

AMENDMENT TO OFFICIAL STATEMENT

\$33,370,000

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

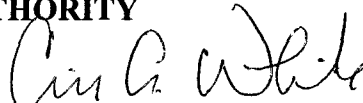
**\$16,550,000
Class I Taxable
Adjustable Rate Bonds
2005 Series B-1**

**\$10,820,000
Class I
Adjustable Rate Bonds
2005 Series B-2
(AMT)**

**\$6,000,000
Class I
Adjustable Rate Bonds
2005 Series B-3
(non-AMT)**

The reference to "Transamerica Life Insurance Company" on page I-22 of the Official Statement is amended to refer to "Transamerica Occidental Life Insurance Company" as the 2005B Investment Provider.

**COLORADO HOUSING AND FINANCE
AUTHORITY**


By: /s/ Cris A. White
Chief Operating Officer

Amendment Dated: December 9, 2005

NEW ISSUE - Book-Entry Only

INTEREST ON THE TAXABLE 2005 SERIES B-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 B-2 Bonds and the 2005 Series B-3 Bonds (except for interest on any 2005 Series B-2 Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2005 Series B-2 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 B 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 B-2 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 B-3 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 B Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado law in effect on the date of delivery of the 2005 Series B Bonds. See "Part I – TAX MATTERS."



\$33,370,000 COLORADO HOUSING AND FINANCE AUTHORITY Multi-Family/Project Bonds

\$16,550,000
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Adjustable Rate Bonds
2005 Series B-1

\$10,820,000
Class I
Adjustable Rate Bonds
2005 Series B-2
(AMT)

\$6,000,000
Class I
Adjustable Rate Bonds
2005 Series B-3
(non-AMT)

Dated: Date of Delivery

Due: As shown below

The 2005 Series B 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 B Indenture of Trust dated as of December 1, 2005, each between the Authority and Wells Fargo Bank, National Association, as Trustee.

The 2005 Series B Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2005 Series B 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 B Bonds will be registered in the name of Cede & Co. Individual purchases of 2005 Series B Bonds will be made in book-entry form only, and beneficial owners of the 2005 Series B Bonds will not receive physical delivery of bond certificates representing their interest in the 2005 Series B Bonds, except as described herein. Upon receipt of payments of principal and interest, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the 2005 Series B Bonds. Payments of principal and interest on the 2005 Series B Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners of the 2005 Series B Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

Proceeds of the 2005 Series B 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 projects in Colorado. Proceeds of the 2005 Series B Bonds will also be used to finance or refinance a rental project owned by the Authority and to pay certain costs of issuance in accordance with the 2005 Series B Indenture.

Each series of the 2005 Series B Bonds initially will bear interest at a weekly rate (the "Weekly Rate") determined prior to the date of delivery of the 2005 Series B Bonds to be effective to and including the following Tuesday, and thereafter determined on each Tuesday by Lehman Brothers[†] in its capacity as the 2005B 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 B Bonds or any portion thereof may be adjusted to a Commercial Paper Rate, Daily Rate, Term Rate, Select Auction Variable Rate SecuritiesSM ("SAVRS") Rate or Fixed Rate as described herein. Interest on the 2005 Series B Bonds (while in an Interest Period for a Mode other than a Daily Mode, SAVRS Rate Mode or Commercial Paper Mode) will be payable on each April 1 and October 1, commencing on April 1, 2006, on any redemption date and at maturity.

While any of the 2005 Series B Bonds are in an Interest Period other than a Fixed Rate Mode, Commercial Paper Mode or SAVRS Rate Mode, holders of any such 2005 Series B Bonds will have the right to tender their Bonds for purchase and will also be required to tender their Bonds for purchase at the times and subject to the conditions set forth in the Indenture. Payment of the purchase price for such 2005 Series B Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will be supported by a standby bond purchase agreement (the "Initial 2005B Liquidity Facility") among the Authority, Federal Home Loan Bank of Topeka (the "2005B Liquidity Facility Provider") and Wells Fargo Bank, National Association, as Paying Agent. Coverage under the Initial 2005B Liquidity Facility, unless extended or earlier terminated, is stated to expire on December 13, 2010. Under certain circumstances, the obligation of the 2005B Liquidity Facility Provider to purchase the 2005 Series B Bonds tendered by the owners thereof or subject to mandatory purchase may be terminated or suspended and, in some of such circumstances, the 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 B Bonds tendered by the owners of such 2005 Series B Bonds or subject to mandatory purchase.

MATURITY SCHEDULE

\$16,550,000 Class I Taxable Adjustable Rate Bonds, 2005 Series B-1 due April 1, 2040 - Price: 100% (CUSIP: 196479 LB3*)
\$10,820,000 Class I Adjustable Rate Bonds, 2005 Series B-2 due October 1, 2040 - Price: 100% (CUSIP: 196479 LC1*)
\$6,000,000 Class I Adjustable Rate Bonds, 2005 Series B-3 due October 1, 2036 - Price: 100% (CUSIP: 196479 LD9*)

The 2005 Series B Bonds are subject to special redemption, optional redemption and mandatory 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 2005 Series B 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 B Bonds will be special limited obligations of the Authority, and the Taxable 2005 Series B-1 Bonds will also be payable as general obligations of the Authority. 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 B Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any other political subdivision thereof (other than the general credit of the Authority).**

This cover page contains only a brief description of the Authority, the 2005 Series B Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2005 Series B Bonds. Potential investors should read this entire Official Statement to obtain information necessary to make an informed investment decision. Potential investors should pay particular attention to the discussion in "Part II – CERTAIN BONDOWNERS' RISKS."

The 2005 Series B 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 2005B Liquidity Facility Provider by its assistant general counsel, Tad M. Kramar, Esq. The Underwriters are being represented in connection with their purchase of the 2005 Series B Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. CSG Advisors Incorporated has served as financial advisor to the Authority in connection with the offering of the 2005 Series B Bonds. See "Part I – FINANCIAL ADVISOR." It is expected that the 2005 Series B Bonds will be delivered (through DTC) in New York, New York on or about December 14, 2005.

LEHMAN BROTHERS[†]

Newman & Associates

a Division of GMAC Commercial Holding Capital Markets Corp

George K. Baum & Company

RBC Capital Markets

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 December 9, 2005.
(Revised)

[†]2005B Remarketing Agent

SM 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 B 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 B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth in this Official Statement has been furnished by the Authority and obtained from other sources believed to be reliable. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

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 B Bonds), the Borrowers, the Projects, the Loans, the Initial 2005B Liquidity Facility, the 2005B Liquidity Facility Provider, or any other bonds or obligations of the Authority.

THE PRICES AT WHICH THE 2005 SERIES B 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 B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The 2005 Series B Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the commission or any state securities commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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

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Parts I and II and the Appendices.**

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OFFICIAL STATEMENT

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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 B Bonds**"). The 2005 Series B Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**"), and the 2005 Series B Indenture dated as of December 1, 2005 (the "**2005 Series B 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 B Bonds to potential investors is made only by means of the entire Official Statement. This Official Statement does not constitute a contract between the Authority or the Underwriters, and any one or more owners of the 2005 Series B Bonds.

Colorado Housing and Finance Authority

The Authority is a body corporate and political subdivision of the State of Colorado (the "**State**") established by the Colorado General Assembly for the 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 B Bonds are authorized to be issued pursuant to the Colorado Housing and Finance Authority Act, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes, as amended (the "Act") and the Supplemental Public Securities Act, being Part 2 of Article 57 of Title 11 of the Colorado Revised Statutes. The 2005 Series B Bonds are being issued and secured under the Indenture.

Purposes of the 2005 Series B Bonds

Certain proceeds of the 2005 Series B Bonds will be deposited to the credit of the 2005 Series B 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. Certain proceeds will also be used to finance or refinance a rental project owned by the Authority. See "Part I – PLAN OF FINANCE – Use of Amounts in Acquisition Account." The Loans to be so acquired, originated and deposited are collectively referred to herein as the "**2005B Loans**." The Authority rental project to be so financed or refinanced is referred to as the "**2005B Authority Project**." See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2005B Loans and 2005B Authority Project." In addition, proceeds of the 2005 Series B Bonds will be used to pay certain costs of issuance, as described in "Part I – PLAN OF FINANCE – Sources and Uses of Funds."

Description of the 2005 Series B Bonds

Interest Rates and Payments

The Authority's Multi-Family/Project Class I Taxable Adjustable Rate Bonds, 2005 Series B-1 (the "**Taxable 2005 Series B-1 Bonds**"), the Authority's Multi-Family/Project Class I Adjustable Rate Bonds, 2005 Series B-2 (the "**2005 Series B-2 Bonds**") and the Authority's Multi-Family/Project Class I Adjustable Rate Bonds, 2005 Series B-3 (the "**2005 Series B-3 Bonds**" and, collectively with the Taxable 2005 Series B-1 Bonds and the 2005 Series B-2 Bonds, the "**2005 Series B Bonds**") initially will bear interest at Weekly Rates. While in a Weekly Rate Mode, interest on each series of the 2005 Series B Bonds will be determined and adjusted weekly and is payable semiannually on April 1 and October 1 of each year, commencing April 1, 2006, as described in "Part I – TERMS OF THE 2005 SERIES B BONDS," and computed on the basis of a 365-day year or a 366-day year, as applicable for the number of days actually elapsed. The 2005 Series B Bonds are to be issued in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000 and will mature on the dates and in the amounts shown on the front cover hereof (unless redeemed prior to maturity).

Redemption and Tender

The 2005 Series B Bonds are subject to special, optional and mandatory sinking fund redemption prior to maturity, as described under "Part I – TERMS OF THE 2005 SERIES B BONDS – Prior Redemption." The 2005 Series B Bonds are also subject to optional and mandatory tender for purchase as described under "Part I – TERMS OF THE 2005 SERIES B BONDS – Optional Tender and Purchase" and "– Mandatory Purchase." See also "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

For a more complete description of the 2005 Series B Bonds and the Indenture pursuant to which such 2005 Series B Bonds are being issued, see "Part I – TERMS OF THE 2005 SERIES B 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 September 30, 2005, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$529,470,000, with \$421,490,000 outstanding as Class I Bonds, \$87,680,000 outstanding as Class II Bonds and \$20,300,000 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 B Bonds are being issued as Class I 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 B Bonds are being issued as Class II Obligations, Class III Obligations or Class IV Obligations. The Taxable 2005 Series B-1 Bonds are also being designated as general obligations of the Authority. In addition, the 2005 Series B 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 B Bonds constitute an obligation or liability of the State or any political subdivision thereof. The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof other than the general credit of the Authority, which general credit is not pledged for payment of the 2005 Series B Bonds other than the Taxable 2005 Series B-1 Bonds.**

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

Professionals Involved in the Offering

In connection with the issuance and sale of the 2005 Series B Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion included as **Appendix E** hereto. Certain legal matters relating to the 2005 Series B 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 2005B Liquidity Facility Provider by its assistant general counsel, Tad M. Kramar, Esq.

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

TERMS OF THE 2005 SERIES B BONDS

General Terms

The 2005 Series B 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 B Bonds is payable to Cede & Co. Interest on the 2005 Series B Bonds will be payable on the Interest Payment Dates to Cede & Co. The 2005 Series B Bonds are subject to redemption as described in "Prior Redemption" under this caption.

DTC will act as securities depository for the 2005 Series B 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 B Bonds are registered in the DTC book-entry form described in Appendix F, each Beneficial Owner of a 2005 Series B Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2005 Series B 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 B Bonds by depositing with the Trustee or the Paying Agent sufficient moneys or Defeasance Securities to pay when due the principal or Redemption Price of, if applicable, and interest due or to become due on such 2005 Series B Bonds at the maturity or redemption thereof. See **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance."**

Interest Rates

Generally

Each series of the 2005 Series B 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 B 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 B 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 April 1, 2006, 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 B 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 B Bonds in a SAVRS Rate Mode, Fixed Rate Mode or a Term Rate Mode of one year or longer is to be computed on the basis of a 360-day year comprised of twelve 30-day months. The 2005 Series B 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 B 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 B Bonds may bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Term Rate, a SAVRS Rate or a Fixed Rate. The Mode of the 2005 Series B Bonds from the delivery date, until further designation by the Authority, will be the Weekly Mode. Thereafter, the Authority may change any of the 2005 Series B Bonds from one Mode to another Mode as described in "Adjustment Between Modes" under this caption. The interest rate on the 2005 Series B Bonds (other than when in a SAVRS Rate Mode) is to be determined by the 2005B Remarketing Agent in accordance with the Indenture as described below. The interest on any 2005 Series B Bonds may also be changed to a SAVRS Rate. The SAVRS Rate for each respective SAVRS Mode Period will be determined pursuant to auctions conducted in accordance with procedures set forth in a Supplemental Indenture to be entered into in connection with the SAVRS Rate Conversion Date. *This Official Statement does not contain a detailed description of SAVRS Rate Bonds, auction procedures and other relevant information relating thereto.*

*Conversion of the interest rate on the 2005 Series B Bonds such that all of the 2005 Series B Bonds covered by the Initial 2005B Liquidity Facility bear interest at a Fixed Interest Rate or the SAVRS Rate would result in a termination of the Initial 2005B Liquidity Facility. See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2005B LIQUIDITY FACILITY."*

Weekly Rate. During any Interest Period in which any 2005 Series B Bonds are in a Weekly Mode, the 2005B 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 2005B Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2005B Remarketing Agent under then-existing market conditions, would result in the sale of such 2005 Series B Bonds on such date at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2005B 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 B Bonds are to bear interest from the last date on which the Weekly Rate was determined by the 2005B Remarketing Agent

(or the last date on which interest was legally paid) until such time as the 2005B 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 B-1 Bonds, the One Month LIBOR Rate plus 0.20%, or (ii) in the case of the 2005 Series B-2 Bonds and the 2005 Series B-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 2005B Remarketing Agent. The 2005B 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 B Bonds are in a Daily Mode, the 2005B 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 2005B Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2005B Remarketing Agent under then-existing market conditions, would result in the sale of such 2005 Series B Bonds on the date of rate determination at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2005B 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 B Bonds are to bear interest from the last date on which the Daily Rate was determined by the 2005B Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2005B 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 2005B Remarketing Agent.

Term Rates. During any Interest Period in which any 2005 Series B Bonds are in a Term Rate Mode, the 2005B 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 2005B Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2005B Remarketing Agent, will result in the sale of such 2005 Series B Bonds at a price equal to the principal amount thereof. If, for any reason, a new Term Rate for a 2005 Series B Bond that has been in the Term Rate Mode and is to continue in the Term Rate Mode is not or cannot be established, then (i) if such 2005 Series B Bond is secured by the 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 2005B Remarketing Agent in accordance with the Indenture or (ii) if such 2005 Series B Bond is not secured by the Liquidity Facility, then such Bond shall stay in the Term Rate Mode for an Interest Period ending on the next April 1 or October 1 and (A) in the case of the Taxable 2005 Series B-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 B-2 Bonds and the 2005 Series B-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 2005B 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 B Bonds, the 2005B 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 2005B Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2005B Remarketing Agent would result in the sale of such 2005 Series B Bonds on the date of rate determination at a price equal to the principal amount thereof. Upon request of any Owner, the Authority, the Trustee, the Paying Agent or the applicable Liquidity Facility Provider, the 2005B 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 B Bond in a Commercial Paper Mode, the 2005B Remarketing Agent is to select for such 2005 Series B Bond the Interest Period which would result in the 2005B Remarketing Agent being able to remarket such 2005 Series B Bond at par in the secondary market at the lowest interest rate then available and for the longest Interest Period available at such rate, provided that if on the first day of any Interest Period the 2005B 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 B Bond, then the 2005B Remarketing Agent is to select the Interest Period which in the judgment of the 2005B Remarketing Agent would permit such 2005 Series B Bond to achieve such lower average interest cost; provided, however, that if the 2005B Remarketing Agent has received notice from the Authority that any 2005 Series B Bond is to be changed from the Commercial Paper Mode to any other Mode or is to be purchased in accordance with a mandatory purchase pursuant to the Indenture, the 2005B Remarketing Agent shall, with respect to such 2005 Series B Bond, select Interest Periods which do not extend beyond the Mandatory Purchase Date. On or after 4:00 p.m., Eastern time, on the Business Day next preceding the first day of each Interest Period for a 2005 Series B Bond in the Commercial Paper Mode, any Owner of such 2005 Series B Bond may telephone the 2005B 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 B Bond. To receive payment of the Purchase Price, the Owner of any 2005 Series B Bond in the Commercial Paper Mode must present such Bond to the Paying Agent by 12:00 noon, Eastern time, on the first day of the Interest Period for a Commercial Paper Mode, in which case the Paying Agent shall pay the Purchase Price to such Owner by the close of business on the same day. By 12:30 p.m., Eastern time, on the first day of each Interest Period for a Commercial Paper Mode, the 2005B Remarketing Agent is to determine the Commercial Paper Rate for the Interest Period then selected for such 2005 Series B Bond and is to give notice to the Paying Agent by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission, of the new Owner, the Interest Period, the Purchase Date and the Commercial Paper Rate. By 1:00 p.m., Eastern time, on the first day of each Interest Period for a Commercial Paper Mode, the 2005B 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 B Bond that has been in the Commercial Paper

Rate Mode and is to continue in the Commercial Paper Rate Mode is not or cannot be established, then such Bond shall stay in the Commercial Paper Rate Mode and (i) in the case of the Taxable 2005 Series B-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 B-2 Bonds and the 2005 Series B-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 2005B Remarketing Agent of: (i) a notice from each Rating Agency confirming that the rating on the 2005 Series B Bonds will not be withdrawn (other than a withdrawal of a short term rating upon a change to the Term Rate Mode or Fixed Rate Mode) as a result of such change in Mode; (ii) if the change is from a Short-Term Mode to a Term Rate Mode, SAVRS Rate Mode or Fixed Rate Mode, or from a Term Rate Mode to a Short-Term Mode, a favorable opinion of bond counsel; and (iii) the Liquidity Facility (except if the change is to the Fixed Rate Mode or, in the case of a change to a Term Rate, the Authority elects not to have the Liquidity Facility with respect to such Bonds in a Term Rate Mode). The Authority may change a 2005 Series B Bond (other than a 2005 Series B Bond in the Fixed Rate Mode) from one Mode to another Mode by giving written notice no later than the 45th day (or such shorter time as may be agreed upon by the Authority, the Trustee, the Paying Agent and the 2005B 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 B 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 B 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 B Bonds are subject to mandatory purchase on any day on which a different Mode for such Bonds begins. See "Mandatory Purchase - Mandatory Purchase on Mode Change Date" under this caption. **So long as the 2005 Series B Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

Optional Tender and Purchase

Optional Tender during a Weekly Mode or Daily Mode

During any Interest Period for a Weekly Mode or Daily Mode, any 2005 Series B Bond (other than a Bank Bond) is to be purchased in an Authorized Denomination from its Owner at the option of the Owner on any Business Day at a purchase price equal to the principal amount thereof tendered for purchase plus accrued interest to the Purchase Date defined below (the "**Purchase Price**" for such 2005 Series B Bonds in the Weekly Mode), payable by wire transfer in immediately available funds, upon delivery to the 2005B Remarketing Agent of an irrevocable telephonic notice in the case of 2005 Series B Bonds in the Daily Mode and an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed in writing to the Paying Agent, in the case of 2005 Series B Bonds in the Weekly Mode, which notice states the CUSIP number, the Bond number, the principal amount of such 2005 Series B Bond, the principal amount thereof to be purchased and the date on which the same is to be purchased (the "**Purchase Date**" for such 2005 Series B Bonds in the Weekly Mode), which date is to be a Business Day specified by the Owner. In the case of 2005 Series B Bonds tendered for purchase during the Daily Mode, such notice is to be delivered by the Owner by no later than 11:00 a.m., Eastern time on such Business Day. In the case of 2005 Series B Bonds tendered for purchase during the Weekly Mode, such notice is to be delivered by the Owner by no later than 4:00 p.m., Eastern time on a Business Day not less than seven days before the Purchase Date specified by the Owner in such notice. For payment of such Purchase Price, such 2005 Series B Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver,

Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date. An Owner who gives the notice described above may repurchase the Bonds so tendered, if the 2005B 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 B Bonds are being changed to a Mode other than another Term Rate Mode, the owner of 2005 Series B Bonds in a Term Rate Mode may act to have its Bond (or portions thereof in Authorized Denominations) purchased on the last day of any Interest Period for a Term Rate Mode (or the next Business Day if such last day is not a Business Day) (the "**Purchase Date**" for such 2005 Series B Bonds in the Term Rate Mode) at a purchase price equal to the principal amount thereof tendered for purchase (the "**Purchase Price**" for such 2005 Series B Bonds in the Term Rate Mode) upon delivery to the 2005B 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 B Bond to be purchased. Such notice is to be given not later than 10:00 a.m. on a Business Day not less than seven days before such last day of the Interest Period. For payment of such Purchase Price, such 2005 Series B Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date.

Mandatory Purchase

Mandatory Purchase at End of Commercial Rate Period

On the last day of any Interest Period for the Commercial Paper Mode, the 2005 Series B Bonds in such mode are subject to mandatory tender without notice at the Purchase Price. Owners are to deliver such Bonds to the office of the Paying Agent in Denver, Colorado, at or before 12:00 noon, Eastern time, on such date. Payment of the Purchase Price is to be made by wire transfer of immediately available funds by the close of business on such date.

Mandatory Purchase on Mode Change Date

2005 Series B Bonds to be changed from one Mode to another Mode will be subject to mandatory tender for purchase on each day on which a new Mode for such Bonds begins (the "**Mode Change Date**") at a purchase price equal to the Purchase Price. The Trustee is to give notice by first-class mail, or transmitted in such other matter (such as by electronic means) as may be customary for the industry as directed in writing by the Authority, to the Owners of such Bonds 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 B Bonds to be purchased if less than all of the Bonds owned by such Owners are to be purchased and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2005 Series B Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which such notice was mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by the Owner. 2005 Series B Bonds subject to mandatory purchase on the Mandatory Purchase Date are to be delivered (with all necessary endorsements) to the office of the Paying Agent in Denver, Colorado at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the

close of business on the Mandatory Purchase Date. **So long as the 2005 Series B Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

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

In the event that the Authority does not replace the Liquidity Facility with another Liquidity Facility prior to its expiration date in accordance with the Indenture, the 2005 Series B Bonds having the benefit of such Liquidity Facility will be subject to mandatory purchase on the earlier of the last Interest Payment Date before the then current Liquidity Facility expires (whether at the stated expiration date thereof or earlier termination date) or 45 days before such stated expiration date or earlier termination date. In addition, in the event that on or prior to the 45th day next preceding the date on which an Alternate Liquidity Facility is to be substituted for the current Liquidity Facility (the "**Substitution Date**") the Authority has failed to deliver to the Paying Agent a Rating Confirmation Notice in connection with such substitution, the 2005 Series B Bonds having the benefit of the Liquidity Facility will be subject to mandatory tender for purchase five Business Days prior to the Substitution Date. The Trustee is to give notice by first-class mail (or transmitted in such other manner, such as electronic means, as may be customary for the industry as directed in writing by the Authority) to the Owners of the 2005 Series B 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 B Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which such notice was transmitted. Any notice transmitted as aforesaid will be conclusively presumed to have been given, whether or not actually received by the Owner. For payment of such Purchase Price, such 2005 Series B Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Mandatory Purchase Date.

The obligation of the 2005B Liquidity Facility Provider to purchase 2005 Series B Bonds under the Initial 2005B Liquidity Facility is subject to the conditions that the long-term ratings of such 2005 Series B Bonds by Moody's and S&P are not lower than "Baa2" and "BBB," respectively. See Appendix H – "CERTAIN TERMS OF THE INITIAL 2005B LIQUIDITY FACILITY."

Mandatory Purchase Upon Termination of Liquidity Facility

If the Trustee receives notice from the 2005B Liquidity Facility Provider that the Initial 2005B 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 B Bonds having the benefit of such Initial 2005B Liquidity Facility are outstanding, such 2005 Series B Bonds will be subject to mandatory purchase. Such 2005 Series B Bonds will be subject to mandatory tender for purchase on a Business Day which is at least ten days subsequent to such notice from the 2005B Liquidity Facility Provider and at least five Business Days prior to the termination of the Initial 2005B 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 B Bonds subject to such mandatory purchase within two Business Days after receipt of notice from the 2005B 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 B Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date.

Payment of Tender Price Upon Purchase

Any 2005 Series B Bonds required to be purchased in accordance with the Indenture as described above are to be purchased from the Owners thereof on the Purchase Date at the Purchase Price. The Indenture creates a separate fund (the "**Purchase Fund**") to be maintained by the Paying Agent, with separate accounts designated as the Remarketing Proceeds Account and the Standby Purchase Account. Funds for the payment of the Purchase Price are to be made solely from the following sources in the order of priority indicated:

(1) proceeds of the sale of remarketed 2005 Series B Bonds (except proceeds of remarketed Bank Bonds to the extent applied to any amount owing to the 2005B Liquidity Facility Provider) pursuant to the Indenture and the Remarketing Agreement and furnished to the Tender Agent by the 2005B Remarketing Agent for deposit into the Remarketing Proceeds Account; and

(2) money furnished by the 2005B Liquidity Facility Provider to the Trustee for deposit with the Paying Agent from requests under the Initial 2005B Liquidity Facility, if any, as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2005B LIQUIDITY FACILITY."

Moneys held in the Standby Purchase Account and the Remarketing Proceeds Account will be held by the Trustee uninvested and separate and apart from all other funds and accounts. **So long as the 2005 Series B Bonds are registered in the DTC book-entry system described in Appendix F, any notices will be sent only to DTC's nominee.**

Prior Redemption

Special Redemption

Unexpended Amounts in Acquisition Account. The 2005 Series B 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 November 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 B 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 B Bonds transferred from the 2005 Series B subaccounts of the Acquisition Account to the 2005 Series B 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 November 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 2005B Loans expected to be acquired or originated by the Authority and the 2005B Authority Project to be financed or refinanced with proceeds of the 2005 Series B Bonds deposited to the 2005 Series B subaccounts of the Acquisition Account, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2005B Loans and 2005B Authority Project." See also "Part II – CERTAIN BONDOWNERS' RISKS." If less than all of the 2005 Series B Bonds are to be redeemed in accordance with the provision described in this paragraph, the 2005 Series B 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 B Bonds are subject to special redemption prior to maturity, in whole or in part at any time, upon notice as provided in the Master Indenture, at a Redemption Price equal to 100% of the Aggregate Principal Amount of the 2005 Series B Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, from and to the extent there are moneys and/or Investment Securities in the 2005 Series B Subaccount of the Class I 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 2005 Series B Subaccount of the Class I Special Redemption Account of the Redemption Fund at the election of the Authority and as otherwise required in accordance with the provisions of the Master Indenture described in **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund."**

Loan Repayments and Prepayments of Loans financed or refinanced with moneys in the 2005B Taxable Loan Subaccount of the Restricted Loan Subaccount may only be used to redeem the Taxable 2005 Series B-1 Bonds or other General Obligation Bonds, and not to redeem any other Bonds. In addition, payments made by the Authority for deposit to the Revenue Fund with respect to the Authority Project financed or refinanced, and Loan Repayments and Prepayments of Loans financed or refinanced, with moneys in the Authority Projects Subaccount may only be used to redeem the 2005 Series B-3 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 B Bonds without premium in accordance with the provisions described in the preceding paragraph. Such moneys may be available for this redemption as a result of excess revenues resulting from 2005B Loan payments and prepayments or refinancing of the Authority Project, proceeds received as a result of damage, destruction or condemnation of the Authority Project if financed or refinanced with proceeds of the 2005 Series B 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 the Class I Asset Requirement for the 2005 Series B Bonds. The 2005 Series B Indenture does not prohibit cross calls, but does restrict the use of certain Loan Repayments and Prepayments as

discussed above under "Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions." However, the 2003 Series A Indenture, the 2001 Series A Indenture and the 2000 Series B Indenture prohibit cross calls, and other Series Indentures may in the future prohibit such cross calls, with respect to Related Series of Bonds. In addition, the Master Indenture permits the Authority, by delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, to instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Revenue Fund to a Related subaccount of the Loan Recycling Account to be used to finance or refinance Loans or Authority Projects as permitted by the Master Indenture. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE 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 B Bonds may be redeemed prior to maturity at the option of the Authority from any source, in whole or in part, in Authorized Denominations on any date during Interest Periods for a Weekly Mode or Daily Mode and on the last day of the Interest Period for such 2005 Series B Bonds during Interest Periods for a Commercial Paper Mode, at a redemption price equal to 100% of the Aggregate Principal Amount of 2005 Series B Bonds to be so redeemed.

Term Rate Mode and Fixed Rate Mode. During any Interest Period for a Term Rate Mode, the 2005 Series B 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 B Bonds to be so redeemed, plus accrued interest, if any, to the redemption date; provided that if on the day on which the Term Rate Mode or Fixed Rate Mode begins, the length of the Interest Period or the remaining term: (i) is greater than 15 years, then such 2005 Series B Bonds will be subject to such optional redemption on any date on or after the first April 1 or October 1 following the tenth anniversary of the beginning of such Mode; and (ii) is equal to or less than 15 years, but greater than 10 years, then such 2005 Series B Bonds will be subject to such optional redemption on any date on or after the first April 1 or October 1 following the seventh anniversary of the beginning of such Mode. The 2005 Series B Bonds will not be subject to optional redemption during a particular Term Rate Mode or Fixed Rate Mode if, on the day on which the Term Rate Mode or Fixed Rate Mode begins, the 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 B Bonds so changed to a Term Rate Mode or Fixed Rate Mode at any time without premium; provided that notice describing the waiver or alteration must be submitted to the Paying Agent, the Trustee and the 2005B 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 B 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

The 2005 Series B-2 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2005 Series B 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 B-2 Bonds or portions thereof to be so redeemed together with accrued interest to the date of redemption as follows:

2005 Series B-2 Bonds

<u>Date</u> <u>(April 1)</u>	Class I Sinking Fund <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	Class I Sinking Fund <u>Installments</u>
--	\$ --	2006	\$ 15,000
2007	35,000	2007	45,000
2008	45,000	2008	55,000
2009	65,000	2009	65,000
2010	70,000	2010	70,000
2011	70,000	2011	75,000
2012	75,000	2012	75,000
2013	85,000	2013	90,000
2014	90,000	2014	90,000
2015	95,000	2015	95,000
2016	105,000	2016	105,000
2017	105,000	2017	110,000
2018	110,000	2018	115,000
2019	120,000	2019	120,000
2020	125,000	2020	125,000
2021	135,000	2021	135,000
2022	145,000	2022	150,000
2023	155,000	2023	160,000
2024	160,000	2024	165,000
2025	175,000	2025	175,000
2026	180,000	2026	185,000
2027	190,000	2027	195,000
2028	205,000	2028	215,000
2029	220,000	2029	220,000
2030	230,000	2030	240,000
2031	245,000	2031	250,000
2032	260,000	2032	265,000
2033	280,000	2033	285,000
2034	295,000	2034	305,000
2035	315,000	2035	325,000
2036	330,000	2036	345,000
2037	200,000	2037	175,000
2038	180,000	2038	155,000
2039	115,000	2039	120,000
2040	125,000	2040 (1)	170,000

(1) Final maturity

The 2005 Series B-3 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2005 Series B 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 B-3 Bonds or portions thereof to be so redeemed together with accrued interest to the date of redemption as follows:

2005 Series B-3 Bonds

<u>Date</u> <u>(April 1)</u>	Class I Sinking Fund <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	Class I Sinking Fund <u>Installments</u>
--	\$ --	2006	\$ 30,000
2007	45,000	2007	45,000
2008	45,000	2008	45,000
2009	45,000	2009	50,000
2010	50,000	2010	50,000
2011	55,000	2011	55,000
2012	55,000	2012	55,000
2013	60,000	2013	60,000
2014	60,000	2014	65,000
2015	65,000	2015	65,000
2016	70,000	2016	70,000
2017	70,000	2017	75,000
2018	75,000	2018	80,000
2019	80,000	2019	80,000
2020	85,000	2020	85,000
2021	90,000	2021	90,000
2022	95,000	2022	95,000
2023	100,000	2023	100,000
2024	105,000	2024	105,000
2025	110,000	2025	110,000
2026	115,000	2026	125,000
2027	120,000	2027	125,000
2028	130,000	2028	130,000
2029	135,000	2029	140,000
2030	140,000	2030	145,000
2031	150,000	2031	155,000
2032	160,000	2032	160,000
2033	170,000	2033	170,000
2034	175,000	2034	180,000
2035	185,000	2035	190,000
2036	195,000	2036 (1)	35,000

(1) Final maturity

To the extent that any of the 2005 Series B 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 B Bonds so redeemed or purchased against any sinking fund obligation with respect to such 2005 Series B 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 B 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 B Bonds in any amounts and order of maturity of any series, maturity or maturities, provided that Bank Bonds are to be redeemed prior to any other 2005 Series B Bonds. In the event that the Authority does not provide such direction, and if less than all of the 2005 Series B Bonds are to be redeemed, the Trustee is to select for redemption a pro rata amount of the 2005 Series B Bonds of each maturity of the 2005 Series B Bonds for redemption. If less than all 2005 Series B Bonds of like Class and maturity are to be redeemed, the particular 2005 Series B Bonds or portions of 2005 Series B 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 B Bonds are to be redeemed, the Bond Registrar is to cause notice of such redemption to be mailed by first class mail, or transmitted in such other manner (such as by readily available electronic means) as may be customary for the industry as directed in writing by the Authority, not more than 60 days nor less than 25 days prior to the redemption date, to the registered owner of each 2005 Series B Bond to be redeemed at such Owner's address as it appears in the registration records of the Bond Registrar or at such other address as is furnished in writing by such Owner to the Bond Registrar. 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 B Bond with respect to which no such failure or defect has occurred. **So long as the 2005 Series B Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

PLAN OF FINANCE

Sources and Uses of Funds

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

	<u>Estimated Amounts</u>
SOURCES OF FUNDS:	
Taxable 2005 Series B-1 Bonds.....	\$16,550,000
2005 Series B-2 Bonds	10,820,000
2005 Series B-3 Bonds	6,000,000
Legally available funds of the Authority (1).....	<u>436,169</u>
TOTAL SOURCES OF FUNDS.....	<u>\$33,806,169</u>
USES OF FUNDS(2):	
For Deposit to Acquisition Account (3).....	33,369,775
For Costs of Issuance and Underwriters' compensation (4).....	<u>436,394</u>
TOTAL USES OF FUNDS.....	<u>\$33,806,169</u>

- (1) Such amounts 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) For information about the funding of the Debt Service Reserve Fund Requirement for the 2005 Series B Bonds, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund" and "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund."
- (3) Proceeds of the 2005 Series B Bonds will be deposited to the 2005 Series B subaccounts of the Acquisition Account and used to acquire and originate certain rental and business loans of the Authority and to finance or refinance a rental project owned by 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 – 2005B Investment Agreement."
- (4) 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 B Bonds. For information concerning the Underwriters' compensation, see "Part I – UNDERWRITING."

Use of Amounts in Acquisition Account

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

Series B-2 Bonds. Amounts on deposit in the 2005B Authority Projects Subaccount (representing certain proceeds of the 2005 Series B-3 Bonds) are expected to be used to fund the financing and refinancing of the 2005B Authority Project identified in **Appendix G-1**.

For information regarding the loans expected to be acquired or originated as 2005B Loans and the 2005B Authority Project to be financed or refinanced, see **Appendix G-1** hereto. Each of the Borrowers is required to use the amounts so loaned to it as a 2005B Loan to finance or refinance, in part, the acquisition, construction and/or rehabilitation of, and certain costs associated with, the respective 2005B Project. See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2005B Loans and 2005B Authority Project," "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 B 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 2005B Indenture, including unexpended Bond proceeds transferred from the Authority Projects Subaccount. Amounts deposited in the Restricted Loan Subaccount are to be applied to make 2005B Loans and for other purposes authorized in the 2005B Indenture. The Trustee is authorized to withdraw moneys from the Restricted Loan Subaccount to finance 2005B 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 2005B Loans to be financed and an Authority Request to finance such 2005B Loans. Any moneys credited to the Restricted Loan Subaccount that are not used to finance 2005B Loans or for the other purposes authorized by the 2005B 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 November 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 B 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 2005B Indenture, including unexpended Bond proceeds transferred from the Restricted Loan Subaccount. Amounts deposited in the Authority Projects Subaccount are to be applied to finance or refinance the 2005B Authority Project and for the other purposes authorized in the 2005B Indenture. Any moneys credited to the Authority Projects Subaccount that are not used to finance or refinance 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 or refinance the 2005B Authority Project or for the other purposes authorized in the 2005B Indenture. Such amount must be transferred not later than November 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 B 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 2005B Loans and 2005B Authority Project

Generally

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

- (i) Existing General Fund Loans. To acquire as 2005B Loans the following existing loans currently held in the Authority's General Fund: (a) certain uninsured rental loans made under the Authority's SMART Program, (b) certain uninsured business loans made under the Authority's CHFA Direct Loan Program, 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; and
- (ii) New Loans. To originate as 2005B Loans (a) uninsured rental loans under the Authority's SMART Program, (b) uninsured business loans under the Authority's Direct Program, and (c) an uninsured business loan under the Authority's B&I I Program; and
- (iii) Authority Project. To finance or refinance a rental project presently owned by the Authority.

See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date" and **Appendix G-1** hereto. The loans expected to be so acquired and originated are referred to herein as the "**2005B Loans**." The rental project owned by the Authority to be so financed or refinanced is referred to herein as the "**2005B Authority Project**." See "Part I – PLAN OF FINANCE."

The Master Indenture permits the Authority to recycle payments and repayments made on any Loans, including the 2005B Loans, to make new Loans, which may include insured, uninsured, first lien or subordinate lien Loans, or to finance or refinance Authority Projects, so long as the requirements of the Master Indenture are satisfied. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Fund; Loan Recycling Account." Certain restrictions on the rental and occupancy of the insured multi-family projects to be funded with certain 2005B Loans (the "**2005B 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 2005B Loans or the 2005B Authority Project, the Authority may, at its option, any time within three years of the date of issuance of the 2005 Series B Bonds, direct the Trustee to transfer amounts in the Program Fund to the Redemption Fund to be used to redeem 2005 Series B Bonds at par plus accrued interest. Furthermore, to the extent such amounts are not used by the Authority to finance or refinance 2005B Loans or the 2005B Authority Project or other permissible projects during the three year period following issuance of the 2005 Series B 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 B Bonds. See "Part I – TERMS OF THE 2005 SERIES B 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 B Bonds deposited to the 2005 Series B subaccounts of the Acquisition Account currently bear interest at the rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2005B LOANS – Existing Loans To Be Acquired." The loans expected to be originated with proceeds of the 2005 Series B Bonds are expected to bear interest at the estimated rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2005B LOANS – Loans Expected to be Originated." See "Modification of Loan Terms" under this caption.

The 2005B Borrowers

The loans expected to be acquired or originated by the Authority as 2005B 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 2005B 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 B-2 Bonds and the 2005 Series B-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 B-2 Bonds and the 2005 Series B-3 Bonds being included in gross income of the Owners of such 2005 Series B Bonds for purposes of federal income taxation and will not result in a mandatory redemption of such 2005 Series B 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 2005B Loans, handling the receipt and disbursement of funds related to the 2005B 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 2005B Loans, including occupancy and rental restrictions with respect to Loans for 2005B Multifamily Projects, and will review the financial status of the 2005B 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 2005B Loan to modify the terms of such 2005B Loan, so long as such modification is consistent with the restrictions of the Indenture.

General Obligation Pledge for Uninsured 2005B Loans

Each uninsured loan acquired or originated by the Authority as a 2005B Loan shall be payable as a general obligation of the Authority in the event that the Borrower of such 2005B Loan fails to make payments when due under such 2005B 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 B Bonds will be, as of any date of calculation, an amount equal to the difference between (a) the sum of (i) two-thirds of the maximum principal and interest payment due for any period of twelve consecutive calendar months on Loans Related to the 2005 Series B Bonds that are insured or guaranteed by the United States of America and any agency or instrumentality thereof and (ii) the maximum principal and interest payment due for any period of twelve consecutive calendar months on Loans Related to the 2005 Series B Bonds that are not insured or guaranteed by the United States of America and any agency or instrumentality thereof, and (b) the aggregate amount in the subaccounts of the Debt Service Reserve Fund for all other Series of Bonds in excess of the aggregate Debt Service Reserve Fund Requirements for all such other Series of Bonds. There will be no Debt Service Reserve Fund Requirement at any time related to proceeds of the 2005 Series B Bonds used to finance or refinance the 2005B Authority Project or related to unexpended proceeds of the 2005 Series B Bonds. **No proceeds of the 2005 Series B Bonds will be deposited to the Debt Service Reserve Fund.**

General Obligation Pledge for Taxable 2005 Series B-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 2005B Indenture provides that the Taxable 2005 Series B-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 2004 and 2003 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 B-1 Bonds. However, the General Fund is not pledged to repay the Taxable 2005 Series B-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."

2005B Investment Agreement

Amounts in the 2005 Series B subaccount of the Acquisition Account will be invested in an investment agreement (the "**2005B Investment Agreement**") between the Trustee and Transamerica Occidental Life Insurance Company (the "**2005B Investment Provider**"), at an interest rate of 4.50% per annum, through December 1, 2006 or such earlier date on which the 2005 Series B Bonds are no longer outstanding or all amounts invested in such fund have been withdrawn. Amounts in the 2005 Series B 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 2005B Investment Agreement subject to certain limitations set forth in the 2005B Investment Agreement, at an annual interest rate equal to 4.00% per annum. The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the 2005B Investment Agreement will be available as described. However, in the event that the 2005B Investment Agreement is terminated as a result of default by the 2005B 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 2005B Investment Provider. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the 2005B 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
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
2005A	Acquisition Account	AIG Matched Funding Corp.	3.00%	1/1/2006
2005A	Revenue Fund; Redemption Fund	AIG Matched Funding Corp.	4.01%	4/1/2040
2005A	Debt Service Reserve Fund	AIG Matched Funding Corp.	4.95%	4/1/2040

* 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."

In accordance with the terms of the Master Indenture, the Authority has also from time to time instructed the Trustee to invest certain moneys held by the Trustee in Funds and Accounts relating to prior Obligations in permitted Investment Securities. Information relating to such investments is available in filings of certain financial information and operating data relating to the Trust Estate that the Authority is obligated to make in connection with certain outstanding Bonds under the Master Indenture with the national repositories on an annual basis. See "Part I – INTRODUCTION – Availability of Continuing Information."

2005B Derivative Products

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

Pursuant to the 2005B-1 Derivative Product, the Authority will pay interest to the 2005B Counterparty at a fixed rate and will receive interest from the 2005B 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 B-1 Bonds and the amount of such interest payments to be made by the 2005B Counterparty under the 2005B-1 Derivative Product. Pursuant to the 2005B-2 Derivative Product, the Authority will pay interest to the 2005B Counterparty at a fixed rate and will receive interest from the 2005B 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 B-2 Bonds and the amount of such payments to be made by the 2005B Counterparty under the 2005B-2 Derivative Product.

The Authority's obligation to make interest payments to the 2005B Counterparty under the 2005B 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 2005B 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 B-2 Bonds and the 2005 Series B-3 Bonds (collectively, the "**Tax-Exempt Bonds**") (except for interest on any 2005 Series B Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2005 Series B-2 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 B-2 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 B-3 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 B-3 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 B-3 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 B-3 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 B-2 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 B-3 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 B-3 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 B-3 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 B-1 Bonds

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

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

Any tax advice concerning the Taxable 2005 Series B-1 Bonds, interest on the Taxable 2005 Series B-1 Bonds or any other federal income tax issues associated with the Taxable 2005 Series B-1 Bonds, express or implicit in the provisions of this Official Statement, is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on any taxpayer by the Internal Revenue Service. This document supports the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

UNDERWRITING

The 2005 Series B 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 B Bonds at a price equal to \$33,370,000 (being the par amount of the 2005 Series B Bonds). The Underwriters will be paid a fee of \$175,046 plus reimbursement of certain expenses). The initial public offering price may be changed from time to time by the Underwriters. RBC Capital Markets is the trade name under which RBC Dain Rauscher Inc. will be performing underwriting services in connection with the issuance of the 2005 Series B Bonds. UBS Financial Services Inc. has announced its intention to transfer its Municipal Securities Group to UBS Securities LLC once appropriate regulatory and operational steps have been accomplished. If such transfer is formally completed on or before the date of consummation of the contemplated transaction, underwriting and related services will be performed by the Municipal Securities Group as a business unit of UBS Securities LLC.

2005B REMARKETING AGENT

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

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

FINANCIAL ADVISOR

The Authority has retained CSG Advisors Incorporated, New York, New York, as financial advisor (the "**Financial Advisor**") in connection with the issuance of the 2005 Series B Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the 2005 Series B Bonds.

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 B Bonds, the Authority will deliver an opinion of its General Counsel, Charles L. Borgman, Esq., to the effect that no litigation before any court is pending or, to his knowledge, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the 2005 Series B Bonds, or which would materially adversely affect the financial condition of the Authority, or in any way contesting or affecting the validity or enforceability of the 2005 Series B Bonds, the Indenture or the contract for the purchase of the 2005 Series B Bonds.

RATINGS

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("**S&P**"), are expected to give the 2005 Series B 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 Initial 2005B 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 2005B Remarketing Agent has undertaken to provide notice of any change in these ratings of the 2005 Series B 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 B Bonds.

CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as an Underwriter and the initial 2005B Remarketing Agent of the 2005 Series B 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 2005B 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)

PART II

COLORADO HOUSING AND FINANCE AUTHORITY

Background

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

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

Board of Directors and Staff Officers

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

Present Board of Directors of the Authority

<u>Name</u>	<u>Affiliation</u>	<u>End of Term</u>
Nancy J. McCallin, Chair (1)	President, Colorado Community College System; Denver, Colorado	July 1, 2007
Joseph A. Garcia, Chair, <u>pro tem</u> (1)	President, Pikes Peak Community College; Colorado Springs, Colorado	July 1, 2009
Michelle Dressel Secretary/Treasurer (1)	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	July 1, 2009
John Blumberg	Co-Founder and Principal, Black Creek Capital LLC; Denver, Colorado	July 1, 2009
M. Michael Cooke	Executive Director, Colorado Department of Revenue; Denver, Colorado	At the pleasure of the Governor
John R. Davidson	Chairman of the Board and Chief Executive Officer, First American State Bank; Greenwood Village, Colorado	July 1, 2007
Richard Grice	Executive Director, Governor's Office of Energy Management and Conservation; Denver, Colorado	July 1, 2007
Jim Isgar	State Senator; Hesperus, Colorado	End of legislative biennium 2005-2006
Joanne Hill	Colorado State Auditor; Denver, Colorado	July 1, 2006
Eric C. Moore	Chief Information Officer, Arapahoe Douglas Mental Health Network; Denver, Colorado	July 1, 2009
Joel S. Rosenstein	Attorney, Senn, Lewis & Visciano	July 1, 2009

(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.

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

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

Karen Harkin was appointed as Director of Home Finance in February 2001 and as Interim Director of Loan Servicing in November 2005. 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. Management of the Authority determined in November 2005 to create a new division to handle loan servicing operations for the Authority. A search is currently underway for a Director of Loan Servicing.

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 a Master's Degree in Organizational Performance and Change from Colorado State University. 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 December 31, 2004, 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 ten percent (10%) of each participating employee's gross salary to PERA in 2004. In 2004, the Authority's PERA contribution totaled approximately \$792,000, compared to an Authority contribution in 2003 of \$816,000. See footnote (7) of the audited 2004 and 2003 financial statements attached as **Appendix A** hereto for further information.

Insurance Coverage

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

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 2004 and 2003 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, 2004, as provided by the Authority.

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

	<u>FY</u> <u>2004</u>	<u>FY</u> <u>2003</u>	<u>FY</u> <u>2002</u>	<u>FY</u> <u>2001</u>	<u>FY</u> <u>2000</u>
Interest and investment revenue:					
Loans receivable	\$10,454	\$10,094	\$12,177	\$16,987	\$14,966
Marketable securities	1,744	1,955	3,084	3,135	3,252
Net increase (decrease) fair value of long-term marketable securities	<u>(392)</u>	<u>(570)</u>	<u>(10)</u>	<u>473</u>	<u>179</u>
Total interest and investment revenue	11,806	11,479	15,251	20,595	18,397
Interest expense - bonds and notes payable	<u>5,799</u>	<u>5,345</u>	<u>8,100</u>	<u>11,267</u>	<u>11,983</u>
Net interest and investment revenue	6,007	6,134	7,151	9,328	6,414
Other revenue (expense):					
Rental operations	10,279	9,549	10,569	10,373	9,858
Fees and miscellaneous income	12,756	14,058	12,461	11,679	11,413
Program fees	--	<u>4,665</u>	<u>4,705</u>	<u>5,539</u>	<u>4,024</u>
Total other revenue	<u>23,035</u>	<u>28,272</u>	<u>27,735</u>	<u>27,591</u>	<u>25,295</u>
Net revenue	29,042	34,406	34,886	36,919	31,709
Other expenses:					
Salaries and related benefits	10,668	11,545	10,869	9,892	9,356
General operating (1)	13,462	13,651	9,725	10,280	8,503
Provision for losses	(816)	133	996	953	(438)
Other interest expense	1,326	1,260	1,274	1,332	1,346
Transfers	--	--	--	(1,059)	(2,058)
Depreciation	<u>2,574</u>	<u>2,745</u>	<u>2,246</u>	<u>--</u>	<u>--</u>
Total other expense	<u>27,214</u>	<u>29,334</u>	<u>25,110</u>	<u>21,398</u>	<u>16,709</u>
Operating income	<u>\$ 1,828</u>	<u>\$ 5,072</u>	<u>\$ 9,776</u>	<u>\$ 15,521</u>	<u>\$ 15,000</u>
Fund Balance, end of year	<u>\$136,479</u>	<u>\$131,204</u>	<u>\$122,975</u>	<u>\$112,179</u>	<u>\$ 96,658</u>
Bonds and Notes Payable	<u>\$212,798</u>	<u>\$162,623</u>	<u>\$202,012</u>	<u>\$224,414</u>	<u>\$213,588</u>
Total Assets	<u>\$359,139</u>	<u>\$305,912</u>	<u>\$336,322</u>	<u>\$353,547</u>	<u>\$326,427</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, 2000-2004

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 2004, 2003 and 2002, 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, 2004, 2003 and 2002
(000s)

<u>Revenues</u>	<u>FY</u> <u>2004</u>	<u>FY</u> <u>2003</u>	<u>FY</u> <u>2002</u>
Interest and investment revenue:			
Loans receivable	\$10,454	\$10,094	\$12,177
Marketable securities	1,744	1,955	3,084
Net decrease fair value of long-term marketable securities	(392)	(570)	(10)
Other revenue:			
Rental operations	10,279	9,549	10,569
Fees and miscellaneous income	12,756	14,058	12,461
Program fees	--	4,665	4,705
Grant Income	<u>15</u>	<u>292</u>	<u>222</u>
Total Revenues	\$34,856	\$40,043	\$43,208
 <u>Expenditures</u>			
Interest expense - bonds and notes payable	\$ 5,799	\$ 5,345	\$ 8,100
Other expenses:			
Salaries and related benefits	\$10,668	\$11,545	\$10,869
General operating (1)	13,462	13,651	9,725
Provision for losses	(816)	133	996
Other interest expense	1,326	1,260	1,274
Depreciation	2,574	2,745	2,246
Total Expenditures	\$33,013	\$34,679	\$33,210
<u>Transfers (To) From Other Program</u>	<u>(3,432)</u>	<u>2,865</u>	<u>798</u>
Change in Net Assets	\$(1,589)	\$ 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, 2004, 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 2004 and 2003 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, July 22, 2004 and March 24, 2005, 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 2004 and 2003 financial statements of the Authority included in this Official Statement as **Appendix A**.

The Authority also makes uninsured rental loans to §501(c)(3) nonprofit corporations and public housing authorities as well as to for-profit developers. Certain of these uninsured rental loans have been made as a part of the Authority's Small Affordable Rental Transactions Program (the "**SMART Program**") in principal amounts under \$5 million (or in such greater amounts as approved from time to time pursuant to the delegated authority policy of the Authority as approved or amended from time to time by the Board). 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 2004 and 2003 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 (90%) of the lesser of cost or appraised value of the collateral, are fully-amortizing over terms of up to thirty (30) years for real estate loans and seven years for equipment, and generally require guarantees from principals of the business having a twenty percent or greater ownership interest. A guaranty is also required from the operating company if different from the Borrower.

- Under the *CHFA Direct Loan Program*, the Authority provides loans to for-profit businesses to acquire, construct and/or rehabilitate and equip commercial, retail or manufacturing facilities.
- Under the *Non-Profit Real Estate Loan Program*, the Authority provides loans to non-profit organizations to fund real estate acquisition.
- Under the *SBA 504 Program*, the Authority provides loans to for-profit businesses to finance owner-occupied real estate and/or equipment. The Program provides two structures, a direct loan option (where the Authority originates the first mortgage loan which generally finances

50% of the project costs) and a loan participation option (where the Authority purchases up to a 90% participation in a first mortgage loan). An SBA-approved company provides a second mortgage for up to 40% of the total project costs (or \$1.3 million, whichever is less), with the Borrower providing the remaining 10% of the costs.

- Under the *CHFA Rural Program*, the Authority provides loans to rural small for-profit businesses to finance real estate and/or equipment.
- Under the *RENEW Program*, the Authority provides loans to businesses involved in the recycling and waste diversion industries, with funding received from the Colorado Department of Local Affairs.
- Under the *B&I I Program*, the Authority provides loans to for-profit businesses located in rural areas, which loans are supported by the partial guaranty of the Rural Business-Cooperative Services (which guarantees to date have ranged from 55% to 80% of the loan principal amount).

In connection with its *Special Projects financing program*, the Authority has financed business loans to corporations for certain manufacturing and solid waste disposal facility projects.

The 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 2004 and 2003 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 2004 and 2003 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 2004 and 2003 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 and footnote (4) of the audited 2004 and 2003 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 \$7.3 million as a result of defaults on insured mortgage loans for the Marycrest, Allied Lowry, Sterling Manor, Skyview Village and Heritage Center 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 \$5.1 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.

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 audited 2004 and 2003 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 \$295,000,000. 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 September 30, 2005, \$21 million 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 B Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof (other than the general credit of the Authority, which general credit is not pledged for the payment of the Bonds except in the case of Bonds specifically designated as general obligations of the Authority).

Revenues

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

Pursuant to the Master Indenture, all Revenues related to each Series of Bonds, in addition to other amounts, are to be deposited into the subaccount of the Revenue Fund related to such Series of Bonds. On the last business day prior to each Bond Payment Date, the Trustee is required to make certain transfers of amounts from each Series subaccount of the Revenue Fund, to the extent moneys are available, to various Funds and Accounts in a certain priority, as provided in the Master Indenture. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE 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 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 into, and may in the future enter into, Liquidity Facilities in connection with Adjustable Rate Bonds issued under the Master Indenture. The Authority may elect to replace any Liquidity Facility (including but not limited to the Initial Liquidity Facility) with an Alternate Liquidity Facility. The Authority shall promptly notify the Trustee, the 2005B 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 2005B 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 2005B Liquidity Facility, the Initial 2005B Liquidity Facility will expire at the end of the "Commitment Period," as defined in the Initial 2005B Liquidity Facility. The Authority may, at its option, submit to the 2005B Liquidity Facility Provider not earlier than 180 days before, and not later than 90 days before, the Expiration Date (as defined in the Initial 2005B Liquidity Facility) as from time to time in effect, a request that the 2005B Liquidity Facility Provider renew its Initial 2005B 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 the Initial 2005B Liquidity Facility. Pursuant to the Initial 2005B Liquidity Facility, at the Authority's written request made in accordance with the Initial 2005B Liquidity Facility, the Initial 2005B Liquidity Facility may be renewed from time to time for a period of one year if the 2005B Liquidity Facility Provider consents to such request in its sole discretion. Under certain circumstances, the obligation of a 2005B Liquidity Facility Provider to purchase the related 2005 Series B Bonds tendered by the owners thereof or subject to mandatory purchase may be terminated or suspended and, in some of such circumstances, the 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 B Bonds tendered by the owners of such 2005 Series B Bonds or subject to mandatory purchase.

Any Alternate Liquidity Facility must be an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement, providing for direct payments to or upon the order of the Paying Agent of amounts up to the principal of the Adjustable Rate Bonds when due upon purchase pursuant to a tender and the interest portion of the purchase price of the Adjustable Rate Bonds consisting of accrued interest for the number of days required by each Rating Agency then rating the Adjustable Rate Bonds in order to ensure that the rating of the Adjustable Rate Bonds will not be adversely affected, as evidenced in writing from each such Rating Agency to the Trustee, at the Maximum Rate as defined in each Series Indenture.

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

Derivative Products

In connection with the issuance of certain Adjustable Rate Bonds, the Authority has entered, and expects in the future to enter, into interest rate swap agreements (the "**Derivative Products**") with a counterparty with respect to such Adjustable Rate Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2005B 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 – The 2005B Loans and 2005B Authority Project."

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, 2004 and 2003, included in this Official Statement as **Appendix A**, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report 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/ Cris A. White
Chief Operating Officer

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APPENDIX A

**Financial Statements for the Years
ended December 31, 2004 and 2003
and Independent Auditors' Reports**

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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, 2004 and 2003, 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 0.7% and 0.8%, respectively, of total assets at December 31, 2004 and 2003, and revenues constituting 4.2% and 4.6%, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as of December 31, 2004 and 2003, 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.

Management's discussion and analysis on pages 1 through 6 are not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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, 2004, 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, 2004, are presented for the purpose of additional analysis and are not a required part of the 2004 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 2004 financial statements and, in our opinion are fairly stated in all material respects when considered in relation to the 2004 financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 24, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.



Denver, Colorado
June 24, 2005

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management's discussion and analysis

December 31, 2004 (unaudited)

This section of the Colorado Housing and Finance Authority's (the "Authority") annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended December 31, 2004. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Governmental Accounting Standards Board ("GASB") 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

- > Net assets as of December 31, 2004, were \$227.5 million, an increase of \$17.8 million, or 8.5%, compared to net assets of \$209.8 million as of December 31, 2003.

 - > As reflected in the Statements of Revenues, Expenses and Changes in Net Assets, the change in net assets of \$17.8 million for 2004 represents a 54.8% increase over the change in net assets for 2003 of \$11.5 million. This was primarily due to a net increase of \$1.2 million in the fair market value of long-term securities in 2004 compared to a net decrease of \$3.6 million in 2003. Also contributing to the increase was a decline of \$1.1 million, or 30.8%, in the provision for loan and other real estate owned losses. Profitability, as measured by return on average net assets, was 8.12% in 2004 compared to 5.62% in 2003. Excluding the effect of the change in fair market value of long-term securities, the return on average net assets was 7.56% in 2004 and 7.37% in 2003.

 - > Total loans receivable as of December 31, 2004, were \$1.9 billion, an increase of \$184.0 million, or 10.6%, compared to the amount outstanding as of December 31, 2003.

 - > The increase in loans receivable was funded by an increase in bonds and notes payable. As of December 31, 2004, bonds and notes payable were \$2.6 billion, an increase of \$193.9 million, or 8.1%, compared to the balance at December 31, 2003.
-

management's discussion and analysis

December 31, 2004 (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 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. Change in net assets is calculated as revenues less expenses.

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

December 31, 2004 (unaudited)

Statements of Net Assets

December 31, 2004 compared to December 31, 2003

The table on the following page presents condensed information about the financial position of the Authority as of December 31, 2004 and 2003, and changes in the balances of selected items during the fiscal year ended December 31, 2004.

Long-term investment securities increased \$33.4 million, or 21.4%, compared to year-end 2003. This increase is the result of required debt service reserves arising from new debt issues and the reinvestment of the proceeds of certain maturing short-term securities in long-term securities.

Total loans receivable increased \$184.0 million, or 10.6%, during the current year, of which the non-current portion of the increase was \$177.8 million. The change is largely due to new loan purchases of approximately \$526.1 million, offset by loan repayments and prepayments that resulted in total principal reductions of \$330.1 million. This growth in loans receivable was funded by increases in bonds and notes payable, discussed further below.

New loan production, as measured by total loans funded, of \$526.1 million was \$109.6 million, or 17.2%, less than 2003 production. This decrease is primarily due to a decline in multi-family loan production due to adverse conditions affecting the rental market during 2004 and certain nonrecurring loan production activity during 2003. In addition, single family loan production decreased compared to 2003. Single family production in 2003 was at record levels due to historically low mortgage interest rates. Although production levels declined in 2004 compared to 2003, they were approximately 5% higher than 2002 production levels. Partially offsetting these decreases was an increase in business finance loan production.

management's discussion and analysis

December 31, 2004 (unaudited)

	as of December 31,		\$ Change	% Change			
	in thousands	2004			2003		
Assets							
Current Assets	\$	734,781	\$	744,457	\$	(9,676)	(1.3)%
Noncurrent Assets:							
Long-term investment securities		189,702		156,290		33,412	21.4 %
Loans receivable, net		1,851,859		1,674,010		177,849	10.6 %
Property and equipment, net		39,813		34,358		5,455	15.9 %
Other assets		29,245		26,613		2,632	9.9 %
Total Noncurrent Assets		2,110,619		1,891,271		219,348	11.6 %
Total Assets	\$	2,845,400	\$	2,635,728	\$	209,672	8.0 %
Liabilities							
Current Liabilities	\$	421,361	\$	393,524	\$	27,837	7.1 %
Noncurrent Liabilities:							
Bonds and notes payable, net		2,196,136		2,032,075		164,061	8.1 %
Deferred fee income		382		362		20	5.5 %
Total Noncurrent Liabilities		2,196,518		2,032,437		164,081	8.1 %
Total Liabilities		2,617,879		2,425,961		191,918	7.9 %
Net Assets							
Invested in capital assets, net of related debt		7,093		6,636		457	6.9 %
Restricted		91,042		78,563		12,479	15.9 %
Unrestricted		129,386		124,568		4,818	3.9 %
Total Net Assets		227,521		209,767		17,754	8.5 %
Total Liabilities and Net Assets	\$	2,845,400	\$	2,635,728	\$	209,672	8.0 %

The accompanying notes are an integral part of these statements

The Authority's property and equipment includes land, buildings, office and computer equipment used both in its corporate activities and in its Rental Acquisition Program ("RAP"). The Authority owns 15 RAP multi-family rental properties which provide affordable housing to low and moderate income families. Total property and equipment increased \$5.5 million, or 15.9%, during 2004. This increase was primarily the result of the acquisition of an additional RAP property during 2004. See Note (1)(k) to the financial statements for more details.

management's discussion and analysis

December 31, 2004 (unaudited)

Current liabilities increased \$27.8 million, or 7.1%, over 2003. Of this total increase, \$17.4 million was due to an increase in current maturities of bonds payable. In addition, notes payable increased \$12.5 million, primarily as a result of a higher level of borrowings under the Authority's line of credit for funding of loan purchases by the General Fund.

Bonds and notes payable increased \$193.9 million, or 8.1%, over 2003, of which the non-current portion of the increase was \$164.1 million. This increase was primarily the result of the issuance of \$584.5 million in debt pursuant to the Authority's single family and multi-family/project bond programs. In addition, approximately \$49.3 million in debt was issued pursuant to various private placements through the Authority's General Fund. This increase in debt outstanding was largely offset by repayments and early redemptions. More detail on the Authority's debt is presented in Note (4) to the financial statements.

Restricted net assets were \$91.0 million as of December 31, 2004. 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 trust indentures.

Total net assets of the Authority climbed \$17.8 million, or 8.5%, to \$227.5 million as of December 31, 2004, as a result of positive operating results for the year, discussed in more detail below and the footnotes to the financial statements beginning on page 15.

December 31, 2003 compared to December 31, 2002

The table on the following page 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.

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.

Total loans receivable increased \$147.9 million, or 9.3%, during 2003, of which the non-current portion increase was \$142.9 million. The change was 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.

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 as of year end 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.

management's discussion and analysis

December 31, 2004 (unaudited)

Noncurrent liabilities payable 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.

in thousands	as of December 31,		\$ Change	% Change
	2003	2002		
Assets				
Current Assets	\$ 744,457	\$ 708,512	\$ 35,945	5.1 %
Noncurrent Assets:				
Long-term investment securities	156,290	147,092	9,198	6.3 %
Loans receivable, net	1,674,010	1,531,076	142,934	9.3 %
Property and equipment, net	34,358	33,658	700	2.1 %
Other assets	26,613	27,380	(767)	(2.8)%
Total Noncurrent Assets	1,891,271	1,739,206	152,065	8.7 %
Total Assets	\$ 2,635,728	\$ 2,447,718	\$ 188,010	7.7 %
Liabilities				
Current Liabilities	\$ 393,524	\$ 326,841	\$ 66,683	20.4 %
Noncurrent Liabilities:				
Bonds and notes payable, net	2,032,075	1,922,221	109,854	5.7 %
Deferred fee income	362	358	4	1.1 %
Total Noncurrent Liabilities	2,032,437	1,922,579	109,858	5.7 %
Total Liabilities	2,425,961	2,249,420	176,541	7.8 %
Net Assets				
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 %
Total Net Assets	209,767	198,298	11,469	5.8 %
Total Liabilities and Net Assets	\$ 2,635,728	\$ 2,447,718	\$ 188,010	7.7 %

The accompanying notes are an integral part of these statements

Total net assets of the Authority climbed \$11.5 million, or 5.8%, to \$209.8 million as a result of positive operating results for the year ending December 31, 2003, primarily due to revenues resulting from higher loan production volumes and other factors discussed below.

management's discussion and analysis

December 31, 2004 (unaudited)

Statements of Revenues, Expenses and Changes in Net Assets

Year ending December 31, 2004 compared to year ending December 31, 2003

The table below presents condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2004 and 2003, and the change from the prior year.

Interest earned on loans of \$99.5 million, interest income on investments of \$23.9 million and interest expense on bonds and notes of \$98.3 million are the primary components of total revenues and expenses of the Authority.

	years ended December 31,		\$ Change	% Change	
	in thousands	2004			2003
Operating Revenues:					
Interest on loans receivable	\$	99,482	\$ 93,861	\$ 5,621	6.0 %
Investment income		23,881	23,804	77	0.3 %
Net increase (decrease) in the fair market value of long-term investment securities		1,233	(3,578)	4,811	nm
Rental operations		10,279	9,549	730	7.6 %
Other revenues		12,756	14,058	(1,302)	(9.3) %
Total Operating Revenues		147,631	137,694	9,937	7.2 %
Operating Expenses:					
Interest expense on bonds and notes		98,257	92,629	5,628	6.1 %
Salaries and related benefits		10,668	11,545	(877)	(7.6) %
General operating		14,227	14,411	(184)	(1.3) %
Other interest expense		1,711	1,688	23	1.4 %
Depreciation		2,574	2,694	(120)	(4.5) %
Provision for losses		2,455	3,550	(1,095)	(30.8) %
Total Operating Expenses		129,892	126,517	3,375	2.7 %
Total Operating Income		17,739	11,177	6,562	58.7 %
Nonoperating Revenues		15	292	(277)	(94.9) %
Change in Net Assets		17,754	11,469	6,285	54.8 %
Net Assets:					
Beginning of year		209,767	198,298	11,469	5.8 %
End of year	\$	227,521	\$ 209,767	\$ 17,754	8.5 %

The accompanying notes are an integral part of these statements

management's discussion and analysis

December 31, 2004 (unaudited)

Total operating revenues were \$147.6 million in 2004, an increase of \$9.9 million, or 7.2%, compared to 2003. Interest on loans climbed \$5.6 million over the 2003 amount, primarily the result of lower levels of amortization of capitalized down payment assistance balances and deferred fees. Amortization of these items was unusually large in 2003 due to the high levels of early payoffs of single family mortgage loans during that year. Excluding amortization of deferred loan fees and origination costs, in 2004 interest on loans increased \$0.9 million, or 0.9%, compared to 2003. This relatively small increase, in light of a 10.6% increase in loans, is the result of early payoffs of loans with higher coupon rates as borrowers took advantage of historically low mortgage rates during 2003 and 2004.

The fair market value of long-term investment securities increased \$1.2 million in 2004 compared to a \$3.6 million decrease in 2003. This \$4.8 million swing in the fair market value of long-term investment securities was the result of an increase in interest rates in the second half of 2003, followed by a slight decrease in long-term rates during 2004.

Rental operations revenue of \$10.3 million was generated from the Authority's RAP operations. As discussed above, during 2004 the Authority purchased an additional RAP property, increasing its holdings to 15 properties with 1,586 units. Rental operations revenue was 7.6% above the 2003 level of \$9.5 million, primarily due to the acquisition of the new RAP property during 2004.

Partially offsetting these positive changes was a \$1.3 million, or 9.3%, decrease in other revenues. This decrease was primarily the result of certain nonrecurring income in 2003 and the end of a program in 2003 in which the Authority participated with the U.S. Department of Housing and Urban Development (HUD) in savings from refinancing debt that had been used to fund various mortgage loans subject to a HUD assistance program.

Total operating expenses of \$129.9 million for 2004 increased \$3.4 million, or 2.7%, compared to 2003. The rise was largely attributable to a \$5.6 million, or 6.1%, increase in interest expense on bonds and notes. Partially offsetting this increase was a decrease in salaries and related benefits of \$0.9 million, or 7.6%, as a result of reduced staffing levels. In addition, the provision for loan and other real estate owned losses decreased \$1.1 million, or 30.8%, to \$2.5 million in 2004 compared to 2003.

Year ending December 31, 2003 compared to year ending December 31, 2002

The table on the following page 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.

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 were the primary components of total revenues and expenses of the Authority.

Total operating revenues were \$137.7 million, which is \$0.3 million, or 0.2%, greater than 2002. Interest on loans climbed \$6.9 million, or 7.9%, 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

management's discussion and analysis

December 31, 2004 (unaudited)

down payment assistance balances. The Authority put more of its monies in short-term investments resulting in an increase of investment income of \$0.3 million, 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 investment securities of \$3.6 million, compared to a \$3.9 million net increase in the fair market value of investment securities experienced in 2002. Additionally, other revenue grew \$1.6 million, or 13.2%, to \$14.1 million as a result of increased loan service fees due to higher loan levels and increases in certain program fees earned.

Rental Operations revenue of \$9.5 million was generated primarily from the Authority's Rental Acquisition Program ("RAP"). 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 economic downturn in the state throughout 2003.

	years ended December 31,		\$ Change	% Change			
	in thousands	2003			2002		
Operating Revenues:							
Interest on loans receivable	\$	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 investment 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 %
Total Operating Revenues		137,694		137,376		318	0.2 %
Operating Expenses:							
Interest expense on bonds and notes		92,629		90,852		1,777	2.0 %
Salaries and related benefits		11,545		10,869		676	6.2 %
General operating		14,411		10,278		4,133	40.2 %
Other interest expense		1,688		1,715		(27)	(1.6) %
Depreciation		2,694		2,246		448	19.9 %
Provision for losses		3,550		4,147		(597)	(14.4) %
Total Operating Expenses		126,517		120,107		6,410	5.3 %
Total Operating Income		11,177		17,269		(6,092)	(35.3) %
Nonoperating Revenues		292		222		70	31.5 %
Change in Net Assets		11,469		17,491		(6,022)	(34.4) %
Net Assets:							
Beginning of year		198,298		180,807		17,491	9.7 %
End of year	\$	209,767	\$	198,298	\$	11,469	5.8 %

The accompanying notes are an integral part of these statements

management's discussion and analysis

December 31, 2004 (unaudited)

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.

Economic Outlook

The Authority was created for the purpose of increasing the availability of affordable, decent, and accessible housing for low and moderate income Coloradans and strengthening the state's economy by providing financial assistance to businesses. Its primary business is funding the purchase of single family and the origination of multi-family home mortgages; however, the Authority also owns multi-family rental 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 historically low interest rates and a sluggish economy, the Authority has maintained an active and continuous lending program with record production levels in recent years. 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.

statements of net assets (in thousands)

	2004	December 31, 2003
Assets		
Current Assets:		
Cash and interest bearing accounts	\$ 8,750	\$ 8,300
Short-term investment securities (at amortized cost which approximates market)	635,805	647,147
Loans receivable	63,857	57,725
Accrued interest receivable	19,028	19,539
Deferred debt financing costs	640	662
Other assets	4,756	9,160
Federally assisted program advances	1,945	1,924
Total Current Assets	734,781	744,457
Noncurrent Assets:		
Long-term investment securities - restricted (at fair value)	187,561	149,461
Long-term investment securities - unrestricted (at fair value)	2,141	6,829
Loans receivable, net	1,851,859	1,674,010
Property and equipment, net		
Corporate facilities	5,883	5,625
Rental operations	33,930	28,733
Other real estate owned, net	6,601	5,772
Deferred debt financing costs, net	11,529	11,923
Other assets	11,115	8,918
Total Noncurrent Assets	2,110,619	1,891,271
Total Assets	\$ 2,845,400	\$ 2,635,728
Liabilities		
Current Liabilities:		
Bonds payable	\$ 290,370	\$ 272,954
Notes payable	99,060	86,594
Accrued interest payable	22,147	22,882
Accounts payable and other liabilities	7,658	7,267
Federally assisted program advances	1,945	1,924
Refundable deposits	181	1,903
Total Current Liabilities	421,361	393,524
Noncurrent Liabilities:		
Bonds payable, net	2,183,137	2,024,838
Notes payable	12,999	7,237
Deferred fee income	382	362
Total Noncurrent Liabilities	2,196,518	2,032,437
Total Liabilities	2,617,879	2,425,961
Net Assets		
Invested in capital assets, net of related debt	7,093	6,636
Restricted	91,042	78,563
Unrestricted	129,386	124,568
Total Net Assets	227,521	209,767
Total Liabilities and Net Assets	\$ 2,845,400	\$ 2,635,728

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,	
	2004	2003
Operating Revenues:		
Interest on loans receivable	\$ 99,482	\$ 93,861
Investment income	23,881	23,804
Net increase (decrease) in the fair market value of long-term investment securities	1,233	(3,578)
Rental operations	10,279	9,549
Other revenues	12,756	14,058
Total Operating Revenues	147,631	137,694
Operating Expenses:		
Interest expense on bonds and notes	98,257	92,629
Salaries and related benefits	10,668	11,545
General operating	14,227	14,411
Other interest expense	1,711	1,688
Depreciation	2,574	2,694
Provision for losses	2,455	3,550
Total Operating Expenses	129,892	126,517
Total Operating Income	17,739	11,177
Nonoperating Revenues:		
Grant income	15	292
Federal grant receipts	87,473	83,210
Federal grant payments	(87,473)	(83,210)
Total Nonoperating Revenues	15	292
Change in Net Assets	17,754	11,469
Net Assets:		
Beginning of year	209,767	198,298
End of year	\$ 227,521	\$ 209,767

The accompanying notes are an integral part of these statements

statements of cash flows (in thousands)

	years ended December 31,	
	2004	2003
Cash Flows from Operating Activities:		
Interest received on loans receivable	\$ 105,523	\$ 100,535
Receipts from principal payments on loans	330,062	469,979
Interest received from investment securities	23,378	24,290
Receipts from rental operations	10,233	9,577
Receipts from other program revenues	12,521	14,233
Receipts from sales of other real estate owned	4,717	2,040
Receipts from loan fundings	1,963	3,248
(Payments) receipts from accounts payable and federally assisted programs	(1,449)	969
Payments for loan fundings	(526,149)	(635,780)
Interest paid on bonds and notes	(104,947)	(105,796)
Payments for salaries and related benefits	(10,511)	(11,323)
Payments for general operating expenses	(12,275)	(10,319)
Payments for other interest	(1,711)	(1,688)
Payments for loan funding fees	(866)	(2,483)
Payments from other assets	(1,238)	(4,818)
Net Cash Used in Operating Activities	(170,749)	(147,336)
Cash Flows from Noncapital Financing Activities:		
Proceeds from issuance of notes	4,097,670	3,416,716
Proceeds from issuance of bonds	633,821	642,488
Receipts from grants	15	292
Receipts from federal grant programs	87,473	83,210
Payments for federal grant programs	(87,473)	(83,210)
Payments for notes	(4,079,442)	(3,440,106)
Payments for bonds	(449,080)	(425,058)
Payments for debt financing costs	(2,527)	(2,747)
Payments for bond call premiums	—	(227)
Net Cash Provided by Noncapital Financing Activities	200,457	191,358
Cash Flows from Capital and Related Financing Activities:		
Sale of property and equipment - corporate facilities	6	—
Sale of property and equipment - rental operations	—	5
Purchase of property and equipment - corporate facilities	(1,235)	(875)
Purchase of property and equipment - rental operations	(6,927)	(2,575)
Net Cash Used in Capital and Related Financing Activities	(8,156)	(3,445)
Cash Flows from Investing Activities:		
Proceeds from maturities and sales of long-term investment securities	42,805	78,828
Purchase of long-term investment securities	(75,249)	(91,552)
Net Cash Used in Investing Activities	(32,444)	(12,724)
Net increase (decrease) in cash and cash equivalents	(10,892)	27,853
Cash and cash equivalents at beginning of year	655,447	627,594
Cash and cash equivalents at end of year	\$ 644,555	\$ 655,447

(continued)

The accompanying notes are an integral part of these statements

statements of cash flows (in thousands)

	years ended December 31,	
	2004	2003
Reconciliation of Operating Income to Net Cash Used in Operating Activities:		
Operating income	\$ 17,739	\$ 11,177
Adjustments to reconcile operating income to net cash used in operating activities:		
(Increase) decrease in fair value of investments	(1,233)	3,578
Depreciation expense	2,574	2,694
Loss on sale of property and equipment	124	51
Accretion of capital appreciation term bonds	596	641
Amortization of:		
Deferred debt financing costs	3,444	5,278
Premiums and discounts on bonds, net	(9,994)	(14,911)
Premiums and discounts on long-term investment securities, net	265	(51)
Deferred fee income	(1,233)	(2,406)
Deferred cash assistance expense	5,995	11,500
Service release premium expense	1,845	4,352
Provision for losses	2,455	3,550
Principal repayments on loans receivable	330,062	469,978
Sale of other real estate owned	4,717	2,040
New loan fundings	(526,149)	(635,781)
Deferred fee income	1,963	3,247
Deferred cash assistance expense	(866)	(2,484)
Changes in assets and liabilities:		
Accrued interest receivable	511	(1,882)
Other assets	(1,540)	(4,548)
Accrued interest payable	(736)	(4,175)
Accounts payable and federally assisted programs	(1,288)	816
Net Cash Used in Operating Activities	\$ (170,749)	\$ (147,336)
Supplemental schedule of non-cash operating, noncapital financing, capital and related financing and investing activities:		
Transfer of loans receivable to other real estate owned	5,545	2,432
Transfer of loans receivable to (from) other assets	(1,880)	1,803
Transfer of loans receivable to deferred debt financing	129	—
	(Concluded)	

The accompanying notes are an integral part of these statements

notes to financial statements

years ended December 31, 2004 and 2003 (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 Note (1)(k). 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 financial activities of the Authority are recorded in the funds ("Bond Funds") established under various bond resolutions and in various subfunds established in connection with the administration of the Authority's programs. All activities 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 a contract administrator of the U.S. Department of Housing and Urban Development's ("HUD") Section 8 subsidy program, administering the Housing Assistance Payments ("HAP") contracts for developments in the Authority's loan portfolio. Under the Section 8 subsidy program, 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 HAP 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.

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(1) Organization and Summary of Significant Accounting Policies

(c) Fund Accounting (continued)

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, 2004 and 2003, for various purposes, as indicated in the following table. These designations of net assets are not binding, and can be changed by the Board.

The amounts restricted for single and multi-family bonds are for the payment of principal, redemption premium, if any, or interest on all outstanding single family and multi-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 if (1) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (2) no default exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

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.

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

	2004	2003
Appropriations for Loan Programs:		
Housing Opportunity loans	\$ 27,002	\$ 29,458
Housing loans	949	2,555
Business finance loans	15,080	17,975
Total Appropriations	43,031	49,988
Designations:		
General obligation bonds	15,861	18,939
General operating and working capital	35,170	14,300
Unrealized appreciation of investments	257	642
Single and multi-family bonds	35,067	40,699
Total Designations	86,355	74,580
Total General Fund Unrestricted Net Assets	\$ 129,386	\$ 124,568

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(1) Organization and Summary of Significant Accounting Policies

(d) Budget Policies and Procedures

The Authority's budget year is the calendar year. A budget committee consisting of Finance and the Executive Committee reviews the initial draft, 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, 2004 and 2003, primarily includes money market interest accounts of which approximately \$1,785,000 and \$1,423,000, respectively, is designated for various General Fund program purposes.

(f) Investment Securities

The Authority is authorized by means of a Board-approved investment policy to invest in notes, bonds and other obligations issued or guaranteed by the U.S. government and certain governmental agencies. Additionally, the Authority is permitted to invest, with certain restrictions as to concentration of risk, collateralization levels, maximum periods to maturity, and/or underlying rating levels applied, in revenue or general obligations of states and their agencies, certificates of deposits, U.S. dollar denominated corporate or bank debt, commercial paper, repurchase agreements backed by U.S. government or agency securities, money market mutual funds and investment agreements. 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.

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*, which establishes accounting and financial reporting standards for investments held by governmental entities. GASB Statement No. 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. GASB Statement No. 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 investment securities for 2004 and 2003 is reflected in the statements of revenues, expenses, and changes in net assets for the years presented.

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

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

(g) Loans Receivable

Mortgage loans are carried net of deferred down payment assistance expense, deferred fee 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 \$18.1 million of 0% second-lien mortgages at December 31, 2004, issued under the Authority's buyer assistance program. Generally, multi-family and business finance loans bear interest at rates ranging from 1.00% to 12.00% per annum, payable over terms from 7 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 are amortized into interest income using the effective interest method over the lives of the loans.

(i) 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.

(j) Allowances for Losses

The allowances for losses on loans, other real

estate owned and other assets are 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 experience 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 allowances for losses of \$20,112,000, \$1,038,000 and \$0, respectively, for 2004, and \$19,091,000, \$1,601,000, and \$40,000, respectively, for 2003.

(k) Property, Equipment and Rental Real Estate Operations

Office buildings, furniture and equipment used in the Authority's corporate operations are carried at \$5,883,000 and \$5,625,000 (net of accumulated depreciation) at December 31, 2004 and 2003, respectively.

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 (1) general obligation and multi-family bond proceeds, (2) seller-carry notes, and (3) contributions from the General Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. 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, 2004, the Authority owned a total of 15 RAP projects, including its three component units, containing 1,586 units.

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

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

Selected balance sheet items of the RAP are presented below.

	2004	2003
RAP Combined, Including Component Units:		
Property, net of accumulated depreciation of \$14,507 and \$12,777	\$ 33,930	\$ 28,733
Total assets	41,169	35,437
Total liabilities	28,225	23,120
Net assets	12,944	12,317
RAP Component Units Only:		
Property, net accumulated depreciation of \$8,573 and \$7,676	\$ 16,745	\$ 17,315
Total assets	19,914	20,594
Total liabilities	16,379	16,785
Net assets	3,535	3,809

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.

	2004	2003
RAP Combined, Including Component Units:		
Rental operations	\$ 10,279	\$ 9,549
Other revenues	68	57
General operating expenses	(5,716)	(4,544)
Depreciation expense	(1,730)	(1,920)
Interest expense	(1,711)	(1,688)
Net Income	\$ 1,190	\$ 1,454
RAP Component Units Only:		
Rental operations	\$ 6,190	\$ 6,241
Other revenues	26	41
General operating expenses	(3,097)	(2,585)
Depreciation expense	(897)	(1,227)
Interest expense	(1,210)	(1,229)
Net Income	\$ 1,012	\$ 1,241

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

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

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.

A summary of corporate and RAP property and equipment follows:

	Balance Dec 31, 2003	Additions	Disposals	Transfers	Balance Dec 31, 2004
Corporate					
Computer equipment/software	\$ 1,377	\$ 652	\$ (214)	\$ —	\$ 1,815
Office equipment	2,369	54	(1,630)	33	826
Furniture and fixtures	1,624	—	(768)	(116)	740
Buildings	3,377	—	(37)	83	3,423
Land	1,573	—	—	—	1,573
Construction in progress	152	529	—	—	681
Sub-Total	10,472	1,235	(2,649)	—	9,058
Accumulated Depreciation	(4,847)	(844)	2,516	—	(3,175)
Net Book Value	5,625	391	(133)	—	5,883
Rental Operations					
Computer equipment/software	71	13	—	—	84
Office equipment	3,271	193	—	—	3,464
Furniture and fixtures	3,039	120	—	—	3,159
Buildings	30,673	5,068	—	—	35,741
Land	4,456	1,500	—	—	5,956
Construction in progress	—	33	—	—	33
Sub-Total	41,510	6,927	—	—	48,437
Accumulated Depreciation	(12,777)	(1,730)	—	—	(14,507)
Net Book Value	28,733	5,197	—	—	33,930
Consolidated Net Book Value	\$ 34,358	\$ 5,588	\$ (133)	\$ —	\$ 39,813
	Balance Dec 31, 2002	Additions	Disposals	Transfers	Balance Dec 31, 2003
Corporate					
Computer equipment/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)	(774)	226	—	(4,847)
Net Book Value	5,572	101	(48)	—	5,625
Rental Operations					
Computer equipment/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	655	(8)	—	28,733
Consolidated Net Book Value	\$ 33,658	\$ 756	\$ (56)	\$ —	\$ 34,358

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

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

(l) 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.

(m) 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.

(n) Other Assets

Included in other assets are unamortized costs of mortgage servicing rights and amounts held by the Authority related to its multi-family programs.

(o) Federally Assisted Program Advances

In accordance with and pursuant to contracts between the Authority and 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 low and moderate income who meet the eligibility requirements. HUD advances funds to the Authority for the housing assistance payments and, for the majority of these developments, pays a monthly fee to the Authority for its administration of the subsidy contracts. The advanced funds held by the Authority are \$1,945,000 and \$1,924,000 for 2004 and 2003, respectively. The administrative fees for these federally assisted programs were approximately \$3,644,000 and \$3,663,000 in 2004 and 2003, respectively.

(p) 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 Note (5).

(q) Other Revenue and Other Interest Expense

Other revenue includes 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 interest costs on debt incurred to finance RAP properties.

(r) 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, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

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

(s) Risk Management

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures and purchased insurance. Commercial general liability, property losses, business automobile liability, worker's compensation and public officials' liability are all managed through purchased insurance. Through the end of 2003, for excess risk exposure, all employee medical claims in excess of \$30,000 per individual and \$896,000 aggregate per year were also covered by the purchase of stop-loss insurance. The Authority was partially self-insured to cover claims that fell below these limits.

Effective January 1, 2004, the Authority elected to discontinue the self-insured medical claims approach and the related stop-loss insurance was 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.

The claim liability for the years ended December 31, 2004 and 2003, which is included in accounts payable and other liabilities, was as follows:

	2004		2003	
Beginning Claims Liability	\$	76	\$	157
Period claims		—		1,045
Estimated accrual changes, adjustments		(11)		(90)
Claims payments		(65)		(1,036)
Ending Claims Liability	\$	—	\$	76

(t) 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.

(u) Mortgage Escrows

Escrow funds held by the Authority on behalf of others of approximately \$11,940,000 and \$10,810,000 at December 31, 2004 and 2003, respectively, are not reflected in the accompanying balance sheets. 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. All escrow funds are held in financial institutions that are subject to the Public Deposit Protection Act and, as a result, are fully collateralized.

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

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

(v) Reclassifications

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentation.

(w) New Accounting Pronouncements

In March 2003, GASB issued GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement also should be disclosed. GASB Statement No. 40 is required to be adopted for periods beginning after June 15, 2004. In management's opinion, it does not appear that GASB Statement No. 40 will have a material impact on the financial position, results of operations or cash flows of the Authority.

In November 2003, GASB issued GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this statement are effective for fiscal periods beginning after December 15, 2004. Management believes that GASB Statement No. 42 will not have a material impact on the financial position, results of operations or cash flows of the Authority.

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(2) Cash and Investment 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. government, 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 insured deposits or deposits fully collateralized with securities held in the Authority's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution, or by its trust department or agent, in the Authority's name. Category 3 includes uninsured and uncollateralized cash and deposits. All Category 2 deposits are collateralized in accordance with the Public Deposit Protection Act.

At December 31, 2004, the Authority's deposits are categorized as follows:

Risk Category	2004 Carrying Balance	2004 Bank Balance	2003 Carrying Balance
1	\$ 571	\$ 607	\$ 531
2	8,146	6,186	7,371
3	33	33	398
Total	\$ 8,750	\$ 6,826	\$ 8,300

In the following table, the Authority's investment securities (excluding money market mutual funds, certificates of deposit and uncollateralized investment agreements) are also categorized into three categories to provide an indication of the level of risk assumed as of December 31, 2004 and 2003, as follows. Category 1 includes those investments which are insured, 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 mutual funds and uncollateralized investment agreements because securities are not issued as evidence of these investments. Short-term investment securities are carried at amortized cost, which approximates market. Long-term investment securities are carried at fair value.

Investment Type	Risk Category	2004	2003
Categorized:			
U.S. Government & agency obligations	1	\$ 159,518	\$ 156,118
State & political subdivision obligations	1	10,859	10,759
Repurchase agreements	2	29,193	28,264
Uncategorized:			
Money market mutual funds		38,301	36,213
Certificates of deposit		—	34,060
Uncollateralized investment agreements		587,636	538,023
Total		\$ 825,507	\$ 803,437

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.

The repurchase agreements reflected in the table above, while legally structured as repurchase agreements, are in effect collateralized investment agreements. These investments are subject to long-term agreements with the counterparty with fixed rates of return.

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(3) Loans Receivable

Loans receivable at December 31, 2004 and 2003, consist of the following:

	2004	2003
General Fund	\$ 272,127	\$ 181,232
Single Family bond programs:		
Taxable Revenue	2,446	3,289
Revenue	630	759
Program	9,268	11,290
Program Senior and Subordinate	187,209	276,922
Revenue Refunding	—	167
Mortgage	888,385	707,690
Total Single Family Bond Program Loans	1,087,938	1,000,117
Multi-Family bond programs:		
Housing Insured Mortgage Revenue	204,794	228,409
Mortgage Revenue	—	1,170
Project	367,003	329,944
Total Multi-Family Bond Program Loans	571,797	559,523
Total Loans Receivable	1,931,862	1,740,872
Deferred cash assistance expense	13,661	18,919
Deferred fee income	(9,695)	(8,965)
Allowance for loan losses	(20,112)	(19,091)
Total Loans Receivable, Net	\$ 1,915,716	\$ 1,731,735

General Fund loans are made up of single family, multi-family and business finance loans acquired under various programs of the General Fund, warehoused loans to be acquired by the 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, 2004 and 2003, \$9,783,000 and \$7,504,000 of these loans, respectively, are secured by first liens ahead of second liens from the Small Business Administration. Additionally, at December 31, 2004 and 2003, \$23,632,000 and \$19,136,000 of these loans, respectively, are secured by a guarantee of the Small Business Administration or Consolidated Farm Services, formerly the Farmers Home Administration.

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.

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.

At December 31, 2004 and 2003, the amounts available in the Bond Funds for additional investments in new loans are as follows:

	2004	2003
Single Family mortgage programs*	\$ 168,436	\$ 148,956
Multi-Family mortgages and projects	31,291	42,388
Total	\$ 199,727	\$ 191,344

* These amounts will be used to acquire single family mortgage loans warehoused in the Authority's General Fund of \$154,611,000 and \$64,092,000 at December 31, 2004 and 2003, respectively.

notes to financial statements

years ended December 31, 2004 and 2003 (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, 2004 and 2003, are shown on the following pages. Interest is payable semi-annually unless otherwise noted.

Description and Due Date	Interest Rate (%)	2004	2003	
Bonds Payable:				
General Fund:				
General Obligation Bonds:				
1992 Series A	2005-2030	9.125	\$ 3,220	\$ 3,245
1998 Series A	2005-2017	4.55 to 5.25	1,280	1,345
Total General Obligation Bonds			4,500	4,590
Business Finance:				
ACCESS Program:				
1995 Series A	2005-2015	7.67	443	2,485
1997 Series A		7.22	—	1,854
1999 Series A	2005-2018	6.49	615	2,168
Total ACCESS Program			1,058	6,507
QIC Program: (*principal and interest payable monthly)				
1999 Series A	2005-2024	5.71	2,073	2,971
2000 Series A	2005-2025	6.755	300	329
2003 Series A	2005-2023	5.004	4,192	4,853
2004 Series A	2005-2024	4.62	4,940	—
2004 Series B*	2005-2024	4.88	9,832	—
Total QIC Program			21,337	8,153
Total Business Finance			22,395	14,660
Single Family:				
Taxable Mortgage Revenue: (principal and interest payable monthly)				
2000 Series A	2005-2020	6.914	1,615	2,716
2000 Series B	2005-2020	6.675	817	1,413
2001 Series AP	2005-2021	6.135	3,576	5,372
2001 Series AV	2005-2021	6.625	1,350	2,167
2002 Series AP	2005-2021	5.662	1,455	2,400
2004 Series A	2005-2024	4.95	2,010	—
2004 Series B	2005-2035	4.98	5,000	—
2004 Series CV	2005-2035	5.14	4,500	—
Total Single Family			20,323	14,068
Multi-Family:				
Smart Program: (*principal and interest payable monthly)				
2000 Series A	2005-2020	6.152	5,227	8,234
2004 Series A*	2005-2024	4.90	13,374	—
Total Smart Program			18,601	8,234
Taxable Rental Project Revenue (principal and interest payable monthly)				
2002 Series AV	2005-2022	5.55	6,692	6,893
2003 Series AV	2005-2024	5.19	3,946	3,987
2004 Series AP	2005-2024	4.90	8,183	—
Total Taxable Rental Project Revenue			18,821	10,880
Total Multi-Family			37,422	19,114
Total General Fund			84,640	52,432

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(4) Bonds and Notes Payable (continued)

Description and Due Date	Interest Rate (%)	2004	2003	
Single Family Fund:				
Taxable Single Family Mortgage Revenue Bonds:				
1998 Issue I	2005-2018	6.65	430	2,315
Single Family Revenue Bonds:				
1985 Series A	2005-2009	11.125	618	777
1985 Series B	2007	8.75	345	885
1993 Refunding Series A	2005-2008	7.00	3,003	3,925
Total Single Family Revenue Bonds			3,966	5,587
Single Family Program Bonds:				
1998 Series C	2005-2029	4.70 to 5.625	9,202	11,740
Single Family Program Senior and Subordinate Bonds:				
1994 Series B	2005-2024	6.125 to 7.50	495	715
1994 Series C	2005-2024	6.25 to 7.90	140	335
1994 Series D-I		5.90 to 8.00	—	290
1994 Series D-II		6.125 to 8.125	—	130
1994 Series F		6.75 to 8.625	—	125
1995 Series A		5.90 to 8.00	—	2,110
1995 Series B	2005-2025	5.90 to 7.90	265	1,740
1995 Series C	2005-2025	5.30 to 7.65	545	2,870
1995 Series D	2005-2026	5.20 to 7.38	5,940	10,745
1996 Series A	2005-2027	5.20 to 7.40	3,330	6,640
1996 Series B	2005-2027	5.40 to 7.65	2,860	5,385
1996 Series C	2005-2027	5.40 to 7.55	4,135	5,945
1997 Series A	2005-2027	4.85 to 7.25	5,530	9,055
1997 Series B	2005-2028	5.00 to 7.00	3,750	6,845
1997 Series C	2005-2028	5.00 to 6.875	4,880	8,295
1998 Series A	2005-2029	4.75 to 6.60	10,060	16,060
1998 Series B	2005-2029	4.625 to 6.55	10,164	16,289
1998 Series D	2005-2029	4.25 to 6.35	12,950	21,145
1999 Series A	2005-2030	4.375 to 6.45	14,405	20,965
1999 Series B	2005-2030	4.875 to 6.80	12,505	20,155
1999 Series C	2005-2031	4.70 to 7.20	16,235	24,625
2000 Series A	2005-2031	5.75 to 7.50	6,385	11,575
2000 Series B	2005-2031	5.35 to 7.25	7,155	12,425
2000 Series C	2005-2031	5.70 to 8.40	9,280	17,795
2000 Series D	2005-2032	5.40 to 7.43	10,225	17,305
2000 Series E	2005-2032	5.375 to 7.10	8,115	15,915
2001 Series A	2005-2032	5.00 to 6.50	15,165	27,280
2001 Series B	2005-2033	5.00 to 6.55	18,415	32,800
2001 Series C	2005-2033	5.90 to 6.60	24,350	41,835
Total Single Family Program Senior and Subordinate Bonds			207,279	357,394

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(4) Bonds and Notes Payable (continued)

Description and Due Date			Interest Rate (%)	2004	2003
Single Family Revenue Refunding Bonds:					
1994 Series A			5.00 to 5.30	—	35
Single Family Mortgage Bonds					
2001 Series AA	2005-2041	Variable & 5.25		131,840	131,840
2002 Series A	2005-2032	Variable & 4.55 to 5.65		84,855	90,305
2002 Series B	2005-2032	Variable & 4.80 to 5.40		129,655	135,000
2002 Series C	2005-2036	Variable & 4.40 to 4.95		169,900	172,000
2003 Series A	2005-2032	Variable & 4.75 to 5.15		76,350	106,000
2003 Series B	2005-2033	Variable & 5.00		198,260	254,000
2003 Series C	2005-2032	Variable & 5.00		121,695	223,275
2004 Series A	2005-2034	Variable & 1.75 to 5.25		312,000	—
2004 Series B	2005-2034	Variable & 1.99 to 5.25		183,335	—
Total Single Family Mortgage Bonds				1,407,890	1,112,420
Total Single Family				1,628,767	1,489,491
Multi-Family Fund:					
Multi-Family Housing Insured					
Mortgage Revenue Bonds:					
1995 Series A	2005-2037	5.90 to 6.80		11,380	11,495
1995 Series B	2005-2037	5.70 to 6.75		13,735	13,840
1995 Series C	2005-2015	5.30 to 6.50		12,520	12,615
1996 Series A	2005-2037	5.20 to 7.20		21,435	21,900
1996 Series B	2005-2037	5.75 to 8.00		8,510	8,605
1996 Series C	2005-2038	5.40 to 8.10		14,780	14,895
1997 Series A	2005-2038	4.90 to 7.125		10,505	12,715
1997 Series B	2005-2038	4.80 to 7.25		22,715	22,925
1997 Series C	2005-2039	4.90 to 6.75		28,565	36,650
1998 Series A	2005-2039	5.35 to 6.70		19,975	20,145
1998 Series B	2005-2040	5.45 to 7.00		7,195	7,220
1999 Series A	2005-2041	4.15 to 6.65		33,590	33,950
1999 Series B	2005-2041	5.25 to 5.85		5,435	5,475
1999 Series C	2005-2041	5.05 to 7.10		16,215	16,350
2002 Series AA	2005-2030	Variable		74,370	75,285
Total Multi-Family Housing Insured				300,925	314,065
Multi-Family Mortgage Revenue Bonds: (principal and interest payable monthly)					
Series 1978-3			6.50	—	1,170
Multi-Family/Project Bonds: (*principal and interest payable quarterly on some of the bonds)					
2000 Series A	2005-2032	Variable & 6.15		64,530	64,530
2000 Series B*	2005-2042	Variable & 5.90 to 6.10		30,950	31,175
2001 Series A	2005-2043	3.50 to 5.65		28,310	37,670
2002 Series A	2005-2042	Variable & 3.60 to 5.70		33,810	41,720
2002 Series B	2005-2032	Variable		13,260	57,295
2002 Series C	2005-2042	Variable & 2.85 to 5.30		142,645	142,720
2003 Series A	2005-2033	Variable		48,780	48,780
2004 Series A	2005-2045	Variable & 1.70 to 4.80		89,115	—
Total Multi-Family/Project Bonds				451,400	423,890
Total Multi-Family Fund				752,325	739,125
Total Bonds Payable				2,465,732	2,281,048

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(4) Bonds and Notes Payable (continued)

Description and Due Date	Interest Rate (%)	2004	2003
Notes Payable:			
Line of Credit:			
January 7, 2005	2.12 and 2.24	98,945	85,821
Mortgage Notes Payable:			
November 30, 2005	—	10	30
January 2, 2006	Variable	6,000	—
November 16, 2008	6.40	4,813	—
July 1, 2014	4.50	672	693
September 4, 2020	1.00	713	755
June 16, 2024	—	247	—
June 22, 2025	1.00	659	687
September 12, 2007	6.50	—	1,679
January 3, 2008	7.25	—	4,166
Total Mortgage Notes Payable		13,114	8,010
Total Notes Payable		112,059	93,831
Total Bonds and Notes Payable		2,577,791	2,374,879
Discounts/premiums, net		15,210	24,553
Deferred losses on refunding amounts		(7,435)	(7,809)
Total Bonds and Notes Payable, Net		\$ 2,585,566	\$ 2,391,623

Included in several of the bond issues in the previous table are Capital Appreciation Term Bonds. The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified.

The appreciated balances of these bonds at maturity, and as reflected in the accompanying Statements of Net Assets at December 31, 2004 and 2003, are as follows:

Description and Due Date	Interest Rate (%)	Maturity	Appreciated Balances	
			2004	2003
Single Family Revenue Bonds:				
1985 Series A 2005-2009	11.125	\$ 793	\$ 618	\$ 777
1993 Refunding Series A 2005-2008	7.00	3,402	3,003	3,925
Single Family Senior and Subordinate Bonds:				
1998 Series B 2025-2029	5.5	6,053	1,804	1,709
Single Family Program Bonds:				
1998 Series C 2020-2029	5.625	12,265	4,107	3,885

Also included in the table of bonds and notes payable outstanding on the preceding pages are certain 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 presented in the table on the following page:

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(4) Bonds and Notes Payable (continued)

Description	2004	2003
Single Family Program Subordinate Bonds	\$ 4,695	\$ 8,860
Single Family Mortgage Bonds, Class III	98,000	74,000
Multi-Family/Project Bonds, Class III	21,100	34,320
Total	\$ 123,795	\$ 117,180

Bonds and notes payable activity for the years ended December 31, 2004 and 2003, were as follows:

Description	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
Bonds payable	\$ 2,281,048	\$ 633,764	\$ 449,080	\$ 2,465,732
Notes payable*	93,831	4,097,670	4,079,442	112,059
Unamortized premium/discount	24,553	652	9,995	15,210
Deferred losses on refunding	(7,809)	—	(374)	(7,435)
Total	\$ 2,391,623	\$ 4,732,086	\$ 4,538,143	\$ 2,585,566

Description	Balance December 31, 2002	Additions	Reductions	Balance December 31, 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

* Amounts include the Authority's two lines of credit for 2004 and 2003

Bonds and notes payable sinking fund installments and maturities subsequent to December 31, 2004, are as follows:

	General Fund Bonds		Single Family Bonds		Multi-Family Bonds		Notes Payable	
	Principal	Interest	Principal*	Interest	Principal	Interest	Principal	Interest
2005	\$ 46	\$ 682	\$ 3,827	\$ 23,939	\$ 1,255	\$ 61,082	\$ 99,060	\$ 571
2006	171	4,518	282,904	44,801	8,635	120,321	6,107	403
2007	183	4,562	6,483	42,593	9,120	112,526	108	348
2008	190	4,552	6,478	42,277	9,595	103,622	4,924	346
2009	202	4,542	6,739	41,898	9,845	93,349	112	36
2010-2014	1,677	22,475	75,585	203,249	57,200	278,972	992	145
2015-2019	3,450	21,731	39,400	187,143	86,960	112,471	459	24
2020-2024	23,902	18,807	195,216	166,229	120,900	94,676	263	7
2025-2029	42,099	4,745	311,006	125,985	142,010	70,446	34	—
2030-2034	3,220	2,989	421,900	69,905	192,035	43,061	—	—
2035-2039	9,500	461	242,210	13,122	80,325	17,179	—	—
2040-2045	—	—	50,000	2,420	34,445	3,541	—	—
Total	\$ 84,640	\$ 90,064	\$ 1,641,748	\$ 963,561	\$ 752,325	\$ 1,111,246	\$ 112,059	\$ 1,880

* Includes \$13.0 million of future accretion of principal value on capital appreciation bonds

notes to financial statements

years ended December 31, 2004 and 2003 (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 or investment securities. At December 31, 2004 and 2003, 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 \$280,000,000. 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, 2004 and 2003, the outstanding borrowings under this agreement were \$98,945,000 and \$85,821,000, respectively.

The Authority also has a revolving, unsecured, commercial bank line of credit for borrowings of up to \$20,000,000. Amounts drawn under the agreement bear interest fixed at 0.55% per annum above the London Interbank Offered Rate (LIBOR). This line of credit agreement terminates on July 25, 2005. 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, 2004 and 2003, the Authority had no outstanding borrowings under this agreement.

The Authority has issued certain conduit bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 2004, the amount outstanding on these bonds was \$281,830,000. The corresponding amount outstanding as of December 31, 2003, was \$277,792,000. The bonds are payable

solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are generally guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

(5) Interest Rate Swaps

Swaps in effect as of December 31, 2004

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, 2004, are shown in the following table. In no case do the notional amounts of the swaps exceed 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.

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(5) Interest Rate Swaps (continued)

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received (*)	Embedded Option	Fair Value (**)
Single Family 2001AA	\$ 37,115	10/04/01	11/01/13	5.290%	VRDO's Rate		\$ (1,711)
Single Family 2001AA	46,840	10/04/01	05/01/31	4.600%	VRDO's Rate, with tax event language		(3,135)
Single Family 2002A	36,685	04/25/02	11/01/13	5.499%	VRDO's Rate		(1,862)
Single Family 2002A	19,090	04/25/02	11/01/21	4.749%	VRDO's Rate		(1,699)
Single Family 2002B	14,620	10/24/02	05/01/22	5.529%	VRDO's Rate		(939)
Single Family 2002B	45,035	07/18/02	11/01/13	5.285%	VRDO's Rate		(1,925)
Single Family 2002B	40,000	07/18/02	11/01/21	4.506%	VRDO's Rate, with tax event language		(2,636)
Single Family 2002C	30,000	10/24/02	11/01/32	5.350%	VRDO's Rate	(1)	(658)
Single Family 2002C	57,900	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, with tax event language		(1,815)
Single Family 2003A	11,400	08/01/03	05/01/11	3.390%	LIBOR, plus .05%		150
Single Family 2003A	18,950	02/26/03	11/01/11	4.008%	LIBOR, plus .05%		(62)
Single Family 2003A	20,000	02/26/03	11/01/21	4.160%	VRDO's Rate, with tax event language		(616)
Single Family 2003B	40,000	08/01/03	11/01/26	4.851%	LIBOR, plus .05%	(2)	393
Single Family 2003B	58,260	08/01/03	05/01/12	3.665%	LIBOR, plus .05%		505
Single Family 2003B	60,000	07/09/03	11/01/26	4.384%	BMA, plus .15%	(3)	(1,904)
Single Family 2003C	58,695	12/03/03	05/01/12	4.033%	LIBOR, plus .05%		(252)
Single Family 2003C	40,000	11/13/03	11/01/26	4.595%	BMA, plus .15%	(4)	(2,040)
Single Family 2004A	47,000	09/01/04	05/01/12	4.460%	LIBOR, plus .05%		(795)
Single Family 2004A	50,000	07/28/04	11/01/26	4.369%	Trigger, BMA, plus .15% or 68% LIBOR	(5)	(2,580)
Single Family 2004B	40,000	12/01/04	05/01/12	4.052%	Trigger, BMA, plus .15% or 68% LIBOR		(105)
Single Family 2004B	40,000	11/10/04	11/01/26	4.122%	BMA, plus .15%	(6)	(1,115)
Multi-Family/Project 2000A	12,750	03/21/00	10/01/20	5.235%	VRDO's Rate, with tax event language		(1,800)
Multi-Family/Project 2000A	18,500	03/21/00	04/01/25	5.225%	VRDO's Rate, with tax event language		(2,181)
Multi-Family/Project 2000A	11,545	02/01/00	04/01/15	5.800%	VRDO's Rate		(1,788)
Multi-Family/Project 2000B	7,225	10/19/00	07/01/20	7.390%	LIBOR, plus .25%		(1,334)
Multi-Family/Project 2002A	9,410	01/29/03	10/01/22	5.100%	VRDO's Rate		(1,283)
Multi-Family 2002AA	33,650	07/03/02	10/01/23	6.068%	VRDO's Rate		(6,571)
Multi-Family/Project 2002C	10,845	04/01/03	10/01/32	6.129%	VRDO's Rate	(7)	(903)
Multi-Family/Project 2002C	70,715	10/01/03	10/01/32	5.124%	VRDO's Rate, with tax event language	(8)	(7,841)
Multi-Family/Project 2002C	31,960	10/01/03	10/01/32	5.044%	VRDO's Rate, with tax event language	(9)	(3,267)
Multi-Family/Project 2003A	25,495	10/01/03	04/01/26	4.555%	LIBOR, plus .05%	(10)	994
Multi-Family/Project 2004A	51,100	11/01/04	10/01/25	5.528%	LIBOR, plus .05%	(11)	(2,128)
Multi-Family/Project 2004A	10,785	09/22/04	04/01/45	4.884%	BMA, plus .15%	(12)	(529)
Total	\$ 1,145,570						\$ (55,462)

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

(**) The fair value of the outstanding swaps are presented for informational purposes only and do not impact the financial statements. All fair values have been calculated using the mark-to-market or par value method and include the valuation of any related embedded option. Additionally, eight of the tax-exempt swap agreements contain language which transfer the risk of 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 \$17,841,208 negative.

- (1) The Authority has the right to terminate the swap at no expense on or after 11/1/17 up to \$21,765,000
- (2) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$27,305,000
- (3) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$43,170,000
- (4) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$28,780,000
- (5) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$35,970,000
- (6) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$28,780,000

- (7) 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
- (8) The Authority has the right to terminate the swap at no expense on or after 4/1/18 up to \$59,340,000
- (9) The Authority has the right to terminate the swap at no expense on or after 4/1/18 up to \$26,785,000
- (10) The Authority has the right to terminate the swap at no expense on or after 10/1/09 up to \$16,576,000
- (11) The Authority has the right to terminate the swap at no expense on or after 10/1/14
- (12) The Authority has the right to terminate the swap at no expense on or after 10/1/19

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(5) Interest Rate Swaps (continued)

As of December 31, 2003, the current notional amount of swaps outstanding was \$929,460,000 with a fair value of (\$49,552,000) as of the same date.

Swap Payments and Associated Debt

Using interest rates as of December 31, 2004, 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.

Year Ending December 31,	Principal	Interest	Swaps, Net	Total
2005	\$ 56,655	\$ 26,201	\$ 24,786	\$ 107,642
2006	72,170	21,239	26,644	120,053
2007	73,160	19,527	25,056	117,743
2008	67,705	18,125	23,226	109,056
2009	62,820	16,893	21,458	101,171
2010-2014	244,240	68,922	85,132	398,294
2015-2019	238,900	45,596	55,065	339,561
2020-2024	190,705	22,372	25,837	238,914
2025-2029	95,050	8,411	8,576	112,037
2030-2034	39,480	1,610	1,960	43,050
2035-2039	1,720	295	545	2,560
2040-2045	2,965	151	304	3,420
Total	\$ 1,145,570	\$ 249,342	\$ 298,589	\$ 1,693,501

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 table of outstanding swaps. As of December 31, 2004, the Authority was not exposed to credit risk on any of its outstanding swaps as the net exposure to each counterparty, based on the fair value of the related swaps, was negative. However, should interest rates change and the fair values of the swaps increase, the Authority would be exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. 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.

Although the Authority executes swap transactions with various counterparties, 26 swaps, representing approximately 73% of the notional amount of swaps outstanding, are held with two separate Aaa/AAA rated (Moody's and Standard & Poor's, respectively) special purpose vehicles, which are bankruptcy remote, both of which are affiliates of the same parent company (49% of the notional amount outstanding are held with a special purpose vehicle with a continuation structure and 24% are held with a special purpose vehicle with a terminating structure). The bankruptcy-remote nature of these special purpose vehicles makes them bankruptcy remote from each other as well as from their parent company. Thus they should be viewed as discrete credits. Of the remaining swaps, the Authority holds 8 agreements, representing approximately 27% of the notional amount outstanding, with four counterparties, three of which are rated AAA/Aaa (one of which operates as a special purpose vehicle with a terminating structure) and one rated Aa2/AA+. Subsequent to December 31, 2004, one of the Aaa/AAA counterparties to four swap transactions, approximating 13% of the notional amount outstanding, was downgraded to Aa/AA.

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(5) Interest Rate Swaps (continued)

Basis Risk

The Authority is exposed to basis risk when the variable interest rate paid to the holders of its variable rate demand obligations ("VRDO's") is not equivalent to the variable interest rate received from its counterparties on the related swap agreements. When exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated. The Authority's tax-exempt variable-rate bond interest payments are substantially equivalent to the BMA rate (plus a trading spread). For the swaps in which the Authority is receiving its actual VRDO rate from the counterparty, the Authority is not exposed to basis risk. For the swaps in which the Authority can only receive a rate indexed on BMA, it is only exposed to basis risk to the extent that the Authority's bonds diverge from their historic trading relationship with BMA. Certain tax-exempt swaps, as indicated in the table of swaps outstanding, contain tax risk language where in the occurrence of a tax event as described in the underlying contracts, the Authority would receive an alternative variable rate pegged at a percentage of LIBOR. For those tax-exempt swaps containing tax event language for which the Authority could receive a variable-rate payment other than actual or BMA, the Authority would then be negatively exposed to basis risk should the relationship between LIBOR and BMA converge. Certain tax-exempt swaps, as indicated in the table of swaps outstanding, contain a trigger feature in which the Authority receives a rate indexed on BMA should LIBOR be less than a predetermined level (the trigger level), or a rate pegged at a percentage of LIBOR should LIBOR be equal to or greater than the predetermined trigger level. For these swaps, the Authority will be negatively exposed to basis risk during the time period it is receiving the rate based on a percentage of LIBOR should the relationship between LIBOR and BMA converge.

The Authority's taxable variable-rate bond interest payments are substantially equivalent to LIBOR (plus a trading spread). The Authority is receiving LIBOR (plus a trading spread) for all of its taxable swaps and therefore is only exposed to basis risk

to the extent that the Authority's bonds diverge from their historic trading relationship with LIBOR.

Termination Risk

The Authority's swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards, the Authority or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to terminate in the event of a significant loss of creditworthiness. The Authority views the likelihood of an occurrence of such events to be remote at this time. If at the time of the termination a swap has a negative value, the Authority would be liable to the counterparty for a payment equal to the fair value of such swap.

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

Rollover Risk

The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of December 31, 2004, the Authority is not exposed to rollover risk.

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(5) Interest Rate Swaps (continued)

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.

(6) Debt Refundings

On September 22, 2004, the Authority issued its Multi-Family/Project Bonds 2004 Series A in the aggregate principal amount of \$89,115,000. Proceeds of the bonds and other surpluses were used to refund the Authority's outstanding Project Loan Participation Purchase Bonds 1997 Series A in the amount of \$1,730,000. Included in the refunding bond issue are variable rate bonds with interest rates during 2004 ranging from a weekly high of 2.42% which could result in a decrease in aggregate debt service requirements of \$673,000 and an approximate economic gain to the Authority of \$583,000, to a weekly low of 1.82% which could result in a decrease in aggregate debt service requirements of \$761,000 and an approximate economic gain to the Authority of \$680,000. At the time of this refunding there were no remaining deferred issuance costs on the 1997 Series A bonds.

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. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, \$227,000 was deferred and is being amortized over the estimated remaining life of the old debt.

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

notes to financial statements

years ended December 31, 2004 and 2003 (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, 1997, 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 years of age or older and retiring June 1, 2000, or later, with age plus years 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 changed to 3.5 percent compounded annually, and was no longer tied to the Consumer Price Index.

Under the plan, State statute required the Authority and participating employees to contribute 10.0% and 8.0%, respectively, for 2004, and 9.6% and 8.0%, respectively, for 2003, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was \$7,849,000 and \$8,497,000 for 2004 and 2003, respectively. Contributions by the Authority and employees approximated \$792,000 and \$630,000, respectively, for 2004, while for 2003 the amounts were \$816,000 and \$685,000, 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, 2003, 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 \$2,379,229,000 and \$1,819,240,000, respectively. The unfunded actuarial accrued liability in the Municipal Division as of December 31, 2003, was \$471,443,000.

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.

Included in bonds and notes payable are bonds payable to PERA of \$47,509,000 and \$29,941,000 at December 31, 2004 and 2003, respectively, that carry the Authority's general obligation pledge.

notes to financial statements

years ended December 31, 2004 and 2003 (amounts for all notes in tabular format are in thousands)

(7) Retirement Plans (continued)

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program, established under Section 401(k) of the Internal Revenue Code. Participants 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% contribution, the Authority matches half of the employee's 401(k) contribution up to 5% of the participating employee's gross salary. The Authority's match is a maximum of 3.5%, which includes the 1% contribution. Prior to 2004, the Authority participated in PERA's MatchMaker Program, which used 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. This program was discontinued by PERA in 2004. Contributions to the MatchMaker program were \$29,000 and \$141,000 for 2004 and 2003, 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. The plan is administered by an independent trustee.

(8) Contingencies

There are a limited number of claims or suits pending against the Authority arising in the Authority's ordinary course of business. In the opinion of the Authority's management and counsel, any losses that might result from these claims and suits are either covered by insurance or, to the extent not covered by insurance, would not materially affect the Authority's financial position as of December 31, 2004 and December 31, 2003.

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supplemental information

as of December 31, 2004 with comparative totals for 2003 (in thousands)

Statements of Net Assets by Program

	General Fund	Single Family	Multi-Family	Eliminations	2004	2003
Assets						
Current Assets:						
Cash and interest bearing accounts	\$ 8,750	\$ —	\$ —	\$ —	\$ 8,750	\$ 8,300
Short-term investment securities	43,391	497,766	94,648	—	635,805	647,147
Loans receivable	8,681	36,659	19,054	(537)	63,857	57,725
Accrued interest receivable	1,874	11,244	6,010	(100)	19,028	19,539
Deferred debt financing costs	22	488	130	—	640	662
Other assets	4,756	—	—	—	4,756	9,160
Federally assisted program advances	1,945	—	—	—	1,945	1,924
Due to (from) other programs	(19,822)	23,815	(3,993)	—	—	—
Total Current Assets	49,597	569,972	115,849	(637)	734,781	744,457
Noncurrent Assets:						
Long-term investment securities - restricted	524	77,605	109,432	—	187,561	149,461
Long-term investment securities - unrestricted	2,141	—	—	—	2,141	6,829
Loans receivable, net	251,735	1,063,123	552,563	(15,562)	1,851,859	1,674,010
Property and equipment, net						
Corporate facilities	5,883	—	—	—	5,883	5,625
Rental operations	33,930	—	—	—	33,930	28,733
Other real estate owned, net	3,814	2,787	—	—	6,601	5,772
Deferred debt financing costs, net	400	8,783	2,346	—	11,529	11,923
Other assets	11,115	—	—	—	11,115	8,918
Total Noncurrent Assets	309,542	1,152,298	664,341	(15,562)	2,110,619	1,891,271
Total Assets	\$ 359,139	\$ 1,722,270	\$ 780,190	\$ (16,199)	\$ 2,845,400	\$ 2,635,728
Liabilities						
Current Liabilities:						
Bonds payable	\$ 166	\$ 283,019	\$ 7,185	\$ —	\$ 290,370	\$ 272,954
Notes payable	99,060	—	—	—	99,060	86,594
Accrued interest payable	716	12,388	9,143	(100)	22,147	22,882
Accounts payable and other liabilities	6,638	196	824	—	7,658	7,267
Federally assisted program advances	1,945	—	—	—	1,945	1,924
Refundable deposits	181	—	—	—	181	1,903
Total Current Liabilities	108,706	295,603	17,152	(100)	421,361	393,524
Noncurrent Liabilities:						
Bonds payable, net	84,474	1,360,026	738,637	—	2,183,137	2,024,838
Notes payable	29,098	—	—	(16,099)	12,999	7,237
Deferred fee income	382	—	—	—	382	362
Total Noncurrent Liabilities	113,954	1,360,026	738,637	(16,099)	2,196,518	2,032,437
Total Liabilities	222,660	1,655,629	755,789	(16,199)	2,617,879	2,425,961
Net Assets						
Invested in capital assets, net of related debt	7,093	—	—	—	7,093	6,636
Restricted	—	66,641	24,401	—	91,042	78,563
Unrestricted	129,386	—	—	—	129,386	124,568
Total Net Assets	136,479	66,641	24,401	—	227,521	209,767
Total Liabilities and Net Assets	\$ 359,139	\$ 1,722,270	\$ 780,190	\$ (16,199)	\$ 2,845,400	\$ 2,635,728

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

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for the year ended December 31, 2004 with comparative totals for 2003 (in thousands)

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

	General Fund	Single Family	Multi-Family	Eliminations	2004	2003
Operating Revenues:						
Interest on loans	\$ 10,454	\$ 55,653	\$ 34,585	\$ (1,210)	\$ 99,482	\$ 93,861
Investment income	1,744	14,488	7,649	—	23,881	23,804
Net increase (decrease) in FMV of long-term investment securities	(392)	1,419	206	—	1,233	(3,578)
Rental operations	10,279	—	—	—	10,279	9,549
Other revenues	12,756	—	—	—	12,756	14,058
Total Operating Revenues	34,841	71,560	42,440	(1,210)	147,631	137,694
Operating Expenses:						
Interest expense on bonds and notes	5,799	58,354	35,699	(1,595)	98,257	92,629
Salaries and related benefits	10,668	—	—	—	10,668	11,545
General operating	13,462	560	205	—	14,227	14,411
Other interest expense	1,326	—	—	385	1,711	1,688
Depreciation	2,574	—	—	—	2,574	2,694
Provision for losses	(816)	(18)	3,289	—	2,455	3,550
Total Operating Expenses	33,013	58,896	39,193	(1,210)	129,892	126,517
Total Operating Income	1,828	12,664	3,247	—	17,739	11,177
Nonoperating Revenues:						
Grant income	15	—	—	—	15	292
Federal grant receipts	87,473	—	—	—	87,473	83,210
Federal grant payments	(87,473)	—	—	—	(87,473)	(83,210)
Total Nonoperating Revenues	15	—	—	—	15	292
Income Before Transfers	1,843	12,664	3,247	—	17,754	11,469
Transfers (To) From Other Programs	(3,432)	3,554	(122)	—	—	—
Change in Net Assets	5,275	9,110	3,369	—	17,754	11,469
Net Assets:						
Beginning of year	131,204	57,531	21,032	—	209,767	198,298
End of year	\$ 136,479	\$ 66,641	\$ 24,401	\$ —	\$ 227,521	\$ 209,767

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

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for the year ended December 31, 2004 with comparative totals for 2003 (in thousands)

Statements of Cash Flows by Program

	General Fund	Single Family	Multi-Family	Eliminations	2004	2003
Cash Flows From Operating Activities:						
Interest received on loans receivable	\$ 9,823	\$ 60,638	\$ 36,272	\$ (1,210)	\$ 105,523	\$ 100,535
Receipts from principal payments on loans	27,549	232,537	69,976	—	330,062	469,979
Interest received from investment securities	1,815	14,261	7,302	—	23,378	24,290
Receipts from rental operations	10,233	—	—	—	10,233	9,577
Receipts from other program revenues	12,521	—	—	—	12,521	14,233
Receipts from sales of other real estate owned	4,717	—	—	—	4,717	2,040
Receipts from loan fundings	1,963	—	—	—	1,963	3,248
(Payments) receipts from accounts payable and federally assisted programs	(1,956)	10	497	—	(1,449)	969
Payments for loan fundings	(480,056)	26	(46,119)	—	(526,149)	(635,780)
Interest paid on bonds and notes	(6,208)	(65,611)	(34,723)	1,595	(104,947)	(105,796)
Payments for salaries and related benefits	(10,511)	—	—	—	(10,511)	(11,323)
Payments for general operating expenses	(11,510)	(560)	(205)	—	(12,275)	(10,319)
Payments for other interest	(1,326)	—	—	(385)	(1,711)	(1,688)
Payments for loan fundings fees	(874)	8	—	—	(866)	(2,483)
Payments from other assets	(1,238)	—	—	—	(1,238)	(4,818)
Cash due to (from)	355,505	(319,091)	(36,414)	—	—	—
Net Cash Used in Operating Activities	(89,553)	(77,782)	(3,414)	—	(170,749)	(147,336)
Cash Flows From Noncapital Financing Activities:						
Proceeds from issuance of notes	4,097,670	—	—	—	4,097,670	3,416,716
Proceeds from issuance of bonds	48,719	495,974	89,128	—	633,821	642,488
Receipts from grants	15	—	—	—	15	292
Receipts from federal grants programs	87,473	—	—	—	87,473	83,210
Equity transfers	3,432	(3,554)	122	—	—	—
Payments for federal grant programs	(87,473)	—	—	—	(87,473)	(83,210)
Payments for notes	(4,079,442)	—	—	—	(4,079,442)	(3,440,106)
Payments for bonds	(16,510)	(356,655)	(75,915)	—	(449,080)	(425,058)
Payments for debt financing costs	—	(2,147)	(380)	—	(2,527)	(2,747)
Payments for bond call premiums	—	—	—	—	—	(227)
Net Cash Provided by Noncapital Financing Activities	53,884	133,618	12,955	—	200,457	191,358
Cash Flows From Capital and Related Financing Activities:						
Sale of property and equipment - corporate facilities	6	—	—	—	6	—
Sale of property and equipment - rental operations	—	—	—	—	—	5
Purchase of property and equipment - corporate facilities	(1,235)	—	—	—	(1,235)	(875)
Purchase of property and equipment - rental operations	(6,927)	—	—	—	(6,927)	(2,575)
Net Cash Used in Capital and Related Financing Activities	(8,156)	—	—	—	(8,156)	(3,445)
Cash Flows From Investing Activities:						
Proceeds from maturities and sales of long-term investment securities	10,427	25,107	7,271	—	42,805	78,828
Purchase of long-term marketable securities	(6,118)	(22,658)	(46,473)	—	(75,249)	(91,552)
Net Cash Provided by (Used in) Investing Activities	4,309	2,449	(39,202)	—	(32,444)	(12,724)
Net Increase (Decrease) in Cash and Cash Equivalents						
Cash and Cash Equivalents at Beginning of Year	91,657	439,481	124,309	—	655,447	627,594
Cash and Cash Equivalents at End of Year	\$ 52,141	\$ 497,766	\$ 94,648	\$ —	\$ 644,555	\$ 655,447

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

(continued)

supplemental information

for the year ended December 31, 2004 with comparative totals for 2003 (in thousands)

Statements of Cash Flows by Program (continued)

	General Fund	Single Family	Multi-Family	Eliminations	2004	2003
Reconciliation of Operating Income to Net Cash Used in Operating Activities:						
Operating income	\$ 1,828	\$ 12,664	\$ 3,247	\$ —	\$ 17,739	\$ 11,177
Adjustments to reconcile operating income to net cash used in operating activities:						
(Increase) decrease in fair value of investments	392	(1,419)	(206)	—	(1,233)	3,578
Depreciation expense	2,574	—	—	—	2,574	2,694
Loss on sale of property and equipment	124	—	—	—	124	51
Accretion of capital appreciation term bonds	—	596	—	—	596	641
Amortization of:						
Deferred debt financing costs	17	3,025	402	—	3,444	5,278
Premiums and discounts on bonds, net	—	(9,993)	(1)	—	(9,994)	(14,911)
Premiums and discounts on long-term investment securities, net	7	147	111	—	265	(51)
Deferred fee income	(1,017)	—	(216)	—	(1,233)	(2,406)
Deferred cash assistance expense	150	5,845	—	—	5,995	11,500
Service release premium expense	1,845	—	—	—	1,845	4,352
Provision for losses	(816)	(18)	3,289	—	2,455	3,550
Principal repayments on loans receivable	27,549	232,537	69,976	—	330,062	469,978
Sale of other real estate owned	4,717	—	—	—	4,717	2,040
New loan fundings	(480,056)	26	(46,119)	—	(526,149)	(635,781)
Deferred fee income	1,963	—	—	—	1,963	3,247
Deferred cash assistance expense	(874)	8	—	—	(866)	(2,484)
Changes in assets and liabilities:						
Accrued interest receivable	298	(1,232)	1,445	—	511	(1,882)
Other assets	(1,540)	—	—	—	(1,540)	(4,548)
Accrued interest payable	(427)	(884)	575	—	(736)	(4,175)
Accounts payable and federally assisted programs	(1,792)	7	497	—	(1,288)	816
Cash due to (from)	355,505	(319,091)	(36,414)	—	—	—
Net Cash Used in Operating Activities	\$ (89,553)	\$ (77,782)	\$ (3,414)	\$ —	\$ (170,749)	\$ (147,336)

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

Transfer of loans receivable to other real estate owned	81	1,187	4,277	—	5,545	2,432
Transfer of loans receivable to (from) other assets	(102)	(1,778)	—	—	(1,880)	1,803
Transfer of loans receivable to deferred debt financing	129	—	—	—	129	—

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

(concluded)

independent auditors' report on internal control over financial reporting and compliance and other matters 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 year ended December 31, 2004, and have issued our report thereon dated June 24, 2005. 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.

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.

Compliance and Other Matters

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*.

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
June 24, 2005

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APPENDIX B

Outstanding Master Indenture Obligations

Outstanding Master Indenture Bonds

As of September 30, 2005, 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 (September 30, 2005)</u>
2000 Series A Bonds:		
Adjustable 2000 Series A-1 (Class I)	\$56,195,000	\$27,785,000
Adjustable 2000 Series A-1 (Class III)	18,500,000(1)	18,040,000
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	3,640,000	--
2000 Series B Bonds:		
Taxable 2000 Series B-1 (Class I)	\$ 7,450,000	\$6,985,000
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
2001 Series A Bonds:		
2001 Series A-1 (Class I)	\$24,240,000	\$15,920,000
2001 Series A-2 (Class II)	10,580,000	8,385,000
2001 Series A-2 (Class III)	2,850,000(1)	2,260,000
2002 Series A Bonds:		
Adjustable 2002 Series A-1 (Class I)	\$ 9,410,000	\$9,400,000
2002 Series A-2 (Class I)	3,240,000	2,485,000
2002 Series A-3 (Class II)	5,735,000	5,725,000
Adjustable 2002 Series A-4 (Class I)	19,450,000	15,400,000
2002 Series A-5 (Class I)	3,885,000	--
2002 Series B Bonds:		
Adjustable 2002 Series B-1 (Class I)	\$27,630,000	\$6,495,000
Adjustable 2002 Series B-2 (Class III)	8,085,000(1)	--
2002 Series C Bonds:		
Taxable Adjustable 2002 Series C-1 (Class I)	\$10,920,000	\$10,690,000
Adjustable 2002 Series C-2 (Class I)	70,715,000	70,715,000
2002 Series C-3 (Class I)	16,550,000	15,695,000
Adjustable 2002 Series C-4 (Class I)	31,960,000	31,960,000
2002 Series C-5 (Class I)	7,575,000	6,460,000
2002 Series C-6 (Class II)	5,000,000	4,500,000
2003 Series A Bonds:		
Taxable Adjustable 2003 Series A-1 (Class I)	\$37,415,000(1)	\$34,855,000
Taxable Adjustable 2003 Series A-2 (Class II)	11,365,000	10,400,000
2004 Series A Bonds:		
Taxable Adjustable 2004 Series A-1 (Class I)	\$66,280,000(1)	\$64,615,000
Adjustable 2004 Series A-2 (Class I)	10,785,000	10,785,000
2004 Series A-3 (Class II)	12,050,000	11,695,000
2005 Series A Bonds:		
Taxable Adjustable 2005 Series A-1 (Class I)	\$33,740,000	\$33,740,000
Adjustable 2005 Series A-2 (Class I)	22,235,000	22,235,000
2005 Series A-3 (Class II)	<u>40,275,000</u>	<u>40,275,000</u>
Total Class I Bonds	\$494,945,000	\$421,490,000
Total Class II Bonds	91,705,000	87,680,000
Total Class III Bonds	29,435,000	20,300,000
Total Class IV Bonds	--	--

(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>
2000 Series A Derivative Products:		
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.
2000 Series B Derivative Products:		
Taxable 2000 Series B-1 (Class I)	\$ 7,165,000	Morgan Stanley Derivative Products Inc.
2002 Series A Derivative Products:		
Adjustable Rate 2002 Series A-1 (Class I)	\$ 9,410,000	Lehman Brothers Financial Products Inc.
2002 Series C Derivative Products:		
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.
2003 Series A Derivative Products		
Taxable Adjustable Rate 2003 Series A-1 (Class I)	\$26,270,000	Lehman Brothers Financial Products Inc.
2004 Series A Derivative Products:		
Adjustable Rate 2004 Series A-1 (Class I)	\$51,100,000	AIG Financial Products Corp.
2005 Series A Derivative Products:		
Adjustable Rate 2005 Series A-1 (Class I)	\$33,740,000	AIG Financial Products Corp.
Adjustable Rate 2005 Series A-2 (Class I)	22,235,000	AIG Financial Products Corp.
Total Outstanding Class I Derivative Products	<u>\$306,235,000</u>	
Total Outstanding Class III Derivative Products	<u>\$ 18,500,000</u>	

* As of September 30, 2005.

** 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 2004 and 2003 financial statements of the Authority included in this Official Statement as **Appendix A**.

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

<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, 2010
2002 Series A-1 and A-4	May 15, 2007
2002 Series B-1	July 24, 2006
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
2005 Series A-1 and A-3	April 12, 2010

Other Liquidity Facilities and Providers

<u>Series of Adjustable Rate Bonds</u>	<u>Provider</u>	<u>Expiration Date</u>
2005 Series A-2	Dexia Credit Local	April 13, 2012

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 B Bonds, the Authority will enter into a Standby Bond Purchase Agreement with Federal Home Loan Bank of Topeka as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2005B LIQUIDITY FACILITY." See also **Appendix I** – "THE 2005B LIQUIDITY FACILITY PROVIDER."

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APPENDIX C

Summary of Certain Provisions of the Indenture

The Master Indenture and the Series 2005B 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 B Bonds in a Commercial Paper Mode, a Weekly Mode or a SAVRS Rate Mode, the day (whether or not a Business Day) next preceding each Interest Payment Date, (ii) with respect to 2005 Series B Bonds in the Daily Rate Mode, the last day of each month (whether or not a Business Day) and (iii) with respect to 2005 Series B Bonds in a Term Rate Mode or a Fixed Rate Mode, the fifteenth day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

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

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

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

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

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

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

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

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

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

"State" means the State of Colorado.

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

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

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

Indenture Constitutes a Contract

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

Issuance of Additional Bonds

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

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

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

Issuance of Refunding Bonds

Bonds of one or more Series may be issued to refund Outstanding Bonds of one or more Series only upon the receipt by the Trustee of: (i) items referred to in clauses (a), (b), (c), (d) and (e) of the preceding paragraph, and (ii) certain other instructions to the Trustee. In addition, if the bonds to be refunded are Bonds, there must be deposited with the Trustee (or paying agent or escrow agent, if any) either (A) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment or redemption at the applicable redemption price of the Bonds to be refunded, together with accrued interest on such Bonds to the due date or redemption date, or (B) Defeasance Securities, the principal of and interest on which when due, together with any moneys deposited with the Trustee (or paying agent or escrow agent), will be sufficient to pay when due the applicable principal or Redemption Price of and interest due or to become due on the Bonds to be refunded. Defeasance Securities include any Investment Securities (including direct obligations of or obligations guaranteed by the United States of America) used to effect defeasance of Bonds in accordance with the Master Indenture if upon such defeasance the Bonds so defeased are rated in the highest rating category by each Rating Agency rating such Bonds, and which are not subject to redemption by the issuer thereof prior to maturity.

Derivative Products

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

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

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

Funds Established by the Master Indenture

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

- (a) Program Fund (consisting of the Acquisition Account, the Cost of Issuance Account, the Negative Arbitrage Account and the Loan Recycling Account),
- (b) Revenue Fund,
- (c) Debt Service Reserve Fund,
- (d) Class I Debt Service Fund,
- (e) Class II Debt Service Fund,
- (f) Class III Debt Service Fund,
- (g) Class IV Debt Service Fund,
- (h) Redemption Fund (consisting of the Class I Special Redemption Account, the Class II Special Redemption Account, the Class III Special Redemption Account, and the Class IV Special Redemption Account),
- (i) Rebate Fund, and

(j) Excess Earnings Fund.

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

Allocation of Moneys, Investments and Loans Among Series

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

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

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

Program Fund; Acquisition Account

There is to be deposited into the Related subaccount of the Acquisition Account established within the Program Fund the amount of Bond proceeds specified in each Series Indenture, other moneys specified in each Series Indenture, and any moneys transferred from the Related Cost of Issuance Account, as provided in the Master Indenture. Moneys deposited in the Acquisition Account of the Program Funds are to be applied, upon Authority Request, to finance (i) Loans that satisfy certain conditions of the Indenture, and (ii) Authority Projects.

Moneys may be withdrawn from the Acquisition Account for the financing of a Loan at the direction of the Authority upon receipt by the Trustee of an Authority Request stating the name of the person to be paid and the amount to be paid. Any moneys deposited in the Acquisition Account that the Authority certifies from time to time will not be used to purchase Loans or to finance Authority Projects are to be transferred to the Redemption Fund on the date specified in the Related Series Indenture (or such later date as may be specified by the Authority and certified by the Authority as consistent with the most recently filed Cash Flow Statement and the Related Series Indenture) and applied as provided in the Related Series Indenture. In the event that no Bonds of a particular Series remain Outstanding, moneys,

investments and/or Loans are to be transferred in accordance with the Authority's Request, provided that such request is accompanied by a certification that the requested transfer is consistent with the most recently filed Cash Flow Statement for all Bonds and for any Series to which such retired Series has been linked. In the event that a Loan is financed or refinanced with proceeds of more than one Series of Bonds, provisions of the Indenture relating to a Loan, Loan Repayments, Prepayments, and moneys will be interpreted and applied to relate to such Loan, Loan Repayments, Prepayments and moneys to each Series furnishing proceeds for such Loan in proportion to the respective principal amounts of Bonds of each such Series the proceeds of which were or will be used to finance or refinance such Loan.

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

Program Fund; Cost of Issuance Account

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

Program Fund; Negative Arbitrage Account

Under the Master Indenture, a Series Indenture may establish for the Related Series of Bonds a Series Subaccount of the Negative Arbitrage Account. The Authority may create a separate subaccount of the Negative Arbitrage Account for any Housing Facility or Project financed or refinance in whole or in part with the proceeds of a Series of Bonds or with moneys in the Loan Recycling Account. Moneys in each such subaccount will be subject to the lien and pledge of the Indenture until the withdrawal and application thereof in accordance with the Indenture. The amount to be credited to each subaccount of the Negative Arbitrage Account shall be specified by the Authority in the Related Series Indenture or in an Authority Certificate. Any moneys collected by the Authority from a Borrower to reimburse the Authority for any Authority moneys deposited to the Related subaccount of the Negative Arbitrage Account shall be and remain the property of the Authority, and shall not be subject to the lien and pledge of the Indenture.

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

transferred to the Redemption Fund or the Revenue Fund, pursuant to the Indenture, in an amount specified in an Authority Request.

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

Program Fund; Loan Recycling Account

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

Revenue Fund

The Master Indenture provides that each Series Indenture shall create a subaccount for the related Series of Bonds in the Revenue Fund. All Revenues related to each Series of Bonds, in addition to certain

amounts transferred from the Negative Arbitrage Account, Loan Recycling Account, Debt Service Fund for each Class, Special Redemption Account for each Class, Rebate Fund and Excess Earnings Fund in accordance with the Indenture, are to be deposited in the related Subaccount of the Revenue Fund.

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

Allocation of Moneys in the Revenue Fund

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

(a) Related Subaccounts of Rebate Fund. On each 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 B Bonds. The Loans and Authority Projects are currently in compliance with all applicable Class Asset Requirements.

Class Asset Requirements

Pursuant to the Related Series Indenture, the Class Asset Requirements for each Series of Bonds to be Outstanding under the Master Indenture upon issuance of the 2005 Series B 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**,⁽¹⁾ 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**,⁽²⁾ 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

⁽¹⁾ Not applicable to 2000 Series B Bonds, 2002 Series B Bonds or 2005 Series B Bonds.

⁽²⁾ Not applicable to 2002 Series A Bonds, 2002 Series C Bonds, 2003 Series A Bonds, 2004 Series A Bonds, 2005 Series A Bonds or 2005 Series B 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),⁽³⁾ 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.

⁽³⁾ 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 B Bonds (except as noted):

Asset Coverage Divisors

<u>Loan Type</u>	<u>Asset Coverage Divisor</u>	
	<u>Class I</u>	<u>Class II</u>
Uninsured Loan	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 B-1 Bonds and the 2005 Series B-2 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 B-1 Bonds financing these uninsured loans, and such uninsured loans financed with proceeds of the 2005 Series B-2 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

December 14, 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 B-1
Multi-Family/Project Class I Adjustable Rate Bonds, 2005 Series B-2
Multi-Family/Project Class I Adjustable Rate Bonds, 2005 Series B-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 B-1 (the "2005 Series B-1 Bonds"), Multi-Family/Project Class I Adjustable Rate Bonds, 2005 Series B-2 (the "2005 Series B-2 Bonds") and Multi-Family/Project Class I Adjustable Rate Bonds, 2005 Series B-3 (the "2005 Series B-3 Bonds" and, together with the 2005 Series B-1 Bonds and the 2005 Series B-2 Bonds, the "2005 Series B Bonds") in the aggregate principal amount of \$33,370,000. 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 B 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 B Indenture of Trust dated as of December 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 B-2 Bonds and the 2005 Series B-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 B-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 B-2 Bonds and the 2005 Series B-3 Bonds (except for interest on any 2005 Series B-2 Bond for any period during which it is held by a "substantial user" of facilities financed with the 2005 Series B-2 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 B-2 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 B-3 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 B-1 Bonds is not excluded from gross income for federal income tax purposes. The opinion expressed in this paragraph was not written and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on any taxpayer by the Internal Revenue Service. This writing supports the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

5. The 2005 Series B 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 B Bonds and the Indenture are subject to the application of equitable principles, to the reasonable exercise in the future by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

We understand that the Federal Home Loan Bank of Topeka has delivered a Standby Bond Purchase Agreement with respect to the 2005 Series B Bonds. We express no opinion as to the validity or enforceability of such Standby Bond Purchase Agreement 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 B 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 B Bonds, except those specifically addressed herein.

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

Respectfully submitted,

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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 2005B Loans and 2005B Authority Project

Existing Loans to be Acquired

The Authority expects to acquire certain existing insured and uninsured rental loans and uninsured business loans (which are presently held in the Authority's General Fund) using proceeds of the 2005 Series B 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 Insured Rental Loan

One 2005B Project is expected to be the permanent financing of the acquisition and rehabilitation of the Durango Housing Apartments by Durango Housing Preservation, L.P. The Authority originated an insured loan to Durango Housing Preservation, L.P., on October 6, 2005. This loan which will be acquired as a 2005B Loan, is outstanding in the aggregate principal amount of \$3,700,000. The total project cost is estimated to be \$6,886,985, including approximately \$2.1 million in renovation costs, with the balance expected to be funded with proceeds from the sale of low income housing tax credits, a CHFA HOF Second Mortgage, a seller provided loan, deferred developer fees, and existing reserves.

The Durango Housing Apartments is an existing 97-unit property located in Durango, Colorado that was built in 1971. It consists of 97 units located in ten two- and three-story buildings on approximately 5.2 acres across a scattered site layout. Four of the buildings, which account for 48 units, are located on the north side of Durango, to the north and west of Highway 550. The remaining 49 units are located in six buildings approximately 2.5 miles away in southern Durango, east of Highway 160. The northern site contains the management office, a playground, and a community building with a Neighborhood Network computer learning center. Both the northern and southern sites are served by separate laundry facilities and contain community garden areas. Unit amenities include garbage disposals, ceiling fans, and entry screen doors.

Planned rehabilitation consists of resurfacing the parking lots; upgrading the exterior façade; replacing stairs, the concrete sidewalk, the roof, and windows; and painting the exterior of the structure. Other rehabilitation includes replacing door trim and baseboard molding, kitchen countertops, unit interior doors, bedroom exhaust fans, and kitchen light fixtures in all units; replacing vinyl flooring and carpet in 12 units; painting 31 units; replacing existing ranges and range hoods with energy efficient models in all units; replacing domestic water heaters in 60 units; and replacing kitchen sink faucets, toilets and plumbing hardware in approximately half of the units. The table below identifies the number, type and approximate size of units expected to be offered at Durango Housing Apartments:

Durango Housing Apartments

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
6	Studio	432
8	One bedroom/one bath	517
20	Two bedroom/one bath	676
3	Two bedroom/two bath	760
52	Three bedroom/one bath	864
8	Four bedroom/one bath	1,008

All of the units of the Durango Housing Apartments are federally subsidized under a Section 8 Housing Assistance Payments (HAP) contract, which originally expired in May 2000. The contract was renewed at that time for a four year term, was renewed again in June 2004 for a one-year term, and was renewed in June 2005 for another one-year term. The Borrower expects to continue to renew the HAP contract on an annual basis. HAP funding is subject to annual Congressional appropriations. See **Appendix K**.

The Borrower for the Durango Housing Apartments is Durango Housing Preservation, L.P., a recently-formed entity headed by Morena Partners, LLC, a for-profit affiliate of the property's current management agent, Monfric Realty, Inc. of San Diego, California. The property has been owned by Durango Housing Corporation (DHC), a Durango-based 501(c)(3) tax-exempt organization, since it was built in 1971. Morena Partners, LLC will be the administrative general partner, holding 0.9% of the interests in the Borrower; DHC, LLC, an affiliate of the existing owner of the property, will serve as managing general partner with a 0.1% interest in the Borrower. DHC will help to maintain a local community presence within the property by operating the Neighborhood Network Center. DHC will also provide a \$250,000 cash flow loan to fund a portion of the project.

Morena Partners, LLC is affiliated with Monfric, Inc., a California-based corporation with over 30 years of experience in affordable multifamily housing as owner, developer, and management agent to 38 properties in Arizona, California, Colorado, Montana and Idaho, involving both Section 8 and tax credit restrictions. Monfric Realty, Inc. has served as the property's management agent since 2000 and is continuing to serve in this role. Monfric Realty has experience working with a wide range of HUD insured programs, including rent supplements, Section 236, Section 221(d)(3) and (d)(4), BMIR, new construction Section 8, Section 202, and substantial rehab Section 8 Programs. It currently manages two properties in the Authority's portfolio. Monfric Realty will be the General Contractor for the rehabilitation of the Durango Housing Apartments. The tax credit investor and limited partner in the transaction will be MMA Financial. MMA Financial is the principal operating subsidiary of Municipal Mortgage & Equity, LLC, also known as MuniMae. MuniMae is a financial services company that manages \$8.3 billion of investments in multifamily bonds and tax credits. MMA has a portfolio of over 1,600 properties nationwide.

The following assumptions as to the economic feasibility of the 2005B Project relating to the Durango Housing Apartments have been made in the application to the FHA for Section 542(c) insurance:

Assumptions as to the Durango Housing Apartments

Estimated Annual Project Gross Income at Occupancy of 100%	\$920,432
Estimated Annual Effective Gross Income at Estimated Occupancy of 93%	856,002
Estimated Total Annual Project Expenses (including Administrative, Operating, Service, Maintenance, and Taxes)	506,968
Estimated Annual Net Operating Income	349,034
Annual Mortgage Loan Payment (2005B Loan)	\$266,721

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 B Bonds to acquire as 2005B 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 2005B Loans, which are current in repayment, are listed on the following table:

Existing Uninsured Rental Loans (SMART Program) to be Acquired

(as of December 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>
Durango Housing	Durango	97	\$ 599,800	\$599,800	6.70%	10/6/05	10/1/40	2005B-1
Uptown Broadway	Denver	32	\$1,110,000	\$1,109,016	6.60%	8/25/05	9/1/25	2005B-1
Total			<u>\$1,709,800</u>	<u>\$1,708,816</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 loan expected to be acquired or refinanced as a 2005B Loan, which is current in repayment, is listed on the following table:

Existing Uninsured Business Loan to be Acquired

(as of December 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
High Tech Manufacturing	Direct	Boulder	\$2,449,000	\$2,433,812	6.18%	9/28/05	12/1/25	2005B-1
Auto Repair	Direct	Grand Junction	750,000	750,000	6.33%	10/14/05	11/1/25	2005B-1
Bicycle Retail and Apparel	Direct	Boulder	1,040,000	1,037,979	6.40%	10/27/05	11/1/25	2005B-1
Marketing Services	Direct	Durango	1,105,000	1,105,000	6.65%	10/31/05	11/1/25	2005B-1
Outdoor Specialty Retail	Direct	Ouray	<u>750,000</u>	<u>750,000</u>	6.40%	11/15/05	1/1/26	2005B-1
Total			<u>\$6,094,000</u>	<u>\$6,076,791</u>				

Loans Expected to be Originated

Uninsured Rental Loans

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

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

(as of December 1, 2005)

Borrower/Project	Location	Units	Projected Loan Amount*	Mortgage Rate*	Projected Loan Date*	Maturity	Series for Funding
Linden Pointe	Grand Junction	92	\$2,000,000	6.06%	3/31/06	4/1/22	2005B-1
Mountain View Plaza	Longmont	80	2,570,000	6.25%	6/30/06	7/1/36	2005B-2
Northeast Plaza Apts.	Sterling	47	2,100,000	5.55%	6/30/06	7/1/36	2005B-2
Parkside Apts.	Longmont	50	<u>2,450,000</u>	6.25%	6/30/06	7/1/36	2005B-2
Total			<u>\$9,120,000</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 B Bonds are listed on the following table:

Uninsured Business Loans Expected to be Originated*

(as of December 1, 2005)

Type of Borrower	Program	Location	Projected Loan Amount*	Loan Interest Rate*	Projected Loan Date*	Series for Funding
Restaurant	B&I I	Montrose	\$1,371,047	6.33%	4/30/06	2005B-1
Construction Services	Direct	Avon	1,000,000	6.18%	12/23/05	2005B-1
Manufacturer	Direct	Denver	1,500,000	6.75%	1/11/06	2005B-1
Auto and Tire Repair	Direct	Durango	1,000,000	6.40%	2/28/06	2005B-1
Veterinary Clinic	Direct	Eagle	727,912	6.40%	2/22/06	2005B-1
Real Estate Brokerage	Direct	Telluride	<u>1,148,000</u>	7.08%	2/9/06	2005B-1
Total			<u>\$6,746,959</u>			

*Subject to change

2005B Authority Project

The 2005B Authority Project is expected to involve the refinancing of Mountain Terrace Apartments currently owned by the Authority. The amount of proceeds to be used for the 2005B Authority Project is expected to be approximately \$6,000,000.

Mountain Terrace Apartments is composed of 152 units in twenty-four buildings in the City of Westminster, Colorado. Unit amenities include a patio or balcony, ample storage, air conditioning, and all major appliances, including dishwashers and disposals. Project amenities include a large community building including the leasing office, community room, and business/computer room; laundry facilities; and children's play areas. The table below identifies the number and types of units offered at Mountain Terrace 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>
2	Studio/one bath	364
32	One bedroom/one bath	658
98	Two bedrooms/one bath	846
20	Three bedrooms/two bath	1,076

Rocky Mountain Mutual Housing Authority, Inc. ("RMMHA") handles the management of the property. RMMHA manages a portfolio of nine properties located in Colorado and Utah with a staff of approximately 50 employees. Sixty-six percent of the units are currently made available to low-income households at or below 80% of the Area Median Income.

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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 September 30, 2005, certain information about the Outstanding Loans and Authority Projects. As of September 30, 2005, the Trust Estate included insured rental loans outstanding in the aggregate principal amount of \$230,170,692; uninsured rental loans outstanding in the aggregate principal amount of \$49,608,866; uninsured business loans outstanding in the aggregate principal amount of \$105,780,072; 31 Participation Interests outstanding with an average principal amount of \$381,726; and 14 Authority Projects with an aggregate value of \$20,353,449.

For purposes of this chart, the abbreviations set forth below have the following respective meanings:

BF B&I I BUSINESS:	Business & Industry I Program
BF B&I II BUSINESS:	Business & Industry II Program
BF EDF:	Business Finance – Economic Development Fund
BF CHFA DIRECT:	Business Finance CHFA Direct Loan Program
BF CHFA RURAL:	Business Finance CHFA Rural Program
BF NON PROFIT:	Business Finance Non-Profit Real Estate Loan Program
BF QAL:	Business Finance Quality Agriculture Loan Program
BF QIC:	Business Finance Quality Investment Capital Program
BF SBA 504:	Business Finance Small Business Administration 504 Program
CHFA NOTE:	Authority Business Need
HOF CHFA:	Housing Opportunity Fund
HOF FAF:	Financing Adjustment Factor
RAP:	Rental Acquisition Program
SMART TAX EXEMPT:	Small Affordable Rental Transactions Program Tax-Exempt Borrower
SMART TAXABLE:	Small Affordable Rental Transactions Program Taxable Borrower
RF 501(C)3:	Rental Finance 501(c)3 Borrower
SPEC NEED:	Loans made under special circumstances

See Part II – "COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date" for further information.

**Colorado Housing and Finance Authority
Loan Portfolio Report
As of 09/30/2005**

**Multi-Family/Project Bonds
2000 SERIES A, 2000 SERIES B, 2001 SERIES A, 2002 SERIES A, 2002 SERIES B, 2002 SERIES C, 2003 A, 2004 A, and 2005 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	134,517.00	03/01/2017	987.04	RF 501(C)3	12/01/2005	88,079.52
M00A	MADISON	621,000.00	12/01/2021	3,340.20	RF 501(C)3	10/01/2005	394,958.68
M00A	CT	855,300.00	06/01/2020	5,192.68	221(D)3	10/01/2005	572,216.17
M00A	ALLISON	1,236,100.00	09/01/2020	7,681.51	221(D)4	10/01/2005	854,971.95
M00A	SUNNYSIDE	938,500.00	12/01/2018	6,562.13	221(D)4	10/01/2005	659,760.70
M00A	VILLAGE	211,404.00	04/01/2022	1,551.21	RAP	10/01/2005	170,628.35
M00A	W.H.E.R.E	700,000.00	01/01/2020	5,014.89	RF 501(C)3	11/01/2005	580,572.01
M00A	RIDGE	1,556,700.00	10/04/2021	5,836.32	RAP	10/04/2005	632,550.36
M00A	SANDOE	250,000.00	11/01/2019	911.37	RF 501(C)3	10/01/2005	103,568.02
M00A	HOTEL	525,000.00	09/01/2034	2,580.62	RF 501(C)3	10/01/2005	403,718.52
M00A	LOUISIANA	332,600.00	07/01/2023	2,411.58	RF 501(C)3	10/01/2005	276,840.61
M00A	HERITAGE	177,100.00	07/01/2023	1,284.10	RF 501(C)3	10/01/2005	147,409.11
M00A	MADISON	114,842.00	12/01/2021	755.14	RF 501(C)3	10/01/2005	89,342.12
M00A	RANCH	150,000.00	02/01/2022	1,100.65	RF 501(C)3	11/01/2005	107,491.72
M00A	PLACE	769,144.00	04/01/2022	5,576.83	RF 501(C)3	10/01/2005	618,590.18
M00A	VERDE	1,143,429.00	10/01/2023	8,290.66	RAP	11/01/2005	955,743.52
M00A	PK	2,153,185.00	05/01/2022	12,412.66	RF 501(C)3	10/01/2005	1,550,705.14
M00A	SAXONY	272,735.00	07/01/2022	1,764.74	RF 501(C)3	10/01/2005	209,469.03
M00A	COURTYARD	207,955.00	09/01/2022	1,489.81	RF 501(C)3	10/01/2005	168,642.82
M00A	BELMONT	712,500.00	09/01/2022	4,616.91	RF 501(C)3	10/01/2005	569,201.64
M00A	MESA	1,077,751.00	03/01/2023	7,814.44	RF 501(C)3	11/01/2005	887,289.14
M00A	TOWNHOUSE	153,000.00	11/01/2023	1,122.66	RF 501(C)3	11/01/2005	128,417.49
M00A	HILLS	3,287,357.00	11/01/2023	21,398.91	RF 501(C)3	10/01/2005	2,733,781.48
M00A	RIDGE	1,542,396.00	03/01/2022	11,527.21	RAP	10/01/2005	1,265,155.39
M00A	TREE	734,970.00	07/01/2022	1,739.66	RAP	09/01/2005	193,222.94
M00A	TREE	194,478.00	11/01/2022	1,427.01	RAP	10/01/2005	64,769.61
M00A	PLACE	142,797.00	12/01/2022	1,047.80	RAP	10/01/2005	117,448.17
M00A	SHADOWWOOD	220,899.00	07/01/2022	1,620.88	RAP	11/01/2005	179,185.42
M00A	GL	247,475.00	06/01/2021	1,794.37	RAP	10/01/2005	193,971.65
M00A	BETWEEN	203,000.00	12/01/2024	1,489.54	RF 501(C)3	10/01/2005	175,286.98
M00A	SANDOE	90,000.00	01/01/2025	660.39	RF 501(C)3	10/01/2005	77,854.13
M00A	SMOKEYTRAIL	900,000.00	02/01/2030	5,908.21	RAP	11/01/2005	808,412.68
M00A	SANDOE	407,776.00	08/01/2025	2,935.46	RF 501(C)3	10/01/2005	355,609.36
M00A	ANIMAS	159,000.00	04/01/2027	1,017.28	RF 501(C)3	10/01/2005	141,452.05
M00A	CITY OF STERLING	522,000.00	09/01/2026	3,036.76	RF 501(C)3	10/01/2005	469,612.18
M00A	STREET COMPUTERS	4,084,592.00	02/01/2017	34,394.64	CHFA NOTE	02/01/2006	3,062,754.33
M00A	48	1,844,689.00	12/01/2039	10,538.12	221(D)4	10/01/2005	1,773,360.82
M00A	RIDGE ASSOCIATES	407,070.00	04/01/2039	2,354.28	221(D)4	10/01/2005	389,562.48

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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>
M00A	PEAK	225,000.00	03/01/2029	1,496.93	SMART TAX EXEMPT	10/01/2005	205,452.26
M00A	BLUESKY ENTERPRISES	190,000.00	02/01/2029	1,194.69	SMART TAX EXEMPT	02/01/2006	129,360.22
M00A	STREET BUILDING	400,000.00	11/01/2021	17,680.74	CHFA NOTE	11/01/2005	320,863.75
M00A	RIDGE	1,344,740.00	08/01/2039	8,307.84	542(C)	10/01/2005	1,297,701.38
M00A	PARTNERS	1,000,000.00	06/01/2030	6,452.78	SMART TAX EXEMPT	03/01/2005	955,660.80
M00A	MANOR	3,550,000.00	07/01/2030	23,618.24	542(C)	10/01/2005	3,333,396.88
M00A	AT LAKEWOOD	834,925.00	03/01/2040	5,037.58	542(C)	10/01/2005	808,948.66
M00A	OFFICE	175,000.00	10/01/2030	1,135.05	SMART TAX EXEMPT	10/01/2005	164,492.10
M00A	NEIGHBORHOOD HOUSING	175,000.00	11/01/2032	1,158.41	SMART TAXABLE	10/01/2005	169,573.36
M00A	HOA	250,000.00	07/01/2032	1,580.17	SMART TAXABLE	09/01/2005	240,768.61
M00A Total							29,797,824.49
M00B	CROSSING III	11,330,000.00	11/01/2042	65,894.58	542(C)	10/01/2005	11,163,345.43
M00B	GARDENS LLC	2,420,000.00	03/01/2031	15,253.55	542(C)	10/01/2005	2,297,208.72
M00B	COLLINS FM	10,008,500.00	03/01/2043	61,832.80	542(C)	10/01/2005	9,882,202.98
M00B	COLUMBINE	4,313,000.00	12/01/2030	28,984.74	542(C)	10/01/2005	4,078,845.50
M00B	RUN APARTMENTS	3,409,175.00	07/01/2043	19,596.08	542(C)	10/01/2005	3,365,930.13
M00B Total							30,787,532.76
M01A AMT	MARTINIQUE	460,000.00	05/01/2026	3,247.94	RF 501(C)3	10/01/2005	405,119.42
M01A AMT	VILLAGE MHA LTD	4,200,000.00	06/01/2031	27,241.12	542(C)	10/01/2005	3,987,091.06
M01A AMT	COALITION FOR	1,294,650.00	03/01/2026	9,142.06	BF EDF	10/01/2005	1,193,414.61
M01A AMT	PARTNERSHIP INC	700,000.00	04/01/2031	4,355.65	SMART TAX EXEMPT	10/01/2005	660,263.71
M01A AMT	EAST HOUSING	7,475,000.00	01/01/2044	45,801.89	542(C)	10/01/2005	7,412,774.05
M01A AMT	MANAGEMENT CO	1,621,000.00	06/01/2031	10,513.78	542(C)	10/01/2005	1,540,674.52
M01A AMT	OF AMERICA	660,000.00	09/01/2021	5,316.92	BF EDF	10/01/2005	593,125.20
M01A AMT	RIDGE TOWNHOMES	6,750,000.00	01/01/2044	40,969.67	542(C)	10/01/2005	6,692,041.37
M01A AMT	PARTNERSHIP INC	924,000.00	09/01/2031	6,023.79	SMART TAXABLE	10/01/2005	880,683.70
M01A AMT	STREET BLDG-2	1,595,920.00	11/01/2022	71,861.01	CHFA NOTE	11/01/2005	1,441,490.56
M01A AMT	RUN APARTMENTS	132,825.00	07/01/2043	763.48	542(C)	10/01/2005	131,140.14
M01A AMT Total							24,937,818.34
M02A AMT	MEADOWS ASSOCIATED	2,614,000.00	05/01/2043	15,397.05	542(C)	10/01/2005	2,579,945.49
M02A AMT	LIMITED PARTNERSHIP	2,112,800.00	07/01/2032	13,773.88	542(C)	09/01/2005	2,038,858.19
M02A AMT	MANOR LLP	5,480,000.00	06/01/2032	32,919.67	542(C)	10/01/2005	5,255,989.81
M02A AMT	LIMITED PARTNERSHIP	360,000.00	04/01/2013	3,960.15	SMART TAXABLE	09/01/2005	282,315.90
M02A AMT	PHASE II	5,650,000.00	06/01/2043	33,078.31	542(C)	11/01/2005	5,575,412.19
M02A AMT	RIDGE SOUTH APTS LLP	4,126,000.00	08/01/2044	23,716.41	221(D)4	10/01/2005	4,098,599.25
M02A AMT Total							19,831,120.83

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M02A - NON AMT	PARK	1,576,300.00	08/01/2018	10,373.18	221(D)3	10/01/2005	1,027,859.57
M02A - NON AMT	I	1,225,300.00	06/01/2017	7,837.90	221(D)4	10/01/2005	742,437.53
M02A - NON AMT	MARCELLA	4,442,900.00	08/01/2019	28,419.99	221(D)4	10/01/2005	2,865,869.70
M02A - NON AMT	COUNTRY	608,900.00	10/01/2019	4,007.00	221(D)4	01/01/2005	54,485.12
M02A - NON AMT	SILVERLEAF	1,429,500.00	08/01/2018	9,144.11	221(D)3	10/01/2005	889,143.66
M02A - NON AMT	NIBLOCK	260,138.00	10/01/2026	1,653.50	221(D)4	10/01/2005	222,565.63
M02A - NON AMT	HANIGAN	445,200.00	11/01/2019	2,938.80	221(D)4	09/01/2005	332,210.09
M02A - NON AMT	A.C.C.E.S.S	222,963.00	11/01/2019	1,630.00	221(D)3	10/01/2005	160,804.15
M02A - NON AMT	TANGLEWOOD	3,024,980.00	04/01/2028	20,938.18	RAP	10/01/2005	2,675,598.00
M02A - NON AMT	PARTNERSHIP	370,006.00	04/01/2019	1,890.18	SMART TAXABLE	10/01/2005	327,571.29
M02A - NON AMT	RURAL	286,000.00	12/01/2030	1,854.99	SMART TAXABLE	10/01/2005	269,507.32
M02A - NON AMT	CITY OF STERLING	893,000.00	04/01/2031	5,556.56	SMART TAXABLE	10/01/2005	842,308.10
M02A - NON AMT	CENTER	250,000.00	08/01/2031	1,580.17	SMART TAXABLE	10/01/2005	237,356.05
M02A - NON AMT	COUNTY SENIOR	256,300.00	02/01/2032	1,603.17	SMART TAXABLE	11/01/2005	244,545.79
M02A - NON AMT Total							10,892,262.00
AHPC/URBAN	HOUSING PRESERVATION	58,500,000.00	07/01/2003	-	SPEC NEED	11/01/2005	8,621,762.11
AHPC/URBAN Total							8,621,762.11
MF02C AMT	APTS LLC	4,200,000.00	01/01/2038	25,230.40	542(C)	11/01/2005	4,104,399.81
MF02C AMT	LLL	16,210,000.00	09/01/2032	99,084.43	542(C)	09/01/2005	15,662,523.40
MF02C AMT	CLUB APARTMENTS	4,903,825.00	01/01/2035	33,452.73	542(C)	10/01/2005	4,872,566.36
MF02C AMT	FOUNTAIN SPRINGS	15,587,500.00	02/01/2044	88,496.41	221(D)4	10/01/2005	15,433,803.15
MF02C AMT	SOUTHGATE PARTNERS	2,841,000.00	01/01/2033	18,050.57	542(C)	10/01/2005	2,752,332.56
MF02C AMT	VILLAGE ASSOCIATES L	4,700,000.00	10/01/2033	29,398.78	542(C)	10/01/2005	4,594,291.70
MF02C AMT	HOUSING LP	2,475,000.00	01/01/2034	14,838.88	542(C)	10/01/2005	2,423,309.96
MF02C AMT	HOUSING LP	3,050,000.00	01/01/2034	18,286.29	542(C)	10/01/2005	2,986,301.32
MF02C AMT	HOUSING LP	815,000.00	01/01/2034	4,886.34	542(C)	10/01/2005	797,978.78
MF02C AMT	HOUSING LP	2,200,000.00	12/01/2033	13,190.11	542(C)	10/01/2005	2,151,633.61
MF02C AMT	HOUSING LP	10,200,000.00	07/01/2033	61,154.15	542(C)	10/01/2005	9,918,812.15
MF02C AMT	HOUSING LP	1,860,000.00	10/01/2033	11,151.64	542(C)	10/01/2005	1,814,985.89
MF02C AMT	HOUSING LP	12,691,300.00	09/01/2033	76,090.76	542(C)	10/01/2005	12,369,986.07
MF02C AMT	HOUSING LP	2,606,000.00	01/01/2034	15,624.29	542(C)	10/01/2005	2,551,574.08
MF02C AMT	HOUSING LP	3,175,000.00	10/01/2033	19,035.73	542(C)	10/01/2005	3,098,161.37
MF02C AMT	HOUSING A MAINE LTD	1,596,100.00	07/01/2033	9,569.43	542(C)	10/01/2005	1,552,099.50
MF02C AMT	HOUSING LP	2,700,000.00	11/01/2033	16,187.86	542(C)	10/01/2005	2,637,656.63
MF02C AMT	HOUSING LP	3,400,000.00	01/01/2034	20,384.72	542(C)	10/01/2005	3,328,991.59
MF02C AMT	HOUSING LP	2,070,000.00	10/01/2033	12,410.70	542(C)	10/01/2005	2,022,203.24
MF02C AMT	HOUSING LP	2,036,000.00	12/01/2033	12,206.85	542(C)	10/01/2005	1,991,239.04
MF02C AMT	HOUSING LP	1,140,000.00	01/01/2034	6,834.88	542(C)	10/01/2005	1,116,191.21

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MF02C AMT	HOUSING LP	3,408,000.00	10/01/2033	20,432.68	542(C)	09/01/2005	3,329,308.73
MF02C AMT	HOUSING LTD	2,040,000.00	09/01/2033	12,230.83	542(C)	10/01/2005	1,988,363.34
MF02C AMT	HOUSING LP	462,500.00	01/01/2006	6,077.91	HOF FAF	10/01/2005	383,505.04
MF02C AMT	HOUSING LP	765,000.00	01/01/2009	14,789.59	HOF FAF	10/01/2005	534,972.60
MF02C AMT	SENIOR I LP	3,701,159.00	06/01/2045	21,405.56	542(C)	10/01/2005	3,696,134.15
MF02C AMT	POINT INVESTMENT GRO	2,300,000.00	01/01/2034	13,789.66	542(C)	10/01/2005	2,251,964.95
MF02C AMT	RIDGE PARTNERS LLC	3,942,000.00	04/01/2044	22,658.77	542(C)	10/01/2005	3,910,087.10
MF02C AMT	HOUSING LP	586,000.00	01/01/2012	6,354.13	HOF CHFA	10/01/2005	467,750.65
MF02C AMT Total							114,743,127.98
MF02C NON AMT	VETERINARY	772,400.00	05/01/2022	6,217.68	BF SBA 504	10/01/2005	707,991.65
MF02C NON AMT	PROPERTIES LLC	571,500.00	02/01/2023	4,342.08	BF SBA 504	10/01/2005	533,279.23
MF02C NON AMT	LE VALLEY	498,750.00	11/30/2031	39,703.70	BF QAL	11/30/2005	459,894.76
MF02C NON AMT	VALLEY HOSPITAL	806,495.00	02/15/2027	5,779.25	BF B&I II BUSINESS	11/15/2005	755,732.61
MF02C NON AMT	COUNTY HOUSING	218,100.00	09/01/2033	1,378.54	SMART TAX EXEMPT	11/01/2005	212,836.77
MF02C NON AMT	COMPANY	581,100.00	12/01/2032	3,769.00	SMART TAXABLE	10/01/2005	563,013.62
MF02C NON AMT	HOTEL APTS	504,200.00	12/01/2032	3,120.86	SMART TAX EXEMPT	10/01/2005	487,176.72
MF02C NON AMT	ZETA	5,650,000.00	05/01/2034	34,421.39	542(C)	10/01/2005	5,610,323.70
MF02C NON AMT	ZETA	1,249,000.00	04/01/2019	10,546.00	542(C)	09/01/2005	1,140,850.10
MF02C NON AMT	COMMUNITY FOUNDATION	1,310,000.00	06/01/2039	7,469.49	RF 501(C)3	10/01/2005	1,301,557.13
MF02C NON AMT	HOUSING LP	360,000.00	12/01/2007	6,959.81	HOF CHFA	10/01/2005	246,050.71
MF02C NON AMT	HOUSING LP	105,000.00	11/01/2008	2,029.94	HOF CHFA	10/01/2005	70,093.76
MF02C NON AMT	HOUSING LP	25,000.00	01/01/2009	483.32	HOF CHFA	10/01/2005	17,482.76
MF02C NON AMT	HOUSING LP	113,000.00	12/01/2008	2,184.61	HOF CHFA	10/01/2005	77,232.50
MF02C NON AMT Total							12,183,516.02
MF03A	HYLAND PARK	9,354,400.00	03/01/2028	62,404.43	RAP	10/01/2005	8,207,078.04
MF03A	APARTMENTS	3,248,400.00	04/01/2028	18,328.08	223(F)	10/01/2005	2,834,131.69
MF03A	TANGLEWOOD	375,020.00	04/01/2028	2,595.80	RAP	10/01/2005	331,705.58
MF03A	HOUSING	257,000.00	09/01/2021	1,731.68	BF EDF	10/01/2005	212,743.66
MF03A	NEUGER	99,000.00	11/01/2016	859.15	BF EDF	10/01/2005	74,185.57
MF03A	INC	628,000.00	02/01/2019	3,078.07	BF EDF	10/01/2005	315,951.77
MF03A	AND HEALTH CARE	380,470.00	12/01/2018	3,182.40	BF EDF	11/01/2005	310,287.34
MF03A	EMPOWERMENT	272,500.00	08/01/2019	2,195.24	BF EDF	11/01/2005	225,643.75
MF03A	BEYE-LOTZ	392,000.00	09/01/2020	2,989.62	BF EDF	11/01/2005	340,930.77
MF03A	MANDERLEY	250,000.00	07/15/2020	2,209.28	BF SBA 504	11/15/2005	217,743.53
MF03A	SILVERTON RR	126,000.00	01/01/2013	1,103.17	BF EDF	10/01/2005	29,797.22
MF03A	KIMBLE LLC	519,750.00	04/01/2021	3,801.40	BF SBA 504	10/01/2005	461,108.47
MF03A	AND HEALTH CARE	168,300.00	03/01/2021	1,459.48	BF EDF	11/01/2005	150,306.77
MF03A	STATE PAVING	140,000.00	07/01/2021	1,214.07	BF SBA 504	10/01/2005	126,475.79
MF03A	SCHULZ	259,000.00	08/01/2022	2,246.02	BF SBA 504	10/01/2005	241,577.12

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MF03A	LLC	178,500.00	07/01/2021	1,422.88	BF SBA 504	10/01/2005	160,335.94
MF03A	GOSHERN	100,000.00	11/01/2021	836.44	BF SBA 504	09/01/2005	91,124.67
MF03A	OF NORTHERN COLORADO	399,000.00	07/01/2026	2,772.36	BF EDF	11/01/2005	367,672.41
MF03A	JONES	100,000.00	10/01/2021	835.82	BF SBA 504	10/01/2005	90,656.95
MF03A	CRANE	79,000.00	01/01/2022	635.94	BF SBA 504	10/01/2005	71,692.42
MF03A	DEVLIN	183,500.00	06/01/2021	1,178.01	SMART TAXABLE	10/01/2005	170,699.30
MF03A	HOTEL & LODGING	410,500.00	09/01/2026	3,033.56	BF EDF	10/01/2005	384,319.10
MF03A	STAVELY	215,010.00	03/01/2026	19,372.24	BF QAL	03/01/2006	142,100.57
MF03A	HOUSING ASSIST CORP	250,000.00	09/01/2021	1,882.93	BF EDF	11/01/2005	223,885.97
MF03A	THOMPSON II	251,421.00	07/26/2031	22,033.83	BF QAL	07/26/2006	241,360.92
MF03A	UP CORP	382,579.00	08/02/2031	3,150.00	BF QIC	09/02/2005	233,391.11
MF03A	RICHIE	196,843.00	07/01/2016	1,876.38	BF QAL	11/01/2006	163,094.45
MF03A	INN MOTEL	617,320.00	08/07/2026	6,116.00	BF QIC	09/07/2005	579,191.37
MF03A	FRANEK	154,500.00	04/10/2017	1,421.87	BF QIC	09/10/2005	120,578.68
MF03A	SCHLAGER	259,020.00	03/01/2031	21,237.95	BF QAL	03/01/2007	237,576.69
MF03A	MEADOWS AFFORDABLE	1,860,000.00	05/01/2032	11,879.05	SMART TAXABLE	10/01/2005	1,785,310.94
MF03A	GARD	99,450.00	02/01/2022	786.03	BF SBA 504	10/01/2005	85,655.10
MF03A	HINKLE	190,000.00	02/01/2022	1,238.66	SMART TAXABLE	10/01/2005	182,319.12
MF03A	TATE	209,700.00	03/01/2026	16,742.96	BF QAL	03/01/2006	185,988.77
MF03A	HAMACHER	284,400.00	02/01/2027	24,758.96	BF QAL	02/01/2006	273,777.65
MF03A	AUTO PARTS INC	524,089.00	03/05/2027	3,673.52	BF QIC	10/05/2005	496,486.77
MF03A	PERDUE	75,960.00	03/01/2022	7,268.73	BF QAL	03/01/2007	67,659.60
MF03A	FORK COMPUTER SOCIET	225,225.00	03/01/2023	1,744.82	BF EDF	10/01/2005	211,079.56
MF03A	RUBBER COMPANY	846,000.00	01/01/2023	6,307.55	BF EDF	10/01/2005	785,539.60
MF03A	MOUNTAIN SCHOOL OF A	6,900,000.00	01/01/2029	50,319.08	BF SBA 504	10/01/2005	6,727,548.72
MF03A	GRIFFIN	175,500.00	01/15/2023	19,225.40	BF QAL	01/15/2007	162,633.75
MF03A	AMERICAN RESEARCH	96,287.00	05/01/2028	664.65	BF EDF	11/01/2005	92,398.50
MF03A	INDUSTRIES INC	1,000,000.00	06/01/2033	5,995.51	BF EDF	10/01/2005	970,440.68
MF03A	SIRCY	144,450.00	01/15/2023	15,595.85	BF QAL	01/15/2006	130,677.03
MF03A	FULLMER	200,000.00	05/01/2023	1,432.86	BF EDF	10/01/2005	186,961.23
MF03A	ENTERPRISES LLC	584,551.00	12/05/2031	3,662.86	BF B&I II BUSINESS	11/05/2005	565,272.92
MF03A	MARTIN	540,242.00	07/18/2031	3,445.64	BF B&I II BUSINESS	10/18/2005	521,161.91
MF03A	PARK COURT LLC	315,000.00	07/01/2023	2,346.70	BF EDF	10/01/2005	297,099.24
MF03A	AKERS	180,000.00	02/20/2028	14,526.97	BF QAL	02/20/2006	173,921.97
MF03A	ENTERPRISES LLC	788,384.00	03/24/2023	5,950.60	BF B&I II BUSINESS	09/24/2005	739,800.19
MF03A	FINDLEY	195,300.00	01/01/2011	34,699.58	BF QAL	01/01/2005	190,870.48
MF03A	FINDLEY	351,000.00	01/01/2023	30,689.56	BF QAL	01/01/2006	351,000.00
MF03A	SAYLES	225,000.00	01/15/2018	25,064.60	BF QAL	01/15/2006	199,706.11

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**Multi-Family/Project Bonds
2000 SERIES A, 2000 SERIES B, 2001 SERIES A, 2002 SERIES A, 2002 SERIES B, 2002 SERIES C, 2003 A, 2004 A, and 2005 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>
MF03A	SIRCY	225,000.00	01/15/2024	24,274.80	BF QAL	01/15/2006	203,146.39
MF03A	BRACHTENBACH	90,000.00	01/15/2010	12,780.00	BF QAL	01/15/2006	74,790.86
MF03A	LEONARD	324,000.00	12/31/2022	28,252.58	BF QAL	12/31/2005	299,945.37
MF03A	HOLDINGS LLC	3,535,000.00	12/01/2023	26,356.01	BF SBA 504	10/01/2005	3,375,142.59
MF03A	HOLDINGS LLC	826,000.00	04/01/2024	6,158.43	BF SBA 504	10/01/2005	796,092.53
MF03A	KNOTT	450,000.00	05/23/2033	33,716.49	BF QAL	05/23/2006	438,122.97
MF03A	MCARTHUR	540,000.00	03/15/2028	43,686.00	BF QAL	03/15/2006	518,413.98
MF03A	COMPANY LLC	684,000.00	08/01/2033	4,122.94	SMART TAXABLE	10/01/2005	666,064.15
MF03A	HOUSING PRESERVATION	1,200,000.00	02/01/2009	8,597.17	BF EDF	10/01/2005	1,148,368.98
MF03A Total							40,260,745.28
MF04A	COOPER'S	182,700.00	11/01/2016	1,545.42	BF SBA 504	10/01/2005	138,298.30
MF04A	DURO	1,107,720.00	01/01/2017	9,966.44	BF SBA 504	10/01/2005	847,852.80
MF04A	CO	234,000.00	07/01/2017	2,165.93	BF SBA 504	10/01/2005	185,195.33
MF04A	96TH STREET	355,500.00	08/01/2017	3,124.57	BF SBA 504	10/01/2005	281,824.04
MF04A	INC	232,335.00	10/01/2017	2,127.88	BF SBA 504	10/01/2005	185,385.19
MF04A	CHILD REUNION	95,670.00	12/01/2017	721.42	BF SBA 504	09/01/2005	73,465.69
MF04A	CREEKS RESIDENCES	935,000.00	01/01/2035	5,909.84	SMART TAX EXEMPT	10/01/2005	928,108.35
MF04A	ZAPIEN DDS INC	181,900.00	06/01/2022	1,443.62	BF SBA 504	10/01/2005	166,870.03
MF04A	O'TOOLE	1,190,000.00	02/01/2022	9,477.71	BF CHFA DIRECT	10/01/2005	1,082,689.24
MF04A	ANDERSON	700,000.00	05/01/2022	5,532.63	BF CHFA DIRECT	10/01/2005	641,221.40
MF04A	CONTAINMENT SYSTEMS	1,000,000.00	01/28/2023	7,604.00	BF CHFA DIRECT	09/28/2005	935,159.95
MF04A	RESOURCE CENTER	1,207,500.00	12/01/2022	9,624.43	BF EDF	10/01/2005	1,124,870.55
MF04A	SCHRAGE	1,700,000.00	03/01/2018	15,137.87	BF CHFA DIRECT	10/01/2005	1,522,706.10
MF04A	HOLDINGS LLC	2,976,546.00	06/01/2024	23,059.27	BF SBA 504	10/01/2005	2,887,143.74
MF04A	TRI CITY ETC LLC	2,879,500.00	10/01/2024	21,980.36	BF SBA 504	10/01/2005	2,815,409.52
MF04A	CANDIES SINCE 1920	280,000.00	05/01/2012	6,222.19	BF CHFA DIRECT	10/01/2005	404,339.58
MF04A	GROUP PROPERTIES LLC	396,000.00	03/01/2024	2,894.48	BF CHFA DIRECT	10/01/2005	380,342.60
MF04A	PARK PROFESSIONAL	527,295.00	09/01/2024	4,037.62	BF SBA 504	10/01/2005	514,514.80
MF04A	SPRINGS INN & SUITES	1,650,000.00	05/20/2028	10,823.43	BF B&I II BUSINESS	11/20/2005	1,256,071.91
MF04A	SHERMAN MD	450,000.00	10/01/2023	3,141.42	BF EDF	09/01/2005	426,607.16
MF04A	AND CONSUMER FOUND	1,125,000.00	02/01/2029	7,951.27	BF NON PROFIT	10/01/2005	1,097,181.18
MF04A	AGENCY INC	487,296.00	12/01/2023	3,822.00	BF CHFA DIRECT	10/01/2005	466,813.02
MF04A	HOUSING AUTHORITY	528,100.00	11/01/2033	3,081.85	SMART TAX EXEMPT	10/01/2005	514,159.79
MF04A	PEARL LLC	182,695.00	02/01/2024	1,429.62	BF CHFA DIRECT	10/01/2005	175,765.29
MF04A	INC	199,295.00	03/01/2024	1,522.48	BF CHFA DIRECT	10/01/2005	191,897.93
MF04A	PLAZA INVESTMENT	1,170,000.00	11/01/2034	7,165.89	542(C)	10/01/2005	1,158,413.32
MF04A	HOUSING AUTHORITY	452,800.00	12/01/2033	2,642.42	SMART TAX EXEMPT	11/01/2005	441,859.06
MF04A	SENIOR I LP	5,776,841.00	06/01/2045	33,410.22	542(C)	10/01/2005	5,768,998.12
MF04A	COUNTY HOUSING AUTHO	1,100,000.00	01/01/2034	6,772.89	SMART TAX EXEMPT	10/01/2005	1,078,059.66

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**Multi-Family/Project Bonds
2000 SERIES A, 2000 SERIES B, 2001 SERIES A, 2002 SERIES A, 2002 SERIES B, 2002 SERIES C, 2003 A, 2004 A, and 2005 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>
MF04A	COMMUNITY CENTERS	6,200,000.00	12/01/2023	45,137.05	BF NON PROFIT	10/01/2005	5,939,106.24
MF04A	PROPERTIES LLC	375,000.00	06/01/2024	2,842.45	BF SBA 504	10/01/2005	363,367.85
MF04A	ARK INC	3,200,000.00	10/01/2029	22,109.17	BF NON PROFIT	10/01/2005	3,153,506.17
MF04A	ASSOCIATES RLLLP	651,600.00	03/01/2034	4,054.49	SMART TAXABLE	10/01/2005	639,968.60
MF04A	HOUSING AUTHORITY	676,700.00	03/01/2034	3,949.04	SMART TAX EXEMPT	11/01/2005	662,680.91
MF04A	SILVERTON	16,500,000.00	12/01/2024	129,414.16	BF B&I I BUSINESS	10/01/2005	16,213,320.12
MF04A	LLC	476,000.00	06/01/2024	3,639.17	BF CHFA DIRECT	10/01/2005	461,420.16
MF04A	PLAINS HOTEL INC	248,500.00	07/01/2024	1,639.99	BF CHFA RURAL	09/01/2005	240,441.04
MF04A	SITES HOLDINGS LLC	902,140.00	03/01/2025	6,620.31	BF CHFA DIRECT	11/01/2005	887,737.51
MF04A	ROAD REDEVELOPMENT	1,264,000.00	10/01/2024	7,906.39	SMART TAXABLE	10/01/2005	1,250,837.09
MF04A	ROAD REDEVELOPMENT	2,173,000.00	10/01/2024	13,592.24	SMART TAXABLE	10/01/2005	2,150,370.99
MF04A	HOUSING CORP	1,229,900.00	05/01/2034	7,413.45	SMART TAX EXEMPT	10/01/2005	1,209,745.52
MF04A	CURVE LLC	2,182,500.00	06/25/2024	12,689.39	BF B&I II BUSINESS	10/25/2005	1,688,958.24
MF04A	ELLIOTT	107,420.00	02/01/2011	19,235.84	BF QAL	02/01/2006	90,296.84
MF04A	ELLIOTT	313,580.00	02/01/2026	26,018.79	BF QAL	02/01/2006	271,885.69
MF04A	RANGE REGIONAL	900,000.00	06/01/2024	6,657.28	BF NON PROFIT	10/01/2005	871,076.28
MF04A	LLC	147,050.00	12/01/2024	1,088.59	BF CHFA DIRECT	10/01/2005	144,263.11
MF04A	INVESTMENT PROPRTIE	328,882.00	12/01/2024	2,597.41	BF CHFA DIRECT	10/01/2005	323,228.53
MF04A	HOLDINGS OF STEAMBOA	394,000.00	12/01/2024	2,872.97	BF CHFA DIRECT	10/01/2005	386,366.46
MF04A	NORTH LLC & HERON 25	251,416.00	11/01/2024	1,991.70	BF CHFA DIRECT	10/01/2005	246,622.15
MF04A	BUYERS GROUP LLC	646,000.00	11/01/2024	5,082.37	BF CHFA DIRECT	10/01/2005	633,550.47
MF04A	BUSTILLOS	262,000.00	01/01/2025	2,061.27	BF CHFA DIRECT	10/01/2005	257,984.93
MF04A	COMPANY	432,000.00	11/01/2024	3,530.52	BF CHFA DIRECT	10/01/2005	424,155.23
MF04A	LLC	430,000.00	12/01/2024	3,448.29	BF CHFA DIRECT	10/01/2005	422,782.24
MF04A	HOLDING CORP	550,000.00	11/01/2024	3,972.17	BF CHFA DIRECT	11/01/2005	536,702.88
MF04A	INVESTMENT GROUP	759,694.00	05/01/2025	6,096.84	BF SBA 504	10/01/2005	754,120.73
MF04A	HOUSING PRESERVATION	4,000,000.00	11/01/2044	23,418.27	542(C)	10/01/2005	3,982,050.79
MF04A	LLC	865,000.00	12/01/2024	6,936.68	BF CHFA DIRECT	10/01/2005	850,480.51
MF04A	LLC	450,000.00	12/01/2024	3,608.68	BF CHFA DIRECT	10/01/2005	442,446.48
MF04A	LLC	775,000.00	12/01/2024	6,214.95	BF CHFA DIRECT	10/01/2005	761,991.16
MF04A	BRAD DVM	1,851,000.00	02/01/2025	14,129.41	BF CHFA DIRECT	10/01/2005	1,825,079.81
MF04A	LUPTON HOUSING	1,100,000.00	04/01/2021	7,010.72	SMART TAXABLE	10/01/2005	1,095,050.76
MF04A Total							76,872,819.14

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**Multi-Family/Project Bonds
2000 SERIES A, 2000 SERIES B, 2001 SERIES A, 2002 SERIES A, 2002 SERIES B, 2002 SERIES C, 2003 A, 2004 A, and 2005 A**

<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures</u> <u>Date</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due</u> <u>Date</u>	<u>Current Balance</u>
MF05A	RIO GRAND	4,475,000.00	11/01/2026	27,470.99	542(C)	10/01/2005	3,946,362.46
MF05A	STEAMBOAT	6,629,200.00	11/01/2036	37,230.22	542(C)	10/01/2005	6,287,308.81
MF05A	ACADEMY OF FAMILY	175,140.00	06/01/2024	1,305.80	BF NON PROFIT	10/01/2005	169,575.16
MF05A	PRESCHOOL INC	1,400,000.00	08/01/2035	8,711.30	BF NON PROFIT	10/01/2005	1,398,697.03
MF05A	LLC	776,850.00	08/01/2025	5,819.46	BF SBA 504	10/01/2005	776,850.00
MF05A	DEMICELL	161,500.00	12/01/2024	1,272.51	BF CHFA DIRECT	11/01/2005	158,450.14
MF05A	BUCK	191,250.00	01/01/2025	1,480.46	BF CHFA DIRECT	11/01/2005	187,859.69
MF05A	VALLEY WOMEN'S CENTE	556,204.00	02/01/2025	4,305.57	BF CHFA DIRECT	10/01/2005	548,579.77
MF05A	LLC	250,000.00	05/01/2025	1,927.76	BF CHFA DIRECT	11/01/2005	247,551.83
MF05A	2D LLC	1,872,604.00	05/01/2025	14,294.33	BF CHFA DIRECT	10/01/2005	1,857,746.68
MF05A	CREEK INVESTMENTS	448,250.00	08/01/2025	3,121.55	BF SBA 504	10/01/2005	447,238.96
MF05A	REAL ESTATE CO LLC	1,224,000.00	09/01/2025	9,161.88	BF CHFA DIRECT	10/01/2005	1,224,000.00
MF05A	CITY SENIOR HOUSING	2,900,000.00	01/01/2025	18,044.84	SMART TAXABLE	10/01/2005	2,878,003.78
MF05A	LLC	442,900.00	05/01/2025	3,380.83	BF CHFA DIRECT	10/01/2005	439,382.96
MF05A	COURT ASSOC	800,000.00	02/01/2035	5,162.22	SMART TAXABLE	10/01/2005	795,048.81
MF05A	HOUSING COLORADO VII	700,000.00	04/01/2025	4,633.64	SMART TAXABLE	10/01/2005	697,068.89
MF05A	LOUSBERG LLC	105,158.00	06/01/2025	799.58	BF SBA 504	10/01/2005	104,530.28
MF05A	VILLAGE AT PUEBLO	1,200,000.00	06/01/2025	7,983.63	SMART TAXABLE	10/01/2005	1,197,031.86
MF05A	POINTE LLLP	2,000,000.00	04/01/2021	12,879.04	SMART TAXABLE	10/01/2005	1,991,173.75
MF05A	EXPERIENCE INC	19,075,000.00	05/01/2025	136,659.22	BF NON PROFIT	10/01/2005	18,908,620.47
MF05A Total							44,261,081.33

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APPENDIX H

Certain Terms of the Initial 2005B Liquidity Facility

This Appendix contains a brief summary of certain provisions of the Initial 2005B Liquidity Facility to be entered with the 2005B 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 the Initial 2005B Liquidity Facility are qualified by reference to the related document. The Initial 2005B Liquidity Facility may be amended at any time without the consent of or notice to Bondholders. Any Alternate Liquidity Facility may have terms substantially different from those of the Initial 2005B Liquidity Facility.

For information regarding the 2005B Liquidity Facility Provider, see Appendix I.

Pursuant to the Initial 2005B Liquidity Facility, the 2005B Liquidity Facility Provider agrees, subject to the terms and conditions therein, to purchase 2005 Series B Bonds in the Daily Rate, Weekly Rate or Term Rate Mode which are tendered by the owners thereof to the Paying Agent or are subject to mandatory purchase but are not remarketed by the 2005B Remarketing Agent.

Certain Definitions

Initial 2005B Liquidity Facility

"Commitment Period" means the period from the Effective Date of the Initial 2005B Liquidity Facility to and including the earliest of (i) December 13, 2010 (or to an extended date as may become effective under the Initial 2005B Liquidity Facility), (ii) the date on which no 2005 Series B Bonds are outstanding, (iii) the close of business on the date on which the 2005 Series B Bonds are converted to Fixed Rate Bonds, Commercial Paper Bonds or SAVRS Rate Bonds, (iv) the close of business on the 30th day (or, if such day is not a Business Day, the next succeeding Business Day) following receipt by the Authority and the Paying Agent of a written notice from the 2005B Liquidity Facility Provider of termination of the Initial 2005B Liquidity Facility, and (v) the date on which the aggregate principal amount of outstanding 2005 Series B Bonds (and interest thereon) has been reduced to zero due to the redemption, repayment or other payment of all of the principal amount of the 2005 Series B Bonds or due to the delivery of an Alternate Liquidity Facility.

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

"Purchase Price" means, with respect to any 2005 Series B Bond, the unpaid principal amount thereof plus accrued interest thereon from and including the Interest Payment Date next preceding the Purchase Date thereof to but excluding the Purchase Date thereof, in each case without premium; provided that accrued interest will not be included in the Purchase Price if the applicable Purchase Date is an Interest Payment Date and, provided further that the aggregate amount of the Purchase Price comprising interest on any 2005 Series B Bonds purchased on any Purchase Date will not exceed the lesser of (a) the 2005B Liquidity Facility Provider's interest commitment for the 2005 Series B Bonds (which amount equals the interest on the 2005 Series B-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 2005B Liquidity Facility), or (b) the actual aggregate amount of interest accrued on each such 2005 Series B Bond to but excluding such Purchase Date.

THE INITIAL 2005B LIQUIDITY FACILITY PROVIDES 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 B BONDS, AND MAY BE TERMINATED OR SUSPENDED AS DESCRIBED BELOW.

Conditions Precedent to Obligations of the 2005B Liquidity Facility Provider

The obligation of the 2005B Liquidity Facility Provider to purchase the 2005 Series B Bonds on any particular Purchase Date under the Initial 2005B Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by the 2005B Liquidity Facility Provider: (i) the 2005B Liquidity Facility Provider shall have timely received the notices to purchase the unremarketed 2005 Series B Bonds as provided in the Initial 2005B Liquidity Facility, and (ii) a long-term rating of the 2005 Series B 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 2005B Liquidity Facility Provider

In the event that the Authority fails to pay to the 2005B Liquidity Facility Provider any commitment fee within five Business Days after the same becomes due, the 2005B Liquidity Facility Provider may terminate the Initial 2005B Liquidity Facility by giving written notice of such termination to the Trustee, the Paying Agent, the Authority, and the 2005B 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 2005B Liquidity Facility Provider shall be under no obligation to purchase the 2005 Series B Bonds. Promptly upon receipt of such written notice of termination by the Trustee, the Trustee is to give notice to all Owners of the 2005 Series B Bonds that the 2005 Series B Bonds will be subject to mandatory tender for purchase, with no right to retain, not less than 20 days from the date of such notice to such Owners, at the Purchase Price (payable by the 2005B 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 2005B Liquidity Facility with an Alternate Liquidity Facility or cause the 2005 Series B Bonds to be Converted to Fixed Rate Bonds or to bear interest at an interest rate mode which does not require a Liquidity Facility. Other events of default are defined under the Initial 2005B Liquidity Facility; however, the 2005B Liquidity Facility Provider has agreed to purchase tendered 2005 Series B Bonds on the terms and conditions of the Initial 2005B Liquidity Facility notwithstanding the occurrence of such events of default. See "Conditions Precedent to Obligations of 2005B Liquidity Facility Providers" under this caption.

Termination by Authority

Upon (i) the withdrawal, suspension or reduction in the rating assigned to the 2005B Liquidity Facility Provider's senior unsecured short-term obligations by Moody's or S&P below "P-1" or "A-1," respectively, or the default by the 2005B Liquidity Facility Provider in honoring its payment obligations under the Initial 2005B Liquidity Facility or the 2005B Liquidity Facility Provider seeking recovery of amounts described in the Initial 2005B Liquidity Facility, (ii) the payment to the 2005B Liquidity Facility Provider of all fees, expenses and other amounts payable under the Initial 2005B Liquidity Facility, and (iii) the payment to the 2005B Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate the Initial 2005B Liquidity Facility. In the event of such termination, the 2005 Series B Bonds will be subject to mandatory tender for purchase, the Authority will use its best efforts to replace the Initial 2005B Liquidity Facility with an Alternate Liquidity Facility or cause the 2005 Series B Bonds to be Converted to Fixed Rate Bonds or to bear interest at an interest rate mode which does not require a Liquidity Facility.

Alternate Liquidity Facility

The Authority may replace the Initial 2005B 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 Facility."

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APPENDIX I

The 2005B Liquidity Facility Provider

The following information has been obtained from the 2005B Liquidity Facility Provider 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 (the "**2005B Liquidity Facility Provider**") is a privately owned corporation organized under the laws of the United States and is located in Topeka, Kansas. The 2005B 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 approximately \$47.9 billion in assets and \$2 billion in capital as of November 30, 2005 (based on unaudited financial statements), the 2005B Liquidity Facility Provider serves more than 890 member stockholders throughout Colorado, Kansas, Nebraska and Oklahoma. The 2005B 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 2005B 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 2005B 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 2005B Liquidity Facility Provider and its instruments will be maintained.

Copies of the 2005B Liquidity Facility Provider's most recent unaudited quarterly financial statements can be obtained by accessing the 2005B Liquidity Facility Provider's Web site at http://www.fhlbtopeka.com/quarterly_financials_for_fhlb_to.htm. Copies of the 2005B Liquidity Facility Provider's most recent Annual Report can be ordered, without charge, by accessing the 2005B Liquidity Facility Provider's Web site at http://www.fhlbtopeka.com/request_for_documents.htm.

The 2005B 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 2005B 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). On June 3, 2005, the 2005B Liquidity Facility Provider announced that it expects to restate its financial statements for the 2002 and 2003 fiscal years as well. The 2005B Liquidity Facility Provider currently believes that the cumulative impact to retained earnings

as of December 31, 2004 of the anticipated restatements will be immaterial. Further information regarding these announcements is available on the 2005B Liquidity Facility Provider's Web site at http://www.fhlbtopeka.com/release_060305.htm and <http://www.fhlbtopeka.com/restatement.htm>.

On August 26, 2005, the 2005B Liquidity Facility Provider announced that its Form 10 registration statement to register its capital stock with the Securities and Exchange Commission would not be effective by the Federal Housing Finance Board-imposed deadline of August 29, 2005, because the restatements of prior period financial statements must first be finalized. Until the registration statement is effective, the 2005B Liquidity Facility Provider must consult with the Federal Housing Finance Board prior to paying any dividends. Information regarding the 2005B Liquidity Facility Provider's third quarter dividend is available on the 2005B Liquidity Facility Provider's Web site at http://www.fhlbtopeka.com/dividend_3Q_093005.htm.

PAYMENTS OF THE PURCHASE PRICE OF THE 2005 SERIES B BONDS WILL BE MADE PURSUANT TO THE INITIAL 2005B LIQUIDITY FACILITY IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE STANDBY BOND PURCHASE AGREEMENT IS A BINDING OBLIGATION OF THE 2005B LIQUIDITY FACILITY PROVIDER, THE 2005 SERIES B BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE FEDERAL HOME LOAN BANK OF TOPEKA AND ARE NOT GUARANTEED BY SUCH BANK. THE 2005 SERIES B BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The inclusion of this information shall not create any implication that there has been no change in the affairs of the 2005B 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.

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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