

## NEW ISSUE - Book-Entry Only

INTEREST ON THE TAXABLE 2005 SERIES A-1 BONDS IS **NOT** EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, interest on the 2005 Series A-2 Bonds and the 2005 Series A-3 Bonds (except for interest on any 2005 Series A-3 Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2005 Series A-3 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2005 Series A Bonds (the "Tax Code")) is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; however, (a) interest on the 2005 Series A-3 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under federal income tax laws, and (b) interest on the 2005 Series A-2 Bonds is excluded from alternative minimum taxable income as defined in section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described herein. In addition, in the opinion of Bond Counsel, the 2005 Series A 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 2005 Series A Bonds. See "Part I – TAX MATTERS."



## \$96,250,000 COLORADO HOUSING AND FINANCE AUTHORITY Multi-Family/Project Bonds

**\$33,740,000**  
**Class I Taxable**  
**Adjustable Rate Bonds**  
**2005 Series A-1**

**\$22,235,000**  
**Class I**  
**Adjustable Rate Bonds**  
**2005 Series A-2**  
**(non-AMT)**

**\$40,275,000**  
**Class II Bonds**  
**Adjustable Rate Bonds**  
**2005 Series A-3**  
**(AMT)**

**Dated:** Date of Delivery

**Due:** April 1, as shown below

The 2005 Series A Bonds are being issued by the Colorado Housing and Finance Authority in the series shown above as fully registered bonds pursuant to a Master Indenture of Trust dated as of March 1, 2000, as amended, and a 2005 Series A Indenture of Trust dated as of April 1, 2005, each between the Authority and Wells Fargo Bank, National Association, as Trustee.

The 2005 Series A Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2005 Series A Bonds and nominee of The Depository Trust Company, New York, New York. One fully registered bond equal to the principal amount of each maturity of the 2005 Series A Bonds will be registered in the name of Cede & Co. Individual purchases of 2005 Series A Bonds will be made in book-entry form only, and beneficial owners of the 2005 Series A Bonds will not receive physical delivery of bond certificates representing their interest in the 2005 Series A 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 2005 Series A Bonds. Payments of principal of and interest on the 2005 Series A 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 2005 Series A Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

Proceeds of the 2005 Series A Bonds are expected to be used to acquire and originate certain insured and uninsured rental and business loans previously made or to be made to borrowers to assist them in financing or refinancing certain projects in Colorado. Proceeds of the 2005 Series A Bonds will also be used to refund certain outstanding bonds of the Authority and to make deposits to certain funds and accounts in accordance with the 2005 Series A Indenture.

Each series of the 2005 Series A Bonds initially will bear interest at a weekly rate (the "Weekly Rate") determined prior to the date of delivery of the 2005 Series A Bonds to be effective to and including the following Tuesday, and thereafter determined on each Tuesday by Lehman Brothers<sup>†</sup> in its capacity as the 2005A 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 any or all series of the 2005 Series A Bonds or any portion thereof may be adjusted to a Commercial Paper Rate, Daily Rate, Term Rate, Select Auction Variable Rate Securities<sup>SM</sup> ("SAVRS") Rate or Fixed Rate as described herein. Interest on the 2005 Series A 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, 2005, on any redemption date and at maturity.

While any of the 2005 Series A Bonds are in an Interest Period other than a Fixed Rate Mode, Commercial Paper Mode or SAVRS Rate Mode, holders of any such 2005 Series A 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 such Taxable 2005 Series A-1 Bonds and 2005 Series A-3 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 2005A-1/A-3 Liquidity Facility") among the Authority, Federal Home Loan Bank of Topeka (the "2005A-1/A-3 Liquidity Facility Provider") and Wells Fargo Bank, National Association, as Paying Agent. Coverage under the Initial 2005A-1/A-3 Liquidity Facility, unless extended or earlier terminated, is stated to expire on April 12, 2010. Payment of the purchase price for such 2005 Series A-2 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 2005A-2 Liquidity Facility") among the Authority, Dexia Credit Local, acting through its New York Branch (the "2005A-2 Liquidity Facility Provider") and the Paying Agent. Coverage under the Initial 2005A-2 Liquidity Facility, unless extended or earlier terminated, is stated to expire on April 13, 2012. Under certain circumstances, the obligation of a 2005A Liquidity Facility Provider to purchase the related 2005 Series A Bonds tendered by the owners thereof or subject to mandatory purchase may be terminated or suspended and, in some of such circumstances, the termination or 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 2005 Series A Bonds tendered by the owners of such 2005 Series A Bonds or subject to mandatory purchase.

### MATURITY SCHEDULES

\$33,740,000 Class I Taxable Adjustable Rate Bonds, 2005 Series A-1 due April 1, 2036 - Price: 100% (CUSIP: 196479 KN8\*)

\$22,235,000 Class I Adjustable Rate Bonds, 2005 Series A-2 due April 1, 2036 - Price: 100% (CUSIP: 196479 KP3\*)

\$40,275,000 Class II Adjustable Rate Bonds, 2005 Series A-3 due April 1, 2040 - Price: 100% (CUSIP: 196479 KQ1\*)

*Certain of the 2005 Series A Bonds are subject to special redemption, optional redemption and mandatory or cumulative sinking fund redemption prior to maturity at par and as otherwise 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 Taxable 2005 Series A-1 Bonds and the 2005 Series A-2 Bonds are being issued as Class I 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 I Obligations now or hereafter outstanding under the Master Indenture. The 2005 Series A-2 Bonds will be special limited obligations of the Authority, and the Taxable 2005 Series A-1 Bonds will also be payable as general obligations of the Authority. The 2005 Series A-3 Bonds will be special, limited obligations of the Authority payable solely from the revenues, assets and money pledged under the Master Indenture 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 Bonds. 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 2005 Series A 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).**

*This cover page contains only a brief description of the Authority, the 2005 Series A Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2005 Series A 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 2005 Series A Bonds are offered when, as and if issued and delivered to the Underwriters, 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 L.L.P., Denver, Colorado, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the 2005A-1/A-3 Liquidity Facility Provider by its assistant general counsel, Tad M. Kramar, Esq. and for the 2005A-2 Liquidity Facility Provider by its special counsel, Kutak Rock LLP, Atlanta, Georgia. The Underwriters are being represented in connection with their purchase of the 2005 Series A Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. It is expected that the 2005 Series A Bonds will be delivered (through DTC) in New York, New York on or about April 13, 2005.

## LEHMAN BROTHERS<sup>†</sup>

**Newman & Associates,**  
a Division of GMAC Commercial Holding Capital Markets Corp.

**George K. Baum & Company**

**RBC Dain Rauscher Inc.**

**Stifel, Nicolaus & Company Incorporated**  
Hanifen Imhoff Division

**Piper Jaffray & Co.**

**A.G. Edwards & Sons, Inc.**

**Harvestons Securities, Inc.**

**UBS Financial Services Inc.**

This Official Statement is dated April 7, 2005.

<sup>†</sup> 2005A Remarketing Agent

<sup>SM</sup> Service Mark of Lehman Brothers, Inc.

\* The Authority is not responsible for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the 2005 Series A Bonds.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriters 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. 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 2005 Series A 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.

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 2005 Series A Bonds), the Borrowers, the Projects, the Loans, the Initial 2005A Liquidity Facilities, the 2005A Liquidity Facility Providers, or any other bonds or obligations of the Authority.

**THE PRICES AT WHICH THE 2005 SERIES A BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE FRONT COVER HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2005 SERIES A 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 2005 Series A 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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**OFFICIAL STATEMENT**

**\$96,250,000**

**COLORADO HOUSING AND FINANCE AUTHORITY  
Multi-Family/Project Bonds**

<b>\$33,740,000</b> <b>Class I Taxable</b> <b>Adjustable Rate Bonds</b> <b>2005 Series A-1</b>	<b>\$22,235,000</b> <b>Class I</b> <b>Adjustable Rate Bonds</b> <b>2005 Series A-2</b> <b>(non-AMT)</b>	<b>\$40,275,000</b> <b>Class II Bonds</b> <b>Adjustable Rate Bonds</b> <b>2005 Series A-3</b> <b>(AMT)</b>
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**PART I**

**INTRODUCTION**

This Official Statement, which includes the front cover, 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 "**2005 Series A Bonds**"). The 2005 Series A Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**"), and the 2005 Series A Indenture dated as of April 1, 2005 (the "**2005 Series A Indenture**," and together with the Master Indenture, the "**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 Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE 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 2005 Series A 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 Underwriters, and any one or more owners of the 2005 Series A 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 purpose, among others, of increasing the supply of decent, safe and sanitary housing for low and moderate income families. 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 certain financial statements of the Authority attached hereto as **Appendix A**.*

## **Authority for Issuance**

The 2005 Series A 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 2005 Series A Bonds are being issued and secured under the Indenture.

## **Purposes of the 2005 Series A Bonds**

Certain proceeds of the 2005 Series A Bonds will be deposited to the credit of the 2005 Series A subaccounts of the Acquisition Account and are expected to be used to acquire and originate insured and uninsured rental and business loans as described in **Appendix G-1** hereto made to Borrowers to assist them in financing or refinancing projects in Colorado. See "Part I – PLAN OF FINANCE – Use of Amounts in Acquisition Account." Proceeds of the 2005 Series A-3 Bonds, together with other legally available funds, will be used on April 13, 2005 to redeem and pay the Authority's outstanding Multi-Family Housing Insured Mortgage Revenue Bonds, 1995 Series A, 1995 Series B and 1995 Series C-2 (collectively, the "**Series 1995 Bonds**"), as described in "Part I – PLAN OF FINANCE – Redemption and Payment of the Series 1995 Bonds." In connection with such redemption and payment of the Series 1995 Bonds, the multi-family housing loans previously financed with proceeds of the Series 1995 Bonds will be deposited to the credit of the 2005 Series A subaccount of the Acquisition Fund and pledged in the Trust Estate under the Indenture. The Loans to be so acquired, originated and deposited are collectively referred to herein as the "**2005A Loans**." See "Part I – CERTAIN PROGRAM ASSUMPTIONS - The 2005A Loans." In addition, proceeds of the 2005 Series A Bonds will be used to make required deposits to certain funds and accounts, including the Debt Service Reserve Fund, as described in "Part I – PLAN OF FINANCE – Sources and Uses of Funds."

## **Description of the 2005 Series A Bonds**

### *Interest Rates and Payments*

The Authority's Multi-Family/Project Class I Taxable Adjustable Rate Bonds, 2005 Series A-1 (the "**Taxable 2005 Series A-1 Bonds**"), the Authority's Multi-Family/Project Class I Adjustable Rate Bonds, 2005 Series A-2 (the "**2005 Series A-2 Bonds**") and the Authority's Multi-Family/Project Class II Adjustable Rate Bonds, 2005 Series A-3 (the "**2005 Series A-3 Bonds**") initially will bear interest at Weekly Rates. While in a Weekly Rate Mode, interest on each series of the 2005 Series A Bonds will be determined and adjusted weekly and is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2005, as described in "Part I – TERMS OF THE 2005 SERIES A 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 2005 Series A 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 dates and in the amounts shown on the front cover hereof (unless redeemed prior to maturity).

### *Redemption and Tender*

Certain of the 2005 Series A Bonds are subject to special, optional and mandatory or cumulative sinking fund redemption prior to maturity, as described under "Part I – TERMS OF THE 2005 SERIES A BONDS – Prior Redemption." The 2005 Series A Bonds are also subject to optional and mandatory tender for purchase as described under "Part I – TERMS OF THE 2005 SERIES A 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 2005 Series A Bonds and the Indenture pursuant to which such 2005 Series A Bonds are being issued, see "Part I – TERMS OF THE 2005 SERIES A BONDS" and Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."**

### **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 December 31, 2004, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$451,340,000, with \$379,735,000 outstanding as Class I Bonds, \$50,505,000 outstanding as Class II Bonds and \$21,100,000 outstanding as Class III Bonds. The Outstanding Class III Bonds and certain Outstanding Class I Bonds have been designated as general obligations of the Authority. There are no Class IV Obligations outstanding under the Master Indenture. See **Appendix B – "OUTSTANDING MASTER INDENTURE OBLIGATIONS."**

The 2005 Series A Bonds are being issued as Class I Obligations and 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." None of the 2005 Series A Bonds are being issued as Class III Obligations or Class IV Obligations. The Taxable 2005 Series A-1 Bonds are also being designated as general obligations of the Authority. In addition, the 2005 Series A Bonds are secured by the Debt Service Reserve Fund established under the Master Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS - Debt Service Reserve Fund" and "Part II - SECURITY FOR THE OBLIGATIONS." **In no event shall the 2005 Series A 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 pledged for payment of the 2005 Series A Bonds other than the Taxable 2005 Series A-1 Bonds.**

Upon delivery of the Taxable 2005 Series A-1 Bonds and the 2005 Series A-3 Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for the Taxable 2005 Series A-1 Bonds and the 2005 Series A-3 Bonds (the "**Initial 2005A-1/A-3 Liquidity Facility**") with Federal Home Loan Bank of Topeka as the initial standby bond purchaser (referred to herein as the "**2005A-1/A-3 Liquidity Facility Provider**"). See **Appendix H – "CERTAIN TERMS OF THE INITIAL 2005A LIQUIDITY FACILITIES – The Initial 2005A-1/A-3 Liquidity Facility"** and **Appendix I – "THE 2005A LIQUIDITY FACILITY PROVIDERS – Federal Home Loan Bank of Topeka."** Upon delivery of the 2005 Series A-2 Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for the 2005 Series A-2 Bonds (the "**Initial 2005A-2 Liquidity Facility**" and, together with the Initial 2005A-1/A-3 Liquidity Facility, the "**Initial 2005A Liquidity Facilities**") with Dexia Credit Local as the initial standby bond purchaser (referred to herein as the "**2005A-2 Liquidity Facility Provider**" and, together with the 2005A-1/A-3 Liquidity Facility Provider, the "**2005A Liquidity Facility Providers**"). See **Appendix H – "CERTAIN TERMS OF THE INITIAL 2005A LIQUIDITY FACILITIES – The Initial 2005A-2 Liquidity Facility"** and **Appendix I – "THE 2005A LIQUIDITY FACILITY PROVIDERS – Dexia Credit Local."** UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF A 2005A LIQUIDITY FACILITY PROVIDER TO PURCHASE THE RELATED 2005 SERIES A BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED AND, IN SOME OF SUCH CIRCUMSTANCES, THE TERMINATION OR 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 2005 SERIES A BONDS TENDERED BY THE OWNERS OF SUCH 2005 SERIES A BONDS OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE INITIAL 2005A LIQUIDITY FACILITIES DO NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE RELATED 2005 SERIES A BONDS.

### **Professionals Involved in the Offering**

In connection with the issuance and sale of the 2005 Series A Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion included as **Appendix E** hereto. Certain legal matters relating to the 2005 Series A Bonds will be passed upon for the Underwriters by their counsel, Bookhardt & O'Toole. Certain legal matters will be passed upon for the Authority by its General Counsel, Charles L. Borgman, Esq., and by its Disclosure Counsel, Hogan & Hartson L.L.P. Certain legal matters will be passed upon for the 2005A-1/A-3 Liquidity Facility Provider by its assistant general counsel, Tad M. Kramar, Esq., and for the 2005A-2 Liquidity Facility Provider by its special counsel, Kutak Rock LLP, Atlanta, Georgia.

### **Availability of Continuing Information**

**The Authority has not agreed to provide continuing financial or other information for the benefit of the owners of the 2005 Series A Bonds while in any Daily Mode or Weekly Mode, or a Term Mode or Commercial Paper Mode equal to or less than nine months. However, the Authority is obligated, in connection with certain other outstanding Bonds under the Master Indenture, to file certain financial information and operating data relating to the Trust Estate with the national repositories on an annual basis.**

### **Investment Considerations**

*The purchase and ownership of the 2005 Series A Bonds involve investment risks. Prospective purchasers of the 2005 Series A Bonds are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2005 Series A Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."*

## **TERMS OF THE 2005 SERIES A BONDS**

### **General Terms**

The 2005 Series A Bonds will be dated the date of delivery and will mature, subject to prior redemption or purchase as described below, in the amounts and on the dates set forth on the front cover page of this Official Statement. The principal or redemption price of the 2005 Series A Bonds is payable at the corporate trust office of Wells Fargo Bank, National Association, the Paying Agent and the Trustee for the 2005 Series A Bonds. Interest on the 2005 Series A Bonds will be payable on the Interest Payment Dates to Cede & Co. The 2005 Series A Bonds are subject to redemption as described in "Prior Redemption" under this caption.

DTC will act as securities depository for the 2005 Series A Bonds. The ownership of one fully registered Bond for each maturity as set forth on the front cover page, each in the aggregate principal amount of such maturity, 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 2005 Series A Bonds are registered in the DTC book-entry form described in Appendix F, each Beneficial Owner of a 2005 Series A Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2005 Series A Bonds.

The Indenture provides the Authority with the right to discharge the pledge and lien created by the Indenture with respect to any 2005 Series A 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 2005 Series A Bonds at the maturity or redemption thereof. See **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Defeasance."**

## **Interest Rates**

### *Generally*

All series of the 2005 Series A Bonds initially will bear interest at a respective Weekly Rate determined prior to the date of delivery by Lehman Brothers Inc. Thereafter, the interest rate on any series or portion thereof of the 2005 Series A Bonds may be adjusted to a Commercial Paper Rate, Daily Rate, Term Rate, SAVRS Rate or Fixed Rate, as described herein. While any series of the 2005 Series A Bonds is 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, 2005, 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 any series of the 2005 Series A Bonds is to be calculated on the basis of the actual number of days in a year for the actual number of days elapsed. Interest on any series of the 2005 Series A 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 2005 Series A Bonds of any series 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. 2005 Series A Bonds of any series 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. The 2005 Series A Bonds may bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Term Rate or a SAVRS Rate or a Fixed Rate. The Mode of the 2005 Series A Bonds from the delivery date, until further designation by the Authority, will be the Weekly Mode. Thereafter, the Authority may change any of the 2005 Series A Bonds from one Mode to another Mode as described in "Adjustment Between Modes" under this caption. The interest rate on the 2005 Series A Bonds (other than when in a SAVRS Rate Mode) is to be determined by the 2005A Remarketing Agent in accordance with the Indenture as described below. The interest on any 2005 Series A 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 2005 Series A Bonds such that all of the 2005 Series A Bonds covered by an Initial 2005A Liquidity Facility bear interest at a Fixed Interest Rate or the SAVRS Rate would*

*result in a termination of such Initial 2005A Liquidity Facility. See Appendix H - "CERTAIN TERMS OF THE INITIAL 2005A LIQUIDITY FACILITIES."*

Weekly Rate. During any Interest Period in which any 2005 Series A Bonds are in a Weekly Mode, the 2005A 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 2005A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2005A Remarketing Agent under then-existing market conditions, would result in the sale of the 2005 Series A Bonds on such date at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2005A 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 2005 Series A Bonds are to bear interest from the last date on which the Weekly Rate was determined by the 2005A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2005A 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 (i) in the case of the Taxable 2005 Series A-1 Bonds, the One Month LIBOR Rate plus 0.20%, or (ii) in the case of the 2005 Series A-2 Bonds and the 2005 Series A-3 Bonds, the BMA Municipal Swap Index plus 0.20% (or, in the event the Indexing Agent no longer publishes an index satisfying the requirements of the definition of BMA Municipal SWAP Index, the J.J. Kenny Index plus 0.20%; provided, however, that if the J.J. Kenny Index also ceases to be published, an alternative index shall be calculated by an entity selected in good faith by the Authority, and shall be determined using the criteria for the BMA Municipal Swap Index), as such rates are reported on the day such Weekly Rate would otherwise have been determined by the 2005A Remarketing Agent. The 2005A 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 applicable 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 2005 Series A Bonds are in a Daily Mode, the 2005A 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 2005A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2005A Remarketing Agent under then-existing market conditions, would result in the sale of such 2005 Series A 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 2005A 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 2005 Series A Bonds are to bear interest from the last date on which the Daily Rate was determined by the 2005A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2005A 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 2005A Remarketing Agent.

Term Rates. During any Interest Period in which any 2005 Series A Bonds are in a Term Rate Mode, the 2005A 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 2005A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2005A Remarketing Agent, will result in the sale of such 2005 Series A Bonds at a price equal to the principal amount thereof. If, for any reason, a new Term Rate for a 2005 Series

A 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 2005 Series A Bond is secured by a Liquidity Facility, it will be changed automatically to the Commercial Paper Mode with an Interest Period and Commercial Paper Rate to be determined by the 2005A Remarketing Agent in accordance with the Indenture or (ii) if such 2005 Series A Bond is not secured by a 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 (A) in the case of the Taxable 2005 Series A-1 Bonds, shall bear interest based on the One-Year LIBOR Rate in effect on such Rate Determination Date plus 0.20%, or (B) in the case of the 2005 Series A-2 Bonds and the 2005 Series A-3 Bonds, shall bear interest based on an index published by Kenny Information Systems plus 0.20%, which index is based on yield evaluations at par of non-AMT tax-exempt bonds. 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 2005A 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 applicable 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 2005 Series A Bonds, the 2005A 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 2005A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2005A Remarketing Agent would result in the sale of such 2005 Series A 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 applicable Liquidity Facility Provider, the 2005A 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 2005 Series A Bond in a Commercial Paper Mode, the 2005A Remarketing Agent is to select for such 2005 Series A Bond the Interest Period which would result in the 2005A Remarketing Agent being able to remarket such 2005 Series A 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 2005A 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 2005 Series A Bond, then the 2005A Remarketing Agent is to select the Interest Period which in the judgment of the 2005A Remarketing Agent would permit such 2005 Series A Bond to achieve such lower average interest cost; provided, however, that if the 2005A Remarketing Agent has received notice from the Authority that any 2005 Series A 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 2005A Remarketing Agent shall, with respect to such 2005 Series A 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 2005 Series A Bond in the Commercial Paper Mode, any Owner of such 2005 Series A Bond may telephone the 2005A Remarketing Agent and receive notice of the anticipated next Interest Period and the anticipated Commercial Paper Rate for such Interest Period for such 2005 Series A Bond. To receive payment of the Purchase Price, the Owner of any 2005 Series A 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 2005A Remarketing Agent is to determine the Commercial Paper Rate for the Interest Period then selected for such 2005 Series A 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 2005A 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 2005 Series A 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 (i) in the case of the Taxable 2005 Series A-1 Bonds, shall bear interest at the Three-Month LIBOR Rate in effect on such Rate Determination Date plus 0.20%, or (ii) in the case of the 2005 Series A-2 Bonds and the 2005 Series A-3 Bonds, shall bear interest at the Lehman Brothers Tax Exempt Commercial Paper Index plus 0.20% in effect on such Rate Determination Date.

#### *Adjustment Between Modes*

Any change to a different Mode requires delivery to the Trustee, the Paying Agent and the 2005A Remarketing Agent of: (i) a notice from each Rating Agency confirming that the rating on the 2005 Series A 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) a 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 a Liquidity Facility with respect to such Bonds in a Term Rate Mode). The Authority may change a 2005 Series A Bond (other than a 2005 Series A Bond in the Fixed Rate Mode) from one Mode to another Mode by giving written notice no later than the 45<sup>th</sup> day (or such shorter time as may be agreed upon by the Authority, the Trustee, the Paying Agent and the 2005A 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 2005 Series A Bonds to be converted to a new Mode will be covered by the applicable Liquidity Facility. The Trustee is to give notice to Owners of 2005 Series A Bonds 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 2005 Series A 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 2005 Series A 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 2005 Series A 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 2005 Series A Bonds in the Weekly Mode), payable by wire transfer in immediately available funds, upon

delivery to the 2005A Remarketing Agent of an irrevocable telephonic notice in the case of 2005 Series A 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 2005 Series A Bonds in the Weekly Mode, which notice states the CUSIP number, the Bond number, the principal amount of such 2005 Series A Bond, the principal amount thereof to be purchased and the date on which the same is to be purchased (the "**Purchase Date**" for such 2005 Series A Bonds in the Weekly Mode), which date is to be a Business Day specified by the Owner. In the case of 2005 Series A 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 2005 Series A 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 2005 Series A 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 2005A 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 2005 Series A Bonds are being changed to a Mode other than another Term Rate Mode, the owner of 2005 Series A 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 2005 Series A Bonds in the Term Rate Mode) at a purchase price equal to the principal amount thereof tendered for purchase (the "**Purchase Price**" for such 2005 Series A Bonds in the Term Rate Mode) upon delivery to the 2005A 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 2005 Series A 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 2005 Series A 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 2005 Series A 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*

2005 Series A 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 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 2005 Series A 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 2005 Series A 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. 2005 Series A 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 2005 Series A 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 a Liquidity Facility with another Liquidity Facility prior to its expiration date in accordance with the Indenture, the 2005 Series A 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 45<sup>th</sup> 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 2005 Series A 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 2005 Series A Bonds subject to mandatory purchase 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 2005 Series A 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 2005 Series A 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 a 2005A Liquidity Facility Provider to purchase related 2005 Series A Bonds under the applicable Initial 2005A Liquidity Facility is subject to the conditions that the long-term ratings of such 2005 Series A Bonds by Moody's and S&P are not lower than "Baa2" and "BBB," respectively. See Appendix H - "CERTAIN TERMS OF THE INITIAL 2005A LIQUIDITY FACILITIES."**

### *Mandatory Purchase Upon Termination of Liquidity Facility*

If the Trustee receives notice from a 2005A Liquidity Facility Provider that its Initial 2005A 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 2005 Series A Bonds having the benefit of such Initial 2005A Liquidity Facility are outstanding, such 2005 Series A Bonds will be subject to mandatory purchase. Such 2005 Series A Bonds will be subject to mandatory tender for purchase on a Business Day which is at least ten days subsequent to such notice from such 2005A Liquidity Facility Provider and at least five Business Days prior to the termination of its Initial 2005A 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 2005 Series A Bonds subject to such mandatory purchase within two Business Days after receipt of notice from such 2005A 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 2005 Series A 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 2005 Series A 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 2005 Series A Bonds (except proceeds of remarketed Bank Bonds to the extent applied to any amount owing to the applicable 2005A Liquidity Facility Provider) pursuant to the Indenture and the Remarketing Agreement and furnished to the Tender Agent by the 2005A Remarketing Agent for deposit into the Remarketing Proceeds Account; and
- (2) money furnished by the applicable 2005A Liquidity Facility Provider to the Trustee for deposit with the Paying Agent from requests under the applicable Initial 2005A Liquidity Facility, if any, as described in **Appendix H – "CERTAIN TERMS OF THE INITIAL 2005A LIQUIDITY FACILITIES."**

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 2005 Series A 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*

Unexpended Amounts in Acquisition Account. The 2005 Series A Bonds are subject to special redemption prior to maturity, in whole or in part at any time and from time to time on or before April 1, 2008 (or such later date as may be selected by the Authority by the filing with the Trustee of an Authority Request accompanied by a Cash Flow Statement and a favorable opinion of Bond Counsel), upon notice as provided in the Master Indenture, at a Redemption Price equal to 100% of the Aggregate Principal Amount of the 2005 Series A Bonds or portions thereof to be so redeemed together with accrued interest to the date of redemption, to the extent that there are any unexpended proceeds of the 2005 Series A Bonds transferred from the 2005 Series A subaccounts of the Acquisition Account to the 2005 Series A subaccounts of the Redemption Fund. The Indenture requires that the Trustee transfer such unexpended proceeds to the Redemption Fund pursuant to an Authority Request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred to finance or refinance Loans or Authority Projects. Such amounts are to be transferred not later than March 1, 2008; provided that the Indenture permits the Authority to extend such date to a later date if the Authority has filed with the Trustee an Authority Request specifying a later date or dates for such transfer accompanied by a Cash Flow Statement and a favorable opinion of Bond Counsel. See "Notice of Redemption" under this caption. See also "Part I – PLAN OF FINANCE - Sources and Uses of Funds" and "– Use of Amounts in Acquisition Account." For information concerning the 2005A Loans expected to be acquired or originated by the Authority with proceeds of the 2005 Series A Bonds deposited to the 2005 Series A subaccounts of the Acquisition Account, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2005A Loans." See also "Part II – CERTAIN BONDOWNERS' RISKS."

Moneys deposited in or transferred to the 2005 Series A subaccounts of the Redemption Fund as described above are required to be applied to redeem the 2005 Series A Bonds as follows: first, there shall be transferred to the 2005 Series A subaccount of the Class I Special Redemption Account the amount necessary to satisfy the 2005 Series A Class I Asset Requirement, calculated upon such transfer; second, there shall be transferred to the 2005 Series A subaccount of the Class II Special Redemption Account the amount necessary to satisfy the 2005 Series A Class II Asset Requirement, calculated upon such transfer; and third, the remainder of funds to be transferred shall be allocated to the 2005 Series A subaccount of the Class I Special Redemption Account and the 2005 Series A subaccount of the Class II Special Redemption Account on the basis of the respective ratios represented by the Aggregate Principal Amount of Outstanding 2005 Series A Class I Bonds and the Aggregate Principal Amount of Outstanding 2005 Series A Class II Bonds, respectively, to the Aggregate Principal Amount of all 2005 Series A Bonds Outstanding. See **Appendix D** – "CLASS ASSET REQUIREMENTS." If less than all of the 2005 Series A Class I Bonds are to be redeemed in accordance with the provisions described in the preceding sentence, the 2005 Series A Class I Bonds are to be redeemed on a pro rata by tenor and maturity basis, or on any other basis determined by the Authority after giving effect to expected Cash Flows in the Trust Estate.

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 2005 Series A 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 2005 Series A 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 2005 Series A Subaccount of the Class I Special Redemption Account of the Redemption Fund and the 2005 Series A 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 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 INDENTURE – Revenue Fund."**

Loan Repayments and Prepayments of Loans financed or refinanced with moneys in the 2005A Taxable Loan Subaccount of the Restricted Loan Subaccount may only be used to redeem the Taxable 2005 Series A-1 Bonds or other General Obligation Bonds, and not to redeem any other Bonds. In addition, Loan Repayments and Prepayments of Loans financed or refinanced with moneys in the 2005A Non-AMT Loan Subaccount of the Restricted Loan Subaccount may only be used to redeem the 2005 Series A-2 Bonds or other Bonds the interest on which is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and not to redeem any other Bonds. See "Part I – PLAN OF FINANCE – Use of Amounts in Acquisition Account."

**It is anticipated that moneys will be available to redeem a substantial portion of the 2005 Series A Bonds without premium in accordance with the provisions described in the preceding paragraph. Such moneys may be directed to the Class I Special Redemption Account (with respect to the Class I Bonds) or the Class II Special Redemption Account (with respect to the Class II Bonds) of the Redemption Fund and available for this redemption as a result of excess revenues resulting from 2005A Loan payments and prepayments, proceeds received as a result of damage, destruction or condemnation of Authority Projects if financed or refinanced with proceeds of the 2005 Series A Bonds, and other sources.**

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 2005 Series A Bonds. The 2005 Series A 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 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 2005 Series A 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 2005 Series A Bonds during Interest Periods for a Commercial Paper Mode, at a redemption price equal to 100% of the Aggregate Principal Amount of 2005 Series A Bonds to be so redeemed.

Term Rate Mode and Fixed Rate Mode. During any Interest Period for a Term Rate Mode, the 2005 Series A Bonds may be redeemed in whole or in part on any date (and if in part, by lot or by such other method as the Paying Agent determines to be fair and reasonable and in Authorized Denominations) at the option of the Authority from any source, at a redemption price equal to 100% of the principal amount of 2005 Series A 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 2005 Series A 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 2005 Series A 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 2005 Series A 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 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 2005 Series A 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 2005A 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 2005 Series A Bonds may be redeemed prior to maturity as provided in the Supplemental Indenture to be entered into in connection with such conversion.

### *Sinking Fund Redemption*

Mandatory Sinking Fund Redemption. The 2005 Series A-2 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2005 Series A Class I Sinking Fund Installments, upon notice, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price of 100% of the principal amount of such 2005 Series A-2 Bonds or portions thereof to be so redeemed together with accrued interest to the date of redemption as follows:

**2005 Series A-2 Bonds**

<u>Date</u> <u>(April 1)</u>	Class I <u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	Class I <u>Sinking Fund</u> <u>Installments</u>
2006	\$ 310,000	2006	\$ 330,000
2007	335,000	2007	345,000
2008	350,000	2008	360,000
2009	365,000	2009	375,000
2010	380,000	2010	390,000
2011	400,000	2011	405,000
2012	415,000	2012	425,000
2013	435,000	2013	445,000
2014	455,000	2014	465,000
2015	475,000	2015	485,000
2016	495,000	2016	505,000
2017	515,000	2017	525,000
2018	535,000	2018	550,000
2019	560,000	2019	575,000
2020	585,000	2020	600,000
2021	610,000	2021	625,000
2022	640,000	2022	650,000
2023	665,000	2023	680,000
2024	695,000	2024	710,000
2025	725,000	2025	300,000
2026	30,000	2026	30,000
2027	30,000	2027	30,000
2028	30,000	2028	35,000
2029	35,000	2029	35,000
2030	35,000	2030	35,000
2031	35,000	2031	35,000
2032	40,000	2032	40,000
2033	40,000	2033	40,000
2034	40,000	2034	45,000
2035	45,000	2035	45,000
2036 (1)	1,815,000	--	--

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(1) Final maturity

Cumulative Sinking Fund Redemption. The 2005 Series A-3 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2005 Series A subaccount of the Class II Debt Service Fund, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price of 100% of the principal amount of such 2005 Series A-3 Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, as follows:

**2005 Series A-3 Bonds**

<u>Date</u> <u>(April 1)</u>	Class II <u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	Class II <u>Sinking Fund</u> <u>Installments</u>
2006	\$245,000	2006	\$250,000
2007	255,000	2007	265,000
2008	270,000	2008	275,000
2009	285,000	2009	295,000
2010	300,000	2010	310,000
2011	315,000	2011	325,000
2012	330,000	2012	340,000
2013	355,000	2013	360,000
2014	370,000	2014	380,000
2015	390,000	2015	400,000
2016	410,000	2016	420,000
2017	430,000	2017	440,000
2018	455,000	2018	465,000
2019	480,000	2019	490,000
2020	505,000	2020	515,000
2021	530,000	2021	545,000
2022	550,000	2022	565,000
2023	575,000	2023	590,000
2024	605,000	2024	625,000
2025	640,000	2025	655,000
2026	675,000	2026	690,000
2027	710,000	2027	730,000
2028	745,000	2028	765,000
2029	785,000	2029	810,000
2030	830,000	2030	850,000
2031	870,000	2031	895,000
2032	920,000	2032	940,000
2033	965,000	2033	995,000
2034	1,020,000	2034	1,045,000
2035	1,070,000	2035	1,100,000
2036	1,130,000	2036	1,155,000
2037	1,190,000	2037	1,095,000
2038	70,000	2038	75,000
2039	75,000	2039	75,000
2040 (1)	1,195,000	--	--

(1) Final maturity

*The payment of such Sinking Fund Installments with respect to the 2005 Series A-3 Bonds of any such maturity will be contingent upon there being, and will be due and payable and are to be made only to the extent there are, amounts available therefor in the Class II Debt Service Fund from Loan Repayments allocated to such 2005 Series A-3 Bonds. If the amount on deposit in the 2005 Series A subaccount of the Class II Debt Service Fund is not sufficient on any Bond Payment Date to pay the scheduled Sinking Fund Installment, for such date, the amount of the insufficiency is to be added to the next such Sinking Fund Installment until paid. It is expected that unless a default occurs on one or more of the Loans,*

**the revenues available to the Trustee under the Indenture will be adequate to enable the Trustee to make the scheduled Sinking Fund Installments set forth above (as such amounts may be reduced as described herein). However, the failure to make such Sinking Fund Installments due to insufficient available funds will not constitute a default under the Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS - Limited Security."**

To the extent that any of the 2005 Series A Bonds are called for redemption or are purchased in lieu of redemption as provided in the Indenture, the Authority will be entitled to apply the principal amount of such 2005 Series A Bonds so redeemed or purchased against any sinking fund obligation with respect to such 2005 Series A Bonds as described in **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Credit Against Sinking Fund Installments."**

#### *Selection of Bonds for Redemption*

If less than all of the 2005 Series A Bonds are to be redeemed, the Authority may, by Authority Request certifying that it is consistent with the most recently filed Related Cash Flow Statement, direct the redemption of 2005 Series A Bonds in any amounts and order of maturity of any Class, series, maturity or maturities, provided that Bank Bonds are to be redeemed prior to any other 2005 Series A Bonds. In the event that the Authority does not provide such direction, and if less than all of the 2005 Series A Bonds are to be redeemed, the Trustee is to select for redemption a pro rata amount of the 2005 Series A Bonds of each maturity of the 2005 Series A Bonds for redemption. If less than all 2005 Series A Bonds of like Class and maturity are to be redeemed, the particular 2005 Series A Bonds or portions of 2005 Series A Bonds to be redeemed are to be selected by lot as the Bond Registrar in its discretion may deem fair and appropriate.

#### *Notice of Redemption*

When any 2005 Series A 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 60 days nor less than 25 days prior to the redemption date, to the registered owner of each 2005 Series A 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. 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 2005 Series A Bond with respect to which no such failure or defect has occurred. **So long as the 2005 Series A Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

## PLAN OF FINANCE

### Sources and Uses of Funds

The following are the estimated sources and uses of funds relating to the 2005 Series A Bonds.

	<u>Estimated Amounts</u>
<b>SOURCES OF FUNDS:</b>	
Taxable 2005 Series A-1 Bonds .....	\$33,740,000
2005 Series A-2 Bonds .....	22,235,000
2005 Series A-3 Bonds .....	40,275,000
Legally available funds of the Authority (1).....	<u>4,184,295</u>
TOTAL SOURCES OF FUNDS.....	<u>\$100,434,295</u>
<b>USES OF FUNDS:</b>	
For Refunding (2) .....	\$38,470,267
For Loan Acquisition and Origination (3) .....	55,051,625
Deposit to Debt Service Reserve Fund (4).....	6,201,206
For Costs of Issuance and Underwriters' Compensation (5).....	<u>711,197</u>
TOTAL USES OF FUNDS.....	<u>\$100,434,295</u>

- (1) Such amounts represent funds legally available to the Authority as a result of the redemption and payment of the Series 1995 Bonds. Such amounts also represent amounts advanced by the Authority to pay certain costs of issuance for which certain of the Borrowers will be required to reimburse the Authority in accordance with their respective funding agreements.
- (2) See "Redemption and Payment of the Series 1995 Bonds" under this caption.
- (3) Proceeds of the 2005 Series A Bonds will be deposited to the 2005 Series A subaccounts of the Acquisition Account and used to acquire and originate certain rental and business loans of the Authority as described in "Use of Amounts in Acquisition Account" under this caption. Such amounts while on deposit will be invested in an investment agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2005A Investment Agreement."
- (4) See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund" and "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund." Such deposit will be invested in an investment agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2005A Investment Agreement." Under the Indenture, the Authority may at any time replace such cash or deposit with a Qualified Surety Bond.
- (5) Such amounts will be deposited to the Costs of Issuance Account in the Program Fund and used to pay costs of issuance and Underwriters' compensation relating to the 2005 Series A Bonds. For information concerning the Underwriters' compensation, see "Part I – UNDERWRITING."

### Redemption and Payment of the Series 1995 Bonds

Certain proceeds of the 2005 Series A-3 Bonds, together with other funds legally available to the Authority as a result of the redemption and payment of the Series 1995 Bonds, will be used to refund the Authority's Series 1995 Bonds, outstanding in the aggregate principal amount of \$37,635,000. It is expected that the Series 1995 Bonds will be redeemed upon delivery of the 2005 Series A Bonds, and that the insured rental loans securing such Series 1995 Bonds (which are described in **Appendix G-1** hereto) will be deposited to the credit of the 2005 Series A subaccount of the Acquisition Fund and pledged in the Trust Estate under the Indenture.

## Use of Amounts in Acquisition Account

Certain proceeds of the 2005 Series A Bonds will be deposited to the following subaccounts of the Restricted Loan Subaccount of the Acquisition Account of the Program Fund: the 2005A Taxable Loan Subaccount, the 2005A Non-AMT Loan Subaccount and the 2005A AMT Loan Subaccount. It is expected that all deposits to such 2005 Series A subaccounts will be applied to finance or refinance the 2005A Loans to the Borrowers as described in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2005A LOANS" within three years from the date of issuance of the 2005 Series A Bonds. Amounts on deposit in the 2005A Taxable Loan Subaccount (representing certain proceeds of the Taxable 2005 Series A-1 Bonds) are expected to be used to fund a portion of the insured rental loans and the uninsured rental and business loans identified in **Appendix G-1** as loans to be funded with proceeds of the Taxable 2005 Series A-1 Bonds. Amounts on deposit in the 2005A Non-AMT Loan Subaccount (representing certain proceeds of the 2005 Series A-2 Bonds) are expected to be used to fund all or a portion of the uninsured business loans identified in **Appendix G-1** as loans to be funded with proceeds of the 2005 Series A-2 Bonds. Amounts on deposit in the 2005A AMT Loan Subaccount (representing certain proceeds of the 2005 Series A-3 Bonds) are expected to be used to fund the insured rental loans identified in **Appendix G-1** as loans to be funded with proceeds of the 2005 Series A-3 Bonds and, as a result of the refunding of the Series 1995 Bonds and the transfer of loans, to refinance the insured rental loans identified in **Appendix G-1**.

For information regarding the loans expected to be acquired or originated as 2005A Loans, see **Appendix G-1** hereto. Each of the Borrowers is required to use the amounts so loaned to it as a 2005A Loan to finance or refinance, in part, the acquisition, construction and/or rehabilitation of, and certain costs associated with, the respective 2005A Project. See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2005A Loans," "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date," and **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." See "TERMS OF THE 2005 SERIES A BONDS – Prior Redemption – Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions" for a discussion of the required use of certain loan repayments and prepayments for special redemption of certain Bonds.

At the option of the Authority, additional moneys may be paid into the Restricted Loan Subaccount from various sources identified in the 2005A Indenture, including unexpended Bond proceeds transferred from the Authority Projects Subaccount. Amounts deposited in the Restricted Loan Subaccount are to be applied to make 2005A Loans and for other purposes authorized in the 2005A Indenture. The Trustee is authorized to withdraw moneys from the Restricted Loan Subaccount to finance 2005A Loans upon delivery to the Trustee of an Authority Certificate to the effect that the requirements of the Indenture have been satisfied with respect to the 2005A Loans to be financed and an Authority Request to finance such 2005A Loans. Any moneys credited to the Restricted Loan Subaccount that are not used to finance 2005A Loans or for the other purposes authorized by the 2005A Indenture, unless transferred at the direction of the Authority to the Authority Projects Subaccount, must be transferred by the Trustee to the Redemption Fund pursuant to an Authority Request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred for any such purpose. Such amounts must be transferred not later than March 1, 2008, unless the Authority files with the Trustee an Authority request specifying a later date or dates for such transfer, accompanied by a Cash Flow Statement with respect to the 2005 Series A Bonds and an opinion of Bond Counsel to the effect that such action will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds (as defined herein) for federal income tax purposes, in which case such transfer will occur on the later specified date or dates.

At the option of the Authority, moneys may be paid into the Authority Projects Subaccount from various sources identified in the 2005A Indenture, including unexpended Bond proceeds transferred from the Restricted Loan Subaccount. Amounts deposited in the Authority Projects Subaccount are to be applied to finance the 2005A Authority Projects and for the other purposes authorized in the 2005A Indenture. Any moneys credited to the Authority Projects Subaccount that are not used to finance Authority Projects or for the other purposes authorized in the Indenture, unless transferred at the direction of the Authority to the Restricted Loan Subaccount, must be transferred by the Trustee to the Redemption Fund pursuant to an Authority request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred to finance the 2005A Authority Project or for the other purposes authorized in the 2005A Indenture. Such amount must be transferred not later than March 1, 2008, unless the Authority files with the Trustee an Authority request specifying a later date or dates for such transfer, accompanied by a Cash Flow Statement with respect to the 2005 Series A Bonds and an opinion of Bond Counsel to the effect that such action will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes, in which case such transfer will occur on the later specified date or dates.

## **CERTAIN PROGRAM ASSUMPTIONS**

### **The 2005A Loans**

#### *Generally*

Proceeds of the 2005 Series A Bonds are expected to be used as follows:

(i) Existing General Fund Loans. To acquire as 2005A Loans the following existing loans currently held in the Authority's General Fund: (a) certain uninsured rental loans made under the Authority's SMART loan program, and (b) certain uninsured business loans made under various Authority business programs;

(ii) Existing 1995 Loans to be Transferred. To redeem and pay Series 1995 Bonds and deposit insured rental loans financed with proceeds of the Series 1995 Bonds to the credit of the 2005A AMT Loan Subaccount of the Acquisition Account; and

(iii) New Loans. To originate as 2005A Loans (a) uninsured rental loans made under the Authority's SMART loan program, (b) uninsured business loans made under various Authority business programs, and (c) a rental loan made under the Authority's Multi-Family Housing Facility Loan Program and insured by the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, as amended.

See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date" and **Appendix G-1** hereto. The loans expected to be so acquired, originated and deposited are referred to herein as the "**2005A Loans**." See "Part I – PLAN OF FINANCE."

The Master Indenture permits the Authority to recycle payments and repayments made on any Loans, including the 2005A Loans, to make new Loans, which may include insured, uninsured, first lien or subordinate lien Loans, or to finance Authority Projects, so long as the requirements of the Master Indenture are satisfied. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Fund; Loan Recycling Account." Certain restrictions on the rental and occupancy of the insured multi-family projects to be funded with certain 2005A Loans (the "**2005A**

**Multifamily Projects**") will be imposed on the respective Borrowers, as described in "The Regulatory Agreements" under this caption.

*In the event the Authority determines that it is not feasible for it to, or it is unable to, finance all or any portion of the costs of one or more of the 2005A Loans, the Authority may, at its option, any time within three years of the date of issuance of the 2005 Series A Bonds, direct the Trustee to transfer amounts in the Program Fund to the Redemption Fund to be used to redeem 2005 Series A Bonds at par. Furthermore, to the extent such amounts are not used by the Authority to finance or refinance 2005A Loans or Authority Projects or other permissible projects during the three year period following issuance of the 2005 Series A Bonds in accordance with the Indenture, amounts remaining in the Program Fund at the end of such period are required to be used to redeem 2005 Series A Bonds. See "Part I – TERMS OF THE 2005 SERIES A BONDS – Prior Redemption" and "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."*

#### *Interest Rates*

The existing loans to be acquired with proceeds of the 2005 Series A Bonds deposited to the 2005 Series A subaccounts of the Acquisition Account currently bear interest at the rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2005A LOANS – Existing Loans To Be Acquired." The existing loans to be deposited to the credit of the 2005A AMT Loan Subaccount of the Acquisition Account upon redemption and payment of the Series 1995 Bonds currently bear interest at the rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2005A LOANS – Existing 1995 Loans to be Transferred." The loans expected to be originated with proceeds of the 2005 Series A Bonds will bear interest at the estimated rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2005A LOANS – Loans Expected to be Originated." See "Modification of Loan Terms" under this caption.

#### *The 2005A Borrowers*

The loans expected to be acquired, originated or deposited by the Authority as 2005A Loans have been or will be made to particular for-profit and non-profit private organizations as well as local housing authorities, referred to as the "Borrowers" and described in **Appendix G-1** hereto. In the case of multifamily loans, repayment of amounts due is a nonrecourse obligation of the respective Borrower, payable solely from revenues generated by the respective project. See "Part II – CERTAIN BONDHOLDERS' RISKS – Limited Security."

#### *The Regulatory Agreements*

Simultaneously with the closing of each 2005A Loan which is an uninsured or insured rental loan, each Borrower has entered or will enter into a regulatory agreement with the Authority (collectively, the "**CHFA Regulatory Agreements**") relating to the respective project. Pursuant to the provisions of the CHFA Regulatory Agreements, the Borrower agrees, among other things, to rent the units in the respective projects so as to comply with applicable provisions of the Tax Code, State law and CHFA regulatory requirements. In particular, each Borrower will agree that each individual rental unit in the respective project will be rented or held for rental on a first-come, first-served basis, to the general public on a continuous basis. In addition, the Borrowers will agree to certain occupancy requirements based on state law income limits specific to each project and certain federal limitations, where applicable, and to certain rental restrictions.

The CHFA Regulatory Agreements also contain provisions for verifying compliance with the terms thereof. The provisions of the CHFA Regulatory Agreements discussed herein are intended, among

other things, to insure compliance with the requirements of the Tax Code with respect to the excludability of the interest on the 2005 Series A-2 Bonds and the 2005 Series A-3 Bonds from gross income. Upon any breach by a Borrower of any provisions of its CHFA Regulatory Agreement, the Authority may, subject to HUD consent in certain circumstances, take such actions at law or in equity as deemed appropriate under the circumstances for the protection of the Bondowners, including an action for specific performance of the respective CHFA Regulatory Agreement. *Such a breach by a Borrower may result in interest on the 2005 Series A-2 Bonds or the 2005 Series A-3 Bonds being included in gross income of the Owners of such 2005 Series A Bonds for purposes of federal income taxation and will not result in a mandatory redemption of the 2005 Series A Bonds under the Indenture as described in "Part II – CERTAIN BONDOWNERS' RISKS – Enforcement of Regulatory Agreements."*

#### *Servicing by the Authority*

The Authority will service a substantial portion of the 2005A Loans, handling the receipt and disbursement of funds related to the 2005A Loans which the Authority is servicing. This includes receiving payments, monitoring and disbursing escrowed funds for taxes and insurance and managing delinquencies and claims. The Asset Management Division of the Authority will oversee compliance by the Borrowers with requirements of the 2005A Loans, including occupancy and rental restrictions with respect to Loans for 2005A Multifamily Projects, and will review the financial status of the 2005A Multifamily Projects. The Authority similarly oversees compliance for certain other Loans outstanding under the Indenture. The other Loans outstanding under the Indenture are similarly serviced by the Authority or third-party contractors. The Authority believes that, through its in-house servicing operations, the Authority is servicing the Loans in accordance with servicing practices or standards as required to maintain any applicable insurance with respect to such Loans. For more information concerning the Authority, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

#### *Modification of Loan Terms*

From time to time, the Authority may agree with the Borrower of an outstanding 2005A Loan to modify the terms of such 2005A Loan, so long as such modification is consistent with the restrictions of the Indenture.

#### *General Obligation Pledge for Uninsured 2005A Loans*

Each uninsured loan acquired or originated by the Authority as a 2005A Loan shall be payable as a general obligation of the Authority in the event that the Borrower of such 2005A Loan fails to make payments when due under such 2005A Loan. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – The General Fund."

#### **Debt Service Reserve Fund**

The Debt Service Reserve Fund Requirement for the 2005 Series A Bonds will be (a) initially, \$6,201,206, and (b) thereafter, as of any date of calculation, the sum of (i) two-thirds of the maximum principal and interest payment due for any period of twelve consecutive calendar months on the 2005A Loans 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 2005A Loans that are not insured or guaranteed by the United States of America and any agency or instrumentality thereof. Certain proceeds of the 2005 Series A Bonds will be deposited to the Debt Service Reserve Fund to fund the Debt Service Reserve Fund Requirement for the 2005 Series A Bonds.

## General Obligation Pledge for Taxable 2005 Series A-1 Bonds

In addition to a lien on the Trust Estate under the Indenture as described in "Part II – SECURITY FOR THE OBLIGATIONS – Pledge of Trust Estate," the Series 2005A Indenture provides that the Taxable 2005 Series A-1 Bonds are also payable as general obligations of the Authority from unencumbered assets and available income of the Authority and any other available revenues or moneys of the Authority, subject to any agreements with the owners of particular notes or bonds pledging any particular revenues or assets for the benefit of such owners. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY - The General Fund" and the Authority's audited 2003 and 2002 financial statements attached hereto as **Appendix A**. **Potential investors should evaluate the likelihood that moneys will be available in the General Fund to pay debt service when due on the Taxable 2005 Series A-1 Bonds. However, the General Fund is not pledged to repay the Taxable 2005 Series A-1 Bonds. See "Part II – CERTAIN BONDOWNERS' RISKS."** The Authority has outstanding other general obligations and may hereafter incur or issue (without restriction as to amount) additional general obligations, all of which are payable on an equal basis from such assets, income and revenues of the Authority. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY - General Obligations of the Authority."

## 2005A Investment Agreement

Amounts in the 2005 Series A subaccount of the Acquisition Account will be invested in an investment agreement (the "**2005A Investment Agreement**") between the Trustee and AIG Matched Funding Corp. (the "**2005A Investment Provider**"), at an interest rate of 3.00% per annum, through January 1, 2006 or such earlier date on which the 2005 Series A Bonds are no longer outstanding or all amounts invested in such fund have been withdrawn. Amounts in the 2005 Series A subaccounts of the Debt Service Fund, the Revenue Fund, the Redemption Fund, the Costs of Issuance Account, and prepayments deposited in the Loan Recycling Account will be invested in the 2005A Investment Agreement subject to certain limitations set forth in the 2005A Investment Agreement, at an annual interest rate equal to 4.01% per annum. Amounts in the 2005 Series A subaccount of the Debt Service Reserve Fund will be invested in the 2005A Investment Agreement at an interest rate of 4.95% per annum. The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the 2005A Investment Agreement will be available as described. However, in the event that the 2005A Investment Agreement is terminated as a result of default by the 2005A 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 Underwriters make any representation about the financial condition or creditworthiness of the 2005A Investment Provider. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the 2005A Investment Provider.*

In connection with the prior issuance of certain 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*</u>	<u>Rate</u>	<u>Termination Date</u>
2000A	Revenue Fund; Redemption Fund	FGIC Capital Market Services, Inc.	6.00%	4/1/2030
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
2003A	Revenue Fund; Redemption Fund	Trinity Funding Company, LLC	One-Month Libor minus 0.15%	10/1/2005
2004A	Acquisition Account	Royal Bank of Canada	1.91%	9/15/2005
2004A	Revenue Fund; Redemption Fund	TransAmerica Occidental Life Insurance Company	4.05%	4/1/2045
2004A	Debt Service Reserve Fund	TransAmerica Life Insurance and Annuity Company	4.50%	4/1/2045

\* Neither the Authority nor the Underwriters make 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."

### 2005A Derivative Products

In connection with the issuance of certain of the Taxable 2005 Series A-1 Bonds, the Authority is entering into an interest rate swap agreement (the "**2005A-1 Derivative Product**") with AIG Financial Products Corp. (the "**2005A Counterparty**"). The Authority is also entering into an interest rate swap agreement (the "**2005A-2 Derivative Product**") with the 2005A Counterparty in connection with the issuance of the 2005 Series A-2 Bonds. Collectively, the 2005A-1 Derivative Product and the 2005A-2 Derivative Product are referred to as the "**2005A Derivative Products.**"

Pursuant to the 2005A-1 Derivative Product, the Authority will pay interest to the 2005A Counterparty at a fixed rate and will receive interest from the 2005A 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 Taxable 2005 Series A-1 Bonds and the amount of such interest payments to be made by the 2005A Counterparty under the 2005A-1 Derivative Product. Pursuant to the 2005A-2 Derivative Product, the Authority will pay interest to the 2005A Counterparty at a fixed rate and will receive interest from the 2005A Counterparty at a variable rate which will be based on a BMA Index. The Authority will assume the risk of a difference in the amount of its actual interest payments on the 2005 Series A-2 Bonds and the amount of such payments to be made by the 2005A Counterparty under the 2005A-2 Derivative Product.

The Authority's obligation to make interest payments to the 2005A Counterparty under the 2005A Derivative Products will 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. The Authority's obligation to

make termination payments under the 2005A Derivative Products in the event of early termination 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." For information concerning the Derivative Products currently Outstanding under the Master Indenture, see **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS." See also "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products" and **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Derivative Products."

## **TAX MATTERS**

### **Tax-Exempt Bonds**

Sherman & Howard L.L.C., Bond Counsel, is of the opinion that (i) assuming continuous compliance with certain covenants and representations of the Authority, interest on the 2005 Series A-2 Bonds and the 2005 Series A-3 Bonds (collectively, the "**Tax-Exempt Bonds**") (except for interest on any 2005 Series A-3 Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2005 Series A-3 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended, to the date of delivery of the Tax-Exempt Bonds (the "**Tax Code**")) is excluded from gross income for federal income tax purposes under federal income tax laws pursuant to Section 103 of the Tax Code; however, (a) interest on the 2005 Series A-3 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under federal income tax laws, and (b) interest on the 2005 Series A-2 Bonds is excluded from alternative minimum taxable income as defined in section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described herein. In addition, in the opinion of Bond Counsel, the Tax-Exempt 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 Tax-Exempt Bonds.

The Tax Code imposes several requirements which must be met with respect to the Tax-Exempt Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the Tax-Exempt Bonds. These requirements include: (a) limitations as to the use of proceeds of the Tax-Exempt Bonds; (b) limitations on the extent to which proceeds of the Tax-Exempt Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Tax-Exempt Bonds above the yield on the Tax-Exempt Bonds to be paid to the United States Treasury. The Authority will covenant and represent in the Indenture that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income and (in the case of the 2005 Series A-2 Bonds) alternative minimum taxable income under the Tax Code. Bond Counsel's opinion as to the exclusion of interest on the Tax-Exempt Bonds from gross income and (in the case of the 2005 Series A-2 Bonds) alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Authority to comply with these requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income or (in the case of the 2005 Series A-2 Bonds) alternative minimum taxable income from the date of issuance.

Section 55 of the Tax Code contains a 20 percent alternative minimum tax on the alternative minimum taxable income of corporations and a 24 percent alternative minimum tax on the alternative minimum taxable income of taxpayers other than corporations. Alternative minimum taxable income is

defined to include "items of preference" and under Section 57 of the Tax Code, interest on the 2005 Series A-3 Bonds is an item of tax preference.

Under the Tax Code, an "adjusted current earnings" adjustment is required to be made for purposes of the alternative minimum tax provision applicable to corporations. Under this adjustment, 75 percent of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction) is included in calculating the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" include interest on the 2005 Series A-2 Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Tax-Exempt Bonds. Owners of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal tax consequences. Bond Counsel's opinion relates only to the exclusion of interest on the Tax-Exempt Bonds from gross income and (in the case of the 2005 Series A-2 Bonds) alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or State of Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the Tax-Exempt Bonds. Owners of the Tax-Exempt Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based upon existing law as of the delivery date of the Tax-Exempt Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to any pending or proposed legislation. Amendments to federal and Colorado tax laws may be pending now or could be proposed in the future which, if enacted into law, could adversely affect the value of the Tax-Exempt Bonds, the exclusion of interest on the Tax-Exempt Bonds from gross income, alternative minimum taxable income (in the case of the 2005 Series A-2 Bonds), or any combination thereof from the date of issuance of the Tax-Exempt Bonds or any other date, or which could result in other adverse federal or State of Colorado tax consequences. Bond Owners are advised to consult with their own advisors with respect to such matters.

### **IRS Audit Program**

The Internal Revenue Service (the "**Service**") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Tax-Exempt Bonds. If an audit is commenced, under current procedures the Service will treat the Authority as the taxpayer and the Bondowners may have no right to participate in such procedure. Neither the Underwriters nor Bond Counsel is obligated to defend the tax-exempt status of the Tax-Exempt Bonds. The Authority has covenanted in the Indenture not to take any action that would cause the interest on the Tax-Exempt Bonds to lose its exclusion from gross income for federal income tax purposes. None of the Authority, the Underwriters nor Bond Counsel is responsible to pay or reimburse the costs of any Bondowner with respect to any audit or litigation relating to the Tax-Exempt Bonds.

## **Taxable 2005 Series A-1 Bonds**

IN THE OPINION OF BOND COUNSEL, THE INTEREST ON THE TAXABLE 2005 SERIES A-1 BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TAX CODE. THE TAXABLE 2005 SERIES A-1 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 TAXABLE 2005 SERIES A-1 BONDS.

Bond Counsel will express no other opinion as to any tax consequences regarding the Taxable 2005 Series A-1 Bonds. Owners of the Taxable 2005 Series A-1 Bonds should consult with their own tax advisors as to the tax consequences pertaining to the Taxable 2005 Series A-1 Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the Taxable 2005 Series A-1 Bonds prior to stated maturity, and as to other applications of federal, state, local or foreign tax laws.

## **UNDERWRITING**

The 2005 Series A Bonds are to be purchased from the Authority by the underwriters listed on the front cover page of this Official Statement (collectively, the "**Underwriters**"). The Underwriters have agreed, subject to certain conditions, to purchase all but not less than all of the 2005 Series A Bonds at a price equal to \$96,250,000 (being the par amount of the 2005 Series A Bonds). The Underwriters will be paid a fee of \$430,930 (plus reimbursement of certain expenses). The initial public offering price may be changed from time to time by the Underwriters.

## **2005A REMARKETING AGENT**

Lehman Brothers Inc. has initially been appointed to serve as 2005A Remarketing Agent for the 2005 Series A Bonds (the "**2005A Remarketing Agent**") pursuant to the Indenture and a Remarketing Agreement dated as of April 1, 2005 between the Authority and Lehman Brothers. If 2005 Series A Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2005 SERIES A BONDS – Optional Tender and Purchase" and "- Mandatory Purchase," the 2005A Remarketing Agent is required to use its best efforts to remarket such 2005 Series A Bonds in accordance with the terms of the Indenture and the Remarketing Agreement. The 2005A Remarketing Agent will also be responsible for determining the rates of interest for the 2005 Series A Bonds in accordance with the Indenture. The 2005A Remarketing Agent is to transfer any proceeds of remarketing of the 2005 Series A Bonds it receives to the Paying Agent for deposit to the Remarketing Proceeds Subaccount of the Purchase Fund in accordance with the Indenture.

The 2005A 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. The 2005A Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the 2005A Remarketing Agent, the Trustee, the Paying Agent, and the Liquidity Facility Provider and upon at least thirty (30) days' prior written notice to the 2005A Remarketing Agent. Any successor 2005A Remarketing Agent shall be selected by the Authority. The 2005A Remarketing Agent shall assign and deliver the 2005A Remarketing Agreement to its successor.

## **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 2005 Series A 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 2005 Series A 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 2005 Series A Bonds, the Indenture or the contract for the purchase of the 2005 Series A 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 2005 Series A-1 Bonds and the 2005 Series A-2 Bonds ratings of "Aaa/VMIG-1" and "AAA/A-1+," respectively, based (in the case of the short-term ratings) on the delivery of the respective Initial 2005A Liquidity Facilities. Moody's and S&P are expected to give the 2005 Series A-3 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 respective Initial 2005A Liquidity Facility. Such ratings reflect only the views of Moody's and S&P, respectively. 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 Remarketing Agent has undertaken to provide notice of any change in these ratings of the 2005 Series A Bonds. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the respective 2005 Series A Bonds.

## **CERTAIN RELATIONSHIPS OF PARTIES**

Lehman Brothers Inc. is acting as an Underwriter and the initial 2005A Remarketing Agent of the 2005 Series A Bonds. Certain affiliates of Lehman Brothers Inc. have also acted as a counterparty to the Authority under certain of the Outstanding Master Indenture Derivative Products described in **Appendix B**. Federal Home Loan Bank of Topeka, which will act as the Initial 2005A-1/A-3 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 – Long-Term Obligations of the Authority – General Obligations."

**(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

Name	Affiliation	End of Term
Nancy J. McCallin, Chair (1)	President, Colorado Community College System; Denver, Colorado	June 30, 2007
Joseph A. Garcia, Chair, pro tem (1)	President, Pikes Peak Community College; Colorado Springs, Colorado	June 30, 2005
Michelle Dressel Secretary/Treasurer (1)	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	June 30, 2005
Joseph B. Blake	President and Chief Executive Officer, Denver Metro Chamber of Commerce; Denver, Colorado	June 30, 2005
John Blumberg	Co-Founder and Principal, Black Creek Capital LLC; Denver, Colorado	June 30, 2005
M. Michael Cooke	Executive Director, Colorado Department of Revenue; Denver, Colorado	At the pleasure of the Governor
Jo Ellen Davidson	Housing and Community Development Consultant and Executive Director, Community Housing Development Association; Denver, Colorado	June 30, 2005
John R. Davidson	Chairman of the Board and Chief Executive Officer, First American State Bank; Greenwood Village, Colorado	June 30, 2007
Richard Grice	Executive Director, Governor's Office of Energy Management and Conservation; Denver, Colorado	June 30, 2007
Jim Isgar	State Senator; Hesperus, Colorado	End of legislative biennium 2005-2006
Joanne Hill	Colorado State Auditor; Denver, Colorado	June 30, 2006

(1) These Board members were elected to their respective offices effective March 25, 2005.

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 of 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, 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.

*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 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 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.

*Linda Bessinger* joined the staff as Director of Human Resources in February 2003. She has a Bachelor's Degree in Human Resources Development from Metropolitan State College and is anticipating completing her Master's Degree in Organizational Performance and Change from Colorado State University in June 2005. During her fifteen years in employee relations and organization development, Ms. Bessinger has worked with companies ranging from entrepreneurial organizations to Fortune 200 corporations.

*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.

## **Employees and Pension Information**

As of January 1, 2005, the Authority had approximately 150 full-time employees, all of whom are members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute 9.6 percent of each participating employee's gross salary to PERA in 2003. In 2003, the Authority's PERA contribution totaled approximately \$816,000, compared to an Authority contribution in 2002 of \$755,000.

## **Insurance Coverage**

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

## **The General Fund**

### *Generally*

CERTAIN OBLIGATIONS UNDER THE MASTER INDENTURE HAVE BEEN AND 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 audited 2003 and 2002 financial statements of the Authority included in **Appendix A** to this Official Statement provide certain financial information about the Authority on a fund accounting basis, including a description of its General Fund. 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 Indenture. As discussed below, 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.

*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, 2003, as provided by the Authority.

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

	<u>FY</u> <u>2003</u>	<u>FY</u> <u>2002</u>	<u>FY</u> <u>2001</u>	<u>FY</u> <u>2000</u>	<u>FY</u> <u>1999</u>
Interest and investment revenue:					
Loans receivable	\$ 10,094	\$ 12,177	\$ 16,987	\$ 14,966	\$ 12,857
Marketable securities	1,955	3,084	3,135	3,252	3,557
Net increase (decrease) fair value of long-term marketable securities	<u>(570)</u>	<u>(10)</u>	<u>473</u>	<u>179</u>	<u>(884)</u>
Total interest and investment revenue	11,479	15,251	20,595	18,397	15,530
Interest expense - bonds and notes payable	<u>5,345</u>	<u>8,100</u>	<u>11,267</u>	<u>11,983</u>	<u>10,489</u>
Net interest and investment revenue	6,134	7,151	9,328	6,414	5,041
Other revenue (expense):					
Rental operations	9,549	10,569	10,373	9,858	9,587
Fees and miscellaneous income	14,058	12,461	11,679	11,413	9,080
Program fees	<u>4,665</u>	<u>4,705</u>	<u>5,539</u>	<u>4,024</u>	<u>3,426</u>
Total other revenue	<u>28,272</u>	<u>27,735</u>	<u>27,591</u>	<u>25,295</u>	<u>22,093</u>
Net revenue	34,406	34,886	36,919	31,709	27,134
Other expenses:					
Salaries and related benefits	11,545	10,869	9,892	9,356	8,387
General operating (1)	13,651	9,725	10,280	8,503	9,015
Provision for losses	133	996	953	(438)	1,115
Other interest expense	1,260	1,274	1,332	1,346	1,415
Transfers	--	--	(1,059)	(2,058)	(1,833)
Depreciation	<u>2,745</u>	<u>2,246</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total other expense	<u>29,334</u>	<u>25,110</u>	<u>21,398</u>	<u>16,709</u>	<u>18,099</u>
Operating income	<u>\$ 5,072</u>	<u>\$ 9,776</u>	<u>\$ 15,521</u>	<u>\$ 15,000</u>	<u>\$ 9,035</u>
Fund Balance, end of year	<u>\$131,204</u>	<u>\$122,975</u>	<u>\$112,179</u>	<u>\$ 96,658</u>	<u>\$ 81,658</u>
Bonds and Notes Payable	<u>\$162,623</u>	<u>\$202,012</u>	<u>\$224,414</u>	<u>\$213,588</u>	<u>\$178,329</u>
Total Assets	<u>\$305,912</u>	<u>\$336,322</u>	<u>\$353,547</u>	<u>\$326,427</u>	<u>\$280,203</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 financial statements attached as **Appendix A** hereto.

Sources: Derived from the audited financial statements of the Authority for years ended December 31, 1999-2003

Set forth below is a summary of the revenues, expenses and changes in net assets for the Authority as a whole, set forth in accordance with new GASB requirements, for Fiscal Years 2002 and 2003, which are the only years for which this presentation is available. See **Appendix A**.

**Colorado Housing and Finance Authority**  
**General Fund**  
**Statement of Current Revenues, Expenditures and Other Charges**  
**Years Ended December 31, 2003 and 2002**  
**(000s)**

	<u>FY</u> <u>2003</u>	<u>FY</u> <u>2002</u>
<u>Revenues</u>		
Interest and investment revenue:		
Loans receivable	\$10,094	\$12,177
Marketable securities	\$ 1,955	\$ 3,084
Net increase (decrease) fair value of long-term marketable securities	\$ (570)	\$ (10)
Other revenue:		
Rental operations	\$ 9,549	\$10,569
Fees and miscellaneous income	\$14,058	\$12,461
Program fees	\$ 4,665	\$ 4,705
Grant Income	\$ <u>292</u>	\$ <u>222</u>
Total Revenues	\$40,043	\$43,208
<u>Expenditures</u>		
Interest expense - bonds and notes payable	\$ 5,345	\$ 8,100
Other expenses:	\$11,545	\$10,869
General operating (1)	\$13,651	\$ 9,725
Provision for losses	\$ 133	\$ 996
Other interest expense	\$ 1,260	\$ 1,274
Depreciation	\$ <u>2,745</u>	\$ <u>2,246</u>
Total Expenditures	\$34,679	\$33,210
<u>Transfers (To) From Other Program</u>	\$ <u>2,865</u>	\$ <u>798</u>
Change in Net Assets	\$ 8,229	\$10,796

(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 financial statements attached as **Appendix A** hereto.

Sources: Audited financial statements for the years ended December 31, 2003 and 2002

### *Appropriations, Reserves and Restrictions*

The Authority Board, in its discretion and from time to time, designates portions of the fund balance of the General Fund 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.

### **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 5 of the audited 2003 and 2002 financial statements of the Authority attached in **Appendix A**. The Board of the Authority adopted a Bond Issuance Policy dated March 27, 2003 as revised on March 25, 2004 and on July 22, 2004 which, 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 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.

### **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 "Long-Term 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 "Long-Term Obligations of the Authority – Revenue Bonds and Notes – Rental Finance 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 "Long-Term Obligations of the Authority – General Obligations – Section 542(c) Risk Sharing Loans" under this caption. For certain information regarding the Authority's outstanding insured rental loans, see footnote 3 to the audited 2003 and 2002 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 \$2 million (or in such greater amounts as approved from time to time by the Executive Director of the Authority). Uninsured rental loans have also been made by the Authority using funds from amounts in its General Fund designated as the Housing Opportunity Fund. The Housing Opportunity Fund was created by the Authority in 1989 to provide small loans at flexible interest rates, either with first mortgages or on a subordinate basis to other loans, and thereby supplement other available financing as needed for rental housing facility projects.

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 footnote 1 to the audited 2003 and 2002 financial statements of the Authority included in this Official Statement as **Appendix A**.

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 of the lesser of cost or appraised value of the collateral, are fully-amortizing over terms of up to twenty 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 business loan programs of the Authority also include three 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. 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 originated under the Single Family Mortgage Programs, see footnote 3 to the audited 2003 and 2002 financial statements of the Authority included in this Official Statement as **Appendix A**.

### **Long-Term Obligations of the Authority**

The following is a summary of the long-term 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 4 to the audited 2003 and 2002 financial statements of the Authority included in this Official Statement as **Appendix A**.

#### *Revenue Bonds and Notes*

Rental Finance Programs. The Authority has financed insured rental loans with proceeds of its Multifamily Housing Insured Mortgage Revenue Bonds (outstanding as of December 31, 2004 in an aggregate principal amount of \$301.7 million) and, since 2000, with proceeds of the Bonds. See **Appendix B**. The Authority has also financed its uninsured rental loans using proceeds of its Mortgage Revenue Bonds sold to institutional purchasers and secured solely by and payable solely from such uninsured rental loans, and its Multi-Family Housing Revenue Bonds issued by the Authority as a conduit issuer and supported by letters of credit or other credit facilities. One outstanding series of bonds which financed an uninsured rental loan in connection with the Denver Dry housing project is secured by a pledge of loan revenues as well as the full faith and credit of the Authority. See "General Obligations – Rental Finance – Bonds/Notes." Bonds have also been privately placed by the Authority in order to finance uninsured rental loans under the SMART program. 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 secured solely by the acquired projects. See footnote 4 of the audited 2003 and 2002 financial statements of the Authority attached in **Appendix A** for more information regarding these outstanding bonds and notes.

Business Finance Programs. The Authority has financed uninsured business loans and certain loan participations under the QIC, QAL and B&I II Programs using proceeds of its Multi-Family/Project Bonds which are secured and payable from revenues of pledged rental and business loans. See "Rental Finance Programs" under this caption. These uninsured business loans and loan participations have also been financed by the Authority with the proceeds of privately placed bonds secured by loan and participation revenues as well as the full faith and credit of the Authority. See "General Obligations – Business Finance – Bonds/Notes." One outstanding series of bonds which financed an uninsured business loan in connection with a headquarters building for the Colorado Municipal League is secured by a pledge of loan revenues as well as the general obligation of the Authority. See "General Obligations – Business Finance – Bonds/Notes." In connection with its Special Projects financing program, the

Authority has issued as a conduit issuer its industrial development revenue bonds to finance certain manufacturing facilities and solid waste disposal facility projects for corporations.

Single Family Mortgage Programs. In connection with its Single Family Mortgage Programs, the Authority has previously issued numerous series of its single-family housing revenue bonds as senior and subordinate bonds, single family mortgage bonds and taxable mortgage revenue bonds payable from the revenues of pledged mortgage loans. The aggregate principal amount of such single family bonds (which include Bonds issued and payable under the Master Indenture) outstanding as of December 31, 2004 was approximately \$1.6 billion. For information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see [www.colohfa.org](http://www.colohfa.org) and footnote 4 of the audited 2003 and 2002 financial statements of the Authority attached in **Appendix A**.

**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 general obligations of the Authority, rather than payable from specific revenues or assets as described in "Revenue Bonds and Notes" under this caption. In other cases described in "Revenue Bonds and Notes," the Authority has issued bonds and notes secured by a pledge of specific revenues, with an additional pledge of its full faith and credit. The bonds and notes and other obligations which are general obligations of the Authority are described below:

Rental Finance and Business Finance – Multi-Family/Project Bonds. The Authority has issued Class I Multi-Family/Project Bonds (outstanding as of December 31, 2004 in an aggregate principal amount of \$103.6 million) in order to finance uninsured rental and 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 III Multi-Family/Project Bonds (outstanding as of December 31, 2004 in an aggregate principal amount of \$21.1 million) in order to finance uninsured rental and business loans. These Class III Multi-Family/Project Bonds are payable from loan revenues on a subordinate lien basis and also as general obligations of the Authority. See **Appendix B**.

Rental Finance and Business Finance – Uninsured Loans. The Authority has acquired or originated certain uninsured rental and business loans using proceeds of and pledged to the repayment of its Multi-Family/Project Bonds. The Authority has pledged its full faith and credit to the payment of certain such loans, outstanding as of December 31, 2004 in the aggregate principal amount of \$69.6 million.

Section 542(c) Risk Sharing Loans. The Authority has also assumed as a general obligation 50% risk of loss in the mortgage loans insured by the FHA under Section 542(c) of the Housing and Community Development Act of 1992, as amended. As of December 31, 2004, such 542(c) mortgage loans were outstanding in the amount of approximately \$312 million. 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 \$6.3 million as a result of defaults on insured mortgage loans for the Marycrest, Allied Lowry, Sterling Manor and Skyview Village projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with FHA. In addition, two insured

mortgage loans in the approximate aggregate principal amount of \$7.6 million are currently in default. The Authority is in work-out discussions with the respective project owners for such mortgage loans and has not determined if it will be necessary to file insurance claims with respect to these two loans. In the event that claims are filed, it is likely that the Authority would incur a risk-sharing liability with respect to each of the projects, for which the Authority believes it is adequately reserved. With respect to the mortgage loan for the Heritage Center project in the approximate principal amount of \$4.7 million, the Authority has received the initial insurance claim payment from HUD and currently is negotiating with a prospective purchaser of the project. Based on the expected sales price, the Authority believes that the risk-sharing liability that it will incur in connection with this loan will be approximately \$1.5 million, for which it is adequately reserved.

Rental Finance – Bonds/Notes. The Authority has financed an uninsured rental loan in connection with the Denver Dry housing project using proceeds of its publicly-offered bonds. As of December 31, 2004, such bonds, secured by a general obligation pledge and loan revenues, were outstanding in an aggregate principal amount of \$3,285,000. In addition, the Authority has issued general obligation bonds and notes through private placement in order to finance uninsured rental loans. As of December 31, 2004, such privately placed bonds were outstanding in an aggregate principal amount of \$29,239,000, and such notes were outstanding in an aggregate principal amount of \$6 million.

Business Finance – Bonds/Notes. In connection with the Special Projects financing program, the Authority has financed certain business loans to non-profit organizations through the public offering of Authority bonds. As of December 31, 2004, such bonds, issued to finance a business loan to the Colorado Municipal League, were outstanding in the aggregate principal amount of \$1,280,000. The Authority has funded participation interests in business loans under the QIC, QAL and B&I II Programs as well as business loans under the CHFA Direct Loan and SBA 504 Programs using proceeds of its Guaranteed Loan Participation Purchase Bonds and its Project Loan Participation Purchase Bonds and Refunding Bonds, outstanding as of December 31, 2004 in the aggregate principal amount of \$30,502,000. These Bonds, which are general obligations of the Authority, have been privately placed. The Authority has also issued by private placement its Rural Business Cooperative Service Notes (outstanding as of December 31, 2004 in the aggregate principal amount of \$1,372,000 and secured by a general obligation pledge of the Authority), the proceeds of which have been used to finance project or working capital loans or participations therein for small businesses in rural areas.

Single Family Mortgage Programs – 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 December 31, 2004 was \$4,715,000. The Authority has also issued Class III 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 \$98,000,000 as of December 31, 2004, are payable from mortgage loan revenues and are also general obligations of the Authority. In addition to these bonds which have been publicly offered by the Authority, the Authority has issued general obligation bonds through private placement in order to finance single family mortgage loans. As of December 31, 2004, such privately placed bonds were outstanding in an aggregate principal amount of \$20.3 million.

Derivative Products. 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 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 5 to the financial statements of the Authority included in this Official Statement as **Appendix A**.

Line of Credit Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for the borrowing from time to time of up to an aggregate amount of \$300,000,000 as of December 31, 2004. 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 December 31, 2004, \$98,945,000 in borrowings were outstanding under those agreements.

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 long-term 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 entirely by Moody's or S&P, respectively, if circumstances so warrant.

## **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 2005 Series A 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 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 and Authority Projects*

For information concerning the Outstanding Loans and Authority Projects 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 the 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 INDENTURE - Debt Service Reserve Fund."**

### **Liquidity Facilities**

The Authority has entered, and will in the future enter, 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 Liquidity Facility) with an Alternate Liquidity Facility. The Authority shall promptly notify the Trustee, the 2005A 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 2005A 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 applicable Initial 2005A Liquidity Facility, each of the Initial 2005A Liquidity Facilities will expire at the end of the "Commitment Period," as defined in such Initial 2005A Liquidity Facilities. The Authority may, at its option, submit to the applicable 2005A Liquidity Facility Provider not earlier than 180 days before, and not later than 90 days before, the Expiration Date (as defined in the applicable Initial 2005A Liquidity Facility) as from time to time in effect, a request that such 2005A Liquidity Facility Provider renew its Initial 2005A Liquidity Facility and extend the Expiration Date thereof for an additional period (as specified by the Authority in writing) after the then-effective Expiration Date thereof in accordance with such Initial 2005A Liquidity Facility. Pursuant to such Initial 2005A Liquidity Facility, at the Authority's written request made in accordance with such Initial 2005A Liquidity Facility, such Initial 2005A Liquidity Facility may be renewed from time to time for a period of one year if such 2005A Liquidity Facility Provider consents to such request in its sole discretion. Under certain circumstances, the obligation of a 2005A Liquidity Facility Provider to purchase the related 2005 Series A Bonds tendered by the owners thereof or subject to mandatory purchase may be terminated or suspended and, in some of such circumstances, the termination or 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 2005 Series A Bonds tendered by the owners of such 2005 Series A 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 – 2005A 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 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. 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 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 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. 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 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.**

## 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."

## 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 – 2005A 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, 2003 and 2002, included in this Official Statement as **Appendix A**, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report dated April 16, 2004 (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the Authority's adoption of Governmental Accounting Standards Board Statements No. 34, 37, and 38 during the year ended December 31, 2002) appearing therein.

## 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 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 and Additional Information  
of the Authority for the Fiscal Years  
ended December 31, 2003 and 2002**

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## Independent Auditors' Report

The Board of Directors of  
Colorado Housing and Finance Authority  
Denver, Colorado

We have audited the accompanying statements of net assets of Colorado Housing and Finance Authority (the "Authority") as of December 31, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation, and Village of Yorkshire Corporation, which statements reflect assets constituting 0.8% and 0.9%, respectively, of total assets at December 31, 2003 and 2002, and revenues constituting 4.6% and 5.3%, respectively, of total revenues for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation, and Village of Yorkshire Corporation, are based solely on the reports of such other auditors.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the other reports of the other auditors, such financial statements present fairly, in all material respects, the financial position of the Authority, at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1(c) to the financial statements, during the year ended December 31, 2002, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's discussion and analysis on pages 1 through 6 is not a required part of the financial statements but is supplementary information required by the GASB. This information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of management's discussion and analysis. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying Supplemental Statements of Net Assets by Program as of December 31, 2003, Supplemental Statements of Revenues, Expenses and Changes in Net Assets by Program and Supplemental Statements of Cash Flows by Program for the year ended December 31, 2003, are presented for the purpose of additional analysis and are not a required part of the 2003 financial statements of the Authority. These statements are the responsibility of the Authority's management. Such schedules have been subjected to the auditing procedures applied in our audit of the 2003 financial statements and, in our opinion are fairly stated in all material respects when considered in relation to the 2003 financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2004, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.



Denver, Colorado  
April 16, 2004

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## Management's Discussion and Analysis

December 31, 2003 (Unaudited)

This section of the Colorado Housing and Finance Authority's ("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, 2003. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government*. This analysis should be read in conjunction with the Independent Auditors' Reports, the audited financial statements and accompanying notes. The Authority is entirely self – funded and does not draw upon the general taxing authority of the State of Colorado.

### Financial Position and Results of Operations

- ◆ As a result of this year's operations, net assets increased 5.8% to \$209.8 million compared to a December 31, 2002 amount of \$198.3 million.
- ◆ Profitability, as measured by return on average assets, was 0.6% for 2003 compared to 0.8% for 2002, excluding the change in fair market value for long-term investments. Liquidity as measured by loans receivable as a percentage of total assets, was at 65.7% at year-end 2003 compared to 64.7% at December 31, 2002. Leverage, as measured by total net assets as a percentage of total assets (excluding \$182.3 million of assets held to collateralize certain short-term borrowings), was 8.5% at year-end 2003 compared to 8.9% at December 31, 2002.
- ◆ Change in net assets was \$11.5 million for 2003, a 34.4% decrease compared to 2002. This was primarily due to a significant decrease in the fair market value of long-term securities of \$7.5 million, and a \$4.1 million increase in general operating expenses primarily consisting of amortized service release premiums related to loans due to the high prepayment rate on single family loans in 2003.
- ◆ New loan production, as measured by total loans funded, was \$658.6 million for the year compared to \$605.1 million in 2002. The 8.8% increase is primarily due to the single family loan and commercial business lending production records of \$483.2 million and \$66.9 million respectively, up from \$415.7 million and \$49.7 million in 2002. The increases were partially offset by a decrease of \$31.2 million in multi-family loan production to \$108.5 million, from a 2002 level of \$139.7 million.
- ◆ The Authority increased the amount of taxable debt issued in conjunction with its single family qualified lending program to approximately 53.2% of the related debt, compared to approximately 45.0% in 2002. This resulted in \$192 million available to fund loans to low and moderate income borrowers without utilizing tax-exempt bond issuance capacity, as compared to \$176 million in 2002.

## Management's Discussion and Analysis

December 31, 2003 (Unaudited)

### Overview of the Financial Statements

The financial statements consist of three sections: Management's discussion and analysis, the financial statements with notes, and supplementary schedules. 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 restricted or unrestricted. Under the Government Accounting Standards Board ("GASB") Statement No. 34, assets are restricted when their use is subject to external limits such as bond resolutions, legal agreements or statutes. Assets falling outside this category are characterized as unrestricted. Please note, however, that unrestricted assets include assets that have been committed by the Authority for specific uses, but for which an agreement may not yet be in place.

All of the current year's revenues and expenses of the Authority 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 income (loss) or change in net assets. Operating income (loss), or change in net assets is calculated as revenues less expenses plus or minus interfund transfers.

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, non-capital financing, investing and financing activities and provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

Financial statements by program are presented as supplementary schedules. These statements separate the financial statements into three segments: Single Family Bond Programs, Multi-Family Bond Programs, and the General Fund, which includes all other Authority activities.

## Management's Discussion and Analysis

### Statements of Net Assets

December 31, 2003 (Unaudited)

The following table presents condensed information about the financial position of the Authority as of December 31, 2003 and 2002, and changes in the balances of selected items during the fiscal year ended December 31, 2003 (in thousands):

	years ended December 31,				
	2003	2002	Change		
<b>Assets</b>					
<b>Current assets</b>	\$ 744,457	\$ 708,512	\$ 35,945	5.1	%
<b>Noncurrent assets:</b>					
Long-Term marketable securities	156,290	147,092	9,198	6.3	%
Loans receivable, net	1,674,010	1,531,076	142,934	9.3	%
Other assets	26,613	27,380	(767)	(2.8)	%
Capital assets	34,358	33,658	700	2.1	%
<b>Total Assets</b>	<b>\$ 2,635,728</b>	<b>\$ 2,447,718</b>	<b>\$ 188,010</b>	<b>7.7</b>	<b>%</b>
<b>Liabilities</b>					
<b>Current liabilities</b>	\$ 393,524	\$ 326,841	\$ 66,683	20.4	%
<b>Noncurrent liabilities:</b>					
Bonds payable, net	2,024,838	1,918,377	106,461	5.5	%
Notes Payable, net	7,237	3,844	3,393	88.3	%
Deferred fee income	362	358	4	1.1	%
<b>Total Liabilities</b>	<b>\$ 2,425,961</b>	<b>\$ 2,249,420</b>	<b>\$ 176,541</b>	<b>7.8</b>	<b>%</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	\$ 6,636	\$ 5,327	\$ 1,309	24.6	%
Restricted	78,563	75,323	3,240	4.3	%
Unrestricted	124,568	117,648	6,920	5.9	%
<b>Total Net Assets</b>	<b>\$ 209,767</b>	<b>\$ 198,298</b>	<b>\$ 11,469</b>	<b>5.8</b>	<b>%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,635,728</b>	<b>\$ 2,447,718</b>	<b>\$ 188,010</b>	<b>7.7</b>	<b>%</b>

Current assets increased \$35.9 million or 5.1% largely due to an increase in refunding activity and the reinvestment of the proceeds for purposes of preserving tax-exempt bond issuance capacity. A total of \$268.1 million of line-of-credit borrowings and short-term debt obligations were outstanding related to the volume capacity preservation activity as of December 31, 2003.

Long-term marketable securities increased \$9.2 million or 6.3% compared to year-end 2002. The change is attributable to required debt service reserve levels proportionate to a greater level of bond debt outstanding as of year-end 2003.

## Management's Discussion and Analysis

### Statements of Net Assets (continued)

December 31, 2003 (Unaudited)

Total loans receivable increased \$147.9 million during the current year, of which the non-current portion increase was \$142.9 million. The change is largely due to new loan purchases of approximately \$635.8 million, offset by loan repayments and prepayments that resulted in total pay downs of \$470.0 million. The ability to increase the loan portfolio in a year of rapid loan repayment activity was funded by the issuance of \$642.5 million in new bond issues in 2003.

The Authority's capital assets include land, buildings, office and computer equipment. The balance decreased 2.1% or \$0.7 million. The change in capital assets in any given year is immaterial to the overall operation of the Authority. See footnote (1)(l) for more details.

Current liabilities increased \$66.7 million or 20.4% over 2002 primarily as a result of bond issuances raising the current bonds payable balance from \$176.1 million as of year end 2002 to \$273.0 million for the year ended December 31, 2003 partially offset by the decrease of \$31.0 million in notes and accrued interest payable. Notes payable decreased \$26.8 million to \$86.6 million from \$113.4 million as a result of fewer borrowings from the lines of credit. Accrued interest payable decreased \$4.2 million to \$22.9 million from \$27.1 million due to a significant increase in the level of low current rate variable bonds outstanding in 2003.

Noncurrent liabilities increased \$109.9 million or 5.7% over 2002 principally due to the issuance of \$642.5 million in new single family and multi-family bond issues, partially offset by repayments and early redemptions of \$425.1 million as a result of a high level of loan prepayments. More detail on the Authority's debt is presented in Note 4 to the financial statements.

Restricted net assets were \$78.6 million as of year-end 2003. The use of these amounts, recorded as net assets of the single family and multi-family bond funds, are directed by the related bond resolutions and indentures of trust.

Total net assets of the Authority climbed 5.8% or \$11.5 million to \$209.8 million as a result of positive operating results for the year, primarily due to revenues based on higher loan productions and other factors discussed below and the following footnotes beginning on page 11.

## Management's Discussion and Analysis

### Statements of Revenues, Expenses and Changes in Net Assets

December 31, 2003 (Unaudited)

The following table presents condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2003 and 2002 and the change from the prior year (in thousands):

	years ended December 31,		Change	
	2003	2002		
<b>Operating Revenues:</b>				
Interest on loans	\$ 93,861	\$ 86,960	\$ 6,901	7.9 %
Investment income	23,804	23,521	283	1.2 %
Net increase (decrease) in the fair market value of long-term marketable securities	(3,578)	3,904	(7,482)	(191.6) %
Rental operations	9,549	10,569	(1,020)	(9.7) %
Other revenues	14,058	12,422	1,636	13.2 %
<b>Total Operating Revenues</b>	<b>\$ 137,694</b>	<b>\$ 137,376</b>	<b>\$ 318</b>	<b>0.2 %</b>
<b>Non-Operating Revenues</b>	<b>292</b>	<b>222</b>	<b>70</b>	<b>31.5 %</b>
<b>Total Revenues</b>	<b>\$ 137,986</b>	<b>\$ 137,598</b>	<b>\$ 388</b>	<b>0.3 %</b>
<b>Operating Expenses:</b>				
Interest expense, bonds and notes	\$ 92,629	\$ 90,852	\$ 1,777	2.0 %
Salaries and related benefits	11,545	10,869	676	6.2 %
General operating	14,360	10,278	4,082	39.7 %
Other interest expense	1,688	1,715	(27)	(1.6) %
Depreciation	2,745	2,246	499	22.2 %
Provision for losses	3,550	4,147	(597)	(14.4) %
<b>Total Operating Expenses</b>	<b>\$ 126,517</b>	<b>\$ 120,107</b>	<b>\$ 6,410</b>	<b>5.3 %</b>
<b>Change in Net Assets</b>	<b>\$ 11,469</b>	<b>\$ 17,491</b>	<b>\$ (6,022)</b>	<b>(34.4) %</b>
<b>Net Assets:</b>				
Beginning of year	\$ 198,298	\$ 180,807	\$ 17,491	9.7 %
End of year	\$ 209,767	\$ 198,298	\$ 11,469	5.8 %

Interest earned on loans of \$93.9 million, interest income on investments of \$23.8 million and interest expense on bonds and notes of \$92.6 million are the primary components of total revenues and expenses of the Authority.

Total operating revenues were \$137.7 million, which is \$318,000 greater than 2002. Interest on loans climbed \$6.9 million as a result of the increase in loans held by the Authority, partially offset by declining interest rates and the effect of high single family loan prepayments, which increased amortization of capitalized fees and down payment assistance balances. The Authority put more of its monies in short-term investments resulting in an increase of investment income of \$283,000 or 1.2% over the prior year. However, the increase in interest rates in the last six months of 2003 was responsible for the net decrease in the fair market value of long-term marketable securities of \$3.6 million, compared to a \$3.9 million net gain recorded in 2002. Additionally, other revenue grew to \$14.1 million as a result of increased loans service fees due to higher loan levels, and increases in certain program fees earned.

## Management's Discussion and Analysis

### Statements of Revenues, Expenses and Changes in Net Assets (continued)

December 31, 2003 (Unaudited)

Rental Operations revenue of \$9.5 million was generated primarily from the Authority's Rental Acquisition Program ("RAP"). Under this program, the Authority owns 14 multi-family properties, which provide affordable housing to low and moderate-income families. Rental operations revenue was 10.4% below the 2002 level of \$10.6 million due to lower revenue per rental unit realized and relatively high vacancy rates as a result of the continuing economic downturn in the state throughout 2003.

Total operating expenses of \$126.5 million increased \$6.4 million or 5.3% from the \$120.1 million incurred in 2002. The rise was largely attributable to high rates of prepayments of single family loans, increasing the amortization of deferred expenses of \$2.8 million included in general operating costs; and an increase in interest expense of \$1.8 million over the previous year as a result of higher bonds and notes payable balances.

Also contributing to the increase of expenses was restructuring and related charges. During fiscal year 2003, the Board of Directors approved a restructuring plan to strengthen both the Authority's competitive and financial position. Specifically targeted were areas with opportunity for more efficient processes that would reduce staffing, improve integration and alignment of departments, or where redundancy existed. Overall changes were necessary both to lower the existing cost structure and to reallocate resources to pursue future operating strategies.

### Economic Outlook

The Authority was created for the purpose of increasing the availability of affordable, decent, and accessible housing for lower income Coloradoans and strengthens the state's economy by providing financial assistance to businesses. Its primary business is funding the purchase of single and multi-family home mortgages; however, the Authority also owns properties and provides loans for new construction and rehabilitation of existing facilities. In addition, the Business Finance Division provides a wide variety of programs, including loan programs specific to businesses located in rural communities, women- and minority-owned businesses, manufacturers in the state, and nonprofit organizations committed to better serving the needs of Colorado citizens.

The ability to provide funding is dependent upon the Authority's financing activities, which are sensitive to the level of interest rates, the spread between the rate available on Authority loans and conventional mortgages offered in the Colorado market and the availability of affordable housing. Other key elements include the availability of tax-exempt financing on favorable terms and the budget appropriations from the U.S. Department of Housing and Urban Development, as contained in the federal budget for related program activities.

Despite the historical low interest rate and sluggish economy, the Authority maintained an active and continuous lending program with record production levels. The low interest rates provided more opportunities for those in the rental market to purchase their first home. The Authority remains committed to its business activities despite the current economic conditions.

### Other Financial Analysis

At the outset of 2003, the Authority introduced a significant change to its single family loan programs. The prior practice of providing a grant for down payment assistance was replaced with a second mortgage loan program. This action will improve bond issue residuals under high prepayment scenarios and offers a lower first mortgage rate to the borrower.

## Statements of Net Assets (in thousands)

	years ended December 31,	
	2003	2002
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and interest bearing accounts	\$ 8,300	\$ 20,791
Short-term marketable securities (at amortized cost which approximates market)	647,147	606,803
Loans receivable	57,725	52,796
Accrued interest receivable	19,539	17,658
Deferred debt financing costs	662	761
Other assets	9,160	8,843
Federally assisted program advances	1,924	860
Total Current Assets	744,457	708,512
<b>Noncurrent Assets:</b>		
Long-term marketable securities (at fair value) restricted	149,461	132,973
Long-term marketable securities (at fair value) unrestricted	6,829	14,119
Loans receivable, net	1,674,010	1,531,076
Property and equipment, net		
Corporate facilities	5,625	5,572
Rental operations	28,733	28,086
Other real estate owned, net	5,772	5,380
Deferred debt financing costs, net	11,923	13,699
Other assets	8,918	8,301
Total Noncurrent Assets	1,891,271	1,739,206
Total Assets	\$ 2,635,728	\$ 2,447,718
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Bonds payable	272,954	176,126
Notes payable	86,594	113,378
Accrued interest payable	22,882	27,058
Accounts payable and other liabilities	7,267	7,721
Federally assisted program advances	1,924	860
Refundable deposits	1,903	1,698
Total Current Liabilities	393,524	326,841
<b>Noncurrent Liabilities:</b>		
Bonds payable, net	2,024,838	1,918,377
Notes payable	7,237	3,844
Deferred fee income	362	358
Total Noncurrent Liabilities	2,032,437	1,922,579
Total Liabilities	\$ 2,425,961	\$ 2,249,420
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	6,636	5,327
Restricted	78,563	75,323
Unrestricted	124,568	117,648
Total Net Assets	\$ 209,767	\$ 198,298
Total Liabilities and Net Assets	\$ 2,635,728	\$ 2,447,718

The accompanying notes are an integral part of these statements

## Statements of Revenues, Expenses and Changes in Net Assets (in thousands)

	years ended December 31,	
	2003	2002
<b>Operating Revenues:</b>		
Interest on loans	\$ 93,861	\$ 86,960
Investment income	23,804	23,521
Net increase (decrease) in the fair market value of long-term marketable securities	(3,578)	3,904
Rental operations	9,549	10,569
Other revenues	14,058	12,422
<b>Total Operating Revenues</b>	<b>137,694</b>	<b>137,376</b>
<b>Operating Expenses:</b>		
Interest expense, bonds and notes	92,629	90,852
Salaries and related benefits	11,545	10,869
General operating	14,360	10,278
Other interest expense	1,688	1,715
Depreciation	2,745	2,246
Provision for losses	3,550	4,147
<b>Total Operating Expenses</b>	<b>126,517</b>	<b>120,107</b>
<b>Operating Income</b>	<b>11,177</b>	<b>17,269</b>
<b>Nonoperating Revenues and Expenses:</b>		
Grant income	292	222
Federal grant receipts	83,210	80,858
Federal grant payments	(83,210)	(80,858)
<b>Total Nonoperating Revenue</b>	<b>292</b>	<b>222</b>
<b>Change in Net Assets:</b>	<b>11,469</b>	<b>17,491</b>
<b>Net Assets:</b>		
Beginning of Year	198,298	180,807
End of Year	\$ 209,767	\$ 198,298

The accompanying notes are an integral part of these statements

## Statements of Cash Flows (in thousands)

	years ended December 31,	
	2003	2002
<b>Cash Flows from Operating Activities:</b>		
Interest received on loans receivable	\$ 100,535	\$ 98,697
Receipts from principal payments on loans	469,979	366,043
Interest received from marketable securities	24,290	24,395
Receipts from rental operations	9,577	10,546
Receipts from other program revenues	14,233	12,400
Receipts from sales of other real estate owned	2,040	6,795
Receipts from loan fundings fees	3,248	2,456
Receipts from accounts payable, federally assisted programs, & escrow	969	2,095
Payments for loan fundings	(635,780)	(567,216)
Interest paid on bonds and notes	(105,796)	(102,716)
Payments for salaries and related benefits	(11,323)	(10,559)
Payments for general operating expenses	(10,319)	(9,301)
Payments for other interest	(1,688)	(1,715)
Payment for loan funding fees	(2,483)	(9,763)
Payments from other assets	(4,818)	(219)
Net Cash Used in Operating Activities	(147,336)	(178,062)
<b>Cash Flows from Noncapital Financing Activities:</b>		
Proceeds from issuance of notes	3,416,716	1,832,955
Proceeds from issuance of bonds	642,488	841,966
Receipts from grants	292	222
Receipts from federal grants	83,210	80,858
Payments for federal grant programs	(83,210)	(80,858)
Payments for notes	(3,440,106)	(1,820,233)
Payments for bonds	(425,058)	(434,444)
Payments for debt financing costs	(2,747)	(4,437)
Payments for bond call premiums	(227)	(1,549)
Net Cash Provided by Noncapital Financing Activities	191,358	414,480
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Sale of property and equipment - rental operations	6	—
Purchase of property and equipment - corporate facilities	(875)	(1,002)
Purchase of property and equipment - rental operations	(2,576)	(3,240)
Net Cash Used in Capital and Related Financing Activities	(3,445)	(4,242)
<b>Cash Flows from Investing Activities:</b>		
Proceeds from long-term marketable securities	78,828	65,850
Purchase of long-term marketable securities	(91,552)	(94,942)
Net Cash Used in Investing Activities	(12,724)	(29,092)
Net increase in cash and cash equivalents	27,853	203,084
Cash and cash equivalents at beginning of year	627,594	424,510
Cash and cash equivalents at end of year	\$ 655,447	\$ 627,594

(continued)

The accompanying notes are an integral part of these statements

## Statements of Cash Flows (in thousands)

	years ended December 31,	
	2003	2002
<b>Reconciliation of Operating Income to Net Cash Used in Operating Activities:</b>		
Operating income	\$ 11,177	\$ 17,269
Adjustments to reconcile operating income to net cash used in operating activities:		
Increase (Decrease) in fair value of investments	3,578	(3,904)
Depreciation expense	2,745	2,246
Loss on sale of property and equipment	—	2
Gain on sale of long-term marketable securities	—	(103)
Accretion of capital appreciation term bonds	641	644
Amortization of:		
Deferred debt financing costs	5,278	6,832
Premiums and discounts on bonds, net	(14,911)	(21,172)
Premiums and discounts on long-term marketable securities, net	(51)	(78)
Deferred fee income	(2,406)	(2,304)
Deferred cash assistance expense	11,500	15,937
Service release premium expense	4,352	1,550
Mortgage yield recoupment income	—	(22)
Provision for losses	3,550	4,147
Principal payments on loans receivable	469,978	366,043
Sale of other real estate owned	2,040	6,795
New loan fundings	(635,781)	(567,216)
Deferred fee income	3,247	2,456
Deferred cash assistance expense	(2,484)	(9,763)
Changes in assets and liabilities:		
Accrued interest receivable	(1,882)	(820)
Other assets	(4,548)	(478)
Accrued interest payable	(4,175)	1,834
Accounts payable and other liabilities, federally assisted program advances, and refundable deposits	816	2,043
<b>Net Cash Used in Operating Activities</b>	<b>\$ (147,336)</b>	<b>\$ (178,062)</b>
Supplemental schedule of non-cash operating, noncapital financing, capital and related financing and investing activities:		
Transfer of mortgage loans to other real estate owned	2,432	7,716
Transfer of loans receivable to other assets	1,803	5,582
Transfer of allowance on loans receivable to allowance on other real estate owned	—	87
Transfer of deferred debt financing costs to deferred refunding	—	1,359
Transfer of deferred fee income to deferred refunding	—	145
Transfer of other assets to deferred refunding	—	1,003
Transfer of other real estate owned to other assets	—	2,150

(Concluded)

The accompanying notes are an integral part of these statements

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (1) Organization and Summary of Significant Accounting Policies

#### (a) Authorizing Legislation

Colorado Housing and Finance Authority (the "Authority") is a corporate body and a political subdivision of the State of Colorado 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 was created for the purpose of making funds available to assist private enterprise and governmental entities in providing housing facilities for low and moderate income families. Under the Act, the Authority is also authorized to finance project and working capital loans to industrial and commercial enterprises 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 of Colorado on future debt issues of the Authority. The bonds, notes and other obligations of the Authority do not constitute debt of the State of Colorado.

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.

#### (b) Reporting Entity

In accordance with governmental accounting standards applicable to the reporting entity, the Authority has included related entities in its financial statements. The reporting entity definition is based primarily on the concept of financial accountability. The Authority is financially accountable for those units that make up its legal entity as well as its legally separate organizations, because they have the same board of directors and management personnel, and their surplus assets are relinquished to the Authority.

Tanglewood Oaks Apartments Corporation ("Tanglewood"), Hyland Park Centre Corporation ("Hyland Park"), and Village of Yorkshire Corporation ("Yorkshire") have been designated as blended component units and included in the Authority's financial statements. Tanglewood, Hyland Park and Yorkshire are public, non-profit instrumentalities of the Authority, each of which owns and operates a single,

separate multi-family rental housing project. Financial information pertaining to the blended component units is presented later in this Note (1)(l). Separate financial statements for the individual component units may be obtained through the Authority.

Management also has concluded that the Authority is not a component unit of any other entity.

#### (c) Fund Accounting

The Authority has adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as amended by GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and 34", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures". The objectives of the statements are to establish a basic financial reporting model that will result in greater accountability by governments, while providing more useful information to a wider range of users. This conceptual basis has resulted in a new financial reporting model with several changes that have major implications on governments; however, as a public enterprise, the implications to the Authority are significant but not as broad as to a true governmental entity.

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (1) Organization and Summary of Significant Accounting Policies (continued)

#### (c) Fund Accounting (continued)

The effect on the financial statements of implementing GASB Statement No. 34, as amended, resulted in the presentation of classified Statements of Net Assets, Statements of Revenues, Expenses, and Changes in Net Assets, the change from the indirect to the direct method of presenting cash flows from operating activities, classification of net assets, reporting certain additional footnote disclosures, and the inclusion of Management's Discussion and Analysis as required supplementary information.

The financial activities of the Authority are recorded in the funds ("Bond Funds") established under various bond resolutions and in other funds established in connection with the administration of the Authority's programs. All activi-

ties of the Authority not performed pursuant to the Single Family and Multi-Family Funds are recorded in the General Fund. These Funds are combined for financial reporting purposes.

The Authority acts as an administrator of U.S. Department of Housing and Urban Development's ("HUD") contract administrator for the Section 8 subsidy program, administering the Housing Assistance Payments ("HAP") contracts for developments in the Authority's loan portfolio. Under Section 8, tenants pay 30% of their income toward rent and the balance is paid by federal subsidy. Federally-assisted program accounts have also been established to record activities directly related to the federal Section 8 Housing Assistance Payments program and other related programs funded by HUD. These accounts

are primarily used for housing assistance pass-through funds and for properties owned and utilized in affordable housing programs; which are dependent on budget appropriations from HUD, as contained in the Federal budget.

The financial statements of the Authority are presented on the basis of the proprietary fund accounting concept. 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, 2003 and 2002 for various purposes as follows. These designations of net assets are not binding, and can be changed by the Board of Directors.

	2003	2002
<b>Appropriations for Loan Funds:</b>		
Housing fund	\$ 2,555	\$ 571
Business finance fund	17,975	29,092
Housing opportunity fund	29,458	26,094
<b>Total Appropriations for Loan Funds</b>	<b>49,988</b>	<b>55,757</b>
<b>Designations:</b>		
General obligation bonds	18,939	18,468
General operating and working capital	14,300	15,084
Unrealized appreciation of investments	642	1,241
Single and multi-family bonds	40,699	27,098
<b>Total Designations</b>	<b>74,580</b>	<b>61,891</b>
<b>Total Unrestricted Net Assets</b>	<b>\$ 124,568</b>	<b>\$ 117,648</b>

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (1) Organization and Summary of Significant Accounting Policies (continued)

#### (c) Fund Accounting (continued)

Revenues and expenses are recognized on an accrual basis. The Authority distinguishes operating revenues and expenses from non-operating 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 losses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The restricted amounts are for the payment of principal, redemption premium, if any, or interest on all outstanding multi-family and single family 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 only if (i) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (ii) no default

exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities* that use Proprietary Fund Accounting, the Authority has elected not to adopt Financial Accounting and Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless so directed by the GASB.

#### (d) Budget Policies and Procedures

The Authority's budget year is the calendar year. A budget committee consisting of Finance, the Executive Committee and Human Resources reviews the initial drafts, makes necessary changes and presents the budget to the Executive Director for further review and approval. The Board is typically presented with a draft in November, and a public hearing is conducted. Modifications are made reflecting Board and public input, and the final version is typically adopted by the Board in December. The Board may modify the budget at any point during the fiscal year, but has chosen to do so only twice in its history in 1992 and in 2000. The budget is developed on a full accrual basis with estimations of revenue by source and

expenses by object.

#### (e) Cash

Cash at December 31, 2003 and 2002, primarily includes market interest accounts of which approximately \$1,423,000 and \$1,698,000, respectively, is designated for various General Fund program purposes.

#### (f) Marketable Securities

The Authority is authorized by means of a Board of Directors 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, and commercial paper and repurchase agreements backed by U.S. government or agency securities. Each of the trust indentures established under the Authority's bond programs contains 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.

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (1) Organization and Summary of Significant Accounting Policies (continued)

#### (f) Marketable Securities (continued)

Investments generally consist of unexpended bond proceeds, debt service reserve funds and revenue funds established under the provisions of various trust indentures and investments of the Authority's general fund. In connection with the Authority's bond programs, unexpended bond proceeds are maintained in trust, put in various types of investments until such time as the proceeds can be used to purchase specific types of loans. As noted above, investments are subject in some cases to minimum collateralization levels. For uncollateralized investments, including Guaranteed Investment Contracts, appropriate credit ratings are generally required.

The Authority accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" ("Statement 31"), which establishes accounting and financial reporting standards for investments held by governmental entities. Statement 31 requires most investments to be recorded at fair value and the recognition of unrealized gains and losses in the statement of revenue and expenses. Statement 31 allows money market investments and participating interest earning investment contracts that have a remaining maturity at the time

of purchase of one year or less to be recorded at amortized cost. The net increase (decrease) in the fair value of long-term marketable securities for 2003 and 2002 is reflected in the statements of revenues, expenses, and changes in net assets for the years presented.

#### (g) Loans Receivable

Mortgage loans are carried net of deferred cash assistance expense, deferred fee income, deferred mortgage yield recoupment income and allowance for loan losses. Generally, single family first mortgage loans bear interest at rates ranging from 4.625% to 10.00% per annum, payable monthly over 30 years. Single family mortgage loans are collateralized by first liens on the related properties, except for \$9.4 million of 0% second-lien mortgages at December 31, 2003, issued under the Authority's new buyer assistance program. Multi-family and business loans bear interest at rates ranging from 1.00% to 12.00% per annum, payable over terms from 15 to 40 years. Servicing of mortgage loans is provided by the Authority and various approved and qualified private lending institutions, on behalf of the Authority. The Authority services approximately 98% of its loans directly.

#### (h) Fee Income and Expense

Loan and commitment fees, net of related costs, are deferred and amortized into interest income, using the effective interest method, over the lives of the loans. Under the Authority's Single Family Bond Program, the borrower could choose a loan that provided a cash assistance payment of generally 3% of the loan amount; this program ended in 2003. These payments were deferred and presently amortized into interest income, using the effective interest method, over the lives of the loans.

#### (i) Mortgage Yield Recoupment Income

Income in excess of arbitrage limits under the U.S. Treasury regulations is accounted for as an adjustment of the yield on the respective mortgage loan portfolio to the yield permitted under the regulations. These amounts are classified as reductions of loans receivable, and deferred and amortized over the lives of the respective mortgage loans.

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (1) Organization and Summary of Significant Accounting Policies (continued)

#### (j) Compensated Absences

Full-time employees accrue paid-time off at the rate of between nineteen and twenty-nine days per year, depending on length of service. Partial full-time employees accrue vacation at 80% of full time employees, while part-time employees accrue vacation at 50%. The liability for compensated absences is based on current salary rates, and is included in the financial statements.

#### (k) Allowance for Losses

The allowance for losses on loans, accrued interest receivable, other real estate owned, and other assets is provided through charges against current operations based on management's periodic review of the loan and other real estate owned portfolios. 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, historical loss experi-

ence for each type of insurance or guarantee (for losses particular to other real estate owned), 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 in the amount quantifiable. Loans receivable, other real estate owned and other assets are shown net of an allowance for losses of \$19,091,000, \$1,601,000 and \$40,000 respectively, for 2003, and \$16,230,000, \$1,554,000, and \$104,000, respectively, for 2002.

#### (l) Property, Equipment and Rental Real Estate Operations

Office buildings, furniture and equipment are carried at \$5,625,000 and \$5,572,000 (net of accumulated depreciation) at December 31, 2003 and 2002, respectively, representing cost.

The Authority commenced its Rental Acquisition Program ("RAP") in 1988, when the Board authorized the acquisition, rehabilitation and operation of multi-family properties to provide affordable housing to low and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (i) general obligation and multi-family bond proceeds, (ii) seller-carry notes, and (iii) contributions from the General Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. Further, it is the policy of the Authority to distribute excess surplus net assets from the component units semiannually. These distributions are reflected in the component unit's net assets. As of December 31, 2003, the Authority owned a total of 14 RAP projects, including its three component units, containing 1,434 units.

Selected balance sheet items of the RAP are presented below

	2003	2002
<b>RAP Combined, Including Component Units:</b>		
Property, net of accumulated depreciation of \$12,777 and \$10,857	\$ 28,733	\$ 28,086
Total assets	35,437	36,628
Total liabilities	23,120	23,522
<b>Net Assets</b>	<b>\$ 12,317</b>	<b>\$ 13,106</b>
<b>RAP Component Units Only:</b>		
Property, net accumulated depreciation of \$7,676 and \$6,449	\$ 17,315	\$ 18,101
Total assets	20,594	21,897
Total liabilities	16,785	17,028
<b>Net Assets</b>	<b>\$ 3,809</b>	<b>\$ 4,869</b>

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (1) Organization and Summary of Significant Accounting Policies (continued)

#### (l) Property, Equipment and Rental Real Estate Operations (continued)

All revenue and expenses of these properties, including depreciation and interest, are reflected in the operating results of the Authority's General Fund. RAP revenues are recorded as components of

rental operations and other revenues which include RAP interest income. Operating and other expenses are recorded in general operating expenses, and interest expense on notes payable and general obligation bond proceeds used to acquire the properties is recorded in other interest expense.

The following is a summary of the operating results of the RAP properties on a stand-alone basis before elimination of intercompany transactions.

	2003	2002
<b>RAP Combined, Including Component Units:</b>		
Rental operations	\$ 9,549	\$ 10,569
Interest income	31	57
Other revenues	26	45
General operating expenses	(4,542)	(4,015)
Depreciation expense	(1,920)	(1,700)
Interest expense	(1,690)	(1,715)
<b>Net Income</b>	<b>\$ 1,454</b>	<b>\$ 3,241</b>
<b>RAP Component Units Only:</b>		
Rental operations	\$ 6,241	\$ 7,174
Interest income	25	47
Other Revenues	16	16
General operating expenses	(2,585)	(2,519)
Depreciation expense	(1,227)	(1,142)
Interest expense	(1,229)	(1,246)
<b>Net Income</b>	<b>\$ 1,241</b>	<b>\$ 2,330</b>

The Authority uses the straight-line method of depreciation with estimated useful lives of three to thirty years. The capitalization threshold for corporate and RAP capital assets for 2003

was \$1,000 and \$500 respectively. As of January 1, 2004, the capitalization thresholds increased to \$2,500 for corporate assets and \$1,500 for RAP assets.

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (1) Organization and Summary of Significant Accounting Policies (continued)

A summary of corporate and RAP property and equipment follows:

	Balance Dec 31, 2002	Additions	Disposals	Transfers	Balance Dec 31, 2003
<b>Corporate</b>					
Computer equip/software	\$ 965	564	—	(152)	\$ 1,377
Office equipment	2,286	33	(14)	64	2,369
Furniture and fixtures	1,604	2	(260)	278	1,624
Buildings	3,443	276	—	(342)	3,377
Land	1,573	—	—	—	1,573
Construction in progress	—	—	—	152	152
Sub-Total	9,871	875	(274)	—	10,472
Accumulated Depreciation	(4,299)	(825)	277	—	(4,847)
Net Book Value	\$ 5,572				\$ 5,625
<b>Rental</b>					
Computer equip/software	\$ 61	10	—	—	\$ 71
Office equipment	2,980	291	—	—	3,271
Furniture and fixtures	2,854	185	—	—	3,039
Buildings	28,592	2,089	(8)	—	30,673
Land	4,456	—	—	—	4,456
Sub-Total	38,943	2,575	(8)	—	41,510
Accumulated Depreciation	(10,857)	(1,920)	—	—	(12,777)
Net Book Value	\$ 28,086				\$ 28,733
Consolidated Net Fixed Assets	\$ 33,658				\$ 34,358
	Balance Dec 31, 2001	Additions	Disposals	Transfers	Balance Dec 31, 2002
<b>Corporate</b>					
Computer equip/software	\$ 160	755	—	50	\$ 965
Office equipment	2,429	44	(157)	(30)	2,286
Furniture and fixtures	1,577	20	(3)	10	1,604
Buildings	3,290	183	—	(30)	3,443
Land	1,573	—	—	—	1,573
Sub-Total	9,029	1,002	(160)	—	9,871
Accumulated Depreciation	(3,913)	(544)	158	—	(4,299)
Net Book Value	\$ 5,116				\$ 5,572
<b>Rental</b>					
Computer equip/software	\$ 6	59	—	(4)	\$ 61
Office equipment	—	640	—	2,340	2,980
Furniture and fixtures	4,578	365	—	(2,089)	2,854
Buildings	26,955	1,884	—	(247)	28,592
Land	4,164	292	—	—	4,456
Sub-Total	35,703	3,240	—	—	38,943
Accumulated Depreciation	(9,156)	(1,701)	—	—	(10,857)
Net Book Value	\$ 26,547				\$ 28,086
Consolidated Net Fixed Assets	\$ 31,663				\$ 33,658

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (1) Organization and Summary of Significant Accounting Policies (continued)

#### (m) Deferred Debt Financing Costs and Bond Discounts and Premiums

Costs of debt issuance are deferred and amortized over the expected average lives of the bond issues using the effective interest method. Discounts and premiums on bonds payable are amortized over the expected average lives of the respective bond issues using the effective interest method.

#### (n) 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.

#### (o) Other Assets

Included in other assets are prepaid expenses and unamortized costs of mortgage servicing rights.

#### (p) Federally Assisted Program Advances

In accordance with and pursuant to contracts between the Authority and the Department of Housing and Urban Development ("HUD"), the Authority administers federally assisted programs in certain areas of the State of Colorado. Under these programs, housing assistance payments are made to the

owners of rental housing developments on behalf of tenants of limited income who meet the eligibility requirements. HUD advances funds to the Authority for the housing assistance payments and, for certain developments, pays a monthly fee to the Authority for its administration of the subsidy contracts. The advanced funds held by the Authority are \$1,924,000 and \$860,000 for 2003 and 2002 respectively. The administrative fees for these federally assisted programs are approximately \$3,663,000 and \$3,411,000 in 2003 and 2002, respectively.

#### (q) 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 described in Footnote (5).

#### (r) Other Revenue and Other Interest Expense

Other revenue includes rental income from RAP, administrative fees from federally assisted programs, tax credit program fees, mortgage loan servicing fees, and reimbursements and fees from other programs. Other interest expense includes actual interest costs on debt incurred to finance RAP projects and on borrowings incurred to finance the Authority's facilities and equipment.

#### (s) Debt Refunding

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.

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (1) Organization and Summary of Significant Accounting Policies (continued)

#### (t) 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, purchased insurance and partial self insurance. Commercial general liability, property losses, business automobile liability, worker's compensation and public officials' liability are all managed through purchased insurance. Through the end of the 2003 year, for excess risk exposure, all employee medical claims in excess of \$30,000 per individual and \$896,000 aggregate per year are also covered by the purchase of stop-loss insurance. The Authority is partially self-insured to cover claims that fall below these limits. The claim liability for the years ended December 31, 2003 and December 31, 2002, which is included in accounts payable and other liabilities, was as follows:

Effective January 1, 2004, the Authority has elected to discontinue the self-insured medical claims approach and the related stop-loss insurance has been discontinued. Coverage has been moved to a fully-insured plan underwritten and administered by a major insurance underwriter. Under the new plan, periodic premiums are shared between the Authority and employees who elect to be covered under the plan.

#### (u) 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 reported period. Actual results could differ from those estimates.

#### (v) Mortgage Escrows

Escrow funds held by the Authority on behalf of others of approximately \$9,402,000 and \$9,942,000 at December 31, 2003 and 2002, respectively, are not reflected in the accompanying statements of net assets. The Authority is accountable for escrow funds and is contingently liable for them in the event of loss, but the funds are the assets of the parties that provided them.

#### (w) Reclassifications

Certain reclassifications have been made to the 2002 financial statements to conform to the 2003 presentation.

	2003	2002
Beginning Claims Liability	\$ 156,633	\$ 466,108
Period claims	1,045,592	651,241
Estimated accrual changes, adjustments	(89,970)	(309,475)
Claim payments	(1,036,059)	(651,241)
Ending Claims Liability	\$ 76,196	\$ 156,633

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (2) Cash and Marketable Securities

Investment of the Authority's monies is made in accordance with the Authority's investment guidelines, which have been approved by the Board and are in compliance with the Act and the laws of the State of Colorado. Permitted investments under these guidelines include obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper rated A-1 or P-1, certificates of deposit, repurchase agreements, money market mutual funds and investment agreements.

The Authority categorizes its cash into three categories as to their risk. Category 1 includes federally insured deposits, or deposits fully collateralized with securities held in the Authority's name. Category 2 includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. Category 3 includes cash on hand, which is not insured.

At December 31, 2003 and 2002 the Authority had cash deposits with a carrying value of \$8,300,000 and \$20,791,000 respectively. These balances are categorized as follows:

Risk Category	2003	2002
1	\$ 531	\$ 466
2	7,371	20,324
3	398	1
Total	\$ 8,300	\$ 20,791

Below, the Authority's marketable securities (excluding Treasury money market funds and uncollateralized investment agreements) are also categorized into three categories as follows to provide an indication of the level of risk assumed as of December 31, 2003 and 2002. Category 1 includes those investments which are insured,

mutual funds and uncollateralized investment agreements because securities are not issued as evidence of these investments. Short-term marketable securities are carried at amortized cost, which approximates market. Long-term marketable securities are carried at fair value.

Investment Type	Risk Category	2003 Carrying Value	2002 Carrying Value
Categorized:			
U.S. Government & agency obligations	1	\$ 190,332	\$ 205,878
Collateralized investment agreements	2	43,201	42,271
Repurchase agreements	1	14,498	9,140
Uncategorized:			
Treasury money market funds		43,780	76,362
Uncollateralized investment agreements		511,626	420,244
<b>Total Investments</b>		<b>\$ 803,437</b>	<b>\$ 753,895</b>

or registered securities held by the Authority or its trustee in the Authority's name. Category 2 includes those investments which are uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the Authority's name. Category 3 includes those investments which are uninsured and unregistered, with securities held by the counterparty or its agent, but not in the Authority's name. Amounts not subject to categorization include money market

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

From time to time, the Authority invests in repurchase agreements. Securities underlying repurchase agreements are

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (2) Cash and Marketable Securities (continued)

limited to those government and agency obligations permitted by the Authority's investment guidelines and have a market value of at least or equal to 100% of the cost of the repurchase

agreement. The Authority's collateral interest in the underlying securities is perfected by delivery of the securities to the Authority's trustee.

The following schedule shows the Authority's net (decrease) increase in fair value of long-term marketable securities by program, for the years ended December 31, 2003 and 2002:

	2003	2002
General Fund	\$ (555)	\$ (32)
Multi-Family Housing Insured Mortgage Revenue	(708)	2,508
Multi-Family/Project	(426)	319
Single Family Housing Revenue	47	245
Taxable Single Family Mortgage Revenue	(16)	22
Single Family Revenue	(186)	151
Single Family Program Senior and Subordinate	(18)	54
Single Family Mortgage Bonds	(1,716)	637
<b>Total</b>	<b>\$ (3,578)</b>	<b>\$ 3,904</b>

### (3) Loans Receivable

Loans Receivable at December 31, 2003 and 2002 consist of the following:

	2003	2002
General Fund	\$ 176,389	\$ 122,341
Multi-Family bond programs:		
Housing Insured Mortgage Revenue	200,617	218,608
Mortgage Revenue	1,170	1,953
Project	334,787	214,580
Adjustable Rate Housing Insured Mortgage Revenue	27,792	46,102
Single Family bond programs:		
Taxable Revenue	3,289	5,768
Taxable Program Senior and Subordinate	—	2,131
Revenue	759	1,154
Program	11,290	14,793
Program Senior and Subordinate	276,922	493,632
Revenue Refunding	167	314
Mortgage	707,690	458,617
<b>Total Loans Receivable</b>	<b>1,740,872</b>	<b>1,579,993</b>
Less:		
Deferred cash assistance expense	18,919	28,237
Deferred fee income	(8,965)	(8,128)
Allowance for loan losses	(19,091)	(16,230)
<b>Total Loans Receivable, Net</b>	<b>\$ 1,731,735</b>	<b>\$ 1,583,872</b>

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (3) Loans Receivable (continued)

General Fund loans are made up of business, multi-family and single family loans acquired under various programs of the General Fund, warehoused loan to be acquired by the Bond 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. At December 31, 2003 and 2002, \$7,504,000 and \$10,600,000 of these loans respectively, are secured by first liens ahead of second liens from the Small Business Administration. Additionally, at December 31, 2003 and 2002, \$19,136,000 and

\$23,170,000 of these loans, respectively, are secured by a guarantee of the Small Business Administration or Consolidated Farm Services, formerly Farmers Home Administration.

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

Single family bond program loans are collateralized by first mortgages on applicable real property, and in the case of loans with a loan-to-value ratio

of 80% or more, are either insured by private mortgage insurance or the Federal Housing Administration or guaranteed by the Veterans Administration or Rural Economic and Community Development Department.

At December 31, 2003 and 2002, the amounts available in the Bond Funds for additional investments in new loans are as follows:

	2003	2002
Single Family mortgage program*	\$ 148,956	\$ 122,851
Multi-Family mortgages and projects	42,388	139,776
Total	\$ 191,344	\$ 262,627

\*These amounts will be used to acquire single family mortgage loans warehoused in the Authority's General Fund of \$64,092,000 and \$0, at December 31, 2003 and 2002, respectively.

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (4) Bonds and Notes Payable

The aggregate principal amounts of bonds and notes payable at December 31, 2003 and 2002 are shown below. Interest is payable semi-annually unless otherwise noted.

Description and Due Date	Interest Rate (%)	2003	2002	
General Fund:				
General Obligation Bonds:				
1992 Series A	2004-2030	9.125	\$ 3,245	\$ 3,265
1998 Series A	2004-2017	4.45 to 5.25	1,345	1,410
ACCESS Programs:				
1991 Series A		9.15	—	1,055
1991 Series B		8.50	—	2,530
1995 Series A	2004-2015	7.67	2,485	2,517
1997 Series A	2004-2018	7.22	1,854	3,247
1999 Series A	2004-2018	6.49	2,168	2,894
QIC Program:				
1997 Series A		6.56	—	64
1999 Series A	2004-2024	5.71	2,971	4,927
2000 Series A	2004-2025	6.755	329	477
QIC - State Treasurer				
2003 Series A	2004-2023	5.004	4,853	—
SMART Program:				
2000 Series A	2004-2020	6.152	8,234	8,355
Taxable Mortgage Revenue: (principal and interest payable monthly)				
2000 Series A	2004-2020	6.914	2,716	4,158
2000 Series B	2004-2020	6.675	1,413	2,429
2001 Series AP	2004-2021	6.6135	5,372	13,364
2001 Series AV	2004-2021	6.625	2,167	4,189
Single Family Taxable Mortgage Revenue: (principal and interest payable monthly)				
2002 Series AP	2004-2021	5.662	2,400	6,314
Taxable Rental Project Revenue: (principal and interest payable monthly)				
2002 Series AV	2004-2022	5.550	6,893	6,985
2003 Series AV	2004-2024	5.190	3,987	—
<b>Total General Fund</b>		\$	<b>52,432</b>	\$ <b>68,180</b>

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

## (4) Bonds and Notes Payable (continued)

Description and Due Date	Interest Rate (%)	2003	2002
Multi-Family			
Multi-Family Housing Insured			
Mortgage Revenue Bonds:			
1991 Series A	7.35	\$ —	\$ 2,470
1993 Series A	5.125 to 5.90	—	16,105
1995 Series A	2004-2037	5.75 to 6.80	11,495
1995 Series B	2004-2037	5.60 to 6.75	13,840
1995 Series C	2004-2015	5.20 to 6.50	12,615
1996 Series A	2004-2037	5.10 to 7.20	21,900
1996 Series B	2004-2037	5.75 to 8.00	8,605
1996 Series C	2004-2038	5.30 to 8.10	14,895
1997 Series A	2004-2038	4.80 to 7.125	12,715
1997 Series B	2004-2038	4.60 to 7.25	22,925
1997 Series C	2004-2039	4.80 to 6.75	36,650
1998 Series A	2004-2039	5.35 to 6.70	20,145
1998 Series B	2004-2040	5.45 to 7.00	7,220
1999 Series A	2004-2041	4.65 to 6.65	33,950
1999 Series B	2004-2041	5.25 to 5.85	5,475
1999 Series C	2004-2041	4.95 to 7.10	16,350
<b>Total Multi-Family Housing Insured</b>		<b>238,780</b>	<b>265,470</b>
Multi-Family Mortgage Revenue Bonds: (principal and interest payable monthly)			
Series 1978-3	2004-2017	6.50	1,170
Series 1980-1		10.50	—
<b>Total Multi-Family Mortgage Revenue Bonds</b>		<b>1,170</b>	<b>1,953</b>
Multi-Family/Project Bonds: *(principal and interest payable quarterly on some of the bonds)			
2000 Series A	2004-2032	5.225 to 6.15	64,530
2000 Series B*	2004-2042	6.0 to 7.39	31,175
2001 Series A	2004-2043	4.75 to 5.65	37,670
2002 Series A	2004-2042	2.45 to 5.70	41,720
2002 Series B	2004-2032	Variable (weekly)	57,295
2002 Series C	2004-2042	2.55 to 5.30	142,720
2003 Series A	2004-2033	Variable (weekly)	48,780
<b>Total Multi-Family/Project Bonds</b>		<b>423,890</b>	<b>391,320</b>
Adjustable Rate Multi-Family Housing Insured Mortgage Revenue Bonds:			
2002 Series AA	2004-2030	Variable (weekly)	75,285
<b>Total Multi-Family</b>		<b>\$ 739,125</b>	<b>\$ 734,463</b>

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (4) Bonds and Notes Payable (continued)

Description and Due Date	Interest Rate (%)	2003	2002
Taxable Single Family Mortgage Revenue Bonds:			
1998 Issue I	2004-2018	6.65	
		\$ 2,315	\$ 5,105
Taxable Single Family Program			
Senior and Subordinate Bonds:			
1993 Issue A		7.625	
		—	815
Single Family Revenue Bonds:			
1985 Series A	2005-2009	11.125	
		777	697
1985 Series B	2007	8.75	
		885	885
1993 Refunding Series A	2005-2008	7.00	
		3,925	3,664
<b>Total Single Family Revenue Bonds</b>			
		<b>5,587</b>	<b>5,246</b>
Single Family Program Bonds:			
1998 Series C	2004-2029	4.70 to 5.625	
		11,740	15,006
Single Family Program Senior and Subordinate Bonds:			
1994 Series B	2004-2024	5.75 to 7.50	
		715	1,260
1994 Series C	2004-2024	6.00 to 7.90	
		335	1,465
1994 Series D-I	2009-2024	5.90 to 8.00	
		290	1,400
1994 Series D-II	2004-2025	6.125 to 8.125	
		130	885
1994 Series E		5.95 to 8.125	
		—	1,065
1994 Series F	2004-2025	6.75 to 8.625	
		125	450
1995 Series A	2004-2025	5.90 to 8.00	
		2,110	3,490
1995 Series B	2004-2025	5.80 to 7.90	
		1,740	3,225
1995 Series C	2004-2025	5.20 to 7.65	
		2,870	5,265
1995 Series D	2004-2026	5.20 to 7.38	
		10,745	14,185
1996 Series A	2004-2027	5.10 to 7.40	
		6,640	11,630
1996 Series B	2004-2027	5.30 to 7.65	
		5,385	9,750
1996 Series C	2004-2027	5.30 to 7.55	
		5,945	9,995
1997 Series A	2004-2027	4.75 to 7.25	
		9,055	15,425
1997 Series B	2004-2028	5.00 to 7.00	
		6,845	14,435
1997 Series C	2004-2028	5.00 to 6.875	
		8,295	16,420
1998 Series A	2004-2029	4.75 to 6.60	
		16,060	25,315
1998 Series B	2004-2029	4.625 to 6.55	
		16,289	26,529
1998 Series D	2004-2029	4.25 to 6.35	
		21,145	36,540
1999 Series A	2004-2030	4.375 to 6.45	
		20,965	34,640
1999 Series B	2004-2030	4.875 to 6.80	
		20,155	37,670
1999 Series C	2004-2031	4.70 to 7.20	
		24,625	42,950
2000 Series A	2004-2031	5.75 to 7.54	
		11,575	24,005
2000 Series B	2004-2031	5.35 to 7.47	
		12,425	24,390
2000 Series C	2004-2031	5.70 to 8.40	
		17,795	33,225
2000 Series D	2004-2032	5.40 to 7.43	
		17,305	31,650
2000 Series E	2004-2032	5.375 to 7.10	
		15,915	31,400
2001 Series A	2004-2032	5.00 to 6.50	
		27,280	39,270
2001 Series B	2004-2033	5.00 to 6.55	
		32,800	52,275
2001 Series C	2004-2033	4.875 to 6.375	
		41,835	57,770
<b>Total Single Family Program Senior and Subordinate Bonds</b>			
		\$ 357,394	\$ 607,974

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (4) Bonds and Notes Payable (continued)

Description and Due Date	Interest Rate (%)	2003	2002	
Single Family Revenue Refunding Bonds:				
1994 Series A	2004-2011	5.00 to 5.30	\$ 35	\$ 195
Single Family Mortgage Bonds				
2001 Series AA	2004-2041	5.25	131,840	131,840
2002 Series A	2004-2032	4.55 to 5.65	90,305	93,260
2002 Series B	2004-2032	4.80 to 5.40	135,000	179,340
2002 Series C	2004-2036	4.40 to 4.95	172,000	223,000
2003 Series A	2004-2032	1.20 to 5.15	106,000	—
2003 Series B	2004-2033	1.00 to 5.00	254,000	—
2003 Series C	2004-2032	1.13 to 5.00	223,275	—
Total Single Family Mortgage Bonds			1,112,420	627,440
Total Single Family			1,489,491	1,261,781
Mortgage Notes:				
March 31, 2003		—	—	43
July 1, 2004		4.50	693	713
November 30, 2005		—	30	40
September 12, 2007		6.50	1,679	1,679
January 3, 2008		7.25	4,166	—
September 4, 2020		1.00	755	796
June 22, 2025		1.00	687	715
Lines of Credit:				
January 2, 2004		1.180 and 1.366	85,821	113,127
Unsecured Notes Payable:				
June 30, 2003		Variable	—	5
December 31, 2003		Variable	—	104
Total Notes Payable			93,831	117,222
Total Bonds and Notes Payable			2,374,879	2,181,646
Discounts/premiums, net			24,553	38,016
Deferred losses on refunding amounts			(7,809)	(7,937)
Total Bonds and Notes Payable, Net			\$ 2,391,623	\$ 2,211,725

Included in several of the bond issues shown on this page are Capital Appreciation Term Bonds ("CATB"). The principal amounts of these bonds appreci-

ate 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 Statements of Net Assets at December 31, 2003 and 2002 are as follows:

Description, Due Date and Type	Interest Rate (%)	Appreciated Balances			
		Maturity	2003	2002	
Single Family Revenue Bonds:					
1985 Series A	2005-2009 CATB	11.125	\$ 1,110	\$ 777	\$ 697
1993 Refunding Series A	2005-2008 CATB	7.00	4,762	3,925	3,664
Single Family Senior and Subordinate Bonds:					
1998 Series B	2025-2029 CATB	5.5	6,053	1,709	1,618
Single Family Program Bonds:					
1998 Series C	2020-2029 CATB	5.625	\$ 12,265	\$ 3,885	\$ 3,676

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (4) Bonds and Notes Payable (continued)

Also included in the Bonds and Notes Payable section above are both Single Family and Multi-

Family Bonds which carry the Authority's General Obligation pledge. These bonds have been

issued as subordinate debt or class III obligations and are broken out below:

Description	2003	2002
Single Family Program Subordinate Bonds	\$ 8,860	\$ 13,575
Single Family Mortgage Bonds, Class III	74,000	32,000
Multi-Family/Project Bonds, Class III	34,320	21,390
Total	\$ 117,180	\$ 66,965

Bonds and Notes Payable activity for the year ended December 31, 2003 and 2002 were as follows:

Description	Beginning Balance 2003	Additions	Reductions	Ending Balance 2003
Bonds payable	\$ 2,064,424	\$ 641,682	\$ 425,058	\$ 2,281,048
Notes payable*	117,222	3,416,715	3,440,106	93,831
Unamortized premium/discount	38,016	1,448	14,911	24,553
Deferred losses on refunding	(7,937)	(227)	(355)	(7,809)
Total	\$ 2,211,725	\$ 4,059,618	\$ 3,879,720	\$ 2,391,623

Description	Beginning Balance 2002	Additions	Reductions	Ending Balance 2002
Bonds payable	\$ 1,662,337	\$ 842,610	\$ 440,523	\$ 2,064,424
Notes payable*	104,500	1,832,955	1,820,233	117,222
Unamortized premium/discount	53,112	—	15,096	38,016
Deferred losses on refunding	(4,477)	(3,766)	(306)	(7,937)
Total	\$ 1,815,472	\$ 2,671,799	\$ 2,275,546	\$ 2,211,725

\* balance includes the Authority's two lines of credit for 2003 and three lines of credit for 2002

Bonds and Notes Payable sinking fund installments and maturities subsequent to December 31, 2003, are as follows:

	Single Family		Multi-Family		General Fund		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 243,535	\$ 60,722	\$ 18,393	\$ 34,298	\$ 11,026	\$ 2,737	\$ 86,594	\$ 513
2005	49,948	60,470	12,547	33,702	3,368	2,302	91	425
2006	55,067	58,275	9,780	33,218	2,301	1,957	71	424
2007	55,301	55,680	10,339	32,727	1,489	2,034	1,751	423
2008	51,195	53,155	11,132	32,376	1,769	1,951	4,238	314
2009-2013	210,347	231,844	65,274	150,939	9,817	6,654	375	47
2014-2018	176,580	184,193	91,150	129,848	14,575	6,849	394	28
2019-2023	202,521	133,978	106,110	101,063	6,043	1,908	248	10
2024-2028	164,740	86,869	95,425	72,837	1,169	672	69	1
2029-2033	151,097	44,523	230,215	43,126	875	124	—	—
2034-2038	135,320	12,866	61,550	18,378	—	—	—	—
2039-2043	7,740	242	27,210	3,212	—	—	—	—
Total	\$ 1,503,391*	\$ 982,817	\$ 739,125	\$ 685,724	\$ 52,432	\$ 27,188	\$ 93,831	\$ 2,185

\* includes \$13.9 million of future accretion of principal value on capital appreciation bonds

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (4) Bonds and Notes Payable (continued)

Assets of the various Bond 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 various Bond Funds and are held in cash, marketable securities or investment agreements. At December 31, 2003 and 2002, these assets were at least equal to the amounts required to be restricted.

The Authority has an agreement with the Federal Home Loan Bank of Topeka (FHLB) for borrowings of up to \$250,000,000. Amounts drawn under the agreement bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investment securities. There are no commitment fees associated with this agreement. As of December 31, 2003 and 2002, the outstanding borrowings under this agreement were \$85,821,000 and \$113,127,000, respectively.

The Authority also has a revolving, unsecured, commercial bank line of credit for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest fixed at 0.62% per annum above the

London Interbank Offered Rate (LIBOR). This line of credit agreement terminates on July 25, 2004. 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 quarter until the Maturity Date, and on the Maturity Date. 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. As of December 31, 2003 and 2002, the Authority had no outstanding borrowings under this agreement.

The Authority has issued certain conduit Multi-family Housing Revenue Bonds and Industrial Development Bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 2003, \$185,262,000 and \$92,530,000, respectively, of these bonds were outstanding. The corresponding amounts outstanding as of December 31, 2002 were \$186,993,000 and \$76,470,000, respectively. 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.

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (5) Interest Rate Swaps

#### Swaps in effect as of December 31, 2003

#### 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 rates with refunding bonds in order to generate cash flow savings.

#### Summary of Swap Transactions

The terms, including the fair values of the outstanding swaps as of December 31, 2003, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. Except as discussed under amortization risk, 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. All swap counterparties have a credit rating of AAA or Aaa by Standard and Poor's and Moody's Investors Service, respectively.

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received (*)	Embedded Options	Fair Value (**)
Multi-Family/Project 2000A	\$ 12,750	03/21/00	10/01/20	5.235%	VRDO's Rate		\$ (1,692)
Multi-Family/Project 2000A	18,500	03/21/00	04/01/25	5.225%	VRDO's Rate		(2,213)
Multi-Family/Project 2000A	11,545	02/01/00	04/01/15	5.800%	VRDO's Rate		(1,898)
Multi-Family/Project 2000B	7,450	10/19/00	07/01/20	7.390%	LIBOR, plus .25%		(1,386)
Multi-Family/Project 2002A	9,410	01/29/03	10/01/22	5.100%	VRDO's Rate		(1,114)
Multi-Family/Project 2002AA	34,565	07/03/02	10/01/23	6.068%	VRDO's Rate		(6,645)
Multi-Family/Project 2002C	10,920	04/01/03	10/01/32	6.129%	VRDO's Rate	(1)	(865)
Multi-Family/Project 2002C	70,715	10/01/03	10/01/32	5.124%	VRDO's Rate	(2)	(6,677)
Multi-Family/Project 2002C	31,960	10/01/03	10/01/32	5.044%	VRDO's Rate	(3)	(2,743)
Multi-Family/Project 2003A	26,270	10/01/03	04/01/26	4.555%	LIBOR, plus .05%	(4)	(482)
Single-Family 2001AA	42,260	10/04/01	11/01/13	5.290%	VRDO's Rate		(2,715)
Single-Family 2001AA	46,840	10/04/01	05/01/31	4.600%	VRDO's Rate		(2,699)
Single-Family 2002A	40,435	04/25/02	11/01/13	5.499%	VRDO's Rate		(2,916)
Single-Family 2002A	19,090	04/25/02	11/01/21	4.749%	VRDO's Rate		(1,589)
Single-Family 2002B	15,000	10/24/02	05/01/22	5.529%	VRDO's Rate		(1,012)
Single-Family 2002B	49,750	07/18/02	11/01/13	5.285%	VRDO's Rate		(3,206)
Single-Family 2002B	40,000	07/18/02	11/01/21	4.506%	VRDO's Rate		(2,047)
Single-Family 2002C	30,000	10/24/02	11/01/32	5.350%	VRDO's Rate	(5)	(174)
Single-Family 2002C	60,000	10/24/02	11/01/11	4.362%	VRDO's Rate		(2,030)
Single-Family 2002C	40,000	10/24/02	05/01/22	4.422%	VRDO's Rate		(1,435)
Single-Family 2003A	12,000	08/01/03	05/01/11	3.390%	LIBOR, plus .05%		13
Single-Family 2003A	20,000	02/26/03	11/01/11	4.008%	LIBOR, plus .05%		(383)
Single-Family 2003A	20,000	02/26/03	11/01/21	4.160%	BMA, plus .05%		(377)
Single-Family 2003B	40,000	08/01/03	11/01/26	4.851%	LIBOR, plus .05%	(6)	846
Single-Family 2003B	60,000	08/01/03	05/01/12	3.665%	LIBOR, plus .05%		(179)
Single-Family 2003B	60,000	07/09/03	11/01/26	4.384%	BMA, plus .15%	(7)	(1,251)
Single-Family 2003C	60,000	12/03/03	05/01/12	4.033%	LIBOR, plus .05%		(1,063)
Single-Family 2003C	40,000	11/13/03	11/01/26	4.595%	BMA, plus .15%	(8)	(1,620)
<b>Total</b>	<b>\$ 929,460</b>						<b>\$ (49,552)</b>

(\*) 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. Additionally, eight of the tax-exempt swap agreements contain language which transfer the risk of tax event to the Authority. The fair value of these swaps if a tax event had occurred on the valuation date would be an additional \$16,853,786 negative.

(1) The Authority has the right to terminate the swap at no expense from 10/1/12 to 4/1/15 up to \$4,375,000; 4/1/15 to 4/1/18 up to \$6,575,000; and from 4/1/18 to 10/1/32 up to the remaining notional balance.

(2) The Authority has the right to terminate the swap at no expense on or after 4/1/18 up to \$59,340,000

(3) The Authority has the right to terminate the swap at no expense on or after 4/1/18 up to \$26,785,000

(4) The Authority has the right to terminate the swap at no expense on or after 10/1/09 up to \$16,576,000

(5) The Authority has the right to terminate the swap at no expense on or after 11/1/17 up to \$21,765,000

(6) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$27,305,000

(7) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$43,170,000

(8) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$28,780,000

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (5) Interest Rate Swaps (continued)

#### Swap Payments and Associated Debt

Using interest rates as of December 31, 2003, debt service requirements of the Authority's outstanding hedged variable-rate debt and net swap payments are as follows. As rates vary, variable interest rate payments on the bonds and net swap payments will vary.

	Principal	Interest	Swaps, Net	Total
2004	\$ 22,715	\$ 14,822	\$ 32,011	\$ 69,548
2005	47,470	14,611	31,011	93,092
2006	57,700	13,964	29,317	100,981
2007	57,260	13,240	27,310	97,810
2008	52,530	12,459	25,497	90,486
2009-2013	202,695	52,845	102,345	357,885
2014-2018	184,170	37,997	71,653	293,820
2019-2023	171,130	20,533	38,264	229,927
2024-2028	84,375	8,485	16,158	109,018
2029-2033	49,415	1,950	3,889	55,254
Total	\$ 929,460	\$ 190,906	\$ 377,455	\$ 1,497,821

Although the Authority executes swap transactions with various counterparties, 26 swaps, approximately 93% of the notional amount of swaps outstanding, are held with two separate AAA/Aaa rated special purpose vehicles, both of which are wholly owned subsidiaries of the same parent company (57% of the notional amount outstanding are held with the special purpose vehicle with a continuation structure and 36% are held with the special purpose vehicle with a terminating structure). Of the remaining swaps, the Authority holds 2 agreements, approximately 7% of the notional amount outstanding, with two counterparties rated AAA/Aaa, one of which operates as a special purpose vehicle with a terminating structure.

### Risk Disclosure

#### Credit Risk

Because all of the Authority's swaps rely upon the performance of the third parties who serve as swap counterparties, 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 columns labeled Fair Value in the tables above. As of December 31, 2003, the

Authority was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Authority would be exposed to credit risk in the amount of the derivatives' fair value. To mitigate credit risk, the Authority maintains strict credit standards for swap counterparties. All swap counterparties must be rated in the double-A or higher category by either Moody's or Standard & Poor's at the time the contract is entered into.

#### Basis Risk

The Authority's tax-exempt variable-rate bond coupon payments are substantially equivalent to the BMA rate (plus a trading spread). The Authority is receiving either its actual variable rate BMA cost or a rate indexed on BMA for all of its tax-exempt swaps and is not exposed to basis risk, except in the situation of a tax event for certain swaps. Certain tax-exempt swaps, as indicated in the table above, contain tax risk language where in the occurrence of a tax event as described in the underlying contracts, the

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (5) Interest Rate Swaps (continued)

Authority would receive an alternative variable rate pegged at a percentage of LIBOR.

For those tax-exempt swaps containing tax risk language, for which the Authority could receive a variable-rate payment other than actual or BMA, the Authority would then be exposed to basis risk should the relationship between LIBOR and BMA converge. If a tax event occurs that results in the rates moving to convergence, the expected interest rate savings may not be realized.

The Authority's taxable variable-rate bond coupon 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 is therefore only exposed to basis risk to the extent that the Authority's bonds diverge from their historical 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 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, 2003, 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 bonds which are not swapped. 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.

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (6) Debt Refundings

On September 24, 2003, the Authority issued its Multi-Family/Project Bonds 2003 Series A, in the aggregate principal amount of \$48,780,000. Proceeds of the bonds and other surpluses were used to refund its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds 1993 Series A in the amount of \$11,365,000. Included in the refunding bond issue are variable rate bonds with interest rates during 2003 ranging from a weekly high of 1.25% which could result in a decrease in aggregate debt service requirements of \$6,302,000 and an approximate economic gain to the Authority of \$6,770,000, to a weekly low of 1.09% which could result in a decrease in aggregate debt service requirements of \$6,866,000 and an approximate economic gain to the Authority of \$7,187,000.

On July 3, 2002, the Authority issued its Adjustable Rate Multi-Family Housing Insured Mortgage Revenue Bonds 2002 Series AA, in the aggregate principal amount of \$75,720,000. Proceeds of the bonds and other surpluses were used for new mortgage loans and to refund its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds 1992 Series A in the amount of \$75,720,000. Included

in the bond issue are variable rate bonds with interest rates within 2002 ranging from a weekly high of 1.85% which could result in a decrease in aggregate debt service requirements of \$33,857,000 and an approximate economic gain to the Authority of \$35,551,000, to a weekly low of 1.05%, which could result in a decrease in aggregate debt service requirements of \$41,219,000, and an approximate economic gain to the Authority of \$40,830,000.

On May 15, 2002 the Authority issued its Multi-Family/Project Bonds, 2002 Series A, in the aggregate principal amount of \$48,005,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Multi-Family/Project Bonds, 2000 Series A in the amount of \$19,450,000. The refunding resulted in effectively no change in the aggregate debt service requirements and no economic gain to the Authority. The purpose of this refunding was for tax compliance.

On April 25, 2002, the Authority issued its Single Family Mortgage Bonds 2002 Series A, in the aggregate principal amount of \$94,065,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding

Single Family Program Senior and Subordinate Bonds, 1992 Series A in the amount of \$9,975,000. Included in the bond issue are variable rate bonds with interest rates within 2002 ranging from a weekly high of 1.95% which could result in a decrease in aggregate debt service requirements of \$5,510,000 and an approximate economic gain to the Authority of \$5,474,000, to a weekly low of 1.05% which could result in a decrease in aggregate debt service requirements of \$6,971,000 and an approximate economic gain to the Authority of \$6,832,000.

Prior to 2003, economic gain or loss was 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.

In accordance with Governmental Accounting Standards Board Statement No. 23, the following deferred amounts related to the 2003 and 2002 refunding transactions are being amortized over the estimated remaining lives of the old debt, if shorter than the estimated lives of the refunding debt:

Description	2003	2002
Multi-Family Housing Insured Mortgage Revenue Bonds, 1993 Series A		
Call premium	\$ 227	\$ —
Multi-Family Housing Insured Mortgage Revenue Bonds, 1992 Series A		
Deferred debt financing	—	1,044
Call premium	—	1,380
Multi-Family/Project Bonds, 2000 Series A		
Deferred debt financing	—	199
Single Family Program Senior and Subordinate Bonds, 1992 Series A		
Deferred fee income	—	(144)
Deferred debt financing costs	—	116
Call premium	—	169
<b>Total Deferred Amount</b>	<b>\$ 227</b>	<b>\$ 2,764</b>

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (7) Retirement Plans

Employees of the Authority are members of the Public Employees' Retirement Association of Colorado ("PERA"), which is a cost-sharing multi-employer public employee retirement system plan.

Generally all employees are required to participate in PERA. Under the plan, State statute provides that members are eligible for full retirement benefits at age 50 with at least 30 years of service with a participating employer, at age 55 with at least 25 years of service, at age 65 with at least 5 years of service, or by earning 35 or more years of credited service. Reduced retirement benefits are available at age 50 with at least 25 years service, at age 55 with at least 20 years of service, and at age 60 with at least 5 years of service. Additionally, disability and survivors benefits are available. Benefits are vested after five years of service.

On May 6, 1977, the Governor signed into law House Bill 97-1082, which changed the benefit formula for each year of service over 20 from 1.5 percent of Highest Average Salary per year to 2.5 percent with a 100 percent maximum. All current benefit recipients with more than 20 years of service had their benefit recalculated. Benefit payments dated July 31, 1997 and later reflect this new calculation. The

legislation also establishes a two-tier disability retirement program applicable to members who apply for disability on or after January 1, 1999.

House Bill 00-1458, passed in the 2000 legislative session, changed the retirement eligibility for members who are 55 year of age or older and retiring June 1, 2000 or later, with age plus year of service totaling 80 or more. These members may retire without a reduction for early retirement. The reduction for early retirement for some members with age plus years of service totaling less than 80 was also lowered. In addition, beginning March 1, 2000, the annual increase for PERA benefits was 3.5 percent compounded annually, and was no longer tied to the Consumer Price Index.

Under the plan, State statute requires the Authority and participating employees to contribute 9.6% and 8%, respectively for 2003, and 9.19% and 8%, respectively for 2002, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was \$8,497,000 and \$8,221,000 for 2003 and 2002, respectively. Contributions by the Authority and employees approximated \$816,000 and \$685,000, respectively, for 2003, while for 2002 the amounts were \$755,000 and

\$666,000, respectively.

The pension benefit obligation, which is the actuarial measure of the present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users of the Authority's financial statements assess PERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERA and other pension programs and among employees. As of December 31, 2002, the date of the latest available audited information, the total accrued liability and total net assets available for benefits of the Municipal Division of PERA, in which the Authority's pension contributions and benefits are included, were \$1,966,143,000 and \$1,422,948,000, respectively. There were no unfunded liabilities in the Municipal Division as of December 31, 2002.

PERA, as a separate entity, issues its own annual financial statements, included in which is historical ten-year trend information for all contributions to the retirement system.

## Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

### (7) Retirement Plans (continued)

Included in the Authority's general obligation debt are bonds payable to PERA of \$29,941,000 and \$48,746,000 at December 31, 2003 and 2002, respectively.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program ("VIP"), established under Section 401(k) of the Internal Revenue Code. Participants may 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% 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. In addition, the Authority participates in PERA's MatchMaker Program, which uses a portion of the employer's contributions as a dollar-for-dollar match to the 401(k) plan, not to exceed 2% of the employee's gross salary. Contributions to the matchmaker program were \$141,000 and \$214,000 for 2003 and 2002 respectively.

The Authority also offers a deferred compensation plan for the purpose of providing retirement income for employees.

This defined contribution plan is qualified under Section 457 in the Internal Revenue Code. The Authority does not contribute to this plan. Any changes or modifications to the deferred compensation plan must be approved by the Board of Directors. The plan is administered by an independent trustee.

### (8) Contingencies

The Authority is the responding party in two employment-related claims and believes that the chance of successfully defending the claims is high, with no material loss anticipated. In addition, two of the Authority's blended component units are respondents in legal actions for personal injuries; the Authority believes that these actions are barred, or recovery limited, by statute, and no material loss is anticipated.

## Supplemental Information

For the Year Ended December 31, 2003 with comparative totals for 2002 (in thousands)

### Statements of Net Assets by Program

	General Fund	Single Family	Multi-Family	Eliminations	2003	2002
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and interest bearing accounts	\$ 8,300	\$ —	\$ —	\$ —	\$ 8,300	\$ 20,791
Short-Term marketable securities	83,357	439,481	124,309	—	647,147	606,803
Loans receivable	5,632	33,919	18,719	(545)	57,725	52,796
Accrued interest receivable	2,173	10,012	7,456	(102)	19,539	17,658
Deferred debt financing costs	23	517	122	—	662	761
Other assets	7,384	1,776	—	—	9,160	8,843
Federally assisted program advances	1,924	—	—	—	1,924	860
Due to (from) other programs	(21,439)	24,871	(3,432)	—	—	—
<b>Total Current Assets</b>	<b>87,354</b>	<b>510,576</b>	<b>147,174</b>	<b>(647)</b>	<b>744,457</b>	<b>708,512</b>
<b>Noncurrent Assets:</b>						
Long-Term marketable securities restricted	545	78,781	70,135	—	149,461	132,973
Long-Term marketable securities unrestricted	6,829	—	—	—	6,829	14,119
Loans receivable, net	163,320	983,653	542,852	(15,815)	1,674,010	1,531,076
Property and equipment:						
Corporate facilities	5,625	—	—	—	5,625	5,572
Rental operations	28,733	—	—	—	28,733	28,086
Other real estate owned, net	4,172	1,600	—	—	5,772	5,380
Deferred debt financing costs, net	416	9,305	2,202	—	11,923	13,699
Other assets, net	8,918	—	—	—	8,918	8,301
<b>Total Noncurrent Assets</b>	<b>218,558</b>	<b>1,073,339</b>	<b>615,189</b>	<b>(15,815)</b>	<b>1,891,271</b>	<b>1,739,206</b>
<b>Total Assets</b>	<b>\$ 305,912</b>	<b>\$ 1,583,915</b>	<b>\$ 762,363</b>	<b>\$ (16,462)</b>	<b>\$ 2,635,728</b>	<b>\$ 2,447,718</b>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities:</b>						
Bonds payable	\$ 11,026	\$ 243,535	\$ 18,393	\$ —	\$ 272,954	\$ 176,126
Notes payable	86,594	—	—	—	86,594	113,378
Accrued interest payable	1,142	13,273	8,569	(102)	22,882	27,058
Accounts payable and other liabilities	6,754	186	327	—	7,267	7,721
Federally assisted program advances	1,924	—	—	—	1,924	860
Refundable deposits	1,903	—	—	—	1,903	1,698
<b>Total Current Liabilities</b>	<b>109,343</b>	<b>256,994</b>	<b>27,289</b>	<b>(102)</b>	<b>393,524</b>	<b>326,841</b>
<b>Noncurrent Liabilities:</b>						
Bonds payable, net	41,406	1,269,390	714,042	—	2,024,838	1,918,377
Notes payable, net	23,597	—	—	(16,360)	7,237	3,844
Deferred fee income	362	—	—	—	362	358
<b>Total Noncurrent Liabilities</b>	<b>65,365</b>	<b>1,269,390</b>	<b>714,042</b>	<b>(16,360)</b>	<b>2,032,437</b>	<b>1,922,579</b>
<b>Total Liabilities</b>	<b>174,708</b>	<b>1,526,384</b>	<b>741,331</b>	<b>(16,462)</b>	<b>2,425,961</b>	<b>2,249,420</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	6,636	—	—	—	6,636	5,327
Restricted	—	57,531	21,032	—	78,563	75,323
Unrestricted	124,568	—	—	—	124,568	117,648
<b>Total Net Assets</b>	<b>131,204</b>	<b>57,531</b>	<b>21,032</b>	<b>—</b>	<b>209,767</b>	<b>198,298</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 305,912</b>	<b>\$ 1,583,915</b>	<b>\$ 762,363</b>	<b>\$ (16,462)</b>	<b>\$ 2,635,728</b>	<b>\$ 2,447,718</b>

See the Independent Auditors' Reports, the audited financial statements and accompanying notes

## Supplemental Information

For the Year Ended December 31, 2003 with comparative totals for 2002 (in thousands)

### Statements of Revenues, Expenses and Changes in Net Assets by Program

	General Fund	Single Family	Multi-Family	Eliminations	2003	2002
<b>Operating Revenues:</b>						
Interest on loans	\$ 10,094	\$ 48,924	\$ 36,072	\$ (1,229)	\$ 93,861	\$ 86,960
Investment income	1,955	14,566	7,283	—	23,804	23,521
Net increase (decrease) in FMV of securities	(570)	(1,873)	(1,135)	—	(3,578)	3,904
Rental operations	9,549	—	—	—	9,549	10,569
Other revenues	14,058	—	—	—	14,058	12,422
Program fees	4,665	(510)	(4,155)	—	—	—
<b>Total Operating Revenues</b>	<b>39,751</b>	<b>61,107</b>	<b>38,065</b>	<b>(1,229)</b>	<b>137,694</b>	<b>137,376</b>
<b>Operating Expenses:</b>						
Interest expense, bonds and notes	5,345	56,310	32,631	(1,657)	92,629	90,852
Salaries and related benefits	11,545	—	—	—	11,545	10,869
General operating	13,651	436	273	—	14,360	10,278
Other interest expense	1,260	—	—	428	1,688	1,715
Depreciation	2,745	—	—	—	2,745	2,246
Provision for losses	133	354	3,063	—	3,550	4,147
<b>Total Operating Expenses</b>	<b>34,679</b>	<b>57,100</b>	<b>35,967</b>	<b>(1,229)</b>	<b>126,517</b>	<b>120,107</b>
<b>Operating Income</b>	<b>5,072</b>	<b>4,007</b>	<b>2,098</b>	<b>—</b>	<b>11,177</b>	<b>17,269</b>
<b>Nonoperating Revenues:</b>						
Grant Income	292	—	—	—	292	222
Federal grant receipts	83,210	—	—	—	83,210	80,858
Federal grant payments	(83,210)	—	—	—	(83,210)	(80,858)
<b>Total Nonoperating Revenues</b>	<b>292</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>292</b>	<b>222</b>
<b>Income Before Transfers</b>	<b>5,364</b>	<b>4,007</b>	<b>2,098</b>	<b>—</b>	<b>11,469</b>	<b>17,491</b>
<b>Transfers (To) From Other Programs</b>	<b>2,865</b>	<b>(2,623)</b>	<b>(242)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Change in Net Assets</b>	<b>8,229</b>	<b>1,384</b>	<b>1,856</b>	<b>—</b>	<b>11,469</b>	<b>17,491</b>
<b>Net Assets:</b>						
Beginning of year	122,975	56,147	19,176	—	198,298	180,807
End of year	\$ 131,204	\$ 57,531	\$ 21,032	\$ —	\$ 209,767	\$ 198,298

See the Independent Auditors' Reports, the audited financial statements and accompanying notes

## Supplemental Information

For the Year Ended December 31, 2003 with comparative totals for 2002 (in thousands)

### Statements of Cash Flows by Program

	General Fund	Single Family	Multi-Family	Eliminations	2003	2002
<b>Cash Flows From Operating Activities:</b>						
Interest received on loans receivable	\$ 8,684	\$ 59,204	\$ 33,875	\$ (1,228)	\$ 100,535	\$ 98,697
Receipts from principal payments on loans	31,594	377,977	60,408	—	469,979	366,043
Interest received from marketable securities	2,145	14,748	7,397	—	24,290	24,395
Receipts from rental operations	9,577	—	—	—	9,577	10,546
Receipts from other program revenues	14,233	—	—	—	14,233	12,400
Receipts from sales of other real estate owned	—	2,040	—	—	2,040	6,795
Receipts from loan fundings fees	2,912	—	336	—	3,248	2,456
Receipts from accounts payable, federally assisted programs, and escrow	1,100	(61)	(70)	—	969	2,095
Payments for loan fundings	(490,993)	(31,611)	(113,176)	—	(635,780)	(567,216)
Interest paid on bonds and notes	(5,518)	(69,853)	(32,082)	1,657	(105,796)	(102,716)
Payments for salaries and related benefits	(11,323)	—	—	—	(11,323)	(10,559)
Payments for general operating expenses	(9,610)	(436)	(273)	—	(10,319)	(9,301)
Payments for other interest	(1,259)	—	—	(429)	(1,688)	(1,715)
Payment for loan fundings fees	(1,882)	(601)	—	—	(2,483)	(9,763)
Payments from other assets	(4,889)	(4)	75	—	(4,818)	(219)
Cash due to (from)	393,615	(371,567)	(22,048)	—	—	—
Net Cash Provided by (used in) Operating Activities	(61,614)	(20,164)	(65,558)	—	(147,336)	(178,062)
<b>Cash Flows From Noncapital Financing Activities:</b>						
Proceeds from issuance of notes	3,416,716	—	—	—	3,416,716	1,832,955
Proceeds from issuance of bonds	8,985	584,723	48,780	—	642,488	841,966
Receipts from grants	292	—	—	—	292	222
Receipts from federal grants	83,210	—	—	—	83,210	80,858
Equity transfers	2,865	(2,623)	(242)	—	—	—
Payments for federal grant programs	(83,210)	—	—	—	(83,210)	(80,858)
Payments for notes	(3,440,106)	—	—	—	(3,440,106)	(1,820,233)
Payments for bonds	(24,735)	(356,205)	(44,118)	—	(425,058)	(434,444)
Payments for debt financing costs	—	(3,076)	329	—	(2,747)	(4,437)
Payments for bond call premiums	—	—	(227)	—	(227)	(1,549)
Net Cash Provided by (used in) Noncapital Financing Activities	(35,983)	222,819	4,522	—	191,358	414,480
<b>Cash Flows From Capital and Related Financing Activities</b>						
Sale of property and equipment - rental operations	6	—	—	—	6	—
Purchase of property and equipment - corporate facilities	(875)	—	—	—	(875)	(1,002)
Purchase of property and equipment - rental operations	(2,576)	—	—	—	(2,576)	(3,240)
Net Cash Provided by (used in) Capital and Related Financing Activities	(3,445)	—	—	—	(3,445)	(4,242)
<b>Cash Flows From Investing Activities:</b>						
Proceeds from long-term marketable securities	13,563	18,398	46,867	—	78,828	65,850
Purchase of long-term marketable securities	(5,575)	(37,499)	(48,478)	—	(91,552)	(94,942)
Net Cash Provided by (used in) Investing Activities	7,988	(19,101)	(1,611)	—	(12,724)	(29,092)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>						
	(93,054)	183,554	(62,647)	—	27,853	203,084
Cash and Cash Equivalents at Beginning of Year	184,711	255,927	186,956	—	627,594	424,510
Cash and Cash Equivalents at End of Year	\$ 91,657	\$ 439,481	\$ 124,309	\$ —	\$ 655,447	\$ 627,594

See the Independent Auditors' Reports, the audited financial statements and accompanying notes

(continued)

## Supplemental Information

For the Year Ended December 31, 2003 with comparative totals for 2002 (in thousands)

### Statements of Cash Flows by Program

	General Fund	Single Family	Multi-Family	Eliminations	2003	2002
<b>Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:</b>						
Operating income	\$ 5,072	\$ 4,007	\$ 2,098	\$ —	\$ 11,177	\$ 17,269
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Increase (decrease) in fair value of investments	570	1,873	1,135	—	3,578	(3,904)
Depreciation expense	2,745	—	—	—	2,745	2,246
Loss on sale of property and equipment	—	—	—	—	—	2
Gain on sale of long-term marketable securities	—	—	—	—	—	(103)
Accretion of capital appreciation term bonds	—	641	—	—	641	644
Amortization of:						
Deferred debt financing costs	26	4,738	514	—	5,278	6,832
Premiums and discounts on bonds, net	—	(14,909)	(2)	—	(14,911)	(21,172)
Premiums and discounts on long-term marketable securities, net	(88)	98	(61)	—	(51)	(78)
Deferred fee income	(1,988)	—	(418)	—	(2,406)	(2,304)
Deferred cash assistance expense	592	10,908	—	—	11,500	15,937
Service release premium expense	4,352	—	—	—	4,352	1,550
Mortgage yield recoupment income	—	—	—	—	—	(22)
Provision for losses	133	354	3,063	—	3,550	4,147
Principal repayments on loans receivable	31,594	377,977	60,407	—	469,978	366,043
Sale of other real estate owned	—	2,040	—	—	2,040	6,795
New loan fundings	(490,993)	(31,611)	(113,177)	—	(635,781)	(567,216)
Deferred fee income	2,912	—	335	—	3,247	2,456
Deferred cash assistance expense	(1,882)	(602)	—	—	(2,484)	(9,763)
Changes in assets and liabilities:						
Accrued interest receivable	264	(542)	(1,604)	—	(1,882)	(820)
Other assets	(4,620)	(4)	76	—	(4,548)	(478)
Accrued interest payable	(199)	(4,013)	37	—	(4,175)	1,834
Accounts payable and other liabilities, federally assisted program advances, escrow and refundable deposits	946	(61)	(69)	—	816	2,043
Cash due to (from)	388,950	(371,058)	(17,892)	—	—	—
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (61,614)</b>	<b>\$ (20,164)</b>	<b>\$ (65,558)</b>	<b>\$ —</b>	<b>\$ (147,336)</b>	<b>\$ (178,062)</b>

Supplemental schedule of non-cash operating, noncapital financing, capital and related financing and investing activities:

Transfer of mortgage loans to other real estate owned	(1,120)	2,570	982	—	2,432	7,716
Transfer of loans receivable to other assets	103	1,700	—	—	1,803	5,582
Transfer of allowance on loans receivable to allowance on other real estate owned	—	—	—	—	—	87
Transfer of deferred debt financing costs to deferred refunding	—	—	—	—	—	1,359
Transfer of deferred fee income to deferred refunding	—	—	—	—	—	145
Transfer of other assets to deferred refunding	—	—	—	—	—	1,003
Transfer of other real estate owned to other assets	—	—	—	—	—	2,150

See the Independent Auditors' Reports, the audited financial statements and accompanying notes

(concluded)

## Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based Upon the Audit Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of  
Colorado Housing and Finance Authority  
Denver, Colorado

We have audited the financial statements of Colorado Housing and Finance Authority (the "Authority") as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 16, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

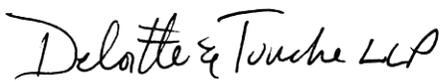
### Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and the use of the Board of Directors, audit committee, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Denver, Colorado  
April 16, 2004

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## APPENDIX B

### Outstanding Master Indenture Obligations

#### Outstanding Master Indenture Bonds

As of December 31, 2004 the Authority had issued 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 (December 31, 2004)</u>
<b>2000 Series A Bonds:</b>		
Adjustable 2000 Series A-1 (Class I)	\$27,785,000	\$27,785,000
Adjustable 2000 Series A-1 (Class III)	18,500,000(1)	18,500,000
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		
<b>2000 Series B Bonds:</b>		
Taxable 2000 Series B-1 (Class I)	\$ 7,450,000	\$ 7,165,000
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
<b>2001 Series A Bonds:</b>		
2001 Series A-1 (Class I)	\$24,240,000	\$16,055,000
2001 Series A-2 (Class II)	10,580,000	9,655,000
2001 Series A-2 (Class III)	2,850,000(1)	2,600,000
<b>2002 Series A Bonds:</b>		
Adjustable 2002 Series A-1 (Class I)	\$ 9,410,000	\$ 9,410,000
2002 Series A-2 (Class I)	3,240,000	2,870,000
2002 Series A-3 (Class II)	5,735,000	5,735,000
Adjustable 2002 Series A-4 (Class I)	19,450,000	15,795,000
2002 Series A-5 (Class I)	3,885,000	---
<b>2002 Series B Bonds:</b>		
Adjustable 2002 Series B-1 (Class I)	\$27,630,000	13,260,000
Adjustable 2002 Series B-2 (Class III)	8,085,000(1)	---
<b>2002 Series C Bonds:</b>		
Taxable Adjustable 2002 Series C-1 (Class I)	\$10,920,000	\$10,845,000
Adjustable 2002 Series C-2 (Class I)	70,715,000	70,715,000
2002 Series C-3 (Class I)	16,550,000	16,550,000
Adjustable 2002 Series C-4 (Class I)	31,960,000	31,960,000
2002 Series C-5 (Class I)	7,575,000	7,575,000
2002 Series C-6 (Class II)	5,000,000	5,000,000
<b>2003 Series A Bonds:</b>		
Taxable Adjustable 2003 Series A-1 (Class I)	\$37,415,000(1)	\$37,415,000
Taxable Adjustable 2003 Series A-2 (Class II)	11,365,000	11,365,000
<b>2004 Series A Bonds:</b>		
Taxable Adjustable 2004 Series A-1 (Class I)	\$66,280,000(1)	\$66,280,000
Adjustable 2004 Series A-2 (Class I)	10,785,000	10,785,000
2004 Series A-3 (Class II)	12,050,000	12,050,000
<b>Total Class I Bonds</b>	<b>\$410,560,000</b>	<b>\$379,735,000</b>
<b>Total Class II Bonds</b>	<b>51,430,000</b>	<b>50,505,000</b>
<b>Total Class III Bonds</b>	<b>29,435,000</b>	<b>21,100,000</b>
<b>Total Class IV Bonds</b>	<b>---</b>	<b>---</b>

(1) Designated as general obligations of the Authority.

## Outstanding Master Indenture 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:

<u>Outstanding Derivative Products</u>	<u>Amount</u>	<u>Counterparty</u>
<b>2000 Series A Derivative Products:</b>		
Adjustable Rate 2000 Series A-1 (Class I)	\$12,750,000	Lehman Brothers Financial Products Inc.
Adjustable Rate 2000 Series A-1 (Class III)*	18,500,000	Lehman Brothers Financial Products Inc.
Adjustable Rate 2000 Series A-2 (Class I)	11,545,000	Lehman Brothers Financial Products Inc.
<b>2000 Series B Derivative Products:</b>		
Taxable 2000 Series B-1 (Class I)	\$ 7,165,000	Morgan Stanley Derivative Products Inc.
<b>2002 Series A Derivative Products:</b>		
Adjustable Rate 2002 Series A-1 (Class I)	\$ 9,410,000	Lehman Brothers Financial Products Inc.
<b>2002 Series C Derivative Products:</b>		
Adjustable Rate 2002 Series C-1 (Class I)	\$10,845,000	Lehman Brothers Financial Products Inc.
Adjustable Rate 2002 Series C-2 (Class I)	70,715,000	Lehman Brothers Financial Products Inc.
Adjustable Rate 2002 Series C-4 (Class I)	31,960,000	Lehman Brothers Financial Products Inc.
<b>2003 Series A Derivative Products</b>		
Taxable Adjustable Rate 2003 Series A-1 (Class I)	\$26,270,000	Lehman Brothers Financial Products Inc.
<b>2004 Series A Derivative Products:</b>		
Adjustable Rate 2004 Series A-1 (Class I)	\$51,100,000	AIG Financial Products Corp.
Adjustable Rate 2004 Series A-2 (Class I)	10,785,000	AIG Financial Products Corp.
<b>Total Outstanding Class I Derivative Products</b>	<u>\$242,545,000</u>	
<b>Total Outstanding Class III Derivative Products</b>	<u>\$ 18,500,000</u>	

\*Payable as a Class III Obligation under the Master Indenture.

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 – Long-Term Obligations of the Authority – General Obligations." See also footnote 5 to the audited 2003 and 2002 financial statements of the Authority included in this Official Statement as **Appendix A**.

For a discussion of the 2005A Derivative Products expected to be entered in connection with the 2005 Series A Bonds, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2005A Derivative Products."

## Outstanding Liquidity Facilities

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

### Outstanding Liquidity Facilities

<u>Series of Adjustable Rate Bonds</u>	<u>Expiration Date</u>
2000 Series A-1 and A-2	March 20, 2008
2000 Series B-3	October 19, 2005
2002 Series A-1 and A-4	May 15, 2007
2002 Series B-1	July 22, 2005
2002 Series C-1, C-2 and C-4	November 14, 2007
2003 Series A-1 and A-2	September 23, 2008
2004 Series A-1 and A-2	September 21, 2009

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 2005 Series A Bonds, the Authority will enter into Standby Bond Purchase Agreements with Federal Home Loan Bank of Topeka and Dexia Credit Local as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2005A LIQUIDITY FACILITIES." See also **Appendix I** – "THE 2005A LIQUIDITY FACILITY PROVIDERS."

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## APPENDIX C

### Summary of Certain Provisions of the Indenture

The Master Indenture and the Series 2005A 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, underwriters' 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.

"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 2005 Series A-1 Bonds or 2005 Series A-2 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 2005 Series A-1 Bonds or 2005 Series A-2 Bonds in the Daily Rate Mode, the last day of each month (whether or not a Business Day) and (iii) with respect to 2005 Series A-1 Bonds or 2005 Series A-2 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 May 1, 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 May 1, 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.

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## 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 2005 Series A 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 2005 Series A Bonds (except as noted) require that, as of any date of calculation:

(a) with respect to the **Class I Asset Requirement**, the sum of (a) 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 (b) the sum of the quotients of the aggregate unpaid principal balance of Loans (by Loan type) and Authority Projects related to the such Bonds divided by the related Class I Asset Coverage Divisors set forth on the schedule under "Asset Coverage Divisions" 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**,<sup>(1)</sup> the sum of (a) 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 (b) the quotient of the products 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 I Obligations and Asset Coverage Divisors for Class II Obligations, respectively set forth on the schedule under "Asset Coverage Divisions" 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 and Class II Bonds of such Series, respectively, then Outstanding.

(c) with respect to the **Class III Asset Requirement**,<sup>(2)</sup> the sum of (a) 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

<sup>(1)</sup> Not applicable to 2000 Series B Bonds or 2002 Series B Bonds.

<sup>(2)</sup> Not applicable to 2002 Series A Bonds, 2002 Series C Bonds, 2003 Series A Bonds, 2004 Series A Bonds or 2005 Series A Bonds.

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),<sup>(3)</sup> 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 Fund), and (b) the sum of the products of the aggregate 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 of such Series then outstanding, or such lesser percentage as may be permitted by each Rating Agency, as evidenced by a Confirmation from each Rating Agency.

<sup>(3)</sup> 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 2005 Series A 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	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
Other Loans	(3)	(3)

(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) The uninsured rental loans and uninsured business loans expected to be acquired using proceeds of the Taxable 2005 Series A-1 Bonds and the 2005 Series A-3 Bonds as described in **Appendix G-1** hereto will be included within this category for purposes of determining the applicable Asset Coverage Divisor because the Taxable 2005 Series A-1 Bonds financing these uninsured loans and such uninsured loans financed with proceeds of the 2005 Series A-3 Bonds will be backed by a general obligation of the Authority. 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.

(3) 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

April 13, 2005

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

Colorado Housing and Finance Authority  
Taxable Multi-Family/Project Class I Adjustable Rate Bonds, 2005 Series A-1  
Multi-Family/Project Class I Adjustable Rate Bonds, 2005 Series A-2  
Multi-Family/Project Class II Adjustable Rate Bonds, 2005 Series A-3

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 I Adjustable Rate Bonds, 2005 Series A-1 (the "2005 Series A-1 Bonds"), Multi-Family/Project Class I Adjustable Rate Bonds, 2005 Series A-2 (the "2005 Series A-2 Bonds") and Multi-Family/Project Class II Adjustable Rate Bonds, 2005 Series A-3 (the "2005 Series A-3 Bonds and, together with the 2005 Series A-1 Bonds and the 2005 Series A-2 Bonds, the "2005 Series A Bonds") in the aggregate principal amount of \$96,250,000. 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 2005 Series A Bonds are authorized and issued pursuant to the Master Indenture of Trust, dated as of March 1, 2000, as amended by the First Supplemental Indenture of Trust dated as of December 1, 2001 and as supplemented by the 2005 Series A Indenture of Trust dated as of April 1, 2005 (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 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 2005 Series A-2 Bonds and the 2005 Series A-3 Bonds constitute valid and binding special, limited obligations of the Authority, payable solely from the Revenues and other assets pledged thereto under the Indenture. The 2005 Series A-1 Bonds constitute valid and binding obligations of the Authority, payable from the Revenues and other assets pledged thereto under the Indenture and also constitute general obligations of the Authority for the payment of which the Authority has pledged its full faith and credit, subject only to the provisions of any agreements with the owners of particular notes, bonds or other obligations pledging any particular revenues or assets to the payment thereof.

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 2005 Series A-2 Bonds and the 2005 Series A-3 Bonds (except for interest on any 2005 Series A-3 Bond for any period during which it is held by a "substantial user" of facilities financed with the 2005 Series A-3 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code")), is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; however, interest on the 2005 Series A-3 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and interest on the 2005 Series A-2 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents or certain other certifications furnished to us.

4. Interest on the 2005 Series A-1 Bonds is not excluded from gross income for federal income tax purposes.

5. The 2005 Series A Bonds 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 2005 Series A 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.

Colorado Housing and Finance Authority  
Multi-Family/Project Bonds, 2005 Series A  
April 13, 2005  
Page 3

We understand that the Federal Home Loan Bank of Topeka has delivered a Standby Bond Purchase Agreement with respect to the 2005 Series A-1 Bonds and the 2005 Series A-3 Bonds, and that Dexia Credit Local, acting through its New York Branch, has delivered a Standby Bond Purchase Agreement with respect to the 2005 Series A-2 Bonds. We express no opinion as to the validity or enforceability of such Standby Bond Purchase Agreements or the security afforded thereby.

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 sale of the 2005 Series A Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership of the 2005 Series A 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,

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## 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 Underwriters 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.*

DTC is a limited-purpose trust company organized under the laws of the State of New York, 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, as amended. DTC was created to hold securities of its Participants (the "**Participants**") and to facilitate the clearance and settlement of securities transactions among Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need of physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

Ownership interests in the Bonds may be purchased by or through Participants. Such Participants and the persons for whom they acquire interests in the Bonds as nominees will not receive certificate Bonds, but each such Participant is to receive a credit balance in the records of DTC in the amount of such Participant's interest in the Bonds, which is to be confirmed in accordance with DTC's standard procedures. Each such person for which a Participant has an interest in the Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of the Authority or the Trustee to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments.

With respect to Bonds registered in the registration books kept by the Trustee, in the name of Cede & Co., as nominee of DTC, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than Cede & Co., as registered owner, as shown in the registration books kept by the Trustee as bond registrar, of any notice with respect to the Bonds, including any notice of redemption, (iii) the payment to any Participant or any other person, other than Cede & Co., as registered owner, as shown in the registration books kept by the Trustee, of any amount with respect to principal of or interest on the Bonds, (iv) the selection by DTC or any Participant of any person to receive payment in the event of partial redemption of Bonds, or (v) any consent given or other action taken by DTC. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" shall hereinafter be defined to include the person for whom the Participant acquires an interest in the Bonds.

If any Beneficial Owner of Bonds wishes to receive a copy of any notices or other communications to the registered owner of Bonds held by DTC, such Beneficial Owner may file a request with the Trustee asking that the Beneficial Owner be put on a list to receive copies of all notices and other communications sent to the registered owner of the Bonds for the ensuing 12-month period. The Authority will use its best efforts to cause copies of such notices and other communications to be forwarded to any Beneficial Owner who has made such request within the 12-month period preceding the date of mailing of the notice or other communication. However, failure to give any such notice or other communication to any Beneficial Owner, any defect in any such notice or other communication, or the failure of any Beneficial Owner who has requested such notices and other communications to receive any such notice or other communication is in no way to affect the matter to which the notice or other communication pertains. Full legal notice shall have been given if mailed to the registered owner of the Bonds; copies of notices or other communications provided to Beneficial Owners will be provided as a courtesy only.

DTC is to receive payments from the Trustee, acting as paying agent and bond registrar, to be remitted by DTC to the Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the Bonds is to be recorded on the records of the Participants, whose ownership interests is to be recorded on a computerized book-entry system operated by DTC.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference will only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent by the Trustee to DTC or its nominee only.

Beneficial Owners are to receive from the Participants a written confirmation of their purchase detailing the terms of the Bonds acquired. Transfers of ownership interests in the Bonds are to be accomplished by book entries made by DTC and the Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except as specifically provided in the Indenture.

*For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, and any reasonable fees and expenses of the Trustee and costs incurred in preparing bond certificates.*

Neither the Authority nor the Trustee shall be required to transfer or exchange Bonds from the Record Date (as defined below) applicable to the Bonds through and including the next succeeding interest or principal payment date for the Bonds or from the Record Date next preceding any selection of Bonds to be redeemed or thereafter until after the first mailing of any notice of redemption; or to transfer or exchange any Bonds called for redemption. For purposes hereof, Record Date will mean in the case of each interest or principal payment date, the Trustee's close of business on the fifteenth day of the month immediately preceding such interest or principal payment date, and in the case of each redemption, such Record Date shall be specified by the Trustee in the notice of redemption, provided that such Record Date shall be fifteen calendar days before the mailing of such notice of redemption.

DTC's services with respect to the Bonds may be discontinued or terminated at any time under the following circumstances:

- (a) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law.

(b) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Authority determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., or any other nominee of DTC, is not in the best interests of the Beneficial Owners of the Bonds.

In the event that DTC's services are so discontinued or terminated because it is unwilling or is determined to be unable to discharge its responsibilities, and no substitute securities depository willing to undertake the functions of DTC under the Indenture can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, or in the event it is so determined that continuation of the system of book-entry transfers is not in the best interests of the Beneficial Owners, the Authority is obligated to deliver Bond certificates, at the expense of the Beneficial Owners, as described in the Indenture.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY LIABILITY FOR THE FAILURE OF DTC TO PERFORM ITS OBLIGATIONS TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY BONDS.

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## APPENDIX G-1

### Certain Information about the 2005A Loans

#### Existing Loans to be Acquired

The Authority expects to acquire certain existing uninsured rental loans and uninsured business loans (which are presently held in the Authority's General Fund) using proceeds of the 2005 Series A Bonds as described in "Part I – PLAN OF FINANCE – Uses of Amounts in Acquisition Account." The Indenture, however, permits the Authority at its option to purchase or originate Loans or acquire Projects other than those described below.

#### *Existing Uninsured Rental Loans*

The Authority has originated uninsured rental loans as part of its multi-family SMART Program. For a brief description of the SMART Program, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Loan Programs – Rental Finance Programs." The Authority expects to use proceeds of the 2005 Series A Bonds to acquire as 2005A Loans certain of such existing uninsured rental loans currently held by the Authority in its General Fund.

The existing uninsured rental loans under the SMART program expected to be acquired as a 2005A Loan, which are current in repayment, are listed on the following table:

#### Existing Uninsured Rental Loans (SMART Program) to be Acquired

(as of April 1, 2005)

<u>Borrower/ Project</u>	<u>Location</u>	<u>Units</u>	<u>Original Loan Amount</u>	<u>Outstanding Principal Amount of Loan</u>	<u>Mortgage Rate</u>	<u>Loan Date</u>	<u>Maturity</u>	<u>Series for Funding</u>
Prairie Sun	Fort Lupton	50	\$1,100,000	\$1,100,000	6.58%	3/8/2005	4/1/2021	2005A-1
Conter Estates	Commerce City	75	2,900,000	2,894,588	6.35	12/17/2004	1/1/2025	2005A-1
Coffman Court	Longmont	17	800,000	799,304	6.70	1/19/2005	2/1/2035	2005A-1
Valle de Merced	Durango	45	700,000	700,000	6.95	3/24/2005	4/1/2025	2005A-1
Hillside Pointe	Colorado Springs	60	<u>2,000,000</u>	<u>2,000,000</u>	6.68	3/25/2005	4/1/2021	2005A-1
<b>Total</b>			<u>\$7,500,000</u>	<u>\$7,493,892</u>				

#### *Existing Uninsured Business Loans*

The Authority has originated uninsured business loans as part of certain of its business programs, including the CHFA Direct Loan Program, the Non-Profit Real Estate ("NPRE") Loan Program, the SBA 504 Program and the CHFA Rural Loan Program. For a brief description of these Programs, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Loan Programs – Business Finance Programs."

The existing uninsured business loans under these business finance programs expected to be acquired or refinanced as 2005A Loans, all of which are current in repayment, are listed on the following table:

**Existing Uninsured Business Loans to be Acquired**

(as of April 1, 2005)

Type of Borrower	Business Program	Location	Original Loan Amount	Outstanding Principal Amount of Loan	Loan Interest Rate	Loan Date	Maturity	Series for Funding
Electrical Contractor	CHFA Direct	Pueblo	\$161,500	\$159,998	7.25%	11/18/2004	12/1/2024	2005A-1
Engineering Consultants	CHFA Direct	Grand Junction	191,250	190,139	6.98	12/3/2004	1/1/2025	2005A-1
Human Services	CHFA Direct	Steamboat Springs	<u>556,204</u>	<u>554,057</u>	6.98	1/25/2005	2/1/2025	2005A-1
		Subtotal	<u>\$908,954</u>	<u>\$904,194</u>				
Human Services	NPRE	Aurora	<u>175,140</u>	<u>171,480</u>	6.50	5/10/2004	6/1/2024	2005A-1
		Total	<u>\$1,084,094</u>	<u>\$1,075,674</u>				

**Existing 1995 Loans To Be Transferred**

Using proceeds of the Series 1995 Bonds, the Authority has previously made the following insured mortgage loans to borrowers for the described projects. These mortgage loans and certain revenues therefrom had been pledged to secure repayment of certain outstanding bonds of the Authority under a General Resolution for the Authority's rental finance program as described in "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Loan Programs – Rental Finance Programs." Upon redemption and payment of the Series 1995 Bonds as described in "Part I – PLAN OF FINANCE – Redemption and Payment of the Series 1995 Bonds," these outstanding mortgage loans financed by the Series 1995 Bonds will no longer remain pledged under the General Resolution, and such mortgage loans will be pledged under the Indenture to secure the 2005 Series A Bonds. Such outstanding mortgage loans are subject to prepayment by the related borrowers, and such prepayments may be used by the Authority, at its option, to redeem 2005 Series A Bonds at par, as described in "Part II – CERTAIN BONDOWNERS' RISKS - Considerations Regarding Redemption at Par." Payments on the outstanding mortgage loans are presently current and have generally been current during the last five years.

**Existing 1995 Loans to be Transferred**

(as of April 1, 2005)

Borrower/Project	Location	Units	Original Loan Amount	Outstanding Principal Amount of Loan	Mortgage Rate*	Loan Date	Maturity
Rio Grande	Denver	69	\$ 4,475,000	\$ 3,989,877	7.15%	10/1/1996	11/1/2026
Mountain Village	Steamboat Springs	104	6,629,200	6,318,565	7.40%	10/30/1996	11/1/2036
Walnut Creek	Westminster	220	13,326,400	12,666,779	7.17%	11/7/1995	11/1/2036
Canyon Point	Golden	196	<u>13,004,600</u>	<u>12,416,037</u>	6.85%	11/1/1997	11/1/2037
	<b>Total</b>		<u>\$37,435,200</u>	<u>\$35,391,258</u>			

\*Subject to modification. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2005A Loans – Modification of Loan Terms."

**Loans Expected to be Originated**

*Federally Insured Loan*

The insured rental loan expected to be originated by the Authority under the Authority's multi-family loan program using proceeds of the 2005 Series A-3 Bonds, in an estimated aggregate principal amount of \$3,659,000, is described below. Total project cost is estimated at approximately \$12,347,127, with the balance expected to be funded with owner equity, a loan by the Authority using proceeds from

the Authority's 2002 Series C Bonds issued under the Master Indenture and a loan by the Authority from its Housing Opportunity Fund.

Osito Ridge Apartments is composed of 114 units in nine three- and four-story buildings in the City of Denver. Unit amenities will include a patio or balcony, ample storage, air conditioning, and all major appliances, including dishwashers and disposals. Project amenities will include a large community building with a leasing office, community room, media center, business/computer room, exercise room and community kitchen; laundry facilities; children's play areas and outdoor seating areas. The table below identifies the number and types of units expected to be offered at Osito Ridge Apartments and their approximate size in square feet.

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
24	One bedroom/one bath	633
54	Two bedrooms/one bath	901
36	Three bedrooms/two bath	1,110

The development of the Osito Ridge Apartments is a joint venture between PacifiCap Properties Group, LLC and McDermott Properties, LLC. Since the formation of PacifiCap Properties Group in 1999, over 1,500 units of affordable housing have been developed in Washington, Oregon, Idaho, Nevada, New Mexico and Colorado. McDermott Properties, LLC has participated in the completion of 848 units of multi-family housing with an additional 782 units developed of affordable housing. The concentration of its development activities have been along Colorado's Front Range.

PacifiCap Management Inc. will be handling the management of the property. Currently, the company manages a portfolio of properties located in five western states with a staff of over 60 employees. The company employs a full-time compliance specialist dedicated to the complex regulatory requirements associated with affordable housing programs. One hundred percent of the units will be affordable to very low-income households at or below 60% of the Area Median Income.

The following assumptions as to the economic feasibility of the 2005A Loan relating to Osito Ridge Apartments have been made in the application to the FHA for Section 542(c) insurance.

**Assumptions as to Osito Ridge Apartments**

Estimated Annual Project Gross Income at Occupancy of 100%	\$1,097,160
Estimated Annual Effective Gross Income at Estimated Occupancy of 90%	\$987,444
Estimated Total Annual Project Expenses (including Administrative, Operating, Service, Maintenance and Taxes)	\$342,588
Estimated Annual Net Income	\$644,856
Annual Mortgage Loan Payment	\$577,767

*Uninsured Rental Loans*

The uninsured rental loans expected to be originated by the Authority under the SMART program using proceeds of the 2005 Series A Bonds are listed on the following table:

**Uninsured Rental Loans (SMART Program) Expected to be Originated\***

(as of April 1, 2005)

<u>Borrower/Project</u>	<u>Location</u>	<u>Units</u>	<u>Projected Loan Amount*</u>	<u>Mortgage Rate*</u>	<u>Projected Loan Date*</u>	<u>Maturity</u>	<u>Series for Funding</u>
Broomfield Greens	Broomfield	50	\$ 1,700,000	6.23%	9/30/2005	8/31/2035	2005A-1
Florence Square	Aurora	110	2,850,000	7.00	6/30/2005	2/28/2035	2005A-1
Kitty Hawk	Denver	134	2,295,000	7.00	9/30/2005	5/31/2045	2005A-1
La Bougainvillea	Denver	38	1,400,000	6.85	6/30/2005	5/31/2045	2005A-1
Park West	Denver	41	1,719,000	6.00	6/30/2005	3/31/2035	2005A-1
Pine Meadows	Greeley	111	2,340,000	6.00	6/30/2005	3/31/2035	2005A-1
Village at Pueblo	Pueblo	49	1,200,000	7.00	7/31/2005	6/30/2035	2005A-1
White River Village	Rifle	29	<u>990,000</u>	6.88	8/31/2005	7/31/2035	2005A-1
		Total	<u>\$14,494,000</u>				

\*Subject to change

*Uninsured Business Loans*

The uninsured business loans expected to be originated by the Authority under the business programs described above using proceeds of the 2005 Series A Bonds are listed on the following table:

**Uninsured Business Loans Expected to be Originated\***

(as of April 1, 2005)

<u>Type of Borrower</u>	<u>Program</u>	<u>Location</u>	<u>Projected Loan Amount*</u>	<u>Loan Interest Rate*</u>	<u>Projected Loan Date*</u>	<u>Series for Funding</u>
Preschool	NPRE	Parker	\$ 1,400,000	6.35%	7/13/2005	2005A-2
Wildlife Museum	NPRE	Parker	<u>19,075,000</u>	6.00	4/13/2005	2005A-2
		Subtotal	<u>\$20,475,000</u>			
Manufacturing	SBA 504	Fort Collins	\$ 1,300,000	7.60%	10/12/2005	2005A-1
Insurance Agency	SBA 504	Boulder	115,000	6.75	3/21/2005	2005A-1
Real Estate	SBA 504	Longmont	<u>776,850</u>	6.41	4/13/2005	2005A-1
		Subtotal	<u>\$ 2,191,850</u>			
Manufacturing	CHFA Direct	Colorado Springs	\$1,170,000	6.71%	9/15/2005	2005A-1
Real Estate	CHFA Direct	Englewood	1,119,000	6.55	6/14/2005	2005A-1
Retail Sales	CHFA Direct	Steamboat Springs	442,900	6.80	4/13/2005	2005A-1
Advertising	CHFA Direct	Grand Junction	250,000	6.93	4/18/2005	2005A-1
Real Estate	CHFA Direct	Telluride	2,000,000	6.80	4/14/2005	2005A-1
Construction	CHFA Direct	Glenwood Springs	<u>442,900</u>	6.89	4/13/2005	2005A-1
		Subtotal	<u>\$5,424,800</u>			
		Total	<u>\$28,091,650</u>			

\*Subject to change

## APPENDIX G-2

### Certain Information about the Outstanding Loans and Authority Projects

The following table has been prepared by the Authority to provide, as of December 31, 2004, certain information about the Outstanding Loans and Authority Projects. As of December 31, 2004, the Trust Estate included insured rental loans outstanding in the aggregate principal amount of \$214,779,122; uninsured rental loans outstanding in the aggregate principal amount of \$31,249,720; uninsured business loans outstanding in the aggregate principal amount of \$92,258,785; 31 Participation Interests outstanding with an average principal amount of \$390,223; and 13 Authority Projects with an aggregate value of \$16,031,402.

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 Assistance 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.

**Colorado Housing and Finance Authority  
Loan Portfolio Report  
As of 12/31/2004**

**Multi Family Housing Insured Revenue Bonds  
2000 SERIES A, 2000 SERIES B, 2001 SERIES A, 2002 SERIES A, 2002 SERIES B, 2002 SERIES C, 2003 A, and 2004 A**

<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures Date</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due Date</u>	<u>Current Balance</u>
M00A	60	134,517	3/1/2017	987.04	RF 501(C)3	2/1/2005	91,935.17
M00A	MADISON	621,000	12/1/2021	3,340.20	RF 501(C)3	1/1/2005	405,479.26
M00A	CT	855,300	6/1/2020	5,192.68	221(D)3	1/1/2005	588,432.31
M00A	ALLISON	1,236,100	9/1/2020	7,681.51	221(D)4	1/1/2005	878,527.15
M00A	SAN JUAN	1,875,200	10/1/2020	11,653.08	221(D)4	1/1/2005	1,332,235.40
M00A	SUNNYSIDE	938,500	12/1/2018	6,562.13	221(D)4	1/1/2005	681,037.89
M00A	VILLAGE	211,404	4/1/2022	1,551.21	RAP	1/1/2005	174,230.41
M00A	W.H.E.R.E	700,000	1/1/2020	5,014.89	RF 501(C)3	2/1/2005	591,601.08
M00A	RIDGE	1,556,700	10/4/2021	5,836.32	RAP	1/4/2005	646,650.06
M00A	SANDOE	250,000	11/1/2019	911.37	RF 501(C)3	2/1/2005	106,577.96
M00A	HOTEL	525,000	9/1/2034	2,580.62	RF 501(C)3	1/1/2005	407,168.70
M00A	LOUISIANA	332,600	7/1/2023	2,411.58	RF 501(C)3	1/1/2005	282,022.42
M00A	HERITAGE	177,100	7/1/2023	1,284.10	RF 501(C)3	1/1/2005	150,168.33
M00A	MADISON	114,842	12/1/2021	755.14	RF 501(C)3	1/1/2005	91,718.13
M00A	RANCH	150,000	2/1/2022	1,100.65	RF 501(C)3	2/1/2005	114,318.50
M00A	PLACE	769,144	4/1/2022	5,576.83	RF 501(C)3	1/1/2005	631,808.66
M00A	VERDE	1,143,429	10/1/2023	8,290.66	RAP	1/1/2005	975,219.59
M00A	PK	2,153,185	5/1/2022	12,412.66	RF 501(C)3	1/1/2005	1,589,882.06
M00A	SAXONY	272,735	7/1/2022	1,764.74	RF 501(C)3	1/1/2005	215,947.22
M00A	COURTYARD	207,955	9/1/2022	1,489.81	RF 501(C)3	1/1/2005	172,135.00
M00A	BELMONT	712,500	9/1/2022	4,616.91	RF 501(C)3	1/1/2005	582,638.70
M00A	MESA	1,077,751	3/1/2023	7,814.44	RF 501(C)3	2/1/2005	904,639.31
M00A	TOWNHOUSE	153,000	11/1/2023	1,122.66	RF 501(C)3	2/1/2005	130,738.32
M00A	HILLS	3,287,357	11/1/2023	21,398.91	RF 501(C)3	1/1/2005	2,791,524.68
M00A	RIDGE	1,542,396	3/1/2022	11,527.21	RAP	1/1/2005	1,292,085.34
M00A	TREE	734,970	7/1/2022	1,739.66	RAP	1/1/2005	196,729.00
M00A	TREE	194,478	11/1/2022	1,427.01	RAP	1/1/2005	73,435.10
M00A	PLACE	142,797	12/1/2022	1,047.80	RAP	1/1/2005	119,753.95
M00A	SHADOWWOOD	220,899	7/1/2022	1,620.88	RAP	1/1/2005	183,296.29
M00A	GL	247,475	6/1/2021	1,794.37	RAP	1/1/2005	198,514.17
M00A	BETWEEN	203,000	12/1/2024	1,489.54	RF 501(C)3	1/1/2005	178,081.63
M00A	SANDOE	90,000	1/1/2025	660.39	RF 501(C)3	2/1/2005	78,951.84
M00A	SMOKEYTRAIL	900,000	2/1/2030	5,908.21	RAP	1/1/2005	818,320.96
M00A	SANDOE	407,776	8/1/2025	2,935.46	RF 501(C)3	2/1/2005	360,458.46
M00A	ANIMAS	159,000	4/1/2027	1,017.28	RF 501(C)3	1/1/2005	143,651.77
M00A	CITY OF STERLING	522,000	9/1/2026	3,036.76	RF 501(C)3	1/1/2005	473,931.59
M00A	STREET COMPUTERS	4,084,592	2/1/2017	34,394.64	CHFA NOTE	2/1/2005	3,223,895.26
M00A	48	1,844,689	12/1/2039	10,538.12	221(D)4	1/1/2005	1,784,127.95
M00A	RIDGE ASSOCIATES	407,070	4/1/2039	2,354.28	221(D)4	1/1/2005	392,108.49

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M00A	PINECREST	1,341,375	6/1/2028	8,529.28	RF 501(C)3	2/1/2005	1,229,547.72
M00A	PEAK	225,000	3/1/2029	1,496.93	SMART TAX EXEMPT	2/1/2005	207,778.45
M00A	BLUESKY ENTERPRISES	190,000	2/1/2029	1,194.69	SMART TAX EXEMPT	4/1/2005	134,209.49
M00A	STREET BUILDING	400,000	11/1/2021	17,680.74	CHFA NOTE	5/1/2005	325,523.55
M00A	RIDGE	1,344,740	8/1/2039	8,307.84	542(C)	1/1/2005	1,304,627.16
M00A	PARTNERS	1,000,000	6/1/2030	6,452.78	SMART TAX EXEMPT	3/1/2005	955,660.80
M00A	MANOR	3,550,000	7/1/2030	23,618.24	542(C)	1/1/2005	3,369,885.21
M00A	AT LAKEWOOD	834,925	3/1/2040	5,158.19	542(C)	1/1/2005	813,213.00
M00A	OFFICE	175,000	10/1/2030	1,135.05	SMART TAX EXEMPT	1/1/2005	166,328.11
M00A	NEIGHBORHOOD HOUSING	175,000	11/1/2032	1,158.41	SMART TAXABLE	1/1/2005	171,115.04
M00A	HOA	250,000	7/1/2032	1,580.17	SMART TAXABLE	12/1/2004	243,186.70
<b>M00A Total</b>							<b>32,975,053.34</b>
M00B	CROSSING III	11,330,000	11/1/2042	70,820.02	542(C)	1/1/2005	11,215,742.48
M00B	GARDENS LLC	2,420,000	3/1/2031	15,253.55	542(C)	1/1/2005	2,320,312.13
M00B	COLLINS FM	10,008,500	3/1/2043	61,832.80	542(C)	1/1/2005	9,922,414.89
M00B	COLUMBINE	4,313,000	12/1/2030	28,984.74	542(C)	1/1/2005	4,121,245.42
M00B	RUN APARTMENTS	3,409,175	7/1/2043	19,596.08	542(C)	1/1/2005	3,381,575.52
<b>M00B Total</b>							<b>30,961,290.44</b>
M01A AMT	MARTINIQUE	460,000	5/1/2026	3,247.94	RF 501(C)3	1/1/2005	411,069.07
M01A AMT	LIVING SYSTEMS	352,000	4/1/2031	1,798.00	SMART TAXABLE	9/1/2004	327,500.83
M01A AMT	VILLAGE MHA LTD	4,200,000	6/1/2031	27,241.12	542(C)	1/1/2005	4,029,220.90
M01A AMT	COALITION FOR	1,294,650	3/1/2026	9,142.06	BF EDF	1/1/2005	1,212,566.26
M01A AMT	PARTNERSHIP INC	700,000	4/1/2031	4,355.65	SMART TAX EXEMPT	1/1/2005	667,818.22
M01A AMT	EAST HOUSING	7,475,000	1/1/2044	45,801.89	542(C)	1/1/2005	7,441,657.64
M01A AMT	MANAGEMENT CO	1,621,000	6/1/2031	10,513.78	542(C)	1/1/2005	1,556,843.73
M01A AMT	OF AMERICA	660,000	9/1/2021	5,316.92	BF EDF	1/1/2005	607,171.60
M01A AMT	RIDGE TOWNHOMES	6,750,000	1/1/2044	40,969.67	542(C)	1/1/2005	6,718,712.89
M01A AMT	PARTNERSHIP INC	924,000	9/1/2031	6,023.79	SMART TAXABLE	1/1/2005	889,724.85
M01A AMT	PLACES	543,000	12/1/2026	3,881.22	RF 501(C)3	1/1/2005	516,710.31
M01A AMT	STREET BLDG-2	1,595,920	11/1/2022	71,861.01	CHFA NOTE	5/1/2005	1,465,713.74
M01A AMT	CREEK MHA	10,020,064	3/1/2043	55,763.99	221(D)4	3/1/2004	1,073,741.12
M01A AMT	RUN APARTMENTS	132,825	7/1/2043	763.48	542(C)	1/1/2005	131,749.70
<b>M01A AMT Total</b>							<b>27,050,200.86</b>
M02A AMT	MEADOWS ASSOCIATED	2,614,000	5/1/2043	15,397.05	542(C)	1/1/2005	2,591,462.52
M02A AMT	LIMITED PARTNERSHIP	2,112,800	7/1/2032	13,773.88	542(C)	12/1/2004	2,058,286.72
M02A AMT	MANOR LLP	5,480,000	6/1/2032	33,905.93	542(C)	1/1/2005	5,313,294.09
M02A AMT	LIMITED PARTNERSHIP	360,000	4/1/2013	3,960.15	SMART TAXABLE	11/1/2004	304,961.89
M02A AMT	PHASE II	5,650,000	6/1/2043	33,078.31	542(C)	2/1/2005	5,600,627.77
M02A AMT	RIDGE SOUTH APTS LLP	4,126,000	8/1/2044	20,899.97	221(D)4	9/1/2004	4,116,525.05

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<b>M02A AMT Total</b>							<b>19,985,158.04</b>
M02A - NON AMT	WALNUT PARK	1,576,300	8/1/2018	10,373.18	221(D)3	1/1/2005	1,062,316.49
M02A - NON AMT	I	1,225,300	6/1/2017	7,837.90	221(D)4	1/1/2005	771,717.01
M02A - NON AMT	MARCELLA	4,442,900	8/1/2019	28,419.99	221(D)4	1/1/2005	2,962,864.37
M02A - NON AMT	COUNT	608,900	10/1/2019	4,007.00	221(D)4	1/1/2005	418,785.45
M02A - NON AMT	SILVERLEAF	1,429,500	8/1/2018	9,144.11	221(D)3	1/1/2005	922,090.15
M02A - NON AMT	NIBLOCK	260,138	10/1/2026	1,653.50	221(D)4	1/1/2005	226,080.12
M02A - NON AMT	HANIGAN	445,200	11/1/2019	2,938.80	221(D)4	1/1/2005	343,433.61
M02A - NON AMT	A.C.C.E.S.S	222,963	11/1/2019	1,630.00	221(D)3	1/1/2005	165,070.38
M02A - NON AMT	TANGLEWOOD	3,024,980	4/1/2028	20,938.18	RAP	1/1/2005	2,707,484.01
M02A - NON AMT	PARTNERSHIP	370,006	4/1/2019	1,890.18	SMART TAXABLE	1/1/2005	333,246.84
M02A - NON AMT	RURAL	286,000	12/1/2030	1,854.99	SMART TAXABLE	2/1/2005	272,152.03
M02A - NON AMT	CITY OF STERLING	893,000	4/1/2031	5,556.56	SMART TAXABLE	1/1/2005	851,945.44
M02A - NON AMT	CENTER	250,000	8/1/2031	1,580.17	SMART TAXABLE	1/1/2005	239,936.10
M02A - NON AMT	COUNTY SENIOR	256,300	2/1/2032	1,603.17	SMART TAXABLE	2/1/2005	247,236.13
<b>M02A - NON AMT Total</b>							<b>11,524,358.13</b>
AHPC/URBAN	HOUSING PRESERVATION	58,500,000	7/1/2003	-	SPEC NEED	1/1/2005	10,093,288.82
<b>AHPC/URBAN Total</b>							<b>10,093,288.82</b>
MF02C AMT	APTS LLC	4,200,000	1/1/2038	25,230.40	542(C)	2/1/2005	4,132,171.37
MF02C AMT	LLL P	16,210,000	9/1/2032	101,478.40	542(C)	1/1/2005	15,807,228.69
MF02C AMT	CLUB APARTMENTS	4,903,825	1/1/2035	33,452.73	542(C)	2/1/2005	4,903,825.00
MF02C AMT	FOUNTAIN SPRINGS	15,587,500	2/1/2044	88,496.41	221(D)4	1/1/2005	15,504,945.85
MF02C AMT	SOUTHGATE PARTNERS	2,841,000	1/1/2033	18,050.57	542(C)	1/1/2005	2,778,850.38
MF02C AMT	VILLAGE ASSOCIATES L	4,700,000	10/1/2033	29,398.78	542(C)	1/1/2005	4,637,202.34
MF02C AMT	HOUSING LP	2,475,000	1/1/2034	14,838.88	542(C)	2/1/2005	2,447,209.48
MF02C AMT	HOUSING LP	3,050,000	1/1/2034	18,286.29	542(C)	1/1/2005	3,015,753.18
MF02C AMT	HOUSING LP	815,000	1/1/2034	4,886.34	542(C)	1/1/2005	805,848.75
MF02C AMT	HOUSING LP	2,200,000	12/1/2033	13,190.11	542(C)	1/1/2005	2,172,983.77
MF02C AMT	HOUSING LP	10,200,000	7/1/2033	61,154.15	542(C)	2/1/2005	10,020,298.93
MF02C AMT	HOUSING LP	1,860,000	10/1/2033	11,151.64	542(C)	1/1/2005	1,833,217.47
MF02C AMT	HOUSING LP	12,691,300	9/1/2033	76,090.76	542(C)	1/1/2005	12,495,007.22
MF02C AMT	HOUSING LP	2,606,000	1/1/2034	15,624.29	542(C)	1/1/2005	2,576,738.56
MF02C AMT	HOUSING LP	3,175,000	10/1/2033	19,035.73	542(C)	1/1/2005	3,129,282.48
MF02C AMT	HOUSING A MAINE LTD	1,596,100	7/1/2033	9,569.43	542(C)	1/1/2005	1,567,980.24
MF02C AMT	HOUSING LP	2,700,000	11/1/2033	16,187.86	542(C)	1/1/2005	2,663,990.10
MF02C AMT	HOUSING LP	3,400,000	1/1/2034	20,384.72	542(C)	1/1/2005	3,361,823.19
MF02C AMT	HOUSING LP	2,070,000	10/1/2033	12,410.70	542(C)	1/1/2005	2,042,392.30
MF02C AMT	HOUSING LP	2,036,000	12/1/2033	12,206.85	542(C)	1/1/2005	2,010,997.68
MF02C AMT	HOUSING LP	1,140,000	1/1/2034	6,834.88	542(C)	1/1/2005	1,127,199.50

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MF02C AMT	HOUSING LP	3,408,000	10/1/2033	20,432.68	542(C)	1/1/2005	3,358,927.52
MF02C AMT	HOUSING LTD	2,040,000	9/1/2033	12,230.83	542(C)	1/1/2005	2,010,625.62
MF02C AMT	HOUSING LP	462,500	1/1/2006	6,077.91	HOF FAF	1/1/2005	420,029.33
MF02C AMT	HOUSING LP	765,000	1/1/2009	14,789.59	HOF FAF	1/1/2005	641,328.56
MF02C AMT	POINT INVESTMENT GRO	2,300,000	1/1/2034	13,789.66	542(C)	1/1/2005	2,274,174.54
MF02C AMT	RIDGE PARTNERS LLC	3,942,000	4/1/2044	22,658.77	542(C)	1/1/2005	3,927,338.46
MF02C AMT	HOUSING LP	586,000	1/1/2012	6,354.13	HOF CHFA	1/1/2005	521,206.70
<b>MF02C AMT Total</b>							<b>112,188,577.21</b>
MF02C NON AMT	VETERINARY	772,400	5/1/2022	6,217.68	BF SBA 504	12/1/2004	725,375.64
MF02C NON AMT	PROPERTIES LLC	571,500	2/1/2023	4,342.08	BF SBA 504	1/1/2005	545,067.18
MF02C NON AMT	LE VALLEY	498,750	11/30/2031	39,703.70	BF QAL	11/30/2005	459,894.76
MF02C NON AMT	VALLEY HOSPITAL	806,495	2/15/2027	5,779.25	BF B&I II BUSINESS	1/15/2005	769,000.16
MF02C NON AMT	COUNTY HOUSING	218,100	9/1/2033	1,378.54	SMART TAX EXEMPT	2/1/2005	214,813.91
MF02C NON AMT	COMPANY	581,100	12/1/2032	3,769.00	SMART TAXABLE	1/1/2005	568,282.75
MF02C NON AMT	HOTEL APTS	504,200	12/1/2032	3,120.86	SMART TAX EXEMPT	1/1/2005	492,114.83
MF02C NON AMT	ZETA	5,650,000	5/1/2034	32,217.21	542(C)	1/1/2005	5,019,810.57
MF02C NON AMT	ZETA	1,249,000	4/1/2019	10,546.00		11/1/2004	1,182,769.96
MF02C NON AMT	COMMUNITY FOUNDATION	1,310,000	6/1/2039	7,469.49	RF 501(C)3	11/1/2004	1,306,294.36
MF02C NON AMT	HOUSING LP	360,000	12/1/2007	6,959.81	HOF CHFA	1/1/2005	296,350.86
MF02C NON AMT	HOUSING LP	105,000	11/1/2008	2,029.94	HOF CHFA	1/1/2005	84,837.96
MF02C NON AMT	HOUSING LP	25,000	1/1/2009	483.32	HOF CHFA	1/1/2005	20,958.46
MF02C NON AMT	HOUSING LP	113,000	12/1/2008	2,184.61	HOF CHFA	1/1/2005	93,021.18
<b>MF02C NON AMT Total</b>							<b>11,778,592.58</b>
MF03A	HYLAND PARK	9,354,400	3/1/2028	62,404.43	RAP	1/1/2005	8,310,024.85
MF03A	APARTMENTS	3,248,400	4/1/2028	18,328.08	223(F)	1/1/2005	2,866,456.48
MF03A	TANGLEWOOD	375,020	4/1/2028	2,595.80	RAP	1/1/2005	335,658.63
MF03A	HOUSING	257,000	9/1/2021	1,731.68	BF EDF	1/1/2005	218,607.73
MF03A	NEUGER	99,000	11/1/2016	859.15	BF EDF	1/1/2005	77,084.93
MF03A	INC	628,000	2/1/2019	3,078.07	BF EDF	1/1/2005	326,491.61
MF03A	AND HEALTH CARE	380,470	12/1/2018	3,182.40	BF EDF	2/1/2005	319,985.56
MF03A	CREEK ASSOCIATES	343,300	11/1/2036	2,175.89	221(D)4	1/1/2005	326,980.11
MF03A	EMPOWERMENT	272,500	8/1/2019	2,195.24	BF EDF	2/1/2005	232,492.65
MF03A	BEYE-LOTZ	392,000	9/1/2020	2,989.62	BF EDF	1/1/2005	352,026.63
MF03A	MANDERLEY	250,000	7/15/2020	2,209.28	BF SBA 504	3/15/2005	222,357.74
MF03A	SILVERTON RR	126,000	1/1/2013	1,103.17	BF EDF	1/1/2005	38,683.07
MF03A	KIMBLE LLC	519,750	4/1/2021	3,801.40	BF SBA 504	1/1/2005	474,240.71
MF03A	AND HEALTH CARE	168,300	3/1/2021	1,459.48	BF EDF	2/1/2005	153,748.42
MF03A	STATE PAVING	140,000	7/1/2021	1,214.07	BF SBA 504	1/1/2005	129,250.02
MF03A	SCHULZ	259,000	8/1/2022	2,246.02	BF SBA 504	1/1/2005	246,242.31

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MF03A	LLC	178,500	7/1/2021	1,422.88	BF SBA 504	1/1/2005	164,302.80
MF03A	GOSHERN	100,000	11/1/2021	836.44	BF SBA 504	1/1/2005	92,902.46
MF03A	OF NORTHERN COLORADO	399,000	7/1/2026	2,772.36	BF EDF	2/1/2005	375,827.90
MF03A	JONES	100,000	10/1/2021	835.82	BF SBA 504	1/1/2005	92,677.38
MF03A	CRANE	79,000	1/1/2022	635.94	BF SBA 504	1/1/2005	73,336.82
MF03A	DEVLIN	183,500	6/1/2021	1,178.01	SMART TAXABLE	1/1/2005	173,352.15
MF03A	HOTEL & LODGING	410,500	9/1/2026	3,033.56	BF EDF	1/1/2005	389,829.55
MF03A	STAVELY	215,010	3/1/2026	19,372.24	BF QAL	3/1/2006	142,100.57
MF03A	RANGE REGIONAL	530,000	9/1/2026	3,913.21	BF EDF	1/1/2005	497,715.30
MF03A	HOUSING ASSIST CORP	250,000	9/1/2021	2,012.45	BF EDF	2/1/2005	229,533.45
MF03A	THOMPSON II	251,421	7/26/2031	22,033.83	BF QAL	7/26/2005	244,157.19
MF03A	UP CORP	382,579	8/2/2031	3,150.00	BF QIC	12/2/2004	265,629.32
MF03A	RICHIE	196,843	7/1/2016	1,876.38	BF QAL	11/1/2004	172,554.67
MF03A	INN MOTEL	617,320	8/7/2026	6,116.00	BF QIC	12/7/2004	587,224.85
MF03A	FRANEK MARTHA	154,500	1/10/2017	1,421.87	BF QIC	11/10/2004	139,882.92
MF03A	SCHLAGER	259,020	3/1/2031	21,237.95	BF QAL	3/1/2006	240,502.58
MF03A	MEADOWS AFFORDABLE	1,860,000	5/1/2032	11,879.05	SMART TAXABLE	1/1/2005	1,803,349.80
MF03A	GARD	99,450	2/1/2022	786.03	BF SBA 504	1/1/2005	88,873.86
MF03A	HINKLE	190,000	2/1/2022	1,238.66	SMART TAXABLE	1/1/2005	184,117.45
MF03A	TATE	209,700	3/1/2026	16,742.96	BF QAL	3/1/2005	187,609.61
MF03A	HAMACHER	284,400	2/1/2027	24,758.96	BF QAL	2/1/2005	277,752.36
MF03A	AUTO PARTS INC	524,089	3/5/2027	3,673.52	BF QIC	1/5/2005	503,287.03
MF03A	PERDUE	75,960	3/1/2022	7,268.73	BF QAL	3/1/2006	67,659.60
MF03A	FORK COMPUTER SOCIET	225,225	3/1/2023	1,744.82	BF EDF	1/1/2005	215,584.86
MF03A	RUBBER COMPANY	846,000	1/1/2023	6,307.55	BF EDF	1/1/2005	803,521.98
MF03A	MOUNTAIN SCHOOL OF A	6,900,000	1/1/2029	50,319.08	BF SBA 504	1/1/2005	6,808,613.06
MF03A	GRIFFIN	175,500	1/15/2023	19,225.40	BF QAL	1/15/2007	162,633.75
MF03A	AMERICAN RESEARCH	96,287	5/1/2028	664.65	BF EDF	2/1/2005	93,673.53
MF03A	INDUSTRIES INC	1,000,000	6/1/2033	5,995.51	BF EDF	1/1/2005	980,477.85
MF03A	SIRCY	144,450	1/15/2023	15,595.85	BF QAL	1/15/2005	137,232.79
MF03A	FULLMER	200,000	5/1/2023	1,432.86	BF EDF	1/1/2005	191,394.79
MF03A	ENTERPRISES LLC	584,551	12/5/2031	3,662.86	BF B&I II BUSINESS	2/5/2005	571,760.07
MF03A	MARTIN	540,242	7/18/2031	3,445.64	BF B&I II BUSINESS	12/18/2004	527,458.67
MF03A	PARK COURT LLC	315,000	7/1/2023	2,346.70	BF EDF	2/1/2005	302,876.85
MF03A	AKERS	180,000	2/20/2028	14,526.97	BF QAL	2/20/2005	176,861.02
MF03A	ENTERPRISES LLC	788,384	3/24/2023	5,950.60	BF B&I II BUSINESS	2/24/2005	744,386.91
MF03A	FINDLEY	195,300	1/1/2011	34,699.58	BF QAL	1/1/2005	190,870.48
MF03A	FINDLEY	351,000	1/1/2023	30,689.56	BF QAL	1/1/2006	351,000.00
MF03A	SAYLES	225,000	1/15/2018	25,064.60	BF QAL	1/15/2005	212,068.30

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<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures Date</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due Date</u>	<u>Current Balance</u>
MF03A	SIRCY	225,000	1/15/2024	24,274.80	BF QAL	1/15/2005	213,048.30
MF03A	BRACHTENBACH	90,000	1/15/2010	12,780.00	BF QAL	1/15/2005	82,697.54
MF03A	LEONARD	324,000	12/31/2022	28,252.58	BF QAL	12/31/2004	308,637.22
MF03A	HOLDINGS LLC	3,535,000	12/1/2023	26,356.01	BF SBA 504	1/1/2005	3,445,878.89
MF03A	HOLDINGS LLC	826,000	4/1/2024	6,158.43	BF SBA 504	1/1/2005	812,267.66
MF03A	KNOTT	450,000	5/23/2033	33,716.49	BF QAL	5/23/2005	444,726.00
MF03A	MCARTHUR	540,000	3/15/2028	43,686.00	BF QAL	3/15/2005	527,721.11
MF03A	COMPANY LLC	684,000	8/1/2033	4,122.94	SMART TAXABLE	1/1/2005	672,777.57
MF03A	HOUSING PRESERVATION	1,200,000	2/1/2009	8,597.17	BF EDF	11/1/2004	1,178,855.37
<b>MF03A Total</b>							<b>41,781,535.64</b>
MF04A	COOPER'S	182,700	11/1/2016	1,643.80	BF SBA 504	1/1/2005	143,881.91
MF04A	DURO	1,107,720	1/1/2017	9,966.44	BF SBA 504	1/1/2005	879,135.89
MF04A	WERNER	654,312	6/1/2017	6,099.05	BF SBA 504	12/1/2004	536,211.07
MF04A	CO	234,000	7/1/2017	2,165.93	BF SBA 504	1/1/2005	191,387.39
MF04A	96TH STREET	355,500	8/1/2017	3,290.55	BF SBA 504	1/1/2005	291,766.40
MF04A	YEVOLI INC	232,335	10/1/2017	2,127.88	BF SBA 504	1/1/2005	191,439.27
MF04A	CHILD REUNION	95,670	12/1/2017	721.42	BF SBA 504	1/1/2005	76,618.82
MF04A	CREEKS RESIDENCES	935,000	1/1/2035	5,909.84	SMART TAX EXEMPT	2/1/2005	935,000.00
MF04A	ZAPIEN DDS INC	181,900	6/1/2022	1,443.62	BF SBA 504	11/1/2004	171,490.76
MF04A	O'TOOLE	1,190,000	2/1/2022	9,477.71	BF CHFA DIRECT	1/1/2005	1,107,538.19
MF04A	ANDERSON	700,000	5/1/2022	5,532.63	BF CHFA DIRECT	1/1/2005	655,707.53
MF04A	CONTAINMENT SYSTEMS	1,000,000	1/28/2023	7,604.00	BF CHFA DIRECT	11/28/2004	956,958.73
MF04A	RESOURCE CENTER	1,207,500	12/1/2022	9,624.43	BF EDF	1/1/2005	1,148,662.01
MF04A	SCHRAGE	1,700,000	3/1/2018	15,137.87	BF CHFA DIRECT	1/1/2005	1,579,096.22
MF04A	HOLDINGS LLC	2,976,546	6/1/2024	23,059.27	BF SBA 504	1/1/2005	2,941,716.90
MF04A	TRI CITY ETC LLC	2,879,500	10/1/2024	21,980.36	BF SBA 504	1/1/2005	2,868,141.53
MF04A	CANDIES SINCE 1920	280,000	5/1/2012	3,781.31	BF CHFA DIRECT	1/1/2005	264,276.54
MF04A	GROUP PROPERTIES LLC	396,000	3/1/2024	2,894.48	BF CHFA DIRECT	2/1/2005	387,482.48
MF04A	PARK PROFESSIONAL	527,295	9/1/2024	4,037.62	BF SBA 504	1/1/2005	524,181.20
MF04A	SPRINGS INN & SUITES	1,650,000	5/20/2028	10,823.43	BF B&I II BUSINESS	2/20/2005	1,278,273.47
MF04A	SHERMAN MD	450,000	10/1/2023	3,141.42	BF EDF	1/1/2005	435,396.10
MF04A	AND CONSUMER FOUND	1,125,000	2/1/2029	7,951.27	BF NON PROFIT	1/1/2005	1,110,742.01
MF04A	AGENCY INC	487,296	12/1/2023	3,822.00	BF CHFA DIRECT	1/1/2005	475,905.17
MF04A	HOUSING AUTHORITY	528,100	11/1/2033	3,081.85	SMART TAX EXEMPT	2/1/2005	519,964.97
MF04A	PEARL LLC	182,695	2/1/2024	1,429.62	BF CHFA DIRECT	1/1/2005	179,144.94
MF04A	INC	199,295	3/1/2024	1,522.48	BF CHFA DIRECT	1/1/2005	195,690.63
MF04A	PLAZA INVESTMENT	1,170,000	11/1/2034	7,165.89	542(C)	1/1/2005	1,168,879.11
MF04A	HOUSING AUTHORITY	452,800	12/1/2033	2,642.42	SMART TAX EXEMPT	1/1/2005	446,474.38
MF04A	COUNTY HOUSING AUTHO	1,100,000	1/1/2034	6,772.89	SMART TAX EXEMPT	1/1/2005	1,088,215.33

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<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures Date</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due Date</u>	<u>Current Balance</u>
MF04A	COMMUNITY CENTERS	6,200,000	12/1/2023	45,137.05	BF NON PROFIT	1/1/2005	6,065,873.90
MF04A	PROPERTIES LLC	375,000	6/1/2024	2,842.45	BF SBA 504	1/1/2005	370,463.56
MF04A	ARK INC	3,200,000	10/1/2029	22,109.17	BF NON PROFIT	1/1/2005	3,191,758.55
MF04A	ASSOCIATES RLLLP	651,600	3/1/2034	4,054.49	SMART TAXABLE	1/1/2005	646,025.08
MF04A	HOUSING AUTHORITY	676,700	3/1/2034	3,949.04	SMART TAX EXEMPT	2/1/2005	669,480.50
MF04A	SILVERTON	16,500,000	12/1/2024	129,414.16	BF B&I BUSINESS	1/1/2005	16,500,000.00
MF04A	LLC	476,000	6/1/2024	3,639.17	BF CHFA DIRECT	1/1/2005	470,316.35
MF04A	PLAINS HOTEL INC	248,500	7/1/2024	1,639.99	BF CHFA RURAL	1/1/2005	245,451.85
MF04A	ROAD REDEVELOPMENT	1,264,000	10/1/2024	7,906.39	SMART TAXABLE	1/1/2005	1,261,663.67
MF04A	ROAD REDEVELOPMENT	2,173,000	10/1/2024	13,592.24	SMART TAXABLE	1/1/2005	2,168,983.50
MF04A	HOUSING CORP	1,229,900	5/1/2034	7,413.45	SMART TAX EXEMPT	1/1/2005	1,221,281.60
MF04A	CURVE LLC	2,182,500	6/25/2024	12,689.39	BF B&I BUSINESS	12/25/2004	1,731,385.46
MF04A	ELLIOTT	107,420	2/1/2011	19,235.84	BF QAL	2/1/2005	96,678.00
MF04A	ELLIOTT	313,580	2/1/2026	26,018.79	BF QAL	2/1/2005	282,222.00
MF04A	RANGE REGIONAL	900,000	6/1/2024	6,657.28	BF NON PROFIT	1/1/2005	888,706.67
MF04A	LLC	147,050	12/1/2024	1,088.59	BF CHFA DIRECT	2/1/2005	146,746.90
MF04A	INVESTMENT PROPERTIE	328,882	12/1/2024	2,597.41	BF CHFA DIRECT	1/1/2005	328,882.00
MF04A	HOLDINGS OF STEAMBOA	394,000	12/1/2024	2,872.97	BF CHFA DIRECT	1/1/2005	394,000.00
MF04A	NORTH LLC & HERON 25	251,416	11/1/2024	1,991.70	BF CHFA DIRECT	2/1/2005	250,480.29
MF04A	BUYERS GROUP LLC	646,000	11/1/2024	5,082.37	BF CHFA DIRECT	2/1/2005	643,569.24
MF04A	BUSTILLOS	262,000	1/1/2025	2,061.27	BF CHFA DIRECT	2/1/2005	262,000.00
MF04A	COMPANY	432,000	11/1/2024	3,530.52	BF CHFA DIRECT	1/1/2005	431,237.88
MF04A	LLC	430,000	12/1/2024	3,448.29	BF CHFA DIRECT	2/1/2005	429,217.71
MF04A	HOLDING CORP	550,000	11/1/2024	3,972.17	BF CHFA DIRECT	2/1/2005	547,641.34
MF04A	HOUSING PRESERVATION	4,000,000	11/1/2044	23,418.27	542(C)	1/1/2005	3,998,248.40
MF04A	LLC	865,000	12/1/2024	6,936.68	BF CHFA DIRECT	2/1/2005	863,426.32
MF04A	LLC	450,000	12/1/2024	3,608.68	BF CHFA DIRECT	2/1/2005	449,181.32
MF04A	LLC	775,000	12/1/2024	6,214.95	BF CHFA DIRECT	2/1/2005	773,590.05
<b>MF04A Total</b>							<b>68,077,891.09</b>

## APPENDIX H

### Certain Terms of the Initial 2005A Liquidity Facilities

This Appendix contains a brief summary of certain provisions of each of the Initial 2005A Liquidity Facilities to be entered with the respective 2005A Liquidity Facility Provider and of certain terms used therein. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to each of the Initial 2005A Liquidity Facilities are qualified by reference to each of the related documents. Each of the Initial 2005A Liquidity Facilities may be amended at anytime without the consent of or notice to Bondholders. Any Alternate Liquidity Facility may have terms substantially different from those of the Initial 2005A Liquidity Facilities.

*For information regarding the 2005A Liquidity Facility Providers, see Appendix I.*

Pursuant to each of the Initial 2005A Liquidity Facilities, each of the 2005A Liquidity Facility Providers agrees, subject to the terms and conditions therein, to purchase 2005 Series A 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 2005A Remarketing Agent.

#### Certain Definitions

##### *Initial 2005A-1/A-3 Liquidity Facility*

"Commitment Period" means the period from the Effective Date of the Initial 2005A-1/A-3 Liquidity Facility to and including the earliest of (i) April 12, 2010 (or to an extended date as may become effective under the Initial 2005A-1/A-3 Liquidity Facility), (ii) the date on which no 2005 Series A Bonds are outstanding, (iii) the close of business on the date on which the 2005 Series A 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 2005A-1/A-3 Liquidity Facility Provider of termination of the Initial 2005A-1/A-3 Liquidity Facility, and (v) the date on which the aggregate principal amount of outstanding 2005 Series A-1 and 2005 Series A-3 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 2005 Series A-1 and A-3 Bonds or due to the delivery of an Alternate Liquidity Facility.

"Purchase Date" means a Business Day on which 2005 Series A-1 and 2005 Series A-3 Bonds are subject to optional tender or mandatory purchase.

"Purchase Price" means, with respect to any 2005 Series A-1 and 2005 Series A-3 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 2005 Series A-1 and/or 2005 Series A-3 Bonds purchased on any Purchase Date will not exceed the lesser of (a) the 2005A-1/A-3 Liquidity Facility Provider's interest commitment for the 2005 Series A-1 and 2005 Series A-3 Bonds (which amount equals the interest on the 2005 Series A-1 Bonds for a period of 183 days based upon an assumed rate of interest of 10% 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 2005A-1/A-3 Liquidity Facility), or (b) the actual aggregate amount of

interest accrued on each such 2005 Series A-1 and/or 2005 Series A-3 Bond to but excluding such Purchase Date.

*Initial 2005A-2 Liquidity Facility*

"Available Commitment" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case, as of such day.

"Available Interest Commitment" means an amount equal to 183 days' interest on the Available Principal Commitment for the 2005 Series A-2 Bonds based upon an assumed rate of interest of 10.00% per annum and a 360-day year comprised of twelve 30-day months, as such amount shall be adjusted from time to time as follows:

(A) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment, in accordance with clause (a) or (b) of the definition of Available Principal Commitment, bears to the initial Available Principal Commitment; and

(B) upward by an amount that bears the same proportion to such amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (c) of the definition of Available Principal Commitment, bears to the initial Available Principal Commitment.

"Available Principal Commitment" means initially the principal amount of the 2005 Series A-2 Bonds Outstanding (as detailed on the cover page hereof) and, thereafter, means such initial amount adjusted from time to time as follows:

(a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the Initial 2005A-2 Liquidity Facility;

(b) downward by the principal amount of any 2005 Series A-2 Bonds purchased by the 2005A-2 Liquidity Facility Provider pursuant to the Initial 2005A-2 Liquidity Facility; and

(c) upward by the principal amount of any 2005 Series A-2 Bonds theretofore purchased by the 2005A-2 Liquidity Facility Provider pursuant to the Initial 2005A-2 Liquidity Facility which are remarketed (or deemed to be remarketed) pursuant to such Initial 2005A-2 Liquidity Facility by the Remarketing Agent and for which the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon;

*provided, however,* that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed the original principal amount of such 2005 Series A-2 Bonds. Any adjustment to the Available Principal Commitment as described in clause (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

"Commitment Period" means the period from the date of delivery of the Initial 2005A-2 Liquidity Facility to and including the earliest of (i) April 13, 2012 (or to an extended date as may become effective under the Initial 2005A-2 Liquidity Facility), (ii) the date on which no 2005 Series A-2 Bonds are outstanding, (iii) the close of business on the date on which the 2005 Series A-2 Bonds are converted to a Fixed Interest Rate or the SAVRS Rate, (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 Tender Agent of a Notice of Termination Date, and (v) the date on which the Available Commitment has been reduced to zero or terminated in its entirety due to the redemption, repayment or other payment of all of the principal amount of the 2005 Series A-2 Bonds or due to the delivery of an Alternate Liquidity Facility.

"Purchase Date" means a Business Day on which the 2005 Series A-2 Bonds are subject to optional tender or mandatory purchase.

"Purchase Price" means, with respect to any 2005 Series A-2 Bond that is deemed an "Eligible Bond" under the Initial 2005A-2 Liquidity Facility, 100% of the principal amount of such 2005 Series A-2 Bond plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; *provided, however*, if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and *provided, further*, in no event shall the Purchase Price of any Eligible Bond include any premium owed with respect to any 2005 Series A-2 Bond or any Defaulted Interest in the excess of any amount specified in the Initial 2005A-2 Liquidity Facility.

**THE INITIAL 2005A LIQUIDITY FACILITIES PROVIDE FUNDS ONLY FOR PAYMENT OF THE PURCHASE PRICE AS DESCRIBED ABOVE, DO NOT SECURE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2005 SERIES A BONDS, AND MAY BE TERMINATED OR SUSPENDED AS DESCRIBED BELOW.**

#### **Conditions Precedent to Obligations of the 2005A Liquidity Facility Providers**

The obligation of the 2005A Liquidity Facility Providers to purchase the related 2005 Series A Bonds on any particular Purchase Date under the Initial 2005A-1/A-3 Liquidity Facility or Initial 2005A-2 Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by the respective 2005A Liquidity Facility Provider: (i) the respective 2005A Liquidity Facility Provider shall have timely received the notices to purchase the unremarketed related 2005 Series A Bonds as provided in the respective Initial 2005A Liquidity Facility, and (ii) a long-term rating of the related 2005 Series A Bonds by Moody's or S&P of not lower than "Baa2" or "BBB," respectively, shall be in effect or, no Special Event of Default or Suspension Event (each as defined below) shall have occurred and be continuing.

#### **Termination by 2005A Liquidity Facility Provider**

##### *Initial 2005A-1/A-3 Liquidity Facility*

In the event that the Authority fails to pay to the 2005A-1/A-3 Liquidity Facility Provider any commitment fee within five Business Days after the same becomes due, the 2005A-1/A-3 Liquidity Facility Provider may terminate the Initial 2005A-1/A-3 Liquidity Facility by giving written notice of such termination to the Trustee, the Paying Agent, the Authority, and the 2005A 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 Tender Agent of such notice; and on such date the 2005A-1/A-3 Liquidity Facility Provider shall be under no obligation to purchase the 2005 Series A-1 Bonds or 2005 Series A-3 Bonds. Promptly upon receipt of such written notice of termination by the Trustee, the Trustee is to give notice to all Owners of the 2005 Series A-1 Bonds and 2005 Series A-3 Bonds that the 2005 Series A-1 Bonds and 2005 Series A-3 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 2005A-1/A-3 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 2005A-1/A-3 Liquidity Facility with an Alternate Liquidity Facility or cause the 2005 Series A-1 and 2005 Series A-3 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 2005A-1/A-3 Liquidity Facility; however, the 2005A-1/A-3 Liquidity Facility Provider has agreed to purchase tendered 2005 Series A-1 and 2005 Series A-3 Bonds on the terms and conditions of the Initial 2005A-1/A-3 Liquidity Facility notwithstanding the occurrence of such events of default. See "Conditions Precedent to Obligations of 2005A Liquidity Facility Providers" under this caption.

*Initial 2005A-2 Liquidity Facility*

For purposes of the Initial 2005A-2 Liquidity Facility, in the case of any of the following Events of Default (each a "**Special Events of Default**"):

(i) failure by the Authority to pay principal of, or interest on, the 2005 Series A-2 Bonds or any other Class I Bonds due to a default by the Authority under the Indenture;

(ii) (a) the Authority shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or seeking to declare a moratorium with respect to the 2005 Series A-2 Bonds, any other Bonds or General Obligations of the Authority, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Trust Estate, or the Authority shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in clause (a) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the Authority, any case, proceeding or other action seeking, issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Trust Estate, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (d) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the Authority shall generally not, or shall be unable to, or shall admit in writing, its inability to, pay its debts; or (f) a moratorium is declared with respect to payment of the 2005 Series A-2 Bonds, any other Bonds or General Obligations of the Authority;

(iii) (a) any material provision of the Initial 2005A-2 Liquidity Facility or any Related Document shall at any time for any reason cease to be valid and binding on the Authority as a result of federal or state legislative or administrative action, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction over the Authority, to be null and void, invalid or unenforceable or (b) the validity or enforceability of the Initial 2005A-2 Liquidity Facility, the Master Indenture or the 2005 Series A Indenture shall, in a judicial proceeding or any other official action commenced by the Authority, be contested by the Authority in said proceeding or action; or

(iv) the long-term ratings by S&P and Moody's of the 2005 Series A-2 Bonds or any other Bonds not supported by credit enhancement shall be withdrawn, suspended or reduced below "BBB-" by S&P and "Baa3" by Moody's, other than as a result of debt maturity, redemption, defeasance, non-application and non-provision of information;

then, in any such event, the Available Commitment shall immediately be reduced to zero, in which case the obligations of the 2005A-2 Liquidity Facility Provider shall immediately terminate and expire without requirement of notice by the 2005A-2 Liquidity Facility Provider. After such termination, the 2005A-2 Liquidity Facility Provider shall deliver, within two (2) Business Days, to the Authority, the Trustee, the Tender Agent and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

In the case of a failure by the Authority to pay any principal of, or interest on, any Class II Bond, Class III Bond, Class IV Bond, any General Obligation of the Authority securing Parity Obligations, or any Bank Bonds due to a default by the Authority under the Indenture (a "**Suspension Event**"), the obligation of the 2005A-2 Liquidity Facility Provider to purchase Eligible Bonds under the Initial 2005A-2 Liquidity Facility shall be immediately suspended without notice or demand and thereafter the 2005A-2 Liquidity Facility Provider shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the 2005A-2 Liquidity Facility Provider shall notify the Authority, the Trustee, the Tender Agent and the Remarketing Agent of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that the 2005A Liquidity Facility Provider shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or its obligation to purchase Eligible Bonds pursuant to the Initial 2005A-2 Liquidity Facility. If the Suspension Event created by the failure of the Authority to make a payment of any principal of, or interest on, any such Class II Bond, Class III Bond (including a Bank Bond) or any General Obligation of the Authority is not cured within thirty (30) days following such default, then the Available Commitment and the obligation of such 2005A-2 Liquidity Facility Provider to purchase Eligible Bonds shall immediately terminate without notice or demand and thereafter the 2005A-2 Liquidity Facility Provider shall be under no further obligation to purchase Eligible Bonds. If such default is remedied within thirty (30) days of the occurrence thereof and the Available Commitment has not otherwise expired or been suspended or terminated, then the Available Commitment and the obligation of the 2005A-2 Liquidity Facility Provider to purchase Eligible Bonds shall be reinstated. In the case of each Suspension Event, the Trustee shall immediately notify all Bondholders of the suspension and/or termination of both the Available Commitment and the obligation of the 2005A-2 Liquidity Facility Provider to purchase Eligible Bonds.

Upon the occurrence of other Events of Default not described as Special Events of Default or a Suspension Event above (including failure of the Authority to pay certain other amounts due to the 2005A-2 Liquidity Facility Provider and the breach of covenants or representations made by the Authority in the Initial 2005A-2 Liquidity Facility), such 2005A-2 Liquidity Facility Provider may, among other remedies, give notice of such Event of Default and require the termination of the related Initial 2005A-2 Liquidity Facility to the Trustee, which would constitute a Liquidity Expiration Event under the Indenture and result in a mandatory tender of the 2005 Series A-2 Bonds. See "Part I – TERMS OF THE 2005 SERIES A BONDS – Mandatory Purchase."

### **Termination by Authority**

Upon (i) the withdrawal, suspension or reduction in the rating assigned to either of the 2005A Liquidity Facility Providers' senior unsecured short-term obligations by Moody's or S&P below "P-1" or "A1," respectively, or the default by either 2005A Liquidity Facility Provider in honoring its payment obligations under the respective Initial 2005A Liquidity Facility or either 2005A Liquidity Facility Provider seeking recovery of amounts described in the respective Initial 2005A Liquidity Facility, (ii) the payment to the respective 2005A Liquidity Facility Provider of all fees, expenses and other amounts payable under the respective Initial 2005A Liquidity Facility, and (iii) the payment to the respective 2005A Liquidity Facility

Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate the respective Initial 2005A Liquidity Facility. In the event of such termination, the respective 2005 Series A Bonds will be subject to mandatory tender for purchase, the Authority will use its best efforts to replace the respective Initial 2005A Liquidity Facility with an Alternate Liquidity Facility or cause the respective 2005 Series A 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 2005A-1/A-3 Liquidity Facility or the Initial 2005A-2 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."

## APPENDIX I

### The 2005A Liquidity Facility Providers

*The following information has been obtained from each of the respective 2005A Liquidity Facility Providers for inclusion herein. Such information is not guaranteed as to accuracy or completeness by the Authority or the Underwriters and is not to be construed as a representation by the Authority or the Underwriters. Neither the Authority nor the Underwriters 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**

Federal Home Loan Bank of Topeka (the "**2005A-1/A-3 Liquidity Facility Provider**") is a privately owned corporation organized under the laws of the United States and is located in Topeka, Kansas. The 2005A-1/A-3 Liquidity Facility Provider promotes housing, jobs and general prosperity by offering wholesale funding and related products and services that help member financial institutions provide affordable credit in their communities. With over \$43 billion in assets and over \$1.8 billion in capital (based on unaudited financial statements), the 2005A-1/A-3 Liquidity Facility Provider serves more than 880 member stockholders throughout Colorado, Kansas, Nebraska and Oklahoma. The 2005A-1/A-3 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 2005A-1/A-3 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 2005A-1/A-3 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 2005A-1/A-3 Liquidity Facility Provider and its instruments will be maintained.

Copies of the 2005A-1/A-3 Liquidity Facility Provider's most recent unaudited quarterly financial statements can be obtained by accessing the 2005A-1/A-3 Liquidity Facility Provider's Web site at [http://www.fhlbtopeka.com/quarterly\\_financials\\_for\\_fhlb\\_to.htm](http://www.fhlbtopeka.com/quarterly_financials_for_fhlb_to.htm). Copies of the 2005A-1/A-3 Liquidity Facility Provider's most recent Annual Report can be ordered, without charge, by accessing the 2005A-1/A-3 Liquidity Facility Provider's Web site at [http://www.fhlbtopeka.com/request\\_for\\_documents.htm](http://www.fhlbtopeka.com/request_for_documents.htm).

The 2005A-1/A-3 Liquidity Facility Provider will provide copies of its most recent Annual Report and unaudited quarterly financial statements, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Federal Home Loan Bank of Topeka  
Attention: Ms. Gail Newell  
P.O. Box 176  
Topeka, KS 66601-0176

On March 31, 2005, the 2005A-1/A-3 Liquidity Facility Provider announced it had restated its financial statements for the 2001 fiscal year, resulting in a \$7.5 million reduction in reported net income for such fiscal year (\$87.7 million to \$80.2 million). Further information regarding this announcement is

available on the 2005A-1/A-3 Liquidity Facility Provider's Web site at <http://www.fhlbtopeka.com/restatement.htm>.

PAYMENTS OF THE PURCHASE PRICE OF THE 2005 SERIES A-1 BONDS AND 2005 SERIES A-3 BONDS WILL BE MADE PURSUANT TO THE INITIAL 2005A-1/A-3 LIQUIDITY FACILITY IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE STANDBY BOND PURCHASE AGREEMENT IS A BINDING OBLIGATION OF THE 2005A-1/A-3 LIQUIDITY FACILITY PROVIDER, THE 2005 SERIES A-1 BONDS AND SERIES 2005 SERIES A-3 BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE FEDERAL HOME LOAN BANK OF TOPEKA AND ARE NOT GUARANTEED BY SUCH BANK. THE 2005 SERIES A-1 BONDS AND 2005 SERIES A-3 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 2005A-1/A-3 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.

### **Dexia Credit Local**

Dexia Credit Local ("**Dexia**" or the "**2005A-2 Liquidity Facility Provider**") is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of nearly 16 billion euros as of December 31, 2003, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group's first line of business – public and project finance and financial services for the public sector. Dexia has recognized expertise in local public sector financing and project finance. It is backed by a network of specialized banks, which employ over 3,000 professionals. Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union as well as Central Europe and the United States of America. Dexia also has operations in Latin America, the Asian-Pacific Region including Australia, and the countries around the Mediterranean.

Dexia is a bank with its principal office located in Paris, France. Dexia is presently licensed by the Banking Department of the State of New York to conduct banking business through its New York Branch which is an unincorporated agency of Dexia Credit Local, Paris. Dexia is the leading local authority lender in Europe, funding its lending activities in 2003 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2003, total funding raised by Dexia and Dexia Municipal Agency was 8.6 billion euros.

The Dexia Group is the owner of Financial Security Assurance Holdings Ltd. ("**FSA Holdings**"), the holding company for Financial Security Assurance Inc. a leading financial guaranty insurer.

As of December 31, 2003, Dexia had total consolidated assets of 174.0 billion euros, outstanding medium and long term loans to customers of 152.6 billion euros and shareholders' equity of nearly 4.2 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 617 million euros. These figures were determined in accordance with generally accepted accounting principles in

France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2003, the exchange rate was 1.0000 euro equals 1.2629 United States dollar. Such exchange rate fluctuates from time to time.

Dexia is rated Aa2 long-term and P-1 short-term by Moody's, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Credit Local, New York Branch, 445 Park Avenue, 7th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein 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 May 1980 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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