating.

Redemption Prior to Maturity. The Fort Carson Loan Obligations are subject to redemption prior to maturity through sinking fund payments as set forth on a schedule set forth in the Fort Carson Indenture. The Fort Carson Loan Obligations are also subject to extraordinary mandatory redemption, in

whole or in part, on any business day, in the event of damage to or destruction or condemnation of the Project or any part thereof, from available net proceeds to the extent required by the Fort Carson Indenture at a redemption price equal to 100% of the principal amount plus accrued interest, if any, to the redemption date.

The Fort Carson Loan Obligations are subject to redemption prior to maturity at the option of the Fort Carson Borrower, at any time in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date plus the Make-Whole Premium. The "Make-Whole Premium" means, with respect to any Fort Carson Loan Obligation, the difference between (i) the sum of the present values of the remaining scheduled payments of debt service on such Fort Carson Loan Obligation, discounted, on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the relevant Treasury Rate plus 15 basis points, plus accrued interest, if any, to the date of redemption and (ii) the principal amount of such Fort Carson Loan Obligation plus accrued interest to the date of redemption; provided the "Make-Whole Premium" will not be less than zero.

Fort Carson Indenture Provisions. Events of Default under the Fort Carson Indenture include the events listed below. As used in this Appendix, "**Senior Bonds**" means (a) if the 1999 Bonds are outstanding, the 1999 Bonds, (b) if the 1999 Bonds are not outstanding, the Fort Carson 2006 Class II Bonds and (c) if neither the 1999 Bonds nor the Fort Carson 2006 Class II Bonds are outstanding, the Fort Carson 2006 Class III Bonds.

- failure to pay principal or interest on any Senior Bond when due and payable;
- default in the payment of interest on, or principal of, any Bond that is not a Senior Bond (i) when due and payable prior to the maturity date thereof, provided that sufficient funds are available therefor or (ii) on the final maturity date thereof.
- certain insolvency-related events;
- at any time that the Fort Carson 1999 Bonds are outstanding, the Fort Carson 1999 Guaranty (described below) terminates; and
- default under the Fort Carson Indenture (other than a payment default) or under any related financing agreement or the Ground Lease (described below) that continues beyond the applicable cure period.

If an Event of Default described under any of the first four bullet points occurs, the Fort Carson Trustee is to declare the principal of all outstanding Fort Carson Bonds and the interest accrued thereon and any applicable Make-Whole Premium immediately due and payable. If an Event of Default described in the last bullet point occurs, the Fort Carson Trustee shall, at the direction of at least 25% in aggregate principal amount of the Senior Bonds then outstanding, declare the principal of all outstanding Fort Carson Bonds and the interest accrued thereon and any applicable Make-Whole Premium immediately due and payable.

Security and Sources of Payment for the 1999 Bonds and Fort Carson Loan Obligations

The 1999 Bonds and the Fort Carson Loan Obligations are limited obligations of the Fort Carson Borrower, payable solely from the trust estate pledged by the Fort Carson Borrower under the Fort Carson Indenture. The trust estate consists primarily of the revenues from the Fort Carson Project which, in turn, consist primarily of the BAH rental income paid by military tenants to the Fort Carson Borrower, and the property mortgaged under the Deed of Trust (described below).

Flow of Funds. Amounts on deposit in the Fort Carson Revenue Fund will be used by the Fort Carson Trustee in the following priority: *first*, to pay the Fort Carson Project's operating expenses;

second, to reserve funds to pay taxes and insurance premiums; *third*, to reserve funds to pay for periodic maintenance and significant repairs of the Fort Carson Project; *fourth*, to pay certain fees required to be paid under the Fort Carson Indenture, including trustee's fees; *fifth*, to pay debt service on the Fort Carson 1999 Bonds; *sixth*, to reimburse the provider of any reserve account contract on deposit in the interest reserve account for the 1999 Bonds for any draws thereon (or if no such contract is on deposit, to reserve funds to pay interest on the 1999 Bonds); *seventh*, to reimburse the Government for any payments made to cover shortfalls in debt service payments on the 1999 Bonds pursuant to or guaranty delivered by the Government in connection with the 1999 Bonds; *eighth*, to pay any amounts that may become due under the Ground Lease; *ninth*, pay expenses of the approving parties and the fees of the Bondholder Representative, *tenth*, on a pari passu basis, to pay debt service on the Fort Carson 2006 Class II Bonds and any additional bonds issued as Fort Carson Class II Bonds; *eleventh*, if additional bonds are issued as Fort Carson 2006 Class II Bonds, to reserve funds to pay debt service thereon if required by the related supplemental indenture; *twelfth*, on a pari passu basis, to pay debt service on the Fort Carson 2006 Class III Bonds and any additional bonds issued as Fort Carson Class III Bonds; *thirteenth*, if additional bonds are issued as Fort Carson 2006 Class III Bonds, to reserve funds for the payment of debt service thereon if required by the related supplemental indenture; *fourteenth*, to reserve additional funds for payment of debt service on the Fort Carson Bonds and operating expenses; and *fifteenth*, (A) if the debt service coverage ratio for the preceding and following 12-month period is 1.20 (or before completion of the 2006 Project, 1.00) and certain other conditions are met, to the Fort Carson Borrower to distribute in accordance with the Operating Agreement or (B) if the preceding conditions are not satisfied, (i) to the Fort Carson Borrower to pay its Managing Member a preferred rate of return calculated to generally represent the return it would have received if the 2006 Project had not been undertaken and (ii) any remaining amount that would otherwise have been distributed in the Revenue Fund to be distributed in accordance with the priority described above.

The Basic Allowance for Housing. *The following description of the BAH is based on current law and DoD procedures. The United States Congress can change the law and the DoD can revise its procedures at any time. No assurance can be given that such changes will not be made and, if changes are made, such changes could have a material adverse effect on the level of operating revenues generated by the Fort Carson Borrower from the Fort Carson Project.*

Each service member receives a monthly BAH in addition to base pay. The BAH rate is based on paygrade, whether or not the service member has dependents, and on the Military Housing Area ("MHA") where the service member is stationed. There are 374 MHAs in the United States. Service members who are Tenants at the Fort Carson Project will pay monthly rent at their respective BAH rates for the Colorado Springs MHA.

The BAH is receivable at least once per month by each military tenant living in a home within the Fort Carson Project. However, military service members are not required to live in the housing units in the Fort Carson Project. The demand for the Fort Carson Project's homes depends, in large part, on the general demand for comparable rental housing in the local real estate market. Military tenants receive BAH monthly in arrears. The Fort Carson Borrower has covenanted in the Fort Carson Indenture to use its best efforts to cause each military tenant residing in a housing unit to execute a Defense Financing and Accounting Service ("DFAS") Allotment Form which will direct the deposit of the BAH payable to such military tenant directly to the Fort Carson Trustee. The Fort Carson Borrower and Property Manager must remit all BAH payments received directly by them to the Fort Carson Trustee, for deposit into the Fort Carson Revenue Fund, within five days.

The Fort Carson Borrower is not permitted, as a condition to the leasing of a home to a military tenant, to require the execution of a DFAS Allotment Form. Any military tenant may cancel his or her DFAS Allotment Form at any time. Any military tenant who has not executed or who has cancelled a

DFAS Allotment Form, will be required to pay the BAH he or she receives to the Fort Carson Borrower on a monthly basis. Any failure by such a tenant to pay his or her rent and utility fees in whole in accordance with his or her lease will be grounds for termination of the lease and eviction in accordance with applicable law.

BAH must be appropriated by Congress as part of the annual DoD budget appropriations and there can be no assurances that such appropriations will be made in any given year, that the appropriation for any year will occur on a timely basis, that the amount of BAH appropriated for DoD as a whole will be sufficient to keep up with escalations in cost-of-living expenses in all military housing areas in the country or that the amount of BAH increase allocated to Fort Carson will be sufficient to keep up with housing costs in those areas. Moreover, there can be no assurances that the method of calculation, timing of payment, analysis of comparable market rents, cost-of-housing increases or other issues affecting the amount and receipt of BAH by military tenants living in the housing units will not change from time to time, with possible materially adverse consequences on the amount of operating revenues generated by the Project.

Under current law, the DoD attempts to set the BAH at levels reflective of local housing costs. However, no assurance can be made that the BAH will accurately reflect actual market rents or be sufficient to generate operating revenues necessary to pay debt service on the 1999 Bonds and the Fort Carson Loan Obligations.

The BAH is based on geographic duty location, pay-grade, and dependency status. The intent of the BAH is to provide military service members with equivalent and equitable housing compensation based on housing costs in local housing markets when they do not live in government-owned housing. The BAH is computed by estimating the market price of housing that a particular service member of the military would be expected to rent, based upon his or her geographic area and pay grade/dependent status. The BAH system has two pay rates that distinguish between service members with dependents and without dependents, but does not take into account the number of dependents. BAH amounts are comprised of three main cost components: rent, utilities and renters' insurance.

The table below sets forth the BAH rates (with dependents) for 2008 for service members assigned to Fort Carson.

**2008 Monthly BAH Rates (With Dependents) for Service Members
Assigned to Fort Carson**

<u>AH Rates</u>	<u>Fort Carson</u>
E01	\$909.00
E02	\$909.00
E03	\$909.00
E04	\$909.00
E05	\$1,013.00
E06	\$1,165.00
E07	\$1,231.00
E08	\$1,303.00
E09	\$1,398.00
W01	\$1,166.00
W02	\$1,260.00
W03	\$1,348.00
W04	\$1,418.00
W05	\$1,498.00
O01E ⁽¹⁾	\$1,245.00
O02E ⁽¹⁾	\$1,335.00
O03E ⁽¹⁾	\$1,430.00
O01	\$1,030.00
O02	\$1,162.00
O03	\$1,345.00
O04	\$1,532.00
O05	\$1,663.00
O06	\$1,677.00
O07	\$1,696.00

⁽¹⁾ Former Enlisted Personnel

The Deed of Trust. *The Deed of Trust contains terms and conditions relating to the use, control and disposition of the Mortgaged Property (as defined in the Deed of Trust), including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Deed of Trust, to which reference is hereby made, copies of which are available from the Fort Carson Borrower or the Fort Carson Trustee. This summary uses various terms defined in the Deed of Trust and such terms as used herein will have the same meanings as so defined.*

As security for payment of all Fort Carson Bonds, including the Fort Carson 1999 Bonds and the Fort Carson Loan Obligations, and performance of the Fort Carson Borrower's covenants set forth in the Fort Carson Indenture and other bond and loan documents, the Fort Carson Borrower, as trustor, has entered into that certain Multifamily Deed of Trust, Assignment of Rents and Security Agreement, dated November 15, 1999, with the Public Trustee of El Paso County (the "**Public Trustee**"), as trustee under the Deed of Trust, for the benefit of the Fort Carson Trustee, as trustee under the Fort Carson Indenture, as the same is being amended by that certain First Amendment and Spreader Agreement Relating to Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of the date of the issuance of the Fort Carson 2006 Bonds (the "**Deed of Trust**"). Pursuant to the Deed of Trust, the Fort Carson Borrower has (i) granted, conveyed and assigned, to Public Trustee in trust, with power of sale, all of the Fort Carson Borrower's existing and future right, title and interest in the Mortgaged Property; and (ii) granted to the Fort Carson Trustee a lien on and security interest in the Mortgaged Property. The Mortgaged Property consists of, among other things, all of the Fort Carson Borrower's right, title, interest and estate in and to the Ground Lease, the leasehold estate, the fixtures, improvements, personalty, and current and future development and zoning rights, easements, any insurance proceeds relating to the Mortgaged Property and all rents and leases.

Base Closure, Force Reduction and Deployment

There can be no assurance that Fort Carson will remain an active military base or that its functions and/or staffing levels will not be materially reduced such that the Company is unable to rent the units to service members or to other military and governmental personnel and employees. Fort Carson's primary mission is to provide a home base for brigades of infantry soldiers and to train those soldiers while they are stationed at Fort Carson. Several units of infantry soldiers that are based at Fort Carson are currently deployed in various parts of the world. There is no indication that these deployments, which usually last for more than one year, will end in the near future. The families of the soldiers on deployment have the option of remaining in the housing unit or leaving Fort Carson. If the families choose to leave Fort Carson, the housing unit would be vacated and the Fort Carson Borrower would no longer receive BAH payments from such tenant and would incur costs to relet the housing unit. If Fort Carson is closed or realigned or its staffing levels are significantly reduced, it would be difficult to rent a sufficient number of homes to keep the Project viable and there could be few alternative uses of the homes or the other improvements on the site, or the site itself, to sustain an income sufficient to pay debt service on the Fort Carson Bonds. Over the term of the Fort Carson Bonds, the Army is likely to change the methods and technologies that it uses to train soldiers. In connection with any such change, the Army could choose to move some or all of its training operations to other bases that may be more suitable to the new methods for a variety of reasons. In addition, since the Project is comprised of several non-contiguous parcels located within other lands presently owned by the Army, if a closure or realignment of Fort Carson affects only portions of the Fort Carson Project or the installation, parties other than the Army may ultimately own parcels surrounding portions of the Fort Carson Project, which could affect access, ingress and egress to and from such parcels for pedestrians, vehicles and utilities, as well as rights to use roadways, streets, driveways, pathways and walkways on the lands owned by parties other than the Army. It is possible, however, that the law at the time of such closure or realignment may not permit the Army to grant, or require successor owners to grant, such easements and other rights.

Defaults and Limitations on Remedies

Company Default; Nonrecourse Obligations. The Fort Carson Loan Obligations are not insured or guaranteed by any bond insurance company, private mortgage insurer, or by the Managing Member, the Fort Carson Borrower, the Fort Carson Trustee or any of their respective affiliates, or by the Government. Although the Government has granted the Fort Carson Borrower an estate for years in and to the site pursuant to the Ground Lease, the Government has no obligation to make payments on the Fort Carson Loan Obligations.

Limited Interest in Site and Improvements; New Lease after Termination. Security for the Fort Carson Bonds includes all the Fort Carson Borrower's right, title and leasehold interest and estate in and to the site. The leasehold interest and estate in the site will expire at the end of the stated term of the Ground Lease and may be terminated sooner as provided therein. Upon expiration or earlier termination of the Ground Lease (including pursuant to acts of Congress), the Fort Carson Borrower must surrender title to the improvements to the Government. If the Ground Lease is terminated before the end of its stated term, at the election of the mortgagee under the Ground Lease, and subject to the conditions and terms of the Ground Lease, the Government has agreed, if allowed under applicable law, to enter into a new lease with the mortgagee under the Ground Lease or its assignee on substantially the same terms and conditions as the Ground Lease or to recognize the mortgagee under the Ground Lease or its assignee as a substitute lessee. Therefore, if the Ground Lease is terminated without being replaced by a new ground lease or the mortgagee under the Ground Lease or its assignee is not recognized as a substitute lessee, and although such termination would constitute an event of default under the Fort Carson Indenture, the site would no longer be subject to the mortgage.

Limited Remedies Upon Default. Upon an Event of Default, the Fort Carson Trustee may accelerate the Fort Carson Bonds. The Fort Carson Trustee may exercise any and all rights, powers or remedies it may have as a secured party under the Uniform Commercial Code of Colorado or other similar law in effect. Subject to the approval of a majority of the holders of the 1999 Bonds (or if the 1999 Bonds are no longer outstanding, the Bondholders' Representative), the Fort Carson Trustee may terminate the disbursement or release of funds from the Construction Fund, take possession of the Fort Carson Project, let contracts for, apply all or any part of such funds toward, and/or otherwise proceed with the completion of any part of the construction.

Limited Alternative Uses for the Mortgaged Premises. Given the nature of the rights granted to the Fort Carson Trustee in connection with any foreclosure on the Deed of Trust and the requirement that any use of the Fort Carson Project other than the uses set forth in the Ground Lease be approved by the Government, the housing units will not necessarily be convertible to alternative uses if their use as residential rental housing is not successful. Even if such an alternative use is permitted by the Government, the same may require significant capital expenditures to effect any conversion to such alternative use. As a result, the liquidation value of the Fort Carson Project could be substantially less than would otherwise be the case.

Limitations under Applicable Laws. If an event of default occurs under the Fort Carson Indenture or other loan documents, the practical realization of any rights upon any default will depend on the exercise of various remedies specified in the Fort Carson Indenture and the other loan documents and will be subject to the limitations placed on those rights under applicable laws. For example, the enforcement of any remedies granted to the Fort Carson Trustee under the Deed of Trust or the Fort Carson Indenture may be limited or otherwise affected by the following matters:

- federal bankruptcy laws;
- rights of third parties in cash, securities and instruments not in possession of the Fort Carson Trustee, including accounts and general intangibles converted for cash;
- rights arising in favor of the United States of America or any agency or instrumentality thereof;
- present or future prohibitions against assignments in any federal statutes or regulations;
- constructive trusts, equitable liens, or other rights imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction;
- with respect to certain remedies, the necessity for judicial action which is often subject to judicial discretion and delay;
- claims that might obtain priority if continuation statements are not filed in accordance with applicable laws;
- rights to proceeds of any collateral which may be impaired if appropriate action is not taken to continue the perfection of a security interest therein as required by the Colorado Uniform Commercial Code;
- statutory liens;
- present or future prohibitions on the enforceability of "due-on-sale" or "due-on-encumbrance" clauses in any federal statutes or regulations or by any state or federal court; and
- present or future changes in the limitations, or exceptions therefrom, on the permissible amounts to be charged to borrowers for late charges, additional interest charges and prepayment charges, whether such prepayment is voluntary or involuntary.

As a result of the foregoing considerations, among others, the ability to realize upon the mortgaged property or the other collateral as security for the Fort Carson Bonds may be limited. The Fort Carson Trustee's actions may also, in certain circumstances, subject the Fort Carson Trustee to liability as a "mortgagee-in-possession" or result in the equitable subordination of the claims of the Fort Carson Trustee to the claims of other creditors of the Fort Carson Borrower. The Fort Carson Trustee may take these laws into consideration in deciding which remedy to choose following a default by the Fort Carson Borrower. The various legal opinions delivered concurrently with the issuance of the Fort Carson Loan Obligations were qualified as to the enforceability of the remedies provided under the Deed of Trust and the other loan documents, including as a result of limitations imposed by bankruptcy, reorganization, insolvency, fraudulent conveyance, or other similar laws affecting the rights of creditors generally and by general principles of equity and public policy considerations. If any of such limitations are imposed, they may adversely affect the ability of the Fort Carson Trustee and the Authority to enforce their claims and rights against the Fort Carson Borrower and the Fort Carson Project. Consequently, in the event of a default, it is uncertain that the Fort Carson Trustee could successfully obtain an adequate remedy at law or in equity on behalf of the Authority.

Payment of Fort Carson Loan Obligations from Liquidation Proceeds. Even if the Fort Carson Trustee were to sell the Fort Carson Project and realize upon the mortgaged property, the net proceeds of any such sale, together with amounts then on deposit under the Fort Carson Indenture, may not be sufficient to pay the aggregate principal amount of all bonds and accrued interest thereon and the Authority would likely be unable to recover the full amount of its investments. Any such deficiency would first affect the Fort Cason Loan Obligations before affecting the 1999 Bonds.

The 2007A Loan (Air Force Academy Project)

Generally

The Authority has originated an uninsured mortgage loan by the purchase of the Military Housing Taxable Revenue Bonds (Air Force Academy Housing Privatization Project), Series 2007A issued by Air Force Academy Military Communities, LLC (referred to as the "**AFA Borrower**" or the "**Air Force Academy Borrower**") in an aggregate principal amount of \$47,015,000, comprising \$21,665,000 aggregate principal amount of Class I Military Housing Revenue Taxable Bonds, Series 2007A (the "**Air Force Academy Class I Bonds**"), \$12,330,000 aggregate principal amount of Class II Military Housing Revenue Taxable Bonds, Series 2007A (the "**Air Force Academy Class II Bonds**"), \$11,350,000 aggregate principal amount of Class III Military Housing Revenue Taxable Bonds, Series 2007A (the "**Air Force Academy Class III Bonds**"), and \$1,670,000 aggregate principal amount of Class IV Military Housing Revenue Taxable Bonds, Series 2007A (the "**Air Force Academy Class IV Bonds**" and, together with the Air Force Academy Class I, II and III Bonds, the "**Air Force Academy Loan Obligations**").

The AFA Borrower has also issued \$10,000,000 aggregate principal amount of Class V Military Housing Taxable Revenue Bonds, Series 2007A (the "**Air Force Academy Class V Bonds**"). The Authority has agreed, subject to the satisfaction of certain conditions, to originate an uninsured mortgage loan by the purchase of the Air Force Academy Class V Bonds upon their issuance (anticipated to be in November, 2008).

The Air Force Academy Loan Obligations have been issued by the AFA Borrower pursuant to a Master Indenture of Trust, as supplemented by the Series 2007A Indenture (collectively, the "**Air Force Academy Indenture**") dated as of May 1, 2007 by and among the AFA Borrower, The Bank of New York Trust Company, N.A. (the "**Air Force Academy Trustee**"), and Trimont Real Estate Advisors, Inc. (the "**Bondholder Representative**"). The Authority owns all of the Air Force Academy Loan Obligations and expects to purchase the Air Force Academy Class V Bonds in 2008.

The AFA Borrower is a Delaware limited liability company that was formed in 2007 solely for the purpose of undertaking the demolition, construction, renovation and management of residential family housing as part of a military housing privatization project at the United States Air Force Academy (the "**Air Force Academy**") in El Paso County, Colorado (the "**Air Force Academy Project**"). The Managing Member of the AFA Borrower is FC-Hunt, LLC, a Colorado limited liability company ("**FC-Hunt**"). FC-Hunt is a Colorado limited liability company formed by and between Forest City Military Communities, LLC ("**FCMC**"), an Ohio limited liability company, and Hunt LLP, Ltd., a Texas limited partnership. FC-Hunt is the sole initial member and Managing Member of the AFA Borrower. FCMC is a subsidiary of Forest City Residential Group, Inc., an Ohio corporation, formed expressly for the purposes of partnering with the military services to accomplish their housing privatization needs. The AFA Borrower is a single purpose entity with no significant assets other than its interest in the Air Force Academy Project.

United States Air Force Academy

Established in 1954, the United States Air Force Academy is the youngest of the five United States service academies. The Air Force Academy is located on the eastern slope of Colorado's Rocky Mountains, eight miles north of Colorado Springs and 55 miles south of Denver. The base is comprised of approximately 18,400 acres situated as high as 7,250 feet above sea level.

The student population includes approximately 4,200 men and women who represent all 50 states, the United States territories, and numerous foreign countries. The faculty is composed of more than 500 military and civilian instructors, and several visiting professors from around the nation. Exchange officers from the other United States armed services and several foreign countries round out the faculty. About 50 percent of the faculty hold doctorate degrees; all have master's degrees.

The Air Force Academy is also the home to the 10th Air Base Wing and the United States Air Force Academy Preparatory School. The 10th Air Base Wing provides support for the Air Force Academy. The Preparatory School is designed to academically, physically and militarily prepare qualified young men and women to enter the Air Force Academy. Approximately 240 students between the ages of 17 and 22 enter the Preparatory School each year. Completion of the Preparatory School program improves the students' chances of entering the Air Force Academy, but does not guarantee an appointment.

Military Housing Demand

A Market Study for the Expansion of the Military Family Housing Privatization Project at the Air Force Academy, dated February 28, 2007 (the "**Market Study**"), was prepared by the Market Study Provider. The Market Study indicates that, at the time it was performed, the occupancy rates at multi-family housing projects in Colorado Springs averaged approximately 93%.

In April 2004, the United States Air Force completed a "Housing Requirement and Market Analysis ("**HRMA**") which was used to determine the total military family housing requirements for military personnel stationed at the Air Force Academy. These analyses are performed every five years and assess the ability of the private sector to house military families assigned to the base.

The total military family housing requirement for a base is the greater of (a) 10% of the total of military personnel with families and the key and essential personnel required to live on base plus (b) the private sector shortfall for the military housing in each pay grade.

The HRMA indicated that there were 1,300 military families assigned to the base. The HRMA identified 61 key and essential personnel in various pay grades who needed to live on base. Balancing this amount against 10% of the military families in each pay grade led to a minimum requirement of 163 housing units. The HRMA also identified a private sector shortfall of 282 units of family housing for a total military housing requirement of 445 military family units in various pay grades. The existing inventory of housing on the base was identified in the HRMA to be 1,210 units, a surplus of 765 units.

Upon completion, the Air Force Academy Project will have 427 units, slightly less than the total military family housing requirements identified in the HRMA. Upon completion of the Initial Development Period, the Air Force Academy Project will provide housing units for approximately 33% of the projected military personnel with families assigned to the Air Force Academy. Key and essential personnel housing demand will represent 14% of the total projected end state of 427 units.

The Air Force Academy Project

The following table summarizes activities relating to the housing units to be undertaken and completed by the end of the Air Force Academy Project's six-year Initial Development Period.

Parcel	Conveyed Units	New Units	Non- Historic Historic Units			No-Work Units	No-Work Units to Revert to Air Force	End State
			Units to Be Demolished	Units to Be Renovated	Units to be Renovated			
A	398		138	260	-	-		260
B	45	30	6	39	-	-		69
C	110	3	18	-	-	92**		95
D	650	1	649	-	-		1	1
E	2	-		-	2*	-		2
F	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>0</u>
Total	1,207	34	811	299	2*	92**	3	427

* These two historic homes, the Otis House and the Carlton House, were constructed in 1930 and 1935, respectively, and are protected for their historical significance. The Carlton House was added to the National Register of Historic Places in 1990. Major renovations will be performed to both homes.

** Utility meters will be installed in these homes, which were constructed in 2005, but no renovations will be done.

The Air Force Academy Project is expected to have 577 units ready for occupancy, 150 units more than the end state of 427 units, during much of the Initial Development Period. The AFA Borrower projects an occupancy of 501 units upon transfer of the property.

It is anticipated that all construction and renovation activity will be completed by June 2009. The only construction activity that will take place after the end of the Initial Development Period is the demolition of 150 units that are above the number of end-state units but are habitable. These units are scheduled to be demolished between May, 2012 and March, 2013.

Upon completion, the Air Force Academy Project will have 427 housing units. The following table shows the types of housing units and the military ranks for which they are intended:

Rank	Unit Type	End State
07+	4BR	3
06	4BR	15
04-05	4BR	41
04-05	3BR	13
01-03	4BR	57
01-03	3BR	43
E9	4BR	3
E7-E8	4BR	31
E7-E8	3BR	10
E1-E-6	4BR	104
E1 -E-6	3BR	107

The Air Force Academy Project will also include ball fields, open spaces, multi-purpose courts, tot lots, playgrounds, picnic areas and trails; a new 5,100 square foot building to serve as a community center and management office; and a new 1,200 square foot property maintenance facility.

The Lease of Property

The Lease of Property, which includes the Operating Agreement, contains terms and conditions relating to the Project site, including various conditions, covenants and lease provisions, certain of which are summarized below. The Operating Agreement, which is in full force and effect during the term of the Lease of Property, is incorporated into and made part of the Lease of Property by the terms of the Lease of Property and implements certain of the terms and conditions of the Lease of Property. This summary does not necessarily distinguish between the body of the Lease of Property and the Operating Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Lease of Property, including the Operating Agreement, to which reference is hereby made.

Pursuant to the Lease of Property, which incorporates the Operating Agreement by reference, entered into between the United States of America, acting by and through the Secretary of the Air Force (the "Government"), as Lessor, and the AFA Borrower, as Lessee, the AFA Borrower obtained a leasehold interest in the Project site (together with certain rights, privileges and easements to the Project site) for a 50-year term which commenced in May, 2007 and which will expire in May, 2057 (the "Term"). On or about 36 and 72 months after the term of the Lease of Property commences, the Lease of Property will terminate with respect to certain parcels of the leased premises as further described in the Lease of Property.

The AFA Borrower must construct the Project in accordance with various business plans attached to the Project Operating Agreement. Among those plans are the Construction Management Plan, the Reinvestment Plan, and the Capital Repair and Replacement Plan.

Except as otherwise expressly provided in the Lease of Property, the Project site was leased and the improvements were conveyed to the AFA Borrower in "as is," "where is" condition without any representation or warranty by the Government concerning the condition of the Air Force Academy Project site or the improvements and without any obligation on the part of the Government to make any alterations, repairs or additions to the Project site or the improvements.

Each of the following will constitute an Event of Default under the Lease of Property by the AFA Borrower:

a. The AFA Borrower's failure to comply with any provision of the Lease of Property, where such failure to comply continues for 30 days after delivery of written notice thereof by the Government to the AFA Borrower and all approved mortgagees including the Air Force Academy Trustee. If, however, such default is not reasonably susceptible to cure within such 30-day period, the AFA Borrower will have such longer period as may be approved in writing in advance by the Government, which approval may not be unreasonably withheld, to cure such default so long as the AFA Borrower commences curing such default within the initial 30 day period and diligently prosecutes such cure to completion in accordance with a schedule approved in writing by the Government, which approval may not be unreasonably withheld; The failure of the AFA Borrower to pay base rent or additional rent when due and such failure remains uncured for a period of 10 days after written notice to the AFA Borrower and the Air Force Academy Trustee by the Government of the AFA Borrower's failure to pay such amount; and

b. The AFA Borrower voluntarily files for bankruptcy protection under the United States Bankruptcy Code (the "**Bankruptcy Code**") or voluntarily becomes subject to any reorganization, receivership, insolvency proceeding or other similar proceeding pursuant to any other federal or state law affecting debtor and creditor rights, or an involuntary case is commenced against the AFA Borrower by

any creditor of AFA Borrower pursuant to the Bankruptcy Code or other federal or state law affecting debtor and creditor rights and is not dismissed or discharged within 60 days after filing.

No Event of Default will be deemed to have occurred for any period of time during which an Excusable Delay exists or the AFA Borrower and the Government are attempting to resolve a dispute about an alleged default. For an Excusable Delay, the AFA Borrower's period for cure shall be tolled for the period of time that the Excusable Delay exists. For a dispute, if pursuant to the dispute resolution procedures set forth in the Lease of Property, a default is determined to have occurred, the AFA Borrower's period for cure shall not begin until the day after the final decision on the dispute is issued and such default shall not become an Event of Default until any applicable cure period has expired. The term "**Excusable Delay**" means an act of God, fire, earthquake, flood, explosion, war, invasion, insurrection, riot, mob violence, sabotage, act of terrorism, inability to procure or a general shortage of labor, equipment, facilities, materials or supplies in the open market, failure or unavailability of transportation, strike, lockout, action of labor unions, a taking by eminent domain, requisition, laws, orders of government or of civil, military or naval authorities (but only such orders of a general nature pertaining to the Project and comparable properties in the State of Colorado), governmental restrictions (including access restrictions imposed by the Government and arising without fault or negligence on the part of the AFA Borrower that significantly hinder the AFA Borrower's ability to access the Project site and perform its construction responsibilities in a timely manner), or any other cause, whether similar or dissimilar to the foregoing not within the reasonable control and without the fault or negligence of the Government or the AFA Borrower, as the case may be, and/or any or any of their respective officers, agents, servants, employees and/or any others who may be on the Project site at the invitation of the AFA Borrower or the invitation of any of the aforementioned persons, specifically excluding, however, delays for adjustments of insurance and delays due to shortage or unavailability of funds.

The Air Force Academy Trustee is not obligated to cure any AFA Borrower personal defaults and nothing in the Lease of Property will be construed to require the Air Force Academy Trustee to cure AFA Borrower personal defaults. An "**AFA Borrower personal default**" is any default of the AFA Borrower which cannot be cured by the payment of money or performance of demolition, design, construction, renovation, operation, and maintenance work, including any bankruptcy of the AFA Borrower.

An Event of Default under the Lease of Property will also constitute an "Event of Default" under the Mortgage.

The Sublease and Participation Agreement

The Housing Authority of the City of Colorado Springs (the "**City Housing Authority**") is a municipal housing authority organized under the provisions of Part 2, Article 4 of Title 29 of the Colorado Revised Statutes (the "**Housing Authority Law**"). Section 29-4-227, C.R.S. of the Housing Authority Law provides, in applicable part, that the portion of a project of a housing authority that is not used as a store, office or other commercial facility and that is occupied by persons of low income and that is leased to an entity in which a city housing authority has an ownership interest shall be exempt from Colorado ad valorem property taxation. In order to qualify for an exemption from property taxation under this Section, the AFA Borrower and the City Housing Authority entered into a Participation Agreement in May, 2007 (the "Participation Agreement").

Pursuant to the Participation Agreement, the City Housing Authority and the AFA Borrower formed "AFA Project Sublessee, LLC," a limited liability company under the laws of the State of Delaware (the "**Sublessee**"). The AFA Borrower has a 99% interest in the Sublessee and the City Housing Authority has a 1% interest in the Sublessee but has no right to any allocations of profit or loss from the activities of the Sublessee. The Sublessee subleases certain real property comprising all or a

portion of the Project (the "**Subleased Property**"), from the AFA Borrower under the Sublease, Subordination and Attornment Agreement, dated as of the date of the Lease of Property (the "**Sublease**"). The Sublessee accepted the Subleased Property subject to all of the terms and conditions of the Sublease including the right of the AFA Borrower to control the Subleased Property in all respects, to enter upon the Subleased Property for any lawful purpose and to retain all income therefrom.

In consideration for the performance by the City Housing Authority of its obligations under the Participation Agreement, the AFA Borrower agreed to pay the City Housing Authority a "Participation Fee." Other than certain indemnification rights, the City Housing Authority has no right to any other payments from the AFA Borrower under the Participation Agreement or the Sublease. The Participation Fee was initially \$229 per year for each equivalent, occupied unit located on the Subleased Property throughout the duration of the Sublease. For this purpose, an "equivalent, occupied unit" is a unit occupied throughout the year; the Participation Fee will be reduced to the extent any unit is vacant for some portion of the year. The Participation Fee will be subject to adjustment during each fiscal year of the AFA Borrower, based on (a) actual occupancy of the units in the Subleased Property, (b) the average change in the BAH during the preceding fiscal year and (c) adjustments in rank distribution among the occupants of the Subleased Property.

Environmental Matters

The Government and the AFA Borrower (through an environmental consultant) separately conducted various studies and investigations and issued various reports for the purposes of ascertaining existing environmental conditions at the Air Force Academy Project site, assessing the environmental impacts of the Air Force Academy Project, and advising the AFA Borrower regarding various operations and maintenance activities. The Government made findings that the Air Force Academy Project would not result in significant impact to human health or the environment. Both the Government's and the AFA Borrower's studies, investigations, and reports indicate that certain areas of the Project site may have hazardous materials present and that certain responsibilities, liabilities and risks may result therefrom. The AFA Borrower and/or the Government are required to address any environmental conditions so identified pursuant to the terms of the Lease of Property and other applicable Project agreements.

The AFA Borrower is generally responsible for remediation of environmental releases that first occur during the term of the Lease of Property and under certain circumstances releases that occurred prior to the term. The costs of any required remediation or removal of such substances may be material, and the remediation or removal may result in, among other things, (i) liability, including, but not limited to, liability arising out of claims by third parties and (ii) a material effect on operating or other Air Force Academy Project expenses. The AFA Borrower's potential liability as to any property is generally not limited under such laws and regulations and, in theory, could significantly exceed the value of such property and/or the aggregate assets of the AFA Borrower. If the AFA Borrower does not have sufficient available funds to effect any required remediation or otherwise discharge any liabilities associated with the environmental condition, its ability to finance the Project and to pay debt service on the Air Force Academy Bonds could be materially affected.

Operating Results

The audited financial statements of the AFA Borrower for the Fiscal Year ended December 31, 2007, covering the period from May 1, 2007 (date of inception) to December 31, 2007, are attached hereto and show the revenues and expenses for the Air Force Academy Project for that period. The Air Force Academy Loan Obligations are payable from the revenues of the Air Force Academy Project and are otherwise non-recourse to the AFA Borrower.

Air Force Academy Indenture

Air Force Academy Loan Obligations. The Air Force Academy Loan Obligations issued as book-entry bonds pursuant to the Air Force Academy Indenture. The Air Force Academy Loan Obligations are dated the date of their delivery (the same date as the date of delivery of the CHFA Bonds) and are in the aggregate principal amount and will mature on the dates set forth below. The Air Force Academy Loan Obligations are term bonds being issued as book-entry bonds bearing interest at the rates set forth below from their date of delivery and are payable on the 10th day of each month. Interest will be calculated on a 360-day year of 12 months.

Air Force Academy Class I Bonds

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>
\$21,665,000	April 10	5.71%

Air Force Academy Class II Bonds

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>
\$12,330,000	April 10	5.71%

Air Force Academy Class III Bonds

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>
\$11,350,000	April 10	5.71%

Air Force Academy Class IV Bonds

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>
\$1,670,000	April 10	5.71%

The Air Force Academy Indenture also authorizes the issuance of Air Force Academy Class V Bonds, which the AFA Borrower anticipates will be issued in November 2008. The Authority has agreed, subject to certain conditions, to originate an uninsured mortgage loan by the purchase of the Air Force Academy Class V Bonds if and when they are issued. The Air Force Academy Class V Bonds will be term bonds, issued as book-entry bonds and dated the date of their delivery. The Air Force Academy Class V Bonds will be issued in the aggregate principal amount of \$10,000,000 and will bear interest at the rate of 5.49% per annum from their date of delivery. Interest will be payable on the 10th day of each month beginning on the 10th day of the month next following their issuance and will be calculated on a 360-day year of 12 months. As described below under "Forward Commitment," the Government and the AFA Borrower have entered into a Forward Commitment in which the Government has agreed to make, no earlier than October 2012, a loan (the "Direct Loan") to the AFA Borrower, subject to the satisfaction of certain conditions, including

completion of the renovation and construction portion of the Air Force Academy Project, provided that such conditions are satisfied on or before November 1, 2013. A portion of the proceeds of the Direct Loan, if any, is required to be used to pay the principal of the Air Force Academy Class V Bonds on their maturity date (April 10, 2013). Failure to pay the Air Force Academy Class V Bonds at maturity will not be a default under the Air Force Academy Indenture if the Direct Loan is not made. In such case, the principal amount of the Air Force Academy Class V Bonds will bear interest from the date next following the maturity date until paid at a rate equal to the sum of (A) the greater of (1) 5.49% and (2) the One-Month LIBOR plus (B) 1%, or such other rate as may be agreed to by the owner of the Air Force Academy Class V Bonds and the 2007A Borrower. As used herein, "One-Month LIBOR" means, with respect to any Bond Payment Date, the rate per annum relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a one-month period, fixed by the British Bankers' Association at 11:00 a.m., London time, on the first day of the month in which such Bond Payment Date occurs, as displayed at the Internet site, <http://www.bba.org.uk>. If such first day is not a business day in London, the most recently fixed London Interbank Offered Rates on U.S. dollar deposits for a one-month period shall be used. If the rate is no longer available at <http://www.bba.org.uk>, the Air Force Academy Trustee will ascertain the rate in good faith from such sources as it may determine to be comparable to such source. Failure to pay the Air Force Academy Class V Bonds by April 10, 2052 will be a default under the Air Force Academy Indenture. See "Forward Commitment" below.

Any Air Force Academy Class V Bonds will be part of the Air Force Academy Bonds and are not considered additional bonds. The AFA Borrower may issue additional bonds under the Air Force Academy Indenture on a parity with, or subordinate to, any Class of Air Force Academy Bonds except that the AFA Borrower cannot issue additional bonds as Class V Bonds and cannot issue additional bonds if any Class V Bonds are outstanding. Certain other conditions must be satisfied in order for the AFA Borrower to issue additional bonds, including the condition that the AFA Borrower must obtain a confirmation from each rating agency then rating the Air Force Academy Bonds (or any outstanding additional bonds) that, without regard to any credit enhancement, the issuance of such additional bonds will not, in and of itself, result in a lowering, suspension or withdrawal of any such rating.

Priority of Payment; Failure to Pay Debt Service. The Air Force Academy Class I Bonds are senior in priority of payment of debt service to the Air Force Academy Class II Bonds, the Air Force Academy Class III Bonds, the Air Force Academy Class IV Bonds and the Air Force Academy Class V Bonds. The Air Force Academy Class II Bonds are senior in priority of payment of debt service to the Air Force Academy Class III Bonds, the Air Force Academy Class IV Bonds and the Air Force Academy Class V Bonds. The Air Force Academy Class III Bonds are senior in priority of payment of debt service to the Air Force Academy Class IV Bonds and the Air Force Academy Class V Bonds. The Air Force Academy Class IV Bonds are senior in priority of payment of debt service to the Air Force Academy Class V Bonds. As used in this Appendix G-1, the term "Senior Bonds" means, at any time, the most senior Class of Air Force Academy Bonds then outstanding.

If the amount on deposit in the debt service account established under the Air Force Academy Indenture for any Class of Air Force Academy Loan Obligations, other than the Senior Bonds, is not sufficient to pay, on any payment date, the principal or redemption price of and interest on such Class of Air Force Academy Loan Obligations, due and payable on such date, the amount of the insufficiency will accrue and be added to the next scheduled installment of debt service on such Class of Air Force Academy Loan Obligations until paid. **The failure to pay principal or redemption price of or interest on any Air Force Academy Loan Obligations that is not Senior when due prior to the final maturity date of all Air Force Academy Loan Obligations of the same Class is not an event of default under the Air Force Academy Indenture if sufficient**

moneys for such payment are not available in the related debt service account under the Air Force Academy Indenture. Unpaid principal due and payable on an Air Force Academy Loan Obligation will continue to accrue interest at the rate of interest borne by such Bond until paid or until maturity. Unpaid interest due and payable will not accrue additional interest.

Redemption Prior to Maturity. The Air Force Academy Loan Obligations are subject to redemption prior to maturity through sinking fund payments set forth in the Air Force Academy Indenture. The Air Force Academy Loan Obligations are also subject to extraordinary mandatory redemption, in whole or in part, on any business day, in the event of damage to or destruction or condemnation of the Air Force Project or any part thereof, from available net proceeds to the extent required by the Air Force Academy Indenture at a redemption price equal to 100% of the principal amount plus accrued interest, if any, to the redemption date.

The Air Force Academy Loan Obligations are subject to redemption prior to maturity at the option of the AFA Borrower, at any time in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date plus the Make-Whole Premium. The "Make-Whole Premium" means, with respect to any Air Force Academy Loan Obligation, the difference between (i) the sum of the present values of the remaining scheduled payments of debt service on such Air Force Academy Loan Obligation, discounted, on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the relevant Treasury Rate plus 11 basis points, plus accrued interest, if any, on such Bond to the date of redemption and (ii) the principal amount of such Bond plus accrued interest to the date of redemption; provided that the "Make-Whole Premium" will not be less than zero.

Events of Default; Remedies. Events of Default under the Air Force Academy Indenture include the following events:

- failure to pay principal or interest on any Senior Bond when due and payable;
- default in the payment of interest on, or principal of, any Bond that is not a Senior Bond (i) when due and payable prior to the maturity date thereof, if sufficient funds are available therefor or (ii) on the final maturity date thereof, provided that failure to pay the Air Force Academy Class V Bonds at maturity will not be an Event of Default until April 10, 2052 if the Direct Loan is not made;
- certain insolvency-related events; and
- default under the Air Force Academy Indenture (other than a payment default) or under any related financing agreement or the Lease of Property that continues beyond the applicable cure period.

If an Event of Default described under any of the first three bullet points occurs, the Air Force Academy Trustee will declare the principal of all outstanding Air Force Academy Bonds and the interest accrued thereon and any applicable Make-Whole Premium immediately due and payable. If an Event of Default described in the last bullet point occurs, the Air Force Academy Trustee shall, at the direction of 100% in aggregate principal amount of the Air Force Academy Loan Obligations then outstanding, declare the principal of all outstanding Air Force Academy Loan Obligations and the interest accrued thereon and any applicable Make-Whole Premium immediately due and payable.

Forward Commitment

The Government and the AFA Borrower entered into a Forward Commitment, which became effective in May, 2007 (the "**Forward Commitment**"), pursuant to which the Government committed to make the Direct Loan to the AFA Borrower (the "**Direct Loan**"), subject to certain terms and conditions stated in the Forward Commitment, including the condition that all the housing units have been completed. The Direct Loan must be closed no later than November 1, 2013. That date may be extended under certain conditions, including extension of the completion date for the Project pursuant to the Lease of Property.

The Forward Commitment is an irrevocable commitment of the Government, which may not be terminated prior to the expiration date for convenience or otherwise withdrawn, cancelled or terminated for any reason, except as expressly set forth in the Forward Commitment for reasons such as an uncured default under the Forward Commitment beyond applicable cure periods, bankruptcy or insolvency on the part of the AFA Borrower.

The Direct Loan will be in the principal amount of \$12,035,498 and will mature 37 years after it is funded and will accrue interest at an annual rate of 3.32% for the first 48 months after funding and thereafter at a rate of 5.32%. Payments on the Direct Loan will be interest only for two years from its funding. A portion of the Direct Loan is required be used by the AFA Borrower to pay the Air Force Academy Class V Bonds at maturity.

The Direct Loan will be secured by the Collateral pledged under the Lockbox Agreement and a mortgage on the AFA Borrower's leasehold interest in the Project site, each of which will be subordinated to the lien securing the Air Force Academy Bonds (except that the Government will have a first and only lien on the Reinvestment Account held under the Lockbox Agreement).

To evidence the Direct Loan, the AFA Borrower will execute and deliver a promissory note (the "**Government Note**"). To secure its obligations to the Air Force under the Government Note, the AFA Borrower will execute and deliver to a Multifamily Deed of Trust, Assignment of Rents and Security Agreement (the "**Government Mortgage**"). The Forward Commitment, the Government Note and the Government Mortgage, together with any related documents evidencing or securing the obligations of the AFA Borrower to the Air Force with respect to the Direct Loan, are collectively referred to herein as the "**Government Loan Documents.**" A portion of the proceeds of the Direct Loan will be used to pay the Air Force Academy Class V Bonds at maturity.

The Air Force's exercise of its remedies under the Government Loan Documents could trigger a bankruptcy filing by the AFA Borrower, which could in turn delay or reduce payments to Bondholders.

Intercreditor Agreement

At the time of the funding of the Direct Loan, the Air Force, the Air Force Academy Trustee, the Bondholder Representative and the AFA Borrower will enter into an Intercreditor Agreement (the "**Intercreditor Agreement**") to establish certain rights and responsibilities among the parties, to coordinate their financing arrangements, and to confirm certain agreements with respect to procedures for approvals, inspections, documentation, subordination and other matters with respect to the Bonds and the Direct Loan. Except with respect to certain Air Force rights provided in the Intercreditor Agreement, the Air Force Academy Bonds and the terms and provisions of the documents related to the Air Force Academy Bonds will be superior in priority to the Direct Loan and the terms and provisions of the Government Loan Documents.

Lockbox Agreement

To secure its obligations under the Air Force Academy Indenture, the Air Force Academy Loan Obligations and the Direct Loan, the AFA Borrower entered into a Lockbox Agreement, effective in May, 2007 (the "**Lockbox Agreement**"), among the AFA Borrower, the Government and The Bank of New York Trust Company, N.A., as lockbox agent (the "**Lockbox Agent**") and, by joinder, the Air Force Academy Trustee and the Bondholder Representative.

Construction Escrow Account. The net proceeds of the Air Force Academy Loan Obligations were deposited into the Construction Escrow Account. The Managing Member has made a cash contribution of \$3,800,000 to the Construction Escrow Account. Prior to the completion of the Air Force Academy Project, any amounts remaining in the Lockbox Revenue Account will be transferred to Construction Escrow Account after all other transfers and disbursements have been made.

Prior to the Completion Date, all moneys deposited into the Construction Escrow Account will be used to acquire, demolish, construct, improve, renovate and equip the Project. The Lockbox Agent will make disbursements upon presentation of a disbursement request from the AFA Borrower, prepared and delivered in accordance with the requirements of the Lockbox Agreement and the Air Force Indenture and approved by the Bondholder Representative.

Proceeds of the Air Force Academy Class V Bonds will be deposited in a special subaccount of the Construction Escrow Account (the "Class V Construction Subaccount"). Disbursements from the Class V Construction Subaccount may not exceed an amount equal to (i) \$12,035,498 times a fraction, the numerator of which is the number of housing units then complete and the denominator of which is 335 minus (ii) amounts previously disbursed from the Class V Construction Subaccount. Amounts remaining in the Class V Construction Subaccount following the completion of the construction and renovation portion of the Air Force Academy Project will be applied to the payment of the Air Force Academy Class V Bonds at maturity.

On the Completion Date, the balance, if any, of the Construction Escrow Account, after reserving funds for unpaid expenses, will be used to fund any shortfall in amounts required to be paid or transferred from Lockbox Revenue Account and to make certain other payments and any remaining funds will be transferred to the Reinvestment Account. If, however, before the Completion Date, the Lease of Property or the AFA Borrower's operation of the Project is terminated for default, or there is a sale or other transfer of the Project permitted under the Lease of Property and Air Force Academy Indenture, any remaining balance in the Construction Escrow Account will be deemed to be an asset of the Air Force Academy Project and remain in the Construction Escrow Account to be used in connection with the construction and continued operation of the Air Force Academy Project.

Lockbox Revenue Account. The AFA Borrower must deposit all revenues generated by the Air Force Academy Project into the Lockbox Revenue Account held under the Lockbox Agreement. Amounts on deposit in the Lockbox Revenue Account will be transferred or disbursed monthly in the following general order of priority:

First, to pay budgeted operating expenses;

Second, to reserve funds to pay taxes and insurance premiums;

Third, to reserve funds to pay the annual participation fee to the City Housing Authority;

Fourth, to the Air Force Academy Trustee for the payment of debt service on the Air Force Academy Bonds in the order of their priority of payment;

Fifth, to pay fiduciary fees and expenses;

Sixth, to pay unbudgeted operating expenses;

Seventh, to reserve funds for periodic maintenance and significant repairs;

Eighth, to pay debt service on the Direct Loan;

Ninth, to pay management fees to the property manager so long as it is affiliated with the AFA Borrower (if not affiliated, management fees will be paid as an operating expense);

Tenth, to pay non-budgeted operating expenses;

Eleventh, to reserve funds to pay operating expenses;

Twelfth, to reserve funds to pay a performance incentive bonus, if earned, to the property manager;

Thirteenth, if (i) prior to completion of the Air Force Academy Project, all remaining amounts will be transferred to the Construction Escrow Account and (ii) following completion, as follows:

first, to pay asset management fees to the asset manager so long as it is affiliated with the AFA Borrower (if not affiliated, management fees will be paid as an operating expense);

second, to pay the property manager, the asset manager, the developer and the design-builder any fees that were not paid when due because funds were unavailable therefore, together with interest

third, to the AFA Borrower, a preferred return;

fourth, to the Reinvestment Account, an amount equal to one-twelfth of \$50 per housing unit per year, and

fifth, 70% of the amount remaining in the Lockbox Revenue Account will be deposited into the Reinvestment Account and 30% of such amount will be disbursed to the AFA Borrower.

The Lockbox Agreement requires that funds will be trapped at certain positions in the waterfall under certain circumstances. (E.g., if an event of default exists under the Air Force Academy Indenture, no disbursements will be made after clause *fifth*, above.)

If the Air Force Academy Bonds are accelerated pursuant to the Air Force Academy Indenture (unless such acceleration is rescinded), the Lockbox Agent will immediately transfer all money on deposit in, or thereafter deposited into, the Lockbox Revenue Account the amounts

described in clauses *first* through *fifth* above to the Air Force Academy Trustee for application in accordance with the Air Force Academy Indenture.

Security and Sources of Payment for the Air Force Academy Loan Obligations

Trust Estate. To secure its obligations under the Air Force Academy Indenture and the Air Force Academy Bond, the AFA Borrower has pledged and assigned a security interest to the Air Force Academy Trustee, for the benefit of the owners of the Air Force Academy Loan Obligations, (i) all of the AFA Borrower's right, title and interest in and to a trust estate that includes the Air Force Academy Project's gross revenues, including revenues that have been transferred to the AFA Borrower to pay operating expenses until applied by the AFA Borrower for such purpose; (ii) proceeds from any insurance maintained for the benefit of the Air Force Academy Trustee unless and until disbursed in accordance with the Lockbox Agreement; and (iii) all funds on deposit in all Indenture Accounts or Lockbox Accounts (other than the Reinvestment Account).

The AFA Borrower has entered into the Lockbox Agreement in which the AFA Borrower will pledge and grant to the Air Force Academy Trustee a continuing first lien security interest in and to all of the AFA Borrower's right, title, and interest in the Collateral. To secure its obligations with respect to the Direct Loan and the other Government Loan Documents, the AFA Borrower will pledge and grant to the Government a continuing security interest, second in priority to the continuing first lien security interest pledged and granted to the Trustee in and to all of the AFA Borrower's right, title, and interest in the Collateral. The Collateral consists of all of the AFA Borrower's right, title, and interest in and to the Air Force Academy Project's gross revenues and in all accounts held under the Lockbox Agreement (except the Reimbursement Account) and all funds held or designated for deposit in such accounts.

The Basic Allowance for Housing. *The following description of the BAH is based on current law and DoD procedures. The United States Congress can change the law and the DoD can revise its procedures at any time. No assurance can be given that such changes will not be made and, if changes are made, such changes could have a material adverse effect on the level of operating revenues generated by the AFA Borrower from the Project.*

Each service member receives a monthly BAH in addition to base pay. The BAH rate is based on the paygrade of the service member occupying the unit, whether or not the service member has dependents, and on the Military Housing Area ("MHA") where the service member is stationed. There are 374 MHAs in the United States. Service members who are tenants at the Air Force Academy Project will pay monthly rent at their respective BAH rates for the Colorado Springs MHA.

Any military tenant who leases a unit at the Air Force Academy Project will be required to sign a lease requiring the tenant to pay monthly rent at the applicable BAH amount (less the utility allowance, once determined) directly to the Lockbox Agent. Allotments are arranged through the Installation Accounting and Finance Office such that the Lockbox Agent will receive wired funds at the end of each month representing the BAH for all military tenants for such month, less the utility allowance at the appropriate time. Certain funds in the Lockbox Revenue Account will be transferred into the Indenture Revenue Account in accordance with the provisions of the Lockbox Agreement.

BAH must be appropriated by Congress as part of the annual DoD budget appropriations and there can be no assurances that such appropriations will be made in any given year, that the appropriation for any year will occur on a timely basis, that the amount of BAH appropriated for

DoD as a whole will be sufficient to keep up with escalations in cost-of-living expenses in all military housing areas in the country or that the amount of BAH increase allocated to Air Force Academy will be sufficient to keep up with housing costs in those areas. Moreover, there can be no assurances that the method of calculation, timing of payment, analysis of comparable market rents, cost-of-housing increases or other issues affecting the amount and receipt of BAH by military tenants living in the housing units will not change from time to time, with possible materially adverse consequences on the amount of operating revenues generated by the Project.

Under current law, the DoD attempts to set the BAH at levels reflective of local housing costs. However, no assurance can be made that the BAH will accurately reflect actual market rents or be sufficient to generate operating revenues necessary to pay debt service on the Air Force Academy Bonds.

The BAH is based on geographic duty location, pay-grade, and dependency status. The intent of the BAH is to provide military service members with equivalent and equitable housing compensation based on housing costs in local housing markets when they do not live in government-owned housing. The BAH is computed by estimating the market price of housing that a particular service member of the military would be expected to rent, based upon his or her geographic area and pay grade/dependent status. The BAH system has two pay rates that distinguish between service members with dependents and without dependents, but does not take into account the number of dependents. BAH amounts are comprised of three main cost components: rent, utilities and renters' insurance.

The table below sets forth the BAH rates (with dependents) for 2007 for service members assigned to the Air Force Academy. ⁽¹⁾

**2007 Monthly BAH Rates (With Dependents) for Service Members
Assigned to the Air Force Academy**

<u>BAH Rates</u>	<u>Air Force Academy</u>
E01	\$909.00
E02	\$909.00
E03	\$909.00
E04	\$909.00
E05	\$1,013.00
E06	\$1,165.00
E07	\$1,231.00
E08	\$1,303.00
E09	\$1,398.00
W01	\$1,166.00
W02	\$1,260.00
W03	\$1,348.00
W04	\$1,418.00
W05	\$1,498.00
O01E ⁽¹⁾	\$1,245.00
O02E ⁽¹⁾	\$1,335.00
O03E ⁽¹⁾	\$1,430.00
O01	\$1,030.00
O02	\$1,162.00
O03	\$1,345.00
O04	\$1,532.00
O05	\$1,663.00
O06	\$1,677.00
O07	\$1,696.00

⁽¹⁾ Former Enlisted Personnel

The following table shows the pay-grade occupancy mix of tenants residing in the housing units that will become part of the Air Force Academy Project. The anticipated pay-grade mix shown in the table may change as the mission of the base and the configuration and staffing of service members stationed at the base changes over time. No assurance can be given that the pay-grade mix will not change at any time which may result in a material adverse change.

Pay-Grade Occupancy Mix		
	Current(1)	Anticipated
07	6	3
06	17	15
05	24	17
04	51	37
03	45	89
02	7	6
01	7	5
E9	5	3
E8	11	8
E7	54	33
E6	81	55
E5	123	79
E4	53	59
E3	33	12
E2	2	4
E1	2	2

(1) Reflects rent roll as of March 2007.

Pursuant to the Lease of Property, the AFA Borrower must provide leasing rights to (i) "Target Tenants" meaning tenants who have been apprised of housing options available at the Project site by the base's Housing Management Office (the "HMO") and (a) receive BAH at the "with dependent" rate, or (b) are designated by the Government as key and essential personnel's, or (c) professors visiting the Air Force Academy and their families and (ii) "Other Eligible Tenants" meaning any tenant other than a Target Tenant.

The AFA Borrower cannot rent residential rental units at the Air Force Academy Project to Other Eligible Tenants until the vacancy rate falls below 95% for any consecutive three-month period. At such time the AFA Borrower must offer units for rent to prospective Other Eligible Tenants in the following order of priority: (i) other active duty military member/families, including unaccompanied military members; (ii) federal civil service employees; (iii) retired military member/families; (iv) Guard and Reserve military member/families; (v) retired federal civil service; (vi) DoD contractor/permanent employees (U.S. citizens); and (vii) the general public.

Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing. *The Deed of Trust contains terms and conditions relating to the use, control and disposition of the Mortgaged Property (as defined in the Deed of Trust) and the revenues and proceeds of and from the Mortgaged Property, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Deed of Trust, to which reference is hereby made. This summary uses various terms defined in the Deed of Trust and such terms as used herein will have the same meanings as so defined.*

As security for payment of all outstanding obligations, including the Air Force Academy Bonds, and performance of the AFA Borrower's covenants set forth in the Air Force Academy Indenture and the other bond documents, the AFA Borrower entered into an instrument, called a "Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing," (the "**Deed of Trust**") which is defined as the "Mortgage" under the Air Force Academy Indenture, for the benefit of the Air Force Academy Trustee. Pursuant to the Mortgage, the AFA Borrower has (i) conveyed, granted, assigned, pledged, mortgaged and transferred to the Air Force Academy Trustee, the Mortgaged Property, with power of sale and right of entry and possession; and (ii) granted a lien on and security interest in the Mortgaged Property. The Mortgaged Property consists of, among other things, all of the AFA Borrower's right, title and interest in and to the Lease of Property, the land, the improvements, the fixtures, the permits, the personalty, the contracts, the leases, the rents and any claims and the proceeds of each of the foregoing items.

As additional security, the AFA Borrower also executed and delivered an Assignment of Leases and Rents. Pursuant to the Assignment of Leases, the AFA Borrower has absolutely, irrevocably and unconditionally assigned and transferred to the Air Force Academy Trustee all of the AFA Borrower's right, title and interest as landlord in, to and under the leases, including AFA Borrower's right, power and authority to modify the terms of any such lease, or extend or terminate any such lease and the rent derived from such leases. However, until the occurrence of an event of default under the Assignment of Leases, the AFA Borrower has a revocable license to collect such rents and deal with the leases (subject to any limitations in the Mortgage and the Air Force Academy Indenture). Upon the occurrence of an event of default under the Assignment of Leases, such license is automatically terminated.

Audited Financial Statements

Attached as part of this Appendix G-1 are the financial statements and independent auditor's reports of (i) Fort Carson Family Housing, LLC for the Fiscal Years ending December 31, 2007 and 2006; and (ii) Air Force Academy Military Communities, LLC for the Fiscal Year ending December 31, 2007.

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FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FORT CARSON FAMILY HOUSING, LLC

DECEMBER 31, 2007 AND 2006

Fort Carson Family Housing, LLC

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INDEPENDENT AUDITORS' REPORT

To the Members
Fort Carson Family Housing, LLC

We have audited the accompanying balance sheets of Fort Carson Family Housing, LLC, as of December 31, 2007 and 2006, and the related statements of operations, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of Fort Carson Family Housing, LLC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Carson Family Housing, LLC as of December 31, 2007 and 2006, and the results of its operations, members equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Atlanta, Georgia
April 24, 2008

Reznick Group, P.C.

Fort Carson Family Housing, LLC

BALANCE SHEETS

December 31, 2007 and 2006

	2007	2006
Assets		
Rental Property and Equipment	\$ 193,154,129	\$ 189,269,901
Accumulated Depreciation	(41,135,256)	(33,659,444)
Rental Property and Equipment, Net of Accumulated Depreciation	<u>\$ 152,018,873</u>	<u>\$ 155,610,457</u>
Construction in Progress	38,708,682	6,495,473
Cash and Cash Equivalents	1,752,788	1,999,309
Restricted Cash	90,674,703	121,543,814
Accounts Receivable, net	2,838,430	2,444,494
Deferred Financing Costs, net	5,332,318	5,981,142
Other Receivables	429,118	51,542
Prepaid Expenses	296,696	-
Total Assets	<u><u>\$ 292,051,608</u></u>	<u><u>\$ 294,126,231</u></u>
 Liabilities		
Notes Payable	\$ 258,335,000	\$ 260,730,000
Accounts Payable and Accrued Liabilities	9,112,891	5,049,184
Tenant Deposits and Prepaid Rent	<u>8,408</u>	<u>111,088</u>
Total Liabilities	\$ 267,456,299	\$ 265,890,272
 Equity		
Members' Equity	24,595,309	28,235,959
Total Liabilities and Equity	<u><u>\$ 292,051,608</u></u>	<u><u>\$ 294,126,231</u></u>

See notes to financial statements

Fort Carson Family Housing, LLC

STATEMENTS OF OPERATIONS

For the years ended December 31, 2007 and 2006

	2007	2006
Revenue:		
Rent	\$ 31,852,252	\$ 30,850,335
Interest Income	6,028,841	562,126
Other Income	219,345	83,536
	<hr/>	<hr/>
Total Revenue	\$ 38,100,439	\$ 31,495,997
	<hr/>	<hr/>
Expenses:		
Payroll and Benefits	2,658,147	2,773,304
Maintenance and Repair	3,134,957	3,655,153
Utilities	3,562,281	3,877,165
Management Fees	1,616,084	1,554,462
Insurance	799,170	726,629
Administrative	1,186,734	1,284,360
Advertising and Promotion	86,349	83,752
Military Transition	11,667	152,362
Interest Expense	17,234,093	12,393,596
Depreciation	7,475,813	7,363,193
	<hr/>	<hr/>
Total Expenses	\$ 37,765,295	\$ 33,863,977
	<hr/>	<hr/>
Net Income (Loss)	\$ 335,144	\$ (2,367,980)

See notes to financial statements

Fort Carson Family Housing, LLC

STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)

For the Years Ended December 31, 2007 and 2006

	<u>GMH Military Housing - Fort Carson LLC</u>	<u>Department of the Army</u>	<u>GMH/Integrate d LLC</u>	<u>Total</u>
Members' equity January 1, 2006	\$ 6,598,148	\$ 26,581,729	\$ -	\$ 33,179,877
Distributions	(2,575,938)			(2,575,938)
Net (Loss)	(2,367,980)			(2,367,980)
Members' equity December 31, 2006	<u>\$ 1,654,230</u>	<u>\$ 26,581,729</u>	<u>\$ -</u>	<u>\$ 28,235,959</u>
Distributions	(3,975,794)			(3,975,794)
Net Income	335,144			335,144
Members' equity (deficit) December 31, 2007	<u><u>\$ (1,986,420)</u></u>	<u><u>\$ 26,581,729</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,595,309</u></u>

See notes to financial statements

Fort Carson Family Housing, LLC

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities		
Net Income (Loss)	\$ 335,144	\$ (2,367,980)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	\$ 7,475,813	\$ 7,363,193
Amortization of deferred financing costs	587,347	114,078
Decrease (Increase) in:		
Accounts Receivable, net	(393,936)	37,825
Other Receivables	(377,576)	589
Prepaid Expenses	(296,696)	-
Increase(Decrease) in:		
Accounts Payable and Accrued Liabilities	(1,063,731)	1,372,084
Tenant Deposits and Prepaid Rent	(102,680)	111,088
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,163,685</u>	<u>\$ 6,630,877</u>
Cash Flows From Investing Activities		
Deposits to Restricted Funds - Bond Proceeds, net of loan costs	-	(115,006,149)
Restricted funds released for capital additions	30,969,999	4,949,584
Capital additions	(30,969,999)	(4,949,584)
Release from (deposits to) restricted cash	(100,888)	(712,105)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>\$ (100,888)</u>	<u>\$ (115,718,254)</u>
Cash Flows From Financing Activities		
Bond proceeds	-	118,600,000
Principal payments on bonds	(2,395,000)	(2,205,000)
Distributions to members	(3,975,794)	(2,575,938)
Deferred Financing Costs	61,476	(3,593,851)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ (6,309,318)</u>	<u>\$ 110,225,211</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ (246,521)</u>	<u>\$ 1,137,835</u>
Cash and Cash Equivalents - Beginning	<u>\$ 1,999,309</u>	<u>\$ 861,474</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 1,752,788</u></u>	<u><u>\$ 1,999,309</u></u>
Supplemental disclosure of cashflow information		
Cash paid during the years 2007 and 2006 for interest, net of capitalized interest of \$974,014 and \$27,642, respectively	<u>\$ 16,651,336</u>	<u>\$ 11,840,773</u>
Supplemental schedule of noncash investing and financing activities		
Construction in progress and Development costs payable	6,680,778	1,553,340

See notes to financial statements

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Fort Carson Family Housing, LLC, (the Company) was formed as a limited liability company on July 9, 1999, under the laws of the State of Colorado, for the purpose of leasing, constructing, rehabilitating, developing, and operating housing at a military base located in Colorado Springs, Colorado, known as Fort Carson (the Installation) under the terms of Contract Number DACA45-99-C-0066 (the Contract) awarded by the United States Department of the Army (Army).

The construction sites are located on the northwest corner of Fort Carson. Approximately 467.18 acres are currently developed and 309.69 acres are undeveloped. All sites are located on land owned by the Army and leased to the Company pursuant to terms of a 50 year ground lease. The original site development plan for the Installation requires construction of 841 new housing units within four years from the date of the contract award and renovation of the existing 1,823 units within five years from the date of the Contract award. As of December 31, 2006, all 841 new housing units and all 1,823 renovation units were completed. During 2006, the Company began construction to build additional new homes. The site development plan for the Installation includes the demolition of approximately 8 units on the project site and the construction of 404 new housing units, which includes replacements for the 8 units demolished, by November, 2009. In September, 2007, the Company provided notice that it had ceased construction on a portion of homes at the project. The decision to delay construction was based on a geotechnical finding that the land, on which the homes were being built, may be highly susceptible to land slide activity. There are 216 town homes on the construction site of which 120 have been delayed. A geotechnical firm has been hired to determine how the site can be stabilized to protect the constructed homes and to resume construction of the remaining homes targeted for the site. The cost to stabilize the site and the cost of delays associated with the incident will be determined when the geotechnical firm completes its study and recommendations.

The Company was reorganized on December 21, 2005, under the laws of the State of Delaware. The original operating agreement was terminated and all members entered into a new operating agreement effective December 21, 2005. The members consist of GMH Military Housing - Fort Carson, LLC, who will serve as the managing member (Managing Member) and the United States of America, acting by and through the Department of the Army (Government Member).

On November 29, 2006 the operating agreement was amended to admit a third member, GMH Army/Integrated, LLC (Integrated Member). The Members have acknowledged and agreed that the Integrated Member has not made and was not required to make a capital contribution to the Company as of November 29, 2006.

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Prior to the effective date of the Second Amended and Restated Operating Agreement, which is effective November 29, 2006, available cash, as defined, shall be distributed as follows:

- (a) To repay any member loans;
- (b) To the Managing Member to the extent of any unpaid amortization amount, as defined;
- (c) To the Managing Member to fully amortize the unreturned contribution amount at a rate of 10 percent per year from July 1, 2005, to June 30, 2015, which should be paid monthly in accordance with the amortization schedule. In any given month, if the amortization amount is not paid in full, the unpaid portion will accrue interest at the rate of 10 percent per annum on the unpaid amounts;
- (d) Until June 30, 2015, 30 percent of the balance, if any, shall be distributed to the managing member and the remainder shall be deposited into the Reinvestment Account and, after June 30, 2015, 10 percent of the balance, if any, shall be distributed to the Managing Member and the remainder shall be deposited into the Reinvestment Account;
 - (i) Each year from 2005 to 2015, the Company shall recalculate the Internal Rate of Return (IRR) on the Managing Member's initial capital contribution.
 - (ii) Each year from 2005 to 2015, if the IRR for a given year does not exceed 18 percent, the annual percentage distribution to be made to the Managing Member will not be capped or otherwise limited;
 - (iii) Each year from 2005 to 2015, if the IRR for a given year exceeds 18 percent, the distribution of the annual percentage distribution for such fiscal year will be determined as follows:
 - (a) if the amount of the distribution necessary to meet the 18 percent ceiling is less than \$1.745 million, the Managing Member will receive the full 30 percent annual percentage distribution or \$1.745 million, whichever is less;
 - (b) if the amount of the distribution necessary to meet the 18 percent ceiling is more than \$1.745 million, the annual percentage distribution to be made to the Managing Member shall be capped or otherwise limited to that amount that does not result in an IRR computation exceeding 18 percent;
 - (iv) For year 2016, and for each year thereafter, the annual percentage distribution will be limited to \$1.745 million only if an 18 percent IRR is received;

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

- (v) The disallowed portion of the annual percentage distribution for any fiscal year that would otherwise be payable to the Managing Member, but for the cap or limit as provided above, shall be deposited into the Reinvestment Account.
- (e) The balance of the Reinvestment Account shall be distributed to the Government Member upon any event of dissolution after payment of the above distributions.

As of December 31, 2006, all distributions required in accordance with the operating agreement that terminated on November 29, 2006, had been made.

Pursuant to the new operating agreement, available cash, as defined, shall be distributed as follows:

- (a) To repay any member loans;
- (b) To the Managing Member to the extent of any unpaid amortization amount, as amended;
- (c) To the Managing Member to fully amortize the unreturned contribution amount at a rate of 10 percent per year from July 1, 2005, to June 30, 2015, which should be paid monthly in accordance with the amortization schedule. In any given month, if the amortization amount is not paid in full, the unpaid portion will accrue interest at the rate of 10 percent per annum on the unpaid amounts;
- (d) An amount equal to the annual percentage distribution shall be distributed to the Managing Member and the remainder, if any, shall be deposited into the Reinvestment Account;
 - (i) Until December 31, 2011, the annual percentage distribution shall be equal to 50 percent of available cash, if any, after making the distributions provided for above; provided, however, in no event shall the annual percentage distribution in any particular year exceed amounts as noted in the operating agreement;
 - (ii) After December 31, 2011 until June 30, 2015, the annual percentage distribution shall be equal to 30 percent of available cash, if any, after taking the distributions noted previously; provided, however, in no event shall the annual percentage distribution in any particular year exceeds the greater of an IRR of 18 percent or \$1,745,000;
 - (iii) After June 30, 2015 and until December 31, 2024, the annual percentage distribution shall be equal to 15 percent of available cash, if any, after making the distributions noted previously; provided however,

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

in no event shall the annual percentage distribution in any particular year exceeds the greater of an IRR of 18 percent or annual amounts as noted in the operating agreement;

- (iv) For 2025 and for each year thereafter, the annual percentage distribution shall be equal to 10 percent of available cash, if any, up to a maximum of \$1,745,000 after making distributions above.
- (e) Upon dissolution of the Company, the balance of the Reinvestment Account shall be distributed to the Government Member after:
 - (i) Payment of the debts and liabilities of the Company, in the order of priority provided by law (excluding any member loans), and payment of the expenses of liquidation; and then
 - (ii) Payment of any and all member loans made by members or their affiliates to the Company, plus any accrued but unpaid interest thereon, which amount shall be applied first to interest and then to principal; provided, that in the event the Company's funds are insufficient to satisfy all such loans, then all member loans made by all members or their affiliates shall be repaid on a pro-rata basis; and then,
 - (iii) Setting up of such reserves as the Manager or liquidating trustee deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company or any obligation or liability not then due and payable; provided, any balance of such reserve, at the expiration of such period as the members or liquidating trustee shall deem advisable, shall be distributed in the manner herein provided; and then,
 - (iv) Distribution to the Managing Member of the unpaid amortization amount, if any; and then,
 - (v) Distribution to the Managing Member in an amount not to exceed the then outstanding amortization amount balance as set forth in the amortization schedule; and then,
 - (vi) Distribution to the members (or in the case of the Government Member, at the Government Member's election, to the Integrated Member) in accordance with the positive balances in their capital accounts.

During the year ended December 31, 2007, \$3,975,794 was distributed to the Managing Member in accordance with the terms of the new operating agreement.

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Each year from 2006 through 2015, for purposes of computing the cap on the annual percentage distributions, the Company shall recalculate the IRR on the Managing Member's Initial Capital Contribution. This calculation will include all cash distributions received by the Managing Member from the Company since the year 2000, such as distributions of the amortization amount, distributions from available cash and any special distributions, but shall specifically exclude the fees paid to various third parties affiliated with the Managing Member pursuant to contracts, including the Management Agreement, the Renovation Agreement and the Development Agreement, and any amounts paid for asset management services.

Net profits are allocated consistently in both agreements, and are allocated as follows:

- (a) to the Managing Member only to the extent the Managing Member actually receives cash distributions of available cash pursuant to the above;
- (b) any remaining net profits to the Government Member.

Net losses are allocated consistently in both agreements, and are allocated as follows:

- (a) to the Managing Member in an amount necessary to reduce the Managing Member's positive capital account balance to zero
- (b) any remaining net losses to the Government Member.

A summary of significant accounting policies follows.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Bad Debts

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Intangible Assets and Amortization

Loan costs are amortized over the term of the mortgage loan using the effective interest method. The loan costs amortized for the year ended December 31, 2007 and 2006 are \$587,347 and \$114,078, respectively. Estimated amortization for each of the ensuing five years is \$282,000 annually.

Rental Property

All construction and soft costs associated with development are capitalized as construction in progress and are carried at cost. Leasehold improvements are removed from construction in progress and are capitalized as housing units are placed in service based on completion of construction. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over the lesser of the term of the ground lease or their estimated service lives by use of the straight-line method for financial reporting purposes. The breakdown of Rental property and Equipment is as follows:

	<u>2007</u>	<u>2006</u>
Land improvements	32,278,994	32,278,994
Building improvements	160,840,405	156,956,178
Machinery & equipment	7,451	7,451
Computer equipment & software	27,279	27,279
Rental Property and Equipment	<u>193,154,129</u>	<u>189,269,901</u>
Accumulated Depreciation	<u>(41,135,256)</u>	<u>(33,659,444)</u>
Rental Property and Equipment, Net	<u><u>152,018,873</u></u>	<u><u>155,610,457</u></u>

The estimated lives used in determining depreciation are:

Building improvements	40 years
Land improvements	15 years
Equipment	5-10 years

Cash Equivalents

The Company considers all highly liquid investments, including money market accounts with an original maturity date of three months or less when purchased to be cash equivalents.

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Company and tenants of the property are operating leases. The Company receives rental payments from the United States Department of Defense on behalf of the tenants in the form of a Basic Allowance for Housing (BAH). Tenants authorized to occupy the Installation are limited to military personnel, except under limited circumstances.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the members individually.

Advertising Costs

Advertising costs are expensed as incurred.

Capitalization of Interest

During development of the Installation, in accordance with SFAS 34, *Capitalization of Interest Costs*, the Company will capitalize interest costs incurred that relate to development. For the year ended December 31, 2007 and 2006, the Company capitalized interest costs of \$974,014 and \$27,642, respectively.

Fair Value of Financial Instruments

The carrying value of accounts receivable, accounts payable and accrued expenses, and other assets and liabilities are reasonable estimates of fair values because of their relatively short-term nature.

The fair value of the notes payable is estimated using discounted cash flow analysis, based on the Company's estimated incremental borrowing rate. At December 31, 2007, the estimated fair value of the notes exceeded the carrying value of \$258,335,000 by approximately \$8,200,000, and at December 31, 2006 the estimated fair value of the notes exceeded the carrying value of \$260,730,000 by approximately \$14,950,000.

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Impairment of Long-Lived Assets

The Company has implemented Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which requires the Company under certain circumstances to review long-lived assets and certain intangibles to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the carrying value exceeds the cash flows, then recorded amounts of the assets will be reduced to their fair value. No impairment losses have been recognized during the years ended December 31, 2007 or 2006.

NOTE 2 - MORTGAGE PAYABLE

The Company entered into a loan agreement with Bank One, Colorado, N.A. (Bank One) on November 15, 1999, in the amount of \$147,035,000. The mortgage was funded on November 15, 1999 with proceeds from the issuance of \$147,035,000 of taxable bonds, Fort Carson Family Housing, LLC Taxable Fort Carson Housing Revenue Bonds, Series 1999 (the 1999 Bonds). Proceeds were specifically for funding development of the Installation and were placed in a restricted trust account with Bank One (the Trustee).

The mortgage bears interest at the rate of 7.78 percent. Interest only payments were required through August 15, 2004 (the date construction of the Installation was estimated to be completed). Monthly installments of principal and interest shall be payable on the first day of each month beginning on September 15, 2004, until maturity on November 15, 2029.

The loan is non-recourse and is secured by a first lien mortgage and security interest in the Installation and is also secured by a guaranteed loan. MBIA Insurance Corporation (MBIA) has provided a guarantee under a Financial Guaranty Insurance Policy dated February 12, 2001 between Bank One and MBIA. Under the terms of the Guaranty, MBIA guarantees to the full and complete payment of principal and interest as such payments become due. Furthermore, the United States of America (USA) has provided a guarantee under a Military Housing Loan Guaranty Agreement (Guaranty) dated November 15, 1999, between Bank One and the USA. Under the terms of the Guaranty, the USA will provide certain payments in the event of a payment default under the loan which is securing the Bonds that is directly caused by an Installation closure, downsizing of at least 40 percent of Installation personnel, or deployment of at least 40 percent of Installation personnel.

On November 1, 2006, the Company amended its Trust Indenture and Security Agreement with The Bank of New York (the Trustee). In addition to the financing secured by the original Indenture, the Company obtained additional financing in the amount of \$118,600,000. The mortgage was funded on November 29, 2006 with proceeds from the issuance of \$118,600,000 of taxable bonds, Fort Carson Family Housing, LLC Taxable Fort Carson Housing Revenue Bonds, Series 2006 (the 2006 Bonds). Proceeds were specifically for funding new development

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

of the Installation and were placed in a restricted trust account with The Bank of New York. The loan is secured by the property as defined in the Trust Indenture and Security Agreement.

The mortgage note bears interest at the rate of 5.65 percent. Interest only payments are required through December 15, 2009. Monthly installments of principal and interest shall be payable on the first day of each month beginning on January 15, 2010, until maturity on September 15, 2044.

Principal payments required on the mortgages for each of the following five years are as follows:

Year ending	Series 1999	Series 2006	Total
12/31/2008	\$ 2,570,000	\$ -	\$ 2,570,000
12/31/2009	2,770,000	-	2,770,000
12/31/2010	2,985,000	1,129,150	4,114,150
12/31/2011	3,215,000	1,194,624	4,409,624
12/30/2012	3,470,000	1,263,896	4,733,896
Thereafter	<u>124,725,000</u>	<u>115,012,330</u>	<u>239,737,330</u>
	<u>\$ 139,735,000</u>	<u>\$ 118,600,000</u>	<u>\$ 258,335,000</u>

NOTE 3 - RESERVES HELD BY TRUSTEE

In connection with the mortgage, the Company was required to deposit the proceeds with the Trustee. Amounts in these funds are restricted as to use. As of December 31, 2007 and 2006, the Trustee has invested the money, with the exception of the construction account, interest reserve fund, and amenity fund, in short-term U.S. Treasury obligations. The Company has entered into a guaranteed investment contract with Societe Generale for a guaranteed rate of return of 6.25 percent per annum with respect to the interest reserve fund and the amenity fund. The Company has entered into a guaranteed investment contract with MBIA for a guaranteed rate of return of 4.933 percent per annum with respect to the construction account.

The balances in these funds at December 31, 2007 and 2006 are as follows:

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Backlog repairs and maintenance fund	\$9,010	\$9,010
Senior bond principal fund	0	10,000
Construction Fund	81,413,845	108,089,569
Amenity Fund	800,606	703,353
Repair and replacement reserve	260,489	185,838
Operating expense fund	108,330	108,330
Utility Reserves	6,334,518	6,798,042
Debt reserve fund	0	200,000
Revenue fund	(1,561)	147,097
Reinvestment fund	409,337	2,286,488
Tax and insurance escrow	34,597	263,282
Interest reserve fund	0	18,821
Bond proceeds fund	73,632	192,896
Demolition fund	136,070	807,912
Air conditioning fund	1,095,830	1,723,176
	<u>\$ 90,674,703</u>	<u>\$ 121,543,814</u>

Each fund is utilized specifically for purposes related to the operation of the Installation as defined in the trust indenture.

NOTE 4 - RELATED PARTY TRANSACTIONS

Development Services Fee

The Company entered into a development agreement on December 21, 2005, with GMH Military Housing Development, LLC, an affiliate of the Managing Member. The agreement provides for a monthly development fee in the amount of 3 percent of total development costs relating to development and construction of the Installation. The developer will also be entitled to a development incentive fee not to exceed 1 percent of development costs. Development fees and incentive development fees incurred and capitalized to construction in progress for the years ended December 31, 2007 and December 31, 2006, were \$1,175,873 and \$376,829, respectively. Development fees and incentive development fees payable included as a component of accounts payable and accrued liabilities as of December 31, 2007 and December 31, 2006 were \$457,729 and \$376,829, respectively.

Management Fees

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

The Company entered into a management agreement on December 21, 2005, with GMH Military Housing Management, LLC, an affiliate of the Managing Member, to provide day-to-day oversight of the operations of the leasing and maintenance of the Installation. The agreement provides for a management fee of 4 percent. For the years ended December 31, 2007 and December 31, 2006, the management fees incurred were \$1,229,827 and \$1,212,012, respectively. Management and incentive management fees payable as of December 31, 2007 and December 31, 2006 were \$105,451 and \$281,764, respectively, and are included as a component of accounts payable and accrued liabilities on the accompanying balance sheet.

General and Administrative Expense Fee

In accordance with the management agreement, GMH is also entitled to a monthly general and administrative expense fee. The agreement provides for a general and administrative expense fee of an agreed-upon percentage of no less than 5.5 percent of all general and administrative expenses set forth in the budget. For the years ended December 31, 2007 and December 31, 2006, the general and administrative expense fees incurred were \$378,588 and \$322,583, respectively. General and administrative expense fees payable as of December 31, 2007 and December 31, 2006 were \$28,226 and \$99,284, respectively, and are included as a component of accounts payable and accrued liabilities on the accompanying balance sheet.

Municipal Services Agreement

The Company entered into a municipal services agreement on December 21, 2005, with the United States of America (USA), an affiliate of the Government Member. In accordance with the agreement, the USA agrees to provide the Installation with services such as utilities, fire protection, police patrol, and emergency services. As of December 31, 2007 and December 31, 2006, the Company incurred municipal services fees of \$3,318,282 and \$3,593,524, respectively, which are included as a component of utilities expense on the accompanying statement of operations. As of December 31, 2007 and December 31, 2006, municipal services fees payable were \$663,454 and \$911,473, respectively and are included as a component of accounts payable on the accompanying balance sheet.

Payment for Municipal Services

Pursuant to the Second Amended and Restated Operating Agreement, the Government Member shall be responsible for providing utility service and fire, EMT and police service to the Project. The Company shall use funds held in the Reinvestment Account to pay utility costs and emergency services costs. Funds in the Reinvestment Account shall be applied in the following order of priority:

- (a) to pay emergency services costs,

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

- (b) to pay utility costs for housing units constructed as part of the 2006 project,
- (c) to pay utility costs for housing units constructed as part of the 1999 project, and
- (d) for other purposes permitted.

The Company shall establish a utility reserve fund outside of the Reinvestment Account (the "Utility Reserve Fund") which shall be funded with proceeds of the bonds in the amount of \$6,282,358. To the extent funds in the Reinvestment Account are insufficient to pay utility costs, the Company shall pay utility costs from the Utility Reserve Fund. Funds on deposit in the Utility Reserve Fund shall not be under the control of the Trustee or subject to the Trustee's lien or encumbrance as security for the bonds or any loan to the Company, shall be invested in permitted investments, shall not be commingled with any other funds of the Company and shall not be pledged or voluntarily subjected to any lien or encumbrance. Interest and investment earnings on amounts in the Utility Reserve Fund shall be credited to the Utility Reserve Fund. As of December 31, 2007, the balance in this fund, after interest earnings and less funding of utility costs as required by agreement, was \$5,800,755. As of December 31, 2007, there are additional utility reserves of \$533,762 available for paying utilities in the event the Reinvestment Account and the Utility Reserve Fund do not have funds available. Total utility reserves, as of December 31, 2007 and December 31, 2006, are \$6,334,518 and \$6,798,042, respectively. In the event that sufficient funds are not available in the Reinvestment Account to pay emergency services costs, or in the Reinvestment Account or Utility Reserve Fund to pay utility costs related to housing units constructed as part of the 1999 project, payment for such expenses shall be carried as a payable from the Reinvestment Account and shall be paid out of the Reinvestment Account to the Government Member, as soon as sufficient funds become available.

Demolition and Air Conditioner Costs

The Company entered into a Demolition Agreement on November 29, 2006, with an affiliate of the Managing Member. The initial contract value based on the scope of work that was scheduled was \$421,450. The scope of work can be modified from time to time upon mutual agreement and acceptance by the Company via the change order process. The agreement was modified via the change order process, to include the installation of 789 HVAC units. The contract value, including change orders to date, is \$2,575,510. In the years ended December 31, 2007 and December 31, 2006, the costs of services under this agreement that have been incurred and have been capitalized as part of construction in progress were \$1,644,441 and \$0, respectively. At December 31, 2007 and December 31, 2006 the costs payable under this agreement that are included in accounts payable and accrued liabilities on the accompanying balance sheet were \$477,684 and \$0, respectively.

Due to Affiliate

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

As part of its management activities, GMH Military Housing Management Fort Carson, LLC, an affiliate of the Managing Member, pays operating and maintenance expenses on behalf of the Installation and is then reimbursed. Amounts due to affiliates are non-interest bearing and are due upon demand. As of December 31, 2007 and December 31, 2006, the reimbursements due to the affiliate were \$64,200 and \$251,073, respectively, and are included in accounts payable and accrued liabilities on the accompanying balance sheet.

NOTE 5 - GROUND LEASE AGREEMENT

On November 18, 1999, the Company entered into a Ground Lease agreement with the Secretary of the Army (Secretary), an affiliate of the Trust. The consideration of the lease is the operation and maintenance of the Installation for 50 years. The lease can be extended at the option of the Secretary beyond the initial 50-year term of the contract. In addition, if the Company and its related construction affiliates are removed from the renovation and construction of the Installation for violation of terms and conditions of the contract, the Secretary can terminate the Ground Lease. Because the Army is a member of the Company, those assets transferred under the lease have been contributed to the Company under accounting principles generally accepted in the United States and have been recorded at the historical cost to the Army. Based on the age and estimated initial useful life of the existing structures, the historical cost to the Army was determined to be zero. The leasehold improvements incurred under the construction and renovation contracts are being depreciated over the lesser of their useful lives or the lease term.

On December 21, 2005, the original Ground Lease with the Secretary was amended and restated. The consideration of the lease is the operation and maintenance of the Installation for 50 years with an option by the Army to extend for an additional 25 years.

On November 29, 2006, the Ground Lease was amended by the Secretary to grant and convey by quitclaim deed to the Company additional land parcels, including all buildings, improvements, and fixtures of whatever nature currently located thereon. The additional parcels were added to the lease to encompass the new construction and rehabilitation phase of construction being funded by the new bonds. The payment terms of the lease remain unchanged. Existing structures on the new parcels are expected to be demolished as new construction progresses. No amount has been recorded in connection with the lease amendment. Cost of the existing structures located on the new parcels is estimated to be zero based on the Army's historical net book value and the existing age of the structures. These structures are to be demolished and new structures to be constructed pursuant to plans described in Note 1.

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 6 - REINVESTMENT ACCOUNT

The operating agreement that terminated on November 26, 2006 required that a reinvestment account be established upon completion of the initial construction and renovation work. Funds available to be deposited in the reinvestment account are equal to the net operating income less the payment of debt service, any shortfall loans, management fees, and any preferred return on equity. Such deposits shall be kept in the trust solely for the use and benefit of meeting the costs and long-term capital expenses of the Installation. In the event that the operating agreement is terminated by the Trust, the remaining funds shall be first disbursed to and for the sole use and benefit of the Managing Member, in addition to all other amounts due the Managing Member under any provision of the agreement. In the event there are funds remaining at the expiration of the agreement, such funds will be disbursed to the Government Member.

Pursuant to the Second Amended and Restated Operating Agreement, the Company shall establish and maintain a separate, interest-bearing account known as the reinvestment account at a national bank or other financial institution. Funds on deposit in the reinvestment account shall not be under the control of the Trustee or subject to the Trustee's lien or encumbrance as security for the bonds or any loan to the Company, shall be invested in permitted investments, shall not be commingled with any other funds of the Company and shall not be pledged or voluntarily subjected to any lien or encumbrance. Interest and investment earnings on amounts in the reinvestment account shall be credited to the reinvestment account. The Company shall hold in the reinvestment account such amounts as were held in the reinvestment account established pursuant to the trust, which amounts were previously contributed by the trust pursuant to the available cash distributions as set forth in Note 1. Expenditure of funds in, and disbursement of funds from, the reinvestment account shall require the consent of the Government Member and the Managing Member. Notwithstanding the foregoing, funds in the reinvestment account may be withdrawn from the reinvestment account by the Manager, without further action by the members, to pay for utility costs and emergency services costs, to pay for demolition, construction, maintenance and renovation of the family housing and associated ancillary facilities at the installation if such expenditures are provided for in the annual budget or any out-year development plan, for emergency purposes not in excess of \$50,000, and for expenditures that in the aggregate do not exceed \$200,000 in a fiscal year. In addition, upon the unanimous vote or consent of the Government Member and Managing Member, the Company may withdraw amounts from the reinvestment account and apply such funds to the benefit of any military housing development in which both Government Member and Managing Member or an affiliate of Managing Member holds an ownership interest.

As of December 31, 2007, \$1,249,269 was held in two reinvestment accounts; \$409,337 in the Reinvestment fund and \$839,932 in a sub-account to the Construction fund. As of December 31, 2006, the total \$2,286,488 was held in the Reinvestment fund and the balance in the sub-account to the Construction fund was \$0.

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Construction Contract

The Company entered into a cost plus a fee with a guaranteed maximum price construction contract on November 29, 2006, with Balfour Beatty Construction (f/k/a Centex Construction), in an amount not to exceed \$101,000,011, which is subject to additions and deductions by change orders, for the construction of approximately 404 new military housing units. For the years ended December 31, 2007 and December 31, 2006, the construction costs incurred and capitalized as part of construction in progress were \$29,084,438 and \$4,128,547, respectively. As of December 31, 2007 and December 31, 2006, the construction costs payable that are included in the accounts payable and accrued liabilities on the accompanying balance sheet were \$5,677,690 and \$960,451, respectively.

Concentration of Credit Risk

The primary source of revenue of the Installation will be rent collected from the tenants through the BAH. The BAH is adjusted and approved annually by the government and is based on civilian rental costs by pay grade, dependency status, and location. The Company is subject to payment of the BAH through appropriations made annually by the Army. If such appropriations were removed or delayed or significantly reduced, the Company and its operations would be impaired.

The Company's cash accounts are maintained in a chartered banking institution and are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Company has not experienced any losses associated with deposits in excess of the maximum insurable limits.

Military Housing Loan Guaranty

As discussed in Note 2, the USA previously provided payments of the mortgage payable in the event of a payment default caused by an Installation closure, downsizing of at least 40 percent of Installation personnel, or deployment of at least 40 percent of Installation personnel.

On November 29, 2006, the loan guaranty agreement was amended to remove the guaranty of the mortgage obligations with respect to the 2006 bonds.

NOTE 8 - INVOLUNTARY CONVERSIONS

During 2006, the Company received \$1,080,327 of insurance proceeds related to damage to various housing units caused by wind in 2004 and 2005. Repairs were made to the some of damaged units. The Company has plans to make additional repairs. As of December 31, 2007 and December 31, 2006, the Company has estimated costs to complete the repairs in the amount of \$394,820 and 654,532, respectively, which is included as a component of accounts payable and accrued liabilities on the accompanying balance sheet. The reduction in costs to complete is due

Fort Carson Family Housing, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

to completion of some of the repairs and includes a change in estimate that resulted in a gain from insurance proceeds in the amount of \$142,227 that is included in Other Income on the statement of operations for the year ended December 31, 2007.

NOTE 9 - OPERATING LEASE OBLIGATIONS

The Company has entered into several operating leases during 2006 related to vehicles under which it is a lessee. Rental expense related to these leases for the year ended December 31, 2007 and December 31, 2006 was \$132,408 and \$150,279, respectively, which is included as a component of administrative expense on the accompanying statement of operations. The following is a schedule of future minimum lease payments as of December 31, 2007, that have initial or remaining lease terms in excess of one year:

December 31, 2008	\$132,408
December 31, 2009	\$ 44,136

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AIR FORCE ACADEMY MILITARY COMMUNITIES, LLC

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2007



Air Force Academy Military Communities, LLC

Financial Statements December 31, 2007

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Independent Auditors' Report

The Board of Directors and Members of
Air Force Academy Military Communities, LLC

We have audited the balance sheet of Air Force Academy Military Communities, LLC (a limited liability company) as of December 31, 2007, and the related statements of income and members' equity and cash flows for the period from May 1, 2007 (date of inception) to December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Air Force Academy Military Communities, LLC as of December 31, 2007, and the results of its operations and its cash flows for the period from May 1, 2007 (date of inception) to December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

Apple Growth Partners

Akron, Ohio
March 27, 2008

Healthy Growth.

1540 West Market Street • Akron, OH 44313

P 330.867.7950 • F 330.867.8866

W www.applegrowth.com

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Air Force Academy Military Communities, LLC
Balance Sheet

	December 31, 2007
ASSETS	
Current assets	
Cash	\$ 597,765
Accounts receivable	
Tenants	544,831
Interest	188,744
Miscellaneous	4,749
Prepaid insurance	3,350
	1,339,439
Restricted investments	46,262,925
Property and equipment, net	7,987,388
	\$ 55,589,752
 LIABILITIES	
Current liabilities	
Accounts payable	
Trade	\$ 549,783
Affiliates	299,499
Development and construction	1,464,372
Accrued utilities	165,919
Accrued interest	156,599
Accrued wages	76,083
Accrued insurance	97,358
Accrued real estate taxes	71,417
Security deposits	9,898
	2,890,928
Bonds payable	\$ 47,015,000
 MEMBERS' EQUITY	 5,683,824
	\$ 55,589,752

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

Air Force Academy Military Communities, LLC
Statement of Income and Members' Equity

From May 1, 2007 (date of inception) through December 31, 2007

Revenues		
Rental income		\$ 4,487,460
Miscellaneous		7,405
		<u>4,494,865</u>
Operating expenses		
Utilities		663,204
Repairs and maintenance		698,067
Insurance		126,414
Real estate taxes		71,417
Salaries and wages		390,211
Property management base fees		112,372
General and administrative		339,568
Professional fees		3,839
		<u>2,405,092</u>
Operating income		2,089,773
Other income (expense)		
Property management incentive fees		(67,423)
Interest income		1,541,668
Interest expense, net of capitalized interest of \$142,309		(1,647,395)
Depreciation		(32,799)
		<u>(205,949)</u>
Net income		1,883,824
Capital contributions		<u>3,800,000</u>
Members' Equity, end of period		<u><u>\$ 5,683,824</u></u>

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

Air Force Academy Military Communities, LLC

Statement of Cash Flows

From May 1, 2007 (date of inception) through December 31, 2007

Cash flows from operating activities:	
Net income	\$ 1,883,824
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	32,799
Changes in operating assets and liabilities:	
Accounts receivable	(549,580)
Interest receivable	(188,744)
Prepaid insurance	(3,350)
Accounts payable	627,788
Accrued expenses	567,376
Security deposits	9,898
Net cash provided by operating activities	<u>2,380,011</u>
Cash flows from investing activities:	
Deposits to restricted investments, net	(46,262,925)
Capital expenditures	(6,334,321)
Cash used for investing activities	<u>(52,597,246)</u>
Cash flows from financing activities:	
Proceeds from issuance of bonds	47,015,000
Capital contributions	3,800,000
Cash provided by financing activities	<u>50,815,000</u>
Net increase in cash	597,765
Cash at May 1, 2007 (date of inception)	-
Cash at end of period	<u><u>\$ 597,765</u></u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest, net of amount capitalized	\$ 1,490,796
-------------------------------------	--------------

Supplemental disclosures of non-cash investing activities:

The Company capitalized \$1,685,866 of accrued contract costs in construction-in-progress.

Air Force Academy Military Communities, LLC
Notes to the Financial Statements
December 31, 2007

A. ORGANIZATION

Air Force Academy Military Communities, LLC, a limited liability company (the "Company"), was organized May 1, 2007, under the laws of the State of Delaware to lease, demolish, design, construct, renovate, operate and maintain a rental housing development at the United States Air Force Academy, Colorado Springs, Colorado (the "Project"). The Project involves the on-going operation and management of approximately 427 housing units and certain additional facilities, the demolition of 811 of the existing housing units, and the construction of 34 new replacement units.

The Company is 100% owned by FC-Hunt, LLC, a Colorado limited liability company ("Managing Member"). FC-Hunt is owned by Hunt ELP, Ltd (50%) and Forest City Military Communities, LLC (50%) and both contributed \$1,900,000 in 2007.

Pursuant to the terms of the Operating Agreement, net profits are allocated first to the members with negative balances in their capital accounts; next, in proportion to net losses or distributions allocated to each member in prior periods (as defined); and, then in accordance with each member's Net Cash Flow Participation Percentages, which are currently allocated 50% to each member.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company include only those assets, liabilities, and results of operations which relate to the business of Air Force Academy Military Communities, LLC and are prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents. The Company places its cash with high quality financial institutions. Balances with financial institutions may exceed insured limits.

Accounts receivable

Accounts receivable are recorded at contracted amounts. The Company periodically reviews its receivable balances and records an allowance for bad debts when an account is deemed uncollectible. As of December 31, 2007, management believes that bad debts are considered immaterial based upon their review and no allowance is deemed necessary. There were no bad debts for the period ended December 31, 2007.

Restricted investments

The restricted investments, certain of which are held in escrow, consist primarily of money market funds. They are held by the bond trustee or with financial institutions and are stated at cost, which approximates fair market value.

Air Force Academy Military Communities, LLC
Notes to the Financial Statements
December 31, 2007

Rental property and construction in progress

Upon completion of renovation and construction, rental property is recorded at cost or fair value basis and will be depreciated using the straight-line method. The cost of maintenance and repairs is charged to expense as incurred and significant renewals and betterments are capitalized.

Construction in progress is recorded at cost, which includes capitalized construction period interest of \$142,309 for the period ended December 31, 2007. Construction in progress is transferred to buildings and improvements, and depreciated when each housing unit is substantially completed.

Rental income

Rental income is earned primarily from Qualified Military Tenants on short-term lease arrangements with the Company. Rental rates are based on set governmental rates known as the Basic Allowance for Housing ("BAH"), which is based on geographic duty location, pay-grade, and dependency status of each Qualified Military Tenant. BAH is computed by estimating the market price of housing that a particular service member of the military would be expected to rent, based upon his or her geographic area and pay-grade/dependency status. BAH rates are adjusted each January 1, based on housing costs in a particular geographic area.

Income taxes

No provision has been made for federal and state income taxes since these taxes are the responsibility of the Managing Member.

C. RESTRICTED INVESTMENTS

Restricted investments consist of accounts established under the bond indenture in the name of the Company, under the exclusive control of The Bank of New York ("Master Trustee").

At December 31, 2007, the restricted investments are as follows:

Bond Payment Class I	\$	118
Bond Payment Class II		67
Bond Payment Class III		61
Bond Payment Class IV		9
Lockbox Revenue Account		15,670
Impositions Reserve A		270,287
Project Operating Account		730,602
Project Owner Equity		-
Construction Bond Project	34,144,552	
Project Operations Account		-
Utility Infrastructure		4,585,599
Capitalized Interest		5,931,854
Performance Incentive		62,980
Replacement Reserve A Account		120,732
Operating Reserve Account		278,668
Participation Fee Account		121,726
Bond Payment Account		-
Total	\$	46,262,925

Air Force Academy Military Communities, LLC
Notes to the Financial Statements
December 31, 2007

D. PROPERTY AND EQUIPMENT

Property and equipment, at cost, was comprised of the following at December 31, 2007:

Office furniture and equipment	\$ 12,120
Machinery and equipment	25,785
Carpeting and water heater	33,674
Vehicles	281,362
Construction in progress	<u>7,667,246</u>
	8,020,187
Less: accumulated depreciation	<u>(32,799)</u>
	<u>\$ 7,987,388</u>

E. BONDS PAYABLE

During 2007, the Company issued Military Housing Taxable Revenue Bonds for the cost of developing, constructing, and rehabilitating the Project. The proceeds from the issuances of the bonds are being used to fund costs of design, demolition, construction, replacement, and renovation of the Project pursuant to the agreement between Trimont Real Estate Advisors, Inc. (the bondholder representative) and the Company, through a construction draw process. At December 31, 2007, \$6,359,000 of proceeds has been drawn. The bonds mature on April 10, 2052. The following is a summary of bonds payable at December 31, 2007:

Military Housing Taxable Revenue Class I Bonds, Series 2007 A (Series I) interest fixed at 5.71%, with a maturity date of April 10, 2052	\$ 21,665,000
Military Housing Taxable Revenue Class II Bonds, Series 2007 A (Series II) interest fixed at 5.71%, with a maturity date of April 10, 2052	12,330,000
Military Housing Taxable Revenue Class III Bonds, Series 2007 A (Series III) interest fixed at 5.71%, with a maturity date of April 10, 2052	11,350,000
Military Housing Taxable Revenue Class IV Bonds, Series 2007 A (Series IV) interest fixed at 5.71%, with a maturity date of April 2052	<u>1,670,000</u>
Total	<u>\$ 47,015,000</u>

Under the Series 2007 A Indenture, the Company can execute Military Housing Taxable Revenue Class V Bonds, Series 2007 A in the amount of \$10,000,000. As of March 27, 2008 the Company has not executed this indenture.

The bonds are secured by a pledge of gross revenues from the Project. There is limited recourse to the Company and its assets and liabilities. Except for the Construction Completion Guarantee, the sole recourse of the bondholders for satisfaction of the bond obligations will be against the restricted investments as stated in the bond indenture.

The Company is subject to certain restrictive covenants under the bond indenture. At December 31, 2007, the Company was in compliance with these covenants.

Air Force Academy Military Communities, LLC
Notes to the Financial Statements
December 31, 2007

The Trust Indenture for the Series A Bonds provides for payments to a sinking fund. Under the agreement, principal payments to a sinking fund commence May 2013, and are required monthly, payable to the trustee, equal to the aggregate principal amounts as required in the Indenture until their maturity in April 10, 2052.

F. GROUND LEASE

The Company entered into a ground lease arrangement with The Secretary of the Air Force which commenced May 1, 2007, for a term of 50 years. The Company is required to pay rent of \$1.00 for the entire lease term. The provisions of the lease also include conveyance of all facilities and improvements located on the land to the Company, except for streets, roads and utility facilities, upon the termination of the lease term in April 30, 2057. In the event a replacement lease is not executed, the Company will abandon all facilities, improvements and personal property and surrender the leased premises to The Secretary of the Air Force.

G. TRANSACTIONS WITH AFFILIATES

In accordance with the Operating Agreement, the Company entered into a Development Agreement with the Managing Member to provide development services for the Company. The terms of the agreement provide that the Managing Member will negotiate and execute agreements related to the construction as well as supervise and be responsible for the timely development and construction of the Project. For its services, the Managing Member will receive a base development fee equal to 3.0% of total development budget, as defined, and an additional amount as developmental overhead in an amount equal to 2.0% of total development budget, as defined. The development fee is payable in two phases, once at the completion of the first twenty-four months of the project and a second payment at the completion of the seventy-second month of the Project. The development overhead is paid in equal monthly installments during the construction of the Project. Development fees of \$138,735 and development incentive fees of \$331,031 were incurred during 2007 and are included in construction in progress. At December 31, 2007, unpaid development fees and development overhead of \$138,735 and \$82,758, respectively, were included in accounts payable - affiliates.

In accordance with the Operating Agreement, the Company entered into a Design-Build Agreement with an affiliate of the Managing Member ("design-builder"). The terms of the agreement provide that the design-builder will develop, design and construct 34 new residential homes, a community center and a maintenance facility; renovate 301 existing housing units; demolish 811 existing housing units; and install new utility meters on 92 existing units.

In accordance with the Operating Agreement, the Company entered into a Property Management Agreement with an affiliate of the Managing Member. The affiliate will be paid a base management fee equal to 2.5% of total operating income, as defined, plus an incentive management fee, not to exceed 1.5% of operating income, as defined. The base management fee is payable monthly and the incentive fee is payable quarterly. At December 31, 2007, base property management fees were \$112,372, of which \$10,583 was included in accounts payable-affiliates. Additionally, \$67,423 of incentive management fees was included in property management base fees expense and accounts payable-affiliates at December 31, 2007.

Air Force Academy Military Communities, LLC
Notes to the Financial Statements
December 31, 2007

In accordance with the Operating Agreement, the Company entered into an Asset Management Agreement with the Managing Member. The agreement provides that the Asset Manager, in addition to reviewing and supervising the performance of the Project and property manager, will, among other responsibilities, regularly and continuously collect and maintain accurate records of information pertaining to real estate investments, the economy, real estate values and other matters pertinent to the development strategy for the management of the assets of the Company. This affiliate will be paid an asset management fee equal to .5% of operating income. During 2007, no asset management fees were incurred in accordance with approved budget guidelines.

The Company pays Forest City Enterprises, Inc. and related entities for the reimbursement of costs incurred on the Company's behalf.

H. GUARANTEES

The Managing Member entered into a Company Guarantee, as defined in its Operating Agreement, with the government guaranteeing the completion and performance of obligations with respect to the project. In accordance with the terms of the Operating Agreement, upon receipt of a Capital Call Notice, as defined, the members of the Managing Member are required to fund costs and expenses of the Company to prevent damage to the Project.

I. EMPLOYEE BENEFITS

The employees of the Company participate in the Forest City Enterprises, Inc. 401(k) Plan. Participants may generally contribute up to 50% of their pre-tax compensation, subject to certain IRS limitations, and receive a matching employer contribution. Employer contributions are allocated from Forest City Enterprises, Inc.

APPENDIX G-2

**Certain Information about the Master Indenture Loan Portfolio,
Authority Projects and Fund Balances**

The chart included in this Appendix G-2 has been prepared by the Authority to provide, as of June 1, 2008, certain information about the Master Indenture Loan Portfolio and Authority Projects. Information is also provided about the Fund Balances existing under the Master Indenture as of June 1 2008. In summary, as of June 1, 2008, the Trust Estate included the following:

	<u>Amount</u>	<u>No. of Loans/ Interests/Projects</u>	<u>Total % of Portfolio</u>
Insured Rental Loans	\$270,301,471	80	35.23%
Uninsured Rental Loans (1)	106,613,411	96	13.90%
Uninsured Business Loans (1)	195,498,015	243	25.48%
Military Housing Loans (2)	165,610,950	6	21.59%
Participation Interests	12,934,878	35	1.69%
Authority Projects	<u>16,203,673</u>	7	<u>2.11%</u>
Total	<u>\$767,162,398</u>		100.00%

- (1) Not including the uninsured loans for the Fort Carson and Air Force Academy projects which are listed as a separate line item "Military Housing" and constitute the "Transferred Loans."
 (2) These Loans constitute the Transferred Loans.

For purposes of this chart, the abbreviations set forth below have the following respective meanings:

BF B&I I BUSINESS:	Business & Industry I Program
BF B&I II BUSINESS:	Business & Industry II Program
BF EDF:	Business Finance – Economic Development Fund
BF CHFA DIRECT:	Business Finance CHFA Direct Loan Program
BF CHFA RURAL:	Business Finance CHFA Rural Program
BF NON PROFIT:	Business Finance Non-Profit Real Estate Loan Program
BF QAL:	Business Finance Quality Agriculture Loan Program
BF QIC:	Business Finance Quality Investment Capital Program
BF SBA 504:	Business Finance Small Business Administration 504 Program
CHFA NOTE:	Authority Business Need
HOF CHFA:	Housing Opportunity Fund
HOF FAF:	Financing Adjustment Factor
RAP:	Rental Acquisition Program
SMART TAX EXEMPT:	Small Affordable Rental Transactions Program Tax-Exempt Borrower
SMART TAXABLE:	Small Affordable Rental Transactions Program Taxable Borrower
RF 501(C)3:	Rental Finance 501(c)3 Borrower
SPEC NEED:	Loans made under special circumstances

See Part II – "COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date" for further information.

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2000A, 2000B, 2001A, 2002A, 2002C, 2003A, 2004A, 2005A, 2005B, 2006A, 2006B, 2007A, 2007B and 2008A

Bond Issue	Borrower	Note Amount	Maturity Date	PI Amount	Loan Subtype	Next Due Date	Current Balance
M00A	REDWOOD VILLAGE	\$4,084,592.00	02/01/2017	\$34,394.64	CHFA NOTE	08/01/2008	\$2,619,862
M00A	REDWOOD VILLAGE	\$400,000.00	11/01/2021	\$17,680.74	CHFA NOTE	11/01/2008	\$294,615
M00A	SENIOR HOUSING OPTIONS	\$621,000.00	12/01/2021	\$3,340.20	MF 501(C)3	07/01/2008	\$353,124
M00A	SENIOR HOUSING OPTIONS	\$525,000.00	09/01/2034	\$2,580.62	MF 501(C)3	07/01/2008	\$389,999
M00A	SENIOR HOUSING OPTIONS	\$114,842.00	12/01/2021	\$755.14	MF 501(C)3	07/01/2008	\$79,894
M00A	URBAN, INC	\$1,143,429.00	10/01/2023	\$8,290.66	RAP	07/01/2008	\$884,126
M00A	SENIOR HOUSING OPTIONS	\$2,153,185.00	05/01/2022	\$12,412.66	MF 501(C)3	07/01/2008	\$1,395,861
M00A	SAXONY	\$272,735.00	07/01/2022	\$1,764.74	MF 501(C)3	07/01/2008	\$181,033
M00A	BELMONT	\$712,500.00	09/01/2022	\$4,616.91	MF 501(C)3	07/01/2008	\$515,769
M00A	JEFFERSON HILLS	\$3,287,357.00	11/01/2023	\$21,398.91	MF 501(C)3	07/01/2008	\$2,496,332
M00A	URBAN, INC	\$734,970.00	07/01/2022	\$1,739.66	RAP	07/01/2008	\$176,619
M00A	URBAN, INC	\$142,797.00	12/01/2022	\$1,047.80	RAP	07/01/2008	\$108,047
M00A	MARY SANDOE	\$90,000.00	01/01/2025	\$660.39	MF 501(C)3	07/01/2008	\$72,830
M00A	LAS ANIMAS	\$159,000.00	04/01/2027	\$1,017.28	MF 501(C)3	07/01/2008	\$132,548
M00A	HOA CITY OF STERLING	\$522,000.00	09/01/2026	\$3,036.76	MF 501(C)3	07/01/2008	\$451,850
M00A	DOMINIUM MANAGEMENT SERVICES	\$1,844,688.60	12/01/2039	\$55,492.97	221 (D) 4	07/01/2008	\$1,730,694
M00A	FOUNTAIN RIDGE ASSOCIATES	\$407,069.52	04/01/2039	\$12,300.29	221 (D) 4	07/01/2008	\$379,939
M00A	COLO BLUESKY ENTERPRISES	\$190,000.00	02/01/2029	\$1,194.69	SMART TAX EXEMPT	07/01/2008	\$113,734
M00A	ENGLEWOOD SENIOR LIVING LLC	\$1,344,740.00	08/01/2039	\$43,864.00	542 (C)	07/01/2008	\$1,269,537
M00A	LAKEWOOD HOMESTEAD LTD	\$834,925.00	03/01/2040	\$27,497.33	542 (C)	07/01/2008	\$791,203
M00A	ENERGY OFFICE	\$175,000.00	10/01/2030	\$1,135.05	SMART TAX EXEMPT	07/01/2008	\$156,908
M00A	SW NEIGHBORHOOD HOUSING	\$175,000.00	11/01/2032	\$1,158.41	SMART TAXABLE	07/01/2008	\$163,395
M00A	SPRINGFIEL HOA	\$250,000.00	07/01/2032	\$1,580.17	SMART TAXABLE	07/01/2008	\$230,241
							\$14,988,157
M00B	DOMINIUM MANAGEMENT SERVICES	\$11,330,000.00	11/01/2042	\$74,232.08	542 (C)	07/01/2008	\$10,907,495
M00B	NIELSON GARDENS LLC	\$2,420,000.00	03/01/2031	\$15,253.55	542 (C)	07/01/2008	\$2,205,195
M00B	FORT COLLINS FM	\$10,008,500.00	03/01/2043	\$61,832.80	542 (C)	07/01/2008	\$9,718,956
M00B	COLUMBINE	\$4,313,000.00	12/01/2030	\$28,984.74	542 (C)	07/01/2008	\$3,908,478
M00B	FOX RUN APARTMENTS	\$3,409,175.00	07/01/2043	\$20,359.56	542 (C)	07/01/2008	\$3,303,878
							\$30,044,001
M01A	COLORADO COALITION FOR THE HOMELESS	\$1,294,650.00	03/01/2026	\$9,142.06	BF EDF	07/01/2008	\$1,113,970
M01A	VOLUNTEERS OF AMERICA	\$660,000.00	09/01/2021	\$5,316.92	BF EDF	07/01/2008	\$534,327
M01A	REDWOOD VILLAGE	\$1,595,920.00	11/01/2022	\$71,861.01	CHFA NOTE	11/01/2008	\$1,308,107
M01A	NEW HERITAGE	\$460,000.00	05/01/2026	\$3,247.94	MF 501(C)3	07/01/2008	\$380,170
M01A	CLIFTON VILLAGE MHA LTD	\$4,200,000.00	06/01/2031	\$27,241.12	542 (C)	07/01/2008	\$3,812,880
M01A	UPTOWN PARTNERSHIP INC	\$700,000.00	04/01/2031	\$4,355.65	SMART TAX EXEMPT	07/01/2008	\$651,438
M01A	CENTENNIAL EAST HOUSING	\$7,475,000.00	01/01/2044	\$45,801.89	542 (C)	07/01/2008	\$7,297,159
M01A	CORONA MANAGEMENT CO	\$1,621,000.00	06/01/2031	\$10,513.78	542 (C)	07/01/2008	\$1,473,335
M01A	SHERIDAN RIDGE TOWNHOMES	\$6,750,000.00	01/01/2044	\$40,969.67	542 (C)	07/01/2008	\$6,585,429
M01A	BROTHERS REDEVELOPMENT INC	\$924,000.00	09/01/2031	\$6,023.79	SMART TAXABLE	07/01/2008	\$844,233
M01A	FOX RUN APARTMENTS	\$132,825.00	07/01/2043	\$20,359.56	542 (C)	07/01/2008	\$128,723
							\$24,129,770
M02A	ASPEN MEADOWS ASSOCIATED	\$2,614,000.00	05/01/2043	\$15,397.05	542 (C)	07/01/2008	\$2,532,543
M02A	GVAH LIMITED PARTNERSHIP	\$2,112,800.00	07/01/2032	\$13,773.88	542 (C)	07/01/2008	\$1,955,837
M02A	FOREST MANOR LLP	\$5,480,000.00	06/01/2032	\$32,924.60	542 (C)	07/01/2008	\$5,028,480
M02A	GVAH LIMITED PARTNERSHIP	\$360,000.00	04/13/2013	\$3,960.15	SMART TAX EXEMPT	07/01/2008	\$197,665
M02A	TRUSCOTT PHASE II	\$5,650,000.00	06/01/2043	\$33,078.31	542 (C)	07/01/2008	\$5,474,164
M02A	FOUNTAIN RIDGE SOUTH APTS LLP	\$4,126,000.00	08/01/2044	\$23,716.41	221 (D) 4	07/01/2008	\$4,032,851
M02A	TANGLEWOOD	\$3,024,980.00	04/01/2028	\$23,533.98	RAP	07/01/2008	\$2,546,021
M02A	REDI CORPORATION	\$370,006.00	04/01/2019	\$2,523.61	SMART TAX EXEMPT	07/01/2008	\$304,719
M02A	HARRIS PARK COURT, LLC	\$286,000.00	12/01/2030	\$1,854.99	SMART TAX EXEMPT	07/01/2008	\$254,030
M02A	HOA CITY OF STERLING	\$893,000.00	04/01/2031	\$5,556.56	SMART TAX EXEMPT	07/01/2008	\$802,783

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Bond Issue	Borrower	Note Amount	Maturity Date	PI Amount	Loan Subtype	Next Due Date	Current Balance
M02A	EMPOWERMENT	\$250,000.00	08/01/2031	\$1,580.17	SMART TAX EXEMPT	07/01/2008	\$229,753
M02A	TRI COUNTY SENIOR	\$256,300.00	02/01/2032	\$1,603.17	SMART TAX EXEMPT	07/01/2008	\$234,145
							\$23,592,992
M02C	MOUNTAINVI APTS LLC	\$4,200,000.00	01/01/2038	\$25,230.40	542 (C)	07/01/2008	\$3,994,062
M02C	MAPLES LLLP	\$16,210,000.00	09/01/2032	\$99,175.73	542 (C)	07/01/2008	\$15,010,756
M02C	RACQUET CLUB APARTMENTS	\$4,903,825.00	01/01/2035	\$33,452.73	542 (C)	07/01/2008	\$4,731,319
M02C	FORE FOUNTAIN SPRINGS	\$15,587,500.00	02/01/2044	\$88,496.41	221 (D) 4	07/01/2008	\$15,152,118
M02C	HAMPSTEAD SOUTHGATE PARTNERS	\$2,841,000.00	01/01/2033	\$18,050.57	542 (C)	07/01/2008	\$2,643,190
M02C	AURORA VILLAGE ASSOCIATES L	\$4,700,000.00	10/01/2033	\$29,398.78	542 (C)	07/01/2008	\$4,423,954
M02C	AP HOUSING LP	\$2,475,000.00	01/01/2034	\$14,838.88	542 (C)	07/01/2008	\$2,325,900
M02C	AM HOUSING LP	\$3,050,000.00	01/01/2034	\$18,286.29	542 (C)	07/01/2008	\$2,866,262
M02C	CC HOUSING LP	\$815,000.00	01/01/2034	\$4,886.34	542 (C)	07/01/2008	\$765,902
M02C	CLIFTON TOWNHOMES LP	\$2,200,000.00	12/01/2033	\$13,190.11	542 (C)	07/01/2008	\$2,064,615
M02C	CS HOUSING LP	\$10,200,000.00	07/01/2033	\$61,154.15	542 (C)	07/01/2008	\$9,505,173
M02C	DS HOUSING LP	\$1,860,000.00	10/01/2033	\$11,151.64	542 (C)	07/01/2008	\$1,740,678
M02C	HALCYON HOUSE	\$12,691,300.00	09/01/2033	\$76,090.76	542 (C)	07/01/2008	\$11,860,425
M02C	HS HOUSING LP	\$2,606,000.00	01/01/2034	\$15,624.29	542 (C)	07/01/2008	\$2,449,009
M02C	HA HOUSING LP	\$3,175,000.00	10/01/2033	\$19,035.73	542 (C)	07/01/2008	\$2,971,318
M02C	KEARNEY HOUSING A MAINE LTD	\$1,596,100.00	07/01/2033	\$9,569.43	542 (C)	07/01/2008	\$1,489,495
M02C	MT HOUSING LP	\$2,700,000.00	11/01/2033	\$16,187.86	542 (C)	07/01/2008	\$2,530,327
M02C	PT HOUSING LP	\$3,400,000.00	01/01/2034	\$20,384.72	542 (C)	07/01/2008	\$3,199,564
M02C	SG HOUSING LP	\$2,070,000.00	10/01/2033	\$12,410.70	542 (C)	07/01/2008	\$1,939,917
M02C	SV HOUSING LP	\$2,036,000.00	12/01/2033	\$12,206.85	542 (C)	07/01/2008	\$1,913,347
M02C	SM HOUSING LP	\$1,140,000.00	01/01/2034	\$6,834.88	542 (C)	07/01/2008	\$1,071,324
M02C	TDS HOUSING LP	\$3,408,000.00	10/01/2033	\$20,432.68	542 (C)	07/01/2008	\$3,193,834
M02C	TS HOUSING LTD	\$2,040,000.00	09/01/2033	\$12,230.83	542 (C)	07/01/2008	\$1,909,035
M02C	HAMPDEN SENIOR I LP	\$3,701,159.00	06/01/2045	\$54,815.78	542 (C)	07/01/2008	\$3,637,237
M02C	KINGS POINT INVESTMENT GRO	\$2,300,000.00	01/01/2034	\$13,789.66	542 (C)	07/01/2008	\$2,164,411
M02C	SABLE RIDGE PARTNERS LLC	\$3,942,000.00	04/01/2044	\$22,658.77	542 (C)	07/01/2008	\$3,839,335
M02C	SM HOUSING LP	\$586,000.00	01/01/2012	\$6,354.13	HOF CHFA	07/01/2008	\$268,280
M02C	BEAR VALLEY LLLP	\$4,260,960.00	10/01/2045	\$45,524.48	542 (C)	07/01/2008	\$4,195,622
M02C	FREMONT VETERINARY HOSPITAL, INC.	\$772,400.00	05/01/2022	\$6,217.68	BF SBA 504	07/01/2008	\$614,550
M02C	SHAW PROPERTIES LLC	\$571,500.00	02/01/2023	\$4,342.08	BF SBA 504	07/01/2008	\$486,209
M02C	LE VALLEY	\$498,750.00	11/30/2031	\$39,703.70	BF QAL	11/30/2008	\$439,255
M02C	MOFFAT COUNTY HOUSING	\$218,100.00	09/01/2033	\$1,378.54	SMART TAX EXEMPT	07/01/2008	\$204,815
M02C	6440 COMPANY	\$581,100.00	12/01/2032	\$3,769.00	SMART TAXABLE	07/01/2008	\$541,145
M02C	OLIN HOTEL APTS	\$504,200.00	12/01/2032	\$3,120.86	SMART TAX EXEMPT	07/01/2008	\$467,605
M02C	ACHT ZETA	\$5,650,000.00	05/01/2034	\$34,421.39	542 (C)	07/01/2008	\$5,402,119
M02C	ACHT ZETA	\$1,249,000.00	04/01/2019	\$10,546.00	IRP	07/01/2008	\$979,980
M02C	NEW HERITAGE	\$1,310,000.00	06/01/2039	\$7,469.49	SMART TAX EXEMPT	07/01/2008	\$1,267,146
M02C	CLIFTON TOWNHOMES LP	\$360,000.00	05/31/2008		HOF CHFA		\$40,827
M02C	MT HOUSING LP	\$105,000.00	11/01/2008	\$2,029.94	HOF CHFA	07/01/2008	\$9,999
M02C	AP HOUSING LP	\$25,000.00	01/01/2009	\$483.32	HOF CHFA	07/01/2008	\$3,317
M02C	SV HOUSING LP	\$113,000.00	12/01/2008	\$2,184.61	HOF CHFA	07/01/2008	\$14,991
							\$124,328,366
M03A	ARCHDIOCES HOUSING	\$257,000.00	09/01/2021	\$1,731.68	BF EDF	07/01/2008	\$188,843
M03A	NEUGER	\$99,000.00	11/01/2016	\$859.15	BF EDF	07/01/2008	\$62,248
M03A	NEWSED INC	\$628,000.00	02/01/2019	\$3,078.07	BF EDF	07/01/2008	\$274,453
M03A	ROCKY MOUNTAIN HEALTH CARE	\$380,470.00	12/01/2018	\$3,182.40	BF EDF	07/01/2008	\$270,704
M03A	EMPOWERMENT	\$272,500.00	08/01/2019	\$2,195.24	BF EDF	07/01/2008	\$198,580
M03A	BEYE-LOTZ	\$392,000.00	09/01/2020	\$2,989.62	BF EDF	07/01/2008	\$302,465
M03A	HOSS KIMBLE LLC	\$519,750.00	04/01/2021	\$3,801.40	BF SBA 504	07/01/2008	\$409,339
M03A	ROCKY MOUNTAIN HEALTH CARE	\$168,300.00	03/01/2021	\$1,459.48	BF EDF	07/01/2008	\$136,139

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Bond Issue	Borrower	Note Amount	Maturity Date	PI Amount	Loan Subtype	Next Due Date	Current Balance
M03A	CENTENNIAL STATE PAVING	\$140,000.00	07/01/2021	\$1,214.07	BF SBA 504	07/01/2008	\$114,656
M03A	PARKWOOD LLC	\$178,500.00	07/01/2021	\$1,422.88	BF SBA 504	07/01/2008	\$144,376
M03A	CCCS OF NORTHERN COLORADO	\$399,000.00	07/01/2026	\$2,772.36	BF EDF	07/01/2008	\$335,108
M03A	JONES	\$100,000.00	10/01/2021	\$835.82	BF SBA 504	07/01/2008	\$82,360
M03A	CRANE	\$79,000.00	01/01/2022	\$635.94	BF SBA 504	07/01/2008	\$64,810
M03A	COLORADO HOTEL & LODGING	\$410,500.00	09/01/2026	\$3,033.56	BF EDF	07/01/2008	\$361,252
M03A	PAUL STAVELY	\$215,010.00	03/01/2026	\$19,372.24	BF QAL	03/01/2009	\$114,998
M03A	COLORADO HOUSING ASSISTANCE CORPORATION	\$250,000.00	09/01/2021	\$1,882.93	BF EDF	07/01/2008	\$200,475
M03A	THROTTLE UP CORP	\$382,579.00	08/04/2031	\$3,150.00	BF QIC	07/02/2008	\$106,042
M03A	HOTCHKISS INN MOTEL	\$617,320.00	08/07/2026	\$6,116.00	BF QIC	07/07/2008	\$545,926
M03A	JERRY SCHLAGER	\$259,020.00	03/01/2031	\$21,237.95	BF QAL	03/01/2009	\$230,991
M03A	GARD	\$99,450.00	02/01/2022	\$786.03	BF SBA 504	07/01/2008	\$75,268
M03A	RALPH TATE	\$209,700.00	03/01/2026	\$16,742.96	BF QAL	03/01/2009	\$173,103
M03A	LYLE HAMACHER	\$284,400.00	02/01/2027	\$24,758.96	BF QAL	02/01/2009	\$257,254
M03A	BOOKCLIFF AUTO PARTS INC	\$524,089.00	03/05/2027	\$3,673.52	BF QIC	07/05/2008	\$473,773
M03A	PERDUE	\$75,960.00	03/01/2022	\$7,268.73	BF QAL	03/01/2009	\$59,217
M03A	ROARING FORK COMPUTER SOCIETY	\$225,225.00	03/01/2023	\$1,744.82	BF EDF	07/01/2008	\$193,011
M03A	DENVER RUBBER COMPANY	\$846,000.00	01/01/2023	\$6,307.55	BF EDF	07/01/2008	\$711,593
M03A	ROCKY MOUNTAIN SCHOOL OF ART	\$6,900,000.00	01/01/2029	\$50,319.08	BF SBA 504	07/01/2008	\$6,406,479
M03A	RAYMOND D GRIFFIN	\$175,500.00	01/15/2023	\$19,225.40	BF QAL	01/15/2010	\$155,817
M03A	LATIN AMERICAN RESEARCH & SERVICE AGENCY	\$96,287.00	05/01/2028	\$664.65	BF EDF	07/01/2008	\$86,912
M03A	BAYAUD INDUSTRIES INC	\$1,000,000.00	06/01/2033	\$5,995.51	BF EDF	07/01/2008	\$929,531
M03A	SIRCY	\$144,450.00	01/15/2023	\$8,220.76	BF QAL	01/15/2009	\$119,401
M03A	FULLMER	\$200,000.00	05/01/2023	\$1,432.86	BF EDF	07/01/2008	\$169,666
M03A	EMERY ENTERPRISES LLC	\$584,551.00	12/05/2031	\$3,662.86	BF B&I II	07/05/2008	\$546,558
M03A	THOMAS E MARTIN	\$540,242.00	07/18/2031	\$3,445.64	BF B&I II	07/18/2008	\$502,987
M03A	HARRIS PARK COURT, LLC	\$315,000.00	07/01/2023	\$2,346.70	BF EDF	07/01/2008	\$270,447
M03A	AKERS	\$180,000.00	02/20/2028	\$14,526.97	BF QAL	02/20/2009	\$166,319
M03A	KJW ENTERPRISES LLC	\$788,384.00	03/24/2023	\$5,950.60	BF B&I II	06/24/2008	\$521,720
M03A	DONALD W SIRCY	\$225,000.00	01/15/2024	\$24,274.80	BF QAL	01/15/2011	\$135,558
M03A	BRACHTENBACH	\$90,000.00	01/15/2010	\$12,780.00	BF QAL	01/15/2010	\$48,504
M03A	LEONARD	\$324,000.00	12/31/2022	\$28,252.58	BF QAL	12/31/2008	\$282,902
M03A	WILZCOCH HOLDINGS LLC	\$3,535,000.00	12/01/2023	\$26,356.01	BF SBA 504	07/01/2008	\$3,084,263
M03A	WILZCOCH HOLDINGS LLC	\$826,000.00	04/01/2024	\$6,158.43	BF SBA 504	07/01/2008	\$729,567
M03A	KNOTT	\$450,000.00	05/23/2033	\$33,716.49	BF QAL	05/23/2009	\$427,229
M03A	MCARTHUR	\$540,000.00	03/15/2028	\$43,686.00	BF QAL	03/15/2009	\$494,349
M03A	DOUBLE B LLC	\$283,918.00	03/01/2025	\$1,993.34	BF CHFA RURAL	07/01/2008	\$256,849
M03A	BACKBONE MEDIA HOLDING	\$459,000.00	08/01/2025	\$3,222.56	BF CHFA DIRECT	07/01/2008	\$404,993
M03A	RAGAZZI LLC	\$475,000.00	06/01/2025	\$3,334.90	BF CHFA RURAL	07/01/2008	\$434,756
M03A	BIG BUILDINGS LLC	\$437,500.00	12/01/2025	\$3,172.36	BF SBA 504	07/01/2008	\$408,497
M03A	BIG BUILDINGS LLC	\$332,500.00	12/01/2025	\$2,411.00	BF SBA 504	07/01/2008	\$310,458
M03A	BROADWAY VET CLINIC LLC	\$484,000.00	09/01/2025	\$3,509.54	BF CHFA DIRECT	07/01/2008	\$448,316
M03A	COLLINS	\$538,114.00	01/01/2027	\$3,870.75	BF SBA 504	07/01/2008	\$517,618
M03A	DUCKELS	\$439,220.00	05/01/2026	\$3,058.67	BF SBA 504	07/01/2008	\$414,110
M03A	AUBER RIDGE PROPERTIES	\$94,050.00	11/01/2025	\$681.97	BF CHFA DIRECT	08/01/2008	\$85,834
M03A	HAERTLING, LLC	\$166,504.00	01/01/2026	\$1,207.34	BF SBA 504	07/01/2008	\$155,875
M03A	KARSH INVESTMENTS, LLC	\$578,000.00	03/01/2026	\$4,224.77	BF CHFA DIRECT	07/01/2008	\$542,893
M03A	LUSBY	\$307,000.00	02/01/2027	\$2,221.64	BF CHFA RURAL	07/01/2008	\$293,356
M03A	JESCO LLC	\$483,750.00	06/01/2026	\$3,521.78	BF CHFA RURAL	07/01/2008	\$457,698
M03A	URBAN, INC	\$9,354,400.00	03/01/2028	\$62,404.43	RAP	07/01/2008	\$7,791,265
M03A	SUMMIT APARTMENTS	\$3,248,400.00	04/01/2028	\$18,328.08	223 (F)	07/01/2008	\$2,706,259
M03A	TANGLEWOOD	\$375,020.00	04/01/2028	\$23,533.98	RAP	07/01/2008	\$315,641
M03A	PAUL DEVLIN	\$183,500.00	06/01/2021	\$1,178.01	SMART TAXABLE	07/01/2008	\$159,729
M03A	PARK MEADOWS AFFORDABLE	\$1,860,000.00	05/01/2032	\$11,879.05	SMART TAXABLE	07/01/2008	\$1,720,609
M03A	HINKLE	\$190,000.00	02/01/2022	\$1,238.66	SMART TAXABLE	07/01/2008	\$175,131

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Bond Issue	Borrower	Note Amount	Maturity Date	PI Amount	Loan Subtype	Next Due Date	Current Balance
M03A	ALLISON CAMPUS III LP	\$128,500.00	08/01/2023	\$770.42	HOF CHFA	07/01/2008	\$120,087
M03A	6329 COMPANY LLC	\$684,000.00	08/01/2033	\$4,122.94	SMART TAXABLE	07/01/2008	\$638,677
M03A	HOUSING AUTHORITY GRAND	\$278,700.00	09/01/2034	\$1,670.95	HOF CHFA	07/01/2008	\$265,083
M03A	HOUSING AUTHORITY LEADVILLE	\$164,700.00	11/01/2034	\$987.46	HOF CHFA	07/01/2008	\$156,805
M03A	DENVER REVITALIZATION	\$108,900.00	12/01/2034	\$652.91	HOF CHFA	07/01/2008	\$103,592
M03A	VISTOSO COMMUNITY LLLP	\$600,000.00	04/01/2025	\$3,459.56	HOF CHFA	07/01/2008	\$577,743
M03A	CASTLE CREEK COMMONS EAST	\$280,200.00	11/01/2035	\$1,679.94	HOF CHFA	07/01/2008	\$271,196
M03A	WEST 10 AVE RESIDENCES	\$550,000.00	02/01/2016	\$3,358.11	HOF CHFA	07/01/2008	\$543,462
M03A	BRECKINRIDGE VILLAGE APTS	\$425,000.00	03/01/2036	\$2,488.01	HOF CHFA	07/01/2008	\$413,544
							\$41,855,267
M04A	MOTHER & CHILD REUNION	\$95,670.00	12/01/2017	\$721.42	BF SBA 504	07/01/2008	\$61,648
M04A	STEVEN ZAPIEN, DDS INC	\$181,900.00	06/01/2022	\$1,443.62	BF SBA 504	07/01/2008	\$151,548
M04A	O'TOOLE	\$1,190,000.00	02/01/2022	\$9,477.71	BF CHFA DIRECT	07/01/2008	\$978,948
M04A	DENNIS ANDERSON	\$700,000.00	05/01/2022	\$5,532.63	BF CHFA DIRECT	07/01/2008	\$584,862
M04A	ROCKIN' LAZY L LAND LLC	\$1,000,000.00	01/28/2023	\$7,604.00	BF CHFA DIRECT	06/28/2008	\$852,925
M04A	MICASA RESOURCE CENTER	\$1,207,500.00	12/01/2022	\$9,624.43	BF EDF	07/01/2008	\$1,023,503
M04A	SCHRAGE	\$1,700,000.00	03/01/2018	\$15,137.87	BF CHFA DIRECT	07/01/2008	\$1,261,068
M04A	S A L HOLDINGS LLC	\$2,976,546.00	06/01/2024	\$23,059.27	BF SBA 504	07/01/2008	\$2,668,281
M04A	ELEC TRI CITY ETC LLC	\$2,879,500.00	10/01/2024	\$21,980.36	BF SBA 504	07/01/2008	\$2,603,490
M04A	HAMMOND'S CANDIES SINCE 1920, LLC	\$295,917.66	05/01/2012	\$6,222.19	BF CHFA DIRECT	07/01/2008	\$258,065
M04A	ENAYAT	\$396,000.00	03/01/2024	\$2,894.48	BF CHFA DIRECT	07/01/2008	\$347,543
M04A	REGENCY PARK PROFESSIONAL GROUP, LLC.	\$527,295.00	09/01/2024	\$4,037.62	BF SBA 504	07/01/2008	\$475,805
M04A	PAGOSA SPRINGS INN & SUITES	\$1,650,000.00	05/20/2028	\$10,823.43	BF B&I II	06/20/2008	\$1,171,078
M04A	SHERMAN MD	\$450,000.00	10/01/2023	\$3,141.42	BF EDF	07/01/2008	\$386,056
M04A	BUSINESS AND CONSUMER FOUNDATION	\$1,125,000.00	02/01/2029	\$7,951.27	BF NON PROFIT	07/01/2008	\$1,040,918
M04A	SMITH AGENCY INC	\$487,296.00	12/01/2023	\$3,822.00	BF CHFA DIRECT	07/01/2008	\$430,248
M04A	GOLDEN PEARL LLC	\$182,695.00	02/01/2024	\$1,429.62	BF CHFA DIRECT	07/01/2008	\$161,323
M04A	JEJK INC	\$199,295.00	03/01/2024	\$1,522.48	BF CHFA DIRECT	07/01/2008	\$176,215
M04A	JEWISH COMMUNITY CENTERS	\$6,200,000.00	12/01/2023	\$45,137.05	BF NON PROFIT	07/01/2008	\$5,437,631
M04A	MIHAICH PROPERTIES LLC	\$375,000.00	06/01/2024	\$2,842.45	BF SBA 504	07/01/2008	\$333,647
M04A	CHILDREN'S ARK INC	\$3,200,000.00	10/01/2029	\$22,109.17	BF NON PROFIT	07/01/2008	\$3,000,735
M04A	DURANGO & SILVERTON RR	\$16,500,000.00	12/01/2024	\$129,414.16	BF B&I	07/01/2008	\$15,020,179
M04A	LLC	\$476,000.00	06/01/2024	\$3,639.17	BF CHFA DIRECT	07/01/2008	\$424,629
M04A	THE PLAINS HOTEL INC	\$248,500.00	07/01/2024	\$1,639.99	BF CHFA RURAL	07/01/2008	\$217,202
M04A	LOWTHER SITES HOLDINGS LLC	\$902,140.00	03/01/2025	\$6,620.31	BF CHFA DIRECT	07/01/2008	\$821,312
M04A	2155 CURVE LLC	\$2,182,500.00	06/25/2024	\$12,689.39	BF B&I II	06/25/2008	\$1,390,496
M04A	ELLIOTT	\$107,420.00	02/01/2011	\$19,235.84	BF QAL	02/01/2009	\$77,114
M04A	ELLIOTT	\$313,580.00	02/01/2026	\$26,018.79	BF QAL	02/01/2009	\$251,915
M04A	FRONT RANGE REGIONAL	\$900,000.00	06/01/2024	\$6,657.28	BF NON PROFIT	07/01/2008	\$798,706
M04A	NONNAG LLC	\$147,050.00	12/01/2024	\$1,088.59	BF CHFA DIRECT	07/01/2008	\$132,821
M04A	MAYNARD INVESTMENT PROPRTIE	\$328,882.00	12/01/2024	\$2,597.41	BF CHFA DIRECT	07/01/2008	\$300,457
M04A	TKS HOLDINGS OF STEAMBOAT	\$394,000.00	12/01/2024	\$2,872.97	BF CHFA DIRECT	07/01/2008	\$356,159
M04A	948 NORTH LLC & HERON 25	\$251,416.00	11/01/2024	\$1,991.70	BF CHFA DIRECT	07/01/2008	\$228,577
M04A	REMAX BUYERS GROUP LLC	\$646,000.00	11/01/2024	\$5,082.37	BF CHFA DIRECT	07/01/2008	\$574,809
M04A	GASTROCORP LLC	\$430,000.00	12/01/2024	\$3,448.29	BF CHFA DIRECT	07/01/2008	\$392,601
M04A	BBG HOLDING CORP	\$550,000.00	11/01/2024	\$3,972.17	BF CHFA DIRECT	07/01/2008	\$493,531
M04A	ROSETTE INVESTMENT GROUP, LLC.	\$759,694.00	05/01/2025	\$6,096.84	BF SBA 504	07/01/2008	\$704,200
M04A	GASTROCORP LLC	\$865,000.00	12/01/2024	\$6,936.68	BF CHFA DIRECT	07/01/2008	\$789,766
M04A	GASTROCORP LLC	\$450,000.00	12/01/2024	\$3,608.68	BF CHFA DIRECT	07/01/2008	\$410,861
M04A	GASTROCORP LLC	\$775,000.00	12/01/2024	\$6,214.95	BF CHFA DIRECT	07/01/2008	\$707,594
M04A	STANKO PROPERTIES LLC	\$228,916.00	02/01/2025	\$1,607.18	BF CHFA RURAL	07/01/2008	\$205,790
M04A	LOUIS A BRAD DVM	\$1,851,000.00	02/01/2025	\$14,129.41	BF CHFA DIRECT	07/01/2008	\$1,688,075
M04A	GREENWOOD ENTERPRISES LLC	\$500,000.00	07/01/2025	\$3,654.64	BF CHFA DIRECT	07/01/2008	\$459,572
M04A	1233 SOUTH COLO BLVD LLC	\$2,167,500.00	10/01/2025	\$16,545.38	BF CHFA DIRECT	07/01/2008	\$2,018,398

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M04A	ALBION LLC	\$315,000.00	11/01/2025	\$2,284.10	BF CHFA DIRECT	07/01/2008	\$292,561
M04A	EASTERN SLOPE	\$935,000.00	01/01/2035	\$5,909.84	SMART TAX EXEMPT	07/01/2008	\$900,474
M04A	GUNNISON HOUSING AUTHORITY	\$528,100.00	11/01/2033	\$3,081.85	SMART TAX EXEMPT	07/01/2008	\$493,131
M04A	UNIVERSITY PLAZA INVESTMENT	\$1,170,000.00	11/01/2034	\$7,165.89	542 (C)	07/01/2008	\$1,117,441
M04A	FOUNT MESA	\$452,800.00	12/01/2033	\$2,642.42	SMART TAX EXEMPT	07/01/2008	\$423,743
M04A	HAMPDEN SENIOR I LP	\$5,776,841.00	06/01/2045	\$54,815.78	542 (C)	07/01/2008	\$5,677,070
M04A	ADAMS COUNTY HOUSING AUTHO	\$1,100,000.00	01/01/2034	\$6,772.89	SMART TAX EXEMPT	07/01/2008	\$1,036,483
M04A	SLEEPING UTE APTS LLLP	\$651,600.00	03/01/2034	\$4,054.49	SMART TAXABLE	07/01/2008	\$615,952
M04A	TRINIDAD HOUSING AUTHORITY	\$676,700.00	03/01/2034	\$3,949.04	SMART TAX EXEMPT	07/01/2008	\$635,968
M04A	MORRISON ROAD REDEVELOPMENT	\$1,264,000.00	10/01/2024	\$7,906.39	SMART TAXABLE	07/01/2008	\$1,207,860
M04A	MORRISON ROAD REDEVELOPMENT	\$2,173,000.00	10/01/2024	\$13,592.24	SMART TAXABLE	07/01/2008	\$2,076,487
M04A	TRINITY HOUSING CORP	\$1,229,900.00	05/01/2034	\$7,413.45	SMART TAX EXEMPT	07/01/2008	\$1,164,229
M04A	ARVADA HOUSING PRESERVATION	\$4,000,000.00	11/01/2044	\$23,418.27	542 (C)	07/01/2008	\$3,915,443
M04A	FORT LUPTON HOUSING	\$1,100,000.00	04/01/2021	\$7,010.72	SMART TAXABLE	07/01/2008	\$1,057,843
							\$72,484,986
M05A	COLORADO ACADEMY OF FAMILY	\$175,140.00	06/01/2024	\$1,305.80	BF NON PROFIT	07/01/2008	\$152,827
M05A	RENAISSANCE PRESCHOOL INC	\$1,400,000.00	08/01/2035	\$8,711.30	BF NON PROFIT	07/01/2008	\$1,352,644
M05A	MTNT LLC	\$776,850.00	10/01/2025	\$5,819.46	BF SBA 504	07/01/2008	\$723,880
M05A	DEMICECELL	\$161,500.00	12/01/2024	\$1,272.51	BF CHFA DIRECT	07/01/2008	\$147,292
M05A	BUCK	\$191,250.00	01/01/2025	\$1,480.46	BF CHFA DIRECT	07/01/2008	\$174,729
M05A	YAMPA VALLEY WOMEN'S CENTER	\$556,204.00	02/01/2025	\$4,305.57	BF CHFA DIRECT	07/01/2008	\$508,157
M05A	TIF LLC	\$250,000.00	05/01/2025	\$1,927.76	BF CHFA DIRECT	07/01/2008	\$230,694
M05A	HUB 2D LLC	\$1,872,604.00	05/01/2025	\$14,294.33	BF CHFA DIRECT	07/01/2008	\$1,720,042
M05A	PRINCE CREEK INVESTMENTS	\$448,250.00	08/01/2025	\$3,121.55	BF SBA 504	07/01/2008	\$411,065
M05A	BROWNING REAL ESTATE CO LLC	\$1,224,000.00	09/01/2025	\$9,161.88	BF CHFA DIRECT	07/01/2008	\$1,137,514
M05A	AMBUUL	\$1,112,000.00	06/01/2026	\$8,548.05	BF CHFA DIRECT	07/01/2008	\$1,056,503
M05A	ERIKA LOUSBERG LLC	\$105,158.00	06/01/2025	\$799.58	BF SBA 504	07/01/2008	\$97,134
M05A	WILDLIFE EXPERIENCE INC	\$19,075,000.00	05/01/2025	\$136,659.22	BF NON PROFIT	07/01/2008	\$17,401,625
M05A	R DIAMOND LLC	\$1,000,000.00	05/01/2026	\$7,723.01	BF CHFA DIRECT	07/01/2008	\$950,425
M05A	CORTEZ REAL ESTATE HOLDING	\$419,000.00	03/01/2026	\$3,099.33	BF CHFA DIRECT	07/01/2008	\$393,961
M05A	CIRALDO-FREESE	\$354,843.00	08/01/2026	\$2,471.08	BF SBA 504	07/01/2008	\$337,220
M05A	ST CHARLES TOWN CO LLC	\$441,000.00	01/01/2026	\$3,159.46	BF CHFA DIRECT	07/01/2008	\$410,725
M05A	VAN ARK ENTERPRISES LLC	\$1,566,000.00	07/01/2026	\$11,823.65	BF CHFA DIRECT	07/01/2008	\$1,489,382
M05A	TELTECH INVESTMENTS LLC	\$750,000.00	08/01/2026	\$5,460.13	BF CHFA RURAL	07/01/2008	\$714,935
M05A	VAN ARK ENTERPRISES LLC	\$207,000.00	07/01/2026	\$1,562.90	BF CHFA DIRECT	07/01/2008	\$196,872
M05A	MOSHER	\$270,000.00	01/01/2021	\$28,073.05	BF QAL	01/01/2009	\$259,217
M05A	TIMOTHY LINN	\$380,000.00	05/01/2027	\$2,968.99	BF CHFA DIRECT	07/01/2008	\$369,445
M05A	BCORP RIO GRAND	\$4,475,000.00	11/01/2026	\$27,470.99	542 (C)	07/01/2008	\$3,678,520
M05A	STEAMBOAT	\$6,629,200.00	11/01/2036	\$37,230.22	542 (C)	07/01/2008	\$6,080,001
M05A	COMMERCE CITY SENIOR HOUSING	\$2,900,000.00	01/01/2025	\$18,044.84	SMART TAXABLE	07/01/2008	\$2,780,115
M05A	COFFMAN COURT ASSOC	\$800,000.00	02/01/2035	\$5,162.22	SMART TAXABLE	07/01/2008	\$769,787
M05A	MERCY HOUSING COLORADO VII	\$700,000.00	04/01/2025	\$4,633.64	SMART TAXABLE	07/01/2008	\$675,818
M05A	51 VILLAGE AT PUEBLO	\$1,200,000.00	06/01/2025	\$7,983.63	SMART TAXABLE	07/01/2008	\$1,161,929
M05A	HILLSIDE POINTE LLLP	\$2,000,000.00	04/01/2021	\$12,879.04	SMART TAXABLE	07/01/2008	\$1,928,496
M05A	BEAR VALLEY LLLP	\$3,659,040.00	10/01/2045	\$45,524.48	542 (C)	07/01/2008	\$3,602,932
M05A	KITTYHAWK AND CANTERBURY	\$2,896,000.00	08/01/2026	\$17,473.21	SMART TAXABLE	07/01/2008	\$2,869,713
M05A	WEST 10 AVE RESIDENCES	\$1,400,000.00	02/01/2023	\$8,547.93	SMART TAXABLE	07/01/2008	\$1,383,811
M05A	BROOMFIELD GREENS ASSOC	\$1,700,000.00	12/01/2023	\$10,445.09	SMART TAXABLE	07/01/2008	\$1,649,463
M05A	FLORENCE SQUARE OWNERSHIP	\$2,850,000.00	02/01/2026	\$18,961.12	SMART TAXABLE	07/01/2008	\$2,781,901
M05A	PUEBLO VILLAGE APARTMENTS L	\$1,600,000.00	04/01/2023	\$9,083.83	SMART TAXABLE	07/01/2008	\$1,579,162
M05A	EDWARD M EHMANN	\$157,500.00	08/31/2009	\$9,205.71	BF QAL	12/31/2008	\$148,618
							\$61,326,558

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M05B	VOLK VENTURES LLC	\$1,371,000.00	01/01/2037	\$8,974.45	BF B&I	07/01/2008	\$1,351,629
M05B	BBG HOLDING CORP	\$750,000.00	03/01/2026	\$5,451.41	BF CHFA DIRECT	07/01/2008	\$705,629
M05B	DE LA CRUZ ASSOCIATES, LLC	\$2,449,000.00	10/01/2025	\$17,800.66	BF CHFA DIRECT	07/01/2008	\$2,275,096
M05B	CORTEZ REAL ESTATE HOLDING	\$1,000,000.00	03/01/2026	\$7,396.98	BF CHFA DIRECT	07/01/2008	\$940,241
M05B	NEXT CHAPTER LLC	\$1,040,000.00	11/01/2025	\$8,000.80	BF CHFA DIRECT	07/01/2008	\$971,640
M05B	COMMERCE INVESTMENTS LLC	\$750,000.00	11/01/2025	\$5,516.99	BF CHFA DIRECT	07/01/2008	\$697,586
M05B	SIMBA PROPERTIES LLC	\$750,000.00	12/01/2025	\$5,547.73	BF CHFA DIRECT	07/01/2008	\$699,792
M05B	J D EAGLE LLP	\$727,912.00	10/01/2026	\$5,448.56	BF CHFA DIRECT	07/01/2008	\$698,160
M05B	CASS MANSION LLC	\$1,105,000.00	11/01/2025	\$8,336.45	BF CHFA DIRECT	07/01/2008	\$1,030,380
M05B	COVENANTS LLC	\$1,500,000.00	04/01/2026	\$11,405.46	BF CHFA DIRECT	07/01/2008	\$1,424,884
M05B	MAMBO LLC	\$1,147,500.00	03/01/2026	\$8,951.74	BF CHFA DIRECT	07/01/2008	\$1,086,394
M05B	WALTON ENTERPRISES LLC	\$540,000.00	01/01/2027	\$4,202.84	BF CHFA RURAL	07/01/2008	\$522,743
M05B	DURANGO HOUSING PRESERVATION	\$3,700,000.00	10/01/2040	\$21,346.08	542 (C)	07/01/2008	\$3,615,026
M05B	DURANGO HOUSING PRESERVATION	\$599,800.00	10/01/2040	\$3,706.46	542 (C)	07/01/2008	\$587,735
M05B	UPTOWN BROADWAY LLLP	\$1,110,000.00	09/01/2025	\$7,089.11	SMART TAXABLE	08/01/2008	\$1,074,497
M05B	MENOLA LAND, LLC	\$1,029,500.00	06/01/2037	\$5,780.96	SMART TAXABLE	07/01/2008	\$1,028,352
M05B	LINDEN POINTE LLLP	\$1,673,077.00	02/01/2022	\$10,095.57	SMART TAXABLE	07/01/2008	\$1,623,689
M05B	PARKSIDE INVESTMENT GROUP LLL	\$2,450,000.00	05/01/2036	\$15,085.07	SMART TAXABLE	07/01/2008	\$2,390,735
M05B	MOUNTAIN VIEW PLAZA INVESTMEN	\$2,570,000.00	05/01/2036	\$15,823.93	SMART TAXABLE	07/01/2008	\$2,505,070
							\$25,229,278
M06A	WOW! CHILDREN'S MUSEUM	\$400,000.00	08/01/2024	\$2,979.94	BF NON PROFIT	07/01/2008	\$357,480
M06A	HILLTOP HAJLOO INC	\$125,000.00	12/01/2009	\$2,445.77	BF CHFA RURAL	07/01/2008	\$69,622
M06A	POWER ASSIST COMPANY	\$1,242,223.00	08/01/2026	\$10,007.26	BF SBA 504	07/01/2008	\$1,216,760
M06A	EJ LANDHOLDINGS LLC	\$386,500.00	10/01/2024	\$2,769.01	BF CHFA RURAL	07/01/2008	\$341,414
M06A	TO-MI LLC	\$397,000.00	12/01/2025	\$2,878.69	BF CHFA DIRECT	07/01/2008	\$271,678
M06A	DENVER URBAN ECONOMIC	\$250,000.00	07/01/2025	\$1,863.93	BF NON PROFIT	07/01/2008	\$231,026
M06A	COALITION FOR THE UPPER SOUTH	\$120,000.00	03/01/2025	\$894.69	BF NON PROFIT	07/01/2008	\$109,364
M06A	DEKKER PROPERTY MGMT, C/O PAUL DEKKER	\$170,000.00	05/01/2025	\$1,292.62	BF CHFA DIRECT	07/01/2008	\$156,619
M06A	INTEGRITY PROPERTIES LLC	\$308,000.00	07/01/2025	\$2,206.61	BF CHFA DIRECT	07/01/2008	\$277,728
M06A	PRICE	\$458,000.00	07/01/2025	\$3,321.01	BF CHFA DIRECT	07/01/2008	\$420,775
M06A	MASON ENTERPRISES LLC	\$324,285.00	12/01/2026	\$2,417.78	BF SBA 504	07/01/2008	\$312,543
M06A	SUN POWER INC	\$897,000.00	01/01/2037	\$5,699.18	BF NON PROFIT	07/01/2008	\$882,145
M06A	CORDOVANO AND HONECK BUILDING FUND, LLC.	\$406,373.00	07/01/2026	\$2,946.66	BF SBA 504	07/01/2008	\$382,286
M06A	HORAN & MCCONATY FUNERAL SER	\$2,200,000.00	12/01/2026	\$16,701.86	BF CHFA DIRECT	07/01/2008	\$2,122,397
M06A	RAIL YARD INDUSTRIES LLC	\$637,500.00	06/01/2026	\$4,678.26	BF SBA 504	07/01/2008	\$605,043
M06A	KANG	\$312,000.00	10/01/2025	\$2,235.26	BF CHFA DIRECT	07/01/2008	\$288,630
M06A	PAR 4 PROPERTIES LLC	\$490,000.00	11/01/2026	\$3,638.90	BF SBA 504	07/01/2008	\$471,057
M06A	WEST/HULTSCH LLC	\$500,000.00	03/01/2026	\$3,625.56	BF CHFA DIRECT	07/01/2008	\$469,301
M06A	BASELINE OFFICES LLC	\$495,000.00	02/01/2026	\$3,589.30	BF CHFA DIRECT	07/01/2008	\$463,400
M06A	THE SCOTT GROUP, LLC	\$4,335,000.00	06/01/2027	\$33,271.77	BF CHFA DIRECT	07/01/2008	\$4,226,932
M06A	CAV'S LLC	\$685,000.00	01/01/2026	\$4,887.81	BF CHFA RURAL	07/01/2008	\$638,610
M06A	WAMBOLT PROPERTIES LLC	\$690,000.00	06/01/2026	\$5,124.16	BF CHFA DIRECT	07/01/2008	\$655,446
M06A	TARALU LLC	\$750,000.00	03/01/2026	\$5,351.62	BF CHFA RURAL	07/01/2008	\$704,807
M06A	RLWZ LLC FKA WILCOXSON MANUFACTURING, INC.	\$710,000.00	11/01/2027	\$5,419.71	BF CHFA DIRECT	07/01/2008	\$701,323
M06A	PTRT PARTNERSHIP	\$385,000.00	04/01/2026	\$2,747.17	BF CHFA RURAL	07/01/2008	\$362,749
M06A	PM REAL ESTATE LLC	\$697,000.00	07/01/2026	\$4,973.44	BF CHFA RURAL	07/01/2008	\$660,127
M06A	T O LLC	\$265,500.00	03/01/2026	\$1,894.47	BF CHFA RURAL	07/01/2008	\$248,844
M06A	VIGIL HOLDINGS LLC	\$248,500.00	03/01/2026	\$1,845.44	BF CHFA DIRECT	07/01/2008	\$233,730
M06A	LUTHER PROPERTY LLC	\$694,529.00	08/01/2026	\$4,955.81	BF CHFA RURAL	08/01/2008	\$657,719

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M06A	SPIEKER INVESTMENTS INC	\$741,000.00	12/01/2026	\$5,502.91	BF CHFA DIRECT	07/01/2008	\$712,353
M06A	EMERSON CAPITAL LEASING LLP	\$315,000.00	04/01/2026	\$2,339.29	BF CHFA DIRECT	07/01/2008	\$297,760
M06A	POST OFFICE CROSSING, LLC	\$363,600.00	06/01/2026	\$2,594.47	BF CHFA RURAL	07/01/2008	\$344,364
M06A	CHARLES R PRESBY, INC	\$722,500.00	06/01/2026	\$5,155.40	BF CHFA RURAL	07/01/2008	\$684,277
M06A	ALPINE VIEW LLC	\$595,000.00	06/01/2026	\$4,245.62	BF CHFA RURAL	07/01/2008	\$563,303
M06A	WATERVAL 200 LLC	\$1,700,000.00	07/01/2026	\$13,037.60	BF CHFA DIRECT	07/01/2008	\$1,618,658
M06A	ALFRED MANUFACTURING CO	\$398,878.00	07/01/2016	\$4,508.91	BF CHFA DIRECT	07/01/2008	\$343,443
M06A	OBP LLC	\$587,727.00	12/01/2027	\$4,708.00	BF CHFA RURAL	07/01/2008	\$580,444
M06A	HAIL FREEDONIA LLC	\$2,666,000.00	11/01/2026	\$21,006.86	BF CHFA DIRECT	07/01/2008	\$2,571,468
M06A	HANSEN	\$434,000.00	10/01/2026	\$3,159.59	BF CHFA RURAL	07/01/2008	\$415,738
M06A	WIGGINS II LLC	\$750,000.00	06/01/2026	\$5,351.62	BF CHFA RURAL	07/01/2008	\$708,493
M06A	QUAIN	\$250,000.00	07/01/2024	\$1,923.64	BF CHFA RURAL	07/01/2008	\$235,443
M06A	HVH ENTERPRISES LLC	\$467,000.00	11/01/2026	\$3,399.84	BF CHFA RURAL	07/01/2008	\$448,432
M06A	BIG ENERGY HOLDINGS LLC	\$498,000.00	07/01/2026	\$3,625.52	BF CHFA RURAL	07/01/2008	\$473,544
M06A	I3MG LLC	\$657,000.00	01/01/2027	\$4,821.36	BF CHFA RURAL	07/01/2008	\$632,668
M06A	INDWELL LLC	\$701,000.00	11/01/2026	\$5,536.29	BF SBA 504	07/01/2008	\$676,229
M06A	INNOVATIVE HOLDINGS LLC	\$403,000.00	10/01/2026	\$3,160.84	BF CHFA DIRECT	07/01/2008	\$388,612
M06A	ROCKYMOUNTAINTRAIL.COM, INC.	\$360,000.00	05/01/2027	\$2,656.58	BF CHFA RURAL	07/01/2008	\$349,993
M06A	PRO SHOP APPAREL ASSOCIA	\$360,209.00	12/01/2026	\$2,823.05	BF SBA 504	07/01/2008	\$344,806
M06A	THE LEARNING FOUNDATION	\$315,000.00	08/01/2026	\$2,503.06	BF NON PROFIT	07/01/2008	\$301,352
M06A	VCC ENTERPRISES LLC	\$425,000.00	01/01/2027	\$3,094.07	BF CHFA RURAL	07/01/2008	\$409,082
M06A	ROCKY MOUNTAIN HEALTH CARE	\$607,000.00	10/01/2026	\$4,893.66	BF NON PROFIT	07/01/2008	\$583,751
M06A	67 N THIRD STREET LLC	\$721,250.00	08/01/2026	\$5,757.53	BF CHFA RURAL	07/01/2008	\$690,212
M06A	ROCHESTER PARTNERS LLC	\$431,660.00	09/01/2026	\$3,445.82	BF CHFA RURAL	07/01/2008	\$413,984
M06A	CODY WILDER LLC	\$235,000.00	01/01/2027	\$1,847.43	BF CHFA RURAL	07/01/2008	\$227,127
M06A	KTB HOLDINGS LLC	\$256,000.00	09/01/2026	\$2,051.38	BF CHFA DIRECT	07/01/2008	\$246,104
M06A	WACKER HOLDINGS, LLC	\$176,800.00	09/01/2026	\$1,411.34	BF CHFA DIRECT	07/01/2008	\$168,046
M06A	MARSH	\$262,000.00	10/01/2026	\$2,094.66	BF CHFA RURAL	07/01/2008	\$252,376
M06A	1117 GRAND LLC	\$288,000.00	11/01/2026	\$2,302.53	BF CHFA RURAL	07/01/2008	\$278,009
M06A	CAMELOT WEST LLC	\$530,059.00	09/01/2026	\$4,237.77	BF CHFA RURAL	07/01/2008	\$507,459
M06A	BLACK DOG ENTERPRISE LLC	\$360,000.00	10/01/2027	\$2,884.75	BF CHFA RURAL	07/01/2008	\$354,639
M06A	SIXTH & INCA LLC	\$225,250.00	11/01/2026	\$1,800.85	BF CHFA DIRECT	07/01/2008	\$216,976
M06A	VVOMS EVC CONDO LLC	\$495,000.00	09/01/2026	\$3,603.68	BF CHFA RURAL	07/01/2008	\$471,857
M06A	RES IPSA LLC	\$391,000.00	12/01/2026	\$3,164.23	BF CHFA RURAL	07/01/2008	\$377,684
M06A	ELMS BLESSING LLC	\$571,200.00	11/01/2026	\$4,566.68	BF SBA 504	07/01/2008	\$551,385
M06A	ARCHITAXI, LLC	\$1,400,000.00	08/01/2027	\$11,278.30	BF SBA 504	07/01/2008	\$1,375,780
M06A	TRIPLE J INVESTMENTS LLC	\$397,500.00	07/01/2027	\$3,153.80	BF SBA 504	07/01/2008	\$388,998
M06A	YAZHOU	\$263,000.00	11/01/2026	\$2,070.73	BF CHFA RURAL	07/01/2008	\$251,007
M06A	UNION & CEDAR, LLC	\$585,345.00	11/01/2027	\$4,433.00	BF SBA 504	07/01/2008	\$576,881
M06A	WILLIAM J RANGITSCH	\$511,000.00	07/01/2027	\$4,054.32	BF CHFA RURAL	07/01/2008	\$491,383
M06A	WALNUT PARK	\$1,576,300.00	08/01/2018	\$10,373.18	221 (D) 3	07/01/2008	\$887,591
M06A	CORONA I	\$1,225,300.00	06/01/2017	\$7,837.90	221 (D) 4	07/01/2008	\$620,417
M06A	MARCELLA	\$4,442,900.00	08/01/2019	\$28,419.99	221 (D) 4	07/01/2008	\$2,475,117
M06A	COLUMBINE CT	\$855,300.00	06/01/2020	\$5,192.68	221 (D) 3	07/01/2008	\$506,291
M06A	TIARA	\$1,430,700.00	12/01/2014	\$10,730.86	221 (D) 4	07/01/2008	\$695,444
M06A	NIBLOCK	\$260,138.40	10/01/2026	\$2,575.54	221 (D) 4	07/01/2008	\$208,530
M06A	HANIGAN	\$445,200.00	11/01/2019	\$2,938.80	221 (D) 4	07/01/2008	\$288,645
M06A	SUNNYSIDE	\$938,500.00	12/01/2018	\$6,562.13	221 (D) 4	07/01/2008	\$573,513
M06A	W.H.E.R.E	\$700,000.00	01/01/2020	\$5,014.89	MF 501(C)3	07/01/2008	\$535,529
M06A	MARY SANDOE	\$250,000.00	11/01/2019	\$911.37	MF 501(C)3	07/01/2008	\$90,230
M06A	NEW HERITAGE	\$177,100.00	07/01/2023	\$1,284.10	MF 501(C)3	07/01/2008	\$135,781
M06A	ARVADA PLACE	\$769,144.00	04/01/2022	\$5,576.83	MF 501(C)3	07/01/2008	\$564,757

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M06A	TOWNHOUSE	\$153,000.00	11/01/2023	\$1,122.66	MF 501(C)3	07/01/2008	\$117,250
M06A	MARY SANDOE	\$407,776.00	08/01/2025	\$2,935.46	MF 501(C)3	07/01/2008	\$333,492
M06A	LEGACY CENTER	\$1,680,000.00	05/01/2036	\$9,454.83	542 (C)	07/01/2008	\$1,537,061
M06A	BRECKINRIDGE VILLAGE APTS	\$5,010,200.00	03/01/2036	\$27,747.23	542 (C)	07/01/2008	\$4,611,989
M06A	FORUM APTS	\$465,000.00	06/01/2027	\$2,941.18	542 (C)	07/01/2008	\$405,217
M06A	AT LEWIS	\$5,720,800.00	12/01/2027	\$34,933.99	542 (C)	07/01/2008	\$4,880,644
M06A	WOODLAND APARTMENTS	\$5,506,800.00	02/01/2038	\$30,865.74	542 (C)	07/01/2008	\$5,132,694
M06A	URBAN PEAK	\$225,000.00	03/01/2029	\$1,496.93	SMART TAX EXEMPT	07/01/2008	\$194,985
M06A	WESTWOOD APARTMENTS	\$2,600,000.00	10/01/2038	\$14,467.57	542 (C)	07/01/2008	\$2,434,349
M06A	GRAND MANOR	\$3,550,000.00	07/01/2030	\$23,618.24	542 (C)	07/01/2008	\$3,182,010
M06A	FOUNT MESA	\$1,077,751.00	03/01/2023	\$7,814.44	MF 501(C)3	07/01/2008	\$816,506
M06A	VOA SUNSET HOUSING LP	\$5,376,100.00	07/01/2036	\$35,586.98	SMART TAXABLE	07/01/2008	\$5,272,001
M06A	RESERVE AT THORNTON II	\$3,500,000.00	08/01/2038	\$22,390.15	SMART TAXABLE	08/01/2008	\$3,437,974
M06A	CASA DORADA LLC	\$2,000,000.00	09/01/2024	\$13,306.05	SMART TAXABLE	07/01/2008	\$1,965,330
M06A	RENAISSANCE 88 APARTMENTS LLLP	\$9,066,508.76	03/01/2009	\$8,995,976.03	542 (C)	03/01/2009	\$8,950,000
M06A	RENAISSANCE 88 APARTMENTS LLLP	\$725,000.00	04/01/2014	\$9,754.04	542 (C)	07/01/2008	\$631,959
M06A	RENAISSANCE 88 APARTMENTS LLLP	\$0.00	03/02/2009	\$1,962,487.25	542 (C)	03/02/2009	\$2,250,000
M06A	VILLAGE PLACE ASSOCIATES LLL	\$4,662,000.00	01/01/2027	\$24,265.33	SMART TAXABLE	07/01/2008	\$4,662,000
M06A	PINECREST AT COMMERCE CITY LLL	\$3,315,000.00	02/01/2027	\$22,054.78	SMART TAXABLE	07/01/2008	\$3,269,569
							\$101,730,551
M06B	FORT CARSON FAMILY HOUSIN	\$107,500,000.00	09/15/2044	\$497,848.36	Military Housing	07/15/2008	\$107,500,000
M06B	FORT CARSON FAMILY HOUSIN	\$11,100,000.00	09/15/2044	\$51,405.73	Military Housing	07/15/2008	\$11,100,000
							\$118,600,000
M07A	FORCE ACADEMY AIR	\$21,665,000.00	05/01/2052	\$669,886.80	Military Housing	07/01/2008	\$21,665,000
M07A	FORCE ACADEMY AIR	\$12,330,000.00	05/01/2052	\$130,378.00	Military Housing	07/01/2008	\$12,330,000
M07A	FORCE ACADEMY AIR	\$11,350,000.00	05/01/2052	\$53,121.72	Military Housing	07/01/2008	\$11,350,000
M07A	FORCE ACADEMY AIR	\$1,670,000.00	05/01/2052	\$176,580.00	Military Housing	07/15/2008	\$1,665,950
							\$47,010,950
M07B	MILES EYE LLC	\$348,300.00	06/01/2026	\$2,455.31	BF CHFA RURAL	07/01/2008	\$328,708
M07B	LONG	\$266,203.00	12/04/2025	\$20,312.52	BF QAL	12/04/2008	\$250,842
M07B	BLUE SKY LIQUORS INC	\$260,269.00	07/01/2026	\$1,834.74	BF B&I II	07/01/2008	\$248,275
M07B	ZETOR LLC	\$1,143,644.00	10/01/2027	\$9,185.17	BF SBA 504	07/01/2008	\$1,126,674
M07B	OBP LLC	\$42,273.00	12/01/2027	\$4,708.00	BF CHFA RURAL	07/01/2008	\$41,773
M07B	JOHN J HOLLAND	\$1,753,716.00	03/27/2031	\$12,105.55	BF B&I II	06/27/2008	\$1,711,506
M07B	REHFELD	\$135,000.00	12/31/2025	\$12,310.57	BF QAL	12/31/2008	\$127,917
M07B	AMEN	\$229,048.00	06/08/2036	\$17,831.79	BF QIC	06/08/2009	\$216,241
M07B	STUMPF	\$211,950.00	04/15/2036	\$16,483.75	BF QAL	04/15/2009	\$203,480
M07B	E 49TH AVE LLC	\$838,000.00	07/01/2027	\$6,895.07	BF SBA 504	07/01/2008	\$821,386
M07B	FORDYCE	\$950,000.00	03/01/2028	\$7,741.00	BF CHFA DIRECT	07/01/2008	\$944,913
M07B	KINDER-ASKEW PROPERTIES LLC	\$440,000.00	12/01/2026	\$3,464.34	BF CHFA RURAL	07/01/2008	\$425,293
M07B	CIPOLLA PARTNERS, LLC	\$3,867,500.00	01/01/2028	\$31,275.00	BF CHFA DIRECT	07/01/2008	\$3,832,351
M07B	ELK RIVER PROPERTIES, LLC	\$249,900.00	03/01/2027	\$1,944.98	BF CHFA DIRECT	07/01/2008	\$242,446
M07B	M.A.D. L.L.C.	\$800,000.00	08/01/2027	\$6,469.23	BF SBA 504	07/01/2008	\$786,747
M07B	SMILEY AVIATION LLC	\$285,180.00	10/01/2027	\$2,271.31	BF CHFA RURAL	07/01/2008	\$280,892
M07B	ABBOTT PROPERTIES LLC	\$287,100.00	02/01/2027	\$2,260.48	BF CHFA RURAL	07/01/2008	\$278,684
M07B	WEISENHORN	\$81,038.00	12/31/2025	\$7,293.49	BF QAL	12/31/2008	\$76,312
M07B	JACB LLC	\$621,000.00	01/01/2027	\$4,777.40	BF CHFA RURAL	07/01/2008	\$600,838
M07B	TUSCANA LLC	\$448,752.00	10/01/2027	\$3,452.28	BF SBA 504	07/01/2008	\$442,542

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M07B	LITTLE VOICE PRODUCTIONS INC DBA LITTLE VOICE	\$390,000.00	02/01/2027	\$3,000.30	BF NON PROFIT	07/01/2008	\$377,706
M07B	AUBEL, CHRISTOPHER AND PATRICIA	\$630,000.00	02/01/2027	\$4,846.64	BF CHFA RURAL	07/01/2008	\$609,546
M07B	GOAT LLC	\$256,500.00	07/01/2027	\$1,965.61	BF SBA 504	07/01/2008	\$251,355
M07B	CLEAN DIRT GRAINS & SEEDS, LLC	\$629,000.00	03/01/2028	\$4,858.00	BF CHFA RURAL	07/01/2008	\$626,563
M07B	BOQ LLC	\$438,750.00	10/01/2027	\$3,362.23	BF CHFA RURAL	07/01/2008	\$431,750
M07B	MALLYMOO, LLC	\$574,000.00	06/01/2027	\$4,398.68	BF CHFA DIRECT	07/01/2008	\$559,871
M07B	SPEER & LAWRENCE, LLC	\$602,000.00	08/01/2027	\$4,541.67	BF CHFA DIRECT	07/01/2008	\$589,639
M07B	JENNIFER E BRAND	\$450,000.00	05/01/2027	\$3,448.44	BF CHFA RURAL	07/01/2008	\$439,088
M07B	HIGHWAY 82 INVESTORS LLC	\$595,000.00	06/01/2027	\$4,488.86	BF CHFA RURAL	07/01/2008	\$580,257
M07B	AGD PROPERTIES LLC	\$1,200,000.00	05/01/2028	\$9,484.51	BF CHFA DIRECT	07/01/2008	\$1,197,765
M07B	DMS REAL ESTATES LLC	\$595,000.00	07/01/2027	\$4,595.19	BF CHFA DIRECT	07/01/2008	\$583,204
M07B	NOTHING WITHOUT PROVIDENCE, LLC	\$553,000.00	10/01/2027	\$4,354.04	BF CHFA RURAL	07/01/2008	\$545,604
M07B	RENAISSANCE PRESCHOOL INC	\$275,000.00	10/01/2027	\$2,140.33	BF NON PROFIT	07/01/2008	\$271,262
M07B	PC HOLDINGS, LLC	\$348,000.00	06/01/2027	\$2,737.87	BF CHFA RURAL	07/01/2008	\$339,903
M07B	HAMILTON LEASING, LLC	\$484,000.00	11/01/2027	\$3,808.00	BF CHFA RURAL	07/01/2008	\$477,529
M07B	HAMILTON LEASING, LLC	\$484,000.00	11/01/2027	\$3,808.00	BF CHFA RURAL	07/01/2008	\$477,529
M07B	DOYLE LEE SMELKER	\$614,662.25	02/01/2032		BF QAL		\$584,945
M07B	HEIDI M FAY	\$360,000.00	07/01/2027	\$2,832.28	BF CHFA RURAL	07/01/2008	\$353,208
M07B	LARIMER COUNTY CHILD ADVOCACY CENTER, INC.	\$427,500.00	02/01/2038	\$2,646.00	BF NON PROFIT	07/01/2008	\$425,881
M07B	SUNFLOWER INVESTMENT PROPERTIES, LLC.	\$719,500.00	08/01/2027	\$5,660.63	BF SBA 504	07/01/2008	\$705,634
M07B	THE MAKEN DO, LLC	\$297,000.00	09/01/2027	\$2,374.48	BF CHFA RURAL	07/01/2008	\$291,868
M07B	LOSIA LLC	\$318,750.00	12/01/2027	\$2,529.00	BF CHFA DIRECT	07/01/2008	\$315,156
M07B	SWANSON FAMILY ENTERPRISES, LLC	\$453,813.00	10/01/2027	\$3,559.38	BF SBA 504	07/01/2008	\$446,825
M07B	OSTER	\$314,586.00	12/01/2027	\$2,506.00	BF CHFA RURAL	07/01/2008	\$311,057
M07B	VOYICH	\$450,000.00	01/01/2028	\$3,584.00	BF CHFA RURAL	07/01/2008	\$445,810
M07B	CITY BARK 8TH AVENUE, LLC	\$850,000.00	05/01/2028	\$6,770.00	BF SBA 504	07/01/2008	\$848,436
M07B	THE COLORADO FOUNDATION FOR FAMILIES AND CHILDREN	\$1,791,000.00	03/01/2038	\$11,285.00	BF NON PROFIT	07/01/2008	\$1,787,734
M07B	SBSSTEAMBOAT, LLC	\$409,500.00	01/01/2028	\$3,324.00	BF CHFA RURAL	07/01/2008	\$405,801
M07B	BLACK RABBIT, LLC	\$425,000.00	11/01/2027	\$3,502.00	BF CHFA DIRECT	07/01/2008	\$420,490
M07B	FALL LINE VENTURES LLC	\$369,000.00	10/01/2027	\$3,052.11	BF CHFA RURAL	07/01/2008	\$363,776
M07B	CHRISTOPHE R BURNER	\$355,000.00	10/01/2027	\$2,914.37	BF CHFA RURAL	07/01/2008	\$351,851
M07B	ELMS BLESSING LLC	\$410,000.00	12/01/2027	\$3,346.00	BF CHFA DIRECT	07/01/2008	\$406,326
M07B	7212 RALSTON RD LLC	\$400,000.00	06/01/2028	\$3,259.00	BF SBA 504	07/01/2008	\$400,000
M07B	TUTTLE INVESTMENTS, LLLP	\$346,500.00	11/01/2027	\$2,718.00	BF CHFA RURAL	07/01/2008	\$342,521
M07B	BRAVO ENTERPRISES LLC (ALPINE STOVE)	\$1,254,000.00	04/01/2028	\$9,835.00	BF CHFA DIRECT	07/01/2008	\$1,249,258
M07B	ANDERSON	\$435,000.00	03/01/2028	\$3,412.00	BF SBA 504	07/01/2008	\$433,355
M07B	YORKSHIRE	\$5,325,712.00	05/01/2026	\$36,783.37	RAP	07/01/2008	\$4,381,955
M07B	EASTERN SLOPE	\$1,015,000.00	07/01/2037	\$5,776.63	542 (C)	07/15/2008	\$938,802
M07B	VILLA TOWNHOMES	\$830,000.00	12/01/2037	\$4,732.72	542 (C)	07/01/2008	\$768,229
M07B	PLATTE VALLEY VILLAGE	\$1,922,000.00	03/01/2038	\$10,256.06	542 (C)	07/01/2008	\$1,780,740
M07B	BURLINGTON	\$2,475,000.00	05/01/2029	\$15,494.81	542 (C)	07/01/2008	\$2,162,607
M07B	LA FAMILY	\$466,000.00	12/01/2036	\$3,163.15	SMART TAXABLE	07/01/2008	\$459,450
M07B	PARK AVENUE REDEVELOPMENT PARTNERS (BLOCK 1B) LLLP	\$5,000,000.00	02/07/2028	\$30,897.48	SMART TAXABLE	07/01/2008	\$4,990,957
M07B	COTTONWOOD APTS.	\$1,475,000.00	12/04/2009	\$7,273.97	SMART TAX EXEMPT	07/01/2008	\$1,475,000
M07B	HORNUNG	\$428,148.67	03/04/2025	\$20,985.05	BF QAL	03/04/2009	\$415,019
M07B	MOUNTAIN T LLC	\$5,000,000.00	08/01/2019	\$28,861.79	SMART TAX EXEMPT	07/01/2008	\$4,945,657
M07B	FAIRWAYS I LLLP	\$2,675,000.00	05/01/2024	\$21,852.75	SMART TAX EXEMPT	07/01/2008	\$2,675,000
M07B	HC BRIGHTON SENIOR APARTMENTS	\$1,750,000.00	07/01/2027	\$11,513.80	SMART TAXABLE	07/01/2008	\$1,728,607

Colorado Housing and Finance Authority
Loan Portfolio Report
As of June 1, 2008
Multi-Family/Project Bonds
2000A, 2000B, 2001A, 2002A, 2002C, 2003A, 2004A, 2005A, 2005B, 2006A, 2006B, 2007A, 2007B and 2008A

Bond Issue	Borrower	Note Amount	Maturity Date	PI Amount	Loan Subtype	Next Due Date	Current Balance
M07B	G.A.O. HOM RLLLP	\$2,240,000.00	08/01/2009	\$9,852.06	SMART TAX EXEMPT	08/01/2009	\$1,942,952
M07B	MIRASOL SENIOR HOUSING PARTNERSHIP LLLP	\$1,230,000.00	01/01/2038	\$8,769.00	SMART TAXABLE	07/01/2008	\$1,225,561
M07B	VILLAS AT SLOANS LAKE	\$1,860,000.00	04/01/2028	\$14,281.33	SMART TAXABLE	07/01/2008	\$1,856,375
M07B	VILLAS AT SLOANS LAKE	\$715,000.00	10/10/2009	\$719,170.83	SMART TAXABLE	10/10/2009	\$715,000
M07B	SIERRA VISTA	\$400,000.00	05/01/2043	\$2,527.44	SMART TAX EXEMPT	07/01/2008	\$400,000
							\$65,098,236
M08A	DEKKER COMMERCIAL PROPERTY, LLC	\$400,000.00	05/01/2028	\$3,186.00	BF CHFA DIRECT	07/01/2008	\$400,000
M08A	STEAMBOAT MATTRESS AND BEDDING, INC.	\$559,938.00	06/01/2028	\$4,392.00	BF CHFA RURAL	07/01/2008	\$559,938
M08A	SUPERIOR ONE LLC	\$935,000.00	06/01/2028	\$7,082.00	BF CHFA DIRECT	07/01/2008	\$935,000
M08A	ASCENT SOLAR TECHNOLOGIES, INC.	\$0.00	01/01/2009	\$4,158,852.66	BF CHFA DIRECT	01/01/2009	\$4,136,475
M08A	PRIMA MEADOW MOUNTAIN LLC	\$301,500.00	03/01/2028	\$2,284.00	BF CHFA RURAL	07/01/2008	\$299,688
M08A	HOLMBERG	\$375,000.00	06/01/2028	\$2,851.00	BF CHFA RURAL	07/01/2008	\$375,000
M08A	13TH STREET ADVENTURE, LLC	\$754,000.00	05/01/2028	\$5,688.00	BF CHFA DIRECT	07/01/2008	\$752,490
M08A	LIGGINS TOWER APARTMENTS	\$0.00	02/25/2009	\$3,095,806.45	SMART TAX EXEMPT	02/25/2009	\$3,079,500
M08A	BETHLEHEM SQUARE APARTMENTS	\$0.00	02/05/2010		SMART TAX EXEMPT	03/01/2010	\$4,413,000
M08A	BETHLEHEM SQUARE APARTMENTS	\$892,195.00	08/01/2018	\$9,308.35	IRP	07/01/2008	\$892,195
M08A	VILLAGE ON ELIZABETH LLLP	\$900,000.00	06/01/2026	\$5,876.39	SMART TAXABLE	07/01/2008	\$900,000
							\$16,743,286
Grand Total							\$767,162,398

As of June 1, 2008, the following balances were held in the respective subaccounts under the Master Indenture available to originate new Loans:

<u>Accounts</u>	<u>Amounts on Deposit</u> <u>(as of June 1, 2008)</u>
2003 Series A Loan Recycling Account	\$772,644
2006 Series A Taxable Loan Account	301,285
2006 Series A AMT Loan Account	9,376,545
2007 Series B Taxable Loan Account	11,536,679
2007 Series B AMT Loan Account	7,249,000
2007 Series B Non-AMT Loan Account	15,545,960
2008 Series A Taxable Loan Account	212,845
2008 Series A AMT Loan Account	<u>1,096,701</u>
Total	\$46,091,659

APPENDIX H

Certain Terms of the Initial 2008B Liquidity Facility

This Appendix contains a brief summary of certain provisions of the Initial 2008B Liquidity Facility among the Authority, the Trustee and the 2008B Liquidity Facility Provider, as well as certain defined terms used therein. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial 2008B Liquidity Facility are qualified by reference to the related documents. The Initial 2008B Liquidity Facility may be amended at any time without the consent of or notice to Bondholders. Any Alternate Liquidity Facility may have terms substantially different from those of the Initial 2008B Liquidity Facility.

For information regarding the 2008B Liquidity Facility Provider, see Appendix I.

Pursuant to the Initial 2008B Liquidity Facility, the 2008B Liquidity Facility Provider agrees, subject to the terms and conditions therein, to purchase 2008 Series B Bonds in the Daily Rate, Weekly Rate or Term Rate Mode which are tendered by the owners thereof to the Paying Agent or are subject to mandatory purchase but are not remarketed by the 2008B Remarketing Agent.

Certain Definitions

"*Commitment Period*" means the period from the Effective Date of the Initial 2008B Liquidity Facility to and including the earliest of (i) June 24, 2013 (or to an extended date as may become effective under the Initial 2008B Liquidity Facility), (ii) the date on which no 2008 Series B Bonds are outstanding, (iii) the close of business one Business Day following the date on which the 2008 Series B Bonds are converted to Fixed Rate Bonds, Commercial Paper Bonds or SAVRS Rate Bonds, (iv) the close of business on the 30th day (or, if such day is not a Business Day, the next succeeding Business Day) following receipt by the Authority and the Paying Agent of a written notice from the 2008B Liquidity Facility Provider of termination of the Initial 2008B Liquidity Facility, and (v) the date on which the aggregate principal amount of outstanding 2008 Series B Bonds (and interest thereon) has been reduced to zero due to the redemption, repayment or other payment of all of the principal amount of the 2008 Series B Bonds or due to the delivery of an Alternate Liquidity Facility.

"*Purchase Date*" means a Business Day on which 2008 Series B Bonds are subject to optional tender or mandatory purchase.

"*Purchase Price*" means, with respect to any 2008 Series B Bond, the unpaid principal amount thereof plus accrued interest thereon from and including the Interest Payment Date next preceding the Purchase Date thereof to but excluding the Purchase Date thereof, in each case without premium; provided that accrued interest will not be included in the Purchase Price if the applicable Purchase Date is an Interest Payment Date and, provided further that the aggregate amount of the Purchase Price comprising interest on any 2008 Series B Bonds purchased on any Purchase Date will not exceed the lesser of (a) the 2008B Liquidity Facility Provider's interest commitment for the 2008 Series B Bonds (which amount equals the interest on the 2008 Series B Bonds for a period of 183 days based upon an assumed rate of interest of 12% per annum and a 365 day year for the actual number of days elapsed, in any case as such amount shall be adjusted from time to time in accordance with the Initial 2008B Liquidity Facility), or (b) the actual aggregate amount of interest accrued on each such 2008 Series B Bond to but excluding such Purchase Date.

THE INITIAL 2008B LIQUIDITY FACILITY PROVIDES FUNDS ONLY FOR PAYMENT OF THE PURCHASE PRICE AS DESCRIBED ABOVE, DOES NOT SECURE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2008 SERIES B BONDS, AND MAY BE TERMINATED OR SUSPENDED AS DESCRIBED BELOW.

Conditions Precedent to Obligations of the 2008B Liquidity Facility Provider

The obligation of the 2008B Liquidity Facility Provider to purchase the 2008 Series B Bonds on any particular Purchase Date under the Initial 2008B Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by the 2008B Liquidity Facility Provider: (i) the 2008B Liquidity Facility Provider shall have timely received the notices to purchase the unremarketed 2008 Series B Bonds as provided in the Initial 2008B Liquidity Facility, and (ii) the long-term ratings by S&P and Moody's of the 2008 Series B Bonds shall not have been withdrawn, suspended or reduced below "BBB-" by S&P and "Baa3" by Moody's.

Termination by 2008B Liquidity Facility Provider

In the event that the Authority fails to pay to the 2008B Liquidity Facility Provider any commitment fee within five Business Days after the same becomes due, the 2008B Liquidity Facility Provider may terminate the Initial 2008B Liquidity Facility by giving written notice of such termination to the Trustee, the Paying Agent, the Authority, and the 2008B Remarketing Agent, such termination to become effective 30 days (or if such day is not a Business Day, the next following Business Day) after receipt by the Paying Agent of such notice; and on such date the 2008B Liquidity Facility Provider shall be under no obligation to purchase the 2008 Series B Bonds. Promptly upon receipt of such written notice of termination by the Trustee, the Trustee is to give notice to all Owners of the 2008 Series B Bonds that the 2008 Series B Bonds will be subject to mandatory tender for purchase, with no right to retain, not less than 20 days from the date of such notice to such Owners, at the Purchase Price (payable by the 2008B Liquidity Facility Provider) on the date set forth for purchase in such notice. Additionally, in the event of such termination, the Authority will use its best efforts to replace the Initial 2008B Liquidity Facility with an Alternate Liquidity Facility or cause the 2008 Series B Bonds to be Converted to Fixed Rate Bonds or to bear interest at an interest rate mode which does not require a Liquidity Facility. Other events of default are defined under the Initial 2008B Liquidity Facility; however, the 2008B Liquidity Facility Provider has agreed to purchase tendered 2008 Series B Bonds on the terms and conditions of the Initial 2008B Liquidity Facility notwithstanding the occurrence of such events of default. See "Conditions Precedent to Obligations of 2008B Liquidity Facility Provider" under this caption.

Termination by Authority

Upon (i) the withdrawal, suspension or reduction in the rating assigned to the 2008B Liquidity Facility Provider's short-term Bank Deposits Rating of "P-1" by Moody's, or its short-term Counterparty Credit Rating of "A-1" by S&P or the default by the 2008B Liquidity Facility Provider in honoring its payment obligations under the Initial 2008B Liquidity Facility or the 2008B Liquidity Facility Provider seeking recovery of amounts described in the Initial 2008B Liquidity Facility, (ii) the payment to the 2008B Liquidity Facility Provider of all fees, expenses and other amounts payable under the Initial 2008B Liquidity Facility, and (iii) the payment to the 2008B Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate the Initial 2008B Liquidity Facility. In the event of such termination, the 2008 Series B Bonds will be subject to mandatory tender for purchase, the Authority will use its best efforts to replace the Initial 2008B Liquidity Facility with an Alternate Liquidity Facility or cause the 2008 Series B Bonds to be Converted to Fixed Rate Bonds or to bear interest at an interest rate mode which does not require a Liquidity Facility.

Alternate Liquidity Facility

The Authority may replace the Initial 2008B Liquidity Facility with a new Liquidity Facility (an "Alternate Liquidity Facility") in accordance with the procedures set forth in the Indenture. See "Part II – SECURITY FOR THE OBLIGATIONS – Liquidity Facilities."

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APPENDIX I

The 2008B Liquidity Facility Provider

The following information has been obtained from the 2008B Liquidity Facility Provider for inclusion herein. Such information is not guaranteed as to accuracy or completeness by the Authority or the Underwriter and is not to be construed as a representation by the Authority or the Underwriter. Neither the Authority nor the Underwriter have verified this information, and no representation is made by them as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to its date or the date hereof.

Federal Home Loan Bank of Topeka (the "**2008B Liquidity Facility Provider**") is a privately owned corporation organized under the laws of the United States and is located in Topeka, Kansas. The 2008B Liquidity Facility Provider promotes housing and economic development by offering wholesale funding and related products and services that help member financial institutions provide affordable credit in their communities. With approximately \$57 billion in assets and over \$2 billion in capital as of May 31, 2008 (based on unaudited financial statements), the 2008B Liquidity Facility Provider serves approximately 880 member stockholders throughout Colorado, Kansas, Nebraska and Oklahoma. The 2008B Liquidity Facility Provider is one of 12 Federal Home Loan Banks established by Congress in 1932 to relieve financial strains on thrift institutions and to promote homeownership. The 12 Federal Home Loan Banks are regulated by the Federal Housing Finance Board in Washington, D.C.

Moody's Investors Service, Inc. ("**Moody's**") currently rates the 2008B Liquidity Facility Provider's long-term bank deposits as "Aaa" and short-term bank deposits as "P-1". Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**") rates the 2008B Liquidity Facility Provider's long-term counterparty credit as "AAA" and its short-term counterparty credit as "A-1+". Further information with respect to such ratings may be obtained from Moody's and Standard & Poor's, respectively. No assurances can be given that the current ratings of the 2008B Liquidity Facility Provider and its instruments will be maintained.

Copies of the Standby Purchaser's Form 10-K filed with the SEC (containing audited 2007 financial statements) can be found at <http://www.sec.gov/Archives/edgar/data/1325878/000132587808000003/0001325878-08-000003-index.htm>. In addition, copies of all reports filed by the Standby Purchaser with the SEC (including Forms 10-K, 10-K/A, 10-Q, 8-K and 10) can be found at <http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001325878&owner=include&count=40>.

PAYMENTS OF THE PURCHASE PRICE OF THE 2008 SERIES B BONDS WILL BE MADE PURSUANT TO THE INITIAL 2008B LIQUIDITY FACILITY IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE STANDBY BOND PURCHASE AGREEMENT IS A BINDING OBLIGATION OF THE 2008B LIQUIDITY FACILITY PROVIDER, THE 2008 SERIES B BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE FEDERAL HOME LOAN BANK OF TOPEKA AND ARE NOT GUARANTEED BY SUCH BANK. THE 2008 SERIES B BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The inclusion of this information shall not create any implication that there has been no change in the affairs of the 2008B Liquidity Facility Provider since the date hereof, or that the information contained or referred to in this Official Statement is correct as of any time subsequent to its date.

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APPENDIX J

Federal Insurance Programs

Federal Insurance Programs. There are various programs under which mortgage loans for families of low and moderate income may be insured by the FHA, including Section 221(d)(3) and 221(d)(4) of the National Housing Act of 1934, as amended, Section 223(f) pursuant to Section 207 of the National Housing Act and Section 542(c) of the Housing and Community Development Act of 1992, as amended.

The Section 542(c) program was instituted to provide for insurance of multi-family loans pursuant to risk-sharing agreements between HUD and qualified state or local housing agencies, such as the Authority. The FHA regulations applicable to Section 542(c) insurance are contained in 24 CFR Part 266. Under the Section 542(c) program, housing finance agencies may apply to qualify as a participating "HFA." HUD assigns to participating HFAs the authority to originate loans to be insured under this program and the responsibility to administer the program within the guidelines of the risk-sharing agreement, providing, among other matters, that, in the event of a loan default with respect to a loan insured under the Section 542(c) program, the HFA is required to share with HUD in any loss arising as a consequence of the loan default. The Authority has been approved as a participating HFA and has entered into a Risk-Sharing Agreement with HUD dated as of April 26, 1994, as subsequently amended (the "**CHFA Risk-Sharing Agreement**"). Under the CHFA Risk-Sharing Agreement, the Authority has assumed 50% of that risk of loss associated with the Mortgage Loans insured pursuant thereto. The Authority has been allocated in the CHFA Risk-Sharing Agreement 8,660 units to be originated by the Authority in accordance with this Program. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority" for a description of Section 542(c) claims relating to certain outstanding mortgage loans which may increase the general obligations of the Authority.

Applications for insurance commitments under the FHA's Section 221(d)(4) mortgage insurance program may undergo several processing stages. Processing in connection with newly constructed projects may proceed through Site Appraisal and Market Analysis ("**SAMA**") and "firm commitment" stages prior to receiving FHA insurance at the time of "initial endorsement" by FHA evidencing its commitment to insure construction advances or to provide insurance upon completion of construction of the project. Commitments in connection with projects which are being substantially rehabilitated may proceed through a feasibility stage, as well as the firm commitment stage. Processing may include the SAMA or feasibility stages or both stages may be bypassed, with direct application for a firm commitment. After receipt of the firm commitment, the Borrower proceeds to initial closing of the mortgage loan. At the initial closing, the Borrower executes a standard form of FHA mortgage note evidencing the mortgage loan and an FHA standard form of mortgage securing the mortgage note. Concurrently with the execution of the mortgage and mortgage note, FHA initially endorses the mortgage note for mortgage insurance and funds are advanced to provide for initial fees and expenses, including land acquisition costs, title costs, design architect, attorney, inspection and other related fees and expenses. Final endorsement of the mortgage note occurs only after cost certification is completed. Increases in the maximum insurable amount of the mortgage loan approved by FHA and the Authority, as mortgagee, are funded at this time. Amounts remaining to be advanced under the mortgage will be disbursed, contingent upon FHA approval, the receipt of acceptable title insurance endorsements and the fulfillment of certain other obligations of the Borrower. FHA and the Authority, as mortgagee review the final closing documents and the mortgage note is finally endorsed upon a determination by the Authority and the FHA that all requirements of final endorsement have been satisfied.

FHA Insurance Claims in the Event of Default. Under Section 542(c) of the Housing and Community Development Act of 1992, as amended, and the applicable regulations, an event of default under a Section 542(c)-insured mortgage exists when the mortgagor fails to make any payment due under the mortgage or fails to perform any covenant under the mortgage (including covenants in the related CHFA Regulatory Agreement). In the event of a default continuing for a period of 30 days and, in the case of a covenant default, if the Authority accelerates the debt and the mortgagor fails to pay the full amount due, the Authority is entitled to receive FHA insurance benefits to the extent described and upon compliance with the applicable claims procedures set forth in the Housing and Community Development Act of 1992, as amended, and applicable regulations promulgated thereunder. **The proceeds of the initial claim payment, however, must be used to retire any bonds or other financing mechanisms securing the mortgage loan within 30 days of the initial claim payment, and any excess funds resulting from such retirement or repayment must be returned to HUD within 30 days of such retirement. See the discussion of redemption provisions in Part I.** Within 30 days of receiving the initial claim payment, the Authority is required to issue to HUD a debenture (the "**Authority Debenture**"), dated the same date as the initial claim payment is issued and in an amount equal to the full initial claim amount, less any excess funds returned to HUD as described above. The Authority Debenture will be supported by the full faith and credit of the Authority, will have a term of five years and will bear interest at HUD's published debenture rate as provided in the applicable regulations. Interest on the Authority Debenture will be due and payable annually on the anniversary date of the initial claim payment.

The Authority is required to file an application for final settlement in accordance with applicable HUD procedures not later than 30 days after either (a) sale of the mortgaged property after foreclosure or after acquisition by deed-in-lieu of foreclosure or (b) expiration of the term of the Authority Debenture. At the time of final settlement, the amount of the "total loss," as provided in the applicable regulations, will be shared by HUD and the Authority based upon the respective percentage of risk specified in the applicable mortgage note and addendum to the Risk-Sharing Agreement. If the initial claim payment is less than HUD's share of the total loss, HUD is required to make a final claim payment to the Authority equal to the difference and to return the Authority Debenture for cancellation. If the initial claim payment is more than HUD's share of the total loss, the Authority is required to pay the difference within 30 days of notification by HUD of the amount due, and the Authority Debenture will be considered redeemed upon receipt of the payment.

In connection with the Section 221(d)(4) program, the National Housing Act defines an event of default under an FHA-insured mortgage as failure to make any payment due under the mortgage or to perform any other mortgage covenant (which includes covenants in the related financing documents and FHA Regulatory Agreement) if the mortgagee, because of such failure, has accelerated the debt. In the event of a default continuing for a period of 30 days, the mortgagee (i.e., the Authority so long as it is the mortgagee under the mortgage loans) is entitled to receive FHA insurance benefits upon compliance with the applicable claims procedures as set forth in the National Housing Act and applicable regulations promulgated thereunder. In the event of a default on the Mortgage Loan, the FHA will pay insurance benefits equal to the sum of (i) the unpaid principal amount of the Mortgage Loan computed as of the date of default, (ii) certain eligible payments (such as taxes, insurance, special assessments, water rates and payments made by the mortgagee, with the approval of HUD, for the preservation of the Project), and (iii) interest on the insurance proceeds from the date the mortgagee is entitled to receive insurance benefits at the applicable FHA debenture rate (which interest may be limited in the event that certain notices are not given to the FHA within the prescribed time periods). The FHA insurance benefits are reduced, however, by (i) any net income received by the mortgagee from the Project subsequent to the default, (ii) any amounts received by the mortgagee on account of the mortgage loan after a default, (iii) amounts held in escrow by the mortgagee for the account of the Borrower and available to be applied to the outstanding indebtedness under the mortgage loan, and (iv) unless the mortgagee forecloses and conveys title to the

Project to the FHA, an amount equal to 1% of the unpaid principal balance of the mortgage loan. Due to the 30-day grace period before the mortgagee is entitled to receive insurance benefits, FHA insurance benefits do not cover all defaulted interest payments because such proceeds would not include one month's interest on the unpaid principal balance of the Mortgage Loan.

Furthermore, mortgage insurance benefits under Section 221(d)(4) of the National Housing Act are payable in cash unless the mortgagee files a written request for payment in debentures. If debentures are issued to the mortgagee in payment of the FHA mortgage insurance benefits, they are issued as of the date of default, registered as to principal and interest and mature twenty (20) years from their date of issue. The debentures bear interest at the applicable debenture rate from the date of issue, payable semiannually on January 1 and July 1 of each year. FHA debentures are, however, redeemable at the option of the FHA on any interest payment date upon three-months' prior notice at a price equal to their principal amount plus accrued interest. Payment of mortgage insurance benefits under this program will be conditioned upon the satisfactory performance of certain obligations required pursuant to the insurance program, including maintenance of certain escrow accounts, annual inspections, maintenance of property insurance and maintenance of specified records. See "Part II – CERTAIN BONDOWNERS' RISKS - Conditions to Payment of FHA Insurance."

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APPENDIX K

Description of Section 8 Subsidy Program

General. Section 8 of the United States Housing Act of 1937, as amended (the "**1937 Housing Act**"), and regulations promulgated thereunder, provide for the payment of a housing subsidy made to or for the account of the owner of dwelling units occupied by lower income and very low-income families (as further described below under "Eligible Tenants"), which payments are to be administered through state housing finance agencies, including the Authority. The description of the Section 8 Program contained herein is qualified in its entirety by reference to the applicable provisions of the 1937 Act, as amended and the regulations promulgated thereunder.

Eligible Tenants and Occupancy Restrictions. Pursuant to the 1937 Housing Act, as amended, "lower income families" means those families whose income does not exceed 80% of the median income for the area as determined by HUD and "very low-income families" means those families whose income does not exceed 50% of the median income for the area as determined by HUD. Pursuant to amendments to the 1937 Housing Act effected by the Housing and Community Development Amendments of 1981 (the "1981 Amendments"), not more than 10% (subsequently changed to 25%) of the dwelling units which were available for occupancy under HAP Contracts (as defined below) before the effective date of the 1981 Amendments (October 1, 1981) and which will be leased thereafter are available for leasing by lower income families other than very low-income families, and not more than 15% of the dwelling units which become available for occupancy under HAP Contracts after the effective date of the 1981 Amendments are available for leasing by lower income families other than very low-income families, although, except with prior approval of HUD, only very low-income families are eligible tenants for most Section 8 projects after July 1, 1984.

Subsidy Contracts and Pledge of Payments. Under the Section 8 subsidy program, as administered through the Authority, three principal contracts have been executed. First, the Authority enters into an Agreement to Enter Into Housing Assistance Payments Contract ("**Agreement to Enter**") with the developer or owner of the development to be constructed or rehabilitated. With respect to new construction and substantial rehabilitation Projects, the Agreement to Enter is approved by HUD and, subject to certain conditions, commits the owner and the Authority to enter into a Housing Assistance Payments Contract ("**HAP Contract**") upon completion and acceptance of the development. Under the HAP Contract, the Authority agrees to pay a subsidy to or for the account of the owner. At or prior to the time that the Agreement to Enter is executed, the Authority and HUD execute an Annual Contributions Contract ("**ACC**") which provides for the payment to the Authority by HUD of the subsidy which the Authority has contracted to pay to the owner under the HAP Contract. The HAP Contract may be executed with respect to separate stages of a development completed at different times. *With respect to the Projects heretofore financed from Bond proceeds, the terms of the ACCs and HAP Contracts generally have been 20 years, although the terms of the Mortgage Loans with respect to such Projects in most cases exceed 40 years. Certain Projects financed from Bond proceeds are assisted under HUD's Section 8 Moderate Rehabilitation Program, under which the terms of the applicable ACCs and HAP Contracts are a maximum of 15 years, although the terms of the Mortgage Loans with respect to such Projects in most cases exceed 30 years.*

The regulations permit the owner and the Authority to pledge the federal subsidy payments as security for financing of the development. Prior to any disbursement of a Mortgage Loan for a development which is to be subsidized under Section 8, the Authority requires the owner of the development to pledge such federal subsidy payments as security for the Mortgage Loan on the development.

Calculation and Payment of Subsidy. Section 8 subsidies are based upon the Contract Rent applicable to subsidized dwelling units. The Contract Rent must be reasonable in relation to the rents for comparable units in the area, taking into account the quality, location, amenities and management and maintenance services of the development, and must reflect the savings, if any, from the reduced cost of tax-exempt financing or the abatement of real property taxes. The ACC establishes a maximum annual commitment which equals the initial Contract Rent and an allowance for utilities for all assisted units in the development. The Contract Rent may not exceed the applicable HUD-established Fair Market Rent, or in certain cases up to 120% of such Fair Market Rent. Under certain circumstances, the Contract Rent may be changed during the construction or rehabilitation process as a result of unanticipated design changes or due to unforeseen factors beyond the owner's control. In cases where the procedure established by a December 31980 HUD memorandum is applicable, the Fair Market Rent employed for purposes of establishing this ceiling may be the Fair Market Rent in effect when permanent financing is obtained for the related development.

The subsidy is paid into a special account maintained by the Authority for the receipt of Section 8 payments and, upon receipt of satisfactory certifications from the owner, the Authority disburses such payments to the owner.

The amount of subsidy actually payable for the account of the owner is the Contract Rent less the payment, if any, required to be made to the owner by the tenant as determined by HUD. The tenant payment is generally equal to 30% of family income. Thus, the total rental income from subsidized housing units payable to or for the account of the owner is equal to the Contract Rent part being paid by the tenants directly to the owner and the remainder being paid by HUD directly or through the Authority. The proportion of the Contract Rent actually paid by HUD and that actually paid by tenants will vary depending upon tenant income.

Generally, the Section 8 subsidy is payable with respect to the assisted dwelling unit only when it is occupied by an eligible family. However, the law and the regulations provide for payment of the subsidy under certain limited circumstances when the dwelling unit is not occupied as described below.

A subsidy amounting to 80% of the Contract Rent is payable for a vacancy period of up to 60 days (i) during the rent-up period following the completion of the development or a stage of the development and (ii) upon occurrence of a vacancy in an assisted dwelling unit after it is initially rented, subject in each case to compliance by the owner with certain conditions relating primarily to a diligent effort to rent the subsidized unit. With respect to new construction and substantial rehabilitation Projects, such payments may continue for an additional one-year period in an amount equal to the debt service attributable to the unit, contingent upon, among other things, the additional conditions that the unit is in decent, safe and sanitary condition during the vacancy period, that the development is not providing the owner thereof with revenues at least equal to the costs incurred by such owner, that the amount of the payments requested is not in excess of that portion of the deficiency which is attributable to the vacant unit for the period of the vacancy and that there is a reasonable prospect that the development can achieve financial soundness within a reasonable time.

Adjustment of Subsidy Amount. The statute and applicable regulations contain various provisions for review and readjustment of the amount of the subsidy upward or downward, subject to the limitation that in no case shall the adjustment lower the Contract Rent below that effective on the date of the HAP Contract and that no adjustment shall result in a material difference between the rents charged for subsidized and comparable nonsubsidized dwelling units.

On October 23, 1981, HUD promulgated a "Financing Adjustment Factor" in order to help developments achieve financial feasibility in the face of high interest rates (the "**1981 Adjustment**"). The

1981 Adjustment provided that, where necessary to reflect the actual cost of permanent financing, Fair Market Rents would be adjusted by HUD to the extent necessary to reflect an effective interest rate on the permanent financing of up to approximately 12.5%. The regulation and HUD Notice prescribing the 1981 Adjustment stated that, subject to compliance with certain administrative conditions, the Contract Rent for developments eligible for the 1981 Adjustment would be adjusted to reflect the actual financing costs attributable to the effective interest rate on the permanent financing of the developments (up to an effective rate of approximately 12.5%).

Aside from the 1981 Adjustment, provision is made in the regulations for HUD to determine an Annual Adjustment Factor at least annually and to publish such Factor in the Federal Register. On each anniversary date of the HAP Contract, Contract Rent is adjusted in accordance with the Factor. In addition, provision is made in the regulations for discretionary approval of special additional adjustments to reflect increases in actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, utility rates or similar costs, to the extent the owner clearly demonstrates that such general increases are not adequately compensated for by the Annual Adjustments. Pursuant to the 1981 Amendments, any adjustments will be limited to the amount of operating cost increases incurred with respect to comparable unassisted rental dwellings of various sizes and types in the same market area. The principal effect of this limitation is to eliminate the debt service component from the Contract Rent before application of the Annual Adjustment resulting in a smaller annual adjustment to the Contract Rent than would have otherwise been the case.

Funds for the payment of increased subsidies which may result from the adjustments described above are to be obtained in two ways. Provision is made in the law for the payment by HUD into a special reserve account in respect of each subsidized development of the amount by which the Contract Rent in effect from time to time exceeds the actual subsidy paid by HUD (the amount is, in effect, the equivalent of the amount of rent paid by the tenants). The amount of increases in the subsidy payable by reason of increases in the Contract Rent resulting from the adjustment described above will initially be drawn from this account. The regulations provide that when the HUD-approved commitment then in effect would cause the amount in such reserve account to be less than 40% of such maximum annual ACC commitment, HUD shall take such additional steps authorized by subdivision (c)(6) of Section 8 as may be necessary to obtain funds to bring the amount in the account to the 40% level.

Compliance with Subsidy Contracts. The Agreement to Enter, the ACC and the HAP Contract contain numerous agreements on the part of the Authority and the owner including maintenance of the development as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as those relating to nondiscrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either the Authority or the owner, or both, might endanger the payment of the federal subsidy. Reference is made to the complete text of these agreements, the forms of which are available for inspection at the offices of the Authority. *The Authority is not presently aware of any existing default by itself or any owner under the subsidy contracts for any of the Mortgage Loans financed from the proceeds of its Outstanding Bonds, nor does it believe that compliance with any provision of such contracts cannot be attained.* Prior to any disbursement of a Mortgage Loan for a development to be subsidized under Section 8, the Authority has entered into an agreement with the owner requiring the owner to take or refrain from taking action as necessary to maintain eligibility for Section 8 subsidies for assisted dwelling units in the development during the term of the HAP Contract.

The regulations provide that, in the event of foreclosure, or assignment or sale to the Authority in lieu of foreclosure, or in the event of an assignment or sale approved by HUD (which approval shall not be unreasonably delayed or withheld), subsidy payments will continue in accordance with the HAP Contract.

Revised Procedures for New Construction and Substantial Rehabilitation. Revised regulations governing the Section 8 subsidy program for state housing agencies with respect to new construction and substantial rehabilitation projects are in effect (together, the "**Revised Regulations**"). The Revised Regulations effected substantial changes in the processing and financing of housing developments under the Section 8 subsidy program. Except for certain provisions dealing with the termination and modification of leases, the Revised Regulations are not applicable to the developments permanently financed by the Bonds of the Authority issued prior to 1982. The Revised Regulations have effected several changes to the Section 8 subsidy program regulations, including a requirement that owners use their best efforts to achieve occupancy by families with incomes averaging at least 40% of the median income in the area for the purpose of promoting economically mixed housing (the revised regulation provides that owners must undertake marketing activities which will result in leasing assisted units to non-elderly families).

Regulations Applicable to Moderate Rehabilitation. The regulations applicable to moderate rehabilitation under Section 8 differ, in certain respects, from those for new construction and substantial rehabilitation. Among such differences, the moderate rehabilitation regulations provide that:

- (a) Fair Market is determined by a different HUD schedule;
- (b) the initial Contract Rent may exceed Fair Market Rent by a maximum of 20%, if warranted by special circumstances acceptable to HUD; and
- (c) the HAP Contract must be for a term of 15 years; and
- (d) the initial lease must be for at least one year and any renewal or extension must not exceed the remaining term of the HAP Contract.

The regulations provide that for moderate rehabilitation HAP contracts with expiration dates between October 1, 2000 and September 30, 2002, renewal HAP contracts will be executed pursuant to Section 524(b)(3) of MAHRA at rent levels equal to the lesser of:

- (a) existing contract rents, adjusted by an Operating Cost Adjustment Factor (OCAF);
- (b) the moderate rehabilitation fair market rents (i.e., 120% of the existing fair market rents) less any amounts allowed for tenant-purchased utilities; or
- (iii) comparable market rents for the market area.

Mark-to-Market Program and Other Options for Expiring HAP Contracts. In 1997, Congress approved the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("**Title V**"). Amended by Public Law 106-74, enacted in October 1999, Title V provides certain options to owners seeking renewal of HAP Contracts, including a program (the "**Mark-to-Market Program**"), beginning in fiscal year 1999, pursuant to which projects having FHA-insured mortgages, expiring HAP Contracts and above-market rents, including certain projects financed by the Mortgage Loans, are eligible for debt restructuring plans provided that rent levels are reduced to comparable market levels. Such restructuring may include refinancing and/or partial payment of mortgage debt necessary to permit the required reduction of rent levels. As part of the restructuring plan, HAP Contracts are to be renewed to provide either project-based assistance (in which case the payments would be reduced based on reduced rent levels) or tenant-based assistance, subject to the availability of funding. The Section 8 subsidy is required to remain project-based if (a) there is a market-wide vacancy rate of 6% or less; (b) at least 50% of the units in the project are occupied by elderly and/or disabled families; or (c) the project is held by a nonprofit cooperative ownership housing corporation or trust. Otherwise, the restructuring plan will also

include an assessment, based on factors set forth in regulations promulgated under Title V, as to whether some or all of the assistance should be converted to tenant-based subsidy.

Alternatively, owners eligible for the Mark-to-Market Program may elect to apply for HAP Contract renewal under such program, assuming a reduction in rent levels to comparable market levels, without debt restructuring. Title V requires HUD to renew HAP Contracts for project-based assistance, upon request of the owner, but at reduced payment levels based on rents reduced to comparable market levels, absent certain material adverse conduct or conditions described in the succeeding paragraph; provided, however, that such renewal is not required if the project is eligible for the Mark-to-Market Program, no approved restructuring plan is in place, and HUD determines that such restructuring is required. Certain "exception projects" (including projects having non-FHA-insured loans, moderate rehabilitation projects, and projects having FHA-insured loans financed by a state government, local government, or an agency or instrumentality thereof, such as the Authority, if HUD determines that implementation of a mortgage restructuring plan would be in conflict with applicable law or agreements governing the financing) are eligible for renewal of project-based assistance, without restructuring, with rents at the lesser of: (i) existing rents adjusted by an operating costs adjustment factor ("OCAF") established by HUD; or (ii) a budget-based rent determined by HUD. In addition, Title V provides that owners of certain projects having FHA-insured mortgages and below market rents may elect to be entered into a Mark-Up-to-Market Program pursuant to which rent levels for such projects may be increased to market or near market levels.

Title V provides that no restructuring or renewal of HAP Contracts will occur if the owner of the project, or affiliate, has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner. In addition, although Title V offers options to owners seeking to renew HAP Contracts, owners are under no obligation to do so and may elect to opt out of the Section 8 program. Elections to pursue any of the options under Title V must be made at least 120 days prior to the expiration of the existing HAP Contract to avoid a lapse in subsidy coverage. While applications for the debt restructuring and/or renewal of HAP Contracts are pending, the HAP contract may be renewed as follows: (i) at current rents for a period not exceeding one year (or the closing of the restructuring plan, if earlier) and (ii) at comparable rent levels for any subsequent periods; provided however, that with respect to contract renewal for "exception projects" the extension term is to be determined by HUD.

Payments due under any HAP Contract, including renewal contracts, are subject to annual appropriation and adjustment as described herein.

Generally, the HAP contracts applicable to the Projects are renewals of previous HAP contracts, in some cases after "mark-to-market" mortgage restructurings, pursuant to Title V. The insured and uninsured rental loans typically require borrowers to renew the respective HAP contract for the longer of the minimum period that the related project is subject to low-income occupancy and rent restrictions under the CHFA Regulatory Agreement (15 or 20 years) or the period the insured or uninsured rental loan is outstanding. There is no assurance that such renewals will be provided by HUD, as they are subject, among other things, to the availability of Congressional appropriations. The failure or inability to renew the HAP contracts could adversely affect the sufficiency of Revenues and assets pledged under the Master Indenture for payment of the Bonds outstanding thereunder or increase the level of prepayments. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

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APPENDIX L

Forms of Continuing Disclosure Undertakings

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by FORT CARSON FAMILY HOUSING, LLC (the "**Borrower**"), in connection with the purchase by the Colorado Housing and Finance Authority (the "**Authority**") of the Taxable Fort Carson Housing Revenue Bonds, Series 2006, Class II and the Taxable Fort Carson Housing Revenue Bonds, Series 2006, Class III (collectively, the "**Fort Carson 2006 Bonds**").

BACKGROUND

1. The purchase of the Fort Carson 2006 Bonds by the Authority is being funded with proceeds of the Authority's Multi-Family/Project Bonds, 2006 Series B (the "**Series Bonds**"). The Series Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**") and the 2006 Series B Indenture dated as of November 1, 2006 (the "**Series Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**"). The Series Bonds are being issued to attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act.

2. In connection with the offering and sale of the Series Bonds, potential investors will receive an Official Statement provided by the Authority (as defined below, the "**Official Statement**"). The Official Statement includes certain information concerning the Fort Carson 2006 Bonds and the Borrower. The Official Statement also includes information concerning the Fort Carson Project (as defined in the Official Statement).

3. In connection with the issuance of the Series Bonds, the Authority is entering into a Continuing Disclosure Undertaking under which it will agree to provide certain ongoing information concerning the Fort Carson 2006 Bonds, the Fort Carson Project and the Borrower, to the extent such information is received from the Borrower.

4. The Borrower has agreed to make certain continuing disclosure undertakings for the benefit of the Authority and the owners (including beneficial owners) of the Series Bonds.

BORROWER COVENANTS AND AGREEMENTS

Section 1. Definitions.

(a) "Annual Financial Information" means the financial information or operating data with respect to the Borrower, the Fort Carson 2006 Bonds and the Fort Carson Project, delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, substantially similar to the type set forth with respect to the Borrower, the Fort Carson 2006 Bonds and the Fort Carson Project in **Appendix G-1 – "CERTAIN INFORMATION ABOUT THE FORT CARSON 2006 BONDS AND THE FORT CARSON PROJECT – The Fort Carson Project – Operating Results,"** "– Security and Sources of Payment for the Fort Carson Bonds – The Basic Allowance for Housing" and "– Schedule 1 – ProForma Cashflow Statements" of the

Official Statement, which Annual Financial Information may be presented in a form mutually acceptable to the Authority and the Borrower.

(b) "Audited Financial Statements" means the annual financial statements for the Borrower prepared in accordance with generally accepted accounting principles, audited by a firm of certified public accountants.

(c) "Authority" means the Colorado Housing and Finance Authority.

(d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-797-6700.

(e) "National Repository" means, at the Authority's option, either (i) each Nationally Recognized Municipal Securities Information Repository (collectively, the "NRMSIRs") recognized by the Securities and Exchange Commission from time to time for purposes of 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, or (ii) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositories by some other means), including without limitation the central post office known as DisclosureUSA, managed by the Municipal Advisory Council of Texas and located at the website www.DisclosureUSA.org.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Series Bonds.

(g) "Repository" means (i) each National Repository and (ii) any SID.

(h) "SID" means any State Information Depository operated or designated by the State of Colorado that receives information from all issuers within the State. As of the date of this Disclosure Certificate, no SID exists for the State.

(i) "State" means the State of Colorado.

Section 2. Provision of Annual Information.

(a) Commencing with the fiscal year ending December 31, 2006 and annually while the Series Bonds remain outstanding, the Borrower agrees to provide or cause to be provided annually to the Authority the following information:

- i. Annual Financial Information; and
- ii. Audited Financial Statements.

(b) Such Annual Financial Information and Audited Financial Statements shall be provided to the Authority not later than 120 days after the end of each fiscal year for the Borrower. The Authority shall forward the Annual Financial Information and the Audited Financial Statements so provided to each Repository annually, to the extent received from the Borrower. The Authority shall have no obligation to examine or review the Annual Financial Information or the Audited Financial Statements, and shall have no duty to verify the accuracy or completeness of the Annual Financial Information or the Audited Financial Statements.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law. The Borrower shall provide to the Authority Annual Financial Information and Audited Financial Statements in such form and by such means as shall be requested by the Authority from time to time to enable the Authority to comply with the preceding sentence.

Section 4. Enforcement. The obligations of the Borrower hereunder shall be for the benefit of the Authority and the owners (including beneficial owners) of the Series Bonds. The owner or beneficial owner of any Series Bonds or the Authority is authorized to take action to seek specific performance by court order to compel the Borrower to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to the Authority and the owners or beneficial owners of the Series Bonds; provided, that, the Authority or any owner or beneficial owner of Series Bonds seeking to require the Borrower to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Borrower of the Borrower's failure, giving reasonable detail of such failure following which notice the Borrower shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of the Borrower hereunder shall not constitute an Event of Default under the Indenture and none of the rights and remedies provided by the Indenture shall be available to the owners of the Series Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Borrower 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 annual information, in addition to that which is required by this Disclosure Certificate; provided that the Borrower shall not be required to do so. If the Borrower chooses to include any annual information in addition to that which is specifically required by this Disclosure Certificate, the Borrower shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the Series Bonds and shall extend to the date all principal and interest on the Series Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Indenture.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Borrower may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, only with the consent of the owners or beneficial owners of the Series Bonds and the written approval of the Authority. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Borrower shall provide notice of such amendment to the Authority, and the Authority shall then forward such notice to each Repository.

Section 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Borrower, the Authority and the owners (including beneficial owners) from time to time of the Series Bonds, and shall create no rights in any other person or entity.

Date: November 29, 2006.

FORT CARSON FAMILY HOUSING, LLC

By: _____
Name: _____
Title: _____

AGREED to with regard to the Authority's
duties under Sections 2(b), 3 and 7:

COLORADO HOUSING AND FINANCE AUTHORITY

By: _____
Name: _____
Title: _____

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by AIR FORCE ACADEMY MILITARY COMMUNITIES, LLC (the "**Borrower**"), in connection with the purchase by the Colorado Housing and Finance Authority (the "**Authority**") of the Military Housing Taxable Revenue Bonds (Air Force Academy Housing Privatization Project), Series 2007A (Class I, Class II, Class III and Class IV) (collectively, the "**2007 Issued Air Force Academy Bonds**").

BACKGROUND

5. The purchase of the Air Force Academy Bonds by the Authority is being funded with proceeds of the Authority's Multi-Family/Project Bonds, 2007 Series A (the "**Series Bonds**"). The Series Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**") and the 2007 Series A Indenture dated as of May 1, 2007 (the "**Series Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**"). The Series Bonds are being issued to attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act.

6. In connection with the offering and sale of the Series Bonds, potential investors will receive an Official Statement provided by the Authority (as defined below, the "**Official Statement**"). The Official Statement includes certain information concerning the 2007 Issued Air Force Academy Bonds and the Borrower. The Official Statement also includes information concerning the Air Force Academy Project (as defined in the Official Statement).

7. In connection with the issuance of the Series Bonds, the Authority is entering into a Continuing Disclosure Undertaking under which it will agree to provide certain ongoing information concerning the Air Force Academy Bonds, the Air Force Academy Project and the Borrower, to the extent such information is received from the Borrower.

8. The Borrower has agreed to make certain continuing disclosure undertakings for the benefit of the Authority and the owners (including beneficial owners) of the Series Bonds.

BORROWER COVENANTS AND AGREEMENTS

Section 1. Definitions.

(a) "Annual Financial Information" means the financial information or operating data with respect to the Borrower, the 2007 Issued Air Force Academy Bonds and the Air Force Academy Project, delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, substantially similar to the type set forth with respect to the Borrower, the 2007 Issued Air Force Academy Bonds and the Air Force Academy Project in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2007A LOAN AND THE AIR FORCE ACADEMY PROJECT – The Military Housing Privatization Project at the United States Air Force Academy – Projected Operations," "– Security and Sources of Payment for the Air Force Academy Bonds – The Basic Allowance for Housing" and "– Schedule 1 – ProForma Cashflow Statements" of the Official Statement, which Annual Financial Information may be presented in a form mutually acceptable to the Authority and the Borrower.

(b) "Audited Financial Statements" means the annual financial statements for the Borrower prepared in accordance with generally accepted accounting principles, audited by a firm of certified public accountants.

(c) "Authority" means the Colorado Housing and Finance Authority.

(d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-797-6700.

(e) "National Repository" means, at the Authority's option, either (i) each Nationally Recognized Municipal Securities Information Repository (collectively, the "NRMSIRs") recognized by the Securities and Exchange Commission from time to time for purposes of 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, or (ii) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositories by some other means), including without limitation the central post office known as DisclosureUSA, managed by the Municipal Advisory Council of Texas and located at the website www. DisclosureUSA.org.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Series Bonds.

(g) "Repository" means (i) each National Repository and (ii) any SID.

(h) "SID" means any State Information Depository operated or designated by the State of Colorado that receives information from all issuers within the State. As of the date of this Disclosure Certificate, no SID exists for the State.

(i) "State" means the State of Colorado.

Section 2. Provision of Annual Information.

(a) Commencing with the fiscal year ending December 30, 2007 and annually while the Series Bonds remain outstanding, the Borrower agrees to provide or cause to be provided annually to the Authority the following information:

- i. Annual Financial Information; and
- ii. Audited Financial Statements.

(b) Such Annual Financial Information and Audited Financial Statements shall be provided to the Authority not later than 120 days after the end of each fiscal year for the Borrower. The Authority shall forward the Annual Financial Information and the Audited Financial Statements so provided to each Repository annually, to the extent received from the Borrower. The Authority shall have no obligation to examine or review the Annual Financial Information or the Audited Financial Statements, and shall have no duty to verify the accuracy or completeness of the Annual Financial Information or the Audited Financial Statements.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law. The Borrower shall provide to the Authority Annual Financial Information and Audited Financial Statements in such form and by such means as shall be requested by the Authority from time to time to enable the Authority to comply with the preceding sentence.

Section 4. Enforcement. The obligations of the Borrower hereunder shall be for the benefit of the Authority and the owners (including beneficial owners) of the Series Bonds. The owner or beneficial owner of any Series Bonds or the Authority is authorized to take action to seek specific performance by court order to compel the Borrower to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to the Authority and the owners or beneficial owners of the Series Bonds; provided, that, the Authority or any owner or beneficial owner of Series Bonds seeking to require the Borrower to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Borrower of the Borrower's failure, giving reasonable detail of such failure following which notice the Borrower shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of the Borrower hereunder shall not constitute an Event of Default under the Indenture and none of the rights and remedies provided by the Indenture shall be available to the owners of the Series Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Borrower 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 annual information, in addition to that which is required by this Disclosure Certificate; provided that the Borrower shall not be required to do so. If the Borrower chooses to include any annual information in addition to that which is specifically required by this Disclosure Certificate, the Borrower shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the Series Bonds and shall extend to the date all principal and interest on the Series Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Indenture.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Borrower may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, only with the consent of the owners or beneficial owners of the Series Bonds and the written approval of the Authority. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Borrower shall provide notice of such amendment to the Authority, and the Authority shall then forward such notice to each Repository.

Section 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Borrower, the Authority and the owners (including beneficial owners) from time to time of the Series Bonds, and shall create no rights in any other person or entity.

Date: May 1, 2007.

AIR FORCE ACADEMY MILITARY
COMMUNITIES, LLC

By: FC-Hunt LLC, a Colorado limited liability
company, as its Managing Member

By: Forest City Residential Group, Inc., an Ohio
corporation, its Managing Member

By: _____
Thomas W. Henneberry
Executive Vice President

AGREED to with regard to the Authority's
duties under Sections 2(b), 3 and 7:

COLORADO HOUSING AND FINANCE AUTHORITY

By: _____
Name: _____
Title: _____

AUTHORITY CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by the COLORADO HOUSING AND FINANCE AUTHORITY, a body corporate and political subdivision of the State of Colorado (the "**Authority**"), in connection with the issuance of the Colorado Housing and Finance Authority Multi-Family/Project Bonds, 2008 Series B (the "**Series Bonds**"). The Series Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**") and the 2008 Series B Indenture dated as of June 1, 2008 (the "**Series Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**").

BACKGROUND

1. The Series Bonds are being issued to attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act. Proceeds of the Series Bonds will be used by the Authority to refund the Authority's Multi-Family/Project Bonds, 2006 Series B (the "**2006 Series B Bonds**"), the proceeds of which were used to purchase the Taxable Fort Carson Housing Revenue Bonds, Series 2006, Class II and the Taxable Fort Carson Housing Revenue Bonds, Series 2006, Class III (the "**Fort Carson Loan Obligations**") from Fort Carson Family Housing, LLC (the "**Borrower**"). Proceeds of the Fort Carson Loan Obligations are being used by the Borrower to finance certain rental housing facilities at the Fort Carson Army Base in Colorado Springs, Colorado (as further described in the Official Statement defined below, the "**Fort Carson Project**").

2. The Authority has agreed to make certain continuing disclosure undertakings for the benefit of the owners (including beneficial owners) of the Series Bonds.

3. The Borrower has agreed to make certain continuing disclosure undertakings for the benefit of the Authority and the owners (including beneficial owners) of the Series Bonds.

4. This Disclosure Certificate is not intended to satisfy the requirements of Rule 15c2-12 of the Securities and Exchange Commission, which are not applicable to the Series Bonds. However, disclosures made by the Authority as provided in this Disclosure Certificate are intended to satisfy disclosure requirements which may exist as a result of other continuing disclosure undertakings entered by the Authority in connection with other series bonds under the Master Indenture.

AUTHORITY COVENANTS AND AGREEMENTS

Section 1. Definitions.

(a) "Annual Financial Information" means the financial information or operating data with respect to the Borrower, the Fort Carson Obligations and the Fort Carson Project delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, which the Borrower has agreed to provide to the Authority in the Continuing Disclosure Undertaking entered by the Borrower in connection with the 2006 Series B Bonds.

(b) "Audited Financial Statements" means the annual financial statements for the Borrower, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

(c) "Borrower" means Fort Carson Family Housing, LLC, a Delaware limited liability company.

(d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-683-1930.

(e) "National Repository" means, at the Authority's option, either (i) each Nationally Recognized Municipal Securities Information Repository (collectively, the "NRMSIRs") recognized by the Securities and Exchange Commission from time to time for purposes of 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, or (ii) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositories by some other means), including without limitation the central post office known as DisclosureUSA, managed by the Municipal Advisory Council of Texas and located at the website www.DisclosureUSA.org.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Series Bonds.

(g) "Repository" means (i) each NRMSIR and (ii) any SID.

(h) "SID" means any State Information Depository operated or designated by the State of Colorado that receives information from all issuers within the State. As of the date of this Disclosure Certificate, no SID exists for the State.

(i) "State" means the State of Colorado.

Section 2. Provision of Annual Information and Reporting of Events.

(a) The Borrower has separately agreed, for the benefit of the Authority and the owners (including beneficial owners) of the Series Bonds, to provide to the Authority Annual Financial Information and Audited Financial Statements with respect to itself not later than 120 days after the end of each fiscal year for such Borrower, commencing with the fiscal year ending December 31, 2008. The Authority agrees to forward to each Repository such Annual Financial Information and Audited Financial Statements on an annual basis to the extent received from the Borrower. The Authority's obligations under this paragraph (a) shall be contingent on its receipt of information from the Borrower as required by and in accordance with the Continuing Disclosure Undertaking delivered by the Borrower as of the date hereof. The Authority has no obligation to examine or review such Annual Financial Information or Audited Financial Statements or to verify the accuracy or completeness of such Annual Financial Information or Audited Financial Statements, and is not otherwise obligated to make such continuing disclosure on behalf of the Borrower.

(b) At any time the Series Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB and any SID notice of the failure of the Borrower to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 2(a) hereof.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law.

Section 4. Enforcement. The obligations of the Authority hereunder shall be for the benefit of the owners (including beneficial owners) of the Series Bonds. The owner or beneficial owner of any Series Bonds is authorized to take action to seek specific performance by court order to compel the

Authority to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Series Bonds; provided, that, any owner or beneficial owner of Series Bonds seeking to require the Authority to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Authority of the Authority's failure, giving reasonable detail of such failure following which notice the Authority shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of Authority hereunder shall not constitute an Event of Default under the Indenture and none of the rights and remedies provided by the Indenture shall be available to the owners of the Series Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication in addition to that which is required by this Disclosure Certificate; provided that the Authority shall not be required to do so. If the Authority chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or event filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the Series Bonds and shall extend to the date all principal and interest on the Series Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Indenture.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Authority may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, only the consent of the owners or beneficial owners of the Series Bonds.

Section 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority and the owners (including beneficial owners) from time to time of the Series Bonds, and shall create no rights in any other person or entity.

Dated June 25, 2008.

COLORADO HOUSING AND FINANCE
AUTHORITY

By: _____
Name: _____
Title: _____

AUTHORITY CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by the COLORADO HOUSING AND FINANCE AUTHORITY, a body corporate and political subdivision of the State of Colorado (the "**Authority**"), in connection with the issuance of the Colorado Housing and Finance Authority Multi-Family/Project Bonds, 2008 Series B (the "**Series Bonds**"). The Series Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**") and the 2008 Series B Indenture dated as of June 1, 2008 (the "**Series Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**").

BACKGROUND

1. The Series Bonds are being issued to attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes, as amended. Proceeds of the Series Bonds will be used by the Authority to refund the Authority's Multi-Family/Project Bonds, 2007 Series A (the "**2007 Series A Bonds**") the proceeds of which were used to purchase the Military Housing Taxable Revenue Bonds (Air Force Academy Housing Privatization Project), Series 2007A (Class I, Class II, Class III and Class IV) (the "**Air Force Academy Loan Obligations**") from Air Force Academy Military Communities, LLC (the "**Borrower**"). Proceeds of the Air Force Academy Loan Obligations are being used by the Borrower to finance certain rental housing facilities at the United States Air Force Academy in El Paso County, Colorado (as further described in the Official Statement defined below, the "**Air Force Academy Project**").

2. The Authority has agreed to make certain continuing disclosure undertakings for the benefit of the owners (including beneficial owners) of the Series Bonds.

3. The Borrower has agreed to make certain continuing disclosure undertakings for the benefit of the Authority and the owners (including beneficial owners) of the Series Bonds.

4. This Disclosure Certificate is not intended to satisfy the requirements of Rule 15c2-12 of the Securities and Exchange Commission, which are not applicable to the Series Bonds. However, disclosures made by the Authority as provided in this Disclosure Certificate are intended to satisfy disclosure requirements which may exist as a result of other continuing disclosure undertakings entered by the Authority in connection with other series bonds under the Master Indenture.

AUTHORITY COVENANTS AND AGREEMENTS

Section 1. Definitions.

(a) "Annual Financial Information" means the financial information or operating data with respect to the Borrower, the Air Force Academy Obligations and the Air Force Academy Project delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, which the Borrower has agreed to provide to the Authority in the Continuing Disclosure Undertaking entered by the Borrower in connection with the 2007 Series A Bonds.

(b) "Audited Financial Statements" means the annual financial statements for the Borrower, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

(c) "Borrower" means Air Force Academy Military Communities, LLC, a Delaware limited liability company.

(d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-683-1930.

(e) "National Repository" means, at the Authority's option, either (i) each Nationally Recognized Municipal Securities Information Repository (collectively, the "NRMSIRs") recognized by the Securities and Exchange Commission from time to time for purposes of 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, or (ii) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositories by some other means), including without limitation the central post office known as DisclosureUSA, managed by the Municipal Advisory Council of Texas and located at the website www.DisclosureUSA.org.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Series Bonds.

(g) "Repository" means (i) each NRMSIR and (ii) any SID.

(h) "SID" means any State Information Depository operated or designated by the State of Colorado that receives information from all issuers within the State. As of the date of this Disclosure Certificate, no SID exists for the State.

(i) "State" means the State of Colorado.

Section 2. Provision of Annual Information and Reporting of Events.

(a) The Borrower has separately agreed, for the benefit of the Authority and the owners (including beneficial owners) of the Series Bonds, to provide to the Authority Annual Financial Information and Audited Financial Statements with respect to itself not later than 120 days after the end of each fiscal year for such Borrower, commencing with the fiscal year ending December 30, 2007. The Authority agrees to forward to each Repository such Annual Financial Information and Audited Financial Statements on an annual basis to the extent received from the Borrower. The Authority's obligations under this paragraph (a) shall be contingent on its receipt of information from the Borrower as required by and in accordance with the Continuing Disclosure Undertaking delivered by the Borrower as of the date hereof. The Authority has no obligation to examine or review such Annual Financial Information or Audited Financial Statements or to verify the accuracy or completeness of such Annual Financial Information or Audited Financial Statements, and is not otherwise obligated to make such continuing disclosure on behalf of the Borrower.

(b) At any time the Series Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB and any SID notice of the failure of the Borrower to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 2(a) hereof.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law.

Section 4. Enforcement. The obligations of the Authority hereunder shall be for the benefit of the owners (including beneficial owners) of the Series Bonds. The owner or beneficial owner of any Series Bonds is authorized to take action to seek specific performance by court order to compel the Authority to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Series Bonds; provided, that, any owner or beneficial owner of Series Bonds seeking to require the Authority to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Authority of the Authority's failure, giving reasonable detail of such failure following which notice the Authority shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of Authority hereunder shall not constitute an Event of Default under the Indenture and none of the rights and remedies provided by the Indenture shall be available to the owners of the Series Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication in addition to that which is required by this Disclosure Certificate; provided that the Authority shall not be required to do so. If the Authority chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or event filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the Series Bonds and shall extend to the date all principal and interest on the Series Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Indenture.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Authority may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, only the consent of the owners or beneficial owners of the Series Bonds.

Section 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority and the owners (including beneficial owners) from time to time of the Series Bonds, and shall create no rights in any other person or entity.

Dated June 25, 2008.

COLORADO HOUSING AND FINANCE
AUTHORITY

By: _____
Milroy A. Alexander
Executive Director

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