

NEW ISSUE - Book-Entry Only

INTEREST ON THE TAXABLE 2007 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 2007 Series B-2 Bonds and the 2007 Series B-3 Bonds (except for interest on any 2007 Series B-2 Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2007 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 2007 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 2007 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 2007 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 2007 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 2007 Series B Bonds. See "Part I – TAX MATTERS."



\$103,745,000 COLORADO HOUSING AND FINANCE AUTHORITY Multi-Family/Project Bonds

\$55,710,000
Class I Taxable
Adjustable Rate Bonds
2007 Series B-1

\$31,170,000
Class I
Adjustable Rate Bonds
2007 Series B-2
(AMT)

\$16,865,000
Class I
Adjustable Rate Bonds
2007 Series B-3
(non-AMT)

Dated: Date of Delivery

Due: As shown below

The 2007 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 2007 Series B Indenture of Trust dated as of August 1, 2007, each between the Authority and Wells Fargo Bank, National Association, as Trustee.

The 2007 Series B Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2007 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 2007 Series B Bonds will be registered in the name of Cede & Co. Individual purchases of 2007 Series B Bonds will be made in book-entry form only, and beneficial owners of the 2007 Series B Bonds will not receive physical delivery of bond certificates representing their interest in the 2007 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 2007 Series B Bonds. Payments of principal and interest on the 2007 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 2007 Series B Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

Proceeds of the 2007 Series B Bonds are expected to be used to acquire and originate certain rental and business loans previously made or to be made to borrowers to assist them in financing or refinancing projects in Colorado. In addition, proceeds of the 2007 Series B Bonds, together with amounts advanced by the Authority and reimbursed by certain of the Borrowers and amounts exchanged for certain proceeds, will be used to refund certain outstanding bonds of the Authority, make deposits to certain funds and accounts, and pay certain costs of issuance in accordance with the 2007 Series B Indenture.

Each series of the 2007 Series B Bonds initially will bear interest at a weekly rate (the "Weekly Rate") determined prior to the date of delivery of the 2007 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 2007B 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 2007 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 2007 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, 2008, on any redemption date and at maturity.

While any of the 2007 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 2007 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 each series of the 2007 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 (collectively, the "Initial 2007B Liquidity Facilities" and individually, an "Initial 2007B Liquidity Facility") among Calyon, New York Branch (the "2007B Liquidity Facility Provider"), the Authority and Wells Fargo Bank, National Association, as Trustee. Coverage under each of the Initial 2007B Liquidity Facilities, unless extended or earlier terminated, is stated to expire on August 29, 2012. Under certain circumstances, the obligation of the 2007B Liquidity Facility Provider to purchase the related 2007 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 2007 Series B Bonds tendered by the owners of such 2007 Series B Bonds or subject to mandatory purchase.

MATURITY SCHEDULE

\$55,710,000 Class I Taxable Adjustable Rate Bonds, 2007 Series B-1 due October 1, 2038 - Price: 100% (CUSIP: 196479 MD8*)
\$31,170,000 Class I Adjustable Rate Bonds, 2007 Series B-2 due April 1, 2038 - Price: 100% (CUSIP: 196479 ME6*)
\$16,865,000 Class I Adjustable Rate Bonds, 2007 Series B-3 due April 1, 2038 - Price: 100% (CUSIP: 196479 MF3*)

Certain of the 2007 Series B Bonds are subject to special redemption, optional redemption and mandatory sinking fund redemption prior to maturity at par as described herein.

The Master Indenture provides for four classes of Obligations (which may be Bonds or Derivative Products) thereunder – Class I, Class II, Class III and Class IV Obligations. The 2007 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 2007 Series B Bonds will be special limited obligations of the Authority, and the Taxable 2007 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 2007 Series B Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any other political subdivision thereof (other than the general credit of the Authority, which general credit is only being pledged for the payment of the Taxable 2007 Series B-1 Bonds).**

This cover page contains only a brief description of the Authority, the 2007 Series B Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2007 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 2007 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 LLP, Denver, Colorado, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the 2007B Liquidity Facility Provider by its domestic counsel, Nixon Peabody LLP, and by its French counsel. The Underwriters are being represented in connection with their purchase of the 2007 Series B Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. It is expected that the 2007 Series B Bonds will be delivered (through DTC) in New York, New York on or about August 29, 2007.

LEHMAN BROTHERS[†]

George K. Baum & Company
Stifel, Nicolaus & Company, Incorporated
A.G. Edwards & Sons, Inc.
UBS Investment Bank

RBC Capital Markets
Piper Jaffray & Co.
Harvestons Securities, Inc.
Citi

This Official Statement is dated August 22, 2007.

[†] 2007B Remarketing Agent

SM Service Mark of Lehman Brothers, Inc.

* The Authority takes no responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the 2007 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. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder, under any circumstance, creates any implication that there has been no change in the affairs of the Authority or otherwise since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2007 Series B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth in this Official Statement has been furnished by the Authority and obtained from other sources believed to be reliable. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized. All information regarding the Authority and the 2007 Series B Bonds is contained in this Official Statement.

While the Authority maintains an Internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information (except in the case of the limited information provided in the section entitled "Bond Disclosures") with respect to the Bonds (including the 2007 Series B Bonds), the Borrowers, the Authority Projects, the Loans, the Initial 2007B Liquidity Facilities, the 2007B Liquidity Facility Provider, or any other bonds or obligations of the Authority.

THE PRICES AT WHICH THE 2007 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 INSIDE FRONT COVER PAGE 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 2007 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 2007 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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OFFICIAL STATEMENT

\$103,745,000

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

\$55,710,000
Class I Taxable
Adjustable Rate Bonds
2007 Series B-1

\$31,170,000
Class I
Adjustable Rate Bonds
2007 Series B-2
(AMT)

\$16,865,000
Class I
Adjustable Rate Bonds
2007 Series B-3
(non-AMT)

PART I

INTRODUCTION

This Official Statement, which includes the front cover page, this Part I, Part II and the Appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "**Authority**") and otherwise in connection with the offer and sale of the above-captioned Bonds (being collectively referred to herein as the "**2007 Series B Bonds**"). The 2007 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 2007 Series B Indenture dated as of August 1, 2007 (the "**2007 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 MASTER INDENTURE" in **Appendix C** to this Official Statement.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by the information contained in, the entire Official Statement, including the front cover page, this Part I, Part II hereof and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of 2007 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 2007 Series B Bonds.

Colorado Housing and Finance Authority

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

Authority for Issuance

The 2007 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 2007 Series B Bonds are being issued and secured under the Indenture.

Purposes of the 2007 Series B Bonds

Proceeds of the 2007 Series B Bonds will be deposited to the credit of the 2007 Series B subaccounts of the Acquisition Account and are expected to be used to acquire and originate uninsured rental and business loans as described in **Appendix G-1** hereto made to Borrowers to assist them in financing or refinancing projects in Colorado. See "Part I – PLAN OF FINANCE – Use of Amounts in Acquisition Account." Proceeds of the 2007 Series B Bonds, together with amounts advanced by the Authority and reimbursed by certain of the Borrowers and amounts exchanged for certain proceeds, will also be used to make deposits to certain funds and accounts in accordance with the 2007 Series B Indenture, including the payment of costs of issuance, as described in "Part I – PLAN OF FINANCE – Sources and Uses of Funds."

In addition, certain proceeds of the 2007 Series B Bonds will be used to redeem and pay a portion of the Authority's outstanding Multi-Family Housing Insured Mortgage Revenue Bonds, 1997 Series A-3, 1997 Series B-2 and 1997 Series B-3 (as further defined herein, the "**Refunded Bonds**"), as described in "Part I – PLAN OF FINANCE – Redemption and Payment of the Refunded Bonds." At the time of delivery of the 2007 Series B Bonds, certain funds available to the Authority will be exchanged for proceeds of the 2007 Series B Bonds and deposited to the Debt Service Reserve Fund. Upon the refunding of the Refunded Bonds, the insured multi-family housing loans previously financed with proceeds of such Refunded Bonds will be transferred and deposited to the credit of the 2007 Series B subaccount of the Acquisition Fund and pledged as part of the Trust Estate under the Indenture. See **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2007B LOANS – Existing Loans To Be Transferred."

The Loans to be so acquired, originated and deposited are collectively referred to herein as the "**2007B Loans**." See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2007B Loans."

Description of the 2007 Series B Bonds

Interest Rates and Payments

The Authority's Multi-Family/Project Class I Taxable Adjustable Rate Bonds, 2007 Series B-1 (the "**Taxable 2007 Series B-1 Bonds**"), the Authority's Multi-Family/Project Class I Adjustable Rate Bonds, 2007 Series B-2 (the "**2007 Series B-2 Bonds**") and the Authority's Multi-Family/Project Class I Adjustable Rate Bonds, 2007 Series B-3 (the "**2007 Series B-3 Bonds**" and, collectively with the Taxable 2007 Series B-1 Bonds and the 2007 Series B-2 Bonds, the "**2007 Series B Bonds**") initially will bear interest at Weekly Rates. While in a Weekly Rate Mode, interest on each series of the 2007 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, 2008, as described in "Part I – TERMS OF THE 2007 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 2007 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 2007 Series B Bonds are subject to special, optional and mandatory sinking fund redemption prior to maturity, as described under "Part I – TERMS OF THE 2007 SERIES B BONDS – Prior Redemption." The 2007 Series B Bonds are also subject to optional and mandatory tender for purchase as described under "Part I – TERMS OF THE 2007 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 2007 Series B Bonds and the Indenture pursuant to which such 2007 Series B Bonds are being issued, see "Part I – TERMS OF THE 2007 SERIES B BONDS" and Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER 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 May 1, 2007, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$771,425,000, with \$502,980,000 outstanding as Class I Bonds, \$204,730,000 outstanding as Class II Bonds and \$63,715,000 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 2007 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." The Trust Estate is pledged under the Indenture to secure first, the Class I Obligations, and, second, the Class II Obligations, as described in "Part II – SECURITY FOR THE OBLIGATIONS – Pledge of Trust Estate." The Class III Obligations are secured under the Master Indenture by a third priority lien on the Trust Estate. None of the 2007 Series B Bonds are being issued as Class II Obligations, Class III Obligations or Class IV Obligations. The Taxable 2007 Series B-1 Bonds are also being designated as general obligations of the Authority.

In addition, the 2007 Series B Bonds are secured by the Debt Service Reserve Fund established under the Master Indenture. The Debt Service Reserve Fund Requirement for the 2007 Series B Bonds will be funded as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund" and "Part II – SECURITY FOR THE OBLIGATIONS." **In no event shall the 2007 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 2007 Series B Bonds other than the Taxable 2007 Series B-1 Bonds.**

Upon delivery of the 2007 Series B Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for each series of 2007 Series B Bonds (collectively, the "**Initial 2007B Liquidity Facilities**" and, individually, an "**Initial 2007B Liquidity Facility**") with Calyon, New York Branch, as the initial standby bond purchaser (referred to herein as the "**2007B Liquidity Facility**").

Provider"). See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2007B LIQUIDITY FACILITIES" and **Appendix I** – "THE 2007B LIQUIDITY FACILITY PROVIDER." UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE 2007B LIQUIDITY FACILITY PROVIDER TO PURCHASE THE RELATED 2007 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 2007 SERIES B BONDS TENDERED BY THE OWNERS OF SUCH 2007 SERIES B BONDS OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE INITIAL 2007B LIQUIDITY FACILITIES DO NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2007 SERIES B BONDS.

Professionals Involved in the Offering

In connection with the issuance and sale of the 2007 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 2007 Series B Bonds will be passed upon for the Authority by its General Counsel, Charles L. Borgman, Esq., and by its Disclosure Counsel, Hogan & Hartson LLP. Certain legal matters will be passed upon for the 2007B Liquidity Facility Provider by its domestic counsel, Nixon Peabody LLP, and by its French counsel. The Underwriters are being represented in connection with their purchase of the 2007 Series B Bonds by their counsel, Bookhardt & O'Toole. See "Part I – LEGAL MATTERS."

Availability of Continuing Information

The Authority has not agreed to provide continuing financial or other information for the benefit of the owners of the 2007 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. In addition, the 2007 Series B Indenture requires the Trustee to file certain notices with the National Repositories, as described in "Part I – TERMS OF THE 2007 SERIES B BONDS."

Investment Considerations

The purchase and ownership of the 2007 Series B Bonds involve investment risks. Prospective purchasers of the 2007 Series B Bonds being offered by this Official Statement are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2007 Series B Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."

TERMS OF THE 2007 SERIES B BONDS

General Terms

The 2007 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 2007 Series B Bonds is payable to Cede & Co. Interest on the 2007 Series B Bonds will be payable on the Interest Payment Dates to

Cede & Co. The 2007 Series B Bonds are subject to redemption as described in "Prior Redemption" under this caption.

Book-Entry System

DTC will act as securities depository for the 2007 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 2007 Series B Bonds are registered in the DTC book-entry form described in Appendix F, each Beneficial Owner of a 2007 Series B Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2007 Series B Bonds.**

Defeasance and Discharge

The Indenture provides the Authority with the right to discharge the pledge and lien created by the Indenture with respect to any 2007 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 2007 Series B Bonds at the maturity or redemption thereof. See **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Defeasance."**

Interest Rates

Generally

Each series of the 2007 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 2007 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 2007 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, 2008, on any redemption date or Mode Change Date and on the Maturity Date.

While in an Interest Period for a Term Rate Mode shorter than one year, a Commercial Paper Mode, a Daily Mode or a Weekly Mode, interest on any series of the 2007 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 2007 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 2007 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. 2007 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 2007 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 2007 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 2007 Series B Bonds from one Mode to another Mode as described in "Adjustment

Between Modes" under this caption. The interest rate on the 2007 Series B Bonds (other than when in a SAVRS Rate Mode) is to be determined by the 2007B Remarketing Agent in accordance with the Indenture as described below. The interest on any 2007 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 2007 Series B Bonds such that all of the 2007 Series B Bonds covered by an Initial 2007B Liquidity Facility bear interest at a Fixed Interest Rate or the SAVRS Rate would result in a termination of such Initial 2007B Liquidity Facility. See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2007B LIQUIDITY FACILITIES."*

Weekly Rate. During any Interest Period in which any 2007 Series B Bonds are in a Weekly Mode, the 2007B 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 2007B Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2007B Remarketing Agent under then-existing market conditions, would result in the sale of such 2007 Series B Bonds on such date at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2007B 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 2007 Series B Bonds are to bear interest from the last date on which the Weekly Rate was determined by the 2007B Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2007B 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 2007 Series B-1 Bonds, the One Month LIBOR Rate plus 0.20%, or (ii) in the case of the 2007 Series B-2 Bonds and the 2007 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 2007B Remarketing Agent. The 2007B 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 teletype, 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 2007 Series B Bonds are in a Daily Mode, the 2007B 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 2007B Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2007B Remarketing Agent under then-existing market conditions, would result in the sale of such 2007 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 2007B 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 2007 Series B Bonds are to bear interest from the last date on which the Daily Rate was determined by the 2007B Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2007B

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 2007B Remarketing Agent.

Term Rates. During any Interest Period in which any 2007 Series B Bonds are in a Term Rate Mode, the 2007B 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 2007B Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2007B Remarketing Agent, will result in the sale of such 2007 Series B Bonds at a price equal to the principal amount thereof. If, for any reason, a new Term Rate for a 2007 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 2007 Series B Bond is secured by the Liquidity Facility, it will be changed to the Commercial Paper Mode with an Interest Period and Commercial Paper Rate to be determined by the 2007B Remarketing Agent in accordance with the Indenture or (ii) if such 2007 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 2007 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 2007 Series B-2 Bonds and the 2007 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 Trustee shall promptly notify the Owners, with a copy to each National Repository, of any failed change in mode. The bonds upon which the index is based shall include not less than five "high grade" component issuers selected by Kenny Information Systems which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny Information Systems in its discretion. The yield evaluation period for the index shall be a one year evaluation. The 2007B 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 2007 Series B Bonds, the 2007B 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 2007B Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2007B Remarketing Agent would result in the sale of such 2007 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 2007B 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 2007 Series B Bond in a Commercial Paper Mode, the 2007B Remarketing Agent is to select for such 2007 Series B Bond the Interest Period which would result in the 2007B Remarketing Agent being able to remarket such 2007 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 2007B 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 2007 Series B Bond, then the

2007B Remarketing Agent is to select the Interest Period which in the judgment of the 2007B Remarketing Agent would permit such 2007 Series B Bond to achieve such lower average interest cost; provided, however, that if the 2007B Remarketing Agent has received notice from the Authority that any 2007 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 2007B Remarketing Agent shall, with respect to such 2007 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 2007 Series B Bond in the Commercial Paper Mode, any Owner of such 2007 Series B Bond may telephone the 2007B Remarketing Agent and receive notice of the anticipated next Interest Period and the anticipated Commercial Paper Rate for such Interest Period for such 2007 Series B Bond. To receive payment of the Purchase Price, the Owner of any 2007 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 2007B Remarketing Agent is to determine the Commercial Paper Rate for the Interest Period then selected for such 2007 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 2007B 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 2007 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 2007 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 2007 Series B-2 Bonds and the 2007 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 2007B Remarketing Agent of: (i) a notice from each Rating Agency confirming that the rating on the 2007 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 2007 Series B Bond (other than a 2007 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 2007B 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 2007 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 2007 Series B Bonds, with a copy to each National Repository, by mail no less than 30 days prior to the proposed date of the Mode change stating that such Bonds are subject to mandatory purchase on such date. The 2007 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 2007 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 2007 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 2007 Series B Bonds in the Weekly Mode), payable by wire transfer in immediately available funds, upon delivery to the 2007B Remarketing Agent of an irrevocable telephonic notice in the case of 2007 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 2007 Series B Bonds in the Weekly Mode, which notice states the CUSIP number, the Bond number, the principal amount of such 2007 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 2007 Series B Bonds in the Weekly Mode), which date is to be a Business Day specified by the Owner. In the case of 2007 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 2007 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 2007 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 2007B 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 2007 Series B Bonds are being changed to a Mode other than another Term Rate Mode, the owner of 2007 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 2007 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 2007 Series B Bonds in the Term Rate Mode) upon delivery to the 2007B 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 2007 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 2007 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 2007 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

2007 Series B Bonds to be changed from one Mode to another Mode will be subject to mandatory tender for purchase on each day on which a new Mode for such Bonds begins (the "**Mode Change Date**") at a purchase price equal to the Purchase Price. The Trustee is to give notice by first-class mail, or transmitted in such other matter (such as by electronic means) as may be customary for the industry as directed in writing by the Authority, to the Owners of such Bonds, with a copy to each National Repository, no less than 30 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, the numbers of the 2007 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 2007 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. 2007 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 2007 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 2007 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 2007 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 2007 Series B Bonds subject to mandatory purchase, with a copy to each National Repository, no less than 30 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to transmit such notice with respect to any 2007 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 2007 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 2007B Liquidity Facility Provider to purchase related 2007 Series B Bonds under the applicable Initial 2007B Liquidity Facility is subject to the conditions that the long-term ratings of such 2007 Series B Bonds by Moody's and S&P are not lower than "Baa2" and "BBB," respectively. In addition, the obligation of the 2007B Liquidity Facility Provider to purchase related 2007 Series B Bonds under the applicable Initial 2007B Liquidity Facility is subject to the nonoccurrence of certain events of default thereunder. See Appendix H – "CERTAIN TERMS OF THE INITIAL 2007B LIQUIDITY FACILITIES."

Mandatory Purchase Upon Termination of Liquidity Facility

If the Trustee receives notice from the 2007B Liquidity Facility Provider that the respective Initial 2007B 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 2007 Series B Bonds having the benefit of such Initial 2007B Liquidity Facility are outstanding, such 2007 Series B Bonds will be subject to mandatory purchase. Such 2007 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 2007B Liquidity Facility Provider and at least five Business Days prior to the termination of the Initial 2007B 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 2007 Series B Bonds, with a copy to each National Repository, subject to such mandatory purchase within two Business Days after receipt of notice from the 2007B 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 2007 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 2007 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 2007 Series B Bonds (except proceeds of remarketed Bank Bonds to the extent applied to any amount owing to the 2007B Liquidity Facility Provider) pursuant to the Indenture and the Remarketing Agreement and furnished to the

Tender Agent by the 2007B Remarketing Agent for deposit into the Remarketing Proceeds Account; and

(2) money furnished by the 2007B Liquidity Facility Provider to the Trustee for deposit with the Paying Agent from requests under the applicable Initial 2007B Liquidity Facility, if any, as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2007B LIQUIDITY FACILITIES."

Moneys held in the Standby Purchase Account and the Remarketing Proceeds Account will be held by the Trustee uninvested and separate and apart from all other funds and accounts. **So long as the 2007 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 2007 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 July 1, 2010 (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 2007 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 2007 Series B Bonds transferred from the 2007 Series B subaccounts of the Acquisition Account to the 2007 Series B subaccount 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 July 1, 2010; 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 2007B Loans expected to be acquired or originated by the Authority with proceeds of the 2007 Series B Bonds deposited to the 2007 Series B subaccounts of the Acquisition Account, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2007B Loans." See also "Part II – CERTAIN BONDOWNERS' RISKS."

Moneys deposited in or transferred to the 2007 Series B subaccount of the Redemption Fund as described above shall be applied to redeem the 2007 Series B Bonds. See **Appendix D** – "CLASS ASSET REQUIREMENTS." If less than all of the 2007 Series B Bonds are to be redeemed in accordance with the provision described in this paragraph, the 2007 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 2007 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 2007 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 2007 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 applicable Special Redemption Accounts of the Redemption Fund at the election of the Authority and as otherwise required in accordance with the provisions of the Master Indenture described in **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Revenue Fund."**

Loan Repayments and Prepayments of Loans financed or refinanced with moneys in the 2007B Taxable Loan Subaccount of the Restricted Loan Subaccount may only be used to redeem the Taxable 2007 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 Authority Projects financed or refinanced, and Loan Repayments and Prepayments of Loans financed or refinanced, with proceeds of the 2007 Series B-3 Bonds may only be used to redeem the 2007 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 2007 Series B Bonds without premium in accordance with the provisions described in the preceding paragraph. Such moneys may be directed to the Class I Special Redemption Account (with respect to the Class I Bonds) of the Redemption Fund and available for this redemption as a result of excess revenues resulting from 2007B Loan payments and other sources.

Cross-Calls and Recycling. Pursuant to the Master Indenture, the Authority may, by delivery of an Authority Request to the Trustee, instruct the Trustee to transfer moneys on deposit in any Series subaccount of a Class Account of the Redemption Fund to any other Series subaccount of the same Class Account to be applied to the redemption of the same Class of Bonds of a different Series. Any such Authority Request is to (i) certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture, and (ii) be accompanied by evidence of satisfaction of all Asset Requirements for the 2007 Series B Bonds. The 2007 Series B Indenture does not prohibit cross calls, but does restrict the use of certain Loan Repayments and Prepayments as discussed above under "Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions." However, the 2003 Series A Indenture, the 2001 Series A Indenture and the 2000 Series B Indenture prohibit cross calls, and other Series Indentures may in the future prohibit such cross calls, with respect to Related Series of Bonds. In addition, the Master Indenture permits the Authority, by delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, to instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Revenue Fund to a Related subaccount of the Loan Recycling Account to be used to finance or refinance Loans or Authority Projects as permitted by the Master Indenture. See **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Revenue Fund."** *The Authority may transfer Prepayments or Loan Repayments to the Loan Recycling Account of the Program Fund to finance Loans or transfer such Prepayments or Loan Repayments to the Special Redemption Accounts of the Redemption Fund at any time in accordance with the Master Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."*

Optional Redemption

Weekly Mode, Daily Mode and Commercial Paper Mode. The 2007 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 2007 Series B Bonds during Interest Periods for a Commercial Paper Mode, at a redemption price equal to 100% of the principal amount of 2007 Series B Bonds to be so redeemed.

Term Rate Mode and Fixed Rate Mode. During any Interest Period for a Term Rate Mode or Fixed Rate Mode, the 2007 Series B Bonds may be redeemed prior to maturity at the option of the Authority from any source, in whole or in part on any date in Authorized Denominations at a redemption price equal to 100% of the principal amount of 2007 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 2007 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 2007 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 2007 Series B Bonds will not be subject to optional redemption during a particular Term Rate Mode or Fixed Rate Mode if, on the day on which the Term Rate Mode or Fixed Rate Mode begins, the remaining term or length of the Interest Period is equal to or less than ten years. The Authority, in connection with a change to a Term Rate Mode or Fixed Rate Mode, may waive or otherwise alter its rights to direct the redemption of any such 2007 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 2007B 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 2007 Series B Bonds may be redeemed prior to maturity as provided in the Supplemental Indenture to be entered into in connection with such conversion.

Mandatory Sinking Fund Redemption

The 2007 Series B-2 Bonds shall be redeemed prior to their maturity, in part, by payment of 2007 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 2007 Series B-2 Bonds or portions thereof to be so redeemed, plus accrued interest to the date of redemption as follows:

2007 Series B-2 Bonds

<u>Date</u> <u>(April 1)</u>	Class I <u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	Class I <u>Sinking Fund</u> <u>Installments</u>
2008	\$ 65,000	2008	\$ 100,000
2009	95,000	2009	95,000
2010	110,000	2010	115,000
2011	115,000	2011	115,000
2012	120,000	2012	120,000
2013	120,000	2013	120,000
2014	130,000	2014	135,000
2015	140,000	2015	145,000
2016	150,000	2016	155,000
2017	160,000	2017	160,000
2018	165,000	2018	165,000
2019	175,000	2019	175,000
2020	190,000	2020	195,000
2021	205,000	2021	205,000
2022	210,000	2022	220,000
2023	220,000	2023	225,000
2024	2,455,000	2024	225,000
2025	230,000	2025	235,000
2026	235,000	2026	245,000
2027	170,000	2027	155,000
2028	3,430,000	2028	335,000
2029	755,000	2029	800,000
2030	785,000	2030	825,000
2031	815,000	2031	860,000
2032	985,000	2032	950,000
2033	1,065,000	2033	1,000,000
2034	1,105,000	2034	1,030,000
2035	1,045,000	2035	1,065,000
2036	1,085,000	2036	1,115,000
2037	1,095,000	2037	1,105,000
2038 (1)	1,155,000	--	--

(1) Final maturity

The 2007 Series B-3 Bonds shall be redeemed prior to their maturity, in part, by payment of 2007 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 2007 Series B-3 Bonds or portions thereof to be so redeemed, plus accrued interest to the date of redemption as follows:

2007 Series B-3 Bonds

<u>Date</u> <u>(April 1)</u>	Class I <u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	Class I <u>Sinking Fund</u> <u>Installments</u>
2008	\$ 65,000	2008	\$ 60,000
2009	65,000	2009	65,000
2010	65,000	2010	70,000
2011	70,000	2011	75,000
2012	75,000	2012	75,000
2013	80,000	2013	80,000
2014	85,000	2014	90,000
2015	90,000	2015	95,000
2016	95,000	2016	100,000
2017	105,000	2017	105,000
2018	110,000	2018	115,000
2019	115,000	2019	3,990,000
2020	60,000	2020	60,000
2021	60,000	2021	65,000
2022	65,000	2022	70,000
2023	70,000	2023	75,000
2024	75,000	2024	75,000
2025	80,000	2025	80,000
2026	85,000	2026	90,000
2027	90,000	2027	300,000
2028	305,000	2028	310,000
2029	315,000	2029	320,000
2030	330,000	2030	340,000
2031	345,000	2031	355,000
2032	370,000	2032	385,000
2033	390,000	2033	400,000
2034	415,000	2034	425,000
2035	545,000	2035	460,000
2036	575,000	2036	480,000
2037	645,000	2037	715,000
2038 (1)	1,100,000	--	--

(1) Final maturity

To the extent that any of the 2007 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 2007 Series B Bonds so redeemed or purchased against any sinking fund obligation with respect to such 2007 Series B Bonds as described in **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Credit Against Sinking Fund Installments."**

Mandatory Redemption of Bank Bonds

Bank Bonds are required to be redeemed in accordance with the terms of the respective Initial 2007B Liquidity Facility.

Selection of Bonds for Redemption

In the event of a partial redemption of 2007 Series B Bonds, the Authority is to direct (subject to the following sentences) the Class, Series, maturity or maturities, and amounts thereof, so to be redeemed. However, if less than all of the 2007 Series B Bonds of like Class, Series and maturity are to be redeemed on any one date, the particular 2007 Series B Bonds or the respective portions thereof to be redeemed (subject to the following sentences) are to be selected by lot by the Bond Registrar in such manner as the Bond Registrar in its discretion deems fair and appropriate. Notwithstanding the provisions described in the previous sentences, 2007 Series B Bonds bearing interest at the Weekly Rate, the Daily Rate or the Commercial Paper Rate are to be selected for redemption so as to assure that after such redemption no Owner shall retain 2007 Series B Bonds in an aggregate amount less than \$100,000. Whenever less than all of the 2007 Series B Bonds are to be redeemed, Bank Bonds are required to be redeemed before any other 2007 Series B Bonds are redeemed.

Notice of Redemption

When any 2007 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 2007 Series B Bond to be redeemed at such Owner's address as it appears in the registration records of the Bond Registrar or at such other address as is furnished in writing by such Owner to the Bond Registrar and to each National Repository. However, failure to give any such notice to any Owner, or any defect therein, shall not affect the validity of the redemption proceedings for any 2007 Series B Bond with respect to which no such failure or defect has occurred.

If DTC or its nominee is the registered owner of any 2007 Series B Bonds to be redeemed, notice of redemption will only be given to DTC or its nominee as the registered owner of such 2007 Series B Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any 2007 Series B Bond to be redeemed shall not affect the validity of the redemption of such 2007 Series B Bond. See Appendix F –"BOOK-ENTRY SYSTEM."

PLAN OF FINANCE

Sources and Uses of Funds

The following are the estimated sources and uses of funds relating to the 2007 Series B Bonds.

	<u>Estimated Amounts</u>
SOURCES OF FUNDS:	
Bond Proceeds:	
Taxable 2007 Series B-1 Bonds	\$ 55,710,000
2007 Series B-2 Bonds	31,170,000
2007 Series B-3 Bonds	16,865,000
Exchanged Amounts (1)	<u>587,394</u>
TOTAL SOURCES OF FUNDS	<u>\$104,332,394</u>
USES OF FUNDS:	
For Redemption and Payment of Refunded Bonds (2)	\$ 6,260,000
For Acquisition and Origination of 2007B Loans (3)	89,573,689
For Deposit to Debt Service Reserve Fund (4)	7,772,490
For Costs of Issuance and Underwriters' compensation (5)	<u>726,215</u>
TOTAL USES OF FUNDS	<u>\$104,332,394</u>

- (1) Such amounts represent funds legally available to the Authority under the General Resolution relating to the Refunded Bonds which will be exchanged for certain proceeds of the 2007 Series B Bonds and deposited to the Debt Service Reserve Fund, as described in "Redemption and Payment of the Refunded Bonds."
- (2) See "Redemption and Payment of the Refunded Bonds" under this caption. Certain proceeds deposited to the 2007 Series B subaccounts of the Acquisition Account, and certain proceeds initially deposited to the Debt Service Reserve Fund and exchanged on October 1, 2007 for an equal amount of funds legally available to the Authority under the General Resolution, will be used on October 1, 2007 to redeem and pay the Refunded Bonds. Such amounts will be invested in Investment Agreements, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS - 2007B Investment Agreements," until used for such redemption.
- (3) Proceeds of the 2007 Series B Bonds will be deposited to the 2007 Series B subaccounts of the Acquisition Account and used to acquire and originate certain rental and business loans of the Authority, as described in "Use of Amounts in Acquisition Account" under this caption. Such amounts while on deposit will be invested in an investment agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2007B Investment Agreements."
- (4) Proceeds of the 2007 Series B Bonds will be deposited to the Debt Service Reserve Fund to fund the Debt Service Reserve Fund Requirement relating to the 2007 Series B Bonds in this amount on the date of delivery of the 2007 Series B Bonds. On October 1, 2007, legally available funds of the Authority held under the General Resolution for the Refunded Bonds will be exchanged for certain of such proceeds and deposited to the Debt Service Reserve Fund in place of such proceeds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund" and "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund." Such amounts will be invested in an investment agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2007B Investment Agreements." Under the Indenture, the Authority may at any time replace such cash or deposit with a Qualified Surety Bond.
- (5) Proceeds of the 2007 Series B Bonds and certain legally available funds of the Authority will be deposited to the Costs of Issuance Account in the Program Fund and used to pay costs of issuance and Underwriters' compensation relating to the 2007 Series B Bonds. For information concerning the Underwriters' compensation, see "Part I – UNDERWRITING."

Redemption and Payment of the Refunded Bonds

Certain proceeds of the 2007 Series B Bonds deposited to the 2007 Series B subaccounts of the Acquisition Fund, together with certain proceeds initially deposited to the Debt Service Reserve Fund and exchanged on October 1, 2007 for funds legally available to the Authority under the General Resolution relating to the Refunded Bonds, will be used to refund \$6,260,000 aggregate principal amount of the Authority's Multi-Family Housing Insured Mortgage Revenue Bonds, 1997 Series A-3, 1997 Series B-2 and 1997 Series B-3 (the "**Refunded Bonds**"). It is expected that the Refunded Bonds will be redeemed on or about October 1, 2007. The amounts exchanged for such proceeds will be deposited to the Debt Service Reserve Fund and used to fund the Debt Service Reserve Fund Requirement relating to certain of the 2007 Series B Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund."

Upon redemption and payment of the Refunded Bonds, the insured rental loans securing such Refunded Bonds (which are described in **Appendix G-1** hereto) are to be deposited to the credit of the 2007 Series B subaccount of the Acquisition Fund and pledged in the Trust Estate under the Indenture, and will no longer remain pledged to the General Resolution under which the Refunded Bonds were issued.

Use of Amounts in Acquisition Account

Certain proceeds of the 2007 Series B Bonds will be deposited to the following subaccounts of the Restricted Loan Subaccount of the 2007 Series B Subaccount of the Acquisition Account of the Program Fund: the 2007B Taxable Loan Subaccount, the 2007B AMT Loan Subaccount, and the 2007B Non-AMT Loan Subaccount. It is expected that all deposits to such 2007 Series B subaccounts will be applied to finance or refinance 2007B Loans to the Borrowers as described in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2007B LOANS" within three years from the date of issuance of the 2007 Series B Bonds. Amounts on deposit in the 2007B Taxable Loan Subaccount (representing certain proceeds of the Taxable 2007 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 2007 Series B-1 Bonds. Amounts on deposit in the 2007B AMT Loan Subaccount (representing certain proceeds of the 2007 Series B-2 Bonds) are expected to be used to fund the uninsured rental loans identified in **Appendix G-1** as loans to be funded with proceeds of the 2007 Series B-2 Bonds, and, as a result of the refunding of the Refunded Bonds and the transfer and deposit of the loans, to refinance the insured rental loans identified in **Appendix G-1**. Amounts on deposit in the 2007B Non-AMT Loan Subaccount (representing certain proceeds of the 2007 Series B-3 Bonds) are expected to be used to fund the uninsured business and rental loans identified in **Appendix G-1** as loans to be funded with proceeds of the 2007 Series B-3 Bonds and, as a result of the refunding of the Refunded Bonds and the transfer and deposit of the loans, to refinance a portion of the insured loans identified in **Appendix G-1**.

For information regarding the loans expected to be acquired, originated or transferred as 2007B Loans, see **Appendix G-1** hereto. Each of the Borrowers is required to use the amounts so loaned to it as a 2007B Loan to finance or refinance, in part, the acquisition, construction and/or rehabilitation of, and certain costs associated with, the respective 2007B Project. See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2007B Loans," "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date," and **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE." See "TERMS OF THE 2007 SERIES B BONDS – Prior Redemption – Special 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 2007 Series B Indenture, including unexpended Bond proceeds transferred from the Authority Projects Subaccount. Amounts deposited in the Restricted Loan Subaccount are to be applied to make 2007B Loans and for other purposes authorized in the 2007 Series B Indenture. The Trustee is authorized to withdraw moneys from the Restricted Loan Subaccount to finance 2007B 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 2007B Loans to be financed and an Authority Request to finance such 2007B Loans. Any moneys credited to the Restricted Loan Subaccount that are not used to finance 2007B Loans or for the other purposes authorized by the 2007 Series B 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 July 1, 2010, 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 2007 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 2007 Series B 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 Authority Projects and for the other purposes authorized in the 2007 Series B 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 Authority Projects or for the other purposes authorized in the 2007 Series B Indenture. Such amount must be transferred not later than July 1, 2010, 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 2007 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 2007B Loans

Generally

Proceeds of the 2007 Series B Bonds are expected to be used as follows:

- (i) Existing General Fund Loans. To acquire as 2007B Loans certain existing uninsured rental and business loans made under various Authority programs currently held in the Authority's General Fund; and
- (ii) Existing Loans to be Transferred. To redeem and pay the Refunded Bonds and deposit insured rental loans previously financed with proceeds of such Refunded Bonds to the credit of the 2007B AMT Loan Subaccount and the 2007B Non-AMT Loan Subaccount of the Acquisition Account; and

(iii) New Loans. To originate as 2007B Loans uninsured rental loans made under the Authority's SMART Program and uninsured business loans made under various Authority business programs.

See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date" and **Appendix G-1** hereto. The loans expected to be so acquired, originated and deposited are referred to herein as the "**2007B Loans**." See "Part I – PLAN OF FINANCE."

The Master Indenture permits the Authority to recycle payments and repayments made on any Loans, including the 2007B Loans, to make new Loans, which may include insured, uninsured, first lien or subordinate lien Loans, or to finance or refinance Authority Projects, so long as the requirements of the Master Indenture are satisfied. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Program Fund; Loan Recycling Account." Certain restrictions on the rental and occupancy of the multi-family projects to be funded with certain 2007B Loans (the "**2007B 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 2007B Loans, the Authority may, at its option, any time within three years of the date of issuance of the 2007 Series B Bonds, direct the Trustee to transfer amounts in the Program Fund to the Redemption Fund to be used to redeem 2007 Series B Bonds at par plus accrued interest. Furthermore, to the extent such amounts are not used by the Authority to finance or refinance 2007B Loans or other permissible projects during the three year period following issuance of the 2007 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 2007 Series B Bonds. See "Part I – TERMS OF THE 2007 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 2007 Series B Bonds and deposited to the 2007 Series B subaccounts of the Acquisition Account currently bear interest at the rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2007B LOANS – Existing Loans To Be Acquired." The existing loans to be deposited to the credit of the 2007B AMT Loan Subaccount and the 2007B Non-AMT Loan Subaccount of the Acquisition Account upon redemption and payment of the Refunded Bonds currently bear interest (as recently modified) at the rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2007B LOANS – Existing Loans to be Transferred." The loans expected to be originated with proceeds of the 2007 Series B Bonds are expected to bear interest at the estimated rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2007B LOANS – Loans Expected to be Originated." See "Modification of Loan Terms" under this caption.

The 2007B Borrowers

The loans expected to be acquired or originated by the Authority or transferred and deposited as 2007B Loans have been or will be made to particular for-profit and non-profit private organizations, referred to as the "Borrowers" and described in **Appendix G-1** hereto. In the case of rental 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 2007B 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 2007 Series B-2 Bonds and the 2007 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 2007 Series B-2 Bonds and the 2007 Series B-3 Bonds being included in gross income of the Owners of such 2007 Series B Bonds for purposes of federal income taxation and will not result in a mandatory redemption of such 2007 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 2007B Loans, handling the receipt and disbursement of funds related to the 2007B 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 2007B Loans, including occupancy and rental restrictions with respect to Loans for 2007B Multifamily Projects, and will review the financial status of the 2007B 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 2007B Loan to modify the terms of such 2007B Loan, so long as such modification is consistent with the restrictions of the Indenture. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Covenants Relating to Loans."

General Obligation Pledge for Uninsured 2007B Loans

Each uninsured 2007B Loan shall be payable as a general obligation of the Authority in the event that the Borrower of such 2007B Loan fails to make payments when due under such 2007B Loan. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – The General Fund."

Debt Service Reserve Fund

The Debt Service Reserve Fund Requirement for the 2007 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 2007 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 2007 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. Proceeds of the 2007 Series B Bonds will initially be deposited to the Debt Service Reserve Fund to fund the Debt Service Reserve Fund Requirement for the 2007 Series B Bonds. On October 1, 2007, certain of such proceeds will be exchanged for amounts on deposit under the General Resolution relating to the Refunded Bonds and legally available to the Authority in connection with the refunding. See "Part I – PLAN OF FINANCE – Sources and Uses of Funds."

General Obligation Pledge for Taxable 2007 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 2007 Series B Indenture provides that the Taxable 2007 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" and the Authority's audited 2006 financial statements attached hereto as **Appendix A. Potential investors should evaluate the likelihood that moneys will be available in the General Fund or otherwise held by the Authority and available to pay debt service when due on the Taxable 2007 Series B-1 Bonds. However, neither the General Fund nor any revenues, income or assets of the Authority other than the Trust Estate is pledged to repay the Taxable 2007 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 the assets, income and revenues of the Authority. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY - General Obligations of the Authority."

2007B Investment Agreements

Amounts in the 2007 Series B subaccounts of the Acquisition Account will be invested in an investment agreement (the "**2007B Acquisition Account Investment Agreement**") between the Trustee and Royal Bank of Canada, at an interest rate of 5.23% per annum, through August 1, 2008 or such earlier date on which all amounts invested in such fund have been withdrawn. Amounts in the 2007 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 an investment agreement (the "**2007B Float Fund Investment Agreement**"), between the Trustee and Natixis Funding

Corporation, subject to certain limitations set forth therein, at an interest rate of 4.71% per annum, through October 1, 2038 or such earlier date on which the 2007 Series B Bonds are no longer outstanding. Amounts deposited to the Debt Service Reserve Fund will be invested in an investment agreement (the "**2007B Debt Service Reserve Fund Investment Agreement**") between the Trustee and Natixis Funding Corporation, at an interest rate of 5.52% per annum through October 1, 2038 or such earlier date on which the 2007 Series B Bonds are no longer outstanding. The obligations of Natixis Funding Corporation will be guaranteed by IXIS Corporate & Investment Bank, a limited liability company with executive and supervisory boards (société anonyme à Directoire et Conseil de Surveillance) governed by French law (the "**Guarantor**"). Natixis Funding Corporation is a subsidiary of the Guarantor.

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

Outstanding Investment Agreements

Series	Funds Invested (in related Series subaccounts)	Investment Provider*	Rate	Termination Date
2000A	Revenue Fund; Redemption Fund	FGIC Capital Market Services, Inc.	6.00%	10/1/2032
2000B	Revenue Fund; Redemption Fund	CDC Funding Corp.	6.26%	4/1/2042
2001A	Revenue Fund; Redemption Fund	CDC Funding Corp.	5.26%	4/1/2043
2002A	Revenue Fund; Redemption Fund; Debt Service Reserve Fund	CDC Funding Corp.	5.50%	10/1/2042
2002C	Debt Service Reserve Fund	CDC Funding Corp.	4.89%	10/1/2042
2002C	Revenue Fund; Redemption Fund	CDC Funding Corp.	4.26%	10/1/2042
2004A	Revenue Fund; Redemption Fund	Transamerica Occidental Life Insurance Company	4.05%	10/1/2045
2004A	Debt Service Reserve Fund	Transamerica Occidental Life Insurance Company	4.50%	4/1/2045
2005A	Revenue Fund; Redemption Fund	AIG Matched Funding Corp.	4.01%	4/1/2040
2005A	Debt Service Reserve Fund	AIG Matched Funding Corp.	4.95%	4/1/2040
2005B	Acquisition Account	Transamerica Occidental Life Insurance Company	4.50%	12/1/2006
2005B	Revenue Fund; Redemption Fund	Transamerica Occidental Life Insurance Company	4.00%	10/1/2040
2006A	Acquisition Account	Transamerica Life Insurance Company	5.412%	11/1/2007
2006A	Revenue Fund; Redemption Fund	DEPFA BANK plc	4.20%	10/1/2041
2006B	Revenue Fund; Redemption Fund	MBIA Inc.	4.46%	10/1/2044

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

The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the 2007B Acquisition Account Investment Agreement, the 2007B Float Fund Investment Agreement or the 2007B Debt Service Reserve Fund Investment Agreement (collectively, the "**2007B Investment Agreements**") and by the investment agreements on the preceding table will be available as described. However, in the event that any 2007B Investment Agreement or any investment agreement shown on the preceding table is terminated as a result of default by the respective investment provider or for any other reason, it may not be possible to reinvest such proceeds and deposits at these assumed rates and the cashflows may be adversely affected. *Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of Royal Bank of Canada, Natixis Funding Corporation or the Guarantor, or any of the investment providers shown on the preceding table. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of Royal Bank of Canada, Natixis Funding Corporation and the Guarantor, as well as such investment providers shown the preceding table.*

2007B Derivative Products

In connection with the issuance of the Taxable 2007 Series B-1 Bonds, the Authority is entering into certain interest rate swap agreements (collectively, the "**2007B-1 Derivative Product**") with Lehman Brothers Derivative Products Inc. ("**LBDP**") and Bank of America, N.A. (collectively, the "**2007B-1 Counterparties**"). The Authority is also entering into interest rate swap agreements (collectively, the "**2007B-2 Derivative Product**") with LBDP in connection with the issuance of the 2007 Series B-2 Bonds and interest rate swap agreements (collectively, the "**2007B-3 Derivative Product**") with LBDP in connection with the issuance of the 2007 Series B-3 Bonds. Collectively, the 2007B-1 Derivative Product, the 2007B-2 Derivative Product and the 2007B-3 Derivative Product are referred to as the "**2007B Derivative Products**."

Pursuant to the 2007B-1 Derivative Product, the Authority will pay interest to the 2007B-1 Counterparties at a fixed rate and will receive interest from the 2007B 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 2007 Series B-1 Bonds and the amount of such interest payments to be made by the 2007B-1 Counterparties under the 2007B-1 Derivative Product. Pursuant to the 2007B-2 Derivative Product and the 2007B-3 Derivative Product, the Authority will pay interest to LBDP at a fixed rate and will receive interest from LBDP 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 2007 Series B-2 Bonds and the 2007 Series B-3 Bonds and the amount of such payments to be made by LBDP under the 2007B-2 Derivative Product and the 2007B-3 Derivative Product, respectively.

The Authority's obligation to make interest payments to LBDP under the 2007B Derivative Products will constitute Class I Obligations 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 2007B 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 – Obligations of the Authority – General

Obligations." 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 MASTER INDENTURE – Derivative Products."

TAX MATTERS

Tax Treatment of Interest on Tax-Exempt 2007 Series B 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 2007 Series B-2 Bonds and the 2007 Series B-3 Bonds (collectively, the "**Tax-Exempt 2007 Series B Bonds**") (except for interest on any 2007 Series B Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2007 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 2007 Series B 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 2007 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 2007 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 2007 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 Tax-Exempt 2007 Series B Bonds.

The Tax Code imposes several requirements which must be met with respect to the Tax-Exempt 2007 Series B 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 2007 Series B Bonds. These requirements include: (a) limitations as to the use of proceeds of the Tax-Exempt 2007 Series B Bonds; (b) limitations on the extent to which proceeds of the Tax-Exempt 2007 Series B 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 2007 Series B Bonds above the yield on the Tax-Exempt 2007 Series B 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 2007 Series B Bonds from gross income and (in the case of the 2007 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 2007 Series B Bonds from gross income and (in the case of the 2007 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 2007 Series B Bonds to be included in gross income or (in the case of the 2007 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 2007 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 2007 Series B-3 Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Tax-Exempt 2007 Series B Bonds. Owners of the Tax-Exempt 2007 Series B 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 2007 Series B Bonds from gross income and (in the case of the 2007 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 2007 Series B Bonds. Owners of the Tax-Exempt 2007 Series B 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 2007 Series B 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 2007 Series B Bonds, the exclusion of interest on the Tax-Exempt 2007 Series B Bonds from gross income, alternative minimum taxable income (in the case of the 2007 Series B-3 Bonds), or any combination thereof from the date of issuance of the Tax-Exempt 2007 Series B 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 2007 Series B Bonds. If an audit is commenced, the marketing value of the Tax-Exempt 2007 Series B Bonds may be adversely affected. 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 2007 Series B Bonds. The Authority has covenanted in the Indenture not to take any action that would cause the interest on the Tax-Exempt 2007 Series B 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 2007 Series B Bonds.

Tax Treatment of Interest on Taxable 2007 Series B-1 Bonds

IN THE OPINION OF BOND COUNSEL, THE INTEREST ON THE TAXABLE 2007 SERIES B-1 BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TAX CODE. THE TAXABLE 2007 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 2007 SERIES B-1 BONDS.

Bond Counsel will express no other opinion as to any tax consequences regarding the Taxable 2007 Series B-1 Bonds. Owners of the Taxable 2007 Series B-1 Bonds should consult with their own tax advisors as to the tax consequences pertaining to the Taxable 2007 Series B-1 Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the Taxable 2007 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 2007 Series B-1 Bonds, interest on the Taxable 2007 Series B-1 Bonds or any other federal income tax issues associated with the Taxable 2007 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 2007 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 2007 Series B Bonds at a price equal to \$103,745,000 (being the par amount of the 2007 Series B Bonds). The Underwriters will be paid a fee of \$458,689 (plus reimbursement of certain expenses) in connection with the underwriting of the 2007 Series B Bonds. The initial public offering price may be changed from time to time by the Underwriters. RBC Capital Markets is the name under which RBC Dain Rauscher Inc. will be performing underwriting services in connection with the issuance of the 2007 Series B Bonds.

2007B REMARKETING AGENT

Lehman Brothers Inc. has initially been appointed to serve as 2007B Remarketing Agent for the 2007 Series B Bonds (the "**2007B Remarketing Agent**") pursuant to the Indenture and a Remarketing Agreement dated as of August 1, 2007 between the Authority and Lehman Brothers, Inc. If 2007 Series B Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2007 SERIES B BONDS – Optional Tender and Purchase" and "- Mandatory Purchase," the 2007B Remarketing Agent is required to use its best efforts to remarket such 2007 Series B Bonds in accordance with the terms of the Indenture and the Remarketing Agreement. The 2007B Remarketing Agent will also be responsible for determining the rates of interest for the 2007 Series B Bonds in accordance with the Indenture. The 2007B Remarketing Agent is to transfer any proceeds of remarketing of the 2007 Series B Bonds it receives to the Paying Agent for deposit to the Remarketing Proceeds Subaccount of the Purchase Fund in accordance with the 2007 Series B Indenture.

The 2007B 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 2007B Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the 2007B Remarketing Agent, the Trustee, the Paying Agent and the Liquidity Facility Provider and upon at least thirty (30) days' prior written notice to the 2007B Remarketing Agent. Any successor 2007B Remarketing Agent shall be selected by the Authority. The 2007B Remarketing Agent shall assign and deliver the 2007B Remarketing Agreement to its successor.

FORWARD-LOOKING STATEMENTS

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

LITIGATION

At the time of the delivery of and payment for the 2007 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 2007 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 2007 Series B Bonds, the Indenture or the contract for the purchase of the 2007 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 2007 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 related Initial 2007B Liquidity Facilities by the 2007B Liquidity Facility Provider. Such ratings reflect only the views of Moody's and S&P, respectively, and are not a recommendation to buy, sell or hold the 2007 Series B Bonds. An explanation of the significance of the ratings given by Moody's and S&P, respectively, may be obtained from Moody's and S&P, respectively. Generally, a rating agency bases its rating on the information and materials furnished it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if circumstances so warrant. Neither the Authority nor the 2007B Remarketing Agent has undertaken to provide notice of any change in these ratings of the 2007 Series B Bonds. Any such downward revision or withdrawal of any such rating may have an adverse effect on the marketability or price of the respective 2007 Series B Bonds.

LEGAL MATTERS

In connection with the issuance and sale of the 2007 Series B Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion included as **Appendix E** hereto. Hogan & Hartson LLP will pass upon certain legal matters relating to the 2007 Series B Bonds as Disclosure Counsel to the Authority. Certain legal matters relating to the 2007 Series B Bonds will be passed upon for the Authority by Charles L. Borgman, Esq., its General Counsel. Bookhardt & O'Toole will pass upon certain matters for the Underwriters. Certain legal matters will be passed upon for the 2007B Liquidity Facility Provider by its domestic counsel, Nixon Peabody LLP, and by its French counsel.

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

CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as an Underwriter and the initial 2007B Remarketing Agent of the 2007 Series B Bonds. Certain affiliates of Lehman Brothers Inc. are acting as a counterparty to the Authority under the 2007B Derivative Products and have also acted as a counterparty to the Authority under certain of the Outstanding Master Indenture Derivative Products described in Appendix B. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2007B Derivative Products."

(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>
Michele Dressel, Chair (1)	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	July 1, 2009
Richard Grice, Chair, <u>pro tem</u> (1)	Executive Director, Colorado Department of Labor and Employment; Denver, Colorado	July 1, 2007 (2)
Joel S. Rosenstein, Secretary/Treasurer (1)	Attorney, Senn, Lewis & Visciano; Denver, Colorado	July 1, 2009
John Blumberg	Co-Founder and Principal, Black Creek Capital LLC; Denver, Colorado	July 1, 2009
John R. Davidson	Chairman of the Board and Chief Executive Officer, First American State Bank; Greenwood Village, Colorado	July 1, 2007 (2)
Joseph A. Garcia	President, Colorado State University – Pueblo; Pueblo, Colorado	July 1, 2009
Roxanne M. Huber	Executive Director, Colorado Department of Revenue; Denver, Colorado	At the pleasure of the Governor
Rosemary Marshall	State Senator; Denver, Colorado	End of legislative biennium 2007-2008
Nancy J. McCallin	President, Colorado Community College System; Denver, Colorado	July 1, 2007 (2)
Eric C. Moore	Chief Information Officer, Arapahoe Douglas Mental Health Network; Denver, Colorado	July 1, 2009
Sally W. Symanski	Colorado State Auditor; Denver, Colorado	July 1, 2011

(1) These Board members were elected to their respective offices effective March 22, 2007.

(2) The term of these Board members shall continue in effect until a successor has been duly appointed by the Governor and confirmed by the Colorado Senate.

The principal staff officers of the Authority are as follows:

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

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

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

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

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

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

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

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

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

D. Brian Miller was appointed as **Director of Asset Management** in October 2003. Prior to his current position, Mr. Miller served as the Manager of Multifamily Loan Compliance Department, as well as various other positions within the Asset Management Division since joining the Authority in August 1998. Mr. Miller has over fifteen years experience in financial services and asset management. Mr. Miller is a graduate of the University of Northern Colorado with a Bachelor's Degree in Finance.

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

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

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

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

Employees and Pension Information

As of December 31, 2006, the Authority had approximately 160 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 2005. In 2006, the Authority's PERA contribution totaled approximately \$986,000, compared to an Authority contribution in 2005 of \$827,000. See footnote (10) of the audited 2006 financial statements attached as **Appendix A** hereto for further information.

Insurance Coverage

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

Selected Financial Information

The following is a brief summary of historical selected financial information for the Authority. The audited 2006 financial statements of the Authority included in **Appendix A** to this Official Statement also provide certain financial information about the Authority on a fund accounting basis, including a description of its General Fund. This information has been included solely for purposes of providing a general overview for potential purchasers of the financial status of the Authority given that the Authority operates the programs which result in the Loans securing Bonds and Derivative Products under the Master Indenture and also services such Loans. The Bonds and Derivative Products are limited obligations of the Authority secured by and payable from the Trust Estate, except in the limited case of those Bonds and Derivative Products designated as general obligations of the Authority. See "Obligations

of the Authority" and "The General Fund" under this caption. *The overall financial status of the Authority does not indicate and will not necessarily affect whether amounts will be available in the Trust Estate to pay principal and interest on Bonds when due.*

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Colorado Housing and Finance Authority
Statement of Net Assets

December 31, 2006

(with summarized financial information for December 31, 2005)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2006	2005
Assets						
Current assets:						
Cash	\$ 26,365	\$ -	\$ -	\$ -	\$ 26,365	\$ 24,024
Investments	52,713	338,742	99,391	-	490,846	554,138
Loans receivable	6,757	51,957	25,417	(1,040)	83,091	70,191
Accrued interest receivable	2,460	11,958	6,060	(267)	20,211	18,840
Deferred debt financing costs, net	20	611	251	-	882	694
Federally assisted program advances	-	-	-	-	-	838
Other assets	3,885	-	-	-	3,885	5,992
Due to (from) other funds	(21,180)	17,859	3,321	-	-	-
Total current assets	71,020	421,127	134,440	(1,307)	625,280	674,717
Noncurrent assets:						
Investments	4,524	99,879	80,862	-	185,265	181,735
Loans receivable, net	195,965	1,506,749	737,102	(30,160)	2,409,656	2,035,553
Capital assets - non-depreciable	8,545	-	-	-	8,545	7,991
Capital assets - depreciable, net	32,638	-	-	-	32,638	31,892
Other real estate owned, net	-	1,923	-	-	1,923	4,005
Deferred debt financing costs, net	357	10,998	4,527	-	15,882	12,491
Other assets	14,486	-	-	-	14,486	12,361
Total noncurrent assets	256,515	1,619,549	822,491	(30,160)	2,668,395	2,286,028
Total assets	\$ 327,535	\$ 2,040,676	\$ 956,931	\$ (31,467)	\$ 3,293,675	\$ 2,960,745
Liabilities						
Current liabilities:						
Short-term debt	\$ 8,200	\$ -	\$ -	\$ -	\$ 8,200	\$ 120,405
Bonds payable, current portion	75	162,005	5,702	-	167,782	173,910
Notes payable, current portion	108	-	-	-	108	107
Accrued interest payable	1,009	14,936	10,682	(267)	26,360	23,688
Federally assisted program advances	899	-	-	-	899	838
Accounts payable and other liabilities	18,093	506	294	-	18,893	17,385
Total current liabilities	28,384	177,447	16,678	(267)	222,242	336,333
Noncurrent liabilities:						
Bonds payable, net	107,017	1,795,303	891,858	-	2,794,178	2,371,168
Notes payable	37,055	-	-	(31,200)	5,855	2,079
Other liabilities	8,954	444	957	-	10,355	8,312
Total noncurrent liabilities	153,026	1,795,747	892,815	(31,200)	2,810,388	2,381,559
Total liabilities	181,410	1,973,194	909,493	(31,467)	3,032,630	2,717,892
Net assets						
Invested in capital assets, net of related debt	9,134	-	-	-	9,134	7,831
Restricted by bond indentures	-	67,482	47,438	-	114,920	93,609
Unrestricted	136,991	-	-	-	136,991	141,413
Total net assets	146,125	67,482	47,438	-	261,045	242,853
Total liabilities and net assets	\$ 327,535	\$ 2,040,676	\$ 956,931	\$ (31,467)	\$ 3,293,675	\$ 2,960,745

The accompanying notes are an integral part of these statements

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

For the year ended December 31, 2006

(with summarized financial information for the year ended December 31, 2005)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2006	2005
Operating revenues:						
Interest on loans receivable	\$ 12,449	\$ 72,233	\$ 39,326	\$ (2,169)	\$ 121,839	\$ 111,337
Investment income	3,061	20,323	11,000	-	34,384	30,628
Net increase (decrease) in the fair value of investments	(137)	(1,130)	(1,201)	-	(2,468)	788
Rental income	11,638	-	-	-	11,638	10,902
Loan servicing income	8,543	-	-	-	8,543	7,826
Section 8 administration fees	4,622	-	-	-	4,622	3,976
Other revenues	2,284	-	-	-	2,284	2,295
Total operating revenues	42,460	91,426	49,125	(2,169)	180,842	167,752
Operating expenses:						
Interest on debt	9,663	83,680	43,190	(2,169)	134,364	120,371
Salaries and related benefits	12,721	-	-	-	12,721	11,322
General operating	14,732	502	192	-	15,426	15,485
Other interest expense	1,845	-	-	-	1,845	1,848
Depreciation	2,651	-	-	-	2,651	2,679
Provision for losses	(1,050)	443	(3,750)	-	(4,357)	715
Total operating expenses	40,562	84,625	39,632	(2,169)	162,650	152,420
Total operating income	1,898	6,801	9,493	-	18,192	15,332
Nonoperating revenues and expenses:						
Federal grant receipts	95,061	-	-	-	95,061	92,479
Federal grant payments	(95,061)	-	-	-	(95,061)	(92,479)
Total nonoperating revenues	-	-	-	-	-	-
Income before transfers	1,898	6,801	9,493	-	18,192	15,332
Transfers from (to) other funds	6,179	(899)	(5,280)	-	-	-
Change in net assets	8,077	5,902	4,213	-	18,192	15,332
Net assets:						
Beginning of year, as restated	138,048	61,580	43,225	-	242,853	227,521
End of year	\$ 146,125	\$ 67,482	\$ 47,438	\$ -	\$ 261,045	\$ 242,853

The accompanying notes are an integral part of these statements

The General Fund

Generally

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

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

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

Financial Information for the General Fund

The following table sets forth historical selected financial information for the General Fund for the five years ended December 31, 2006 as provided by the Authority.

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

	<u>FY</u> <u>2006</u>	<u>FY</u> <u>2005</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	\$12,449	\$11,241	\$10,454	\$10,094	\$12,177
Investments	3,061	2,016	1,744	1,955	3,084
Net increase (decrease) fair value of long-term investments	<u>(137)</u>	<u>441</u>	<u>(392)</u>	<u>(570)</u>	<u>(10)</u>
Total interest and investment revenue	15,373	13,698	11,806	11,479	15,251
Interest expense - bonds and notes payable	<u>9,663</u>	<u>7,681</u>	<u>5,799</u>	<u>5,345</u>	<u>8,100</u>
Net interest and investment revenue	5,710	6,017	6,007	6,134	7,151
Other revenue (expense):					
Rental operations	11,638	10,902	10,279	9,549	10,569
Fees and miscellaneous income	15,449	14,097	12,771	14,350	12,683
Program fees	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,665</u>	<u>4,705</u>
Total other revenue	<u>27,087</u>	<u>24,999</u>	<u>23,050</u>	<u>28,564</u>	<u>27,957</u>
Net revenue	32,797	34,952	29,057	34,698	35,108
Other expenses:					
Salaries and related benefits	12,721	11,322	10,668	11,545	10,869
General operating ⁽¹⁾	14,732	14,724	13,462	13,651	9,725
Provision for losses	(1,050)	870	(816)	133	996
Other interest expense	1,845	1,848	1,326	1,260	1,274
Transfers	(6,179)	(13,192)	(3,432)	(2,865)	(798)
Depreciation	<u>2,651</u>	<u>2,679</u>	<u>2,574</u>	<u>2,745</u>	<u>2,246</u>
Total other expense	<u>24,720</u>	<u>18,251</u>	<u>23,782</u>	<u>26,469</u>	<u>24,312</u>
Change in net assets	<u>\$ 8,077</u>	<u>\$ 12,765</u>	<u>\$ 5,275</u>	<u>\$ 8,229</u>	<u>\$ 10,796</u>
Net Assets, end of year	<u>\$146,125</u> ⁽²⁾	<u>\$149,244</u>	<u>\$136,479</u>	<u>\$131,204</u>	<u>\$122,975</u>
Bonds and Notes Payable	<u>\$152,455</u>	<u>\$253,738</u>	<u>\$212,798</u>	<u>\$162,623</u>	<u>\$202,012</u>
Total Assets	<u>\$327,534</u>	<u>\$428,627</u>	<u>\$359,139</u>	<u>\$305,912</u>	<u>\$336,322</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 2006 financial statements included in this Official Statement as **Appendix A**.

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

Sources: Derived based on the audited financial statements of the Authority for years ended December 31, 2002-2006.

Authority Policy Regarding Swaps

The Master Indenture permits the Authority to enter into "Derivative Products," which include interest rate exchange or swap contracts, cash flow exchange contracts, forward swaps, interest rate floors, caps or collars and other derivative products. See **Appendix B** and "Part II – SECURITY FOR

THE OBLIGATIONS – Derivative Products." Under the master indenture relating to its single family revenue bonds, the Authority is also permitted to enter, and has entered into, certain derivative obligations which are described in footnote (7) of the audited 2006 financial statements of the Authority attached in **Appendix A**. The Board of the Authority has adopted a Bond Issuance Policy, which it amends from time to time and, among other things, establishes parameters for swap agreements which may be authorized from time to time by resolution of the Board in connection with the issuance of bonds by the Authority (including Bonds under the Master Indenture). On an annual basis, the Authority staff is to provide a report to the Board regarding all outstanding swap agreements. The Board may change its Bond Issuance Policy at any time and from time to time at its sole discretion, including an expansion of the Bond Issuance Policy to permit derivative products other than swap agreements. Any changes to the Bond Issuance Policy may impact future swap agreements or other Derivative Products authorized in connection with Bonds under the Master Indenture. The Authority routinely engages a consultant to evaluate the terms of any proposed swap agreement and determine whether the base price for such swap agreement with these terms is fair in the current market environment.

Programs to Date

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

Commercial Loan Programs

Rental Finance Programs. The Commercial Lending Division of the Authority encompasses the business finance programs (described below) as well as the rental finance programs under which the Authority makes mortgage loans to qualified sponsors of low and moderate income multi-family housing within Colorado. As part of its rental finance activities, the Authority makes mortgage loans insured by an agency or instrumentality of the United States. The insured rental loans made by the Authority must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured rental loans made to date have been insured by the Federal Housing Administration ("FHA") under Sections 221(d)(3), 221(d)4 and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. These insured rental loans have been funded by the Authority as described in "Obligations of the Authority – Commercial Loan Programs" under this caption. In the case of a Section 542(c) claim, the Authority is responsible to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such claim. See "Obligations of the Authority – General Obligations – Loans Backed by Authority General Obligation" under this caption. For certain information regarding the Authority's outstanding insured rental loans, see footnote (3) to the audited 2006 financial statements of the Authority included in this Official Statement as **Appendix A**.

The Authority also makes uninsured rental loans to §501(c)(3) nonprofit corporations and public housing authorities as well as to for-profit developers. Certain of these uninsured rental loans have been made as a part of the Authority's Small Affordable Rental Transactions Program (the "**SMART Program**") in principal amounts under \$5 million (or in such greater amounts as approved from time to time pursuant to the delegated authority policy of the Authority as approved or amended from time to time by the Board). In addition to long-term rental loans under the SMART Program, the Authority also makes uninsured rental loans that provide interim financing for acquisition and/or rehabilitation of the

acquired property. These loans, referred to as bridge loans, are generally less than two years in term, are secured by a first deed of trust on the real estate, and have full recourse to the borrower during the term of the bridge loan. In the case of for-profit developers, the loans are both full recourse to the borrower and personally guaranteed by the individual principals during the term of the bridge loan. The Authority has also made an uninsured rental loan to a for-profit developer in support of certain single family rental housing facilities at Fort Carson Army Base in Colorado Springs, Colorado.

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

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

Business Finance Programs. The Authority originates uninsured loans as part of certain of its business loan programs, including the CHFA Direct Loan Program, the Non-Profit Real Estate Loan Program, the U.S. Small Business Administration ("**SBA**") 504 Program, the CHFA Rural Loan Program, the RENEW Program and the Business and Industry Loan I ("**B&I I**") Program, described below. These uninsured business loans must meet certain economic development or job creation/retention objectives under the Act and are made to small and moderate-size Colorado businesses to provide long-term, fixed rate financing for real estate and equipment. The uninsured business loans are secured by a first lien on the assets financed, are made in amounts up to ninety percent (90%) of the lesser of cost or appraised value of the collateral, are fully-amortizing over terms of up to thirty (30) years for real estate loans and seven years for equipment, and generally require guarantees from principals of the business having a twenty percent or greater ownership interest. A guaranty is also required from the operating company if different from the Borrower.

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

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

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

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

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

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

Single Family Mortgage Programs

Under its Single Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings directly to individual borrowers or may purchase such mortgage loans from qualified originating Mortgage Lenders. The Authority presently purchases and originates mortgage loans under its *Qualified Single Family Mortgage Program* and its *Non-Qualified Single Family Mortgage Program*. Under its Qualified Single Family Mortgage Program, the Authority may make mortgage loans to Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. The Authority permits Eligible Borrowers under its Non-Qualified Single Family Mortgage Program to meet certain income limits which are somewhat higher than the limits permitted for the Qualified Single Family Mortgage Program. There is also no limit on prior home ownership or limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-Qualified Single Family Mortgage Program. Proceeds of a mortgage loan under the Non-Qualified Single Family Mortgage Program may also be used under the Authority's refinancing program to refinance existing mortgage loans. In many other respects, the requirements for the Non-Qualified Single Family Mortgage Program are the same as the requirements for the Authority's Qualified Single Family Mortgage Program. For certain information regarding the outstanding mortgage loans acquired under the Single Family Mortgage Programs, see footnote (3) to the audited 2006 financial statements of the Authority included in this Official Statement as **Appendix A**.

Obligations of the Authority

The following is a summary of certain obligations incurred by the Authority to provide funds for and otherwise operate the Authority and the programs described in "Programs to Date" under this caption. This summary has been included solely for purposes of providing information to assist a potential investor in evaluating the Authority's financial status. See also footnote (6) to the audited 2006 financial statements of the Authority included in this Official Statement as **Appendix A**.

Commercial Loan Programs

The Authority has financed rental loans with proceeds of its Multifamily Housing Insured Mortgage Revenue Bonds (outstanding as of May 1, 2007 in an aggregate principal amount of \$170,115,000) and, since 2000, has financed rental and business loans and certain guaranteed participation interests with proceeds of its Multi-Family/Project Bonds (referred to as "**Bonds**" in this Official Statement), which were outstanding as of May 1, 2007 in an aggregate principal amount of \$771,425,000. See **Appendix B** for further detail about the Bonds. Certain of the Multi-Family/Project Bonds are secured by the full faith and credit of the Authority, as described in "General Obligations – Multi-Family/Project Bonds – Class I and Class III" under this caption.

Bonds secured by a pledge of loan revenues as well as bonds secured by loan revenues and the general obligation of the Authority have also been privately placed to institutional purchasers by the

Authority in order to finance rental loans. See "General Obligations – Privately Placed Bonds" under this caption. The Authority has also issued general obligation housing bonds to finance a rental loan secured by a pledge of loan revenues as well as the full faith and credit of the Authority. See "General Obligations – General Obligation Bonds" under this caption. Projects in the RAP Program have been acquired using a combination of revenue bonds, the Authority's general fund monies, proceeds of general obligation bonds and non-recourse seller carryback financing. See footnote (6) of the audited 2006 financial statements of the Authority attached in **Appendix A** for more information regarding these outstanding bonds and notes. The Authority has also acted as a conduit issuer of bonds supported by letters of credit or other credit facilities. These conduit bonds are payable only with amounts received from the conduit borrower, and are therefore not reported as obligations of the Authority on its financial statements.

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

Single Family Mortgage Programs

In connection with its Single Family Mortgage Programs, the Authority has previously issued numerous series of its Single-Family Program Bonds as senior and subordinate bonds, payable from the revenues of pledged mortgage loans and outstanding as of May 1, 2007 in the aggregate principal amount of \$99,776,947. The Authority has also issued its Single Family Mortgage Bonds under a master indenture, payable from the revenues of mortgage loans held thereunder, outstanding as of May 1, 2007 in the aggregate principal amount of \$1,720,045,000. This amount does not include the Authority's Single Family Mortgage Bonds, 2007 Series A, issued in the aggregate principal amount of \$175 million on May 9, 2007. Subordinate bonds issued as part of the Single-Family Program Bonds and Class III Single Family Mortgage Bonds outstanding under the master indenture are also general obligations of the Authority, as described in "General Obligations – Single-Family Bonds – Subordinate Bonds and Class III Bonds" under this caption. For more detailed information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see www.colohfa.org and footnote (6) of the audited 2006 financial statements of the Authority attached in **Appendix A**. The Authority has also issued general obligation bonds through private placement in order to finance single family mortgage loans. See "General Obligations – Privately Placed Bonds" under this caption.

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

General Obligations

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

Multi-Family/Project Bonds – Class I and Class III. The Authority has issued Class I Bonds (outstanding as of May 1, 2007 in an aggregate principal amount of \$199,960,000) in order to finance business loans which are payable not only from a senior lien on loan revenues but also as general obligations of the Authority. The Authority has also issued Class III Bonds (outstanding as of May 1, 2007 in an aggregate principal amount of \$63,715,000) in order to finance certain rental and business loans. These Class III Bonds are payable from loan revenues on a subordinate lien basis and also as general obligations of the Authority. See **Appendix B** for more information about these Bonds.

Single Family Bonds – Subordinate Bonds and Class III Bonds. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds are payable from mortgage loan revenues on a subordinate lien basis and are also general obligations of the Authority. The aggregate principal amount of such Subordinate Bonds as of May 1, 2007 was \$1,695,000. The Authority has also issued Class III Single Family Mortgage Bonds, the proceeds of which have been used to finance mortgage loans for the Single Family Mortgage Programs. These Class III Bonds, outstanding in the aggregate principal amount of \$68,280,000 as of May 1, 2007, are payable from mortgage loan revenues under the Authority's master indenture and are also general obligations of the Authority. This amount does not include the Authority's Single Family Mortgage Class III Bonds, 2007 Series A, issued in the aggregate principal amount of \$35 million on May 9, 2007.

General Obligation Bonds. The Authority has financed an uninsured rental loan in connection with a housing project in the City and County of Denver using proceeds of its publicly-offered general obligation housing bonds. As of May 1, 2007, such bonds, secured by a general obligation pledge of the Authority and loan revenues, were outstanding in an aggregate principal amount of \$3,160,000. In connection with its Special Projects financing program, the Authority has financed a business loan to the Colorado Municipal League through the public offering of general obligation bonds. As of May 1, 2007, such bonds were outstanding in the aggregate principal amount of \$1,135,000.

Privately Placed Bonds. The Authority has issued general obligation bonds through private placement in order to finance rental loans. As of May 1, 2007, such privately placed bonds were outstanding in an aggregate principal amount of \$27,804,000. The Authority has also funded participation interests and business loans using proceeds of its privately placed bonds, outstanding as of May 1, 2007 in the aggregate principal amount of \$30,566,000. In addition, the Authority has issued general obligation bonds through private placement in order to finance single family mortgage loans. As of May 1, 2007, such privately placed bonds were outstanding in an aggregate principal amount of \$40,559,468.

Loans Backed by Authority General Obligation. The Authority has acquired or originated certain uninsured rental and business loans using proceeds of, and pledged to the repayment of, the Bonds, outstanding as of May 1, 2007 in the aggregate principal amount of \$232,425,419. See **Appendix G-2**. The Authority has pledged its full faith and credit to the payment of a substantial portion of such loans. The Authority has also assumed as a general obligation 50% risk of loss in the mortgage loans originated by the Authority and insured by the FHA under Section 542(c) of the Housing and Community Development Act of 1992, as amended. As of May 1, 2007, such 542(c) mortgage loans were outstanding in the amount of approximately \$300 million (\$68 million held under the General Resolution and securing the Multifamily Housing Insured Mortgage Revenue Bonds, and \$232 million held under the Master Indenture and securing the Bonds). 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 certain projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with

FHA. In addition, the mortgage loan for the Mesa Garden Apartments project in the approximate aggregate principal amount of \$3.8 million has also defaulted. The Authority has filed an insurance claim and received insurance proceeds from HUD with respect to this loan. It is likely that the Authority will incur a risk-sharing liability with respect to this project, for which the Authority believes it is adequately reserved.

Derivative Products; Interest Rate Contracts. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under the Derivative Products relating to the Bonds under the Master Indenture and under the interest rate contracts relating to the Single Family Mortgage Bonds under the related master indenture. See **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Master Indenture Derivative Products." See also "Authority Policy Regarding Swaps" under this caption and footnote (7) to the audited 2006 financial statements of the Authority included in this Official Statement as **Appendix A**. In addition to the interest rate contracts relating to the Single Family Mortgage Bonds listed in such footnote, the Authority has entered interest rate contracts with JPMorgan Chase Bank, N.A., and Bank of America, N.A., in connection with its Single Family Mortgage Bonds, 2007 Series A.

Other Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for borrowings from time to time. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of May 1, 2007, \$73,350,000 in borrowings were outstanding under those agreements. See footnote (5) to the audited 2006 financial statements of the Authority included in this Official Statement as **Appendix A**. The Authority has also borrowed amounts evidenced by Rural Business Cooperative Service Notes (outstanding as of May 1, 2007 in the aggregate principal amount of \$1,230,070), which have been used to finance project or working capital loans or participations therein for small businesses in rural areas. The Authority has pledged its full faith and credit to the payment of such notes. In addition, the Authority is obligated to repay certain seller carry-back notes (outstanding as of May 1, 2007 in the aggregate principal amount of \$617,282) which evidence general obligation borrowings by the Authority in connection with its purchase of certain RAP projects.

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

Summary of Certain Authority Obligations

The following is a table which summarizes certain obligations of the Authority and sets forth the respective outstanding amounts for such obligations as of May 1, 2007. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

Summary of Certain Authority Obligations as of May 1, 2007

<u>Certain Authority Obligations</u>	<u>Outstanding Amount (May 1, 2007)</u>
Multifamily Housing Insured Mortgage Revenue Bonds	\$ 170,115,000
Multi-Family/Project Bonds (1)	771,425,000
Single Family Program Senior/Subordinate Bonds	99,776,947
Single Family Mortgage Bonds (2)	1,720,045,000
General Obligation Bonds:	
Rental Finance	3,160,000
Business Finance	1,135,000
Privately Placed Bonds:	
Rental Finance	27,804,000
Business Finance	30,566,000
Single Family	40,559,468

(1) These are the Bonds issued and outstanding under Master Indenture. See **Appendix B** for more information about the Bonds. This outstanding amount does not include the 2007 Series B Bonds described in this Official Statement.

(2) The Authority also issued its Single Family Mortgage Bonds, 2007 Series A, on May 9, 2007. This outstanding amount does not include the \$175 million principal amount of these 2007 Series A Bonds.

The following table identifies the specific components of the Authority Obligations listed on the preceding table which are general obligations of the Authority as well as other general obligations of the Authority as of May 1, 2007. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

General Obligations of the Authority as of May 1, 2007

<u>General Obligations</u>	<u>Outstanding Amount (May 1, 2007)</u>
Multi-Family/Project Bonds:	
Class I	\$199,960,000
Class III	63,715,000
Single-Family Program Subordinate Bonds	1,695,000
Single Family Mortgage Bonds, Class III (1)	68,280,000
General Obligation Bonds:	
Rental Finance (Denver Dry Project)	3,160,000
Business Finance (Colorado Municipal League Project)	1,135,000
Privately Placed Bonds:	
Rental Finance	27,804,000
Business Finance	30,566,000
Single Family	40,559,468
Other Borrowings:	
Line of Credit	73,350,000
Rural Business Cooperative Service Notes	1,230,070
Seller Carry-Back RAP Notes	617,282

(1) The outstanding amount shown on this table does not include the \$35 million aggregate principal amount of 2007 Single Family Series A-3 Class III Bonds issued on May 9, 2007.

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 2007 Series B Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof (other than the general credit of the Authority, which general credit is not pledged for the payment of the Bonds except in the case of Bonds specifically designated as general obligations of the Authority).

Revenues

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

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

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

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

The Loans and Authority Projects

Master Indenture Requirements

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

Outstanding Loans, Authority Projects and Fund Balances

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

Debt Service Reserve Fund

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

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

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

Liquidity Facilities

The Authority has entered into, and may in the future enter into, Liquidity Facilities in connection with Adjustable Rate Bonds issued under the Master Indenture. The Authority may elect to replace any Liquidity Facility (including but not limited to the Initial 2007B Liquidity Facilities) with an Alternate Liquidity Facility. The Authority shall promptly notify the Trustee, the 2007B 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 2007B 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 2007B Liquidity Facility, each of the Initial 2007B Liquidity Facilities will expire at the end of the "Commitment Period," as defined in such Initial 2007B Liquidity Facilities. The Authority may, at its option, submit to the 2007B Liquidity Facility Provider not later than 120 days before the Expiration Date (as defined in the respective Initial 2007B Liquidity Facility) as from time to time in effect, a request that the 2007B Liquidity Facility Provider renew an Initial 2007B Liquidity Facility and extend the Expiration Date thereof for an additional period (as the parties may agree) after the then-effective Expiration Date thereof in accordance with such Initial 2007B Liquidity Facility. Pursuant to such Initial 2007B Liquidity Facility, at the Authority's written request made in accordance with such Initial 2007B Liquidity Facility, such Initial 2007B Liquidity Facility may be renewed from time to time for a period to be determined by the parties if the 2007B Liquidity Facility Provider consents to such request in its sole discretion. Under certain circumstances, the obligation of a 2007B Liquidity Facility Provider to purchase the related 2007 Series B Bonds tendered by the owners thereof or subject to mandatory purchase may be terminated or suspended. See **Appendix H** - "CERTAIN TERMS OF THE INITIAL 2007B LIQUIDITY FACILITIES – Initial 2007B Liquidity Facilities – Events of Default under the Initial 2007B Liquidity Facilities." In such event, sufficient funds may not be available to purchase such 2007 Series B Bonds tendered by the owners of such 2007 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 – 2007B Derivative Products." Any payments or receipts received by the Authority under the Derivative Products will be pledged as Revenues, as described in **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Derivative Products."** The Authority's obligation to make regular interest payments to the Counterparty under each of the Derivative Products has constituted, and is expected in the future to constitute, a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of the Derivative Products in the event of early termination, and in the future is expected to be, a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

Issuance of Additional Bonds

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

CERTAIN BONDOWNERS' RISKS

Limited Security

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

Origination of New Loans

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

Considerations Regarding Redemption at Par

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

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

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, THE BONDS MAY BE REDEEMED PRIOR TO THEIR STATED MATURITY FROM ANY MONEYS AND/OR INVESTMENT SECURITIES ON DEPOSIT IN THE RESPECTIVE ACCOUNTS OF THE REDEMPTION FUND, INCLUDING UNEXPENDED BOND PROCEEDS, EXCESS REVENUES FROM REGULAR LOAN PAYMENTS, VOLUNTARY OR INVOLUNTARY PREPAYMENTS AND AMOUNTS DEPOSITED AS A RESULT OF ANY OTHER EVENT AS DESCRIBED HEREIN. SEE "PART I – TERMS OF THE 2007 SERIES B BONDS – PRIOR REDEMPTION." THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED. However, it is assumed that a substantial portion of each Series of Bonds subject to such special redemption under the Indenture will be redeemed prior to their respective stated maturities at a redemption price equal to the principal amount of such Series of Bonds to be redeemed, without premium (except in limited circumstances).

Tax Exempt Status of Tax-Exempt Bonds

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

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

Conditions to Payment of FHA Insurance

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

Derivative Products

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

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 2007B Loans."

NO IMPAIRMENT OF CONTRACT BY THE STATE

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

LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS

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

INDEPENDENT AUDITORS

The financial statements of the Authority as of and for the years ended December 31, 2006 and 2005, included in this Official Statement as **Appendix A**, have been audited by Clifton Gunderson LLP, independent auditors, as stated in their report appearing therein. Such financial statements represent the most current audited financial information available for the Authority.

MISCELLANEOUS

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All quotations from, and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, including the Indenture and the Initial 2007B Liquidity Facility, may be obtained, during the offering period, upon request to the Authority and upon payment to the Authority of a charge for copying, mailing and handling, at 1981 Blake Street, Denver, Colorado 80202, Attention: Executive Director.

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

**COLORADO HOUSING AND FINANCE
AUTHORITY**

By: /s/ Milroy A. Alexander
Executive Director

APPENDIX A

**Financial Statements for the Years ended December 31, 2006 and 2005
and Independent Auditor's Reports**

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Independent Auditor's Report

Board of Directors
Colorado Housing and Finance Authority
Denver, Colorado

We have audited the accompanying financial statements of the business-type activities and each major fund of Colorado Housing and Finance Authority as of and for the year ended December 31, 2006 which collectively comprise Colorado Housing and Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Colorado Housing and Finance Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation, and Village of Yorkshire Corporation, blended component units, which represent 5.7%, 1.8%, and 4.9%, respectively of the assets, net assets, and revenues of the General Fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate 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. The prior year summarized comparative information has been derived from the Authority's December 31, 2005 basic financial statements and, in our report dated March 3, 2006, we expressed unqualified opinions on the basic financial statements.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Colorado Housing and Finance Authority as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

6399 S. Fiddler's Green Circle
Suite 100
Greenwood Village, Colorado 80111
tel: (303) 779-5710
fax: (303) 779-0348

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2007 on our consideration of Colorado Housing and Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clifton Anderson LLP

Greenwood Village, CO
March 29, 2007.

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, 2006. This analysis should be read in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- Net assets as of December 31, 2006, were \$261.0 million, an increase of \$18.2 million, or 7.5%, compared to net assets of \$242.9 million as of December 31, 2005, strengthening the Authority's capital position. Net assets as a percent of total assets decreased slightly from 8.20% as of December 31, 2005, to 7.93% as of December 31, 2006.
- As reflected in the Statement of Revenues, Expenses and Changes in Net Assets, the increase in net assets of \$18.2 million for 2006 represents a \$2.9 million, or 18.7%, increase compared to the increase in net assets for 2005 of \$15.3 million. This \$2.9 million increase was primarily due to a negative provision for loan losses, discussed in more detail below, partially offset by a reduction in the fair value of long-term investments. Profitability, as measured by return on average net assets, was 7.22% in 2006 compared to 6.52% in 2005. Return on average net assets adjusted for the loan provision, fair value adjustment and certain other nonrecurring items was 6.68% for 2006 and 6.53% for 2005.
- Total net loans receivable as of December 31, 2006, were \$2.5 billion, an increase of \$387.0 million, or 18.4%, compared to the amount outstanding as of December 31, 2005.
- The increase in loans receivable was funded by an increase in debt. As of December 31, 2006, debt outstanding was \$3.0 billion, an increase of \$308.5 million, or 11.6%, compared to the balance at December 31, 2005.

Overview of the Financial Statements

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

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

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

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

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

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

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

Analysis of Financial Activities

Statement of Net Assets

The following table presents condensed information about the financial position of the Authority as of December 31, 2006, and 2005, and changes in the balances of selected items during the fiscal year ended December 31, 2006.

As of December 31, (in thousands)	2006	2005	\$ Change	% Change
Assets				
Current assets	\$ 625,280	\$ 674,717	\$ (49,437)	-7.3%
Noncurrent assets:				
Investments	185,265	181,735	3,530	1.9%
Loans receivable, net	2,409,656	2,035,553	374,103	18.4%
Capital assets, net	41,183	39,883	1,300	3.3%
Other assets	32,291	28,857	3,434	11.9%
Total noncurrent assets	2,668,395	2,286,028	382,367	16.7%
Total assets	\$ 3,293,675	\$ 2,960,745	\$ 332,930	11.2%
Liabilities				
Current liabilities	\$ 222,242	\$ 336,333	\$ (114,091)	-33.9%
Noncurrent liabilities:				
Bonds and notes payable, net	2,800,033	2,373,247	426,786	18.0%
Other liabilities	10,355	8,312	2,043	24.6%
Total noncurrent liabilities	2,810,388	2,381,559	428,829	18.0%
Total liabilities	3,032,630	2,717,892	314,738	11.6%
Net assets:				
Invested in capital assets, net of related debt	9,134	7,831	1,303	16.6%
Restricted by bond indentures	114,920	93,609	21,311	22.8%
Unrestricted	136,991	141,413	(4,422)	-3.1%
Total net assets	261,045	242,853	18,192	7.5%
Total liabilities and net assets	\$ 3,293,675	\$ 2,960,745	\$ 332,930	11.2%

Total loans receivable increased \$387.0 million, or 18.4%, during the current year, of which the noncurrent portion of the increase was \$374.1 million. This increase is largely due to new loan purchases and originations of approximately \$601.3

million, offset by loan repayments and prepayments that resulted in total principal reductions of \$219.4 million. This growth in loans receivable was funded by use of bond proceeds, discussed below. The increase in loans includes a single loan in the amount of \$116.6 million (net of a \$2.0 million discount) for the construction of housing for military service members stationed at Fort Carson Army Base in Colorado Springs, Colorado. Excluding the effect of this loan, total loans grew \$270.4 million, or 12.8%, compared to the amount outstanding at December 31, 2005.

Current liabilities decreased \$114.1 million, or 33.9%, compared to 2005. This decrease was the result of a reduction in the amount borrowed under the Authority's line of credit with the Federal Home Loan Bank, primarily related to the Authority's private activity bond volume cap preservation program. Noncurrent bonds and notes payable increased \$426.8 million, or 18.0%, compared to December 31, 2005, as a result of various new bond issues. Excluding the effect of the debt issued to fund the Fort Carson loan discussed above, noncurrent bonds and notes payable increased \$308.2 million, or 13.0%, compared to the prior year-end. Additional information on the Authority's debt activities is provided under "Debt Administration".

Statement of Revenues, Expenses and Changes in Net Assets

The following table presents condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2006, and 2005, and the change from the prior year.

For the years ended December 31, (in thousands)	2006	2005	\$ Change	% Change
Operating revenues:				
Interest on loans receivable	\$ 121,839	\$ 111,337	\$ 10,502	9.4%
Investment income	34,384	30,628	3,756	12.3%
Net increase (decrease) in the fair value of investments	(2,468)	788	(3,256)	-413.2%
Rental income	11,638	10,902	736	6.8%
Other revenues	15,449	14,097	1,352	9.6%
Total operating revenues	180,842	167,752	13,090	7.8%
Operating expenses:				
Interest on debt	134,364	120,371	13,993	11.6%
Salaries and related benefits	12,721	11,322	1,399	12.4%
General operating	15,426	15,485	(59)	-0.4%
Other interest expense	1,845	1,848	(3)	-0.2%
Depreciation	2,651	2,679	(28)	-1.0%
Provision for losses	(4,357)	715	(5,072)	-709.4%
Total operating expenses	162,650	152,420	10,230	6.7%
Total operating income	18,192	15,332	2,860	18.7%
Nonoperating revenues and expenses, net	-	-	-	0.0%
Change in net assets	18,192	15,332	2,860	18.7%
Net assets:				
Beginning of year, as restated	242,853	227,521	15,332	6.7%
End of year	\$ 261,045	\$ 242,853	\$ 18,192	7.5%

Interest earned on loans of \$121.8 million, interest income on investments of \$34.4 million and interest expense on debt of \$134.4 million are the primary components of total revenues and expenses of the Authority.

Total operating revenues were \$180.8 million in 2006, an increase of \$13.1 million, or 7.8%, compared to 2005. Interest on loans climbed \$10.5 million, or 9.4%, over the 2005 amount. This increase is primarily the result of increased loan volumes. Investment income increased \$3.8 million, or 12.3%, compared to the prior year. This increase was due to increases in yields earned on investments, approximately 73% of which are short-term in nature. The \$1.4 million, or 9.6%, increase in other revenues was primarily the result of increased levels of loan servicing income. The Authority services in excess of 99% of its loans receivable, for which it receives a monthly fee.

Partially offsetting these increases in operating revenues was a decrease in the fair value of investments of \$2.5 million in 2006 compared to an increase in fair value of \$0.8 million in 2005. This decrease was the result of increases in market rates for similar securities.

Total operating expenses of \$162.7 million for 2006 increased \$10.2 million, or 6.7%, compared to 2005. The rise was largely attributable to a \$14.0 million, or 11.6%, increase in interest expense on debt. This increase was due to a 5% increase in average bond volumes from 2005 to 2006, increases in rates on unhedged variable rate debt and increases in rates paid under the Authority's line of credit with the Federal Home Loan Bank.

Partially offsetting this increase was a negative provision for losses on loans and other real estate owned of \$4.4 million in 2006 compared to a positive provision of \$0.7 million for 2005. During 2006 the Authority updated its methodology for determining the adequacy of its allowance for loan losses, taking into consideration historic losses, specific reviews of certain loans, and current economic conditions, among other factors. As a result of this analysis, the Authority determined that it could reduce its allowance for loan losses, resulting in the negative provision.

Capital Assets

Capital assets, net of accumulated depreciation, as of December 31, 2006, totaled \$41.2 million, an increase of \$1.3 million compared to the amount as of December 31, 2005. The majority of this investment in capital assets is related to the Authority's ownership of 16 apartment complexes that provide housing to lower and moderate income families. The only significant activity during 2006 was implementation of a new software application related to single family loan origination and the acquisition of a new rental property.

As of December 31, 2006, the Authority was in negotiations with various parties to sell as many as 12 of its 16 apartment complexes. The sales of these properties are expected to close during 2007. Net proceeds will be used for various purposes, including the possible purchase of new rental properties.

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

Debt Administration

As of December 31, 2006, the Authority had \$3.0 billion in bonds and notes payable outstanding and \$8.2 million outstanding under borrowing agreements with the Federal Home Loan Bank. This debt is secured by various assets and, in certain cases, the general obligation pledge of the Authority. The ratings on the debt of the Single Family Fund and the Multi-Family/Business Fund range from A1 to Aaa by Moody's Investors Service (Moody's) and A+ to AAA by Standard & Poor's (S&P), depending on the underlying collateral. The ratings on the general obligation debt of the Authority are A1/A+ by Moody's and S&P, respectively. There were no changes in ratings during 2006.

In 2006 the Authority issued \$868.0 million in debt related to its lending programs. Of this amount, \$620.0 million was issued pursuant to the Authority's single family lending program and is reflected in the Single Family Fund, \$232.3 million

was for the multi-family/business lending program and is reflected in the Multi-Family/Business Fund and \$15.7 million was issued in the form of private placements of debt to finance single family and business loans – reflected in the General Fund. Partially offsetting these new debt issues were maturities of short-term debt related to the Authority's private activity bond volume cap preservation program, scheduled debt payments, early redemptions and refundings of various debt issues.

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

Colorado Housing and Finance Authority
Statement of Net Assets

December 31, 2006

(with summarized financial information for December 31, 2005)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2006	2005
Assets						
Current assets:						
Cash	\$ 26,365	\$ -	\$ -	\$ -	\$ 26,365	\$ 24,024
Investments	52,713	338,742	99,391	-	490,846	554,138
Loans receivable	6,757	51,957	25,417	(1,040)	83,091	70,191
Accrued interest receivable	2,460	11,958	6,060	(267)	20,211	18,840
Deferred debt financing costs, net	20	611	251	-	882	694
Federally assisted program advances	-	-	-	-	-	838
Other assets	3,885	-	-	-	3,885	5,992
Due to (from) other funds	(21,180)	17,859	3,321	-	-	-
Total current assets	71,020	421,127	134,440	(1,307)	625,280	674,717
Noncurrent assets:						
Investments	4,524	99,879	80,862	-	185,265	181,735
Loans receivable, net	195,965	1,506,749	737,102	(30,160)	2,409,656	2,035,553
Capital assets - non-depreciable	8,545	-	-	-	8,545	7,991
Capital assets - depreciable, net	32,638	-	-	-	32,638	31,892
Other real estate owned, net	-	1,923	-	-	1,923	4,005
Deferred debt financing costs, net	357	10,998	4,527	-	15,882	12,491
Other assets	14,486	-	-	-	14,486	12,361
Total noncurrent assets	256,515	1,619,549	822,491	(30,160)	2,668,395	2,286,028
Total assets	\$ 327,535	\$ 2,040,676	\$ 956,931	\$ (31,467)	\$ 3,293,675	\$ 2,960,745
Liabilities						
Current liabilities:						
Short-term debt	\$ 8,200	\$ -	\$ -	\$ -	\$ 8,200	\$ 120,405
Bonds payable, current portion	75	162,005	5,702	-	167,782	173,910
Notes payable, current portion	108	-	-	-	108	107
Accrued interest payable	1,009	14,936	10,682	(267)	26,360	23,688
Federally assisted program advances	899	-	-	-	899	838
Accounts payable and other liabilities	18,093	506	294	-	18,893	17,385
Total current liabilities	28,384	177,447	16,678	(267)	222,242	336,333
Noncurrent liabilities:						
Bonds payable, net	107,017	1,795,303	891,858	-	2,794,178	2,371,168
Notes payable	37,055	-	-	(31,200)	5,855	2,079
Other liabilities	8,954	444	957	-	10,355	8,312
Total noncurrent liabilities	153,026	1,795,747	892,815	(31,200)	2,810,388	2,381,559
Total liabilities	181,410	1,973,194	909,493	(31,467)	3,032,630	2,717,892
Net assets						
Invested in capital assets, net of related debt	9,134	-	-	-	9,134	7,831
Restricted by bond indentures	-	67,482	47,438	-	114,920	93,609
Unrestricted	136,991	-	-	-	136,991	141,413
Total net assets	146,125	67,482	47,438	-	261,045	242,853
Total liabilities and net assets	\$ 327,535	\$ 2,040,676	\$ 956,931	\$ (31,467)	\$ 3,293,675	\$ 2,960,745

The accompanying notes are an integral part of these statements

Colorado Housing and Finance Authority

Statement of Revenues, Expenses and Changes in Net Assets

For the year ended December 31, 2006

(with summarized financial information for the year ended December 31, 2005)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2006	2005
Operating revenues:						
Interest on loans receivable	\$ 12,449	\$ 72,233	\$ 39,326	\$ (2,169)	\$ 121,839	\$ 111,337
Investment income	3,061	20,323	11,000	-	34,384	30,628
Net increase (decrease) in the fair value of investments	(137)	(1,130)	(1,201)	-	(2,468)	788
Rental income	11,638	-	-	-	11,638	10,902
Loan servicing income	8,543	-	-	-	8,543	7,826
Section 8 administration fees	4,622	-	-	-	4,622	3,976
Other revenues	2,284	-	-	-	2,284	2,295
Total operating revenues	42,460	91,426	49,125	(2,169)	180,842	167,752
Operating expenses:						
Interest on debt	9,663	83,680	43,190	(2,169)	134,364	120,371
Salaries and related benefits	12,721	-	-	-	12,721	11,322
General operating	14,732	502	192	-	15,426	15,485
Other interest expense	1,845	-	-	-	1,845	1,848
Depreciation	2,651	-	-	-	2,651	2,679
Provision for losses	(1,050)	443	(3,750)	-	(4,357)	715
Total operating expenses	40,562	84,625	39,632	(2,169)	162,650	152,420
Total operating income	1,898	6,801	9,493	-	18,192	15,332
Nonoperating revenues and expenses:						
Federal grant receipts	95,061	-	-	-	95,061	92,479
Federal grant payments	(95,061)	-	-	-	(95,061)	(92,479)
Total nonoperating revenues	-	-	-	-	-	-
Income before transfers	1,898	6,801	9,493	-	18,192	15,332
Transfers from (to) other funds	6,179	(899)	(5,280)	-	-	-
Change in net assets	8,077	5,902	4,213	-	18,192	15,332
Net assets:						
Beginning of year, as restated	138,048	61,580	43,225	-	242,853	227,521
End of year	\$ 146,125	\$ 67,482	\$ 47,438	\$ -	\$ 261,045	\$ 242,853

The accompanying notes are an integral part of these statements

Colorado Housing and Finance Authority

Statement of Cash Flows

For the year ended December 31, 2006

(with summarized financial information for the year ended December 31, 2005)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2006	2005
Cash flows from operating activities:						
Principal payments received on loans receivable & receipts from dispositions of other real estate owned	\$ 11,867	\$ 164,747	\$ 42,759	\$ 33	\$ 219,406	\$ 292,254
Interest payments received on loans receivable	12,930	73,732	38,729	(2,167)	123,224	114,234
Payments for fundings of loans receivable	(441,462)	(9)	(159,846)	-	(601,317)	(482,934)
Receipt (payment) for loan transfers between funds	450,235	(418,640)	(31,595)	-	-	-
Receipts from rental operations	11,609	-	-	-	11,609	10,880
Receipts from other revenues	15,191	-	-	-	15,191	14,057
Payments for salaries and related benefits	(12,510)	-	-	-	(12,510)	(11,294)
Payments for goods and services	(17,084)	(502)	(192)	-	(17,778)	(12,912)
All other, net	2,207	10	-	-	2,217	(3,781)
Net cash provided (used) by operating activities	32,983	(180,662)	(110,145)	(2,134)	(259,958)	(79,496)
Cash flows from noncapital financing activities:						
Proceeds from issuance of short-term debt	3,767,804	-	-	-	3,767,804	4,805,225
Proceeds from issuance of bonds	15,265	616,615	229,851	-	861,731	594,366
Proceeds from issuance of notes payable	3,884	-	-	-	3,884	-
Receipts from federal grant programs	97,311	-	-	-	97,311	91,372
Payments for federal grant programs	(96,412)	-	-	-	(96,412)	(91,372)
Principal paid on short-term debt	(3,880,009)	-	-	-	(3,880,009)	(4,783,765)
Principal paid on bonds	(8,588)	(305,885)	(134,195)	-	(448,668)	(522,423)
Principal paid on notes payable	(71)	-	-	(33)	(104)	(4,695)
Interest paid on short-term debt	(3,708)	-	-	-	(3,708)	(2,475)
Interest paid on bonds	(5,459)	(82,352)	(41,644)	1,817	(127,638)	(115,788)
Interest paid on notes payable	(13)	-	-	-	(13)	(14)
Transfers (to) from other funds	1,383	(160)	(1,223)	-	-	-
Net cash provided (used) by noncapital financing activities	(108,613)	228,218	52,789	1,784	174,178	(29,569)
Cash flows from capital and related financing activities:						
Purchase of capital assets	(3,167)	-	-	-	(3,167)	(3,042)
Principal paid on capital-related debt	(786)	-	-	-	(786)	(6,044)
Interest paid on capital-related debt	(2,195)	-	-	350	(1,845)	(1,848)
Net cash provided (used) by capital and related financing activities	(6,148)	-	-	350	(5,798)	(10,934)
Cash flows from investing activities:						
Proceeds from maturities and sales of investments	1,805,848	1,366,381	1,662,792	-	4,835,021	5,061,787
Purchase of investments	(1,724,199)	(1,433,857)	(1,614,167)	-	(4,772,223)	(4,970,232)
Income received from investments	2,470	19,920	8,731	-	31,121	29,999
Net cash provided (used) by investing activities	84,119	(47,556)	57,356	-	93,919	121,554
Net increase in cash	2,341	-	-	-	2,341	1,555
Cash at beginning of year	24,024	-	-	-	24,024	22,469
Cash at end of year	\$ 26,365	\$ -	\$ -	\$ -	\$ 26,365	\$ 24,024

The accompanying notes are an integral part of these statements

Continued on the next page.

Colorado Housing and Finance Authority

Statement of Cash Flows *(continued)*

For the year ended December 31, 2006

(with summarized financial information for the year ended December 31, 2005)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2006	2005
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ 1,898	\$ 6,801	\$ 9,493	\$ -	\$ 18,192	\$ 15,332
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	2,651	-	-	-	2,651	2,679
Provision for losses	(1,050)	443	(3,750)	-	(4,357)	715
Gain on sale of investment	-	-	(370)	-	(370)	-
Loss on disposition of capital assets	-	-	-	-	-	292
Amortization/accretion of premiums and discounts on investments, net	(584)	(240)	(1,965)	-	(2,789)	(1,131)
Amortization of deferred loan fees/costs, net	(498)	1,874	(133)	-	1,243	3,156
Amortization of premiums on bonds	-	(3,027)	(43)	-	(3,070)	(3,736)
Amortization of bond issuance costs	18	2,276	662	-	2,956	2,974
Accretion of capital appreciation term bonds	-	354	-	-	354	422
Amortization of service release premiums	1,802	-	-	-	1,802	2,077
(Increase) decrease in fair value of investments	137	1,130	1,201	-	2,468	(788)
Income received from investments	(2,470)	(19,920)	(8,731)	-	(31,121)	(29,999)
Interest paid on bonds, notes and short-term debt	11,375	82,352	41,644	(2,167)	133,204	120,125
Changes in assets and liabilities:						
Loans receivable and other real estate owned	21,798	(254,311)	(148,482)	33	(380,962)	(189,720)
Accrued interest receivable	(321)	(375)	(678)	2	(1,372)	189
Other assets	(5,082)	11	(2)	-	(5,073)	(4,558)
Accrued interest payable	116	1,663	895	(2)	2,672	1,726
Accounts payable and federally assisted programs	3,193	307	114	-	3,614	749
Net cash provided (used) by operating activities	\$ 32,983	\$ (180,662)	\$ (110,145)	\$ (2,134)	\$ (259,958)	\$ (79,496)

The Authority defines cash and cash equivalents as cash deposits.

The accompanying notes are an integral part of these statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Authorizing Legislation and Reporting Entity

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

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

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

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

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

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

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

Financial Statement Presentation - The Authority's financial statements include a classified Statement of Net Assets, a Statement of Revenues, Expenditures and Changes in Net Assets formatted to report operating and nonoperating revenues and expenses, a Statement of Cash Flows presented using the direct method and notes to the financial statements. The Authority's financial statements present its funds in separate columns. Summarized financial information for 2005 has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position, results of operations and cash flows on an entity-wide basis. However, the summarized financial information is not intended to present the financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

(c) Summary of Significant Accounting Policies

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

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

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

Capital Assets – The Authority's capital assets consist of two components. Corporate capital assets include those capital assets other than those used in its Rental Acquisition Program (RAP) activities. The Authority commenced its RAP operations in 1988 when the Board authorized the acquisition, rehabilitation and operation of multi-family properties to provide affordable housing to lower and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (1) general obligation and multi-family bond proceeds, (2) seller-carry notes, and (3) contributions from the General Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. As of December 31, 2006, the Authority owned a total of 16 RAP projects, including its three component units, containing 1,598 units.

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Cash and Investments

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

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

As of December 31, 2006, the Authority had the following investments:

Investment Type	Investment Maturities (In Years)				Total	2005
	Less Than 1	1-5	6-10	More Than 10		
Money market mutual fund	\$ 6,258	\$ -	\$ -	\$ -	\$ 6,258	\$ 15,350
External investment pool	35,314	-	-	-	35,314	28,241
Certificate of deposit	-	-	-	-	-	84,390
Repurchase agreement	1,042	-	-	-	1,042	263
U.S. Treasury	-	-	2,758	546	3,304	3,512
U.S. Government agencies	59,005	15,056	18,018	47,363	139,442	177,111
State & political subdivision obligations	-	-	-	10,623	10,623	10,761
Investment agreements - uncollateralized	378,224	-	-	78,604	456,828	388,506
Investment agreements - collateralized	11,003	-	-	12,297	23,300	27,739
Total	\$ 490,846	\$ 15,056	\$ 20,776	\$ 149,433	\$ 676,111	\$ 735,873

Interest Rate Risk – The Authority manages interest rate risk in the General Fund by generally limiting the maximum maturity date of an investment to seven years. Of the General Fund's \$57,237,000 in investments, 92% have maturities of less than one year.

In the Single Family and Multi-Family/Business Funds, the Authority matches maturities to anticipated cash flows. Of the \$148,888,000 in investments with a maturity of more than ten years held by these funds, 98% are debt service reserves.

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

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

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

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

As of December 31, 2006, the Authority had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local governmental entities in Colorado to pool funds available for investment. COLOTRUST is reflected in the above tables as an external investment pool. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similar to a money market fund and each share's fair value is \$1.00.

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

Issuer	Total	General Fund	Single Family	Multi-Family/ Business
Federal Home Loan Bank		7.2%		8.3%
Freddie Mac		7.2%		
Fannie Mae	14.1%	27.2%		34.5%

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

Custodial Credit Risk - Cash Deposits – In the case of cash deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2006, the Authority's cash deposits had a carrying amount of \$26,365,000 and a bank balance of \$27,313,000. All deposit accounts were either covered by the Federal Deposit Insurance Corporation or collateralized in accordance with the Public Deposit Protection Act.

Included in cash deposits are escrow deposits in the amount of \$15,335,000 held in a fiduciary capacity. These escrow deposits are primarily held for the payment of property taxes and insurance on behalf of the Authority's mortgagors.

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

Loans receivable at December 31, 2006, and 2005, consist of the following:

	2006	2005
General Fund	\$ 211,075	\$ 237,765
Single Family Fund:		
Program Senior and Subordinate	119,523	146,239
Mortgage	1,432,852	1,149,545
Total Single Family Fund loans	1,552,375	1,295,784
Multi-Family/Business Fund:		
Insured Mortgage Revenue	126,497	173,907
Multi-Family/Project	615,668	417,494
Total Multi-Family/Business Fund loans	742,165	591,401
Total loans receivable	2,505,615	2,124,950
Payments in process	(228)	(3,583)
Deferred cash assistance expense	8,705	10,136
Deferred fee income	(9,968)	(7,572)
Allowance for loan losses	(11,377)	(18,187)
Total loans receivable, net	\$ 2,492,747	\$ 2,105,744

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

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

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

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

Activity in the allowance for loan losses for the year ended December 31, 2006, was as follows:

Beginning Balance	Provision	Net Charge-offs	Ending Balance
\$ (18,187)	\$ 4,500	\$ 2,310	\$ (11,377)

Other real estate owned of \$1,923,000 as of December 31, 2006, consisted entirely of foreclosures of single-family residences. Activity in the allowance for losses on other real estate for the year ended December 31, 2006, was as follows:

Beginning Balance	Provision	Net Charge-offs	Ending Balance
\$ -	\$ (143)	\$ 143	\$ -

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

Capital assets activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	\$ 7,529	\$ 68	\$ -	\$ 7,597
Construction in progress	462	2,548	(2,062)	948
Total non-depreciable capital assets	7,991	2,616	(2,062)	8,545
Depreciable capital assets:				
Cost:				
Computer equipment/software	2,259	447	-	2,706
Office equipment	3,505	1,700	-	5,205
Furniture and fixtures	3,660	536	-	4,196
Buildings	41,584	714	-	42,298
Total depreciable capital assets	51,008	3,397	-	54,405
Less accumulated depreciation:				
Computer equipment/software	(1,583)	(532)	-	(2,115)
Office equipment	(2,949)	(368)	-	(3,317)
Furniture and fixtures	(1,964)	(349)	-	(2,313)
Buildings	(12,620)	(1,402)	-	(14,022)
Total accumulated depreciation	(19,116)	(2,651)	-	(21,767)
Total depreciable capital assets, net	31,892	746	-	32,638
Total capital assets, net	\$ 39,883	\$ 3,362	\$ (2,062)	\$ 41,183

As discussed in Note 1(c), the Authority's capital assets consist of two components, corporate capital assets and RAP capital assets. Summary capital assets activity for these two components for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Corporate activities:				
Cost	\$ 11,699	\$ 2,751	\$ -	\$ 14,450
Accumulated depreciation	(4,145)	(929)	-	(5,074)
Net	7,554	1,822	-	9,376
RAP activities:				
Cost	47,300	1,200	-	48,500
Accumulated depreciation	(14,971)	(1,722)	-	(16,693)
Net	32,329	(522)	-	31,807
Total capital assets, net	\$ 39,883	\$ 1,300	\$ -	\$ 41,183

Summary financial information for the Authority's RAP activities as of December 31, 2006, and for the year then ended is provided below:

As of December 31, 2006	
Property, net of accumulated depreciation of \$16,693	\$ 31,807
Total assets	\$ 40,332
Total liabilities	\$ 28,057
Net assets	\$ 12,274
For the year ended December 31, 2006	
Rental income	\$ 11,638
Other revenues	142
General operating expenses	(6,839)
Depreciation expense	(1,722)
Interest expense	(1,845)
Operating income	\$ 1,374

(5) Short-term Debt

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

The Authority also has a revolving, unsecured, commercial bank line of credit agreement for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest fixed at 0.55% per annum above the London Interbank Offered Rate. This line of credit agreement terminates on July 25, 2007. 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.

The Authority additionally has an agreement with a commercial bank for a secured line of credit authorizing borrowings of up to \$10,000,000. The Authority borrows an amount based on the prior month's average daily balance of custodial funds held in a non-interest bearing account at the bank. Amounts drawn under this agreement bear interest fixed at .5% per annum, and are invested with the bank in money market instruments. The line of credit agreement terminates on August 1, 2007. There are no commitment fees associated with this agreement.

Short-term debt activity for the year ended December 31, 2006, was as follows:

Beginning Balance	Additions	Reductions	Ending Balance
\$ 120,405	\$ 3,767,804	\$ 3,880,009	\$ 8,200

(6) Long-term Liabilities

The Authority issues bonds and notes payable to finance its lending programs. Proceeds from long-term debt of the Single Family and Multi-Family/Business Funds are used for funding of single family, multi-family and business loans. Long-term debt of the General Fund (including notes payable) is used to finance single family and business loans related to various private placements, the Authority's RAP activities and for general corporate purposes. The aggregate principal amounts of bonds and notes payable outstanding as of December 31, 2006, and 2005, are shown in the table on the following pages. Interest is payable semi-annually unless otherwise noted. Interest rates on variable debt are reset on a weekly basis by the remarketing agents.

Description and due date	Interest rate (%)	2006	2005	
Bonds payable:				
General Fund:				
General Obligation Bonds:				
1992 Series A	2007-2030	9.125	\$ 3,160	\$ 3,190
1998 Series A	2007-2017	4.65 to 5.25	1,135	1,210
Total General Obligation Bonds			4,295	4,400
Single Family:				
Taxable Mortgage Revenue Bonds: (* principal and interest payable monthly)				
2000 Series A*	2007-2020	6.914	1,496	1,549
2000 Series B*	2007-2020	6.675	166	436
2001 Series AP*	2007-2021	6.135	1,893	2,265
2001 Series AV*	2007-2021	6.625	388	705
2002 Series AP*	2007-2022	5.662	604	936
2004 Series A*	2007-2034	4.95	1,690	1,840
2004 Series B*	2007-2035	4.98	3,824	4,470
2004 Series CV*	2007-2035	5.14	2,488	2,840
2005 Series A *	2007-2035	5.17	9,881	10,249
2005 Series B*	2007-2036	5.32	9,522	10,100
2006 Series A*	2007-2036	5.92	10,670	-
Total Single Family			42,622	35,390
Multi-Family/Business Finance:				
ACCESS Program Bonds:				
1995 Series A	2007-2015	7.67	288	362
Guaranteed Loan Participation Purchase Bonds: (* principal and interest payable monthly)				
1999 Series A	2007-2024	5.71	745	1,198
2000 Series A	2007-2025	6.755	244	281
2003 Series A*	2007-2023	5.004	3,217	3,996
2004 Series A*	2007-2024	4.62	4,121	4,529
2004 Series B*	2007-2024	4.88	8,178	9,103
2005 Series A*	2007-2025	4.81	3,544	4,176
2006 Series A*	2007-2026	5.98	4,969	-
Total Guaranteed Loan Participation Purchase Bonds			25,018	23,283
Project Loan Participation Purchase Bonds: (* principal and interest payable monthly)				
2004 Series AP*	2007-2024	4.90	6,840	7,948
Taxable Rental Project Revenue Bonds: (* principal and interest payable monthly)				
2000 Series A	2007-2020	6.152	4,655	4,918
2002 Series AV*	2007-2022	5.55	6,484	6,571
2003 Series AV*	2007-2024	5.19	3,844	3,892
2004 Series A*	2007-2024	4.90	13,046	13,216
Total Taxable Rental Project Revenue Bonds			28,029	28,597
Total Multi-Family/Business Finance			60,175	60,190
Total General Fund			107,092	99,980

Description and due date			Interest rate (%)	2006	2005
Single Family Fund:					
Single Family Program Senior and Subordinate Bonds:					
1994 Series B			6.125 to 7.50	-	420
1995 Series D	2007-2026		5.625 to 7.375	795	1,410
1996 Series A	2007-2027		5.50 to 7.40	860	1,570
1996 Series B	2007-2027		7.45 to 7.65	695	1,390
1996 Series C	2007-2027		7.10 to 7.55	635	1,760
1997 Series A	2007-2027		7.00 to 7.25	1,585	3,170
1997 Series B	2007-2028		5.15 to 7.00	1,365	2,480
1997 Series C	2007-2028		6.75 to 6.875	1,830	2,910
1998 Series A	2007-2029		6.50 to 6.60	5,270	7,285
1998 Series B	2007-2029		5.50 to 6.55	5,416	7,145
1998 Series C	2007-2029		5.15 to 5.625	6,084	7,586
1998 Series D	2007-2029		6.125 to 6.35	6,950	9,060
1999 Series A	2007-2030		6.05 to 6.45	8,045	10,695
1999 Series B	2007-2029		4.875 to 6.80	6,470	8,300
1999 Series C	2007-2031		5.25 to 7.20	8,665	11,155
2000 Series A	2007-2031		5.75 to 7.50	3,810	5,015
2000 Series B	2007-2031		5.35 to 7.25	4,390	5,520
2000 Series C	2007-2031		5.70 to 8.40	4,375	6,175
2000 Series D	2007-2032		5.40 to 6.90	5,910	7,120
2000 Series E	2007-2032		5.375 to 7.00	4,525	5,835
2001 Series A	2007-2032		5.00 to 6.50	8,215	11,110
2001 Series B	2007-2033		5.00 to 6.80	10,750	14,370
2001 Series C	2007-2033		4.875 to 6.60	14,735	18,470
Total Single Family Program Senior and Subordinate Bonds				111,375	149,951
Single Family Mortgage Bonds:					
2001 Series AA	2007-2041		Variable & 5.25	131,840	131,840
2002 Series A	2007-2032		Variable & 4.55 to 5.65	67,500	73,740
2002 Series B	2007-2032		Variable & 4.80 to 5.40	100,035	116,295
2002 Series C	2007-2036		Variable & 4.40 to 4.95	129,180	142,550
2003 Series A	2007-2032		Variable & 4.75 to 5.15	55,860	65,665
2003 Series B	2007-2033		Variable & 5.00	165,050	182,710
2003 Series C	2007-2032		Variable & 5.00	98,405	114,230
2004 Series A	2007-2034		Variable & 5.25	107,600	116,875
2004 Series B	2007-2034		Variable & 5.25	91,315	97,870
2005 Series A	2007-2035		Variable & 5.25	95,430	124,395
2005 Series B	2007-2036		Variable & 4.60 to 5.22	175,940	318,500
2006 Series A	2007-2036		Variable & 3.43 to 5.00	180,260	-
2006 Series B	2007-2036		Variable & 3.85 to 5.10	279,270	-
2006 Series C	2007-2036		Variable & 4.625	160,000	-
Total Single Family Mortgage Bonds				1,837,685	1,484,670
Total Single Family Fund				1,949,060	1,634,621

Description and due date	Interest rate (%)	2006	2005	
Multi-Family/Business Fund:				
Multi-Family Housing Insured - Mortgage Revenue Bonds:				
1996 Series A	2007-2037	6.00 to 6.40	2,485	20,945
1996 Series B		5.75 to 8.00	-	8,410
1996 Series C	2007-2038	6.10 to 6.40	7,900	14,660
1997 Series A	2007-2038	5.10 to 7.125	6,190	10,340
1997 Series B	2007-2038	4.90 to 7.25	16,195	22,495
1997 Series C	2007-2039	5.00 to 6.75	23,785	25,240
1998 Series A	2007-2039	5.35 to 6.70	15,735	19,790
1998 Series B	2007-2040	5.45 to 7.00	7,140	7,170
1999 Series A	2007-2041	4.35 to 6.65	30,105	33,320
1999 Series B	2007-2041	5.25 to 5.85	5,345	5,390
1999 Series C	2007-2041	5.25 to 7.10	15,915	16,070
2002 Series AA	2007-2030	Variable	41,640	59,820
Total Multi-Family Housing Insured - Mortgage Revenue Bonds			172,435	243,650
Multi-Family/Project Bonds: (* principal and interest payable quarterly on some of the bonds)				
2000 Series A	2007-2032	Variable & 6.15	48,025	64,070
2000 Series B*	2007-2042	Variable & 5.90 to 6.10	30,455	30,710
2001 Series A	2007-2043	4.05 to 5.65	26,215	26,565
2002 Series A	2007-2042	Variable & 4.20 to 5.70	26,245	33,010
2002 Series B		Variable	-	6,495
2002 Series C	2007-2042	Variable & 3.20 to 5.30	136,840	140,020
2003 Series A	2007-2033	Variable	42,370	45,255
2004 Series A	2007-2045	Variable & 2.30 to 4.80	85,080	87,095
2005 Series A	2007-2040	Variable	72,010	96,250
2005 Series B	2007-2040	Variable	33,160	33,370
2006 Series A	2007-2041	Variable	113,700	-
2006 Series B	2007-2044	Variable	118,600	-
Total Multi-Family/Project Bonds			732,700	562,840
Total Multi-Family/Business Fund			905,135	806,490
Total bonds payable			2,961,287	2,541,091
Notes payable:				
Annual payments, 2007-2011		6.125	3,884	-
Monthly payments, 2007-2014		4.50	627	650
Annual payments, 2007-2020		1.00	628	671
No payments, principal forgiven annually, 2007-2024		0.00	222	234
Annual payments, 2007-2025		1.00	602	631
Total notes payable			5,963	2,186
Total bonds and notes payable			2,967,250	2,543,277
Deferred premiums			8,706	11,776
Deferred losses on refunding amounts			(8,033)	(7,789)
Total bonds and notes payable, net			\$ 2,967,923	\$ 2,547,264

A breakdown of bonds payable as of December 31, 2006, and 2005 by fixed and variable interest rates follows in the table below. Certain of the Authority's variable rate debt has been converted to fixed rate debt by entering into pay fixed/receive variable rate interest rate swap agreements as further described in Note 7. Such debt is referred to in the table as synthetic fixed rate debt.

Description	2006	2005
Fixed rate debt	\$ 890,902	\$ 935,536
Synthetic fixed rate debt *	1,823,650	1,344,355
Variable rate debt	246,735	261,200
Total	\$ 2,961,287	\$ 2,541,091

* Includes certain interest rate swaps effective in January 2007.

Included in certain of the bond issues shown in the previous table are capital appreciation term bonds. The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity, and as reflected in the accompanying Statement of Net Assets at December 31, 2006, and 2005, are as follows:

Description and due date	Interest Rate (%)	Appreciated Balances		
		Maturity	2006	2005
Single Family Program Senior and Subordinate Bonds:				
1998 Series B - 2025-2029	5.50	\$ 6,053	\$ 2,011	\$ 1,904
1998 Series C - 2020-2029	5.625	12,265	4,589	4,341

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

Description	2006	2005
Single Family Program Subordinate Bonds	\$ 2,020	\$ 3,050
Single Family Mortgage Bonds, Class III	75,875	91,330
Multi-Family/Project Bonds, Class I	202,265	149,760
Multi-Family/Project Bonds, Class III	52,405	20,300
Total	\$ 332,565	\$ 264,440

Long-term liability activity for the year ended December 31, 2006, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 2,541,091	\$ 867,970	\$ 447,774	\$ 2,961,287	\$ 167,782
Notes payable	2,186	3,884	107	5,963	108
Unamortized premium	11,776	-	3,070	8,706	-
Deferred losses on refunding	(7,789)	(674)	(430)	(8,033)	-
Total bonds and notes payable	2,547,264	871,180	450,521	2,967,923	167,890
Arbitrage rebate payable	1,075	640	314	1,401	-
Compensated absences	493	752	657	588	115
Deferred income	2,656	521	264	2,913	194
Other long-term liabilities	4,358	1,813	409	5,762	-
Total long-term liabilities	\$ 2,555,846	\$ 874,906	\$ 452,165	\$ 2,978,587	\$ 168,199

Bonds and notes payable sinking fund installments and maturities subsequent to December 31, 2006, using rates in effect as of that date are as follows:

Year Ending December 31,	General Fund		Single Family		Multi-Family/Business		Notes Payable	
	Principal	Interest	Principal *	Interest	Principal	Interest	Principal	Interest
2007	\$ 75	\$ 5,420	\$ 162,005	\$ 83,996	\$ 5,702	\$ 44,469	\$ 108	\$ 278
2008	80	5,803	5,210	85,803	5,688	44,315	110	276
2009	85	5,800	5,220	85,504	6,039	44,053	112	274
2010	209	5,796	6,865	85,189	6,324	43,766	114	272
2011	239	5,782	11,160	84,801	6,646	43,460	4,000	270
2012-2016	1,741	28,601	282,105	399,552	48,231	211,497	944	90
2017-2021	5,789	27,685	292,182	330,942	51,460	199,505	402	16
2022-2026	57,639	19,018	207,051	277,844	91,140	182,850	173	3
2027-2031	3,160	11,409	262,754	227,116	145,742	159,608	-	-
2032-2036	38,075	8,443	676,226	125,680	296,905	115,486	-	-
2037-2041	-	-	50,000	12,094	109,118	53,850	-	-
2042-2046	-	-	-	-	132,140	20,798	-	-
Total	\$ 107,092	\$ 123,757	\$ 1,960,778	\$ 1,798,521	\$ 905,135	\$ 1,163,657	\$ 5,963	\$ 1,479

* Includes \$11.7 million of future accretion of principal value on capital appreciation bonds.

The Authority has issued certain conduit bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 2006, the amount outstanding on these bonds was \$392,765,000. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are generally guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

(7) Interest Rate Swap Agreements

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

Summary of Swap Transactions - The key terms, including the fair values and counterparty credit ratings of the outstanding swaps as of December 31, 2006, are shown in the table on the following pages. The notional amounts of the swaps match the principal amounts of the associated debt. Except as discussed under amortization risk below, the authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

Risk Disclosure

Credit Risk: All of the Authority's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the Authority is exposed to credit risk - i.e., the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the column labeled "Fair Value" in the table on the following page. The Authority is exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. As of December 31, 2006, the Authority was exposed to a total of \$3,135,000 of credit risk to 2 counterparties. To mitigate credit risk, the Authority maintains strict credit standards for swap counterparties. All swap counterparties must be rated in the AA or higher category by either Moody's Investors Service (Moody's) or Standard & Poor's (S&P) at the time the contract is entered into.

The Authority has executed 72 swap transactions with 8 counterparties of which 40 swaps, representing approximately 52% of the notional amount of swaps outstanding, are held with 2 separate Aaa/AAA rated (Moody's and S&P respectively) special purpose vehicles, which are bankruptcy remote, both of which are affiliates of the same parent company (28% of the notional amount outstanding are held with the special purpose vehicle with a continuation structure and 24% are held with the special purpose vehicle with a terminating structure). The bankruptcy-remote nature of these special purpose vehicles makes them bankruptcy remote from each other, as well as from their parent company. Thus they should be viewed as discrete credits. Of the remaining 32 swaps, the Authority holds 13 swaps, approximately 18% of the notional amount outstanding, with a single counterparty rated Aa/AA. An additional 11 swaps, approximately 14% of the notional amount outstanding, are with another single counterparty rated Aa/AA. The remaining 8 swaps, approximately 16% of the notional amount outstanding, are held with 4 counterparties, 2 of which are rated Aaa/AAA (one of which operates as a special purpose vehicle with a terminating structure), and 2 of which are rated in the AA category by both Moody's and S&P.

Additionally, the Authority has entered into 10 letter agreements (agreements to enter into a swap contract on a future date) with 2 counterparties for a notional amount of \$48,175,000. The fair value of these swaps as of December 31, 2006, was a negative \$557,000. As of December 31, 2006, the bonds relating to these future swap contracts had not been issued.

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

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

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating Moody's/S&P	Fair Value **
Single Family:										
2001 Series AA1	27,075	10/04/01	11/01/13	5.290%	VRDO's Rate				Aaa/AAA	\$ (183)
2001 Series AA2	46,840	10/04/01	05/01/31	4.600%	VRDO's Rate, with tax event language				Aaa/AAA	(3,452)
2002 Series A1	25,035	04/25/02	11/01/13	5.499%	VRDO's Rate				Aaa/AAA	(284)
2002 Series A3	19,090	04/25/02	11/01/21	4.749%	VRDO's Rate				Aaa/AAA	(1,403)
2002 Series B1	13,020	10/24/02	05/01/22	5.529%	VRDO's Rate				Aaa/AAA	(303)
2002 Series B2	30,045	07/18/02	11/01/13	5.285%	VRDO's Rate				Aaa/AAA	(154)
2002 Series B3	40,000	07/18/02	11/01/21	4.506%	VRDO's Rate, with tax event language				Aaa/AAA	(2,265)
2002 Series C1	29,290	10/24/02	11/01/32	5.350%	VRDO's Rate	Par optional termination right	11/01/17	21,765	Aaa/AAA	394
2002 Series C2	39,090	10/24/02	11/01/11	4.362%	VRDO's Rate				Aaa/AAA	594
2002 Series C3	40,000	10/24/02	05/01/22	4.422%	VRDO's Rate, with tax event language				Aaa/AAA	(1,724)
2003 Series A1	7,800	08/01/03	05/01/11	3.390%	LIBOR plus .05%				Aaa/AAA	263
2003 Series A1	12,680	02/26/03	11/01/11	4.008%	LIBOR plus .05%				Aaa/AAA	295
2003 Series A2	20,000	02/26/03	11/01/21	4.160%	BMA plus .05%, with tax event language				Aaa/AAA	(583)
2003 Series B1	38,945	08/01/03	11/01/26	4.851%	LIBOR plus .05%	Par optional termination right	05/01/15	27,305	Aaa/AAA	1,642
2003 Series B2	43,050	08/01/03	05/01/12	3.665%	LIBOR plus .05%				Aaa/AAA	1,400
2003 Series B3	60,000	07/09/03	11/01/26	4.384%	BMA plus .15%	Par optional termination right	05/01/15	43,170	Aaa/AAA	(1,410)
2003 Series C1	43,485	12/03/03	05/01/12	4.033%	LIBOR plus .05%				Aaa/AAA	1,055
2003 Series C2	40,000	11/13/03	11/01/26	4.595%	BMA plus .15%	Par optional termination right	05/01/15	28,780	Aaa/AAA	(1,560)
2004 Series A1	35,085	09/01/04	05/01/12	4.460%	LIBOR plus .05%				Aaa/AAA	556
2004 Series A2	50,000	07/28/04	11/01/26	4.369%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	35,970	Aa2/AA	(2,005)
2004 Series B1	30,670	12/01/04	05/01/12	4.052%	LIBOR plus .05%				Aa2/AA+	759
2004 Series B2	40,000	11/01/04	11/01/26	4.122%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	28,780	Aa2/AA	(802)
2005 Series A1	36,870	05/01/05	05/01/13	4.356%	LIBOR plus .05%				Aa2/AA+	765
2005 Series A2	40,000	03/16/05	11/01/27	4.071%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	32,290	Aa2/AA	(644)
2005 Series B2	80,000	05/01/05	05/01/34	4.169%	Trigger, BMA plus .15% or 68% LIBOR	Par optional termination right	05/01/15	48,650	Aa2/AA	(2,109)
2006 Series A1	19,560	03/01/06	11/01/13	5.161%	LIBOR plus .05%		01/00/00		Aa2/AA-	(28)
2006 Series A3	40,000	01/18/06	11/01/36	4.313%	Trigger, BMA plus .15% or 68% of LIBOR	Par optional termination right	05/01/19	37,810	Aa1/AA	(1,387)
2006 Series B1	60,000	11/01/06	11/01/14	5.669%	LIBOR plus .05%		01/00/00		Aa2/AA-	(1,255)
2006 Series B2	49,325	07/26/06	11/01/34	4.195%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	05/01/19	16,700	Aa1/AA	(1,793)
2006 Series B3	62,945	07/26/06	11/01/36	4.545%	Trigger, BMA plus .15% or 68% of LIBOR	Par optional termination right	05/01/19	59,190	Aa1/AA	(3,748)
2006 Series C1	60,000	01/02/07	11/01/14	5.314%	LIBOR plus .05%		01/00/00		Aa2/AA-	(468)
2006 Series C2	14,140	12/20/06	05/01/16	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	05/01/12	7,050	Aa1/AA	(565)
2006 Series C2	10,605	12/20/06	11/01/16	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	11/01/12	5,300	Aa1/AA	(442)
2006 Series C2	10,605	12/20/06	11/01/17	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	11/01/13	5,300	Aa1/AA	(473)
2006 Series C2	35,350	12/20/06	11/01/34	4.288%	Trigger, BMA plus .05% or 68% of LIBOR	Par optional termination right	11/01/19	21,210	Aa1/AA	(1,373)
Total Single Family	1,250,600									(22,690)
Multi-Family/Business:										
2000 Series A1	12,750	03/21/00	10/01/20	5.235%	VRDO's Rate, with tax event language				Aaa/AAA	(1,553)
2000 Series A1	17,030	03/21/00	04/01/25	5.225%	VRDO's Rate, with tax event language				Aaa/AAA	(1,700)
2000 Series A2	11,545	02/01/00	04/01/15	5.800%	VRDO's Rate				Aaa/AAA	(1,200)
2000 Series B1	6,730	10/19/00	07/01/20	7.390%	LIBOR plus .25%				Aaa/AAA	(846)
2002 Series A1	9,410	01/29/03	10/01/22	5.100%	VRDO's Rate				Aaa/AAA	(1,051)
2002 Series AA	31,640	07/03/02	10/01/23	6.068%	VRDO's Rate				Aaa/AAA	(5,367)
2002 Series AA	10,000	10/01/05	04/28/08	3.345%	BMA plus .05%				Aaa/AAA	29
2002 Series C1	10,525	04/01/03	10/01/32	6.129%	VRDO's Rate	Par optional termination right	As of: 1) 10/1/12 2) 4/1/15 3) 4/1/18	Up to: 1) 4,375 2) 6,575 3) all remaining	Aaa/AAA	(372)
2002 Series C2	70,715	10/01/03	10/01/32	5.124%	VRDO's Rate, with tax event language	Par optional termination right	04/01/18	59,340	Aaa/AAA	(7,063)
2002 Series C4	31,960	10/01/03	10/01/32	5.044%	VRDO's Rate, with tax event language	Par optional termination right	04/01/18	26,785	Aaa/AAA	(2,958)
2003 Series A1	23,760	10/01/03	04/01/26	4.555%	LIBOR plus .05%	Par optional termination right	10/01/09	16,576	Aaa/AAA	1,878
2004 Series A1	48,695	11/01/04	10/01/25	5.528%	LIBOR plus .05%	Par optional termination right	10/01/14	all remaining	Aa2/AA	15
2004 Series A2	10,785	09/22/04	04/01/45	4.884%	BMA plus .15%	Par optional termination right	10/01/19	all remaining	Aa2/AA	(566)
2005 Series A1 (A)	5,145	08/01/05	10/01/35	5.820%	LIBOR plus .05%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(26)
2005 Series A1 (B)	3,300	08/01/05	10/01/20	5.205%	LIBOR plus .05%				Aa2/AA	7
2005 Series A1 (C)	10,805	08/01/05	10/01/25	5.712%	LIBOR plus .05%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(42)
2005 Series A1 (D)	4,590	08/01/05	10/01/25	5.573%	LIBOR plus .05%	Par optional termination right	10/01/11	all remaining	Aa2/AA	35
2005 Series A2	21,560	07/01/05	04/01/36	4.285%	BMA plus .05%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(339)
2005 Series A3 (A)	6,800	04/13/05	04/01/40	4.656%	BMA plus .15%	Par optional termination right	10/01/20	all remaining	Aa2/AA	(307)
2005 Series A3 (B)	6,805	10/01/05	04/01/32	4.480%	BMA plus .15%	Par optional termination right	04/01/15	all remaining	Aa2/AA	(122)
2005 Series B1	15,110	03/01/06	04/01/36	5.235%	LIBOR plus .05%	Par optional termination right	10/01/15	11,125	Aa1/AA	338
2005 Series B2 (A)	3,675	01/02/06	10/01/40	4.735%	BMA plus .15%	Par optional termination right	10/01/15	3,305	Aa1/AA	(100)
2005 Series B2 (B)	6,225	09/01/06	10/01/38	4.527%	BMA plus .15%	Par optional termination right	10/01/21	4,520	Aa1/AA	(206)

Table continued on following page.

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received *	Embedded Options	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating Moody's/S&P	Fair Value **
Multi-Family/Business (continued):										
2006 Series A1	5,350	12/01/06	04/01/27	5.715%	LIBOR plus .05%	Par optional termination right	04/01/17	3,380	Aaa/AAA	(113)
2006 Series A1	2,000	02/01/07	04/01/23	5.400%	LIBOR plus .05%				Aaa/AAA	(29)
2006 Series A1	8,360	01/01/07	04/01/27	6.002%	LIBOR plus .05%	Par optional termination right	As of: 1) 10/1/11 2) 10/1/16	Up to: 1) 1,795 2) 1,355	Aaa/AAA	(431)
2006 Series A1	4,950	01/01/07	04/01/27	5.728%	LIBOR plus .05%	Par optional termination right	As of: 1) 10/1/11 2) 10/1/16	Up to: 1) 1,045 2) 1,565	Aaa/AAA	(153)
2006 Series A1	7,635	12/01/06	04/01/27	6.020%	LIBOR plus .05%	Par optional termination right	04/01/22	2,795	Aaa/AAA	(382)
2006 Series A1	12,175	12/01/06	10/01/36	5.342%	LIBOR plus .05%	Par optional termination right	04/01/21	8,040	Aa1/AA	108
2006 Series A2	5,195	11/01/06	04/01/28	4.341%	BMA plus .15%	Par optional termination right	10/01/16	3,540	Aaa/AAA	(87)
2006 Series A2	9,750	12/01/06	10/01/41	4.999%	BMA plus .15%	Par optional termination right	04/01/24	7,670	Aaa/AAA	(773)
2006 Series A2	12,725	11/01/06	04/01/39	4.626%	BMA plus .15%	Par optional termination right	10/01/16	10,880	Aaa/AAA	(322)
2006 Series A2	3,100	12/01/06	04/01/26	4.740%	BMA plus .15%	Par optional termination right	04/01/24	2,670	Aaa/AAA	(227)
2006 Series A3	2,550	11/01/06	10/01/36	4.504%	BMA plus .05%	Par optional termination right	10/01/16	2,150	Aaa/AAA	(64)
2006 Series A3	935	11/01/06	04/01/27	3.995%	BMA plus .05%				Aaa/AAA	(11)
2006 Series B1	107,500	11/29/06	10/01/44	5.172%	LIBOR				Aaa/AAA	(151)
2006 Series B2	11,100	11/29/06	10/01/44	5.172%	LIBOR				Aaa/AAA	(16)
Total Multi-FamilyBusiness	572,885									(24,167)
Total	\$ 1,823,485									\$ (46,857)

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

** The fair value of the outstanding swaps are presented for informational purposes only and do not impact the financial statements. All fair values have been calculated using the mark-to-market or par value method and include the valuation of any related embedded option. Additionally, eight of the tax-exempt swap agreements contain language which transfer the risk of a tax event to the Authority. The fair value of these swaps would decrease an additional \$3,510,000 if a tax event had occurred on the valuation date.

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

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

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

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

Rollover Risk: The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of December 31, 2006, the Authority is not exposed to rollover risk.

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

Swap Payments and Associated Debt - Using interest rates as of December 31, 2006, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable rate interest rate payments on the bonds and net swap payments will change.

Year Ending December 31,	Principal	Interest	Swaps, Net	Total
2007	\$ 87,335	\$ 80,343	\$ 3,804	\$ 171,482
2008	106,840	78,780	4,028	189,648
2009	96,525	73,362	4,723	174,610
2010	92,870	68,270	5,253	166,393
2011	88,670	63,418	5,707	157,795
2012-2016	414,270	258,666	27,910	700,846
2017-2021	364,605	169,498	17,667	551,770
2022-2026	245,340	103,644	10,403	359,387
2027-2031	136,570	60,500	5,879	202,949
2032-2036	129,100	28,773	1,594	159,467
2037-2041	38,800	11,663	82	50,545
2042-2046	22,560	2,170	(22)	24,708
Total	\$ 1,823,485	\$ 999,087	\$ 87,028	\$ 2,909,600

(8) Debt Refundings

On October 4, 2006, the Authority issued its Multi-Family/Project Bonds 2006 Series A, in the aggregate principal amount of \$113,700,000. A portion of the proceeds of the bonds and other surpluses were used to refund its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds 1996 Series A, 1996 Series B, and 1996 Series C, in the amount of \$26,000,000. Included in the refunding bond issue are variable rate bonds with interest during 2006 ranging from a weekly weighted average high of 4.238% which could result in a decrease in aggregate debt service requirement of \$9,868,000 and an approximate economic gain to the Authority of \$4,762,000, to a weekly weighted average rate low of 3.695% which could result in a decrease in aggregate debt service requirement of \$10,161,000 and an approximate economic gain to the Authority of \$5,028,000. The Multi-Family/Project Bonds 2006 Series A also refunded \$8,875,000 of the Multi-Family/Project Bonds 2000 Series A and \$5,120,000 of the Multi-Family/Project Bonds 2002 Series A. This was a variable

rate to variable rate refunding, thus there was no change in the debt service requirement or an economic impact of the refunding of these two series. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, \$674,000 was deferred and is being amortized over the estimated life of the old debt.

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

(9) Restricted Net Assets

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

Assets of the Single Family and Multi-Family/Business Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the Single Family and Multi-Family/Business Funds and are held in cash or investments. At December 31, 2006, these assets were at least equal to the amounts required to be restricted.

The Authority's Board of Directors (the "Board") has designated certain amounts of the unrestricted net assets of the General Fund as of December 31, 2006, for various purposes, as indicated in the following table. These designations of net assets are not binding, and can be changed by the Board.

Appropriations for loan programs:	
Housing Opportunity loans	\$ 47,119
Housing loans	445
Business finance loans	10,083
Total appropriations	57,647
Designations:	
General obligation bonds	15,820
General operating and working capital	45,871
Unrealized appreciation of investments	575
Single and multi-family bonds	17,078
Total designations	79,344
Total General Fund unrestricted net assets	\$ 136,991

(10) Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

Due From Fund	Due to Fund			Total
	General	Single Family	Multi-Family/ Business	
General	\$ -	\$ 17,513	\$ 4,643	\$ 22,156
Single Family	275	-	-	275
Multi-Family/Business	701	621	-	1,322
Total	\$ 976	\$ 18,134	\$ 4,643	\$ 23,753

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

The following table summarizes the Authority's transfers for the year ended December 31, 2006:

Transfers Out	Transfers In			Total
	General	Single Family	Multi-Family/ Business	
General	\$ -	\$ 582	\$ 457	\$ 1,039
Single Family	1,481	-	-	1,481
Multi-Family/Business	5,737	-	-	5,737
Total	\$ 7,218	\$ 582	\$ 457	\$ 8,257

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

(11) Retirement Plans

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

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

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

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

Plan members and the Authority are required to contribute to the Trust at rates set by Colorado Statutes. A portion of the Authority's contribution (1.1% from January 1, 2004 to June 30, 2004 and 1.02% thereafter) is allocated for the Health Fund. Member contributions to the Health Fund are not required.

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

	2006	2005	2004
Contribution rate of covered salary:			
Members	8.00%	8.00%	8.00%
Authority:			
Trust	9.48%	8.98%	8.94%
Health Fund *	1.02%	1.02%	1.06%
Total contribution rate	10.50%	10.00%	10.00%
Contributions by the Authority:			
Trust	\$ 890	\$ 743	\$ 708
Health Fund	96	84	84
Total contributions	\$ 986	\$ 827	\$ 792

* 2004 rate is the average rate for the full year.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program, established under Section 401(k) of the Internal Revenue Code. Participants invest a percentage of their annual gross salaries up to the annual IRS limit of their gross salaries. The Authority contributes 1% of each participating employee's salary as part of the 401(k) match and, in addition to the 1% contribution, the Authority matches half of the employee's 401(k) contribution up to 5% of the participating employee's gross salary. The Authority's match is a maximum of 3.5%, which includes the 1% contribution. Contributions by the Authority for the years ended December 31, 2006, and 2005 were \$262,000 and \$234,000, respectively. Contributions by participating employees for the year ended December 31, 2006, was \$599,000.

Included in bonds and notes payable are bonds payable to PERA of \$38,155,000 at December 31, 2006, that carry the Authority's general obligation pledge.

Until December 31, 2006, the Authority also offered a deferred compensation plan for the purpose of providing retirement income for employees. The plan was terminated effective December 31, 2006. This defined contribution plan was qualified under Section 457 of the Internal Revenue Code. The Authority did not contribute to this plan.

(12) Risk Management

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

(13) Commitments and Contingencies

The Authority had outstanding commitments to make or acquire single family and multi-family/business loans of \$87,202,000 and \$77,569,000, respectively, as of December 31, 2006.

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.

(14) Restatement

Beginning net assets for the various funds as reflected on the Statement of Revenues, Expenses and Changes in Net assets reflect retroactive adjustments related to interfund receivables and payables. During 2006 it was determined that certain interfund receivables and payables arising in prior years represented amounts transferred from one fund to another but not reflected as such. Most of these transfers were related to transfers of cash, loans and investments between the funds for various reasons for which repayment was not expected. As a result, retroactive adjustments were applied to the December 31, 2005, net assets as follows:

	General Fund	Single Family	Multi-Family/ Business	Total
Net assets at December 31, 2005, as originally stated	\$ 149,244	\$ 59,683	\$ 33,926	\$ 242,853
Transfers (to) from other funds	(11,196)	1,897	9,299	-
Net assets at December 31, 2005, as restated	\$ 138,048	\$ 61,580	\$ 43,225	\$ 242,853

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APPENDIX B

Outstanding Master Indenture Obligations

Outstanding Bonds

As of May 1, 2007, the Authority will have issued and have Outstanding the following Series of Bonds under the Master Indenture in the Classes as indicated:

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (May 1, 2007)</u>
2000 Series A Bonds:		
Adjustable 2000 Series A-1 (Class I)	\$56,195,000	\$12,750,000
Adjustable 2000 Series A-1 (Class III)	18,500,000(1)	16,480,000
Adjustable 2000 Series A-2 (Class I)	11,545,000	11,545,000
2000 Series A-3 (Class II)	6,700,000	6,700,000
Taxable 2000 Series A-4 (Class I)	3,640,000	0
2000 Series B Bonds:		
Taxable Floating 2000 Series B-1 (Class I)	\$ 7,780,000	\$6,595,000
2000 Series B-2 (Class I)	13,880,000	13,880,000
Adjustable 2000 Series B-3 (Class I)	5,000,000	5,000,000
2000 Series B-4 (Class I)	4,845,000	4,845,000
2000 Series B-4 (Class III)	370,000	0
2001 Series A Bonds:		
2001 Series A-1 (Class I)	\$24,350,000	\$15,700,000
2001 Series A-2 (Class II)	10,810,000	8,220,000
2001 Series A-2 (Class III)	2,890,000(1)	2,200,000
2002 Series A Bonds:		
Adjustable 2002 Series A-1 (Class I)	\$ 9,410,000	\$9,400,000
2002 Series A-2 (Class I)	3,590,000	2,095,000
2002 Series A-3 (Class II)	5,735,000	5,725,000
Adjustable 2002 Series A-4 (Class I)	19,450,000	7,025,000
2002 Series A-5 (Class I)	9,820,000	0
2002 Series B Bonds:		
Taxable Adjustable 2002 Series B-1 (Class I)	\$49,975,000	0
Taxable Adjustable 2002 Series B-2 (Class III)	14,625,000(1)	0
2002 Series C Bonds:		
Taxable Adjustable 2002 Series C-1 (Class I)	\$10,920,000	\$10,440,000
Adjustable 2002 Series C-2 (Class I)	70,715,000	70,715,000
2002 Series C-3 (Class I)	16,550,000	12,555,000
Adjustable 2002 Series C-4 (Class I)	31,960,000	31,960,000
2002 Series C-5 (Class I)	7,575,000	5,360,000
2002 Series C-6 (Class II)	5,000,000	4,495,000
2003 Series A Bonds:		
Taxable Adjustable 2003 Series A-1 (Class I)	\$37,415,000(1)	\$32,020,000
Taxable Adjustable 2003 Series A-2 (Class II)	11,365,000	9,810,000
2004 Series A Bonds:		
Taxable Adjustable 2004 Series A-1 (Class I)	\$66,280,000(1)	\$62,300,000
Adjustable 2004 Series A-2 (Class I)	10,785,000	10,785,000
2004 Series A-3 (Class II)	12,050,000	11,315,000
2005 Series A Bonds:		
Taxable Adjustable 2005 Series A-1 (Class I)	\$33,740,000(1)	\$33,105,000
Adjustable 2005 Series A-2 (Class I)	22,235,000	21,260,000
Adjustable 2005 Series A-3 (Class II)	40,275,000	16,970,000
2005 Series B Bonds:		
Taxable Adjustable 2005 Series B-1 (Class I)	\$16,550,000(1)	\$16,220,000
Adjustable 2005 Series B-2 (Class I)	10,820,000	10,770,000
Adjustable 2005 Series B-3 (Class I)	6,000,000	5,925,000
2006 Series A Bonds:		
Taxable Adjustable 2006 Series A-1 (Class I)	\$57,130,000(1)	\$56,315,000
Adjustable 2006 Series A-2 (Class I)	34,515,000	34,415,000
Adjustable 2006 Series A-3 (Class III)	22,055,000(1)	20,915,000
2006 Series B Bonds:		
Taxable Adjustable 2006 Series B-1 (Class II)	\$107,500,000	\$107,500,000
Taxable Adjustable 2006 Series B-2 (Class III)	11,100,000(1)	11,100,000
2007 Series A Bonds:		
Taxable Adjustable 2007 Series A-1 (Class II)	\$33,995,000	\$33,995,000
Taxable Adjustable 2007 Series A-2 (Class III)	<u>13,020,000(1)</u>	<u>13,020,000</u>
Total Class I Bonds	\$652,670,000	\$502,980,000
Total Class II Bonds	233,430,000	204,730,000
Total Class III Bonds	82,560,000	63,715,000
Total Class IV Bonds	--	--

(1) Designated as general obligations of the Authority.

Outstanding Derivative Products

In connection with the issuance of certain Bonds under the Master Indenture, the Authority has previously entered into the following interest rate swap agreements:

<u>Outstanding Derivative Products</u>	<u>Amount (1)</u>	<u>Counterparty</u>
2000 Series A Derivative Products:		
Adjustable 2000 Series A-1 (Class I)	\$12,750,000	Lehman Brothers Financial Products Inc.
Adjustable 2000 Series A-1 (Class III)	16,480,000	Lehman Brothers Financial Products Inc.
Adjustable 2000 Series A-2 (Class I)	11,545,000	Lehman Brothers Financial Products Inc.
2000 Series B Derivative Products:		
Taxable Floating 2000 Series B-1 (Class I)	\$ 6,595,000	Morgan Stanley Derivative Products Inc.
2002 Series A Derivative Products:		
Adjustable 2002 Series A-1 (Class I)	\$ 9,410,000	Lehman Brothers Financial Products Inc.
2002 Series C Derivative Products:		
Adjustable 2002 Series C-1 (Class I)	\$10,440,000	Lehman Brothers Financial Products Inc.
Adjustable 2002 Series C-2 (Class I)	70,715,000	Lehman Brothers Financial Products Inc.
Adjustable 2002 Series C-4 (Class I)	31,960,000	Lehman Brothers Financial Products Inc.
2003 Series A Derivative Products		
Taxable Adjustable 2003 Series A-1 (Class I)	\$23,220,000	Lehman Brothers Derivative Products Inc.
2004 Series A Derivative Products:		
Taxable Adjustable 2004 Series A-1 (Class I)	\$48,015,000	AIG Financial Products Corp.
Adjustable 2004 Series A-2 (Class I)	10,785,000	AIG Financial Products Corp.
2005 Series A Derivative Products:		
Taxable Adjustable 2005 Series A-1 (Class I)	\$23,610,000	AIG Financial Products Corp.
Adjustable 2005 Series A-2 (Class I)	21,225,000	AIG Financial Products Corp.
Adjustable 2005 Series A-3 (Class II)	13,500,000	AIG Financial Products Corp.
2005 Series B Derivative Products:		
Taxable Adjustable 2005 Series B-1 (Class I)	\$14,945,000	Bank of America, N.A.
Adjustable 2005 Series B-2 (Class I)	3,660,000	Bank of America, N.A.
Adjustable 2005 Series B-2 (Class I)	6,205,000	Bank of America, N.A.
2006 Series A Derivative Products:		
Taxable Adjustable 2006 Series A-1 (Class I)	\$28,165,000	Lehman Brothers Derivative Products Inc.
Taxable Adjustable 2006 Series A-1 (Class I)	12,105,000	Bank of America, N.A.
Adjustable 2006 Series A-2 (Class I)	30,670,000	Lehman Brothers Derivative Products Inc.
Adjustable 2006 Series A-3 (Class III)	3,455,000	Lehman Brothers Derivative Products Inc.
2006 Series B Derivative Products:		
Taxable Adjustable 2006 Series B-1 (Class II)	\$107,500,000	Lehman Brothers Derivative Products Inc.
Taxable Adjustable 2006 Series B-2 (Class III)	11,100,000	Lehman Brothers Derivative Products Inc.
2007 Series A Derivative Products:		
Taxable Adjustable 2007 Series A-1 (Class II)	\$33,995,000	Lehman Brothers Derivative Products Inc.
Taxable Adjustable 2007 Series A-2 (Class III)	<u>13,020,000</u>	Lehman Brothers Derivative Products Inc.
Total Outstanding Class I Derivative Products	<u>\$376,020,000</u>	
Total Outstanding Class II Derivative Products	<u>\$154,995,000</u>	
Total Outstanding Class III Derivative Products	<u>\$ 44,055,000</u>	

(1) As of May 1, 2007.

Except as noted in the table above, the Authority's obligation to make interest payments to the respective Counterparty under each of these Derivative Products constitutes a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of these Derivative Products in the event of early termination is a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations." See also footnote (5) to the audited 2006 financial statements of the Authority included in this Official Statement as **Appendix A**.

For a discussion of the 2007B Derivative Products expected to be entered in connection with the 2007 Series B Bonds, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2007B Derivative Products."

Outstanding Liquidity Facilities

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

Outstanding Liquidity Facilities and Providers

<u>Series of Adjustable Rate Bonds</u>	<u>Provider</u>	<u>Expiration Date</u>
2000 Series A-1 and A-2	FHLBank of Topeka	March 20, 2008
2000 Series B-3	FHLBank of Topeka	October 19, 2010
2002 Series A-1 and A-4	FHLBank of Topeka	May 14, 2010
2002 Series C-1, C-2 and C-4	FHLBank of Topeka	November 14, 2007
2003 Series A-1 and A-2	FHLBank of Topeka	September 23, 2008
2004 Series A-1 and A-2	FHLBank of Topeka	September 21, 2009
2005 Series A-1 and A-3	FHLBank of Topeka	April 12, 2010
2005 Series A-2	Dexia Credit Local	April 13, 2012
2005 Series B-1, B-2 and B-3	FHLBank of Topeka	December 13, 2010
2006 Series A-1, A-2 and A-3	DEPFA BANK plc	October 4, 2014
2006 Series B-1 and B-2	DEPFA BANK plc	November 29, 2014
2007 Series A-1 and A-2	DEPFA BANK plc	May 1, 2015

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 2007 Series B Bonds, the Authority will enter into a Standby Bond Purchase Agreement with Calyon, New York Branch, as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2007B LIQUIDITY FACILITIES." See also **Appendix I** – "THE 2007B LIQUIDITY FACILITY PROVIDER."

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APPENDIX C

Summary of Certain Provisions of the Master Indenture

The Master Indenture and the 2007 Series B Indenture (collectively, the "**Indenture**") contain various provisions and covenants, some of which are summarized below. Reference is made to the Indenture for a full and complete statement of its provisions. Copies of the Indenture are available as provided in "Part II - MISCELLANEOUS."

Certain Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Costs of Issuance" means the items of expense payable or reimbursable directly or indirectly by the Authority and other costs incurred by the Authority, all related to the authorization, sale and issuance of Bonds and Derivative Products or otherwise pursuant to the Indenture, which costs and items of expense shall include, but not be limited to, 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.

"National Repository" shall mean, at the Authority's option, either (i) each Nationally Recognized Municipal Securities Information Repository (collectively, the "**NRMSIRs**") recognized by the Securities and Exchange Commission from time to time for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, or (ii) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositories by some other means), including without limitation the central

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Record Date" means (i) with respect to 2007 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 2007 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 2007 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.

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 2007 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 2007 Series B Bonds (except as noted) require that, as of any date of calculation:

(a) with respect to the **Class I 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 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 (c) the sum of the quotients of the aggregate unpaid principal balances of Loans (by Loan type) and Authority Projects related to the Bonds divided by the related Class I Asset Coverage Divisors set forth on the schedule under "Asset Coverage Divisors" below (or such smaller divisors as may be permitted by each Rating Agency, as evidenced by a Confirmation from each Rating Agency), be at least equal to the Aggregate Principal Amount of Class I Bonds of such Series then Outstanding; and

(b) with respect to the **Class II Asset Requirement**,⁽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 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

⁽¹⁾ The definition of Class I Asset Requirement in the 2007 Series B Indenture provides, and the definitions of Class I Asset Requirement, Class II Asset Requirement and Class III Asset Requirement in the series indentures for future series of Bonds will provide, that amounts held in applicable subaccounts and the unpaid principal balances of Loans and Authority Projects for Unrelated Bonds in excess of the applicable Asset Requirements for such Unrelated Bonds (and not already taken into account in satisfying the Asset Requirements for any other Unrelated Bonds) will be taken into account in the calculation of such Asset Requirements for the 2007 Series B Bonds and future series of Bonds.

⁽²⁾ Not applicable to 2000 Series B Bonds, 2002 Series B Bonds, 2005 Series B Bonds, 2006 Series A Bonds or 2007 Series B Bonds.

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**,⁽³⁾ 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),⁽⁴⁾ 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 unpaid principal balance of Loans and Authority Projects related to the Bonds for such Series, be at least equal to 102% of the Aggregate Principal Amount of the Bonds then Outstanding, or such lesser percentage as may be permitted by each Rating Agency, as evidenced by a Confirmation from each Rating Agency.

⁽³⁾ Not applicable to 2002 Series A Bonds, 2002 Series C Bonds, 2003 Series A Bonds, 2004 Series A Bonds, 2005 Series A Bonds, 2005 Series B Bonds or 2007 Series B Bonds.

⁽⁴⁾ 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 2007 Series B Bonds (except as noted):

Asset Coverage Divisors

<u>Loan Type</u>	<u>Asset Coverage Divisor</u>	
	<u>Class I</u>	<u>Class II</u>
Uninsured Loan other than military housing privatization loans	1.72	1.45
FHA-Insured Section 542(c) Loan (1)	1.00	1.00
QIC, QAL or B&I II Loan	1.00	1.00
Other FHA-Insured Loan (1)	1.12	1.015
Authority Project (2)	1.30	1.18
2006B Loan (Fort Carson)	1.54	1.103
2007A Loan (Air Force Academy)	2.17	1.382997
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) Certain outstanding uninsured loans described in **Appendix G-2** have been funded with Bonds backed by a general obligation of the Authority and will also be included within this category. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations – Multi-Family Project Bonds – Class I and Class III."

(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

August 29, 2007

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, 2007 Series B-1
Multi-Family/Project Class I Adjustable Rate Bonds, 2007 Series B-2
Multi-Family/Project Class I Adjustable Rate Bonds, 2007 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, 2007 Series B-1 (the "2007 Series B-1 Bonds"), Multi-Family/Project Class I Adjustable Rate Bonds, 2007 Series B-2 (the "2007 Series B-2 Bonds") and Multi-Family/Project Class I Adjustable Rate Bonds, 2007 Series B-3 (the "2007 Series B-3 Bonds" and, together with the 2007 Series B-1 Bonds and the 2007 Series B-2 Bonds, the "2007 Series B Bonds") in the aggregate principal amount of \$_____. 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 2007 Series B Bonds are authorized and issued pursuant to the Master Indenture of Trust, dated as of March 1, 2000, as amended, and as supplemented by the 2007 Series B Indenture of Trust dated as of August 1, 2007 (together, the "Indenture") between the Authority and Wells Fargo Bank, National Association (formerly, Norwest Bank Colorado, National Association), as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

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

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

1. The 2007 Series B-2 Bonds and the 2007 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 2007 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 2007 Series B-2 Bonds and the 2007 Series B-3 Bonds, except for interest on any for any period during which it is held by a "substantial user" of facilities financed with Bonds or a "related person" as such terms (a) with respect to the 2007 Series B-2 Bonds are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code") and (b) respect to the 2007 Series B-3 Bonds, were defined in Section 103 of the Internal Revenue Code of 1954, as amended, is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; however, interest on the 2007 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 2007 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 2007 Series B-1 Bonds is not excluded from gross income for federal income tax purposes.

5. The 2007 Series B Bonds, their transfer and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date hereof.

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

The obligations of the Authority pursuant to the 2007 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.

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

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not opining upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the 2007 Series B Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the 2007 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 will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee ("**Cede**") or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct in Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede, or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name

of Cede or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Principal and interest payments on the Bonds will be made to Cede, or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Facility Provider or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede, or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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APPENDIX G-1

Certain Information about the 2007B Loans

Existing Loans to be Acquired

The Authority expects to acquire certain existing uninsured rental and business loans (which are presently held in the Authority's General Fund) using proceeds of the 2007 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 finance Authority Projects other than those described below.

Existing 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 2007 Series B Bonds to acquire as a 2007B Loan such an existing uninsured rental loan currently held by the Authority in its General Fund.

The existing uninsured rental loans originated under the SMART programs expected to be acquired as 2007B Loans, which are current in repayment, are listed on the following table:

Existing Uninsured Rental Loans (SMART Program) to be Acquired

Borrower/ Project	Location	Units	Original Loan Amount	Outstanding Principal Amount of Loan(1)	Mortgage Rate	Loan Date	Loan Term (Years)	Series for Funding
Brighton Senior Apartments	Brighton	60	\$1,750,000	\$1,750,000	6.89%	6/11/2007	30	2007B-1
Fairways Apartments	Boulder	70	2,675,000	2,675,000	5.80%	6/30/2007	16	2007B-2
Fairways Apartments	Boulder	70	2,025,000 (2)	2,025,000 (2)	6.10%	6/30/2007	2	2007B-2
Mountain Terrace	Westminster	152	5,000,000	5,000,000	5.65%	6/30/2007	12	2007B-3
La Alma Housing	Denver	34	<u>463,383</u>	<u>463,383</u>	7.20%	11/28/2006	20	2007B-1
			<u>\$11,913,383</u>	<u>\$11,913,383</u>				

(1) As of July 1, 2007.

(2) Originated as a bridge loan. See "Part I – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Loan Programs – Rental Financing Programs."

Existing Uninsured Business Loans

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

The existing uninsured business loans and participation interests in such loans expected to be acquired as 2007B Loans, which are current in repayment, are listed on the following table:

Existing Uninsured Business Loans to be Acquired

<u>Borrower/Project</u>	<u>Program</u>	<u>Location</u>	<u>Original Loan Amount</u>	<u>Outstanding Principal Amount of Loan*</u>	<u>Loan Interest Rate</u>	<u>Loan Date</u>	<u>Loan Term (Years)</u>	<u>Series for Funding</u>
Miles Eye	Rural	Eagle	\$ 348,300	\$ 337,148	5.80%	5/16/2006	20	2007B-1
Kinder-Askew Prop	Rural	Craig	440,000	434,125	7.20	11/15/2006	20	2007B-1
JACB LLC	Rural	Steamboat Springs	621,000	613,655	6.90	12/14/2006	20	2007B-1
Little Voice Production	NPRE	Denver	390,000	387,714	6.90	1/8/2007	20	2007B-1
Aubel, Christophe and Patricia	Rural	Edwards	630,000	623,809	6.90	1/18/2007	20	2007B-1
Abbott Properties, LLC	Rural	Grand Junction	287,100	284,378	7.20	1/17/2007	20	2007B-1
Elk River Properties	Rural	Steamboat Springs	249,900	247,488	7.05	2/22/2007	20	2007B-1
Brand Investments, LLC	Rural	Telluride	450,000	448,236	6.85	3/15/2007	20	2007B-1
Mallymoo, LLC	Direct	Centennial	574,000	572,878	6.85	5/15/2007	20	2007B-1
Highway 82 Investors, LLC	Rural	Glenwood Springs	595,000	593,808	6.65	5/10/2007	20	2007B-1
PC Holdings, LLC	Rural	Carbondale	348,000	347,347	7.19	5/18/2007	20	2007B-1
Sky Liquors Inc.	B&I II	Steamboat Springs	260,269	254,265	5.80	9/15/2006	20	2007B-1
STUMPF	QAL	Merino	211,950	205,296	6.65	8/23/2006	30	2007B-1
Affordable Inns of Craig	B&I II	Montrose	1,753,716	1,734,210	6.74	3/27/2006	25	2007B-1
LONG	QAL	Colbran	266,203	258,913	5.74	12/4/2006	25	2007B-1
REHFELD	QAL	Arapahoe	135,000	127,917	6.56	6/15/2006	20	2007B-1
AMEN	QAL	Sterling	229,048	222,743	6.66	6/8/2006	30	2007B-1
William & Kelli Weisenhorn	QAL	Hartment	81,144	81,039	7.40	11/3/2006	20	2007B-1
E. 49 th Ave LLC	SBA 504	Denver	838,000	838,000	7.78	6/13/2007	20	2007B-1
GOAT, LLC	Access	Commerce City	265,500	256,500	6.85	5/8/2007	20	2007B-1
DMS Real Estate, LLC	Direct	Ridgeway	595,000	595,000	6.95	5/31/2007	20	2007B-1
Benjamin Fay	Rural	Grand Junction	360,000	360,000	7.19	6/20/2007	20	2007B-1
Speer & Lawrence, LLC	Direct	Denver	602,000	602,000	6.65	7/2/2007	20	2007B-1
Sunflower Invest	SBA 504	Parker	719,500	719,500	7.19	7/2/2007	20	2007B-1
M.A.D.L.L.C.	SBA 504	Montrose	800,000	800,000	7.55	7/11/2007	20	2007B-1
Smelker	QAL	Stratton	614,662	614,662	6.28	6/15/2007	30	2007B-1
Homung	QAL	Stratton	428,149	428,149	6.18	6/15/2007	20	2007B-1
Total			\$13,084,441	\$12,988,780				

*As of July 1, 2007, except in the case of certain loans which were originated prior to August 29, 2007 but after July 1, 2007. For such loans, the outstanding principal amount is as of the Loan Date.

Existing Loans To Be Transferred

Using proceeds of the Refunded Bonds, the Authority has previously made the following Section 542(c) insured mortgage loans to borrowers for the described projects. These mortgage loans and certain revenues therefrom had been pledged to secure repayment of certain outstanding bonds of the Authority under a General Resolution for the Authority's rental finance program (the "**General Resolution**") as described in "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Loan Programs – Rental Finance Programs." Upon redemption and payment of the Refunded Bonds on or about October 1, 2007 as described in "Part I – PLAN OF FINANCE – Redemption and Payment of the Refunded Bonds," these outstanding mortgage loans financed by the Refunded Bonds will no longer remain pledged under the General Resolution, and such mortgage loans will be transferred and pledged under the Indenture to secure the 2007 Series B Bonds. Such outstanding mortgage loans are subject to prepayment by the related borrowers, and such prepayments may be used by the Authority, at its option, to redeem 2007 Series B Bonds at par, as described in "Part II – CERTAIN BONDOWNERS' RISKS - Considerations Regarding Redemption at Par." Payments on the outstanding mortgage loans financed by the Refunded Bonds listed below are presently current and have generally been current during the last five years.

Existing 1997 Loans to be Transferred

<u>Borrower/ Project</u>	<u>Location</u>	<u>Units</u>	<u>Original Loan Amount</u>	<u>Outstanding Principal Amount(1)</u>	<u>Mortgage Rate(2)</u>	<u>Loan Date</u>	<u>Loan Term (Years)</u>	<u>Series for Funding</u>
Platte Valley Village II Bijou Assisted Living Center	Sterling	48	\$1,922,000	\$1,803,398	5.60%	2/20/1998	40	2007 B-2
Burlington Hotel Apts.	Strasburg	16	1,015,000	949,100	6.15	6/20/1997	40	2007 B-3
Villas Townhomes	Denver	38	2,475,000	2,206,757	6.30	4/28/1999	30	2007 B-2/B-3
	Yuma	20	<u>830,000</u>	<u>777,091</u>	6.20	11/21/1997	40	2007 B-2
			<u>\$6,242,000</u>	<u>\$5,736,346</u>				

(1) As of July 1, 2007. To be transferred on October 1, 2007, in connection with the redemption and payment of the Refunded Bonds. See "Part I – PLAN OF FINANCE."

(2) As recently modified. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2007B Loans – Modification of Loan Terms."

Loans Expected to be Originated

Rental Loans

General. The uninsured rental loans expected to be originated by the Authority under the SMART program using proceeds of the 2007 Series B Bonds are listed on the following table:

Uninsured Rental Loans (SMART Program) Expected to be Originated(1)

<u>Borrower/Project</u>	<u>Location</u>	<u>Units</u>	<u>Projected Loan Amount(1)</u>	<u>Mortgage Rate(1)</u>	<u>Projected Loan Date(1)</u>	<u>Projected Loan Term (Years)</u>	<u>Series for Funding</u>
26th & Blake St.	Denver	64	\$2,950,000	7.10%	8/31/2007	20	2007B-1
Mirasol Senior Apts	Loveland	49	1,230,000	7.70	9/1/2007	30	2007B-1
Park Ave./East Village	Denver	124	5,000,000	6.70	10/31/2007	20	2007B-1
Village at Harvest Junction	Longmont	70	4,925,000	5.81	12/31/2007	20	2007B-2
Wolff Street Development	Denver	63	1,675,000	7.00	12/1/2007	20	2007B-1
Wolff Street Development	Denver	63	400,000	7.00	12/1/2007	20	2007B-1
Wolff Street Development	Denver	63	1,500,000 (2)	7.00	12/1/2007	1.5	2007B-1
12th & Elati St.	Denver	63	2,450,000	7.10	12/31/2007	20	2007B-1
Central Park at Stapleton	Denver	18	470,000	7.18	6/30/2008	20	2007B-1
Cottonwood Apts.	Windsor	37	975,000 (2)	6.00	9/30/2007	2	2007B-2
Cottonwood Apts.	Windsor	37	500,000	6.00	9/30/2007	20	2007B-2
Undesignated	Various	NA	4,696,000	7.00	9/30/2007	25	2007B-1
GAO Homes	Denver	44	2,240,000	6.00	8/1/2007	20	2007B-2
Water View (3)	Thornton	82	5,500,000	TBD	9/30/2007	TBD	2007B-3
Yorkshire (3)	Thornton	200	<u>11,000,000</u>	TBD	9/30/2007	TBD	2007B-2
		Total	<u>\$45,511,000</u>				

(1) Subject to change. Projected as of August 1, 2007.

(2) To be originated as a bridge loan. See "Part I – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Loan Programs – Rental Financing Programs."

(3) Loan is expected to be originated to the purchaser of a RAP project from the Authority. See "Part I – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Loan Programs – Rental Financing Programs."

Uninsured Business Loans

The uninsured business loans expected to be originated by the Authority under the business programs described above using proceeds of the 2007 Series B Bonds are listed on the following table:

Uninsured Business Loans Expected to be Originated*

<u>Type of Borrower</u>	<u>Program</u>	<u>Location</u>	<u>Projected Loan Amount*</u>	<u>Loan Interest Rate*</u>	<u>Projected Loan Date*</u>	<u>Projected Loan Term (Years)</u>	<u>Series for Funding</u>
Fordyce, Gordon	Direct	Louisville	\$1,150,000	7.65%	10/15/2007	20	2007B-1
Zetor, LLC	SBA 504	Parker	1,143,644	7.36	8/30/2007	20	2007B-1
16 Road LLC Timber Creek	Direct	Fruita	3,867,500	7.55	10/24/2007	20	2007B-1
Smiley Aviation, LLC	Rural	Delta	285,180	7.20	7/31/2007	20	2007B-1
Tuscana, LLC	ACCESS	Aspen	448,752	6.90	7/9/2007	20	2007B-1
Clean Dirt Grains & Seeds, LLC	Rural	Sterling	629,000	6.95	8/15/2007	20	2007B-1
Northwest Data Services, LLC	Rural	Steamboat Springs	303,750	6.85	8/6/2007	20	2007B-1
Avantgarde Dental, P.C.	Direct	Steamboat Springs	1,020,000	7.45	1/23/2008	20	2007B-1
Nothing Without Providence LLC	Rural	Steamboat Springs	553,000	7.20	7/31/2007	20	2007B-1
RCR Enterprises	Rural	Glenwood Springs	505,750	7.10	7/31/2007	20	2007B-1
Hamilton Leasing LLC	Rural	Steamboat Springs	484,000	7.19	8/23/2007	20	2007B-1
Larimar County	NPRE	Fort Collins	472,500	6.30	10/1/2007	30	2007B-3
The Gathering Place	NPRE	Denver	1,750,000	6.33	3/1/2008	30	2007B-3
Brown Cycles, LLC	Rural	Grand Junction	297,000	7.40	8/1/2007	20	2007B-1
Good Health Natural	SBA 504	Glenwood Springs	450,000	6.95	8/30/2007	20	2007B-1
Triam, LLC	Direct	Longmont	356,150	7.30	8/30/2007	20	2007B-1
John Oster	Rural	Grand Junction	320,000	7.35	8/27/2007	20	2007B-1
Dr. Dushan Voyic	Rural	Craig	450,000	7.35	12/1/2007	20	2007B-1
K-9 Kane, LLC DB	Direct	Castle Rock	1,870,000	7.35	11/1/2007	20	2007B-1
Bjorgum's State	Rural	Steamboat Springs	409,500	7.60	9/8/2007	20	2007B-1
Colorado Foundation	NPRE	Denver	1,745,000	6.47	12/1/2007	20	2007B-1/B-3
Ricken Land and Cattle	QAL	Fowler	<u>649,800</u>	7.50	11/1/2007	20	2007B-1
Total			<u>\$19,160,526</u>				

*Subject to change. Projected as of August 1, 2007.

APPENDIX G-2

Certain Information about the Master Indenture Loan Portfolio, Authority Projects and Fund Balances

The chart included in this Appendix G-2 has been prepared by the Authority to provide, as of May 1, 2007, certain information about the Master Indenture Loan Portfolio and Authority Projects. Information is also provided about the Fund Balances existing under the Master Indenture as of May 1, 2007. In summary, as of May 1, 2007, the Trust Estate included the following:

	<u>Amount</u>	<u>No. of Loans/ Interests/Projects</u>	<u>Total % of Portfolio</u>
Insured Rental Loans	\$263,362,733	74	38%
Uninsured Rental Loans (1)	77,461,553	79	11%
Uninsured Business Loans (1)	154,963,866	182	22%
Military Housing	165,615,000	6	24%
Participation Interests	10,077,015	26	1%
Authority Projects	<u>24,878,939</u>	14	4%
Total	<u>\$696,359,105</u>		

(1) Not including the uninsured loans for the Fort Carson and Air Force Academy projects which are listed as a separate line item "Military Housing."

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

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

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

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<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due</u>	<u>Current Balance</u>
M00A	MADISON	621,000	12/1/2021	3,340	RF 501(C)3	5/1/2007	370,996
M00A	VILLAGE	211,404	4/1/2022	1,551	RAP	5/1/2007	162,278
M00A	RIDGE	1,556,700	10/4/2021	5,836	RAP	5/4/2007	599,866
M00A	HOTEL	525,000	9/1/2034	2,581	RF 501(C)3	5/1/2007	395,860
M00A	MADISON	114,842	12/1/2021	755	RF 501(C)3	5/1/2007	83,930
M00A	VERDE	1,143,429	10/1/2023	8,291	RAP	5/1/2007	917,309
M00A	PK	2,153,185	5/1/2022	12,413	RF 501(C)3	5/1/2007	1,461,835
M00A	SAXONY	272,735	7/1/2022	1,765	RF 501(C)3	5/1/2007	190,854
M00A	BELMONT	712,500	9/1/2022	4,617	RF 501(C)3	5/1/2007	538,596
M00A	HILLS	3,287,357	11/1/2023	21,399	RF 501(C)3	5/1/2007	2,602,258
M00A	RIDGE	1,542,396	3/1/2022	11,527	RAP	5/1/2007	1,202,729
M00A	TREE	734,970	7/1/2022	1,740	RAP	5/1/2007	183,597
M00A	TREE	194,478	11/1/2022	1,427	RAP	5/1/2007	44,682
M00A	PLACE	142,797	12/1/2022	1,048	RAP	5/1/2007	112,103
M00A	SHADOWWOOD	220,899	7/1/2022	1,621	RAP	5/1/2007	171,061
M00A	GL	247,475	6/1/2021	1,794	RAP	5/1/2007	183,457
M00A	SANDOE	90,000	1/1/2025	660	RF 501(C)3	6/1/2007	74,840
M00A	ANIMAS	159,000	4/1/2027	1,017	RF 501(C)3	5/1/2007	136,442
M00A	CITY OF STERLING	522,000	9/1/2026	3,037	RF 501(C)3	5/1/2007	459,774
M00A	STREET COMPUTERS	4,084,592	2/1/2017	34,395	CHFA NOTE	8/1/2007	2,804,607
M00A	48	1,844,689	12/1/2039	10,538	221(D)4	5/1/2007	1,748,893
M00A	RIDGE ASSOCIATES	407,070	4/1/2039	2,354	221(D)4	4/1/2007	384,351
M00A	BLUESKY ENTERPRISES	190,000	2/1/2029	1,195	SMART TAX EXEMPT	8/1/2007	119,949
M00A	STREET BUILDING	400,000	11/1/2021	17,681	CHFA NOTE	5/1/2007	305,736
M00A	SENIOR LIVING LLC	1,344,740	8/1/2039	8,308	542(C)	5/1/2007	1,281,464
M00A	PARTNERS	1,000,000	6/1/2030	6,453	SMART TAX EXEMPT	7/1/2008	784,000
M00A	AT LAKEWOOD	834,925	3/1/2040	5,158	542(C)	5/1/2007	799,259
M00A	OFFICE	175,000	10/1/2030	1,135	SMART TAX EXEMPT	5/1/2007	160,298
M00A	NEIGHBORHOOD HOUSING	175,000	11/1/2032	1,158	SMART TAXABLE	5/1/2007	166,043
M00A	HOA	250,000	7/1/2032	1,580	SMART TAXABLE	5/1/2007	234,797
M00A Total							18,681,863
M00B	CROSSING III	11,330,000	11/1/2042	74,232	542(C)	5/1/2007	11,034,206
M00B	GARDENS LLC	2,420,000	3/1/2031	15,254	542(C)	5/1/2007	2,244,530
M00B	COLLINS FM	10,008,500	3/1/2043	61,833	542(C)	5/1/2007	9,790,127
M00B	COLUMBINE	4,313,000	12/1/2030	28,985	542(C)	5/1/2007	3,981,589
M00B	RUN APARTMENTS	3,409,175	7/1/2043	19,596	542(C)	5/1/2007	3,330,357
M00B Total							30,380,807
M01A	MARTINIQUE	460,000	5/1/2026	3,248	RF 501(C)3	5/1/2007	391,392
M01A	VILLAGE MHA LTD	4,200,000	6/1/2031	27,241	542(C)	5/1/2007	3,890,849
M01A	COALITION FOR	1,294,650	3/1/2026	9,142	BF EDF	5/1/2007	1,149,541
M01A	PARTNERSHIP INC	700,000	4/1/2031	4,356	SMART TAX EXEMPT	11/1/2006	651,438
M01A	EAST HOUSING	7,475,000	1/1/2044	45,802	542(C)	5/1/2007	7,346,691
M01A	MANAGEMENT CO	1,621,000	6/1/2031	10,514	542(C)	5/1/2007	1,503,737
M01A	OF AMERICA	660,000	9/1/2021	5,317	BF EDF	5/1/2007	560,754
M01A	RIDGE TOWNHOMES	6,750,000	1/1/2044	40,970	542(C)	5/1/2007	6,631,077
M01A	PARTNERSHIP INC	924,000	9/1/2031	6,024	SMART TAXABLE	5/1/2007	860,018
M01A	STREET BLDG-2	1,595,920	11/1/2022	71,861	CHFA NOTE	5/1/2007	1,364,060
M01A	RUN APARTMENTS	132,825	7/1/2043	763	542(C)	5/1/2007	129,754
M01A Total							24,479,312
M02A	MEADOWS ASSOCIATED	2,614,000	5/1/2043	15,397	542(C)	5/1/2007	2,553,697
M02A	LIMITED PARTNERSHIP	2,112,800	7/1/2032	13,774	542(C)	5/1/2007	1,991,977
M02A	MANOR LLP	5,480,000	6/1/2032	32,925	542(C)	5/1/2007	5,124,761
M02A	LIMITED PARTNERSHIP	360,000	4/1/2013	3,960	SMART TAX EXEMPT	4/1/2007	235,542
M02A	PHASE II	5,650,000	6/1/2043	33,078	542(C)	6/1/2007	5,517,065
M02A	RIDGE SOUTH APTS LLP	4,126,000	8/1/2044	23,716	221(D)4	6/1/2007	4,058,175
M02A	TANGLEWOOD	3,024,980	4/1/2028	20,938	RAP	5/1/2007	2,601,899
M02A	CORPORATION	370,006	4/1/2019	1,890	SMART TAX EXEMPT	5/1/2007	314,743
M02A	RURAL	286,000	12/1/2030	1,855	SMART TAX EXEMPT	5/1/2007	259,751
M02A	CITY OF STERLING	893,000	4/1/2031	5,557	SMART TAX EXEMPT	5/1/2007	820,395
M02A	CENTER	250,000	8/1/2031	1,580	SMART TAX EXEMPT	9/1/2006	234,955
M02A	COUNTY SENIOR	256,300	2/1/2032	1,603	SMART TAX EXEMPT	6/1/2007	238,585
M02A Total							23,951,546
MF02C	APTS LLC	4,200,000	1/1/2038	25,230	542(C)	5/1/2007	4,044,671
MF02C	LLLP	16,210,000	9/1/2032	99,176	542(C)	5/1/2007	15,281,416
MF02C	CLUB APARTMENTS	4,903,825	1/1/2035	33,453	542(C)	5/1/2007	4,792,002
MF02C	FOUNTAIN SPRINGS	15,587,500	2/1/2044	88,496	221(D)4	5/1/2007	15,272,232
MF02C	SOUTHGATE PARTNERS	2,841,000	1/1/2033	18,051	542(C)	5/1/2007	2,691,896

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<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due</u>	<u>Current Balance</u>
MF02C	VILLAGE ASSOCIATES L	4,700,000	10/1/2033	29,399	542(C)	5/1/2007	4,496,667
MF02C	HOUSING LP	2,475,000	1/1/2034	14,839	542(C)	5/1/2007	2,369,191
MF02C	HOUSING LP	3,050,000	1/1/2034	18,286	542(C)	5/1/2007	2,919,609
MF02C	HOUSING LP	815,000	1/1/2034	4,886	542(C)	5/1/2007	780,158
MF02C	HOUSING LP	2,200,000	12/1/2033	13,190	542(C)	5/1/2007	2,103,287
MF02C	HOUSING LP	10,200,000	7/1/2033	61,154	542(C)	5/1/2007	9,689,001
MF02C	HOUSING LP	1,860,000	10/1/2033	11,152	542(C)	5/1/2007	1,773,701
MF02C	HOUSING LP	12,691,300	9/1/2033	76,091	542(C)	5/1/2007	12,086,882
MF02C	HOUSING LP	2,606,000	1/1/2034	15,624	542(C)	4/1/2007	2,497,726
MF02C	HOUSING LP	3,175,000	10/1/2033	19,036	542(C)	5/1/2007	3,027,689
MF02C	HOUSING A MAINE LTD	1,596,100	7/1/2033	9,569	542(C)	5/1/2007	1,516,138
MF02C	HOUSING LP	2,700,000	11/1/2033	16,188	542(C)	4/1/2007	2,581,307
MF02C	HOUSING LP	3,400,000	1/1/2034	20,385	542(C)	5/1/2007	3,254,646
MF02C	HOUSING LP	2,070,000	10/1/2033	12,411	542(C)	5/1/2007	1,976,486
MF02C	HOUSING LP	2,036,000	12/1/2033	12,207	542(C)	5/1/2007	1,946,497
MF02C	HOUSING LP	1,140,000	1/1/2034	6,835	542(C)	5/1/2007	1,091,264
MF02C	HOUSING LP	3,408,000	10/1/2033	20,433	542(C)	5/1/2007	3,249,879
MF02C	HOUSING LTD	2,040,000	9/1/2033	12,231	542(C)	5/1/2007	1,942,858
MF02C	SENIOR I LP	3,701,159	6/1/2045	21,406	542(C)	5/1/2007	3,662,378
MF02C	POINT INVESTMENT GRO	2,300,000	1/1/2034	13,790	542(C)	5/1/2007	2,201,673
MF02C	RIDGE PARTNERS LLC	3,942,000	4/1/2044	22,659	542(C)	5/1/2007	3,870,862
MF02C	HOUSING LP	586,000	1/1/2012	6,354	HOF CHFA	5/1/2007	353,574
MF02C	VALLEY LLLP	4,260,960	10/1/2045	24,492	542(C)	5/1/2007	4,224,338
MF02C	VETERINARY	772,400	5/1/2022	6,218	BF SBA 504	5/1/2007	671,828
MF02C	PROPERTIES LLC	571,500	2/1/2023	4,342	BF SBA 504	5/1/2007	506,354
MF02C	LE VALLEY	498,750	11/30/2031	39,704	BF QAL	11/30/2007	446,254
MF02C	VALLEY HOSPITAL	806,495	2/15/2027	5,779	BF B&I II BUSINESS	6/15/2007	729,476
MF02C	COUNTY HOUSING	218,100	9/1/2033	1,379	SMART TAX EXEMPT	5/1/2007	208,582
MF02C	COMPANY	581,100	12/1/2032	3,769	SMART TAXABLE	6/1/2007	550,307
MF02C	HOTEL APTS	504,200	12/1/2032	3,121	SMART TAX EXEMPT	5/1/2007	475,955
MF02C	ZETA	5,650,000	5/1/2034	34,421	542(C)	5/1/2007	5,492,177
MF02C	ZETA	1,249,000	4/1/2019	10,546	542(C)	5/1/2007	1,049,844
MF02C	COMMUNITY FOUNDATION	1,310,000	6/1/2039	7,469	SMART TAX EXEMPT	5/1/2007	1,282,439
MF02C	HOUSING LP	360,000	12/1/2007	6,960	HOF CHFA	5/1/2007	132,149
MF02C	HOUSING LP	105,000	11/1/2008	2,030	HOF CHFA	4/1/2007	38,544
MF02C	HOUSING LP	25,000	1/1/2009	483	HOF CHFA	5/1/2007	9,612
MF02C	HOUSING LP	113,000	12/1/2008	2,185	HOF CHFA	5/1/2007	41,480
MF02C Total							127,333,030
MF03A	PARK	9,354,400	3/1/2028	62,404	RAP	5/1/2007	7,970,107
MF03A	APARTMENTS	3,248,400	4/1/2028	18,328	223(F)	5/1/2007	2,760,762
MF03A	TANGLEWOOD	375,020	4/1/2028	2,596	RAP	5/1/2007	322,569
MF03A	HOUSING	257,000	9/1/2021	1,732	BF EDF	6/1/2007	198,730
MF03A	NEUGER	99,000	11/1/2016	859	BF EDF	5/1/2007	67,425
MF03A	INC	628,000	2/1/2019	3,078	BF EDF	4/1/2007	293,459
MF03A	MOUNTAIN HEALTH CARE	380,470	12/1/2018	3,182	BF EDF	5/1/2007	289,061
MF03A	EMPOWERMENT	272,500	8/1/2019	2,195	BF EDF	5/1/2007	210,738
MF03A	BEYE-LOTZ	392,000	9/1/2020	2,990	BF EDF	5/1/2007	319,383
MF03A	MANDERLEY	250,000	7/15/2020	2,209	BF SBA 504	3/15/2007	206,343
MF03A	SILVERTON RR	126,000	1/1/2013	1,103	BF EDF	5/1/2007	10,084
MF03A	KIMBLE LLC	519,750	4/1/2021	3,801	BF SBA 504	5/1/2007	431,371
MF03A	MOUNTAIN HEALTH CARE	168,300	3/1/2021	1,459	BF EDF	5/1/2007	142,732
MF03A	STATE PAVING	140,000	7/1/2021	1,214	BF SBA 504	5/1/2007	120,008
MF03A	LLC	178,500	7/1/2021	1,423	BF SBA 504	5/1/2007	151,221
MF03A	OF NORTHERN COLORADO	399,000	7/1/2026	2,772	BF EDF	5/1/2007	350,083
MF03A	JONES	100,000	10/1/2021	836	BF SBA 504	2/1/2007	86,816
MF03A	CRANE	79,000	1/1/2022	636	BF SBA 504	5/1/2007	67,903
MF03A	DEVLIN	183,500	6/1/2021	1,178	SMART TAXABLE	5/1/2007	163,920
MF03A	HOTEL & LODGING	410,500	9/1/2026	3,034	BF EDF	4/1/2007	372,326
MF03A	STAVELY	215,010	3/1/2026	19,372	BF QAL	3/1/2008	124,419
MF03A	HOUSING ASSIST CORP	250,000	9/1/2021	1,883	BF EDF	6/1/2007	210,475
MF03A	UP CORP	382,579	8/2/2031	3,150	BF QIC	3/2/2007	161,114
MF03A	RICHE	196,843	7/1/2016	1,876	BF QAL	11/1/2007	163,094
MF03A	INN MOTEL	617,320	8/7/2026	6,116	BF QIC	3/7/2007	561,463
MF03A	SCHLAGER	259,020	3/1/2031	21,238	BF QAL	3/1/2008	234,404
MF03A	MEADOWS AFFORDABLE	1,860,000	5/1/2032	11,879	SMART TAXABLE	5/1/2007	1,746,449
MF03A	GARD	99,450	2/1/2022	786	BF SBA 504	5/1/2007	79,398
MF03A	HINKLE	190,000	2/1/2022	1,239	SMART TAXABLE	5/1/2007	178,209

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<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due</u>	<u>Current Balance</u>
MF03A	TATE	209,700	3/1/2026	16,743	BF QAL	3/1/2008	177,685
MF03A	HAMACHER	284,400	2/1/2027	24,759	BF QAL	2/1/2007	266,609
MF03A	AUTO PARTS INC	524,089	3/5/2027	3,674	BF QIC	4/5/2007	481,850
MF03A	PERDUE	75,960	3/1/2022	7,269	BF QAL	3/1/2009	59,493
MF03A	FORK COMPUTER SOCIET	225,225	3/1/2023	1,745	BF EDF	5/1/2007	200,759
MF03A	RUBBER COMPANY	846,000	1/1/2023	6,308	BF EDF	5/1/2007	744,580
MF03A	MOUNTAIN SCHOOL OF A	6,900,000	1/1/2029	50,319	BF SBA 504	5/1/2007	6,544,521
MF03A	GRIFFIN	175,500	1/15/2023	19,225	BF QAL	1/15/2009	160,104
MF03A	AMERICAN RESEARCH	96,287	5/1/2028	665	BF EDF	6/1/2007	89,486
MF03A	INDUSTRIES INC	1,000,000	6/1/2033	5,996	BF EDF	6/1/2007	946,455
MF03A	SIRCY	144,450	1/15/2023	5	BF QAL	1/15/2008	119,401
MF03A	FULLMER	200,000	5/1/2023	1,433	BF EDF	5/1/2007	177,060
MF03A	ENTERPRISES LLC	584,551	12/5/2031	3,663	BF B&I II BUSINESS	4/5/2007	557,512
MF03A	MARTIN	540,242	7/18/2031	3,446	BF B&I II BUSINESS	3/18/2007	509,514
MF03A	PARK COURT LLC	315,000	7/1/2023	2,347	BF EDF	5/1/2007	282,336
MF03A	AKERS	180,000	2/20/2028	14,527	BF QAL	2/20/2008	166,319
MF03A	ENTERPRISES LLC	788,384	3/24/2023	5,951	BF B&I II BUSINESS	2/24/2007	701,650
MF03A	SIRCY	225,000	1/15/2024	24,275	BF QAL	1/15/2009	180,343
MF03A	BRACHTENBACH	90,000	1/15/2010	12,780	BF QAL	1/15/2009	57,784
MF03A	LEONARD	324,000	12/31/2022	28,253	BF QAL	12/31/2007	282,902
MF03A	HOLDINGS LLC	3,535,000	12/1/2023	26,356	BF SBA 504	5/1/2007	3,214,024
MF03A	HOLDINGS LLC	826,000	4/1/2024	6,158	BF SBA 504	5/1/2007	759,250
MF03A	KNOTT	450,000	5/23/2033	33,716	BF QAL	5/23/2007	432,702
MF03A	MCARTHUR	540,000	3/15/2028	43,686	BF QAL	3/15/2008	494,349
MF03A	COMPANY LLC	684,000	8/1/2033	4,123	SMART TAXABLE	5/1/2007	650,853
MF03A	BUILDINGS LLC	437,500	12/1/2025	3,172	BF SBA 504	5/1/2007	422,031
MF03A	BUILDINGS LLC	332,500	12/1/2025	2,411	BF SBA 504	5/1/2007	320,744
MF03A	VET CLINIC LLC	484,000	9/1/2025	3,510	BF CHFA DIRECT	5/1/2007	463,520
MF03A	RIDGE PROPERTIES	94,050	11/1/2025	682	BF CHFA DIRECT	10/1/2007	88,258
MF03A	LLC	166,504	1/1/2026	1,207	BF SBA 504	5/1/2007	160,999
MF03A	INVESTMENTS LLC	578,000	3/1/2026	4,225	BF CHFA DIRECT	6/1/2007	560,411
MF03A	FOWLER	297,000	5/1/2026	2,162	BF CHFA RURAL	5/1/2007	289,800
MF03A	COLLISION CENTER INC	113,400	6/1/2026	826	BF CHFA RURAL	5/1/2007	110,947
MF03A	LLC	483,750	6/1/2026	3,522	BF CHFA RURAL	6/1/2007	472,208
MF03A Total							39,140,524
MF04A	COOPER'S	182,700	11/1/2016	1,545	BF SBA 504	5/1/2007	125,158
MF04A	96TH STREET	355,500	8/1/2017	3,125	BF SBA 504	5/1/2007	258,488
MF04A	CHILD REUNION	95,670	12/1/2017	721	BF SBA 504	4/1/2007	66,219
MF04A	CREEKS RESIDENCES	935,000	1/1/2035	5,910	SMART TAX EXEMPT	5/1/2007	913,399
MF04A	ZAPIEN DDS INC	181,900	6/1/2022	1,444	BF SBA 504	4/1/2007	158,616
MF04A	O'TOOLE	1,190,000	2/1/2022	9,478	BF CHFA DIRECT	5/1/2007	1,025,524
MF04A	ANDERSON	700,000	5/1/2022	5,533	BF CHFA DIRECT	5/1/2007	607,935
MF04A	LAZY L LAND LLC	1,000,000	1/28/2023	7,604	BF CHFA DIRECT	4/28/2007	889,634
MF04A	RESOURCE CENTER	1,207,500	12/1/2022	9,624	BF EDF	5/1/2007	1,070,131
MF04A	SCHRAGE	1,700,000	3/1/2018	15,138	BF CHFA DIRECT	5/1/2007	1,393,737
MF04A	HOLDINGS LLC	2,976,546	6/1/2024	23,059	BF SBA 504	5/1/2007	2,762,125
MF04A	TRI CITY ETC LLC	2,879,500	10/1/2024	21,980	BF SBA 504	5/1/2007	2,694,877
MF04A	CANDIES SINCE 1920	280,000	5/1/2012	6,222	BF CHFA DIRECT	5/1/2007	323,269
MF04A	ENAYAT	396,000	3/1/2024	2,894	BF CHFA DIRECT	6/1/2007	361,139
MF04A	PARK PROFESSIONAL	527,295	9/1/2024	4,038	BF SBA 504	5/1/2007	492,409
MF04A	SPRINGS INN & SUITES	1,650,000	5/20/2028	10,823	BF B&I II BUSINESS	7/20/2007	1,203,870
MF04A	SHERMAN MD	450,000	10/1/2023	3,141	BF EDF	5/1/2007	402,587
MF04A	AND CONSUMER FOUND	1,125,000	2/1/2029	7,951	BF NON PROFIT	5/1/2007	1,066,112
MF04A	AGENCY INC	487,296	12/1/2023	3,822	BF CHFA DIRECT	5/1/2007	445,945
MF04A	HOUSING AUTHORITY	528,100	11/1/2033	3,082	SMART TAX EXEMPT	6/1/2007	502,320
MF04A	PEARL LLC	182,695	2/1/2024	1,430	BF CHFA DIRECT	5/1/2007	168,011
MF04A	INC	199,295	3/1/2024	1,522	BF CHFA DIRECT	5/1/2007	183,228
MF04A	PLAZA INVESTMENT	1,170,000	11/1/2034	7,166	542(C)	5/1/2007	1,134,905
MF04A	HOUSING AUTHORITY	452,800	12/1/2033	2,642	SMART TAX EXEMPT	6/1/2007	431,438
MF04A	SENIOR I LP	5,776,841	6/1/2045	33,410	542(C)	5/1/2007	5,716,312
MF04A	COUNTY HOUSING AUTHO	1,100,000	1/1/2034	6,773	SMART TAX EXEMPT	5/1/2007	1,054,995
MF04A	COMMUNITY CENTERS	6,200,000	12/1/2023	45,137	BF NON PROFIT	5/1/2007	5,651,375
MF04A	PROPERTIES LLC	375,000	6/1/2024	2,842	BF SBA 504	5/1/2007	346,766
MF04A	ARK INC	3,200,000	10/1/2029	22,109	BF NON PROFIT	5/1/2007	3,066,122
MF04A	UTE APTS LLLP	651,600	3/1/2034	4,054	SMART TAXABLE	5/1/2007	626,654
MF04A	HOUSING AUTHORITY	676,700	3/1/2034	3,949	SMART TAX EXEMPT	6/1/2007	647,323
MF04A	SILVERTON	16,500,000	12/1/2024	129,414	BF B&I II BUSINESS	5/1/2007	15,554,843

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MF04A	LLC	476,000	6/1/2024	3,639	BF CHFA DIRECT	5/1/2007	441,081
MF04A	PLAINS HOTEL INC	248,500	7/1/2024	1,640	BF CHFA RURAL	1/1/2007	229,905
MF04A	SITES HOLDINGS LLC	902,140	3/1/2025	6,620	BF CHFA DIRECT	6/1/2007	848,691
MF04A	ROAD REDEVELOPMENT	1,264,000	10/1/2024	7,906	SMART TAXABLE	5/1/2007	1,226,206
MF04A	ROAD REDEVELOPMENT	2,173,000	10/1/2024	13,592	SMART TAXABLE	5/1/2007	2,108,026
MF04A	HOUSING CORP	1,229,900	5/1/2034	7,413	SMART TAX EXEMPT	5/1/2007	1,183,607
MF04A	CURVE LLC	2,182,500	6/25/2024	12,689	BF B&I II BUSINESS	4/25/2007	1,460,028
MF04A	ELLIOTT	107,420	2/1/2011	19,236	BF QAL	2/1/2008	83,115
MF04A	ELLIOTT	313,580	2/1/2026	26,019	BF QAL	2/1/2008	261,563
MF04A	RANGE REGIONAL	900,000	6/1/2024	6,657	BF NON PROFIT	5/1/2007	830,966
MF04A	LLC	147,050	12/1/2024	1,089	BF CHFA DIRECT	6/1/2007	137,570
MF04A	INVESTMENT PROPRTIE	328,882	12/1/2024	2,597	BF CHFA DIRECT	5/1/2007	310,239
MF04A	HOLDINGS OF STEAMBOA	394,000	12/1/2024	2,873	BF CHFA DIRECT	5/1/2007	369,036
MF04A	NORTH LLC & HERON 25	251,416	11/1/2024	1,992	BF CHFA DIRECT	5/1/2007	236,675
MF04A	BUYERS GROUP LLC	646,000	11/1/2024	5,082	BF CHFA DIRECT	5/1/2007	607,746
MF04A	BUSTILLOS	262,000	1/1/2025	2,061	BF CHFA DIRECT	6/1/2007	247,066
MF04A	COMPANY	432,000	11/1/2024	3,531	BF CHFA DIRECT	5/1/2007	353,467
MF04A	LLC	430,000	12/1/2024	3,448	BF CHFA DIRECT	6/1/2007	405,230
MF04A	HOLDING CORP	550,000	11/1/2024	3,972	BF CHFA DIRECT	6/1/2007	511,895
MF04A	INVESTMENT GROUP	759,694	5/1/2025	6,097	BF SBA 504	5/1/2007	725,679
MF04A	HOUSING PRESERVATION	4,000,000	11/1/2044	23,418	542(C)	5/1/2007	3,945,157
MF04A	LLC	865,000	12/1/2024	6,937	BF CHFA DIRECT	6/1/2007	815,172
MF04A	LLC	450,000	12/1/2024	3,609	BF CHFA DIRECT	6/1/2007	424,078
MF04A	LLC	775,000	12/1/2024	6,215	BF CHFA DIRECT	6/1/2007	730,356
MF04A	PROPERTIES LLC	228,916	2/1/2025	1,607	BF CHFA RURAL	5/1/2007	214,822
MF04A	BRAD DVM	1,851,000	2/1/2025	14,129	BF CHFA DIRECT	5/1/2007	1,749,331
MF04A	LUPTON HOUSING	1,100,000	4/1/2021	7,011	SMART TAXABLE	5/1/2007	1,074,960
MF04A	ENTERPRISES LLC	500,000	7/1/2025	3,655	BF CHFA DIRECT	6/1/2007	475,383
MF04A	SOUTH COLO BLVD LLC	2,167,500	10/1/2025	16,545	BF CHFA DIRECT	5/1/2007	2,086,958
MF04A	LLC	315,000	11/1/2025	2,284	BF CHFA DIRECT	6/1/2007	302,405
MF04A Total							75,741,878
MF05A	RIO GRAND	4,475,000	11/1/2026	27,471	542(C)	5/1/2007	3,792,510
MF05A	STEAMBOAT	6,629,200	11/1/2036	37,230	542(C)	5/1/2007	6,172,132
MF05A	ACADEMY OF FAMILY	175,140	6/1/2024	1,306	BF NON PROFIT	6/1/2007	159,335
MF05A	PRESCHOOL INC	1,400,000	8/1/2035	8,711	BF NON PROFIT	5/1/2007	1,372,112
MF05A	LLC	776,850	10/1/2025	5,819	BF SBA 504	5/1/2007	747,187
MF05A	DEMICELL	161,500	12/1/2024	1,273	BF CHFA DIRECT	5/1/2007	152,475
MF05A	BUCK	191,250	1/1/2025	1,480	BF CHFA DIRECT	5/1/2007	180,524
MF05A	VALLEY WOMEN'S CENTE	556,204	2/1/2025	4,306	BF CHFA DIRECT	5/1/2007	526,255
MF05A	LLC	250,000	5/1/2025	1,928	BF CHFA DIRECT	5/1/2007	238,131
MF05A	2D LLC	1,872,604	5/1/2025	14,294	BF CHFA DIRECT	6/1/2007	1,777,666
MF05A	CREEK INVESTMENTS	448,250	8/1/2025	3,122	BF SBA 504	5/1/2007	427,099
MF05A	REAL ESTATE CO LLC	1,224,000	9/1/2025	9,162	BF CHFA DIRECT	5/1/2007	1,174,474
MF05A	CITY SENIOR HOUSING	2,900,000	1/1/2025	18,045	SMART TAXABLE	5/1/2007	2,821,886
MF05A	LLC	442,900	5/1/2025	3,381	BF CHFA DIRECT	5/1/2007	421,562
MF05A	COURT ASSOC	800,000	2/1/2035	5,162	SMART TAXABLE	5/1/2007	780,595
MF05A	HOUSING COLORADO VII	700,000	4/1/2025	4,634	SMART TAXABLE	5/1/2007	685,126
MF05A	AMBUUL	1,112,000	6/1/2026	8,548	BF CHFA DIRECT	5/1/2007	1,089,799
MF05A	LOUSBERG LLC	105,158	6/1/2025	800	BF SBA 504	5/1/2007	100,300
MF05A	VILLAGE AT PUEBLO	1,200,000	6/1/2025	7,984	SMART TAXABLE	6/1/2007	1,175,864
MF05A	POINTE LLLP	2,000,000	4/1/2021	12,879	SMART TAXABLE	5/1/2007	1,955,308
MF05A	EXPERIENCE INC	19,075,000	5/1/2025	136,659	BF NON PROFIT	5/1/2007	18,071,364
MF05A	VALLEY LLLP	3,659,040	10/1/2045	21,032	542(C)	5/1/2007	3,627,591
MF05A	LLC	1,000,000	5/1/2026	7,723	BF CHFA DIRECT	5/1/2007	978,129
MF05A	REAL ESTATE HOLDING	419,000	3/1/2026	3,099	BF CHFA DIRECT	6/1/2007	406,466
MF05A	AND CANTERBURY	2,896,000	8/1/2026	17,473	SMART TAXABLE	5/1/2007	2,886,346
MF05A	10 AVE RESIDENCES	1,400,000	2/1/2023	8,548	SMART TAXABLE	5/1/2007	1,391,917
MF05A	GREENS ASSOC	1,700,000	12/1/2023	10,445	SMART TAXABLE	5/1/2007	1,673,058
MF05A	SQUARE OWNERSHIP	2,850,000	2/1/2026	18,961	SMART TAXABLE	5/1/2007	2,816,025
MF05A	CIRALDO-FREESE	354,843	8/1/2026	2,471	BF SBA 504	5/1/2007	348,334
MF05A	TOWN CO LLC	441,000	1/1/2026	3,159	BF CHFA DIRECT	5/1/2007	426,171
MF05A	ARK ENTERPRISES LLC	1,566,000	7/1/2026	11,824	BF CHFA DIRECT	5/1/2007	1,537,175
MF05A	VILLAGE APARTMENTS L	1,600,000	4/1/2023	9,084	SMART TAXABLE	5/1/2007	1,590,732
MF05A	INVESTMENTS LLC	750,000	8/1/2026	5,460	BF CHFA RURAL	5/1/2007	737,087
MF05A	ARK ENTERPRISES LLC	207,000	7/1/2026	1,563	BF CHFA DIRECT	5/1/2007	203,190
MF05A Total							62,443,925
MF05B	HOUSING PRESERVATION	3,700,000	10/1/2040	21,346	542(C)	5/1/2007	3,655,058

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MF05B	HOUSING PRESERVATION	599,800	10/1/2040	3,706	542(C)	5/1/2007	593,442
MF05B	VENTURES LLC	1,371,000	1/1/2037	8,974	BF B&I I BUSINESS	5/1/2007	1,367,501
MF05B	HOLDING CORP	750,000	3/1/2026	5,451	BF CHFA DIRECT	6/1/2007	728,694
MF05B	ASSOC LLC	2,449,000	10/1/2025	17,801	BF CHFA DIRECT	5/1/2007	2,351,408
MF05B	REAL ESTATE HOLDING	1,000,000	3/1/2026	7,397	BF CHFA DIRECT	6/1/2007	970,086
MF05B	CHAPTER LLC	1,040,000	11/1/2025	8,001	BF CHFA DIRECT	5/1/2007	1,004,020
MF05B	INVESTMENTS LLC	750,000	11/1/2025	5,517	BF CHFA DIRECT	5/1/2007	722,318
MF05B	PROPERTIES LLC	750,000	12/1/2025	5,548	BF CHFA DIRECT	5/1/2007	724,221
MF05B	EAGLE LLP	727,912	10/1/2026	5,449	BF CHFA DIRECT	5/1/2007	718,660
MF05B	BROADWAY LLLP	1,110,000	9/1/2025	7,089	SMART TAXABLE	5/1/2007	1,090,347
MF05B	MANSION LLC	1,105,000	11/1/2025	8,336	BF CHFA DIRECT	5/1/2007	1,065,666
MF05B	LLC	1,500,000	4/1/2026	11,405	BF CHFA DIRECT	4/1/2007	1,464,606
MF05B	PLAZA PARTNERS RLLLP	2,148,800	6/1/2037	8,167	SMART TAXABLE	5/1/2007	1,814,981
MF05B	POINTE LLLP	1,673,077	2/1/2022	10,096	SMART TAXABLE	6/1/2007	1,647,487
MF05B	LLC	1,147,500	3/1/2026	8,952	BF CHFA DIRECT	5/1/2007	1,118,115
MF05B	INVESTMENT GROUP LLL	2,450,000	5/1/2036	15,085	SMART TAXABLE	5/1/2007	2,423,752
MF05B	VIEW PLAZA INVESTMEN	2,570,000	5/1/2036	15,824	SMART TAXABLE	5/1/2007	2,542,467
MF05B	CHFA	6,000,000	11/1/2035	33,132	RAP	5/1/2007	5,893,544
MF05B	ENTERPRISES LLC	540,000	1/1/2027	4,203	BF CHFA RURAL	6/1/2007	535,842
MF05B Total							32,432,214
MF06A	PARK	1,576,300	8/1/2018	10,373	221(D)3	5/1/2007	948,451
MF06A	I	1,225,300	6/1/2017	7,838	221(D)4	5/1/2007	675,158
MF06A	MARCELLA	4,442,900	8/1/2019	28,420	221(D)4	5/1/2007	2,642,992
MF06A	CT	855,300	6/1/2020	5,193	221(D)3	5/1/2007	535,063
MF06A	TIARA	1,430,700	12/1/2014	11,963	221(D)4	5/1/2007	805,928
MF06A	NIBLOCK	260,138	10/1/2026	1,654	221(D)4	5/1/2007	214,537
MF06A	HANIGAN	445,200	11/1/2019	2,939	221(D)4	4/1/2007	308,135
MF06A	SUNNYSIDE	938,500	12/1/2018	6,562	221(D)4	5/1/2007	610,581
MF06A	W.H.E.R.E	700,000	1/1/2020	5,015	RF 501(C)3	5/1/2007	556,501
MF06A	SANDOE	250,000	11/1/2019	911	RF 501(C)3	6/1/2007	95,487
MF06A	LOUISIANA	332,600	7/1/2023	2,412	RF 501(C)3	5/1/2007	264,846
MF06A	HERITAGE	177,100	7/1/2023	1,284	RF 501(C)3	5/1/2007	141,022
MF06A	RANCH	150,000	2/1/2022	1,101	RF 501(C)3	5/1/2007	96,238
MF06A	PLACE	769,144	4/1/2022	5,577	RF 501(C)3	5/1/2007	587,993
MF06A	MESA	1,077,751	3/1/2023	7,814	RF 501(C)3	6/1/2007	847,128
MF06A	TOWNHOUSE	153,000	11/1/2023	1,123	RF 501(C)3	6/1/2007	123,038
MF06A	BETWEEN	203,000	12/1/2024	1,490	RF 501(C)3	5/1/2007	168,809
MF06A	SANDOE	407,776	8/1/2025	2,935	RF 501(C)3	6/1/2007	342,328
MF06A	YORKSHIRE	5,325,712	5/1/2026	36,783	RAP	5/1/2007	4,513,736
MF06A	CENTER	1,680,000	5/1/2036	9,455	542(C)	5/1/2007	1,559,279
MF06A	VILLAGE APTS	5,010,200	3/1/2036	27,747	542(C)	5/1/2007	4,688,292
MF06A	APTS	465,000	6/1/2027	2,941	542(C)	5/1/2007	417,354
MF06A	LEWIS	5,720,800	12/1/2027	34,934	542(C)	5/1/2007	5,020,651
MF06A	APARTMENTS	5,506,800	2/1/2038	30,866	542(C)	5/1/2007	5,198,014
MF06A	PEAK	225,000	3/1/2029	1,497	SMART TAX EXEMPT	5/1/2007	199,474
MF06A	APARTMENTS	2,600,000	10/1/2038	14,468	542(C)	6/1/2007	2,465,324
MF06A	MANOR	3,550,000	7/1/2030	23,618	542(C)	5/1/2007	3,249,798
MF06A	CHILDREN'S MUSEUM	400,000	8/1/2024	2,980	BF NON PROFIT	6/1/2007	370,584
MF06A	HAJLOO INC	125,000	12/1/2009	2,446	BF CHFA RURAL	1/1/2007	79,799
MF06A	ASSIST COMPANY	1,242,223	8/1/2026	10,007	BF SBA 504	4/1/2007	1,239,980
MF06A	LANDHOLDINGS LLC	386,500	10/1/2024	2,769	BF CHFA RURAL	5/1/2007	359,206
MF06A	LLC	397,000	12/1/2025	2,879	BF CHFA DIRECT	3/1/2007	278,997
MF06A	URBAN ECONOMIC	250,000	7/1/2025	1,864	BF NON PROFIT	5/1/2007	238,695
MF06A	FOR THE UPPER SOUTH	120,000	3/1/2025	895	BF NON PROFIT	6/1/2007	113,188
MF06A	PROPERTY MANAGEMENT	170,000	5/1/2025	1,293	BF CHFA DIRECT	5/1/2007	161,765
MF06A	PROPERTIES LLC	308,000	7/1/2025	2,207	BF CHFA DIRECT	6/1/2007	291,087
MF06A	PRICE	458,000	7/1/2025	3,321	BF CHFA DIRECT	5/1/2007	436,468
MF06A	ENTERPRISES LLC	324,285	12/1/2026	2,418	BF SBA 504	5/1/2007	321,618
MF06A	POWER INC	897,000	1/1/2037	5,699	BF NON PROFIT	6/1/2007	893,761
MF06A	AND HONECK BUILDING	406,373	7/1/2026	2,947	BF SBA 504	5/1/2007	396,635
MF06A	MCCONATY FUNERAL SER	2,200,000	12/1/2026	16,702	BF CHFA DIRECT	5/1/2007	2,182,399
MF06A	YARD INDUSTRIES LLC	637,500	6/1/2026	4,678	BF SBA 504	5/1/2007	623,867
MF06A	KANG	312,000	10/1/2025	2,235	BF CHFA DIRECT	6/1/2007	298,576
MF06A	4 PROPERTIES LLC	490,000	11/1/2026	3,639	BF SBA 504	5/1/2007	484,920
MF06A	LLC	500,000	3/1/2026	3,626	BF CHFA DIRECT	5/1/2007	485,747
MF06A	OFFICES LLC	495,000	2/1/2026	3,589	BF CHFA DIRECT	5/1/2007	479,765
MF06A	LLC	685,000	1/1/2026	4,888	BF CHFA RURAL	5/1/2007	661,836

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MF06A	PROPERTIES LLC	690,000	6/1/2026	5,124	BF CHFA DIRECT	5/1/2007	675,499
MF06A	TOOTS LLC	161,713	2/1/2026	1,201	BF CHFA DIRECT	5/1/2007	156,841
MF06A	LLC	750,000	3/1/2026	5,352	BF CHFA RURAL	5/1/2007	728,130
MF06A	PARTNERSHIP	385,000	4/1/2026	2,747	BF CHFA RURAL	5/1/2007	374,663
MF06A	REAL ESTATE LLC	697,000	7/1/2026	4,973	BF CHFA RURAL	6/1/2007	681,482
MF06A	SUNSET HOUSING LP	5,376,100	7/1/2036	35,587	SMART TAXABLE	5/1/2007	5,335,106
MF06A	LLC	265,500	3/1/2026	1,894	BF CHFA RURAL	5/1/2007	257,758
MF06A	HOLDINGS LLC	248,500	3/1/2026	1,845	BF CHFA DIRECT	5/1/2007	241,655
MF06A	PROPERTY LLC	694,529	8/1/2026	4,956	BF CHFA RURAL	6/1/2007	680,584
MF06A	INVESTMENTS INC	741,000	12/1/2026	5,503	BF CHFA DIRECT	5/1/2007	734,871
MF06A	CAPITAL LEASING LLP	315,000	4/1/2026	2,339	BF CHFA DIRECT	5/1/2007	307,013
MF06A	OFFICE CROSSING, LLC	363,600	6/1/2026	2,594	BF CHFA RURAL	5/1/2007	355,505
MF06A	PRESBY, INC	722,500	6/1/2026	5,155	BF CHFA RURAL	5/1/2007	706,414
MF06A	VIEW LLC	595,000	6/1/2026	4,246	BF CHFA RURAL	5/1/2007	581,753
MF06A	200 LLC	1,700,000	7/1/2026	13,038	BF CHFA DIRECT	6/1/2007	1,665,940
MF06A	MANUFACTURING CO	398,878	7/1/2016	4,509	BF CHFA DIRECT	6/1/2007	374,483
MF06A	FREEDONIA LLC	2,666,000	11/1/2026	21,007	BF CHFA DIRECT	5/1/2007	2,640,755
MF06A	HANSEN	434,000	10/1/2026	3,160	BF CHFA RURAL	6/1/2007	427,479
MF06A	LLC	750,000	6/1/2026	5,352	BF CHFA RURAL	5/1/2007	733,302
MF06A	QUAIN	250,000	7/1/2024	1,924	BF CHFA RURAL	5/1/2007	244,193
MF06A	ENTERPRISES LLC	467,000	11/1/2026	3,400	BF CHFA RURAL	5/1/2007	462,014
MF06A	ENERGY HOLDINGS LLC	498,000	7/1/2026	3,626	BF CHFA RURAL	5/1/2007	488,329
MF06A	LLC	657,000	1/1/2027	4,821	BF CHFA RURAL	6/1/2007	651,468
MF06A	LLC	701,000	11/1/2026	5,536	BF SBA 504	5/1/2007	694,386
MF06A	HOLDINGS LLC	403,000	10/1/2026	3,161	BF CHFA DIRECT	5/1/2007	398,374
MF06A	AT THORNTON II	3,500,000	8/1/2038	22,390	SMART TAXABLE	6/1/2007	3,476,460
MF06A	SHOP APPAREL ASSOCIA	360,209	12/1/2026	2,823	BF SBA 504	5/1/2007	354,430
MF06A	FOUNDATION	315,000	8/1/2026	2,503	BF NON PROFIT	5/1/2007	310,247
MF06A	ENTERPRISES LLC	425,000	1/1/2027	3,094	BF CHFA RURAL	6/1/2007	421,379
MF06A	DORADA LLC	2,000,000	9/1/2024	13,306	SMART TAXABLE	5/1/2007	1,988,322
MF06A	MOUNTAIN HEALTH CARE	607,000	10/1/2026	4,894	BF NON PROFIT	5/1/2007	600,327
MF06A	N THIRD STREET LLC	721,250	8/1/2026	5,758	BF CHFA RURAL	6/1/2007	709,057
MF06A	PARTNERS LLC	431,660	9/1/2026	3,446	BF CHFA RURAL	5/1/2007	426,019
MF06A	WILDER LLC	235,000	1/1/2027	1,847	BF CHFA RURAL	6/1/2007	233,219
MF06A	HOLDINGS LLC	256,000	9/1/2026	2,051	BF CHFA DIRECT	6/1/2007	252,188
MF06A	HOLDINGS LLC	176,800	9/1/2026	1,411	BF CHFA DIRECT	6/1/2007	173,427
MF06A	MARSH	262,000	10/1/2026	2,095	BF CHFA RURAL	5/1/2007	259,081
MF06A	GRAND LLC	288,000	11/1/2026	2,303	BF CHFA RURAL	5/1/2007	285,335
MF06A	WEST LLC	530,059	9/1/2026	4,238	BF CHFA RURAL	6/1/2007	521,266
MF06A	LLC	225,250	11/1/2026	1,801	BF CHFA DIRECT	5/1/2007	223,165
MF06A	EVC CONDO LLC	495,000	9/1/2026	3,604	BF CHFA RURAL	5/1/2007	487,562
MF06A	IPSA LLC	391,000	12/1/2026	3,164	BF CHFA RURAL	5/1/2007	388,170
MF06A	BLESSING LLC	571,200	11/1/2026	4,567	BF SBA 504	5/1/2007	565,914
MF06A	XIANG	263,000	11/1/2026	2,071	BF CHFA RURAL	6/1/2007	259,499
MF06A	88 APARTMENTS LLL	8,950,000	4/1/2049	-	542(C)	6/1/2007	6,671,270
MF06A	88 APARTMENTS LLL	725,000	4/1/2014	9,806	542(C)	4/1/2007	725,000
MF06A	PLACE ASSOCIATES LLL	4,662,000	1/1/2027	20,692	SMART TAXABLE	4/1/2007	4,662,000
MF06A	AT COMMERCE CITY LLL	3,315,000	2/1/2027	22,055	SMART TAXABLE	5/1/2007	3,309,550
MF06A	AT COMMERCE CITY LLL	585,000	2/1/2027	2,546	HOF CHFA	5/1/2007	583,074
MF06A Total							96,159,007
MF06B	CARSON FAMILY HOUSIN	107,500,000	9/15/2044	-	Military Housing	4/15/2007	107,500,000
MF06B	CARSON FAMILY HOUSIN	11,100,000	9/15/2044	-	Military Housing	4/15/2007	11,100,000
MF06B Total							118,600,000
MF07A	AIR FORCE	21,665,000	5/10/2052	229,087	Military Housing	5/15/2007	21,665,000
MF07A	AIR FORCE	12,330,000	5/10/2052	130,378	Military Housing	5/15/2007	12,330,000
MF07A	AIR FORCE	11,350,000	5/10/2052	120,015	Military Housing	5/15/2007	11,350,000
MF07A	AIR FORCE	1,670,000	5/10/2052	176,580	Military Housing	5/15/2007	1,670,000
MF07A Total							47,015,000
Grand Total							696,359,105

As of May 1, 2007, the following balances were held in the respective subaccounts under the Master Indenture:

<u>Accounts</u>	<u>Amounts on Deposit (as of May 1, 2007) (1)</u>
2003 Series A Loan Recycling Account	\$ 5,945,796
2005 Series A Taxable Loan Account	848,071
2005 Series B Taxable Loan Account	44,622
2005 Series B AMT Loan Account	95,693
2006 Series A Taxable Loan Account	4,551,063
2006 Series A AMT Loan Account	<u>4,510,983</u>
Total	<u>\$15,996,228</u>

- (1) The Authority expects to use a significant portion of these amounts to fund the acquisition of HOF loans into the Trust Estate. See discussion in "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Loan Programs – Rental Finance Programs" regarding the HOF loan program.

APPENDIX H

Certain Terms of the Initial 2007B Liquidity Facilities

This Appendix contains a brief summary of certain provisions of the Initial 2007B Liquidity Facilities among the Authority, the Trustee and the 2007B Liquidity Facility Provider, as well as certain defined terms used therein. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial 2007B Liquidity Facilities are qualified by reference to the related documents. The Initial 2007B Liquidity Facilities 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 2007B Liquidity Facilities.

Initial 2007B Liquidity Facilities

Pursuant to each of the Initial 2007B Liquidity Facilities relating to the 2007 Series B Bonds (each an "**Initial 2007B Liquidity Facility**" and, together, the "**Initial 2007B Liquidity Facilities**"), the 2007B Liquidity Facility Provider will agree, subject to the terms and conditions therein, to purchase the related series of 2007 Series B Bonds which are tendered by the owners thereof to the Trustee or are subject to mandatory purchase but are not remarketed by the Remarketing Agent. Each of the Initial 2007B Liquidity Facilities will expire August 29, 2012, unless extended or terminated as described therein. Each Initial 2007B Liquidity Facility is available solely for the series of 2007 Series B Bonds described therein.

UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE 2007B LIQUIDITY FACILITY PROVIDER (OR THE "BANK") TO PURCHASE ELIGIBLE BONDS (AS DEFINED IN THE RELATED INITIAL 2007B LIQUIDITY FACILITY) TENDERED BY THE OWNERS THEREOF MAY BE TERMINATED OR SUSPENDED WITHOUT PURCHASE BY THE 2007B LIQUIDITY FACILITY PROVIDER. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE THE ELIGIBLE BONDS TENDERED BY THE OWNERS THEREOF. IN ADDITION, THE INITIAL 2007B LIQUIDITY FACILITIES DO NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE 2007 SERIES B BONDS SUPPORTED THEREBY.

Certain Definitions

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

"Available Interest Commitment" means (a) from and including the date of the delivery of the 2007 Series B Bonds to and including March 31, 2008, an amount which equals two hundred nineteen (219) days' interest based upon an assumed rate of interest of 12% per annum (10% per annum in the case of the 2007 Series B-2 Bonds and the 2007 Series B-3 Bonds) and a three hundred sixty (360) day year comprised of twelve 30-day months on the principal amount of the related series of 2007 Series B Bonds as of the date of delivery, and (b) from and after April 1, 2008, an amount which equals one hundred eighty-three (183) days' interest based upon an assumed rate of interest of twelve percent (12%) per annum (10% per annum in the case of the 2007 Series B-2 Bonds and the 2007 Series B-3 Bonds) and a three hundred sixty (360) day year comprised of twelve 30-day months interest on the principal amount of the related series of 2007 Series B Bonds expected to be outstanding on April 1, 2008, as such amount, in each case, shall be adjusted from time to time as follows:

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

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

"Available Principal Commitment" means, initially, the principal amount of the related series of 2007 Series B Bonds Outstanding (as detailed on the cover page hereof) and, thereafter, means such initial amount adjusted from time to time as follows:

(A) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the related Initial 2007B Liquidity Facility;

(B) downward by the principal amount of any of the related series of 2007 Series B Bonds purchased by the 2007B Liquidity Facility Provider pursuant to such Initial 2007B Liquidity Facility; and

(C) upward by the principal amount of any 2007 Series B Bonds of such series theretofore purchased by the 2007B Liquidity Facility Provider pursuant to the related Initial 2007B Liquidity Facility which are remarketed (or deemed to be remarketed) pursuant to such Initial 2007B Liquidity Facility by the Remarketing Agent and for which the Bank Owner (as defined in each Initial 2007B Liquidity Facility) has received immediately available funds equal to the principal amount thereof and accrued interest thereon;

provided, however, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds (as defined in each Initial 2007B Liquidity Facility) shall never exceed the original principal amount of the 2007 Series B Bonds of such series. Any adjustment to the Available Principal Commitment as described in clause (A), (B) or (C) above shall occur simultaneously with the occurrence of the events described in such clauses.

"Commitment Period" means the period from the date of delivery of the respective Initial 2007B Liquidity Facility to and including the earliest of (i) August 29, 2012 (or to an extended date as may become effective under such Initial 2007B Liquidity Facility), (ii) the date on which no Eligible Bonds (as defined in each Initial 2007B Liquidity Facility) are outstanding, (iii) the close of business on the Business Day next succeeding the Conversion Date (as defined in each Initial 2007B Liquidity Facility), (iv) the close of business on the 30th day following the date on which a Notice of Termination Date is received by the Trustee pursuant to the related Initial 2007B Liquidity Facility or, if such 30th day is not a Business Day, the next succeeding Business Day, and (v) the date on which the Available Commitment has been reduced to zero or terminated in its entirety pursuant to the related Initial 2007B Liquidity Facility (including the close of business on the Business Day next succeeding the Substitution Date).

"Parity Obligations" means Class I Bonds (excluding the 2007 Series B Bonds) now or hereafter Outstanding under the terms of the Master Indenture.

"Purchase Date" means a Business Day on which the related series of 2007 Series B Bonds are subject to optional tender or mandatory purchase.

"Purchase Price" means, with respect to any 2007 Series B Bond of the related series that is deemed an Eligible Bond under the respective Initial 2007B Liquidity Facility, 100% of the principal

amount of such Eligible Bond of such series plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; *provided, however*, if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and *provided, further*, in no event shall the Purchase Price of any Eligible Bond include any premium owed with respect to any 2007 Series B Bond of such series or any Defaulted Interest (as defined in each Initial 2007B Liquidity Facility) in the excess of any amount specified in such Initial 2007B Liquidity Facility.

Conditions Precedent to Obligations of 2007B Liquidity Facility Provider in Connection with the Initial 2007B Liquidity Facilities

The obligation of the 2007B Liquidity Facility Provider to purchase the 2007 Series B Bonds of any series on any particular Purchase Date under the related Initial 2007B Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by such 2007B Liquidity Facility Provider: (i) that the 2007B Liquidity Facility Provider shall have timely received the Notice of Bank Purchase as provided in such Initial 2007B Liquidity Facility, and (ii) that no Special Event of Default or Suspension Event (each as defined below) shall have occurred and be continuing and the Bank's obligations under the respective Initial 2007B Liquidity Facility shall not otherwise have been terminated or suspended.

Events of Default

The following constitute Events of Default (each an "**Event of Default**") for purposes of the Initial 2007B Liquidity Facilities:

(i) The Authority shall fail to pay when due (a) any principal of, or interest on, any 2007 Series B Bonds or other unenhanced Parity Obligation, (b) any principal of, or interest on, any Bank Bond, other than as a result of acceleration of the payment of the Bank Bonds pursuant to the provision described in the first paragraph under the section below entitled "Remedies – Other Remedies," or (c) any other amount owed to the Bank pursuant to the related Initial 2007B Liquidity Facility (other than amounts described in (a) or (b) above) or any General Obligation (as defined in each Initial 2007B Liquidity Facility) of the Authority (other than General Obligations described in (b) above);

(ii) The Authority shall fail to pay any amount owing under specified sections of the related Initial 2007B Liquidity Facility within five (5) Business Days after the same shall become due; or

(iii) Any representation or warranty made by or on behalf of the Authority in the related Initial 2007B Liquidity Facility or in any Related Document (as defined in each Initial 2007B Liquidity Facility) or in any certificate or statement delivered under the related Initial 2007B Liquidity Facility or thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(iv) The Authority shall default in the due performance or observance of specific covenants set forth in the related Initial 2007B Liquidity Facility; or

(v) The Authority shall materially default in the due performance or observance of any other term, covenant or agreement contained in the respective Initial 2007B Liquidity Facility (other than those referred to in Sections (i), (ii), (iii) and (iv) hereof) or any Related Document and such default shall remain unremedied for a period of thirty (30) days after the Authority shall have received notice thereof; or

(vi) A final, nonappealable judgment or order for the payment of money in excess of \$25,000,000 payable from amounts in the Trust Estate (as defined in each Initial 2007B Liquidity Facility) shall be rendered against the Authority with respect to which, in the opinion of the Bank, adequate cash reserves have not been established, or other means of satisfying or otherwise funding the judgment have not been undertaken, satisfactory to the Bank, and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days after such judgment has been rendered; provided, that if any final, nonappealable judgment states by its terms that no such payment is required for a period of sixty (60) days or more after said judgment has been rendered, the provisions of this paragraph shall not become effective unless and until the Authority shall have failed to make a payment established by the terms thereof within the period required by said judgment; or

(vii) (a) The Authority shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it, or seeking to declare a moratorium with respect to the related 2007 Series B Bonds or any Parity Obligations, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Trust Estate, or the Authority shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in clause (a) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the Authority, any case, proceeding or other action seeking, issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Trust Estate, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (d) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the Authority shall generally not, or shall be unable to, or shall admit in writing, its inability to, pay its debts; or (f) a moratorium is declared with respect to payment of the related 2007 Series B Bonds or any Parity Obligations; or

(viii) (a) Any provision of the Act, the respective Initial 2007B Liquidity Facility, the Indenture, the related 2007 Series B Bonds or any Parity Obligations relating to the payment of the principal of or interest on the related 2007 Series B Bonds (including any Bank Bonds) or any Parity Obligations or relating to the Trust Estate available for repayment of the principal of or interest of the 2007 Series B Bonds, the Bank Bonds or any Parity Obligation shall at any time and for any reason cease to be valid and binding on the Authority as a result of (i) finding or ruling, (ii) enactment or adoption of legislation, (iii) issuance of an executive order or (iv) entry of a judgment or decree, in each instance, by a Governmental Authority (as defined in each Initial 2007B Liquidity Facility) having appropriate jurisdiction over the Authority that such a provision is null and void, invalid or unenforceable; or (b) the Authority shall have taken or permitted to be taken any official action which would adversely affect the enforceability of the respective Initial 2007B Liquidity Facility, the related 2007 Series B Bonds, the Act, the Indenture or any Parity Obligations or the Trust Estate, in each case, relating to the payment of the principal or interest on the related 2007 Series B Bonds (including any Bank Bonds) or any Parity Obligations or the Authority, by official action, repudiates its obligation to pay the related 2007 Series B Bonds (including any Bank Bonds) or any Parity Obligations; or (c) the Authority (i) challenges the validity or enforceability of any provision of the respective Initial 2007B Liquidity Facility, the related 2007 Series B Bonds, the Act, the Indenture or any Parity Obligations relating to or otherwise affecting (A) the ability or obligation to pay the principal of or interest on the related 2007 Series B Bonds, the Bank Bonds or any Parity Obligations or (B) the Trust Estate available for repayment of the principal of or interest on the related 2007 Series B

Bonds, the Bank Bonds or any Parity Obligations or (ii) seeks an adjudication that any provision of the respective Initial 2007B Liquidity Facility, the Act, the Indenture, the related 2007 Series B Bonds or any Parity Obligations relating to or otherwise affecting (A) the Authority's ability or obligation to pay the principal of or interest on the related 2007 Series B Bonds, the Bank Bonds or any Parity Obligations or (B) the Trust Estate available for repayment of the principal of or interest on the related 2007 Series B Bonds, the Bank Bonds or any Parity Obligations is not valid and binding on the Authority; or

(ix) The long-term rating assigned by S&P and Moody's to the related 2007 Series B Bonds or any Parity Obligations of the Authority not supported by credit enhancement shall be withdrawn, suspended or reduced below "BBB-" by S&P and "Baa3" by Moody's, in each case, for credit-related reasons; or

(x) Any Event of Default as defined in Section 6.1 of the Master Indenture or any "event of default" under any instrument authorizing the issuance of Debt (as defined in each Initial 2007B Liquidity Facility) constituting a General Obligation or any Related Document which is not cured within any applicable cure period shall occur which, if not cured, would give rise to remedies available thereunder.

Remedies

Special Events of Default

In the case of any Event of Default specified in Sections (i)(a), (vi), (vii)(a), (vii)(d), (vii)(e), (vii)(f), (viii)(a), (viii)(b) or (ix) under the heading entitled "Events of Default" above (each a "**Special Event of Default**"), the Available Commitment shall immediately be reduced to zero, in which case the obligations of the Bank under Article II of the related Initial 2007B Liquidity Facility shall immediately terminate and expire without requirement of notice by the Bank. After such termination or expiration, the Bank shall deliver, within two (2) Business Days, to the Authority, the Trustee and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

Suspension Events

In the case of each Event of Default or Default described hereinbelow (each a "**Suspension Event**"), the obligation of the Bank to purchase Eligible Bonds under the related Initial 2007B Liquidity Facility shall be immediately suspended without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the Bank shall give written notice of the same to the Authority, the Trustee and the Remarketing Agent; provided, that the Bank shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or the suspension of its obligation to purchase Eligible Bonds pursuant to the related Initial 2007B Liquidity Facility.

(i) In the case of Event of Default described in Section (i)(b) under the heading entitled "Events of Default" above, the obligation of the Bank to purchase Eligible Bonds under the related Initial 2007B Liquidity Facility shall be immediately suspended without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. If the Suspension Event created by the failure of the Authority to make any payment described in Section (i)(b) is not cured within thirty (30) days following the occurrence of such Event of Default, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall immediately terminate in accordance with paragraph (a) immediately above without notice or demand and, thereafter, the Bank shall be under no further obligation to purchase

Eligible Bonds. If such Event of Default is remedied within thirty (30) days of the occurrence thereof and the Available Commitment has not otherwise expired or been suspended or terminated, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall be reinstated.

(ii) Upon the occurrence of a Default described in Section (vii)(b) or (vii)(c) under the heading entitled "Events of Default" above, the Bank's obligations to purchase Eligible Bonds shall be suspended immediately and remain suspended until the case, proceeding or other action referred to therein is either (A) terminated or (B) sixty (60) days shall have elapsed from the commencement of such case, proceeding or action, whichever is the first to occur. In the event that said Suspension Event shall have been terminated within the sixty (60) day period described therein, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall be reinstated and the terms of the related Initial 2007B Liquidity Facility shall continue in full force and effect (unless the related Initial 2007B Liquidity Facility shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. In the event that said Suspension Event shall not have been terminated within such sixty (60) day period, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall at such time will terminate in accordance with paragraph (a) under the heading entitled "Remedies" immediately above without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds.

(iii) Upon the occurrence of an Event of Default described in Section (viii)(c) under the heading entitled "Events of Default" above, the Bank's obligations to purchase Eligible Bonds under the related Initial 2007B Liquidity Facility shall be suspended from the time of the occurrence of such Suspension Event and, in the event any provision relating to or otherwise affecting (A) the ability or obligation of the Authority to pay the principal of or interest on the related 2007 Series B Bonds, the Bank Bonds or any Parity Obligations or (B) the Trust Estate securing the 2007 Series B Bonds, the Bank Bonds or any Parity Obligations as provided in the related Initial 2007B Liquidity Facility, the Act, the Indenture, the 2007 Series B Bonds or any Parity Obligations is declared to be invalid or unenforceable as described in Section (viii)(c)(i) under the heading entitled "Events of Default" above or not valid and binding on the Authority as described in Section (viii)(c)(ii) under the heading entitled "Events of Default" above, in either case, by a court or other Governmental Authority with competent jurisdiction, then the obligations of the Bank under the related Initial 2007B Liquidity Facility will terminate in accordance with paragraph (a) under the heading entitled "Remedies" immediately above; provided, however, that if such provisions are upheld in their entirety, the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall be reinstated and the terms of the related Initial 2007B Liquidity Facility will continue in full force and effect (unless the related Initial 2007B Liquidity Facility shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. Notwithstanding the foregoing, if three (3) years after the effective date of the suspension of the obligations of the Bank pursuant to any Event of Default described in Section (viii)(c), litigation is still pending and a determination regarding same shall not have been dismissed or otherwise made by a court or other Governmental Authority with competent jurisdiction pursuant to a final and non-appealable judgment, then the Available Commitment and the obligation of the Bank to purchase Eligible Bonds shall at such time terminate in accordance with paragraph (a) under the heading entitled "Remedies" immediately above without notice or demand and, thereafter, the Bank shall be under no obligation to purchase Eligible Bonds.

(iv) The Authority shall cause the Trustee to notify all Owners of the suspension and/or termination of the Available Commitment and of the suspension and/or termination of the obligation of the Bank to purchase the Eligible Bonds.

Other Remedies

Upon the occurrence of any Event of Default, the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; and in addition, the Bank, in its sole discretion, may do one or more of the following: (i) declare all obligations of the Authority to the Bank under the related Initial 2007B Liquidity Facility to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are hereby expressly waived; (ii) the Bank may give written notice of such Event of Default and termination of the respective Initial 2007B Liquidity Facility (a "**Notice of Termination Date**") to the Trustee, the Authority and the Remarketing Agent requesting a Default Tender. The obligation of the Bank to purchase Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the Available Commitment shall terminate and the Bank shall be under no obligation under the related Initial 2007B Liquidity Facility to purchase Bonds; (iii) require immediate purchase of Bank Bonds by the Authority; (iv) exercise any right or remedy available to it under any other provision of the related Initial 2007B Liquidity Facility; or (v) exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity; provided, however, the Bank shall not have the right to terminate its obligation to purchase Bonds except as described under the heading "Remedies" above. Notwithstanding anything to the contrary herein, no failure or delay by the Bank in exercising any right, power or privilege under the related Initial 2007B Liquidity Facility, under the Related Documents or under 2007 Series B Bonds and no course of dealing between the Authority and the Bank shall operate as a waiver hereof or thereof nor shall any single or partial exercise hereof or thereof preclude any other or further exercise hereof or thereof or the exercise of any other right, power or privilege. The rights and remedies provided in the Initial 2007B Liquidity Facilities shall be cumulative and not exclusive of any rights or remedies which the Bank would otherwise have.

In addition to the foregoing, upon the occurrence of any Event of Default, all Obligations due and payable shall bear interest at the Default Rate.

Voluntary Termination by Authority

Upon (i) the withdrawal, suspension or reduction in the rating assigned to the 2007B 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 2007B Liquidity Facility Provider in honoring its payment obligations under the related Initial 2007B Liquidity Facility or the 2007B Liquidity Facility Provider seeking recovery of amounts described in the related Initial 2007B Liquidity Facility for certain specified reasons, (ii) the payment to the 2007B Liquidity Facility Provider of all fees, expenses and other amounts payable under the related Initial 2007B Liquidity Facility, and (iii) the payment to the 2007B Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate the related Initial 2007B Liquidity Facility. See "Part II – SECURITY FOR THE OBLIGATIONS – Liquidity Facilities."

Alternate Liquidity Facility

The Authority may replace any of the Initial 2007B Liquidity Facilities with a new Liquidity Facility (an "**Alternate Liquidity Facility**") in accordance with the procedures set forth in the Indenture. See "Part II — SECURITY FOR THE OBLIGATIONS — Liquidity Facilities."

For information regarding the 2007B Liquidity Facility Provider, see **Appendix I**.

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APPENDIX I

The 2007B Liquidity Facility Provider

The following information has been obtained from the 2007B Liquidity Facility Provider (also referred to for purposes of this Appendix I as "Calyon") 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.

The following information relates to and has been obtained from Calyon. The delivery of this information shall not create any implication that there has been no change in the affairs of Calyon since the date hereof, or that the information contained or referred to below is correct as of any time subsequent to its date.

Calyon is 95.2% owned by Crédit Agricole S.A. The shares of Crédit Agricole S.A. have been listed on the French Stock Exchange (le "**Premier marché d'Euronext Paris**") since December 14, 2001.

Calyon is one of Europe's leading corporate and investment bank institutions and specializes in capital markets, investment banking and financing activities. Calyon is the new name, as of April 30, 2004, of Crédit Agricole Indosuez, the international wholesale banking and capital markets arm of the Crédit Agricole Group, following the consolidation and transfer of Crédit Lyonnais' corporate and investment banking business. Calyon is a limited liability company incorporated in France as a "société anonyme" and established under the laws of France. Calyon's registered office is located at 9, quai du Président Paul Doumer, 92920 Paris La Défense Cedex, France.

On 19 July 2002, the European Union adopted regulation EC 1606/2002, which requires publicly traded companies to produce their consolidated financial statements in accordance with IFRS (International Financial Reporting Standards) from 2005 onwards. This was supplemented by regulation EC 1725/2003, dated 29 September 2003, endorsing certain international accounting standards (i.e., all those in effect as of 14 September 2002), together with five regulations published in 2004 (707/2004, 2086/2004, 2236/2004, 2237/2004 and 2238/2004) permitting the adoption of a modified version of the standards and the adoption of IAS 32 and IAS 39. Under the French Ministry of Finance decree n°2004-1382 of 20 December 2004, companies may prepare their financial statements using IAS standards as of 2005, even if they are not publicly traded. All Crédit Agricole Group entities have elected this option. Within the Crédit Agricole Group, Calyon has consequently prepared IFRS-compliant consolidated financial statements for the 2005 financial year.

As a French limited liability corporation, Calyon is subject to Articles L.225-1 et seq. and Book 2 of the *Code de Commerce* and as a financial institution, Calyon is subject to Articles L.511-1 et seq. and L.531-1 et seq. of the French Monetary and Financial Code (*Code monétaire et financier*). Calyon is included in the list of credit institutions under the category of commercial banks and it is, therefore, subject to the control of bank supervisory authorities and of the Banking Commission in particular. As a nearly wholly owned subsidiary of Crédit Agricole S.A., its shares are not admitted to trading on a regulated market for dealing in financial instruments. Calyon carries short-term debt ratings of A-1+/P-1/F1+ and long-term senior unsecured debt ratings of AA-/Aa1/AA (by Standard & Poor's Ratings Group, Moody's and Fitch Ratings, respectively). Moody's and Fitch's ratings are stable; Standard and Poor's rating is under positive outlook.

Calyon's audited consolidated financial statements as of December 31, 2006 are available on the following website: www.calyon.com.

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APPENDIX J

Federal Insurance Programs

Federal Insurance Programs. There are various programs under which mortgage loans for families of low and moderate income may be insured by the FHA, including Section 221(d)(3) and 221(d)(4) of the National Housing Act of 1934, as amended, Section 223(f) pursuant to Section 207 of the National Housing Act and Section 542(c) of the Housing and Community Development Act of 1992, as amended.

The Section 542(c) program was instituted to provide for insurance of multi-family loans pursuant to risk-sharing agreements between HUD and qualified state or local housing agencies, such as the Authority. The FHA regulations applicable to Section 542(c) insurance are contained in 24 CFR Part 266. Under the Section 542(c) program, housing finance agencies may apply to qualify as a participating "HFA." HUD assigns to participating HFAs the authority to originate loans to be insured under this program and the responsibility to administer the program within the guidelines of the risk-sharing agreement, providing, among other matters, that, in the event of a loan default with respect to a loan insured under the Section 542(c) program, the HFA is required to share with HUD in any loss arising as a consequence of the loan default. The Authority has been approved as a participating HFA and has entered into a Risk-Sharing Agreement with HUD dated as of April 26, 1994, as subsequently amended (the "**CHFA Risk-Sharing Agreement**"). Under the CHFA Risk-Sharing Agreement, the Authority has assumed 50% of that risk of loss associated with the Mortgage Loans insured pursuant thereto. The Authority has been allocated in the CHFA Risk-Sharing Agreement 8,660 units to be originated by the Authority in accordance with this Program. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority" for a description of Section 542(c) claims relating to certain outstanding mortgage loans which may increase the general obligations of the Authority.

Applications for insurance commitments under the FHA's Section 221(d)(4) mortgage insurance program may undergo several processing stages. Processing in connection with newly constructed projects may proceed through Site Appraisal and Market Analysis ("**SAMA**") and "firm commitment" stages prior to receiving FHA insurance at the time of "initial endorsement" by FHA evidencing its commitment to insure construction advances or to provide insurance upon completion of construction of the project. Commitments in connection with projects which are being substantially rehabilitated may proceed through a feasibility stage, as well as the firm commitment stage. Processing may include the SAMA or feasibility stages or both stages may be bypassed, with direct application for a firm commitment. After receipt of the firm commitment, the Borrower proceeds to initial closing of the mortgage loan. At the initial closing, the Borrower executes a standard form of FHA mortgage note evidencing the mortgage loan and an FHA standard form of mortgage securing the mortgage note. Concurrently with the execution of the mortgage and mortgage note, FHA initially endorses the mortgage note for mortgage insurance and funds are advanced to provide for initial fees and expenses, including land acquisition costs, title costs, design architect, attorney, inspection and other related fees and expenses. Final endorsement of the mortgage note occurs only after cost certification is completed. Increases in the maximum insurable amount of the mortgage loan approved by FHA and the Authority, as mortgagee, are funded at this time. Amounts remaining to be advanced under the mortgage will be disbursed, contingent upon FHA approval, the receipt of acceptable title insurance endorsements and the fulfillment of certain other obligations of the Borrower. FHA and the Authority, as mortgagee review the final closing documents and the mortgage note is finally endorsed upon a determination by the Authority and the FHA that all requirements of final endorsement have been satisfied.

FHA Insurance Claims in the Event of Default. Under Section 542(c) of the Housing and Community Development Act of 1992, as amended, and the applicable regulations, an event of default under a Section 542(c)-insured mortgage exists when the mortgagor fails to make any payment due under the mortgage or fails to perform any covenant under the mortgage (including covenants in the related CHFA Regulatory Agreement). In the event of a default continuing for a period of 30 days and, in the case of a covenant default, if the Authority accelerates the debt and the mortgagor fails to pay the full amount due, the Authority is entitled to receive FHA insurance benefits to the extent described and upon compliance with the applicable claims procedures set forth in the Housing and Community Development Act of 1992, as amended, and applicable regulations promulgated thereunder. **The proceeds of the initial claim payment, however, must be used to retire any bonds or other financing mechanisms securing the mortgage loan within 30 days of the initial claim payment, and any excess funds resulting from such retirement or repayment must be returned to HUD within 30 days of such retirement. See the discussion of redemption provisions in Part I.** Within 30 days of receiving the initial claim payment, the Authority is required to issue to HUD a debenture (the "**Authority Debenture**"), dated the same date as the initial claim payment is issued and in an amount equal to the full initial claim amount, less any excess funds returned to HUD as described above. The Authority Debenture will be supported by the full faith and credit of the Authority, will have a term of five years and will bear interest at HUD's published debenture rate as provided in the applicable regulations. Interest on the Authority Debenture will be due and payable annually on the anniversary date of the initial claim payment.

The Authority is required to file an application for final settlement in accordance with applicable HUD procedures not later than 30 days after either (a) sale of the mortgaged property after foreclosure or after acquisition by deed-in-lieu of foreclosure or (b) expiration of the term of the Authority Debenture. At the time of final settlement, the amount of the "total loss," as provided in the applicable regulations, will be shared by HUD and the Authority based upon the respective percentage of risk specified in the applicable mortgage note and addendum to the Risk-Sharing Agreement. If the initial claim payment is less than HUD's share of the total loss, HUD is required to make a final claim payment to the Authority equal to the difference and to return the Authority Debenture for cancellation. If the initial claim payment is more than HUD's share of the total loss, the Authority is required to pay the difference within 30 days of notification by HUD of the amount due, and the Authority Debenture will be considered redeemed upon receipt of the payment.

In connection with the Section 221(d)(4) program, the National Housing Act defines an event of default under an FHA-insured mortgage as failure to make any payment due under the mortgage or to perform any other mortgage covenant (which includes covenants in the related financing documents and FHA Regulatory Agreement) if the mortgagee, because of such failure, has accelerated the debt. In the event of a default continuing for a period of 30 days, the mortgagee (i.e., the Authority so long as it is the mortgagee under the mortgage loans) is entitled to receive FHA insurance benefits upon compliance with the applicable claims procedures as set forth in the National Housing Act and applicable regulations promulgated thereunder. In the event of a default on the Mortgage Loan, the FHA will pay insurance benefits equal to the sum of (i) the unpaid principal amount of the Mortgage Loan computed as of the date of default, (ii) certain eligible payments (such as taxes, insurance, special assessments, water rates and payments made by the mortgagee, with the approval of HUD, for the preservation of the Project), and (iii) interest on the insurance proceeds from the date the mortgagee is entitled to receive insurance benefits at the applicable FHA debenture rate (which interest may be limited in the event that certain notices are not given to the FHA within the prescribed time periods). The FHA insurance benefits are reduced, however, by (i) any net income received by the mortgagee from the Project subsequent to the default, (ii) any amounts received by the mortgagee on account of the mortgage loan after a default, (iii) amounts held in escrow by the mortgagee for the account of the Borrower and available to be applied to the outstanding indebtedness under the mortgage loan, and (iv) unless the mortgagee forecloses and conveys title to the

Project to the FHA, an amount equal to 1% of the unpaid principal balance of the mortgage loan. Due to the 30-day grace period before the mortgagee is entitled to receive insurance benefits, FHA insurance benefits do not cover all defaulted interest payments because such proceeds would not include one month's interest on the unpaid principal balance of the Mortgage Loan.

Furthermore, mortgage insurance benefits under Section 221(d)(4) of the National Housing Act are payable in cash unless the mortgagee files a written request for payment in debentures. If debentures are issued to the mortgagee in payment of the FHA mortgage insurance benefits, they are issued as of the date of default, registered as to principal and interest and mature twenty (20) years from their date of issue. The debentures bear interest at the applicable debenture rate from the date of issue, payable semiannually on January 1 and July 1 of each year. FHA debentures are, however, redeemable at the option of the FHA on any interest payment date upon three-months' prior notice at a price equal to their principal amount plus accrued interest. Payment of mortgage insurance benefits under this program will be conditioned upon the satisfactory performance of certain obligations required pursuant to the insurance program, including maintenance of certain escrow accounts, annual inspections, maintenance of property insurance and maintenance of specified records. See "Part II – CERTAIN BONDOWNERS' RISKS - Conditions to Payment of FHA Insurance."

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APPENDIX K

Description of Section 8 Subsidy Program

General. Section 8 of the United States Housing Act of 1937, as amended (the "**1937 Housing Act**"), and regulations promulgated thereunder, provide for the payment of a housing subsidy made to or for the account of the owner of dwelling units occupied by lower income and very low-income families (as further described below under "Eligible Tenants"), which payments are to be administered through state housing finance agencies, including the Authority. The description of the Section 8 Program contained herein is qualified in its entirety by reference to the applicable provisions of the 1937 Act, as amended and the regulations promulgated thereunder.

Eligible Tenants and Occupancy Restrictions. Pursuant to the 1937 Housing Act, as amended, "lower income families" means those families whose income does not exceed 80% of the median income for the area as determined by HUD and "very low-income families" means those families whose income does not exceed 50% of the median income for the area as determined by HUD. Pursuant to amendments to the 1937 Housing Act effected by the Housing and Community Development Amendments of 1981 (the "1981 Amendments"), not more than 10% (subsequently changed to 25%) of the dwelling units which were available for occupancy under HAP Contracts (as defined below) before the effective date of the 1981 Amendments (October 1, 1981) and which will be leased thereafter are available for leasing by lower income families other than very low-income families, and not more than 15% of the dwelling units which become available for occupancy under HAP Contracts after the effective date of the 1981 Amendments are available for leasing by lower income families other than very low-income families, although, except with prior approval of HUD, only very low-income families are eligible tenants for most Section 8 projects after July 1, 1984.

Subsidy Contracts and Pledge of Payments. Under the Section 8 subsidy program, as administered through the Authority, three principal contracts have been executed. First, the Authority enters into an Agreement to Enter Into Housing Assistance Payments Contract ("**Agreement to Enter**") with the developer or owner of the development to be constructed or rehabilitated. With respect to new construction and substantial rehabilitation Projects, the Agreement to Enter is approved by HUD and, subject to certain conditions, commits the owner and the Authority to enter into a Housing Assistance Payments Contract ("**HAP Contract**") upon completion and acceptance of the development. Under the HAP Contract, the Authority agrees to pay a subsidy to or for the account of the owner. At or prior to the time that the Agreement to Enter is executed, the Authority and HUD execute an Annual Contributions Contract ("**ACC**") which provides for the payment to the Authority by HUD of the subsidy which the Authority has contracted to pay to the owner under the HAP Contract. The HAP Contract may be executed with respect to separate stages of a development completed at different times. *With respect to the Projects heretofore financed from Bond proceeds, the terms of the ACCs and HAP Contracts generally have been 20 years, although the terms of the Mortgage Loans with respect to such Projects in most cases exceed 40 years. Certain Projects financed from Bond proceeds are assisted under HUD's Section 8 Moderate Rehabilitation Program, under which the terms of the applicable ACCs and HAP Contracts are a maximum of 15 years, although the terms of the Mortgage Loans with respect to such Projects in most cases exceed 30 years.*

The regulations permit the owner and the Authority to pledge the federal subsidy payments as security for financing of the development. Prior to any disbursement of a Mortgage Loan for a development which is to be subsidized under Section 8, the Authority requires the owner of the development to pledge such federal subsidy payments as security for the Mortgage Loan on the development.

Calculation and Payment of Subsidy. Section 8 subsidies are based upon the Contract Rent applicable to subsidized dwelling units. The Contract Rent must be reasonable in relation to the rents for comparable units in the area, taking into account the quality, location, amenities and management and maintenance services of the development, and must reflect the savings, if any, from the reduced cost of tax-exempt financing or the abatement of real property taxes. The ACC establishes a maximum annual commitment which equals the initial Contract Rent and an allowance for utilities for all assisted units in the development. The Contract Rent may not exceed the applicable HUD-established Fair Market Rent, or in certain cases up to 120% of such Fair Market Rent. Under certain circumstances, the Contract Rent may be changed during the construction or rehabilitation process as a result of unanticipated design changes or due to unforeseen factors beyond the owner's control. In cases where the procedure established by a May 1980 HUD memorandum is applicable, the Fair Market Rent employed for purposes of establishing this ceiling may be the Fair Market Rent in effect when permanent financing is obtained for the related development.

The subsidy is paid into a special account maintained by the Authority for the receipt of Section 8 payments and, upon receipt of satisfactory certifications from the owner, the Authority disburses such payments to the owner.

The amount of subsidy actually payable for the account of the owner is the Contract Rent less the payment, if any, required to be made to the owner by the tenant as determined by HUD. The tenant payment is generally equal to 30% of family income. Thus, the total rental income from subsidized housing units payable to or for the account of the owner is equal to the Contract Rent part being paid by the tenants directly to the owner and the remainder being paid by HUD directly or through the Authority. The proportion of the Contract Rent actually paid by HUD and that actually paid by tenants will vary depending upon tenant income.

Generally, the Section 8 subsidy is payable with respect to the assisted dwelling unit only when it is occupied by an eligible family. However, the law and the regulations provide for payment of the subsidy under certain limited circumstances when the dwelling unit is not occupied as described below.

A subsidy amounting to 80% of the Contract Rent is payable for a vacancy period of up to 60 days (i) during the rent-up period following the completion of the development or a stage of the development and (ii) upon occurrence of a vacancy in an assisted dwelling unit after it is initially rented, subject in each case to compliance by the owner with certain conditions relating primarily to a diligent effort to rent the subsidized unit. With respect to new construction and substantial rehabilitation Projects, such payments may continue for an additional one-year period in an amount equal to the debt service attributable to the unit, contingent upon, among other things, the additional conditions that the unit is in decent, safe and sanitary condition during the vacancy period, that the development is not providing the owner thereof with revenues at least equal to the costs incurred by such owner, that the amount of the payments requested is not in excess of that portion of the deficiency which is attributable to the vacant unit for the period of the vacancy and that there is a reasonable prospect that the development can achieve financial soundness within a reasonable time.

Adjustment of Subsidy Amount. The statute and applicable regulations contain various provisions for review and readjustment of the amount of the subsidy upward or downward, subject to the limitation that in no case shall the adjustment lower the Contract Rent below that effective on the date of the HAP Contract and that no adjustment shall result in a material difference between the rents charged for subsidized and comparable nonsubsidized dwelling units.

On October 23, 1981, HUD promulgated a "Financing Adjustment Factor" in order to help developments achieve financial feasibility in the face of high interest rates (the "**1981 Adjustment**"). The

1981 Adjustment provided that, where necessary to reflect the actual cost of permanent financing, Fair Market Rents would be adjusted by HUD to the extent necessary to reflect an effective interest rate on the permanent financing of up to approximately 12.5%. The regulation and HUD Notice prescribing the 1981 Adjustment stated that, subject to compliance with certain administrative conditions, the Contract Rent for developments eligible for the 1981 Adjustment would be adjusted to reflect the actual financing costs attributable to the effective interest rate on the permanent financing of the developments (up to an effective rate of approximately 12.5%).

Aside from the 1981 Adjustment, provision is made in the regulations for HUD to determine an Annual Adjustment Factor at least annually and to publish such Factor in the Federal Register. On each anniversary date of the HAP Contract, Contract Rent is adjusted in accordance with the Factor. In addition, provision is made in the regulations for discretionary approval of special additional adjustments to reflect increases in actual and necessary expenses of owning and maintaining the subsidized units which have resulted from substantial general increases in real property taxes, utility rates or similar costs, to the extent the owner clearly demonstrates that such general increases are not adequately compensated for by the Annual Adjustments. Pursuant to the 1981 Amendments, any adjustments will be limited to the amount of operating cost increases incurred with respect to comparable unassisted rental dwellings of various sizes and types in the same market area. The principal effect of this limitation is to eliminate the debt service component from the Contract Rent before application of the Annual Adjustment resulting in a smaller annual adjustment to the Contract Rent than would have otherwise been the case.

Funds for the payment of increased subsidies which may result from the adjustments described above are to be obtained in two ways. Provision is made in the law for the payment by HUD into a special reserve account in respect of each subsidized development of the amount by which the Contract Rent in effect from time to time exceeds the actual subsidy paid by HUD (the amount is, in effect, the equivalent of the amount of rent paid by the tenants). The amount of increases in the subsidy payable by reason of increases in the Contract Rent resulting from the adjustment described above will initially be drawn from this account. The regulations provide that when the HUD-approved commitment then in effect would cause the amount in such reserve account to be less than 40% of such maximum annual ACC commitment, HUD shall take such additional steps authorized by subdivision (c)(6) of Section 8 as may be necessary to obtain funds to bring the amount in the account to the 40% level.

Compliance with Subsidy Contracts. The Agreement to Enter, the ACC and the HAP Contract contain numerous agreements on the part of the Authority and the owner including maintenance of the development as decent, safe and sanitary housing and compliance with a number of requirements typical of federal contracts (such as those relating to nondiscrimination, equal employment opportunity, relocation, pollution control and labor standards) as to which noncompliance by either the Authority or the owner, or both, might endanger the payment of the federal subsidy. Reference is made to the complete text of these agreements, the forms of which are available for inspection at the offices of the Authority. *The Authority is not presently aware of any existing default by itself or any owner under the subsidy contracts for any of the Mortgage Loans financed from the proceeds of its Outstanding Bonds, nor does it believe that compliance with any provision of such contracts cannot be attained.* Prior to any disbursement of a Mortgage Loan for a development to be subsidized under Section 8, the Authority has entered into an agreement with the owner requiring the owner to take or refrain from taking action as necessary to maintain eligibility for Section 8 subsidies for assisted dwelling units in the development during the term of the HAP Contract.

The regulations provide that, in the event of foreclosure, or assignment or sale to the Authority in lieu of foreclosure, or in the event of an assignment or sale approved by HUD (which approval shall not be unreasonably delayed or withheld), subsidy payments will continue in accordance with the HAP Contract.

Revised Procedures for New Construction and Substantial Rehabilitation. Revised regulations governing the Section 8 subsidy program for state housing agencies with respect to new construction and substantial rehabilitation projects are in effect (together, the "**Revised Regulations**"). The Revised Regulations effected substantial changes in the processing and financing of housing developments under the Section 8 subsidy program. Except for certain provisions dealing with the termination and modification of leases, the Revised Regulations are not applicable to the developments permanently financed by the Bonds of the Authority issued prior to 1982. The Revised Regulations have effected several changes to the Section 8 subsidy program regulations, including a requirement that owners use their best efforts to achieve occupancy by families with incomes averaging at least 40% of the median income in the area for the purpose of promoting economically mixed housing (the revised regulation provides that owners must undertake marketing activities which will result in leasing assisted units to non-elderly families).

Regulations Applicable to Moderate Rehabilitation. The regulations applicable to moderate rehabilitation under Section 8 differ, in certain respects, from those for new construction and substantial rehabilitation. Among such differences, the moderate rehabilitation regulations provide that:

- (a) Fair Market is determined by a different HUD schedule;
- (b) the initial Contract Rent may exceed Fair Market Rent by a maximum of 20%, if warranted by special circumstances acceptable to HUD; and
- (c) the HAP Contract must be for a term of 15 years; and
- (d) the initial lease must be for at least one year and any renewal or extension must not exceed the remaining term of the HAP Contract.

The regulations provide that for moderate rehabilitation HAP contracts with expiration dates between October 1, 2000 and September 30, 2002, renewal HAP contracts will be executed pursuant to Section 524(b)(3) of MAHRA at rent levels equal to the lesser of:

- (a) existing contract rents, adjusted by an Operating Cost Adjustment Factor (OCAF);
- (b) the moderate rehabilitation fair market rents (i.e., 120% of the existing fair market rents) less any amounts allowed for tenant-purchased utilities; or
- (iii) comparable market rents for the market area.

Mark-to-Market Program and Other Options for Expiring HAP Contracts. In 1997, Congress approved the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("**Title V**"). Amended by Public Law 106-74, enacted in October 1999, Title V provides certain options to owners seeking renewal of HAP Contracts, including a program (the "**Mark-to-Market Program**"), beginning in fiscal year 1999, pursuant to which projects having FHA-insured mortgages, expiring HAP Contracts and above-market rents, including certain projects financed by the Mortgage Loans, are eligible for debt restructuring plans provided that rent levels are reduced to comparable market levels. Such restructuring may include refinancing and/or partial payment of mortgage debt necessary to permit the required reduction of rent levels. As part of the restructuring plan, HAP Contracts are to be renewed to provide either project-based assistance (in which case the payments would be reduced based on reduced rent levels) or tenant-based assistance, subject to the availability of funding. The Section 8 subsidy is required to remain project-based if (a) there is a market-wide vacancy rate of 6% or less; (b) at least 50% of the units in the project are occupied by elderly and/or disabled families; or (c) the project is held by a nonprofit cooperative ownership housing corporation or trust. Otherwise, the restructuring plan will also

include an assessment, based on factors set forth in regulations promulgated under Title V, as to whether some or all of the assistance should be converted to tenant-based subsidy.

Alternatively, owners eligible for the Mark-to-Market Program may elect to apply for HAP Contract renewal under such program, assuming a reduction in rent levels to comparable market levels, without debt restructuring. Title V requires HUD to renew HAP Contracts for project-based assistance, upon request of the owner, but at reduced payment levels based on rents reduced to comparable market levels, absent certain material adverse conduct or conditions described in the succeeding paragraph; provided, however, that such renewal is not required if the project is eligible for the Mark-to-Market Program, no approved restructuring plan is in place, and HUD determines that such restructuring is required. Certain "exception projects" (including projects having non-FHA-insured loans, moderate rehabilitation projects, and projects having FHA-insured loans financed by a state government, local government, or an agency or instrumentality thereof, such as the Authority, if HUD determines that implementation of a mortgage restructuring plan would be in conflict with applicable law or agreements governing the financing) are eligible for renewal of project-based assistance, without restructuring, with rents at the lesser of: (i) existing rents adjusted by an operating costs adjustment factor ("OCAF") established by HUD; or (ii) a budget-based rent determined by HUD. In addition, Title V provides that owners of certain projects having FHA-insured mortgages and below market rents may elect to be entered into a Mark-Up-to-Market Program pursuant to which rent levels for such projects may be increased to market or near market levels.

Title V provides that no restructuring or renewal of HAP Contracts will occur if the owner of the project, or affiliate, has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner. In addition, although Title V offers options to owners seeking to renew HAP Contracts, owners are under no obligation to do so and may elect to opt out of the Section 8 program. Elections to pursue any of the options under Title V must be made at least 120 days prior to the expiration of the existing HAP Contract to avoid a lapse in subsidy coverage. While applications for the debt restructuring and/or renewal of HAP Contracts are pending, the HAP contract may be renewed as follows: (i) at current rents for a period not exceeding one year (or the closing of the restructuring plan, if earlier) and (ii) at comparable rent levels for any subsequent periods; provided however, that with respect to contract renewal for "exception projects" the extension term is to be determined by HUD.

Payments due under any HAP Contract, including renewal contracts, are subject to annual appropriation and adjustment as described herein.

Generally, the HAP contracts applicable to the Projects are renewals of previous HAP contracts, in some cases after "mark-to-market" mortgage restructurings, pursuant to Title V. The insured and uninsured rental loans typically require borrowers to renew the respective HAP contract for the longer of the minimum period that the related project is subject to low-income occupancy and rent restrictions under the CHFA Regulatory Agreement (15 or 20 years) or the period the insured or uninsured rental loan is outstanding. There is no assurance that such renewals will be provided by HUD, as they are subject, among other things, to the availability of Congressional appropriations. The failure or inability to renew the HAP contracts could adversely affect the sufficiency of Revenues and assets pledged under the Master Indenture for payment of the Bonds outstanding thereunder or increase the level of prepayments. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

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