

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, interest on the 2002 Series AA Bonds (except for interest on any 2002 Series AA Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2002 Series AA 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 2002 Series AA Bonds (the "Tax Code")) is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; however, interest on the 2002 Series AA 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 2002 Series AA 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 2002 Series AA Bonds. See "Part I – TAX MATTERS."



\$75,720,000
COLORADO HOUSING AND FINANCE AUTHORITY
Adjustable Rate Multi-Family Housing Insured Mortgage Revenue Bonds
2002 Series AA
(non-AMT)

Dated: Date of Delivery

Due: October 1, 2030

The 2002 Series AA Bonds are being issued by the Colorado Housing and Finance Authority as fully registered bonds pursuant to a Multi-Family Housing Insured Mortgage Revenue Bonds General Bond Resolution, as supplemented and amended (the "**General Resolution**"), and the 2002 Series AA Resolution described herein. The 2002 Series AA Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2002 Series AA Bonds and nominee of The Depository Trust Company, New York, New York. One fully registered bond equal to the principal amount of the 2002 Series AA Bonds will be registered in the name of Cede & Co. Individual purchases of 2002 Series AA Bonds will be made in book-entry form only, and beneficial owners of the 2002 Series AA Bonds will not receive physical delivery of bond certificates representing their interest in the 2002 Series AA 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 2002 Series AA Bonds. Payments of principal of and interest on the 2002 Series AA 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 2002 Series AA Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

The proceeds of the 2002 Series AA Bonds will be used to refund certain outstanding bonds of the Authority issued under the General Resolution, the proceeds of which were used to refund outstanding Authority bonds issued to finance certain mortgage loans insured by the Federal Housing Administration. Such mortgage loans were made to Sponsors to assist them in financing or refinancing the acquisition, construction and/or rehabilitation of multi-family housing projects in Colorado. Other legally available funds of the Authority will be used to make deposits to certain funds and accounts in accordance with the 2002 Series AA Resolution and to pay certain costs of issuance. Neither the Authority nor the Sponsors will undertake to provide continuing disclosure concerning the Authority, the Projects or the 2002 Series AA Bonds while the 2002 Series AA Bonds are in a Daily Mode, Weekly Mode or Term Mode equal to or less than nine months.

Interest on the 2002 Series AA Bonds will be payable on each April 1 and October 1, commencing on October 1, 2002, on any redemption date and at maturity. The 2002 Series AA Bonds initially will bear interest at a weekly rate (the "**Weekly Rate**") determined prior to the date of delivery of the 2002 Series AA Bonds to be effective to and including the following Tuesday, and thereafter determined on each Tuesday by Lehman Brothers[†] in its capacity as 2002AA Remarketing Agent, to be effective from and including each Wednesday to and including the following Tuesday. Following the first Interest Period, the interest rate on the 2002 Series AA Bonds may be adjusted to a Daily Rate, Term Rate, Select Auction Variable Rate SecuritiesSM ("SAVRS") Rate or Fixed Rate as described herein. **This Official Statement is not intended to provide information with respect to Bank Bonds or to the 2002 Series AA Bonds (including the terms of such 2002 Series AA Bonds which change based on the Interest Period for such 2002 Series AA Bonds) after conversion from a Weekly or Daily Mode.**

Regularly scheduled payments of the principal of and interest on the 2002 Series AA Bonds when due (not including payments upon acceleration or redemption, except scheduled mandatory sinking fund redemption) will be insured under a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the 2002 Series AA Bonds. Payment of the Purchase Price of the 2002 Series AA Bonds (as described herein) shall not be so insured.



While any of the 2002 Series AA Bonds are in an Interest Period for a Daily Mode, Weekly Mode or Term Mode, holders of any such 2002 Series AA 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 Resolutions. Payment of the purchase price for such 2002 Series AA Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will be supported by a standby bond purchase agreement (the "**Initial 2002AA Liquidity Facility**") among the Authority, Westdeutsche Landesbank Girozentrale, acting through its New York Branch (the "**2002AA Liquidity Facility Provider**") and Wells Fargo Bank West, National Association, as Paying Agent. Coverage under the Initial 2002AA Liquidity Facility, unless extended or earlier terminated, is stated to expire on July 1, 2003. **Under certain circumstances described herein, the obligation of the 2002AA Liquidity Facility Provider to purchase 2002 Series AA Bonds tendered for purchase under the Initial 2002AA Liquidity Facility 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 owners of the 2002 Series AA Bonds. In such event, sufficient funds may not be available to purchase such 2002 Series AA Bonds. The Authority is not obligated to purchase 2002 Series AA Bonds tendered for purchase if remarketing proceeds and payments under the Initial 2002AA Liquidity Facility are insufficient to pay the purchase price of such 2002 Series AA Bonds.**

Price: 100%

The 2002 Series AA Bonds are subject to special redemption, optional redemption and mandatory sinking fund redemption prior to maturity at par and as otherwise described herein.

The 2002 Series AA Bonds are special, limited obligations of the Authority payable solely from the revenues, assets and moneys pledged under the Authority's Resolutions as described herein. The 2002 Series AA Bonds will be so secured by the pledge under the General Resolution on an equal and ratable basis with all other Bonds now or hereafter outstanding under the General Resolution. As of March 31, 2002, not taking into account the 2002 Series AA Bonds or the refunding to occur using proceeds thereof, the Bonds were outstanding in an aggregate principal amount of \$395,190,000. In no event shall the 2002 Series AA Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any other political subdivision thereof (other than the general credit of the Authority, which general credit is not pledged for the payment of the 2002 Series AA Bonds).

This cover page contains only a brief description of the Authority, the 2002 Series AA Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2002 Series AA 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 CONSIDERATIONS FOR BONDOWNERS."

The 2002 Series AA 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 James A. Roberts, Esq., its Director of Legal Operations, and by Hogan & Hartson L.L.P., Denver, Colorado, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the 2002AA Liquidity Facility Provider and the Bond Insurer by Kutak Rock LLP. The Underwriters are being represented in connection with their purchase of the 2002 Series AA Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. It is expected that the 2002 Series AA Bonds will be delivered (through DTC) in New York, New York on or about July 3, 2002.

LEHMAN BROTHERS[†]

Newman & Associates, Inc.

George K. Baum & Company

RBC Dain Rauscher Inc.

Stifel, Nicolaus & Company Incorporated
Hanifen Imhoff Division

US Bancorp Piper Jaffray, Inc.

A.G. Edwards & Sons, Inc.

Harvestons Securities, Inc.

Salomon Smith Barney

This Official Statement is dated June 26, 2002.

[†] Remarketing Agent for 2002 Series AA Bonds
SM Service Mark of Lehman Brothers, Inc.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2002 Series AA 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. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information, and it is not to be construed as the promise or guarantee of the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

While the Authority maintains an Internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information (except in the case of the limited information provided in the section entitled "Bond Disclosures") with respect to the Bonds (including the 2002 Series AA Bonds), the Sponsors, the Projects, the Mortgage Loans, the Initial 2002AA Liquidity Facility, the 2002AA Liquidity Facility Provider, the Bond Insurance Policy or any other bonds or obligations of the Authority.

THE PRICE AT WHICH THE 2002 SERIES AA BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICE APPEARING ON THE FRONT COVER HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICE TO DEALERS AND OTHERS. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2002 SERIES AA 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 2002 Series AA 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

\$75,720,000

COLORADO HOUSING AND FINANCE AUTHORITY Adjustable Rate Multi-Family Housing Insured Mortgage Revenue Bonds 2002 Series AA

PART I

INTRODUCTION

This Official Statement, which includes the front cover, this Part I, Part II and the Appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "**Authority**") and otherwise in connection with the offer and sale of the above-captioned Bonds (being collectively referred to herein as the "**2002 Series AA Bonds**"). The 2002 Series AA Bonds are being issued pursuant to the Multi-Family Housing Insured Mortgage Revenue Bonds General Bond Resolution, dated as of March 16, 1977, as supplemented and amended (the "**General Resolution**"), and the 2002 Series AA Resolution dated as of July 1, 2002 (the "**2002 Series AA Resolution**," and together with the General Resolution, the "**Resolutions**"). Wells Fargo Bank West, National Association serves as Trustee (the "**Trustee**") under the Resolutions. Capitalized terms used herein and not defined have the meanings specified in the Resolutions. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION" in **Appendix C** to this Official Statement and **Appendix K** – "CERTAIN DEFINITIONS RELATING TO ADJUSTABLE RATE BONDS."

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 2002 Series AA 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 2002 Series AA Bonds.

Colorado Housing and Finance Authority

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

Authority for Issuance

The 2002 Series AA 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**"). The 2002 Series AA Bonds are being issued and secured under the Resolutions.

Purpose of the 2002 Series AA Bonds

Proceeds of the 2002 Series AA Bonds will be used to refund the Authority's Multi-Family Housing Insured Mortgage Revenue Bonds, 1992 Series A (the "**1992 Series A Bonds**"), as described in "Part I – PLAN OF FINANCE – Refunding of 1992 Series A Bonds." The 1992 Series A Bonds were issued to refund certain outstanding Multi-Family Insured Mortgage Revenue Bonds, 1982 Series A (the "**Series 1982A Bonds**") and Multi-Family Insured Mortgage Revenue Bonds, 1982 Series B (the "**Series 1982B Bonds**") and, together with the Series 1982A Bonds, the "**Series 1982 Bonds**") issued by the Authority under the General Resolution. The proceeds of the Series 1982 Bonds were used to make mortgage loans insured by the Federal Housing Administration and, in most cases, subject to Section 8 housing assistance payment contracts. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 1982 Mortgage Loans and Projects." Mortgage Loans made or purchased from Series 1982A Bond proceeds are referred to in this Official Statement as the "**1982A Mortgage Loans**." Mortgage Loans made or purchased from Series 1982B Bond proceeds are referred to herein as the "**1982B Mortgage Loans**" (and, together with the 1982A Mortgage Loans, the "**1982 Mortgage Loans**") and Projects financed with the Series 1982 Mortgage Loans are referred to herein as the "**1982 Projects**." In addition, other legally available funds of the Authority will be used to make required deposits to certain funds and accounts, as described in "Part I – PLAN OF FINANCE - Sources and Uses of Funds."

Description of the 2002 Series AA Bonds

Interest Rates and Payments

The 2002 Series AA Bonds initially will bear interest at a Weekly Rate. While in a Weekly Rate Mode, interest on the 2002 Series AA Bonds will be determined, adjusted and payable semiannually on April 1 and October 1 of each year as described in "Part I – TERMS OF THE 2002 SERIES AA BONDS." The 2002 Series AA Bonds are to be issued in authorized denominations as described herein and will mature on the date and in the amount shown on the front cover hereof (unless redeemed prior to maturity).

Redemption and Tender

The 2002 Series AA Bonds are subject to special, optional and mandatory sinking fund redemption prior to maturity, as described under "Part I – TERMS OF THE 2002 SERIES AA BONDS – Prior Redemption." The 2002 Series AA Bonds are also subject to optional and mandatory tender for purchase as described under "Part I – TERMS OF THE 2002 SERIES AA BONDS – Tender and Purchase." See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – 1982 Mortgage Loans and Projects" and "Part II – CERTAIN CONSIDERATIONS FOR BONDOWNERS – Considerations Regarding Redemption at Par."

For a more complete description of the 2002 Series AA Bonds and the Resolutions pursuant to which such 2002 Series AA Bonds are being issued, see "Part I – TERMS OF THE 2002 SERIES AA BONDS" and Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

Security and Sources of Payment

All Obligations under the General Resolution (which may be Bonds or Derivative Products) 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 General Resolution, in particular the Revenues and the Mortgage Loans. See Part II – "SECURITY FOR THE OBLIGATIONS." As of March 31, 2002, Bonds issued under the

General Resolution were outstanding in an aggregate principal amount of \$395,190,000. See **Appendix B – "OUTSTANDING GENERAL RESOLUTION OBLIGATIONS."**

The 2002 Series AA Bonds will be secured by and payable from the revenues, assets and moneys in the Trust Estate as described herein on an equal and ratable basis with all other obligations issued pursuant to the General Resolution. See "Part II – SECURITY FOR THE OBLIGATIONS." The Bonds, including the 2002 Series AA Bonds, are also secured by the Debt Service Reserve Fund established under the General Resolution (not including certain surety bonds on deposit therein). See "Part I – CERTAIN PROGRAM ASSUMPTIONS - Debt Service Reserve Fund." **In no event shall the 2002 Series AA 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 2002 Series AA Bonds.**

Regularly scheduled payments of the principal of and interest on the 2002 Series AA Bonds when due (not including payments upon acceleration or redemption, except scheduled mandatory sinking fund redemption) will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation (the "**Bond Insurer**") simultaneously with the delivery of the 2002 Series AA Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Bond Insurance" and **Appendix L – "DESCRIPTION OF BOND INSURER AND FORM OF SPECIMEN POLICY."** Upon delivery of the 2002 Series AA Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for the 2002 Series AA Bonds (the "**Initial 2002AA Liquidity Facility**") with Westdeutsche Landesbank Girozentrale, acting through its New York Branch, as the initial standby bond purchaser (referred to herein as the "**2002AA Liquidity Facility Provider**"). See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Initial 2002AA Liquidity Facility," **Appendix H – "CERTAIN TERMS OF THE INITIAL 2002AA LIQUIDITY FACILITY"** and **Appendix I – "THE 2002AA LIQUIDITY FACILITY PROVIDER."** UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE 2002AA LIQUIDITY FACILITY PROVIDER TO PURCHASE 2002 SERIES AA 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 OWNERS OF THE 2002 SERIES AA BONDS. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE 2002 SERIES AA BONDS TENDERED BY THE OWNERS OF THE 2002 SERIES AA BONDS OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE INITIAL 2002AA LIQUIDITY FACILITY DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2002 SERIES AA BONDS.

Professionals Involved in the Offering

In connection with the issuance and sale of the 2002 Series AA Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion included as **Appendix D** hereto. Certain legal matters relating to the 2002 Series AA Bonds will be passed upon for the Underwriters by their counsel, Bookhardt & O'Toole. Certain legal matters will be passed upon for the Authority by its Director of Legal Operations, James A. Roberts, Esq. and its Disclosure Counsel, Hogan & Hartson, L.L.P., and for the 2002AA Liquidity Facility Provider and the Bond Insurer by Kutak Rock LLP.

No Continuing Information

Neither the Authority nor any of the 1982 Sponsors has agreed to provide continuing financial or other information for the benefit of the owners of the 2002 Series AA Bonds while in

any Daily Mode, Weekly Mode or Term Mode equal to or less than nine months. See "Part I – NO CONTINUING DISCLOSURE."

Investment Considerations

The purchase and ownership of the 2002 Series AA Bonds involve investment risks. Prospective purchasers of the 2002 Series AA Bonds are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2002 Series AA Bonds, see "Part II – CERTAIN CONSIDERATIONS FOR BONDOWNERS."

TERMS OF THE 2002 SERIES AA BONDS

Generally

The 2002 Series AA Bonds will be dated the date of delivery and will mature, subject to prior redemption or purchase as described below, in the amount and on the date set forth on the front cover page of this Official Statement (unless redeemed prior to maturity). The 2002 Series AA Bonds initially will bear interest at a Weekly Rate determined prior to the date of delivery by Lehman Brothers Inc., as the initial 2002AA Remarketing Agent. Following the first Interest Period, the interest rate on the 2002 Series AA Bonds may be adjusted to a Daily Rate, Term Rate, SAVRS Rate or Fixed Rate, as described herein, however, at any particular time, all 2002 Series AA Bonds must be in the same Mode. In the event the Authority elects to cause the 2002 Series AA Bonds to bear interest in a Mode other than the Weekly or Daily Rate Mode, they will be subject to mandatory tender for purchase, and it is expected that the 2002 Series AA Bonds will be remarketed pursuant to a new offering document which will explain in detail the terms and conditions of the 2002 Series AA Bonds following such adjustment. **Accordingly, a detailed discussion of provisions in the 2002 Series AA Resolution and the 2002 Series AA Bonds relating to Bank Bonds and to the terms of the 2002 Series AA Bonds following such an adjustment or conversion is not provided in this Official Statement.**

Interest will be payable on each April 1 and October 1, commencing October 1, 2002, on any redemption date or Mode Change Date and on the Maturity Date. While in an Interest Period for a Weekly Mode or a Daily Mode, interest on the 2002 Series AA Bonds is to be calculated on the basis of the actual number of days in a year for the actual number of days elapsed. While in an Interest Period for a Term Rate Mode or Fixed Rate Mode, interest on the 2002 Series AA Bonds is to be calculated on the basis of a 360 day year comprised of twelve 30-day months. While in an Interest Period for a SAVRS Mode, interest on the 2002 Series AA Bonds is to be calculated for the actual number of days elapsed on the basis of a 360-day year. The 2002 Series AA Bonds in a Weekly Mode, Daily Mode or SAVRS Mode may be purchased in denominations of \$100,000, or any integral multiples thereof (provided that one 2002 Series AA Bond may be in the principal amount of \$100,000 plus \$5,000 or an integral multiple of \$5,000). The 2002 Series AA Bonds in a Term Rate Mode or Fixed Rate Mode may be purchased in denominations of \$5,000, or any integral multiples thereof. The principal or redemption price of the 2002 Series AA Bonds is payable at the corporate trust office of Wells Fargo Bank West, National Association, the Paying Agent and the Trustee for the 2002 Series AA Bonds. Interest on the 2002 Series AA Bonds will be payable on the Interest Payment Dates to Cede & Co. The 2002 Series AA Bonds are to be redeemed as described in "Prior Redemption" under this caption.

Determination of Interest Rate

General

The 2002 Series AA Bonds may bear interest at a Daily Rate, a Weekly Rate, a Term Rate, a SAVRS Rate or a Fixed Rate. The Mode of the 2002 Series AA Bonds from the delivery date until further designation by the Authority will be the Weekly Mode. Thereafter, the Authority may change the 2002 Series AA Bonds from one Mode to another Mode as described in "Adjustment Between Modes" under this caption. The interest rate on the 2002 Series AA Bonds (other than when in a SAVRS Rate Mode) is to be determined by the 2002AA Remarketing Agent in accordance with the 2002 Series AA Resolution as described below. The interest on the 2002 Series AA Bonds may also be changed to a SAVRS Rate. The SAVRS Rate for each respective SAVRS Mode Period, if such Mode is elected, will be determined pursuant to auctions conducted in accordance with procedures set forth in a Supplemental Resolution to be entered into in connection with the SAVRS Rate Conversion Date. In the event (a) the Remarketing Agent fails or is unable to determine the interest rate or Interest Period with respect to any 2002 Series AA Bond, or (b) the method of determining the interest rate or Interest Period with respect to a 2002 Series AA Bond shall be held to be unenforceable by a court of law of competent jurisdiction, such Bond shall thereupon, until such time as the Remarketing Agent again makes such determination or until there is delivered a Counsel's Opinion to the effect that the method of determining such rate is enforceable, bear interest from the last date on which such rate was determined in the case of clause (a) and from the date on which interest was legally paid in the case of clause (b), at the Alternate Rate for the Mode in effect for such Bond.

*Conversion of the interest rate on the 2002 Series AA Bonds such that all of the 2002 Series AA Bonds bear interest at an interest rate other than the Daily Rate, Weekly Rate or Term Rate would result in a termination of the Initial 2002AA Liquidity Facility. See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2002AA LIQUIDITY FACILITY."*

Weekly Rate

During any Interest Period in which the 2002 Series AA Bonds are in a Weekly Mode, the 2002AA 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 2002AA Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2002AA Remarketing Agent under then-existing market conditions, would result in the sale of the 2002 Series AA Bonds on such date at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2002AA 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 2002 Series AA Bonds are to bear interest from the last date on which the Weekly Rate was determined by the 2002AA Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2002AA Remarketing Agent determines the Weekly Rate (or until there is delivered an opinion of counsel to the effect that the method of determining such interest was enforceable) at the rate of the BMA Municipal Swap Index as reported on the day such Weekly Rate would otherwise have been determined by the 2002AA Remarketing Agent. The 2002AA Remarketing Agent is to make the Weekly Rate available: (i) after 4:00 p.m., Eastern time, on the date of determination of such rate by telephone to any Owner, the Authority, the Trustee, the Paying Agent and the Liquidity Facility Provider; and (ii) by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or other transmission, to the Paying Agent, not later than 4:00 p.m., Eastern time, on the second Business Day after the date of such rate determination.

Daily Rate

During any Interest Period in which the 2002 Series AA Bonds are in a Daily Mode, the 2002AA 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 the immediately preceding Business Day. The Daily Rate determined by the 2002AA Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2002AA Remarketing Agent under then-existing market conditions, would result in the sale of such 2002 Series AA 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 2002AA 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 2002 Series AA Bonds are to bear interest from the last date on which the Daily Rate was determined by the 2002AA Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2002AA 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 2002AA Remarketing Agent.

Term Rates

During any Interest Period in which the 2002 Series AA Bonds are in a Term Rate Mode, the 2002AA 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 2002AA Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2002AA Remarketing Agent, will result in the sale of such 2002 Series AA Bonds at a price equal to the principal amount thereof. If, for any reason, a new Term Rate for a 2002 Series AA 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 2002 Series AA Bond is secured by a Liquidity Facility, it will be changed automatically to the Weekly Mode or (ii) if such 2002 Series AA Bond is not secured by a Liquidity Facility, then such Bond shall stay in the Term Rate Mode for an Interest Period ending on the next April 1 or October 1 and shall bear interest at the index published or provided by Kenny Information Systems, which index is based on yield evaluations at par of bonds, the interest on which is excluded from gross income for purposes of federal income taxation and are not subject to a "minimum tax" or similar tax under the Code (unless all tax-exempt bonds are subject to such tax). 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 2002AA Remarketing Agent is to give written notice of the Term Rate to the Authority and the Paying Agent upon request. If a new Interest Period is not selected by the Authority prior to the Business Day next preceding the Purchase Date for the Interest Period then in effect, the new Interest Period will be the same length as the current Interest Period, or such lesser period necessary to prevent the Interest Period from extending beyond the date which is five Business Days prior to the stated term, expiration date or termination date of the Liquidity Facility, or such date as it may be extended, or any earlier date on which the Liquidity Facility is to terminate, expire or be cancelled. No Interest Period in the Term Rate Mode may extend beyond the Maturity Date or, if secured by a Liquidity Facility, the day five Business Days prior to the stated expiration of such Liquidity Facility.

Fixed Rate

During each Fixed Rate Mode for the 2002 Series AA Bonds, the 2002AA 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 2002AA Remarketing Agent is to be the minimum

interest rate which, in the sole judgment of the 2002AA Remarketing Agent would result in the sale of such 2002 Series AA Bonds on the date of rate determination at a price equal to the principal amount thereof. Upon request of any Owner, the Authority, the Trustee, the Paying Agent or the Liquidity Facility Provider the 2002AA 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.

Adjustment Between Modes

Any change to a different Mode requires delivery to the Trustee, the Paying Agent and the 2002AA Remarketing Agent of: (i) a notice from each Rating Agency confirming that the rating on the 2002 Series AA Bonds will not be withdrawn (other than a withdrawal of a short term rating upon a change to the Term Rate Mode or SAVRS 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; (iii) a Liquidity Facility approved in writing by the Bond Insurer (except if the change is to the Fixed Rate Mode or, in the case of a change to a Term Rate, the Authority elects not to have a Liquidity Facility with respect to such Bonds in a Term Rate Mode); and (iv) the prior written consent of the Bond Insurer. The Authority may change any 2002 Series AA Bond (other than a 2002 Series AA Bond in the Fixed Rate Mode) from one Mode to another Mode (with the prior written consent of the Bond Insurer) 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, the Bond Insurer and the 2002AA Remarketing Agent) preceding the proposed date of Mode change to the Trustee, the Paying Agent, the Bond Insurer, the 2002AA Remarketing Agent and the 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; (iii) whether or not the 2002 Series AA Bonds to be converted to a new Mode will be covered by the Liquidity Facility; and (iv) if the change is to the Fixed Rate Mode, whether or not some or all of the 2002 Series AA Bonds will be converted to serial bonds and, if so, the applicable serial maturity dates and serial payments. The Trustee is to give notice to Owners of 2002 Series AA Bonds by mail no less than 30 days prior to the proposed date of the Mode change (and shall file a notice concurrently with each National Repository) stating that such Bonds are subject to mandatory purchase on such date. The 2002 Series AA Bonds are subject to mandatory purchase on any day on which a different Mode for such Bonds begins. See "Tender and Purchase – Mandatory Purchase - Mandatory Purchase on Mode Change Date" under this caption. **So long as the 2002 Series AA Bonds are registered in the DTC book-entry system described in Appendix J, such notices will be sent only to DTC's nominee.**

Tender and Purchase

Optional Tender During a Weekly Mode or Daily Mode

During any Interest Period for a Weekly Mode or Daily Mode, any 2002 Series AA 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 (unless the Purchase Date is an Interest Payment Date) accrued interest to the Purchase Date defined below (the "**Purchase Price**"), payable by wire transfer in immediately available funds, upon delivery to the 2002AA Remarketing Agent of an irrevocable telephonic notice in the case of 2002 Series AA 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 2002 Series AA Bonds in the Weekly Mode, which notice states the CUSIP number, the Bond number, the principal amount of such 2002 Series AA Bond, the principal amount thereof to be purchased and the date on which the same is to be purchased (the "**Purchase Date**"), which date is to be a Business Day specified by the Owner. In the case of 2002 Series AA Bonds tendered for purchase during the Daily Mode, such telephonic 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 2002 Series AA Bonds tendered for purchase during the Weekly Mode, such written 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 2002 Series AA 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 2002AA Remarketing Agent agrees to sell the tendered Bonds to such Owner, in which case the delivery requirements set forth above will be waived.

Mandatory Purchase

Mandatory Purchase on Mode Change Date. 2002 Series AA 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 and 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 2002 Series AA 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 2002 Series AA 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. 2002 Series AA 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 2002 Series AA Bonds are registered in the DTC book-entry system described in Appendix J, such notices will be sent only to DTC's nominee and each National Repository.**

The obligation of the 2002AA Liquidity Facility Provider to purchase 2002 Series AA Bonds under the Initial 2002AA Liquidity Facility is subject to the condition that certain Bond Insurer Events of Default (as defined in the Initial 2002AA Liquidity Facility) have not occurred. See Appendix H - "CERTAIN TERMS OF THE INITIAL 2002AA LIQUIDITY FACILITY – Termination or Suspension by 2002AA Liquidity Facility Provider."

Mandatory Purchase For Failure to Replace Liquidity Facility or Upon Certain Substitution of Alternate Liquidity Facility. In the event that the Authority does not replace a Liquidity Facility with another Liquidity Facility prior to its expiration date in accordance with the 2002 Series AA Resolution, the 2002 Series AA Bonds having the benefit of such Liquidity Facility will be subject to mandatory purchase on the fifth Business Day before the then current Liquidity Facility expires (whether at the stated expiration date thereof 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, the Trustee and the Bond Insurer a Rating Confirmation Notice in connection with such substitution, the 2002 Series AA Bonds having the benefit of the Liquidity Facility will be subject to mandatory tender for purchase on 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 2002 Series AA Bonds subject to mandatory purchase and 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 2002 Series AA 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 2002 Series AA 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. **So long as the 2002 Series AA Bonds are registered in the DTC book-entry system described in Appendix J, any notices will be sent only to DTC's nominee and each National Repository.**

Mandatory Purchase Upon Termination of Initial 2002AA Liquidity Facility. The 2002 Series AA Bonds will be subject to mandatory purchase if the Trustee receives notice from the 2002AA Liquidity Facility Provider that the Initial 2002AA 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 2002 Series AA Bonds are outstanding. Such 2002 Series AA 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 2002AA Liquidity Facility Provider and at least five Business Days prior to the termination of the Initial 2002AA 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 2002 Series AA Bonds subject to such mandatory purchase and to each National Repository within two Business Days after receipt of notice from the 2002AA 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 2002 Series AA 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. **So long as the 2002 Series AA Bonds are registered in the DTC book-entry system described in Appendix J, any notices will be sent only to DTC's nominee and each National Repository.**

Payment of Tender Price Upon Purchase

Any 2002 Series AA Bonds required to be purchased in accordance with the 2002 Series AA Resolution as described above are to be purchased from the Owners thereof on the Purchase Date at the Purchase Price. The 2002 Series AA Resolution 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 2002 Series AA Bonds (except proceeds of remarketed Bank Bonds to the extent applied to any amount owing to the Bank) pursuant to the

2002 Series AA Resolution and the Remarketing Agreement and furnished to the Tender Agent by the 2002AA Remarketing Agent for deposit into the Remarketing Proceeds Account; and

(2) money furnished by the 2002AA Liquidity Facility Provider to the Trustee for deposit by the Paying Agent into the Standby Purchase Account from requests under the Initial 2002AA Liquidity Facility, if any, as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2002AA LIQUIDITY FACILITY."

Moneys held in the Standby Purchase Account and the Remarketing Proceeds Account will be held by the Trustee uninvested and separate and apart from all other funds and accounts. **So long as the 2002 Series AA Bonds are registered in the DTC book-entry system described in Appendix J, any notices will be sent only to DTC's nominee and each National Repository.**

Prior Redemption

Optional Redemption

During any Interest Period for a Weekly Mode or Daily Mode, the 2002 Series AA Bonds may be redeemed prior to maturity at the option of the Authority, in whole or in part, from any source, including without limitation the proceeds of refunding bonds or other financing provided by the Authority or from the sale or other voluntary disposition of Mortgage Loans and Projects, in Authorized Denominations on any date during Interest Periods for a Weekly Mode or Daily Mode, at a redemption price equal to 100% of the principal amount of 2002 Series AA Bonds to be so redeemed together with accrued interest, if any, thereon to the date of redemption (and without premium).

Special Redemption

From Prepayments and Resulting Withdrawals. Except as described below, the 2002 Series AA Bonds are subject to mandatory redemption prior to their maturity, in whole or in part, on any date, upon notice as provided in the Resolutions and described in "Redemption Procedures" under this caption, at a redemption price equal to 100% of the principal amount of the 2002 Series AA Bonds or portions thereof to be so redeemed, together with accrued interest, if any, thereon to the date of redemption (and without premium), from:

(a) net proceeds received by the Authority on account of Prepayments of 1982 Mortgage Loans, which will include (i) damage, destruction or condemnation of a 1982 Project or part thereof, (ii) certain measures taken by the Authority subsequent to a default on a 1982 Mortgage Loan, and (iii) the voluntary prepayment of a 1982 Mortgage Loan,

(b) any amount withdrawn from the Debt Service Reserve Fund as a consequence of a redemption as described in (a) and applied to the redemption of 2002 Series AA Bonds pursuant to the provisions of the General Resolution, and

(c) any amount withdrawn from the Mortgage Loan Reserve Fund and applied to the redemption of 2002 Series AA Bonds pursuant to the provisions of the General Resolution.

Notwithstanding the foregoing, to the extent any such amounts described in clauses (a), (b) and (c) above are transferred to the Redemption Fund at the direction of the Authority, such amounts shall be applied as follows:

(1) Prepayments of 1982A Mortgage Loans (together with related amounts withdrawn from the Debt Service Reserve Fund and Mortgage Loan Reserve Fund) shall be used to redeem outstanding Series 1982A Bonds,

(2) only if no Series 1982A Bonds remain Outstanding, Prepayments of 1982A Mortgage Loans (together with related amounts withdrawn from the Debt Service Reserve Fund and Mortgage Loan Reserve Fund) shall be used to redeem outstanding 2002 Series AA Bonds, and

(3) all Prepayments of 1982B Mortgage Loans (together with related amounts withdrawn from the Debt Service Reserve Fund and Mortgage Loan Reserve Fund) shall be used to redeem outstanding 1992 Series A Bonds on October 1, 2002 and thereafter to redeem outstanding 2002 Series AA Bonds.

Any such Prepayments (and related withdrawals) so transferred to the Redemption Fund for redemption of the Series 1982A Bonds or the 1992 Series A Bonds, together with amounts on deposit therein, must exceed \$100,000 and such amount must be rounded to the next lower \$5,000. The Trustee is to apply such amounts in the Redemption Fund to the redemption of the Series 1982A Bonds or the 1992 Series A Bonds not later than 60 days after deposit in the Redemption Fund. As of April 1, 2002, Series 1982A Bonds remained outstanding in the aggregate accreted value of \$11,573,962.97. The amount of any such Prepayments (and related withdrawals) so transferred to the Redemption Fund for redemption of the 2002 Series AA Bonds, together with other amounts on deposit therein, must equal or exceed \$10,000 and such amount to be applied to such redemption will be rounded to the next lower \$5,000. The Trustee is to apply any such amounts so transferred to the redemption of 2002 Series AA Bonds, as applicable, not later than 30 days after deposit in the Redemption Fund. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Redemption Fund" and "- Prepayments."

The Authority anticipates that a substantial portion of the 1982 Mortgage Loans will be prepaid within the next twelve months as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 1982 Mortgage Loans and Projects." The General Resolution requires that all Prepayments be either deposited in the Program Fund or, in the case of a Prepayment due to damage, destruction or condemnation of a Project, used by the Authority at its option to repair or restore such Project. Depending on the circumstances, Prepayments deposited to the Program Fund are required to be transferred to the Redemption Fund or, in some cases, may be used to Acquire Mortgage Loans or may only upon direction by the Authority be transferred to the Redemption Fund. While it may not choose to do so, the Authority expects that, in the circumstances in which it has the option to so direct, it will direct that Prepayments be transferred to the Redemption Fund. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 1982 Mortgage Loans and Projects." See also **Appendix M – "OUTSTANDING INVESTMENT AGREEMENTS."**

From Certain Reductions in Debt Service Reserve Fund Requirement. The 2002 Series AA Bonds are also subject to mandatory redemption prior to their maturity, in whole or in part, on any date, upon notice as provided in the Resolutions and described in "Redemption Procedures" under this caption, at a Redemption Price equal to 100% of the principal amount of the 2002 Series AA Bonds or portions thereof to be so redeemed, together with accrued interest, if any, thereon to the date of redemption, in an aggregate Redemption Price equal to the amount, if any, directed by the Authority pursuant to an Authority Request to be transferred to the Redemption Fund on account of a reduction in the Debt Service Reserve Fund Requirement attributable to payment of 2002 Series AA Bonds at maturity, to the purchase and cancellation of 2002 Series AA Bonds, to sinking fund redemptions of 2002 Series AA Bonds pursuant to the mandatory sinking fund provisions of the 2002 Series AA Resolution or to the optional redemption of 2002 Series AA Bonds pursuant to the provisions of the 2002 Series AA Resolution. Any

such amount so deposited in or transferred to the Redemption Fund, together with other amounts on deposit therein, must equal or exceed \$10,000, and such amount to be applied to such redemption shall be rounded to the next lower \$5,000. The Trustee is to apply any such amount described above to the redemption of 2002 Series AA Bonds not later than 30 days after deposit in the Redemption Fund.

Sinking Fund Installments

The 2002 Series AA Bonds are also subject to mandatory sinking fund redemption, prior to their maturity, by payment of sinking fund installments, upon notice as provided in the Resolutions and described in "Redemption Procedures" under this caption, on each of the dates and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price equal to 100% of the principal amount of such 2002 Series AA Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date as follows:

<u>Year</u> <u>(April 1)</u>	<u>Sinking Fund</u> <u>Installment</u>	<u>Year</u> <u>(October 1)</u>	<u>Sinking Fund</u> <u>Installment</u>
2003	--	2003	\$ 435,000
2004	\$ 450,000	2004	465,000
2005	480,000	2005	495,000
2006	510,000	2006	525,000
2007	540,000	2007	555,000
2008	575,000	2008	590,000
2009	610,000	2009	630,000
2010	650,000	2010	670,000
2011	690,000	2011	710,000
2012	730,000	2012	755,000
2013	780,000	2013	800,000
2014	825,000	2014	850,000
2015	880,000	2015	905,000
2016	930,000	2016	960,000
2017	990,000	2017	1,020,000
2018	1,050,000	2018	1,085,000
2019	1,120,000	2019	1,150,000
2020	1,190,000	2020	1,225,000
2021	1,260,000	2021	1,300,000
2022	1,340,000	2022	1,380,000
2023	1,425,000	2023	1,470,000
--	--	2030(1)	40,720,000

(1) Final Maturity

The Authority may direct the manner in which 2002 Series AA Bonds which are purchased or redeemed as described in "Prior Redemption" (other than by sinking fund redemption as described in the previous paragraph) are credited against remaining Sinking Fund Installments. If the Authority does not so direct, the par value of 2002 Series AA Bonds so purchased or redeemed (other than by sinking fund redemption) is to be credited against all remaining sinking fund installments in the proportion which the then remaining balance of each such sinking fund installment bears to the total of all 2002 Series AA Bonds then Outstanding.

Redemption Procedures

Payment to DTC

While the 2002 Series AA Bonds are held by DTC, redemption payments will be made to DTC, and the rules and practices of DTC and its Participants will determine when Beneficial Owners receive such payments. See **Appendix J – "BOOK-ENTRY SYSTEM."**

Selection of Bonds for Redemption

If less than all of the 2002 Series AA Bonds are called for redemption, the particular 2002 Series AA Bonds or portions of 2002 Series AA Bonds to be redeemed are to be selected at random by the Trustee; provided, however, that Bank Bonds are to be redeemed before any other 2002 Series AA Bonds are redeemed.

Notice of Redemption

Any notice of redemption required to be given under the General Resolution or the 2002 Series AA Resolution in connection with the 2002 Series AA Bonds is to be mailed, postage-prepaid, by first-class mail, by the Trustee not less than fifteen (15) days nor more than thirty (30) days before the redemption date to the registered owners of any 2002 Series AA Bonds or portions of Bonds which are to be redeemed. **So long as DTC is effecting book-entry transfers of the 2002 Series AA Bonds, the Trustee shall provide the notice only to DTC. It is expected that DTC shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners.** Such notice is to include the following information:

- (a) the complete official name of the 2002 Series AA Bonds to be redeemed, the identification numbers of 2002 Series AA Bond certificates and the CUSIP numbers of the 2002 Series AA Bonds to be redeemed, provided that any such notice shall state that no representation is made as to the correctness of CUSIP numbers, either as printed on such 2002 Series AA Bonds or as contained in the notice of redemption;
- (b) any other descriptive information needed to identify accurately the 2002 Series AA Bonds being redeemed, including, but not limited to, the original issuance date and maturity date of, and interest rate on, such 2002 Series AA Bonds;
- (c) amounts called for each 2002 Series AA Bond certificate in the case of partial calls;
- (d) the date of mailing of redemption notices; and
- (e) the name and address of the redemption agent.

In accordance with the General Resolution, the obligation of the Trustee to give any notice of redemption required by the Resolutions will not be conditioned upon the prior payment to the Trustee of moneys or Government Obligations sufficient to pay the Redemption Price of the 2002 Series AA Bonds to which such notice relates or the interest thereon to the redemption date.

A second notice of redemption provided in the same manner as the first notice of redemption is to be given, not later than 60 days after the redemption date, to registered Owners of 2002 Series AA Bonds or portions thereof called for redemption but who failed to deliver 2002 Series AA Bonds for redemption prior to the 30th day following such redemption date. Any notice mailed will be conclusively presumed to have been duly given, whether or not the Owner of such 2002 Series AA Bonds receives the notice.

Receipt of such notice will not be a condition precedent to such redemption, and failure so to receive any such notice by any of such registered Owners will not affect the validity of the proceedings for the redemption of 2002 Series AA Bonds.

In addition to the foregoing, further notice of any redemption of 2002 Series AA Bonds as described herein is to be given by the Trustee simultaneously with mailed notice to 2002 Series AA Bondholders, by registered or certified mail, return receipt requested, or by overnight delivery service, or by Electronic Means, to (i) at least two national information services that disseminate notices of redemption of obligations such as the 2002 Series AA Bonds (such as Financial Information Inc., Financial Daily Called Bond Service, Kenny Information Service's Called Bond Service, Moody's Municipal and Government, and Standard & Poor's Called Bond Record) and (ii) the National Repositories. Such further notice is to contain the information set forth above and as required by the General Resolution. Failure to give all or any portion of such further notice will not in any manner defeat the effectiveness of a call for redemption.

Notwithstanding the provisions of the General Resolution to the contrary, newspaper publication of notice of redemption of 2002 Series AA Bonds will not be required. Mailing of notice of redemption of 2002 Series AA Bonds will be a condition to the redemption of 2002 Series AA Bonds, but failure to mail notice to the registered owner of any 2002 Series AA Bond designated for redemption, or any defect in any notice given, will not affect the validity of any proceedings for the redemption of the 2002 Series AA Bonds as to which no such failure has occurred. Any notice mailed pursuant to the 2002 Series AA Resolution and the General Resolution will be conclusively presumed to have been duly given, whether or not the registered Owner actually receives the notice. The Owners of the 2002 Series AA Bonds, by their acceptance of such 2002 Series AA Bonds, acknowledge the sufficiency of mailed notice as provided in the General Resolution and the 2002 Series AA Resolution.

Book-Entry System

DTC will act as securities depository for the 2002 Series AA Bonds. The ownership of one fully registered Bond in the aggregate principal amount of the 2002 Series AA Bonds will be registered in the name of Cede & Co., as nominee for DTC. Information concerning the book-entry system provided by DTC is set forth in **Appendix J – "BOOK-ENTRY SYSTEM."** **So long as the 2002 Series AA Bonds are registered in the DTC book-entry form described in Appendix J, each Beneficial Owner of a 2002 Series AA Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2002 Series AA Bonds.**

Defeasance and Discharge

The General Resolution provides the Authority with the right to discharge the pledge and lien created by the General Resolution with respect to any 2002 Series AA 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 2002 Series AA Bonds at the maturity or redemption thereof. See **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Defeasance."**

PLAN OF FINANCE

Sources and Uses of Funds

The following are the sources and estimated uses of funds relating to the 2002 Series AA Bonds.

	<u>Estimated Amounts</u>
SOURCES OF FUNDS:	
Proceeds of the 2002 Series AA Bonds	\$75,720,000
Legally available funds of the Authority (1).....	<u>630,000</u>
TOTAL SOURCES OF FUNDS.....	<u>\$76,350,000</u>
USES OF FUNDS:	
For refunding of 1992 Series A Bonds (2).....	\$75,720,000
For costs of issuance and Underwriters' compensation (3).....	<u>630,000</u>
TOTAL USES OF FUNDS.....	<u>\$76,350,000</u>

- (1) Such amount represents funds legally available to the Authority as a result of the refunding of the 1992 Series A Bonds and otherwise under the General Resolution. Additional funds of the Authority will also be legally available to be used as necessary to pay any redemption premium required in connection with the optional redemption of 1992 Series A Bonds.
- (2) Proceeds of the 2002 Series AA Bonds as shown here, together with legally available funds of the Authority to the extent necessary for payment of any optional redemption premium, will be used to refund the outstanding 1992 Series A Bonds pursuant to the optional redemption provisions of the 1992A Resolution (defined below), as described in "Refunding of 1992 Series A Bonds" under this caption. A portion of such amounts will be on deposit in the Debt Service Reserve Fund after delivery of the 2002 Series AA Bonds until applied to the refunding of the 1992 Series A Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund Requirement."
- (3) Such amount shall be used to pay costs of issuance and Underwriters' compensation relating to the 2002 Series AA Bonds. For information concerning the Underwriters' compensation, see "Part I – UNDERWRITING."

Refunding of 1992 Series A Bonds

The Authority has previously issued under the General Resolution its Multi-Family Insured Mortgage Revenue Bonds, 1992 Series A (the "**1992 Series A Bonds**") in the aggregate amount of \$86,940,000, which presently remain outstanding in the amount of \$77,335,000. Proceeds of the 1992 Series A Bonds, together with other available moneys of the Authority, were used to refund certain of the Series 1982 Bonds, which had been issued by the Authority to finance certain insured mortgage loans. The 1992 Series A Bonds are subject to special redemption and optional redemption prior to maturity in accordance with the redemption provisions of the resolution authorizing the 1992 Series A Bonds (the "**1992A Resolution**"). The Authority expects that certain outstanding 1992 Series A Bonds will be redeemed on October 1, 2002 at par in accordance with the special redemption provisions of the 1992A Resolution. In the 2002 Series AA Resolution, the Authority is exercising its option (other than with respect to the 1992 Series A Bonds that are being redeemed in accordance with the special redemption provisions of the 1992A Resolution) to use proceeds of the 2002 Series AA Bonds, and other legally available funds of the Authority, to refund and pay on October 1, 2002 a redemption price of 102% of the outstanding 1992 Series A Bonds to be so optionally redeemed. From the date of delivery of the 2002 Series AA Bonds until October 1, 2002, a portion of such amounts to be used for optional redemption of the 1992 Series A Bonds will be held under the Resolutions on deposit in a special, separate account within the Redemption Fund and the remainder of such amounts will be held on deposit in the Debt

Service Reserve Fund. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 1982 Mortgage Loans and Projects" and **Appendix G** – "DESCRIPTION OF SECTION 8 SUBSIDY PROGRAM."

CERTAIN PROGRAM ASSUMPTIONS

1982 Mortgage Loans and Projects

Generally

Proceeds of the 1992 Series A Bonds were used to refund certain of the Authority's outstanding Series 1982 Bonds, the proceeds of which had been used to make 1982 Mortgage Loans to defray, in part, the costs of financing or refinancing the acquisition, construction and/or rehabilitation of the multi-family housing projects described in the table set forth below (the "**1982 Projects**"). After refunding of the 1992 Series A Bonds with proceeds of the 2002 Series AA Bonds, Prepayments of the 1982 Mortgage Loans will be applied to redeem the Series 1982A Bonds and the 2002 Series AA Bonds as described in "Part I – TERMS OF THE 2002 SERIES AA BONDS – Prior Redemption – Special Redemption." See also "Part II – CERTAIN CONSIDERATIONS FOR BONDDOWNERS – Considerations Regarding Redemption at Par."

The 1982 Projects

The 1982 Mortgage Loans have been made to particular private developers, nonprofit organizations and local housing authorities, referred to as the "1982 Sponsors." Repayment of amounts due on each 1982 Mortgage Loan is a nonrecourse obligation of the respective 1982 Sponsor, payable solely from revenues generated by the respective 1982 Project. The 1982 Sponsors do not have any obligations under the Mortgage Loan documents to cover any losses in the event of a default on the 2002 Series AA Bonds or to continue the 1982 Projects in operation. Each of the 1982 Sponsors owns the respective 1982 Project as its sole asset. See "Part II – CERTAIN CONSIDERATIONS FOR BONDHOLDERS – Limited Security."

The following table provides certain summary information relating to the 1982 Mortgage Loans and 1982 Projects:

1982 Mortgage Loans and 1982 Projects

Name of 1982 Project	Series	1982 Mortgage Loan Amounts (1)	Number of Units	Loan Rates (%)	FAF	HAP Contract Expiration	Rents/ FMR (%)
Alyson Court (2)	82A	\$1,983,325	60	12.00 (5)	Yes	10/7/03	103
Asbury Park (3)	82A	1,745,890	44	12.00 (5)	Yes	2/14/03	103
Aurora Village (2)	82A	3,101,898	100	12.00 (5)	Yes	10/13/03	94
Canyon Gate	82A	1,972,804	53	12.00 (5)	Yes	5/4/03	111
Casa De Los Arcos (4)	82A	675,305	16	12.00 (5)	Yes	5/19/03	171
Castle Creek Commons	82A	2,057,818	50	12.00 (5)	Yes	4/26/03	124
Castle Creek Commons E	82A	752,945	20	12.00 (5)	Yes	8/1/03	104
Centennial Village (4)	82A	1,388,364	47	12.00 (5)	Yes	1/25/03	128
Clifton Townhouses (3)	82A	2,129,600	51	12.00 (5)	Yes	2/24/03	158
Corazon Square	82A	1,582,381	50	12.00 (5)	Yes	6/15/03	149
Creekside	82A	1,665,247	50	12.00 (5)	Yes	6/21/03	119
Fountain Townhomes	82A	550,061	14	12.00 (5)	Yes	1/20/03	112
Glenpark Village	82A	986,984	26	12.00 (5)	Yes	6/9/03	89
Helios Station (3)	82A	1,440,697	30	12.00 (5)	Yes	6/2/03	105
Highland South	82A	4,127,313	117	12.00 (5)	Yes	7/11/03	130
Kings Pointe	82A	1,594,947	50	12.00 (5)	Yes	6/22/03	103
La Alma Family	82A	1,156,371	34	12.00 (5)	Yes	2/23/03	95
Olin (4)	82A	3,293,165	107	12.00 (5)	Yes	8/6/02	122
Sunrise (3)	82A	1,343,944	40	12.00 (5)	Yes	8/23/03	187
Rotella (2)	82A	308,339	81	12.00 (5)	Yes	6/9/03	85
Wise Harris	82A	572,023	22	12.00 (5)	Yes	5/23/03	98
John Newey	82A	1,146,353	20	12.00 (5)	Yes	1/13/03	109
Springfield (4)	82A	960,420	32	12.00 (5)	Yes	2/21/03	156
Meadows (3)	82A	1,867,835	51	12.00 (5)	Yes	3/27/03	118
Valley Sun	82A	1,377,457	50	12.00 (5)	Yes	1/31/03	160
Prairie (4)	82A	660,327	20	12.00 (5)	Yes	2/13/03	131
Silver Sp.	82A	663,482	20	12.00 (5)	Yes	1/11/03	156
NE Plaza	82A	1,772,537	47	12.00 (5)	Yes	4/17/03	161
Meeker	82A	1,455,031	36	12.00 (5)	Yes	4/4/03	182
Mtn. View (4)	82A	1,074,652	28	12.00 (5)	Yes	3/14/03	188
Squire (3)	82A	1,640,564	50	12.00 (5)	Yes	2/10/03	124
Ratekin (4)	82A	4,476,242	108	12.00 (5)	Yes	6/9/03	172
Mt. Massive	82A	767,148	24	12.00 (5)	Yes	4/17/03	176
Sunset	82A	1,427,271	44	12.00 (5)	Yes	4/27/03	179
Villa 14	82A	1,061,279	36	12.00 (5)	Yes	1/18/03	118
Terrace	82A	2,949,835	75	12.00 (5)	Yes	7/13/03	111
Westland	82A	3,278,498	100	12.00 (5)	Yes	7/14/03	121
Niblock (4)	82A	132,641	10	8.50	No	7/14/02	90
Access	82A	11,804	6	8.50	No	10/1/04	84
Emerson	82A	26,470	12	8.50	No	10/15/04	90
4 th and Fox (4)	82A	25,867	13	8.50	No	8/9/05	91
Crabtree	82A	179,153	8	8.50	No	10/14/05	89
Jamaica Arm	82A	177,423	6	8.00	No	1/16/05	71
Glenlake	82A	1,593,565	207	8.10	No	N/A	N/A
Corporation	82A	21,219	1	8.25	No	N/A	N/A
Allied South	82B	3,586,681	96	10.95	Yes	11/14/03	111
Aspen Meadows (3)	82B	3,818,400	100	10.95	Yes	10/19/03	105
Crabtree	82B	62,946	8	8.50	No	10/14/05	89
Glenlake	82B	559,878	207	8.10	No	N/A	N/A
Jamaica Arm	82B	62,338	6	8.00	No	1/16/05	71
Villa West	82B	619,309	60	10.50	No	6/20/02	94

(1) As of March 31, 2002.

(2) The Authority has been advised that these 1982 Projects are currently under contract for sale.

(3) The Authority has been advised that these 1982 Projects are currently under contract for sale and comprise the "Expected Sale Portfolio" more particularly described below.

(4) The Authority has been advised that these 1982 Projects have been entered into the Mark-to-Market Program, as defined and described in Appendix G – "DESCRIPTION OF SECTION 8 SUBSIDY PROGRAM."

(5) While the Sponsors pay interest to the Authority at the indicated Mortgage Loan rates, only interest payments equal to 9.88% are payable to the Trustee as Revenues under the General Resolution while the remainder of each payment represents HAP contract savings that are shared equally between the Authority and HUD pursuant to a FAF refunding agreement entered in connection with the refunding of the 1992 Series A Bonds.

As shown on the above table, all of the 1982 Projects (with the exception of three) are subject to housing assistance payment contracts ("**HAP contracts**"), most of which expire during calendar year 2003. See "Part II – CERTAIN CONSIDERATIONS FOR BONDOWNERS – Expiration of HAP Contracts." Except as indicated on the table, these 1982 Projects are also subject to the "Financing Adjustment Factor" (the "**1981 Adjustment**") described in **Appendix G** – "DESCRIPTION OF SECTION 8 SUBSIDY PROGRAM." Upon expiration of the related HAP contract, a 1982 Sponsor will lose the benefit of the assistance payments and the 1981 Adjustment as applicable with respect to its respective 1982 Project. Consequently, on or before the time of expiration of the related HAP contract, the 1982 Sponsor may choose, among other things, to (i) enter the related 1982 Project in the Mark-to-Market Program described in **Appendix G** – "DESCRIPTION OF SECTION 8 SUBSIDY PROGRAM," (ii) sell the 1982 Project, or (iii) modify or refinance the existing 1982 Mortgage Loan relating to such 1982 Project. In addition, the 1982 Sponsor may not be able to adjust the terms of an outstanding 1982 Mortgage Loan upon expiration of the related HAP contract at all or in a manner which results in payments due on the modified or refinanced 1982 Mortgage Loan at levels low enough and on a payment schedule so that such amounts can be paid from revenues generated by the related 1982 Project without the assistance payments under the HAP contract. As indicated on the table above, the Authority is aware that certain of the 1982 Projects have either entered the Mark-to-Market Program (which is likely to result in a refinancing of the related 1982 Mortgage Loan) or are under contract for sale. With respect to the 1982 Projects identified by footnote (3) on the table as comprising the "Expected Sale Portfolio," the Authority is considering the possibility of making a loan to the proposed purchaser in order to finance its purchase of such 1982 Projects.

A 1982 Sponsor is permitted to use proceeds of any such sale of a 1982 Project, amounts available as result of the refinancing or modification of a 1982 Mortgage Loan or funds otherwise received to make a voluntary Prepayment of an existing 1982 Mortgage Loan. The Authority expects that a substantial number of 1982 Sponsors will prepay their respective 1982 Mortgage Loans on or before expiration of the related HAP contracts. For example, it is likely that the 1982 Sponsor of the Expected Sale Portfolio will use the purchase price received as a result of its sale of the Expected Sale Portfolio to make a voluntary prepayment of the 1982 Mortgage Loans related to such 1982 Projects. No assurances are given as to the timing or amounts of any such Prepayments. See "Part I – TERMS OF THE 2002 SERIES AA BONDS – Prior Redemption – Special Redemption" for a discussion of the special redemption provisions which provide for redemption of Series 1982A Bonds, 1992 Series A Bonds and 2002 Series AA Bonds from such Prepayments (and related Fund withdrawals).

The Regulatory Agreements

Each 1982 Sponsor has entered into a regulatory agreement with the Authority (collectively, the "**CHFA Regulatory Agreements**") relating to the respective 1982 Project. Pursuant to the provisions of the CHFA Regulatory Agreements, the 1982 Sponsors have agreed, among other things, to rent the units in the 1982 Projects so as to comply with applicable provisions of the Tax Code. In particular, each 1982 Sponsor will agree that each individual rental unit in the respective 1982 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 1982 Sponsors have agreed to certain occupancy requirements based on state law income limits specific to each 1982 Project and certain federal limitations, where applicable.

The CHFA Regulatory Agreements will 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 2002 Series AA Bonds from gross income. Upon any breach by a 1982 Sponsor of any provisions of its CHFA Regulatory Agreement, the Authority may 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 1982 Sponsor may result in interest on the 2002 Series AA Bonds being included in gross income of the Owners of the 2002 Series AA Bonds for purposes of federal income taxation and will not result in a mandatory redemption of the 2002 Series AA Bonds under the Resolution as described in "Part II – CERTAIN CONSIDERATIONS FOR BONDOWNERS – Enforcement of Regulatory Agreements " and "Part I – TAX MATTERS."*

Servicing of 1982 Mortgage Loans

Servicing for substantially all of the 1982 Mortgage Loans is being performed by an FHA-approved mortgage loan servicer (the "**Servicer**") pursuant to servicing agreements with the Authority (the "**Servicing Agreements**"). Each such servicing agreement is to continue until the payment in full of the related 1982 Mortgage Loan or until proceedings are instituted to foreclose such 1982 Mortgage Loan or the Authority acquires titled to the related property in lieu of foreclosure. The Authority may terminate a servicing agreement upon (a) failure of the Servicer to perform its duties thereunder, in the sole opinion of the Authority, for a period of ten days, or (b) the appointment of a receiver or liquidator of or for the Servicer, the making of an assignment for the benefit of creditors by the Servicer, an adjudication of insolvency of the Servicer or the filing of an involuntary petition in bankruptcy against the Servicer. The Servicer is to service the 1982 Mortgage Loans (including collecting mortgage payments, ensuring that requisite property insurance is maintained, providing statements as to the status of any defaults, annually inspecting the property, providing property management services in the event of foreclosure and, at the direction of the Authority, instituting foreclosure proceedings and arranging settlements with the Federal Housing Commissioner) in accordance with acceptable mortgage servicing practices of prudent lending institutions and the National Housing Act of 1934, as amended from time to time, provided that the Authority may by express writing control the manner or extent of the Servicer's performance under the Servicing Agreements. Certain 1982 Mortgage Loans not serviced by the Servicer are being serviced by the Authority.

Bond Insurance

General Provisions. *The following information has been furnished by the Bond Insurer for use in this Official Statement in connection with the 2002 Series AA Bonds. No representation is made by the Authority or the Underwriters as to (1) the accuracy or adequacy of the information about the Bond Insurer that is included herein directly or by reference or (2) the absence of material adverse changes affecting the Bond Insurer since the date of such information.*

The Bond Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 2002 Series AA Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Bond Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 2002 Series AA Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Bond Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2002 Series AA Bond. The Bond Insurer's policy does not, under any

circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the 2002 Series AA Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Bond Insurer's policy also does not insure against nonpayment of principal or interest on the 2002 Series AA Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the 2002 Series AA Bonds.

The Bond Insurer's policy issued for the 2002 Series AA Bonds has been endorsed to provide for cancellation of the Bond Insurer's policy upon delivery of a substitute insurance policy to the Trustee in accordance with the terms of the Resolutions. The Bond Insurer's policy will, however, remain in effect with respect to claims for Preferences resulting from payments made prior to the effective date of cancellation of the Bond Insurer's policy.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Bond Insurer from the Trustee or any owner of a 2002 Series AA Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Bond Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2002 Series AA Bonds or presentment of such other proof of ownership of the 2002 Series AA Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2002 Series AA Bonds as are paid by the Bond Insurer, and appropriate instruments to effect the appointment of the Bond Insurer as agent for such owners of the 2002 Series AA Bonds in any legal proceeding related to payment of insured amounts on the 2002 Series AA Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such 2002 Series AA Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

*For a description of the Bond Insurer and a specimen of the Bond Insurance Policy, see **Appendix L** hereto.*

Delivery of Alternate Bond Insurance Policy. In the event that the Bond Insurer is downgraded by any rating agency then rating the 2002 Series AA Bonds to a rating below "Aa3" by Moody's and below "AA-" by S&P, the Authority may (and is required by the Initial 2002AA Liquidity Facility to use its best efforts to) deliver to the Trustee an alternate Bond Insurance Policy with respect to the 2002 Series AA Bonds, subject to the prior written consent of the 2002AA Liquidity Facility Provider and the Rating Agencies. The Authority is to direct the Trustee to cancel the Bond Insurance Policy upon delivery of such alternate Bond Insurance Policy. The Authority may, without the consent of or notice to the Owner of any 2002 Series AA Bond, enter into such indentures supplemental to the Indenture as shall be necessary in connection with the delivery of any alternate Bond Insurance Policy pursuant to the Indenture. The Authority is to give immediate written notice to the Owners of the 2002 Series AA Bonds upon delivery of any such alternate Bond Insurance Policy.

Debt Service Reserve Fund Requirement

Prior to the refunding of the 1992 Series A Bonds on October 1, 2002, a deposit of \$7,150,000 of proceeds of the 2002 Series AA Bonds will be made to the Debt Service Reserve Fund in order to satisfy the Debt Service Reserve Fund Requirement for the Bonds upon delivery of the 2002 Series AA Bonds. On October 1, 2002, such proceeds deposited to the Debt Service Reserve Fund will be transferred and used to

redeem 1992 Series A Bonds, and the Debt Service Reserve Fund Requirement will be thereafter satisfied by an allocation of amounts currently on deposit in the Debt Service Reserve Fund no longer necessary as a result of the refunding to satisfy the Debt Service Reserve Requirement relating to the then Outstanding Bonds. See "Part I – PLAN OF FINANCE – Sources and Uses of Funds." However, the Authority is permitted at any time under the terms of the General Resolution to replace all or a portion of such amounts with a Qualified Financial Instrument. **If the Authority so deposits a Qualified Financial Instrument to fund a portion of the Debt Service Reserve Fund Requirement in connection with the 2002 Series AA Bonds in the future, the 2002 Series AA Bonds will at that time be secured with respect to the Debt Service Reserve Fund only by such Qualified Financial Instrument and not by other moneys or financial instruments on deposit in the Debt Service Reserve Fund.** For further information with respect to the Debt Service Reserve Fund, see "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund" and **Appendix C** - "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Debt Service Reserve Fund."

Mortgage Loan Reserve Fund

In accordance with the General Resolution, no proceeds of the 2002 Series AA Bonds will be deposited to the Mortgage Loan Reserve Fund. See "Part I – SECURITY FOR THE OBLIGATIONS – Mortgage Loan Reserve Fund."

2002AA Investment Agreement

Amounts in the Revenue Fund, the Capitalized Interest Account, the Redemption Fund and the Debt Service Reserve Fund relating to the 2002 Series AA Bonds and held under the Resolutions will be invested in an investment agreement between the Authority and Trinity Funding Company, LLC (the "**2002AA Investment Provider**"), at 1.877% per annum. The assumptions made by the Authority as to projected cashflows include the assumption that the investment rate provided by such 2002AA Investment Agreement will be available as described. However, in the event that the 2002AA Investment Agreement is terminated as a result of default by the 2002AA Investment Provider or for any other reason, it may not be possible to reinvest such proceeds and deposits at this assumed rate and the cashflows may be adversely affected. *Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of the 2002AA Investment Provider. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the 2002AA Investment Provider.* See also **Appendix M** – "OUTSTANDING INVESTMENT AGREEMENTS."

Initial 2002AA Liquidity Facility

In connection with the issuance of the 2002 Series AA Bonds, the Authority expects to enter into a Standby Bond Purchase Agreement (the "**Initial 2002AA Liquidity Facility**") with Westdeutsche Landesbank Girozentrale, acting through its New York Branch, as the 2002AA Liquidity Facility Provider. See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2002AA LIQUIDITY FACILITY" and "Part I – CERTAIN RELATIONSHIPS OF PARTIES." The Initial 2002AA Liquidity Facility will expire July 1, 2003, unless extended or terminated as described herein. For information concerning the Authority's obligation to provide for a Liquidity Facility or Alternate Liquidity Facility with respect to the 2002 Series AA Bonds while in certain Modes, and requirements relating to the provision of an Alternate Liquidity Facility, see "Part II – SECURITY FOR THE OBLIGATIONS – Liquidity Facilities."

2002AA Derivative Product

In connection with the issuance of the 2002 Series AA Bonds, the Authority has entered into a forward interest rate swap agreement (the "**2002AA Derivative Product**") with Lehman Brothers Financial

Products, Inc. (the "**Counterparty**") with respect to \$35,000,000 of the 2002 Series AA Bonds, to be effective July 3, 2002. See "Part I – CERTAIN RELATIONSHIPS OF PARTIES."

Pursuant to the 2002AA Derivative Product, the Authority will pay interest to the Counterparty at a fixed rate and will receive interest from the Counterparty at a variable rate which will be an amount equal to the actual interest payments by the Authority on the 2002 Series AA Bonds (unless and until any alternate floating rate date). The agreement of the Counterparty to make payments under the 2002AA Derivative Product does not affect the Authority's obligation to make payment of the 2002 Series AA Bonds. The Authority's obligation to make interest payments to the Counterparty under the 2002AA Derivative Product constitutes an Obligation under the General Resolution, secured on parity with the lien of the Bonds and other Obligations. The Authority's obligation to make termination payments under the 2002AA Derivative Product in the event of early termination is a general obligation of the Authority and not an Obligation under the General Resolution. Neither the Owners of the 2002 Series AA Bonds nor any other person other than the Authority have any rights under the 2002AA Derivative Product or against the Counterparty. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority." There are no Derivative Products currently Outstanding under the General Resolution. See **Appendix B** – "OUTSTANDING GENERAL RESOLUTION OBLIGATIONS." See also "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products" and **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Derivative Products."

TAX MATTERS

Tax Treatment of Interest

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 2002 Series AA Bonds (except for interest on any 2002 Series AA Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2002 Series AA 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 2002 Series AA 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, interest on the 2002 Series AA 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 2002 Series AA 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 2002 Series AA Bonds.

The Tax Code imposes several requirements which must be met with respect to the 2002 Series AA 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 2002 Series AA Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2002 Series AA Bonds; (b) limitations on the extent to which proceeds of the 2002 Series AA 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 2002 Series AA Bonds above the yield on the 2002 Series AA Bonds to be paid to the United States Treasury. The Authority will covenant and represent in the 2002 Series AA Resolution 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 2002 Series AA Bonds from gross income and alternative minimum taxable income under the Tax Code. Bond Counsel's opinion as to the exclusion of interest on the 2002 Series AA Bonds from gross income and 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 2002 Series AA Bonds to be included in gross income or alternative minimum taxable income from the date of issuance.

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 2002 Series AA Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2002 Series AA Bonds. Owners of the 2002 Series AA 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 2002 Series AA Bonds from gross income and 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 2002 Series AA Bonds. Owners of the 2002 Series AA 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 2002 Series AA 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 2002 Series AA Bonds, the exclusion of interest on the 2002 Series AA Bonds from gross income, alternative minimum taxable, or any combination thereof from the date of issuance of the 2002 Series AA 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 2002 Series AA Bonds. If an audit is commenced, under current procedures the Service will treat the Authority as the taxpayer and the Bondowners may have no right to participate in such procedure. Neither the Underwriters nor Bond Counsel is obligated to defend the tax-exempt status of the 2002 Series AA Bonds. The Authority has covenanted in the Resolutions not to take any action that would cause the interest on the 2002 Series AA 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 2002 Series AA Bonds.

UNDERWRITING

The 2002 Series AA 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 2002 Series AA Bonds at a price equal to \$75,720,000 (being the par amount of the 2002 Series AA Bonds). The Underwriters will be paid a fee of \$342,499 (plus reimbursement of certain expenses). The initial public offering price may be changed from time to time by the Underwriters.

2002AA REMARKETING AGENT

Lehman Brothers Inc. has initially been appointed to serve as 2002AA Remarketing Agent for the 2002 Series AA Bonds (the "**2002AA Remarketing Agent**") pursuant to a Remarketing Agreement dated as of July 1, 2002 between the Authority and Lehman Brothers. See "Part I – CERTAIN RELATIONSHIPS OF PARTIES." If 2002 Series AA Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2002 SERIES AA BONDS – Tender and Purchase," the 2002AA Remarketing Agent is required to use its best efforts to remarket such 2002 Series AA Bonds in accordance with the terms of the 2002 Series AA Resolution and the Remarketing Agreement. The 2002AA Remarketing Agent will also be responsible for determining the rates of interest for the 2002 Series AA Bonds in accordance with the 2002 Series AA Resolution. The 2002AA Remarketing Agent is to transfer any proceeds of remarketing of the 2002 Series AA Bonds it receives to the Paying Agent for deposit to the Remarketing Proceeds Subaccount of the Purchase Fund in accordance with the 2002 Series AA Resolution.

The 2002AA Remarketing Agent may at any time resign and be discharged of its duties and obligations under the Remarketing Agreement upon providing the Authority, the Trustee, the Paying Agent, and the Liquidity Facility Provider with thirty (30) days' prior written notice, except that such resignation shall not take effect until the appointment of a successor 2002AA Remarketing Agent under the 2002 Series AA Resolution. The 2002AA Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the 2002AA Remarketing Agent, the Trustee, the Paying Agent, and the Liquidity Facility Provider and upon at least thirty (30) days' prior written notice to the 2002AA Remarketing Agent. Any successor 2002AA Remarketing Agent shall be selected by the Authority. The 2002AA Remarketing Agent shall assign and deliver the 2002AA Remarketing Agreement to its successor.

LITIGATION

At the time of the delivery of and payment for the 2002 Series AA Bonds, the Authority will deliver an opinion of its Director of Legal Operations, James A. Roberts, 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 2002 Series AA 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 2002 Series AA Bonds, the Resolutions or the contract for the purchase of the 2002 Series AA 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 2002 Series AA Bonds the short-term ratings of "VMIG-1" and "A-1+," respectively, and the long-term ratings of "Aaa" and "AAA," respectively, with the understanding that upon delivery of the 2002 Series AA Bonds, the Initial 2002AA Liquidity Facility will be issued by the 2002AA Liquidity Facility Provider and the Bond Insurance Policy will be issued by the Bond Insurer. Such ratings reflect only the views of Moody's and S&P, respectively, and are not a recommendation to buy, sell or hold the 2002 Series AA 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 to 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. Any such downward revision or withdrawal of any such rating may have an adverse effect on the marketability or market price of the 2002 Series AA Bonds.

CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as an Underwriter of the 2002 Series AA Bonds and the initial 2002AA Remarketing Agent of the 2002 Series AA Bonds. The Counterparty is an affiliate of Lehman Brothers Inc. and has acted as a counterparty for other outstanding derivative products of the Authority. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2002AA Derivative Product." Westdeutsche Landesbank Girozentrale is a party to numerous investment agreements relating to the Bonds, as described in **Appendix M** – "OUTSTANDING INVESTMENT AGREEMENTS," and will also serve as the 2002AA Liquidity Facility Provider. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Initial 2002AA Liquidity Facility."

NO CONTINUING DISCLOSURE

Neither the Authority nor the 1982 Sponsors have agreed to provide continuing disclosure concerning the Authority, the 1982 Projects, the 1982 Mortgage Loans or the 2002 Series AA Bonds while the 2002 Series AA Bonds are in a Daily Mode, Weekly Mode or Term Mode equal to or less than nine months. If the 2002 Series AA Bonds are converted to a Fixed Rate Mode or adjusted to a Term Mode greater than nine months such that the 2002 Series AA Bonds became subject to Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities Exchange Commission under the Securities Exchange Act of 1934, as amended, the Authority will agree at the time of such conversion or adjustment, and will obtain the agreement of certain 1982 Sponsors to the extent required by Rule 15c2-12, to provide continuing disclosure to the extent required by Rule 15c2-12.

Although it currently has no obligation to do so with respect to the 2002 Series AA Bonds, the Authority has implemented a continuing disclosure program with respect to certain other obligations issued by the Authority. Certain of such information, including information concerning other Bonds issued by the Authority under the General Resolution and the loan portfolios securing such Bonds, is available at the Authority's website, www.colohfa.org, in the section entitled "Bond Disclosures."

(End of Part I)

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PART II

COLORADO HOUSING AND FINANCE AUTHORITY

Background

In 1973, upon a finding that there existed in the State a shortage of decent, safe and sanitary housing available within the financial capabilities of low and moderate income families, the Colorado General Assembly established the Colorado Housing Finance Authority, since renamed the Colorado Housing and Finance Authority, as a body corporate and a political subdivision of the State for the purpose of increasing the supply of decent, safe and sanitary housing for such families. The Colorado Housing and Finance Authority Act, as amended, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes (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 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 Multi-Family Housing Facility Loan Program, a Rental Acquisition Program and various commercial loan programs. The Authority previously operated a Loans to Lenders Home Loan Program, a Multi-Family Housing Rehabilitation Program, a Multi-Family Loans to Lenders Program, and a Construction Loan Program. 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 current 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>
Joseph B. Blake, Chair (1)	President and Chief Executive Officer, Denver Metro Chamber of Commerce; Denver, Colorado	June 30, 2005
John R. Davidson, Chair, <u>pro tem</u> (1)	Chairman of the Board and Chief Executive Officer, First American State Bank; Denver, Colorado	June 30, 2003
M. Michael Cooke, Secretary/Treasurer (1)	Executive Director; Department of Regulatory Agencies; Denver, Colorado	At the pleasure of the Governor
Jo Ellen Davidson	Housing and Community Development Consultant; Denver, Colorado	June 30, 2005
Michelle Dressel	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	June 30, 2005
Joseph A. Garcia	Government Affairs Manager, Colorado Springs Utilities; Colorado Springs, Colorado	June 30, 2005
Joanne Hill	Colorado State Auditor; Denver, Colorado	June 30, 2006
James Isgar	State Senator; Hesperus, Colorado	End of legislative biennium 2001-2002
Nancy J. McCallin	Director, Governor's Office of State Planning and Budgeting; Denver, Colorado	June 30, 2003
Jeffrey D. Roemer	Commercial Real Estate Broker, Fuller and Company; Denver, Colorado	June 30, 2003
Jesse L. Thomas	Government and Community Affairs Leader, Colorado Access; Denver, Colorado	June 30, 2005

(1) These Board members were elected to their respective offices effective March 28, 2002.

The principal staff officers of the Authority are as follows:

Milroy A. Alexander, the 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, the Deputy Executive Director for Core Business Operations 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.

Nedra San Filippo, the Deputy Executive Director for Corporate Communications & Development since January 1, 2001, joined the staff in December 1985. Ms. San Filippo has headed the Authority's planning and development area since December 1985. Ms. San Filippo has a Master's Degree in Urban and Regional Planning from the University of Colorado-Denver and a Bachelor's Degree in Government from Cornell University. Ms. San Filippo worked for the planning department in a local government and for a private consultant before joining the Authority.

John Dolton, the Director of Finance/Chief Financial Officer, joined the staff in August 1990. Prior to his responsibilities as Director of Finance/CFO, Mr. Dolton had served in various capacities within the Finance Division and as the Manager of Treasury Operations since September 1994. 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.

James A. Roberts, the Director of Legal Operations, joined the staff in December 1974. Mr. Roberts, a graduate of Yale College and Yale Law School, served with the Michigan State Housing Development Authority from 1970 until December 1974.

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.

Mark Welch, the Director of Rental Finance, joined the staff in January 2001. Prior to joining the Authority, Mr. Welch served as the Director of Housing Development for Mercy Housing, Inc. Mr. Welch has also served with the Colorado Rural Housing Development Corp. and the Colorado Agricultural Leadership Council. Mr. Welch received a Master's Degree in business administration from the University of Denver and a Bachelor's Degree in sociology from the College of St. Thomas.

Jaime Gomez, the Director of Business Finance, joined the staff in August 1999. 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.

Lisa M. Lunger, the Director of Asset Management, joined the staff in December 1994. Prior to her appointment as the Director of Asset Management on December 10, 2001, Ms. Lunger served in various capacities in the Asset Management Division, including most recently as the Assistant Director of Asset Management. Before joining the Authority, Ms. Lunger had 14 years experience in residential and commercial property management. Ms. Lunger is also a Colorado licensed real estate broker.

Linda Raigoza Steele, the Director of Information Technology, joined the staff in April 2002. Prior to joining the Authority, Ms. Steele was involved in management of information technology organizations, enterprise system implementation and network operations. Ms. Steele has a Master's Degree in information systems from the University of Denver and a Bachelor's degree in business with a minor in electrical engineering from the University of Colorado. She is an adjunct professor for the University of Denver and Regis University.

Programs to Date

The following is a brief summary of the housing and loan programs currently operated by the Authority and the revenue and general obligation bonds, notes or other obligations which have been issued to date to provide funds for such programs. 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, its programs and its financial status. **Except as otherwise described herein, the mortgage loans referred to below are not pledged in any way as security for the Bonds. See "Part II – SECURITY FOR THE OBLIGATIONS."**

Multi-Family Loan Programs

Under its Multi-Family Housing Facility Loan Program, the Authority makes mortgage loans to qualified sponsors of low and moderate income multi-family housing within Colorado. The Multi-Family Housing Facility Loan Program consists of programs providing funds for: (i) mortgage loans insured by an agency or instrumentality of the United States ("**Insured Loans**"); (ii) uninsured mortgage loans ("**Uninsured Loans**"); and (iii) uninsured mortgage loans made with funds from the Authority's Housing Opportunity Fund ("**Uninsured HOF Loans**").

The Insured 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 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. 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 "General Obligations of the Authority" under this caption. The Bonds have been issued under the General Resolution to finance Insured Loans under the Multi-Family Housing Facility Loan Program. See **Appendix B** – "OUTSTANDING GENERAL RESOLUTION OBLIGATIONS." Insured Loans have also been made by the Authority using proceeds of its Multi-Family/Project Bonds.

The Authority has made Uninsured Loans to §501(c)(3) nonprofit corporations and public housing authorities as well as to for-profit developers. Such Uninsured Loans made as a part of the Authority's SMART (Small Affordable Rental Transactions) Program generally have been made in principal amounts under \$1 million (increased to a \$2 million maximum amount as of August 23, 2001). As of December 31, 2001, the Authority had outstanding \$8,372,000 aggregate principal amount of such Uninsured Loans made in connection with the SMART program and financed on an interim basis by the Authority from its General Fund. The Authority has also made Uninsured Loans which have been financed by the proceeds of the Authority's (i) General Obligation Bonds, (ii) Multi-Family/Project Bonds, (iii) Mortgage Revenue Bonds, sold to institutional purchasers and secured solely by and payable solely from such Uninsured Loans and (iv) Multi-Family Housing Revenue Bonds issued by the Authority as a conduit issuer and supported by letters of credit or other credit facilities.

As of December 31, 2001, the Authority had the following bonds outstanding, proceeds of which have been used to finance Insured Loans and Uninsured Loans. **Except for bonds specifically identified in Appendix B as Bonds under the General Resolution, the revenue bonds described below 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 General Resolution.**

Bonds to Finance Multifamily Housing Facility Loan Program

<u>Name of Bonds</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding(1)</u>	<u>Loans Outstanding(2)</u>
Multifamily Housing Insured Mortgage Revenue Bonds (3)	\$678,660,000 (23 series)	\$406,835,000	\$316,427,000
Mortgage Revenue Bonds (4)	\$ 11,576,000 (4 series)	\$ 2,070,000	\$ 2,010,000
Multi-Family/Project Bonds (5)	\$166,505,000 (3 series)	\$163,955,000	\$115,350,000
General Obligation Bonds(6)	\$105,293,000 (11 series)	\$ 4,750,000	\$ 4,404,000
General Obligation Bonds (7) (SMART Program)	\$ 8,707,000 (1 series)	\$ 8,471,000	\$ 8,372,000

(1) As of December 31, 2001.

(2) Aggregate principal amount as of December 31, 2001. See **Appendix E** – "CERTAIN INFORMATION ABOUT THE OUTSTANDING MORTGAGE LOANS AND PROJECTS."

(3) Proceeds used to finance Insured Loans. See **Appendix B** – "OUTSTANDING GENERAL RESOLUTION OBLIGATIONS."

(4) Proceeds used to finance Uninsured Loans.

(5) Proceeds used to finance and refinance Insured Loans and Uninsured Loans. The Authority issued its 2002 Series A Bonds in May 2002 in an aggregate principal amount of \$40,005,000.

(6) Proceeds used to finance Uninsured Loans.

(7) Proceeds used to finance and refinance Uninsured Loans under the SMART program.

Under its Multi-Family Housing Facility Loan Program, the Authority also makes Uninsured HOF Loans using funds from amounts in its General Fund designated as the Housing Opportunity Fund. The Housing Opportunity Fund was created by the Authority in 1989 to provide small loans at flexible interest rates, either with first mortgages or on a subordinate basis to other loans, and thereby supplement other available financing as needed for rental housing facility projects. As of December 31, 2001, the Authority had outstanding approximately \$10,649,000 aggregate principal amount of such Uninsured HOF Loans.

The Authority has also implemented a Rental Acquisition Program (the "**RAP Program**") under which 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. Projects in the RAP Program have been acquired using a combination of revenue bonds, the Authority's general fund monies, proceeds of general obligation bonds and non-recourse seller carryback financing secured solely by the acquired projects.

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 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. In connection with this program, the Authority has previously issued numerous series of its single-family housing revenue bonds, the aggregate principal amount of which outstanding as of December 31, 2001 was \$986,451,000. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds are general obligations of the Authority. The Authority has used and expects to continue to use proceeds (and amounts exchanged therefor) of bonds, as permitted by tax law, to finance its acquisition of mortgage loans under the Qualified Single-Family Mortgage Program. **For information concerning the outstanding bonds of the Authority issued in connection with its Single-Family Mortgage Programs, see www.colohfa.org.**

Eligible borrowers under the Authority's Non-Qualified Single-Family Mortgage Program must meet certain income limits established by the Authority, which limits are somewhat higher than the limits permitted for the Qualified Single-Family Mortgage Program. There is no limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-Qualified Single-Family Mortgage Program. In many other respects, the requirements for the Non-Qualified Single-Family Mortgage Program are the same as the requirements for the Authority's Qualified Single-Family Mortgage Program. The Authority has used and expects to continue to use proceeds (and amounts exchanged therefor) of bonds, as permitted by tax law, to finance its acquisition of mortgage loans under the Non-Qualified Single-Family Mortgage Program.

Commercial Programs

The Authority offers various programs under which it finances commercial and industrial loans (or participation interests therein) by means of certain bonds and notes, outstanding as of December 31, 2001 as shown on the following table. All of these bonds and notes constitute general obligations of the Authority payable from the unencumbered assets and available income of the Authority. See "General Obligations of the Authority" under this caption.

Commercial Program Bonds/Notes

Name of Bonds	Principal Amount Issued	Principal Amount Outstanding (1)
Guaranteed Loan Participation Purchase Bonds (2)	\$58,302,000	\$15,589,000
Project Loan Participation Purchase Bonds and Refunding Bonds (3)	\$68,108,000	\$27,861,000
Rural Business-Cooperative Service Notes (4)	\$ 2,050,000	\$ 1,579,000

(1) As of December 31, 2001.

(2) Proceeds are used to fund participation interests in commercial and industrial loans under three programs of the Authority – a Quality Investment Capital ("**QIC**") Program, a Quality Agricultural Loan ("**QAL**") Program and a Business & Industry II ("**B&I II**") Program

(3) Proceeds are used to finance commercial and industrial loans (or participation interests therein) under the Authority's ACCESS Program and Direct Loan Program.

(4) Proceeds are used to finance project or working capital loans or participations therein for small businesses in rural areas.

In connection with its Special Projects financing program, the Authority has issued as a conduit issuer its industrial development revenue bonds to finance certain manufacturing facilities for corporations and has financed real estate projects for non-profit organizations certain through general obligation bonds of the Authority. See "General Obligations of the Authority" under this caption. The Authority offers a loan program for businesses involved in the recycling and waste diversion industries ("**RENEW Program**"), with funding received from the Colorado Department of Local Affairs. The Authority also uses its Business and Industry Loan I ("**B&I I**") Program to provide funding to Colorado businesses located in rural areas, which loans are supported by an eighty percent guaranty of the Rural Business - Cooperative Service.

General Obligations of the Authority

As explained in "Programs to Date" under this caption, many of the bonds and notes issued by the Authority to finance its programs are general obligations of the Authority, rather than payable from specific revenues or assets. The following is a list of the outstanding bonds/notes of the Authority as of December 31, 2001:

General Obligation Bonds/Notes

Name of Bonds	Principal Amount Issued	Principal Amount Outstanding (4)
Subordinate Bonds – Qualified Single-Family Mortgage Program (1)	\$ 44,715,000	\$18,160,000
General Obligation Bonds – Multi-Family Housing Facility Loan Program (2)	\$105,293,000	\$ 4,750,000
Multi-Family/Project Class III Bonds (2)	\$21,760,000	\$21,760,000
General Obligation Bonds/ Notes – Commercial Programs (3)	\$135,117,000	\$51,921,000

(1) See "Programs to Date – Single-Family Mortgage Programs" under this caption.

(2) See "Programs to Date – Multi-Family Loan Programs" under this caption.

(3) See "Programs to Date – Commercial Programs" under this caption.

(4) As of December 31, 2001.

The Authority has also pledged its full faith and credit to secure other obligations relating to its programs, as described below:

- Section 542(c) Risk Sharing. The Authority has also assumed as a general obligation 50% risk of loss in the mortgage loans insured by the FHA under Section 542(c) in connection with its Multi-Family Housing Facility Loan Program, which loans were outstanding as of December 31, 2001 in the aggregate amount of \$166,865,000. See **Appendix F – "FEDERAL INSURANCE PROGRAMS."** 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 – Multi-Family Loan Programs" under this caption. In connection with the Authority's mortgage loan previously outstanding in the aggregate principal amount of \$8.97 million (the "**Marycrest Loan**"), the Authority has incurred a risk sharing liability as a result of a default of the Marycrest Loan and the filing of a full insurance claim. A mortgage loan outstanding in the aggregate principal amount of \$8.38 million (the "**Allied Loan**") defaulted and the Authority has concluded the foreclosure process. As a result, the Authority has filed a full insurance claim for the Allied Loan. In addition, a mortgage loan outstanding in the aggregate principal amount of \$1.63 million (the "**Sterling Manor Loan**") is presently in default. If the Sponsor does not cure the default, the Authority will be required to file either a partial or full insurance claim in accordance with the procedures and notice process required by the FHA. It is likely that the Authority will also incur a risk sharing liability in connection with the Allied Loan and the Sterling Manor Loan. At this time, the Authority believes that the risk sharing liability with respect to the Allied Loan and the Sterling Manor Loan will not substantially exceed the multifamily loan loss reserve that the Authority has established for such loans. **The Marycrest Loan, the Allied Loan and the Sterling Manor Loan are Mortgage Loans under the General Resolution. See "Part II – SECURITY FOR THE OBLIGATIONS."**

- Derivative Obligations. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under derivative products to the Multi-Family/Project Bonds and under certain interest rate contracts relating to certain outstanding single family bonds of the Authority.

- Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for the borrowing from time to time of up to an aggregate amount of \$130,000,000. Such borrowings are also general obligations of the Authority and have generally been

used to date to make or purchase loans pending the permanent financing of such loans. As of December 31, 2001, \$88,254,126 in borrowings were outstanding under those agreements.

Moody's Investors Service ("**Moody's**") has assigned an "A1" rating and Standard & Poor's Ratings Group, a Division of The McGraw-Hill Companies, Inc. ("**S&P**") has assigned an "A+" rating to the Authority's ability to repay its long-term general obligation liabilities. The ratings have been assigned based on the Authority's management, financial performance and overall program performance. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward entirely by Moody's or S&P, respectively, if circumstances so warrant.

SECURITY FOR THE OBLIGATIONS

Special Limited Obligations

All Obligations (which may be Bonds or Derivative Products) outstanding under the General Resolution are secured equally and proportionately by and payable from revenues, assets and moneys pledged for the payment thereof under the General Resolution. For a description of the Obligations presently outstanding under the General Resolution, outstanding as of March 31, 2002 in the aggregate principal amount of \$395,190,000, see **Appendix B** – "OUTSTANDING GENERAL RESOLUTION OBLIGATIONS." *Notes and bonds heretofore or hereafter issued to provide funds for programs of the Authority (other than the Bonds under the General Resolution) are and will be authorized and secured by resolutions and indentures of the Authority other than the General Resolution, are not and will not be secured by the pledge of the General Resolution 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 General Resolution, the Obligations are secured by an express lien on:

- (i) the proceeds of Bonds issued under the General Resolution;
- (ii) the Revenues (as described in "Revenues" under this caption) and all other moneys (except commitment fees paid to the Authority and Escrow Payments) received by the Authority or the Trustee with respect to the Mortgage Loans (including the 1982 Mortgage Loans) and the Projects;
- (iii) all moneys (except Escrow Payments) on deposit in the Funds and Accounts established under the General Resolution (see, for example, "Debt Service Reserve Fund" and "Mortgage Loan Reserve Fund" under this caption); and
- (iv) the rights and interests of the Authority in the Mortgage Loans described in "The Mortgage Loans and Projects" under this caption, which include the 1982 Mortgage Loans.

In no event shall the 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 2002 Series AA Bonds).

Revenues

Under the General Resolution, "**Revenues**" means all income and receipts of whatever kind (other than commitment fees paid to the Authority and Escrow Payments) received by the Authority from or with respect to Mortgage Loans or Projects, including without limitation Mortgage Repayments, Fees and Charges, Housing Subsidy Payments (other than amounts which the Authority is obligated to pay to the Mortgagor), Prepayments and Acquired Project Income (representing all revenues from Projects owned by the Authority), and all Reciprocal Payments (relating to any Derivative Products). The pledge of such Revenues is subject to the respective liens of the Trustee, Depositories and Paying Agents for reasonable compensation and expenses. For a more complete description of the Revenues, and the pledge thereof, see **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Revenue Fund" and "-Allocation of Moneys in the Revenue Fund."

The Mortgage Loans and Projects

General Resolution Requirements

"Mortgage Loan" is defined by the General Resolution to be an interest-bearing obligation evidencing a loan which is made by the Authority to a Sponsor, secured by an instrument evidencing a first mortgage lien on a Project, and insured by the Government (as defined by the General Resolution). Reference to a Mortgage Loan in this Official Statement includes the mortgage notes evidencing mortgage loans to the Sponsors, which notes are to be endorsed for insurance. The General Resolution requires that any Mortgage Loan funded with the proceeds of Bonds be insured by an agency or instrumentality of the United States under a program requiring payment of not less than ninety-nine percent (99%) of the principal amount of such Mortgage Loan in the event of a default by the Sponsor and be secured by a first Mortgage on the applicable Project or Projects. See **Appendix F** – "FEDERAL INSURANCE PROGRAMS."

Outstanding Mortgage Loans and Projects

For information concerning the Outstanding Mortgage Loans and Projects securing the Obligations issued now and hereafter under the General Resolution, see **Appendix E** – "CERTAIN INFORMATION ABOUT THE OUTSTANDING MORTGAGE LOANS AND PROJECTS." See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – 1982 Mortgage Loans and Projects."

Debt Service Reserve Fund

The General Resolution establishes a Debt Service Reserve Fund for all of the Bonds. The Debt Service Reserve Fund Requirement is as of any date the maximum amount of principal (including Sinking Fund Installments) and interest becoming due on all Bonds then Outstanding under the General Resolution, excluding Debt Service Reserve Fund Bonds (those issued to provide amounts for deposit in the Debt Service Reserve Fund), in the current or in any future Bond Year. It is a condition precedent to the authentication by the Trustee of any series of Bonds that the amount in the Debt Service Reserve Fund, after issuing such series of Bonds and placing in the Debt Service Reserve Fund the amount provided for in the series resolution authorizing such Bonds, is at least equal to the Debt Service Reserve Fund Requirement. For further information with respect to the Debt Service Reserve Fund, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund Requirement," and **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Debt Service Reserve Fund."

Mortgage Loan Reserve Fund

Pursuant to a Supplemental Resolution adopted by the Authority on May 19, 1982, a Mortgage Loan Reserve Fund was established to further secure Bonds issued under the General Resolution. Such Mortgage Loan Reserve Fund was initially funded from the proceeds of the Authority's 1982 Series A Bonds, in an amount equal to approximately 1% of the amount of the proceeds of such Bonds deposited in the Program Fund. In connection with issuance of the Authority's 1982 Series B Bonds and 1984 Series B Bonds, an amount equal to approximately 1% of the amount of the proceeds of such Bonds deposited in the Program Fund was also deposited in the Mortgage Loan Reserve Fund. In connection with the issuance of the Authority's 1991 Series A Bonds, the sponsor of the Mortgage Loan relating thereto was required to contribute to the Mortgage Loan Reserve Fund an amount equal to 1% of the proceeds of the 1991 Series A Bonds deposited in the Program Fund.

Moneys in the Mortgage Loan Reserve Fund will be available to make up deficiencies in the Debt Service Fund prior to withdrawing moneys from the Debt Service Reserve Fund for such purpose and to pay amounts required in connection with the Authority's protection or enforcement of its rights with respect to a Mortgage Loan in default. *There is no requirement that moneys be added to the Mortgage Loan Reserve Fund in connection with the issuance of any series of Bonds issued under the General Resolution.* If there is no Event of Default during the past Bond Year, the Authority may request the Trustee to transfer to the Revenue Fund all or a part of the amount, if any, in excess of the Mortgage Loan Reserve Fund Requirement, defined by the General Resolution to be, as of any date of calculation, an amount equal to one percent of the aggregate amount deposited in the Program Fund in accordance with all Series Resolutions adopted by the Authority to authorize the issuance of Bonds then Outstanding. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Mortgage Loan Reserve Fund."

Liquidity Facilities

The Authority may enter Liquidity Facilities in connection with Adjustable Rate Bonds issued under the General Resolution. Pursuant to the 2002 Series AA Resolution, at all times while the 2002 Series AA Bonds are in the Daily Mode, Weekly Mode, or Term Rate Mode (subject to the following sentence), the Authority is required to cause to be effective a Liquidity Facility or an Alternate Liquidity Facility acceptable to the Bond Insurer. A 2002 Series AA Bond on the date it is converted to the Term Rate Mode and while it is in the Term Rate Mode need not be secured by a Liquidity Facility if so determined by the Authority (with the written consent of the Bond Insurer) prior to the Mode Change Date. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Initial 2002AA Liquidity Facility." The Authority may elect to replace any Liquidity Facility (including but not limited to the Initial 2002AA Liquidity Facility) with an Alternate Liquidity Facility approved in writing by the Bond Insurer. The Authority shall promptly notify the Trustee, the Remarketing Agent, the Bond Insurer 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 Remarketing Agent, 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 and to each National Repository.

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 Resolution.

Pursuant to the Resolutions, the Trustee is to, without any further authorization or direction from the Authority, submit to the Liquidity Facility Provider (with a copy to the Bond Insurer) not earlier than the date provided in a Liquidity Facility (with respect to the Initial 2002A Liquidity Facility, 90 days before the Expiration Date, as defined therein) nor later than the date provided in a Liquidity Facility (with respect to the Initial 2002AA Liquidity Facility, 60 days before the Expiration Date) as from time to time in effect, on behalf of the Authority a request that the Liquidity Facility Provider renew the Liquidity Facility and extend the expiration date thereof for an additional 364-day period (or such other period as may be specified by the Authority in writing) after the then effective expiration date thereof, unless the Trustee shall have received, not later than 90 days before such expiration date (or such other earliest notice date provided in any subsequent Liquidity Facility), written direction from the Authority not to submit such request.

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 and each National Repository.

Derivative Products

In connection with the issuance of Adjustable Rate Bonds, the Authority may 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 – 2002AA Derivative Product." 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 GENERAL RESOLUTION – Derivative Products; Reciprocal Payments; Authority Derivative Payments."** The Authority's obligation to make regular interest payments to the Counterparty under each of the Derivative Products is expected in the future to constitute an Obligation under the General Resolution, secured on parity with the lien on the Trust Estate of the other Obligations. The Authority's obligation to make termination payments under each of the Derivative Products in the event of early termination in the future is expected to be a general obligation of the Authority and not an Obligation under the General Resolution. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

Issuance of Additional Bonds

The General Resolution permits the Authority to issue additional series of Bonds thereunder from time to time, without limitation as to amount, secured on an equal lien with the outstanding Bonds upon satisfaction of certain conditions, described in **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION – Conditions Precedent to Authentication and Delivery of a Series of Bonds,"** and "– Issuance of Refunding Bonds." The Authority expects to issue additional Bonds in the future under the General Resolution. See "Special Limited Obligations " under this caption.

CERTAIN CONSIDERATIONS FOR BONDOWNERS

Limited Security

The Bonds are special limited obligations of the Authority payable solely from the revenues, assets and moneys described in "Part II – SECURITY FOR THE OBLIGATIONS – Special Limited Obligations." There is no assurance that the Mortgage Loans 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 GENERAL RESOLUTION – Revenue Fund." Additional Obligations may be issued by the Authority under the General Resolution on a parity with the Bonds outstanding, upon satisfaction of certain conditions set forth in the General Resolution. See "Part II – SECURITY FOR THE OBLIGATIONS – Issuance of Additional Bonds."

Considerations Regarding Redemption at Par

As discussed in "Expiration of HAP Contracts" under this caption, a significant portion of the outstanding 1982 Mortgage Loans are secured in part by HAP contracts with terms expiring in the near future and are now subject to voluntary prepayment by the respective 1982 Sponsors at any time. Voluntary prepayments may result from a refinancing of a 1982 Mortgage Loan provided by any source, including the Authority. Involuntary prepayments may also be made on the Mortgage Loans (including the 1982 Mortgage Loans) as a result of damage or destruction of the housing facilities, or acceleration or sale of a Mortgage Loan in the event of a Sponsor default. The 1982 Projects are also subject without restriction to voluntary sale, assignment or other disposition. The Authority expects that, on or before the expiration of the HAP contracts relating to the 1982 Mortgage Loans, a significant number of 1982 Sponsors will prepay the 1982 Mortgage Loans in connection with a sale of the 1982 Project, or refinancing or restructuring of such 1982 Mortgage Loans. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 1982 Mortgage Loans and Projects."

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE RESOLUTIONS, 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 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 2002 SERIES AA BONDS – PRIOR REDEMPTION – SPECIAL REDEMPTION." THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED. **However, it is expected that a substantial portion of the 2002 Series AA Bonds will be redeemed prior to their respective stated maturities at a redemption price equal to the principal amount of such 2002 Series AA Bonds to be redeemed, without premium. See also Appendix M – "OUTSTANDING INVESTMENT AGREEMENTS."**

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 F** – "FEDERAL INSURANCE PROGRAMS," the mortgagee is responsible for servicing the Mortgage Loans and the

maintenance of the FHA mortgage insurance in connection with the Mortgage Loans. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

Expiration of HAP Contracts

As indicated in **Appendix E** hereto, a significant portion of the Mortgage Loans pledged to secure Obligations under the General Resolution (and substantially all of the 1982 Mortgage Loans) are secured in part by HAP contracts with terms expiring prior to expiration of the related Mortgage Loan. These contracts by their terms do not contemplate renewal nor did the parties otherwise provide for such renewal at the time the HAP contracts were originally granted. However, federal legislation enacted in October 1997, referred to as the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended ("**Title V**"), provides for the restructuring of mortgage financing and the renewal of HAP contracts for certain multifamily housing projects, including certain projects financed by the Mortgage Loans. The Authority has not determined at this time the extent to which the owners of projects secured by Mortgage Loans and which are the subject of expiring HAP contracts will seek renewals of those HAP contracts or which projects will be eligible for such renewals under Title V, with or without restructuring of the Mortgage Loans. Thus, the Authority is unable at this time to predict the impact of expiration of these HAP contracts or the effect of this legislation on the sufficiency of Revenues and assets pledged under the General Resolution for payment of the Bonds outstanding under the General Resolution or on the level of prepayments which may result from such expirations. However, the Authority expects that, upon or before expiration of the HAP contracts relating to the 1982 Mortgage Loans, a significant number of 1982 Sponsors will make a voluntary Prepayment of the related 1982 Mortgage Loans in connection with a sale of 1982 Projects, or a refinancing or restructuring of such 1982 Mortgage Loans. It is likely (although not certain) that the Authority will use such Prepayments of the 1982 Mortgage Loans to redeem 2002 Series AA Bonds (after, in the case of such Prepayments from 1982A Mortgage Loans, redemption of the outstanding Series 1982A Bonds). See "Part I – TERMS OF THE 2002 SERIES AA BONDS – Prior Redemption," "Part I – CERTAIN PROGRAM ASSUMPTIONS – 1982 Mortgage Loans and Projects" and "Considerations Regarding Redemption at Par" under this caption. See also **Appendix G** – "DESCRIPTION OF SECTION 8 SUBSIDY PROGRAM."

Enforcement of Regulatory Agreements

The CHFA Regulatory Agreements allow for enforcement by declaration of default under the Mortgage 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 Mortgage Loans for a covenant default relating to the Projects, including a tax-related covenant default.

There is no provision in the Bonds or the Resolutions 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 Resolutions for any such payment on the Bonds whatsoever. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 1982 Mortgage Loans and Projects."

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 General Resolution 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.

FINANCIAL STATEMENTS OF THE AUTHORITY

The financial statements of the Authority as of and for the year ended December 31, 2001, included in this Official Statement as **Appendix A**, have been audited by Arthur Andersen LLP, independent public accountants, as stated in their report dated February 22, 2002. The Authority has recently selected Deloitte & Touche LLP to perform the audit of its financial statements as of and for the year ended December 31, 2002.

MISCELLANEOUS

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

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

**COLORADO HOUSING AND FINANCE
AUTHORITY**

By: /s/ Milroy A. Alexander
Executive Director

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APPENDIX A

**Financial Statements and Additional Information
of the Authority for the Fiscal Year
ended December 31, 2001**

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UNQUALIFIED OPINION ON GENERAL-PURPOSE

FINANCIAL STATEMENTS

To the Board of Directors of
Colorado Housing and Finance Authority:

We have audited the accompanying general-purpose statements of financial condition of the Colorado Housing and Finance Authority (the "Authority") as of December 31, 2001 and 2000 and the related statements of revenue, expenses and changes in retained earnings and cash flows for the years then ended. These general-purpose financial statements and the accompanying supplemental financial information are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation and Village of Yorkshire Corporation, which statements reflect total assets of \$21,908,255 and \$21,866,079 as of December 31, 2001 and 2000, respectively, total revenue of \$7,221,960 and \$6,771,536 and net income of \$2,282,859 and \$2,536,208 for the years ended December 31, 2001 and 2000, respectively, of the related totals. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation and Village of Yorkshire Corporation, are based solely on the reports of the other auditors.

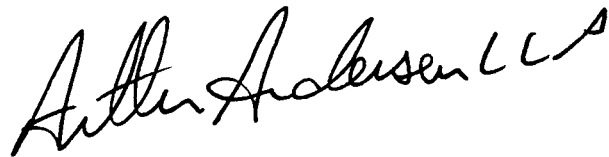
We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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 audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2001 and 2000 and the statements of revenue, expenses and changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2002, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying statements of financial condition and statements of revenue, expenses and changes in retained earnings by program are presented for purposes of additional analysis and are not a required part of the Authority's general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects in relation to the general-purpose financial statements taken as a whole.

Denver, Colorado,
February 22, 2002.

A handwritten signature in black ink, reading "Arthur Andersen LLP". The signature is written in a cursive, flowing style with a large initial "A" and "A".

STATEMENTS OF FINANCIAL CONDITION

December 31,

	2001	(000's Omitted)	2000
Assets			
Cash and interest bearing accounts	\$ 12,929		\$ 7,315
Marketable securities:			
Short-term, at amortized cost which approximates market	411,581		329,128
Cash and cash equivalents	424,510		336,443
Marketable securities:			
Long-term, at fair value	113,916		124,162
Total cash and marketable securities	538,426		460,605
Loans receivable, net	1,405,707		1,392,805
Accrued interest receivable	16,838		17,535
Property and equipment, net:			
Corporate facilities	5,116		3,301
Rental operations	26,547		26,945
Deferred debt financing costs, net	17,908		16,962
Other real estate owned, net	7,146		5,822
Other assets	19,895		19,774
	\$ 2,037,583		\$ 1,943,749
Liabilities and Fund Equity			
Liabilities:			
Bonds payable, net	\$ 1,710,972		\$ 1,635,523
Notes payable	104,500		105,408
Accrued interest payable	25,224		23,413
Accounts payable and other liabilities	7,529		5,207
Federally assisted program advances	369		1,738
Deferred fee income	298		280
Escrow and refundable deposits	7,884		7,688
Total liabilities	1,856,776		1,779,257
Fund equity - retained earnings:			
Restricted	68,628		67,834
General Fund - Board designated	112,179		96,658
Total fund equity - retained earnings	180,807		164,492
	\$ 2,037,583		\$ 1,943,749

The accompanying notes are an integral part of these statements.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS

	Years Ended December 31,	
	2001	(000's Omitted) 2000
Interest and investment revenue:		
Loans receivable	\$ 98,772	\$ 90,606
Marketable securities	28,754	31,689
Net increase (decrease) in fair value of long-term marketable securities	(230)	2,603
Total interest and investment revenue	127,296	124,898
Interest expense - bonds and notes payable	103,793	101,105
Net interest and investment revenue	23,503	23,793
Other revenue:		
Rental operations	10,373	9,858
Fees and miscellaneous income	11,974	11,413
Total other revenue	22,347	21,271
Net revenue	45,850	45,064
Other expenses:		
Salaries and related benefits	9,892	9,356
General operating	11,155	9,300
Provision for losses	6,666	2,059
Other interest expense	1,822	2,249
Total other expenses	29,535	22,964
Net income	16,315	22,100
Retained earnings, beginning of year	164,492	142,392
Retained earnings, end of year	\$ 180,807	\$ 164,492

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2001	(000's Omitted)	2000
Operating activities:			
Net income	\$	16,315	\$ 22,100
Adjustments to reconcile net income to net cash used by operating activities:			
(Increase) decrease in fair value of investments		230	(2,603)
Depreciation		1,752	1,545
Gain on sale of property and equipment		(303)	(1,476)
Accretion of capital appreciation term bonds		1,547	1,712
Amortization of:			
Deferred debt financing costs		1,144	1,420
Premiums and discounts on bonds, net		(5,704)	(4,675)
Premiums and discounts on long-term marketable securities, net		(26)	-
Deferred fee income		(1,585)	(2,328)
Deferred cash assistance expense		2,611	2,102
Mortgage yield recoupment income		(62)	(78)
Provision for losses		6,666	2,059
Principal repayments on loans receivable		290,863	138,942
Sales of other real estate owned		3,132	684
New loan fundings		(315,307)	(370,747)
Deferred fee income		1,296	1,949
Deferred cash assistance expense		(6,552)	(8,108)
Gain on sale of OREO		(294)	-
Changes in assets and liabilities:			
Accrued interest receivable		17	(2,291)
Other assets		2,627	4,334
Accrued interest payable		1,811	1,783
Accounts payable, federally assisted program advances and escrow and refundable deposits		1,149	(4,247)
Total adjustments		(14,988)	(240,023)
Net cash provided (used) by operating activities	\$	1,327	\$ (217,923)

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2001	2000
Net cash provided (used) by operating activities	\$ 1,327	\$ (217,923)
Investing activities:		
Sales and maturities of long-term marketable securities	20,096	12,019
Purchases of long-term marketable securities	(10,053)	(7,322)
Sales of property and equipment:		
Corporate facilities	2	37
Rental operations	459	2,173
Purchases of property and equipment:		
Corporate facilities	(2,256)	(480)
Rental operations	(1,071)	(1,334)
Net cash provided by investing activities	7,177	5,093
Noncapital financing activities:		
Proceeds from issuance of bonds payable	366,060	400,107
Proceeds from issuance of notes payable	393,807	372,032
Debt financing costs	(3,732)	(4,076)
Repayments of bonds payable	(284,063)	(240,060)
Repayments of notes payable	(391,513)	(325,392)
Bond call premiums	(996)	(955)
Net cash provided by noncapital financing activities	79,563	201,656
Net increase (decrease) in cash and cash equivalents	88,067	(11,174)
Cash and cash equivalents, beginning of year	336,443	347,617
Cash and cash equivalents, end of year	\$ 424,510	\$ 336,443
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 106,734	\$ 103,694
Supplemental schedule of non-cash operating, investing and financing activities:		
Transfer of mortgage loans to real estate owned	9,166	10,125
Transfer of loans receivable to other assets	2,748	4,235
Transfer of allowance on loans receivable to allowance on other real estate owned	2,719	4,817
Transfer of allowance on OREO to allowance on accrued interest receivable	340	-
Offset of note payable to OREO due to risk sharing settlement	3,514	-
Transfer of deferred debt financing costs to deferred refunding (bonds and notes payable)	1,575	1,377
Transfer of deferred fee income to deferred refunding (loans receivable)	247	550
Transfer of accrued interest payable to allowance for losses	-	449
Charge-offs of other real estate owned, loans receivable and other assets	4,453	232

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2001 and 2000

(Amounts for all notes in tabular format are in thousands.)

(1) Organization and Summary of Significant Accounting Policies

(a) Authorizing Legislation

Colorado Housing and Finance Authority (the "Authority") is a corporate body and a political subdivision of the State of Colorado established pursuant to the Colorado Housing and Finance Authority Act, Title 29, Article 4, Part 7 of the Colorado Revised Statutes, as amended (the "Act"). Operations of the Authority commenced in 1974.

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

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

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

(b) Reporting Entity

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

Tanglewood Oaks Apartments Corporation ("Tanglewood"), Hyland Park Centre Corporation ("Hyland Park"), and Village of Yorkshire Corporation ("Yorkshire") have been designated as blended component units and included in the Authority's financial statements. Tanglewood, Hyland Park and Yorkshire are public, non-profit instrumentalities of the Authority, each of which owns and operates a single, separate multi-family rental housing project. Financial information pertaining to the blended component units is presented in Note (1). Separate financial statements for the individual component units may be obtained through the Authority.

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

(c) Fund Accounting

The financial activities of the Authority are recorded in funds ("Bond Funds") established under various bond resolutions and in other funds established in connection with the administration of the Authority's programs. All activities of the Authority not performed pursuant to the bond resolutions are recorded in the General Fund.

The financial statements of the Authority are presented on the basis of the governmental proprietary fund accounting concept. All interfund and intercompany balances and transactions have been eliminated in the basic financial statements. Revenue and expenses are recognized on an accrual basis.

The Authority's Board of Directors (the "Board") has designated certain amounts of the retained earnings of the General Fund as of December 31, 2001 and 2000 for various purposes as follows:

NOTES TO FINANCIAL STATEMENTS

(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

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

	2001	2000
Appropriations for loan funds:		
Housing fund	\$ 1,217	\$ 13,019
Business Finance Fund	15,577	10,498
Housing Opportunity Fund	19,390	19,412
	36,184	42,929
Reserves:		
Debt service:		
General Obligation Bonds -		
Rental Housing and Commercial	12,159	7,548
General operating and working capital reserve	12,374	11,425
Unrealized appreciation of investments	473	763
	25,006	19,736
Restrictions for single and multi-family bonds	50,989	33,993
Total designated retained earnings	\$ 112,179	\$ 96,658

(c) Fund Accounting (continued)

The restricted amounts are for the payment of principal, redemption premium, if any, or interest on all outstanding multi-family and single family bond issues, in the event that no other monies are legally available for such payments. The Board may withdraw all or part of this restricted balance only if (i) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (ii) no default exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

The Authority has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting".

The Authority is planning for the implementation of GASB Statement no. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". A key issue

behind the statement is the improvement of operational accountability. The objectives of the statement are to establish a basic financial reporting model that will result in greater accountability by governments, while providing more useful information to a wider range of users. This conceptual basis has resulted in a new financial reporting model with several changes that have major implications on governments; however, as a public enterprise, the implications to the Authority are significant but not as broad as to a true governmental entity. Statement 34 is effective in three phases, which are based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Accordingly, the Authority is required to implement the statement as a Phase 1 government. Phase 1 requires that the statement be applied for periods beginning after June 15, 2001. Therefore, full implementation is planned to begin with the Authority's financial statements for the year ended December 31, 2002.

As permitted by GASB Statement 20, the Authority may adopt all applicable Financial Accounting Standards Board (FASB) Statements

and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. As of December 31, 2001 no such FASB pronouncements have been adopted.

(d) Budget Policies and Procedures

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

The budget is developed on a full accrual basis with estimations of revenue by source and expenses by object. Funds remaining at the end of one year are budgeted again in the following year, if requested and approved.

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

e) Cash

Cash at December 31, 2001 and 2000, primarily includes market interest accounts of which approximately \$1,418,000 and \$1,694,000, respectively, is restricted for various General Fund program purposes.

(f) Marketable Securities

The Authority accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement 31), which establishes accounting and financial reporting standards for investments held by governmental entities. Statement 31 requires most investments to be recorded at fair value and the recognition of unrealized gains and losses in the statement of revenue and expenses. Statement 31 allows money market investments and participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less to be recorded at amortized cost. The net increase (decrease) in the fair value of long-term marketable securities for 2001 and 2000 is reflected in the income statement for the years presented.

The fair value of the Authority's investments is determined from quoted market prices. Long-term marketable securities are carried at fair value. However, the Authority's long-term marketable securities include investment contracts that have fixed maturities and fixed rates with flexible withdrawal provisions. These investment contracts are not transferable, are not affected by changes in market interest rates, and therefore are carried at current face value. Included in long-term marketable securities are \$99,754,000 and \$112,867,000 at December 31, 2001 and 2000, respectively, which are restricted for future debt service as required under the various bond resolutions. Short-term marketable securities are carried at amortized cost, which approximates market, and generally mature

within 90 days. For purposes of the statements of cash flows, the Authority considers all short-term investments to be cash equivalents. The Authority must authorize all purchases and sales of investments in writing.

(g) Loans Receivable

Mortgage loans are carried net of deferred fee income, deferred mortgage yield recoupment income and allowance for loan losses. Generally, mortgage loans bear interest at rates ranging from 5.00% to 14.00% per annum, payable monthly over terms from 15 to 40 years. Commercial loans bear interest at rates ranging from 4.00% to 11.00% per annum, payable monthly or annually over terms from 4 to 30 years. Servicing of mortgage loans is provided by the Authority and various approved and qualified private lending institutions, on behalf of the Authority.

(h) Fee Income and Expense

Loan and commitment fees, net of related costs, are deferred and amortized into interest income, using the effective interest method, over the estimated average lives of the loans. Under the Authority's current Single Family Bond Program, the borrower is provided a cash assistance payment of generally 3% of the loan amount. These payments are deferred and amortized into interest income, using the effective interest method, over the estimated average lives of the loans.

(i) Mortgage Yield Recoupment Income

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

(j) Compensated Absences

Full-time employees accrue vacation leave at the rate of between ten days and twenty days per year, depending on length of service. Partial full-time employees accrue vacation at 80% of full time employees, while part-time employees accrue vacation at 50%. Sick leave accrues to full-time employees at the rate of 9 days per year, and 7.2 days for partial full-time staff. Personal leave accrues to full-time employees at the rate of 2 days per calendar year and part-time employees accrue at 1.6 days. Both sick leave and personal leave are non-vesting and cannot be carried over into the next calendar year. The liability for compensated absences is included in the financial statements.

(k) Allowance for Losses

The allowance for losses on loans, accrued interest receivable, other real estate owned, and other assets is provided through charges against current operations based on management's periodic review of the loan and other real estate owned portfolios. This review considers such factors as the payment history of the loans, the projected cash flows of the borrowers, estimated value of the collateral, subsidies, historical loss experience for each type of insurance or guarantee (for losses particular to other real estate owned), additional guarantees provided by the borrowers and economic conditions. When this review determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made in the amount quantifiable. Loans receivable, accrued interest receivable, other real estate owned and other assets are shown net of an allowance for losses of \$13,259,000, \$340,000, \$2,447,000, and \$161,000, respectively, for 2001, and \$9,387,000, \$0, \$4,406,000, and \$201,000, respectively, for 2000.

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

(l) Property, Equipment and Rental Real Estate Operations

The office building, furniture and equipment are carried at \$5,116,000 and \$3,301,000 at December 31, 2001 and 2000, respectively, representing cost, net of accumulated depreciation of \$3,913,000 and \$3,479,000, respectively. The Authority purchased an adjacent office building and land in 2001, valued at \$532,000 and \$1,133,000, respectively. The Authority uses the straight-line method of depreciation with estimated useful lives of three to thirty-five years.

The Authority commenced its Rental Acquisition Program ("RAP") in 1988, when the Board authorized the acquisition, rehabilitation and operation of below-market priced multi-family properties to provide affordable housing to low and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (i) general obligation and multi-family bond proceeds, (ii) seller-carry notes, and (iii) contributions from the Operating Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. Further, it is the policy of the

Authority to distribute excess surplus equity from the component units semiannually. These distributions are reflected in the component unit's equity.

As of December 31, 2001, the Authority owned a total of 13 RAP projects, including its three component units, containing 1,354 units. Selected balance sheet items of the RAP are presented below:

	2001	2000
RAP combined, including component units:		
Property, net of accumulated depreciation of \$9,157,000 and \$7,897,000	\$ 26,547	\$ 26,945
Total assets	35,785	35,169
Total debt	23,983	25,922
Equity	11,802	9,247
RAP component units only:		
Property, net of accumulated depreciation of \$5,307,000 and \$4,509,000	\$ 18,289	\$ 18,505
Total assets	21,908	21,866
Total debt	17,302	17,465
Equity	4,606	4,401

All revenue and expenses of these properties, including depreciation and interest, are reflected in the operating results of the Authority's Operating Fund. RAP revenues are recorded as components of other revenue-rental operations and fees and miscellaneous income

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

of the operating results of the RAP properties follows on a stand-alone basis before elimination of intercompany transactions.

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(1) Organization and Summary of Significant Accounting Policies (continued)
(l) Property, Equipment and Rental Real Estate Operations (continued)

	2001	2000
RAP combined, including component units:		
Rental operations	\$ 10,373	\$ 9,858
Interest income	135	190
Gain on sale of property	303	1,476
General operating expenses	(4,019)	(3,696)
Depreciation expense	(1,562)	(1,157)
Interest expense	(1,822)	(1,917)
Net income	\$ 3,408	\$ 4,754

	2001	2000
RAP component units only:		
Rental operations	\$ 7,112	\$ 6,631
Interest income	110	140
General operating expenses	(2,878)	(2,174)
Depreciation expense	(798)	(710)
Interest expense	(1,264)	(1,351)
Net income	\$ 2,282	\$ 2,536

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

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

(n) Other Real Estate Owned

Other real estate owned represents real estate acquired through foreclosure and in-substance foreclosures. Other real estate owned is initially recorded at the lower of the investment in the loan or the estimated net realizable value. Subsequent losses are provided for through the allowance for losses.

(o) Other Assets

Included in other assets are escrows related

to RAP and loans serviced by the Authority, unamortized costs of mortgage servicing rights, and investments in public/private partnerships and corporations designed to foster economic development. Where such investments represent a 20% to 50% ownership interest, the Authority uses the equity method of accounting. All other investments are recorded at cost. The carrying value of such investments is approximately \$0 and \$92,000 at December 31, 2001 and 2000, respectively.

(p) Federally Assisted Program Advances

In accordance with and pursuant to contracts between the Authority and the Department of Housing and Urban Development ("HUD"), the Authority administers the Section 8 Housing Assistance Payments ("HAP") Program, and in 2001, became a Performance-Based Contract Administrator ("PBCA"), in certain areas of the State of Colorado. Under these programs,

housing assistance payments are made to the owners of rental housing developments on behalf of tenants of limited income who meet the eligibility requirements. HUD advances funds to the Authority for the housing assistance payments and, for certain developments, pays a monthly fee to the Authority for its administration of the subsidy contracts. These administrative fees, for HAP and PBCA are approximately \$1,318,000 and \$1,114,000 in 2001, respectively, and \$1,276,000 and \$0 in 2000, respectively, are recognized as other revenue when earned.

(q) Interest Rate Swap Agreements

The Authority enters into interest rate swap agreements with rated swap counterparties in order to manage the interest rate risk associated with the issuance

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

(q) Interest Rate Swap Agreements, (continued)
of certain variable rate bonds. 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.

(r) Other Revenue and Other Interest Expense
Other revenue includes rent income from RAP, administrative fees from HAP, tax credit program fees, servicing fees, and reimbursements and fees from other programs. Other interest expense includes actual interest costs on debt incurred to finance RAP projects and on borrowings incurred to finance the Authority's facilities and equipment.

(s) Debt Refunding
For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, 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.

(t) Risk Management
The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures, purchased insurance and partial self

insurance. Commercial general liability, property losses, business automobile liability, worker's compensation and public officials liability are all managed through purchased insurance. For excess risk exposure, all employee medical claims in excess of \$25,000 per individual and \$469,000 aggregate per year are also covered by the purchase of stop-loss insurance.

(u) Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles 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.

(2) Cash and Marketable Securities

Investment of the Authority's monies is made in accordance with the Authority's investment guidelines, which have been approved by the Board and are in compliance with the Act and the laws of the State of Colorado.

Permitted investments under these investment guidelines include obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper rated A-1 or P-1, certificates of deposit, repurchase agreements, money market mutual funds and investment agreements.

The Authority categorizes its cash into three categories as to their risk. Category 1 includes federally insured deposits, or deposits fully collateralized with securities held in the

Authority's name. Category 2 includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. Category 3 includes cash on hand, which is not insured.

At December 31, 2001 the Authority had cash deposits with a carrying value of \$12,929,000. These balances are categorized as follows:

Risk Category	Cash Balance December 31, 2001
1	\$ 585
2	12,344
3	-
TOTAL	\$ 12,929

All of the Authority's marketable securities are also categorized into three categories as follows to provide an indication of the level of risk assumed as of December 31, 2001. Category 1 includes those investments which are insured, or registered securities held by the Authority or its trustee in the Authority's name. Category 2 includes those investments which are uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the Authority's name. Category 3 includes those investments which are uninsured and unregistered, with securities held by the

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(2) Cash and Marketable Securities (continued)

counterparty or its agent, but not in the Authority's name. Amounts not subject to categorization include money market mutual funds and uncollateralized investment agreements because securities are not issued as evidence of these investments. Short-term marketable securities are carried at amortized cost, which approximates market. Long-term marketable securities are carried at fair value.

	Categories			
	1	2	3	Total
Categorized:				
U.S. government & agency obligations	\$ 83,372	\$ -	\$ -	\$ 83,372
Collateralized investment agreements	-	214,891	-	214,891
Repurchase agreements	2,915	-	-	2,915
	\$ 86,287	\$ 214,891	\$ -	\$ 301,178
Uncategorized:				
Treasury money market funds				83,914
Uncollateralized investment agreements				140,405
				\$ 525,497

Investment agreements meet the requirements of the rating agency providing the rating on the related debt issue, and of the Board in accordance with the Act. Such investments are held by financial institutions having the same or higher ratings as that of the applicable debt issue, and the agreements generally provide for collateralization of balances in the event of rating agency downgrade of the institution below the related

bond ratings.

From time to time, the Authority invests in repurchase agreements. Securities underlying repurchase agreements are limited to those government and agency obligations permitted by the Authority's investment guidelines and have a market value of 102% of the cost of the repurchase agreement. The Authority's collateral interest in the underlying securities is perfected by delivery of the securities to the

Authority's trustee.

The following schedule shows the Authority's net (decrease) increase in fair value of long-term marketable securities by fund, for the years ended December 31, 2001 and 2000:

Description	2001	2000
General Fund	\$ 462	\$ 167
Multi-family Housing Insured Mortgage Revenue	(105)	1,593
Multi-family/Project	(129)	553
Single Family Housing Revenue	(415)	27
Taxable Single-Family Mortgage Revenue	11	12
Single Family Revenue	(41)	186
Single Family Program Senior and Subordinate	(13)	65
TOTAL	\$ (230)	\$ 2,603

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(3) Loans Receivable

Loans receivable at December 31, 2001 and 2000 consist of the following:

	2001	2000
General Fund	\$ 206,832	\$ 222,389
Multi-family bond programs:		
Housing Insured Mortgage Revenue	316,427	332,687
Mortgage Revenue	2,010	4,151
Project	115,350	85,049
Single Family bond programs:		
Housing Revenue	-	60,152
Taxable Revenue	8,089	11,005
Taxable Program Senior and Subordinate	2,630	3,539
Revenue Bonds	1,650	2,251
Program Bonds	17,164	19,196
Program Senior and Subordinate	623,173	639,524
Revenue Refunding	468	569
Mortgage	98,964	-
Total loans receivable	1,392,757	1,380,512
Deferred cash assistance expense	34,412	30,515
Deferred fee income	(8,181)	(8,752)
Deferred mortgage yield recoupment income	(22)	(83)
Allowance for loan losses	(13,259)	(9,387)
Total loans receivable, net	\$ 1,405,707	\$ 1,392,805

General Fund loans are generally collateralized by mortgages on real property and improvements. At December 31, 2001 and 2000, \$14,449,000 and \$19,932,000 of these loans (ACCESS program), respectively, are secured by first liens ahead of second liens from the Small Business Administration. Generally, the Authority's lien is secured at origination with collateral having a loan-to-value ratio of 45 to 50 percent. Additionally, at December 31, 2001 and 2000, \$17,490,000 and \$29,926,000 of these loans (QIC/QAL program), respectively, are secured by a guarantee of the Small Business Administration or Consolidated Farm Services, formerly Farmers Home Administration.

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

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

All loans receivable of the Authority are

originated in the State of Colorado, with a majority of the underlying collateral in the Front Range and Denver metropolitan areas. Single family program loans are made to low and moderate income families. Multi-family housing borrowers are non-profit and for-profit developers, while commercial borrowers are generally for-profit entities, doing business throughout Colorado.

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(3) Loans Receivable (continued)

At December 31, 2001 and 2000, the amounts available in the Bond Funds for additional investments in new loans, are as follows:

	2001	2000
Recycled funds loans (single family mortgage prepayments)	\$ -	\$ 32,139
Single family mortgage program	143,650	48,756
Multi-family mortgages and projects	32,942	40,195
	\$ 176,592	\$ 121,090

These amounts exclude single family mortgage loans warehoused in the Authority's General Fund of \$92.8 million and \$114.8 million, at December 31, 2001 and 2000, respectively.

(4) Bonds and Notes Payable

The aggregate principal amounts of bonds and notes payable at December 31, 2001 and 2000 are shown below. Interest is payable semiannually unless otherwise noted.

Description and due date	Interest rate (%)	2001	2000
General Fund:			
General Obligation Bonds:			
1992 Series A 2002-2030	9.125	\$ 3,285	\$ 3,305
1998 Series A 2002-2017	4.35 to 5.25	1,465	1,515
ACCESS Programs:			
1991 Series A 2002-2011	8.90 to 9.15	6,890	6,890
1991 Series B 2002-2011	8.50 to 9.40	5,970	6,020
1995 Series A 2002-2015	7.67	5,292	5,505
1997 Series A 2002-2018	7.22	5,533	6,149
1999 Series A 2002-2018	6.49	4,176	6,832
QIC Program:			
1993 Series A	7.87	-	2
1994 Series A 2002-2020	6.51	96	799
1994 Series B 2002-2021	6.53	-	1,800
1995 Series A 2002-2020	7.60	868	2,549
1997 Series A 2002-2023	6.56	1,043	2,402
1999 Series A 2002-2024	5.71	6,534	9,926
2000 Series A 2002-2025	6.755	7,048	9,985
SMART Program			
2000 Series A 2002-2020	6.152	8471	8,707
Taxable Mortgage Revenue			
2000 Series A 2002-2020	6.914	11,905	13,476
2000 Series B 2002-2020	6.675	4,572	5,154
2001 Series A PERA 2002-2021	6.135	23,175	-
2001 Series A VECTRA 2002-2021	6.625	6,703	-

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(4) Bonds and Notes Payable (continued)

Description and due date		Interest rate (%)	2001	2000
Multi-family Mortgage Revenue Bond:				
1994 Series A	2002	7.25	\$ 60	\$ 127
			103,086	91,143
Multi-family Housing Insured				
Mortgage Revenue Bonds:				
1982 Series A	2002-2025	9.00	18,550	18,550
1982 Series B	2002-2025	6.00	11,645	11,645
1984 Series A		7.50	-	4,940
1991 Series A	2002-2026	7.35	2,485	2,495
1992 Series A	2002-2023	8.00 to 8.30	77,335	78,830
1993 Series A	2002-2029	5.125 to 5.90	16,305	16,490
1995 Series A	2002-2037	5.65 to 6.80	11,850	11,940
1995 Series B	2002-2037	5.45 to 6.75	14,135	14,220
1995 Series C	2002-2015	5.10 to 7.00	12,790	12,870
1996 Series A	2002-2037	4.80 to 7.20	35,540	36,620
1996 Series B	2002-2037	5.75 to 8.00	8,780	8,860
1996 Series C	2002-2038	5.10 to 8.10	15,100	15,195
1997 Series A	2002-2038	4.60 to 7.125	19,365	19,595
1997 Series B	2002-2038	4.40 to 7.25	23,410	23,615
1997 Series C	2002-2039	4.60 to 6.75	53,450	54,180
1998 Series A	2002-2039	5.35 to 6.70	20,465	20,605
1998 Series B	2002-2040	5.45 to 7.00	7,260	7,280
1999 Series A	2002-2041	4.65 to 6.65	34,705	34,865
1999 Series B	2002-2041	5.25 to 5.85	5,550	5,580
1999 Series C	2002-2041	4.70 to 7.93	18,115	18,140
			406,835	416,515
Multi-family Mortgage Revenue Bonds				
(Principal and interest payable monthly):				
Series 1978-3	2002-2017	6.50	1,264	1,297
Series 1980-1	2002-2021	10.50	746	757
Series 1981-1		11.00	-	2,097
			2,010	4,151
Multi-family/Project Bonds				
2000 Series A	2002-2032	Variable	94,030	95,875
2000 Series B	2002-2042	Variable	31,875	31,875
2001 Series A	2002-2043	Variable	38,050	-
			163,955	127,750

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2001	2000
Single Family Housing Revenue Refunding Bonds:			
1991 Refunding Series A	6.70 to 7.25	\$ -	\$ 46,451
1995 Refunding Series A	4.60 to 5.65	-	7,910
1996 Refunding Series AA	4.80 to 5.625	-	34,495
		-	88,856
Taxable Single Family Mortgage Revenue Bonds:			
1998 Issue I 2002-2018	6.65	8,670	11,440
Taxable Single Family Program Senior and Subordinate Bonds:			
1993 Issue A 2002-2011	7.625	1,600	2,565
Single Family Revenue Bonds:			
1985 Series A 2014	11.125	760	797
1985 Series B 2017	8.75	1,475	2,085
1993 Refunding Series A 2005-2014	7.00	4,161	4,550
		6,396	7,432
Single Family Program Bonds:			
1998 Series C 2002-2029	4.50 to 5.625	17,082	19,265
Single Family Program Senior and Subordinate Bonds:			
1991 Series A	6.70 to 9.40	-	1,915
1991 Series B	6.70 to 9.00	-	5,195
1991 Series C	6.60 to 9.075	-	8,365
1991 Series D	6.30 to 8.65	-	6,770
1992 Series A 2002-2024	6.30 to 8.70	10,010	12,570
1994 Series B 2002-2024	5.75 to 7.50	2,250	3,025
1994 Series C 2002-2024	6.00 to 7.90	2,295	3,390
1994 Series D-I 2002-2024	5.40 to 8.00	1,955	2,950
1994 Series D-II 2002-2025	5.65 to 8.125	1,725	2,505
1994 Series E 2002-2024	5.60 to 8.125	2,255	3,375
1994 Series F 2002-2025	6.75 to 8.625	1,080	1,980
1995 Series A 2002-2025	5.70 to 8.00	5,520	8,670

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2001	2000	
Single Family Program Senior and Subordinate Bonds, continued:				
1995 Series B	2002-2025	5.50 to 7.90	\$ 6,115	\$ 8,835
1995 Series C	2002-2025	5.15 to 7.65	8,685	11,945
1996 Series D	2002-2026	5.20 to 7.38	19,470	23,750
1996 Series A	2002-2027	4.80 to 7.40	18,895	25,730
1996 Series B	2002-2027	5.10 to 7.65	15,900	24,190
1996 Series C	2002-2027	5.00 to 7.55	17,840	25,025
1997 Series A	2002-2027	4.55 to 7.25	24,050	32,590
1997 Series B	2002-2028	4.80 to 7.00	23,425	31,580
1997 Series C	2002-2028	5.00 to 6.875	24,035	34,415
1998 Series A	2002-2029	4.75 to 6.60	35,885	43,940
1998 Series B	2002-2029	4.625 to 6.55	36,228	44,782
1998 Series D	2002-2029	4.25 to 6.35	47,655	54,635
1999 Series A	2002-2030	4.25 to 6.45	42,695	48,450
1999 Series B	2002-2030	4.875 to 6.80	52,485	59,165
1999 Series C	2002-2031	4.70 to 7.20	61,035	69,140
2000 Series A	2002-2031	5.40 to 7.54	41,000	50,000
2000 Series B	2002-2031	5.10 to 7.47	36,550	40,000
2000 Series C	2002-2031	5.10 to 8.40	49,550	54,765
2000 Series D	2002-2032	5.15 to 7.43	40,000	40,000
2000 Series E	2002-2032	5.15 to 7.10	35,000	35,000
2001 Series A	2002-2032	5.00 to 6.50	40,000	-
2001 Series B	2002-2033	4.125 to 6.55	55,490	-
2001 Series C	2002-2033	4.00 to 6.375	61,365	-
			820,443	818,647
Single Family Revenue Refunding Bonds:				
1994 Series A	2002-2011	5.00 to 5.30	420	515
Single Family Mortgage Bonds:				
2001 Series AA	2002-2041	Variable	131,840	-
Mortgage notes:				
September 4, 2020		1.00	837	878
June 22, 2025		1.00	742	770
July 1, 2004		4.50	732	750
June 30, 2001		5.37	-	1,224
April 1, 2002		11.47	49	50
March 31, 2003		-	85	128
November 30, 2005		-	70	70
May 1, 2005		7.25	-	9,282
Lines of credit:				
January 31, 2002		2.00	5,659	4,070
February 1, 2002		1.90	87,000	87,860
February 1, 2002		2.45	9,133	-

NOTES TO FINANCIAL STATEMENTS

(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

Description and due date	Interest rate (%)	2001	2000
Unsecured notes payable			
June 30, 2003	Variable	\$ 89	\$ -
August 23, 2003	Variable	104	76
October 28, 2002	Variable	-	250
		104,500	105,408
Total bonds and notes payable		1,766,837	1,693,687
Discounts/premiums, net		53,112	49,329
Deferred refunding amounts		(4,477)	(2,085)
Total bonds and notes payable, net		\$ 1,815,472	\$ 1,740,931

Included in several of the bond issues shown above are Capital Appreciation Term Bonds ("CATB"). The principal amounts of these bonds appreciate based on semiannual

compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity and as reflected in the accompanying statements of

financial condition at December 31, 2001 and 2000 are as follows:

Description, due date and type	Interest rate (%)	Appreciated Balances		
		Maturity	2001	2000
Single Family Revenue Bonds:				
1985 Series A 2014 CATB	11.125	\$ 2,995	\$ 760	\$ 797
1993 Refunding Series A 2014 CATB	7.00	9,945	4,161	4,550
Single Family Housing Revenue Bonds:				
1991 Refunding Series A	6.70 to 7.00	-	-	15,576
Single Family Senior and Subordinate Bonds:				
1998 Series B 2029 CATB	5.5	6,940	1,533	1,452
Single Family Program Bonds:				
1998 Series C 2029 CATB	5.625	16,285	3,477	3,290

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(4) Bonds and Notes Payable (continued)

Bonds and notes payable sinking fund installments and maturities during the five years subsequent to December 31, 2001 are as follows:

	2002	2003	2004	2005	2006
Bonds:					
General Fund:					
General Obligation	\$ 3,449	\$ 4,401	\$ 4,551	\$ 4,822	\$ 4,955
Multi-family Mortgage Revenue	60	-	-	-	-
Multi-family:					
Housing Insured Mortgage Revenue	5,025	5,375	5,755	6,145	6,530
Mortgage Revenue	58	62	67	72	78
Project	1,650	520	640	6,140	1,735
Single Family:					
Housing Revenue Refunding	-	-	-	113	385
Program	360	375	395	420	640
Program Senior and Subordinate	14,320	11,145	13,185	17,975	14,625
Revenue Refunding	25	30	45	75	50
Mortgage	3,350	4,390	5,145	5,175	4,865
Notes Payable	101,981	334	773	111	71
Total Bonds and Notes Payable	\$ 130,278	\$ 26,632	\$ 30,556	\$ 41,048	\$ 33,934
Interest Due	99,489	97,476	97,913	96,350	94,447
Total Annual Debt Service	\$ 229,767	\$ 124,108	\$ 128,469	\$ 137,398	\$ 128,381

Aggregate maturities of bonds and notes payable subsequent to the year 2006 are approximately \$1,504,389,000.

Assets of the various Bond Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the various Bond Funds and are held in cash, marketable securities or investment agreements. At December 31, 2001 and 2000, these assets were at least equal to the amounts required to be restricted.

As of December 31, 2001 and 2000, the

Authority had a \$49,000 and \$50,000, respectively, note payable to a bank under its Taxable Multi-family Rental Housing Rehabilitation Program. The note is secured by the pledge of, and is being repaid with the principal and interest payments on, the mortgage loan participations, which were acquired with the note proceeds. In the event of default of any underlying mortgage loan, the Authority is obligated to the bank for up to one-third of any deficiency of amounts due the bank upon foreclosure or other conversion of the defaulted loan. The Authority receives an ongoing fee representing .25% of the unpaid balance of its participation interest.

The Authority has an agreement with the Federal Home Loan Bank of Topeka (FHLB) for

borrowings of up to \$100,000,000. Amounts drawn under the agreement bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investment securities. As of December 31, 2001 and 2000, the outstanding borrowings under this agreement were \$87,000,000 and \$87,860,000, respectively.

The Authority also has a revolving, unsecured, commercial bank line of credit for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest fixed at .52% per annum above the London Interbank Offered Rates (LIBOR). The line of credit agreement terminates on July 25, 2002. As of December 31, 2001 and 2000, the

(4) Bonds and Notes Payable (continued)

outstanding borrowings under this agreement were \$9,133,000 and \$0.

During 2001, the Authority has an agreement with another bank for a secured line of credit authorizing borrowings of up to \$6,000,000. The agreement provides for the Authority to borrow 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 the agreement bear interest fixed at 2% per annum, and are invested with the bank in a money market savings account. The line of credit agreement

terminates on April 30, 2002. As of December 31, 2001, the outstanding borrowings under this agreement were \$5,659,000.

The Authority has issued certain conduit Multi-family Housing Revenue Bonds and Industrial Development Bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 2001, \$180,209,000 and \$47,470,000, respectively, of these bonds were outstanding. The corresponding amounts outstanding as of December 31, 2000 were \$182,640,000 and

\$59,625,000, respectively. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are generally guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

(5) Interest Rate Swaps

The Authority has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Authority makes periodic fixed interest rate payments in exchange for receiving variable rate

payments. The swap agreements are used to create synthetic fixed rates on the underlying variable rate bonds. The swap agreement notional amounts are amortized in accordance with the scheduled and/or anticipated reduc-

tions in the related bond liability. The table below contains the terms of the interest rate swap agreements with the associated bond issues:

Associated Bond Issue	Outstanding Notional Amount	Issue Date	Fixed Rate Paid by the Authority	Floating Rate Received from Counterparties	Termination Date
Multi-Family/Project Bonds:					
2000 Series A A-1, Class I	\$ 12,750	03/21/00	5.235%	VRDO's Rate ¹	10/01/20
2000 Series A A-1, Class III	18,500	03/21/00	5.225%	VRDO's Rate ¹	04/01/25
2000 Series A A-2, Class I	11,545	03/21/00	5.800%	VRDO's Rate ¹	04/01/15
2000 Series B B-1, Class I	7,780	10/19/00	7.390%	LIBOR ² , plus .25%	07/01/20
Single Family Mortgage Bonds:					
2001 Series AA AA-1, Class I	50,000	10/04/01	5.290%	VRDO's Rate ¹	11/01/13
2001 Series AA AA-2, Class I	46,840	10/04/01	4.600%	VRDO's Rate ¹	05/01/31

¹ Variable rate demand obligation

² London inter-bank offered rates

The Authority is potentially exposed to loss in the event of nonperformance by the counterparties under the agreements, or from

early termination of the swap agreements. However, the Authority does not anticipate such nonperformance and expects to hold the swap

agreements to the stated termination dates.

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(6) Debt Refundings

On October 4, 2001, the Authority issued its Single Family Mortgage Bonds 2001 Series AA, in the aggregate principal amount of \$131,840,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Housing Revenue Refunding Bonds, 1991 Series A and 1996 Series AA in the amount of \$81,840,000. The refunding resulted in an increase in the aggregate debt service requirement of \$9,447,000 and an approximate economic gain to the Authority of \$21,917,000.

On August 2, 2001, the Authority issued its Single Family Program Senior and Subordinate Bonds 2001 Series C, in the aggregate principal amount of \$61,365,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1991 Series C and D in the amount of \$11,625,000. The refunding resulted in a decrease in the aggregate debt service requirement of \$3,178,000 and an approximate economic gain to the Authority of \$2,245,000.

On May 30, 2001, the Authority issued its Single Family Program Senior and Subordinate Bonds 2001 Series B, in the aggregate principal amount of \$55,840,000. Proceeds of

the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1991 Series A and B in the amount of \$6,210,000. The refunding resulted in a decrease in the aggregate debt service requirement of \$1,243,000 and an approximate economic gain to the Authority of \$1,196,000.

On June 15, 2000, the Authority issued its Single Family Program Senior and Subordinate Bonds, 2000 Series C, in the aggregate principal amount of \$55,035,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1990 Series A,B, and C in the amount of \$10,415,000. The refunding resulted in a substantial decrease in aggregate debt service requirements of \$1,127,000 and an approximate economic gain to the Authority of \$848,000.

On March 21, 2000, the Authority issued its Multi-Family/Project Bonds, 2000 Series A, in the aggregate principal amount of \$96,580,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds, 1977 Series A and B

and General Obligation Bonds, 1986, 1991 and 1994 Series A in the amount of \$95,585,000. Included in the multi-family issue are variable rate bonds with interest ranging from a weekly high of 5.75% which could result in an increase in aggregate debt service requirements of \$4,514,000 and an approximate economic gain to the Authority of \$18,762,000, to a weekly low of 1.9% which could result in a substantial decrease in aggregate debt service requirements of \$41,929,000 and an approximate economic gain to the Authority of \$43,209,000.

Economic gain or loss is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate.

In accordance with Governmental Accounting Standards Board Statement No. 23, the following deferred amounts related to the 2001 and 2000 refunding transactions are being amortized over the estimated remaining lives of the old debt.

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(6) Debt Refundings (continued)

	2001	2000
Single Family Housing Revenue Refunding Bonds 1991 Series A and 1996 Series AA:		
Deferred fee income	\$ 44	\$ -
Deferred debt financing costs	1,345	-
Call premium	617	-
Single Family Program Senior and Subordinate Bonds, 1991 Series C and D:		
Deferred fee income	(205)	-
Deferred debt financing costs	155	-
Call premium	233	-
Single Family Program Senior and Subordinate Bonds, 1991 Series A and B:		
Deferred fee income	(86)	-
Deferred debt financing costs	76	-
Call premium	146	-
Single Family Program Senior and Subordinate Bonds, 1990 Series A, B, and C:		
Deferred fee income	-	(216)
Deferred debt financing costs	-	210
Call premium	-	208
Multi-Family Housing Insured Mortgage Revenue Bonds, 1977 Series A and B:		
Gain on Sale of Investments	-	(71)
Deferred fee income	-	(334)
Deferred debt financing costs	-	681
General Obligation Bonds, 1986, 1991, and 1994, Series A:		
Deferred debt financing costs	-	519
Unamortized discount	-	93
Call premium	-	747
Total deferred amount	\$ 2,325	\$ 1,837

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(7) Selected Financial and Operating Data

Selected financial and operating data of the various program funds of the Authority as of December 31, 2001 are as follows:

	Total Assets	Bonds and Notes Payable	Fund Equity
General Fund	\$ 353,547	\$ 224,414	\$ 112,179
Multi-family:			
Housing Insured Mortgage Revenue	422,616	398,500	16,372
Mortgage Revenue	2,037	2,010	-
Project	166,317	161,356	3,564
Single Family:			
Taxable Revenue	10,975	8,670	2,113
Taxable Program Senior and Subordinate Revenue	2,978 12,883	1,600 6,396	1,368 6,444
Program Senior and Subordinate	908,080	880,774	13,807
Program Bonds	18,268	17,131	1,023
Revenue Refunding	601	420	180
Mortgage	156,215	131,029	23,757
Intercompany Eliminations	(16,934)	(16,828)	-
	\$ 2,037,583	\$ 1,815,472	\$ 180,807

	Total Revenue	Interest Expense	Net Income (Loss)
General Fund	\$ 48,186	\$ 12,599	\$ 15,521
Multi-family:			
Housing Insured Mortgage Revenue	30,857	26,965	662
Mortgage Revenue	296	296	-
Project	8,320	6,369	(628)
Single Family:			
Taxable Revenue	861	678	154
Taxable Program Senior and Subordinate Revenue	292 1,075	101 534	189 530
Program Senior and Subordinate Program	54,770 932	52,448 941	890 (16)
Revenue Refunding	40	24	12
Mortgage	5,278	5,924	(999)
Intercompany Eliminations	(1,264)	(1,264)	-
	\$ 149,643	\$ 105,615	\$ 16,315

Certain multi-family insured mortgage revenue bonds are secured by insured mortgage loans receivable from the Authority's

instrumentalities, whose assets and operations are accounted for within the General Fund. For financial statement purposes, all transactions

between the General Fund and the Bond Funds are eliminated.

NOTES TO FINANCIAL STATEMENTS
(Amounts for all notes in tabular format are in thousands.)

Years Ended December 31, 2001 and 2000

(8) Retirement Plans

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

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

On May 6, 1997, the Governor signed into law House Bill 97-1082. This legislation changed the benefit formula for each year of service over 20 from 1.5 percent of Highest Average Salary per year to 2.5 percent with a 100 percent maximum. All current benefit recipients with more than 20 years of service had their benefit recalculated. Benefit payments dated July 31, 1997, and later reflect this new calculation. The legislation also establishes a two-tier disability retirement program applicable to members who apply for disability on or after January 1, 1999.

House Bill 00-1458, passed in the 2000 legislative session, changed the retirement eligibility for members who are 55 years of age or older and retiring June 1, 2000, or later, with age plus years of service totaling 80 or

more. These members may retire without a reduction for early retirement. The reduction for early retirement for some members with age plus years of service totaling less than 80 was also lowered. In addition, beginning March 1, 2000, the annual increase for PERA benefits was 3.5% compounded annually, and was no longer tied to the Consumer Price Index.

Under the plan, State statute requires the Authority and participating employees to contribute 9.43% and 8% for 2001, respectively, and 10% and 8% for 2000, respectively, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was \$7,585,000 and \$6,649,000 for 2001 and 2000, respectively. Contributions by the Authority and employees approximated \$715,000 and \$605,000, respectively, for 2001, while for 2000 the amounts were \$665,000 and \$534,000, respectively.

The pension benefit obligation, which is the actuarial measure of the present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users of the Authority's financial statements assess PERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERA and other pension programs and among employees. As of December 31, 2000, the date of the latest available audited information, the total actuarial

accrued liability and total net assets available for benefits of the Municipal Division of PERA, in which the Authority's pension contributions and benefits are included, were \$1,514,014,000 and \$1,740,454,000, respectively. There were no unfunded liabilities in the Municipal Division as of December 31, 2001.

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

Included in the Authority's general obligation debt are bonds payable to PERA of \$78,713,000 and \$73,286,000 at December 31, 2001 and 2000, respectively.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program ("VIP"), established under Section 401(k) of the Internal Revenue Code. Participants may invest a percentage of their annual gross salaries up to the annual IRS limit of their gross salaries. The Authority contributes 1% of each participating employee's salary and in addition, matches at the rate of 50% of the first 5% of the participating employee's contribution. In addition, the Authority participates in PERA's MatchMaker Program, which uses a portion of the employer's contributions as a dollar-for-dollar match to the 401(k) plan, not to exceed 2% of the employee's gross salary.

The Authority also offers a deferred compensation plan for the purpose of providing retirement income for employees. This defined contribution plan is qualified under Section 457 of the Internal Revenue Code. The plan is administered by an independent trustee.

STATEMENTS OF FINANCIAL CONDITION BY PROGRAM

Years Ended December 31,

(000s Omitted)						Memorandum Totals	
	General Fund	Single Family	Multi-family	Eliminations	2001	2000	
ASSETS							
Cash	\$ 12,765	\$ -	\$ 164	\$ -	\$ 12,929	\$ 7,315	
Marketable securities:							
Short-term	94,412	230,169	87,000	-	411,581	329,128	
Long-term, at fair value	16,628	47,866	49,422	-	113,916	124,162	
Total cash and marketable securities	123,805	278,035	136,586	-	538,426	460,605	
Loans receivable, net	200,075	781,284	441,176	(16,828)	1,405,707	1,392,805	
Accrued interest receivable	1,616	9,523	5,805	(106)	16,838	17,535	
Property and equipment, net:							
Corporate facilities	5,116	-	-	-	5,116	3,301	
Rental operations	26,547	-	-	-	26,547	26,945	
Deferred debt financing costs, net	1,050	13,477	3,381	-	17,908	16,962	
Other real estate owned, net	-	929	6,217	-	7,146	5,822	
Other assets	18,149	(88)	1,834	-	19,895	19,774	
Due from (to) other funds	(22,811)	26,840	(4,029)	-	-	-	
Total Assets	\$ 353,547	\$ 1,110,000	\$ 590,970	\$ (16,934)	\$ 2,037,583	\$ 1,943,749	
LIABILITIES AND FUND EQUITY							
Liabilities:							
Bonds and notes payable, net	\$ 224,414	\$ 1,046,020	\$ 561,866	\$ (16,828)	\$ 1,815,472	\$ 1,740,931	
Accrued interest payable	1,959	15,284	8,087	(106)	25,224	23,413	
Accounts payable and other liabilities	6,444	4	1,081	-	7,529	5,207	
Federally assisted program advances	369	-	-	-	369	1,738	
Deferred fee income	298	-	-	-	298	280	
Escrow and refundable deposits	7,884	-	-	-	7,884	7,688	
Total liabilities	241,368	1,061,308	571,034	(16,934)	1,856,776	1,779,257	
Fund equity - retained earnings:							
Restricted	-	48,692	19,936	-	68,628	67,834	
General Fund - Board designated	112,179	-	-	-	112,179	96,658	
Total fund equity - retained earnings	112,179	48,692	19,936	-	180,807	164,492	
	\$ 353,547	\$ 1,110,000	\$ 590,970	\$ (16,934)	\$ 2,037,583	\$ 1,943,749	

See notes to financial statements

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS BY PROGRAM

Years Ended December 31,

(000s Omitted)	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals	
					2001	2000
Interest and investment revenues						
Loans receivable	\$ 16,987	\$ 49,701	\$ 33,348	\$ (1,264)	\$ 98,772	\$ 90,606
Marketable securities	3,135	18,371	7,248	-	28,754	31,689
Net increase (decrease) in fair value of marketable securities	473	(469)	(234)	-	(230)	2,603
Total interest and investment revenue	20,595	67,603	40,362	(1,264)	127,296	124,898
Interest expense - bonds and notes payable	11,267	60,650	33,630	(1,754)	103,793	101,105
Net interest revenue	9,328	6,953	6,732	490	23,503	23,793
Other revenues (expenses):						
Rental operations	10,373	-	-	-	10,373	9,858
Fees and miscellaneous income	11,679	1	294	-	11,974	11,413
Program fees (expenses)	5,539	(4,356)	(1,183)	-	-	-
Total other revenue	27,591	(4,355)	(889)	-	22,347	21,271
Net revenue	36,919	2,598	5,843	490	45,850	45,064
Other expenses:						
Salaries and related benefits	9,892	-	-	-	9,892	9,356
General operating	10,280	312	563	-	11,155	9,300
Provision for losses	953	198	5,515	-	6,666	2,059
Other interest expense	1,332	-	-	490	1,822	2,249
Transfers	(1,059)	1,328	(269)	-	-	-
Total other expenses	21,398	1,838	5,809	490	29,535	22,964
Net income	15,521	760	34	-	16,315	22,100
Retained earnings, beginning of year	96,658	47,932	19,902	-	164,492	142,392
Retained earnings, end of year	\$ 112,179	\$ 48,692	\$ 19,936	\$ -	\$ 180,807	\$ 164,492

See notes to financial statements

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APPENDIX B

OUTSTANDING GENERAL RESOLUTION OBLIGATIONS

Outstanding General Resolution Bonds

The Authority has previously issued under the General Resolution its twenty-three (23) series of the Multi-Family Housing Insured Mortgage Revenue Bonds for the purpose of financing or refinancing Mortgage Loans. Eighteen (18) of such Series of Bonds as shown below are currently outstanding.

Multi-Family Housing Insured Mortgage Revenue Bonds Issued and Outstanding as of March 31, 2002

<u>Bond Issue</u>	<u>Issued</u>	<u>Outstanding</u>
1977A	\$ 21,050,000	\$ -
1977B	43,830,000	-
1979A	42,750,000	-
1982A	104,735,000	18,550,000 (1)
1982B	28,780,000	-
1984A	23,765,000	-
1991A	2,570,000	2,485,000
1992A (2)	86,940,000	77,335,000 (2)
1993A	17,515,000	16,305,000
1995A	13,130,000	11,850,000
1995B	14,455,000	14,135,000
1995C	13,085,000	12,790,000
1996A (3)	39,720,000	35,540,000
1996B	9,055,000	8,780,000
1996C	24,465,000	15,100,000
1997A	20,150,000	19,365,000
1997B	29,860,000	23,410,000
1997C (4)(5)	56,130,000	53,450,000
1998A	20,730,000	20,465,000
1998B	7,300,000	7,260,000
1999A	34,925,000	34,705,000
1999B	5,580,000	5,550,000
1999C	<u>18,140,000</u>	<u>18,115,000</u>
Total	<u>\$678,660,000</u>	<u>\$395,190,000</u>

- (1) Accreted value as of April 1, 2002 was \$11,573,962.97.
- (2) Proceeds were used to partially refund certain of the 1982A and 1982B Bonds shown in this table. Proceeds of the 2002 Series AA Bonds will be used to refund all of these outstanding 1992 Series A Bonds. See "Part I – PLAN OF FINANCE – Refunding of 1992 Series A Bonds."
- (3) Proceeds of the 1996 Series A Bonds were used to refund \$13,940,000 of the outstanding 1984 Series A Bonds.
- (4) Proceeds of the 1997 Series C Bonds were used to refund a portion of the 1995 Series A Bonds.
- (5) Proceeds of the Taxable 1997 Series C Bonds were used to refund all of the 1979 Series A Bonds.

The Authority is permitted by the General Resolution to issue additional Series of Bonds, subject to certain conditions, which additional Bonds will be secured equally with the outstanding Bonds by the revenues, assets and moneys pledged under the General Resolution as described herein. See "Part II - SECURITY FOR THE OBLIGATIONS – Issuance of Additional Bonds."

Outstanding General Resolution Derivative Products

There are no Derivative Products delivered and outstanding at this time under the General Resolution. For a discussion of the 2002AA Derivative Product which will be effective on July 3, 2002 in connection with the 2002 Series AA Bonds, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2002AA Derivative Product."

APPENDIX C

Summary of Certain Provisions of the General Resolution

The General Resolution contains various covenants and security provisions, certain of which are summarized below. For convenience of reference, the number of the relevant section of the General Resolution appears following the respective captions in this summary. Whenever particular provisions of the General Resolution are referred to, such provisions are incorporated by reference as part of the statements made, and the statements made are qualified in their entirety by such reference. **Reference is made to the General Resolution for a full and complete statement of its provisions.**

Certain Definitions

"*Acquire*" or "*Acquired*," when used with respect to a Mortgage Loan, means the acquisition by the Authority of a Mortgage Loan either by the payment of Notes or the purchase or making of such Mortgage Loan.

"*Acquired Project Expenses*" means the costs and expenses incurred by the Authority in connection with the acquisition, ownership or operation of an Acquired Project.

"*Acquired Project Income*" means the income derived by the Authority from its acquisition, ownership or operation of an Acquired Project.

"*Adjustable Rate Bonds*" means Bonds the interest rate on which is not fixed to maturity.

"*Aggregate Debt Service*" means, for any period, the Debt Service Payments becoming due and payable on all Bonds on all Bond Payment Dates during such period. For purposes of this definition the interest portion of any Debt Service Payment payable on any Bond Payment Date with respect to Adjustable Rate Bonds for which no Derivative Product is in place shall be the maximum rate of interest payable on such Bonds as set forth in the related Series Resolution (or a lesser rate of interest to the extent that payment of interest in excess of interest at such lesser rate is not secured by a pledge of and lien on the moneys, rights and interests pledged under the General Resolution), and the interest payable on any Bond Payment Date with respect to Adjustable Rate Bonds for which a Derivative Product is in place shall be an amount equal to the Trust Estate Derivative Payment payable on such Bond Payment Date under such Derivative Product.

"*Amortized Value*," when used with respect to securities purchased at a premium above or a discount below par, means the value as of any given date obtained by dividing the total amount of the premium or the discount at which such securities were purchased by the number of days remaining to maturity of such 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 securities purchased at a premium, by deducting the product thus obtained from the purchase price and (ii) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price.

"*Annual Budget*" means the budget or amended budget of the Authority in effect as provided in or adopted pursuant to the General Resolution.

"*Authority Derivative Payment*" means a payment (including a termination payment, if so provided in the Derivative Product) required to be made by or on behalf of the Authority due to a Reciprocal Payor pursuant to a Derivative Product.

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

"*Authorized Newspaper*" means not less than two newspapers or financial journals printed in the English language and customarily published on such business day in each calendar week, one of which is of general circulation in the City and County of Denver, Colorado, and the other of which is of general circulation in the city of New York, New York.

"*Authorized Officer*" means, the Chairman, Vice-Chairman 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 of the Authority authorized by the General Resolution and issued pursuant to a Series Resolution.

"*Bondholder*" or "*Holder*" or "*Holders of Bonds*" or "*Owner*" or similar term, when used with respect to a Bond or Bonds, means any person who shall be the bearer of any Outstanding coupon Bond, or the registered owner of any Outstanding fully registered Bond.

"*Bond Counsel*" means any law firm of nationally recognized standing in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by resolution of the Authority.

"*Bond Payment Date*" means the dates provided in the applicable Series Resolution for the payment of interest on and/or principal of the related Series of Bonds.

"*Bond Year*" means the twelve month period beginning on October 2 in any year and ending on October 1 of the succeeding year.

"*Capitalized Interest Account*" means any Account so designated which is created and established within the Program Fund by a Series Resolution pursuant to the General Resolution.

"*Cash Flow Statement*" means an Authority Certificate (a) setting forth, for the then current and each future Bond Year during which the Bonds will be Outstanding, and taking into account (i) any Bonds expected to be issued or redeemed or purchased for cancellation in each such Bond Year upon or in connection with the filing of such Certificate, (ii) any Derivative Products expected to be incurred upon or in connection with the filing of such Certificate, (iii) the interest rate (if applicable), purchase price, discount points and other terms of any Related Mortgage Loans, and (iv) the application, withdrawal or transfer of any moneys expected to be applied, withdrawn or transferred upon or in connection with the filing of such Certificate:

(1) the amount of scheduled Mortgage Repayments and Fees and Charges (taking into consideration the Mortgage Loans expected to be Acquired, but excluding any Mortgage Loans at the time in default), together with other Revenues and moneys (including income from the investment of moneys in Funds and Accounts) which are reasonably expected to be available to make Debt Service Payments and Trust Estate Derivative Payments and to pay Program Expenses during such Bond Year; and

(2) the Aggregate Debt Service and Trust Estate Derivative Payments for each such Bond Year on all Bonds and Derivative Products reasonably expected to be Outstanding, together with the Program Expenses reasonably estimated for each such Bond Year;

and (b) showing that in each such Bond Year the aggregate of the amounts set forth in clause (a)(1) of this definition exceeds the aggregate of the amounts set forth in clause (a)(2) of this definition. The schedules prepared by or on behalf of the Authority in connection with any Cash Flow Statement shall be presented in sufficient detail acceptable to the Rating Agencies and shall include a listing of all assumptions and scenarios used in the preparation of such schedules. The assumptions used and scenarios included shall be acceptable to the Rating Agencies. With respect to any Adjustable Rate Bonds for which no Derivative Product is in place and with respect to any Adjustable Rate Bonds what are held as "bank bonds" by the applicable Liquidity Facility Provider, the Cash Flow Statement shall assume that such Bonds bear interest at the maximum rate of interest payable on such Bonds as set forth in the related Series Resolution (or a lesser rate of interest to the extent that payment of interest in excess of interest at such lesser rate is not secured by a pledge of and lien on the moneys, rights and interests pledged under the General Resolution).

"*Certificate*" means, as the case may be, either (i) a signed document attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or (ii) a signed document setting forth matters to be determined by an Authorized Officer pursuant to the General Resolution.

"*Completed*" or "*Completion*," when used with respect to a Project, means that (i) the Federal Housing Administration has finally endorsed the Related Mortgage Loan or any other government insurer of such Related Mortgage Loan has taken substantially similar action and (ii) the Authority has certified (a) the final Project Cost for such Project and (b) that the moneys available in the Program Fund for such Project are sufficient to meet any unpaid Project Costs so certified.

"*Costs of Issuance*" means all items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of Bonds and Derivative Products, which items of expense shall include but not be limited to printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee and Paying Agents and any Liquidity Facility Provider, bond discounts, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, costs and expenses of refunding and other costs, charges and fees in connection with the foregoing.

"*Costs of Issuance Account*" means any Account so designated which is created and established within the Program Fund by a Series Resolution pursuant to the General Resolution.

"*Counsel's Opinion*" means an opinion signed by any attorney or firm of attorneys (who may be counsel to the Authority or an attorney or firm of attorneys retained by it in other connections) licensed to practice in the state in which he or it maintains an office, selected by the Authority.

"*Debt Service Fund*" means the Fund so designated which is created and established by the General Resolution.

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

"*Debt Service Reserve Fund*" means the Fund so designated which is created and established by the General Resolution.

"*Debt Service Reserve Fund Bonds*" means the Bonds of a Series, if any, issued for the purpose of providing moneys for deposit in the Debt Service Reserve Fund and so designated in the Series Resolution pursuant to the General Resolution.

"*Debt Service Reserve Fund Requirement*" means, as of any date of calculation, the maximum amount of the Principal Installments and interest becoming due in the current or any future Bond Year on all Bonds then Outstanding (excluding the Debt Service Reserve Fund Bonds).

"*Defaulted Mortgage Loan*" means a Mortgage Loan on which payments of principal and interest are thirty (30) days or more in arrears.

"*Depository*" means any bank, trust company or national banking association selected by the Authority and approved by the Trustee as a depository of moneys and securities held under the provisions of the General Resolution, and its successor or successors.

"*Derivative Payment Date*" means, with respect to a Derivative Product, any date specified in the Derivative Product on which both or either of the Authority Derivative Payment and/or a Reciprocal Payment is due and payable under the Derivative Product.

"*Derivative Product*" means a written contract or agreement (including, without limitation, an interest rate exchange or swap contract, a cash flow exchange or swap contract, any derivative of such contracts, including forward swaps and options to enter into swaps, and interest rate floors, caps or collars) 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 (except as otherwise provided herein) may be secured by a pledge of and lien on the moneys, rights and interests pledged therefor in Section 1.04 hereof on an equal and ratable basis with the Bonds; and

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

"*Electronic Means*" means 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.

"*Fees and Charges*" means the amounts paid from time to time for Program Expenses by or on behalf of a Sponsor to the Authority pursuant to a Mortgage Loan, other than commitment fees.

"*Fiduciary*" or "*Fiduciaries*" means the Trustee, the Paying Agents, the Depositories of any or all of them, as may be appropriate.

"*Fiscal Year*" means a period beginning on January 1 in any year and ending on December 31 of such 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 General Resolution.

"*General Obligation Derivative Payment*" means any Authority Derivative Payment which is not secured by a pledge of and lien on the moneys, rights and interests pledged under the General Resolution, but which is a general obligation of the Authority.

"*Government*" means the United States of America and any agency or instrumentality thereof.

"*Government Obligations*" means Investment Securities (i) which are described in clause (b) of the definition of "Investment Securities" and (ii) which are not subject to redemption by the issuer thereof prior to their maturity.

"*Housing Subsidy Payments*" means (i) the moneys, if any, received from time to time by the Authority from the Government with respect to (a) rental payments on, or the purchase price of, units in Projects or (b) interest payments on Mortgage Loans, and (ii) any other subsidy payments with respect to the Projects or the Mortgage Loans, provided the same may be used, in accordance with the statutes and regulations pursuant to which such moneys are paid, to make Debt Service Payments.

"*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 Authority funds:

(a) any bonds or obligations, rated (at the time of the investment under the General Resolution) "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Standard & Poor's Ratings Group ("S&P"), of the State or of counties, municipal corporations, or political subdivisions of the State;

(b) direct, general obligations of, or obligations the timely payment of principal and interest of which are unconditionally guaranteed by, the United States of America;

(c) obligations issued by any of the following: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Banks; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Federal National Mortgage Association (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Federal Home Loan Mortgage Corporation which guarantee timely payment of principal and interest; Federal Farm Credit Banks; Federal Financing Bank; Small Business 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;

(d) certificates of deposit of any national or state bank, which may include the Trustee, which has deposits insured by the Federal Deposit Insurance Corporation and which (i) has an unsecured, uninsured and unguaranteed obligation rated (at the time of the investment under the General Resolution) "Aa" or better by Moody's and "AA" or better by S&P; or (ii) is the lead bank of a parent holding company with an unsecured, uninsured and unguaranteed obligation rated (at the time of the investment under the General Resolution) "Aa" or better by Moody's and "AA" or better by S&P;

(e) investments in a money-market fund (including funds for which First Interstate Bank of Denver, N.A., may provide advisory, administrative, custodial or other services for compensation) which invests only in securities described in clause (b) of this definition or which invests only in repurchase agreements secured by securities described in clause (b) of this definition and, in either case, is rated in the highest category by Moody's and S&P;

(f) commercial paper rated (at the time of the investment under the General Resolution) "P-1" by Moody's and "A-1" by S&P;

(g) repurchase agreements collateralized by securities described in clause (b) of this definition with any institution with long-term unsecured debt rated (at the time of the investment under the General Resolution) "Aa" or better by Moody's and "AA" or better by S&P, or with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, which may include the Trustee, if such broker/dealer or bank has an unsecured, unsecured and unguaranteed obligation rated (at the time of the investment under the General Resolution) "P-1" by Moody's and "A-1" by S&P, provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25,000,000, or (iii) a bank approved in writing for such purpose, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

(iv) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

(v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%; and

(h) any Investment Agreement provided by an Investment Provider, which agreement shall have no adverse impact on the rating assigned to the Bonds by each nationally recognized rating agency then rating the Bonds at the request of the Authority. For purposes of this clause (h), the term "Investment Provider" means any commercial bank or trust company, bank holding company, investment company or other financial institution (which may include the Trustee) organized under the laws of the United States or any state or the District of Columbia or the laws of any foreign nation, whose unsecured long-term debt, as of the date of the Investment Agreement with such entity, is rated by each nationally recognized rating agency then rating the Bonds at the request of the Authority at least as high as the then current rating on the Bonds by such rating agency or the equivalent of such rating by virtue of guarantees or insurance arrangements, which Investment Provider shall be approved by the Authority for the purpose of providing the Investment Agreement.

"*Lender*" means a "lender" as defined in the Act.

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

"*Liquidity Facility Provider*" means a commercial bank or other entity providing a Liquidity Facility pursuant to any Series Resolution with respect to Adjustable Rate Bonds which, at the time of entering into such Liquidity Facility, shall have no adverse impact

"*Maximum Rate*" means, on any day and with respect to any 2002 Series AA Bond (other than Bank Bonds), 10% per annum, but in no event higher than the highest rate the Authority may legally pay, from time to time, as interest on the 2002 Series AA Bonds, and with respect to Bank Bonds, the Maximum Bank Rate.

"*Mortgage*" means an instrument evidencing a first mortgage lien, subject to such title exceptions as shall be acceptable to the Authority and the insurer of such Mortgage.

"*Mortgage Loan*" means an interest-bearing obligation evidencing a loan which is (i) made by (a) the Authority or (b) a Lender and purchased by the Authority, to a Sponsor in an amount not to exceed the Project Cost or the Project with respect to which the same is made, (ii) secured by a Mortgage on a Project, (iii) insured by the Government or for which there is a commitment by the Government for such insurance under a program requiring payment of not less than ninety-nine percentum (99%) of the principal amount of such Mortgage Loan in the event of a default by the Sponsor and (iv) pledged under the General Resolution.

"*Mortgage Repayment*" means the amounts paid on a Mortgage Loan from time to time as principal thereof and interest thereon by or on behalf of a Sponsor to or for the account of the Authority.

"*National Repository*" means each Nationally Recognized Municipal Securities Information Repository 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.

"*Notes*" means any notes or other short term obligations issued by the Authority to finance a Project which is designated by a Series Resolution as one of those with respect to which a Mortgage Loan is reasonably expected to be Acquired with the proceeds of such Series of Bonds.

"*Obligations*" means, collectively, Bonds and Derivative Products.

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

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

(b) any Bond (or any portion of any Bond) (i) for the payment or redemption of which there shall be held in trust under the General Resolution and set aside for such payment or

redemption, moneys and/or Government Obligations 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 Government Obligations 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 Bond (or any portion of any Bond) to be redeemed prior to maturity, notice of the redemption of which shall have been given in accordance with the General Resolution or provided for in a manner satisfactory to the Trustee;

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

(d) Bonds deemed to have been paid as provided in the General Resolution.

"*Overrun*" means a Project Cost which exceeds the Authority's estimate therefor and which has been approved by the Authority, either pursuant to the Authority's initial approval of such Project or by the adoption of a resolution by the Board of the Authority to increase the Mortgage Loan on the Project to include such additional expense.

"*Owner*" means (i) with respect to a Bond, any person who shall be the bearer of any Outstanding coupon Bond, or the registered owner of any Outstanding fully registered Bond, and (ii) with respect to a Derivative Product, any Reciprocal Payor with respect thereto.

"*Payroll Agent*" means any bank, trust company or national banking association, which may include the Trustee or its successor or successors, authorized by the Authority pursuant to a Series Resolution to pay the principal or Redemption Price of or interest on any Bonds and having the duties, responsibilities and rights provided for in the General Resolution and such Series Resolution and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to the General Resolution.

"*Prepayment*" means any moneys received or recovered by the Authority from any payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan) on any Mortgage Loan prior to the scheduled payments of principal called for by such Mortgage Loan, whether (i) by voluntary prepayment made by the Sponsor or (ii) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof or (iii) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Authority or by any other proceedings taken by the Authority in the event of a default thereon by the Sponsor including without limitation money received pursuant to the General Resolution.

"*Principal Account*" means the Account so designated which is created and established within the Revenue Fund by the General Resolution.

"*Principal Installment*" means, as of any date of calculation, (i) the principal amount of all Bonds due on a certain future date with respect to which no Sinking Fund Installments have been provided, plus (ii) the unsatisfied balance (determined as provided in the General Resolution) of any Sinking Fund Installments due on such future date.

"*Program*" means the Authority's Multi-Family Housing Insured Mortgage Loan Program pursuant to which the Authority has determined to Acquire Mortgage Loans in accordance with the Act and the General Resolution.

"*Program Expenses*" means all of the Authority's expenses of administering the Program under the General Resolution and the Act and shall include without limitation the generality of the foregoing: salaries, supplies, utilities, labor, materials, office rent, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; insurance premiums, legal, accounting, management, consulting and banking services and expenses, the fees and expenses of the Trustee, any Depositaries and Paying Agents; the fees and expenses of any calculation agent then acting under a Series Resolution with respect to index-based Bonds; the costs of any remarketing of any Bonds, including the fees and expenses of any remarketing agent then acting under a Series Resolution with respect to such Adjustable Rate Bonds; the fees and expenses due to any Liquidity Facility Provider with respect to any Adjustable Rate Bonds for which any Liquidity Facility is in place; fees and expenses associated with the delivery of a substitute Liquidity Facility under a Series Resolution; fees and expenses associated with (but not payments under) Derivative Products; Costs of Issuance not paid from proceeds of the Bonds; payments to pension, retirement, health and hospitalization funds; and any other expenses required or permitted to be paid by the Authority under the provisions of the General Resolution and any Series Resolution, including without limitation the Authority's obligations to make rebate payments to the United States in accordance with Section 148(f) of the Tax Code with respect to any Series of Bonds, all to the extent properly allocable to the Program. Program Expenses shall not include any costs or expenses of the Authority arising from or related to the acquisition, ownership or operation of an Acquired Project.

"*Program Fund*" means the Fund so designated which is created and established by the General Resolution.

"*Project*" means a "housing facility" as such term is defined in the Act for occupancy by low and moderate income families, within the meaning of the Act, which is located, or is to be located, in the State and with respect to which the Authority has Acquired a Mortgage Loan or has determined in a Supplemental Resolution that it reasonably expects to Acquire a Mortgage Loan.

"*Project Cost*" means, as of any date of calculation, the aggregate amount of costs then authorized by the Authority and the Government insurer of the Related Mortgage Loan to be incurred with respect to the Project.

"*Qualified Financial Instrument*" means (i) a Qualified Surety Bond or (ii) any unconditional and irrevocable letter of credit, line of credit agreement or other financial instrument deposited in the Debt Service Reserve Fund as the Debt Service Reserve Fund Requirement for the 2002 Series AA Bonds, in lieu of or in substitution for moneys required to be deposited therein, issued by an entity rated by Standard & Poor's Ratings Service and by Moody's Investors Service, Inc. in their respective highest rating categories and which either (A) has an expiration date not earlier than the final maturity of the 2002 Series AA Bonds or (B) has an expiration date earlier than the final maturity of the 2002 Series AA Bonds, but which, if not renewed, may be drawn upon in full on or before the expiration date and the reimbursement obligation for which must be satisfied from moneys other than moneys held under the Resolutions.

"*Qualified Surety Bond*" means any unconditional and irrevocable surety bond or other insurance policy deposited in the Debt Service Reserve Fund as the Debt Service Reserve Fund Requirement for the 1999 Series C Bonds, in lieu of or in substitution for moneys required to be deposited therein, issued by an insurance company rated by Standard & Poor's Ratings Service and by Moody's Investors Service, Inc. in their respective highest rating categories and, if rated by A.M. Best & Company, rated in its highest rating category.

"*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 under the General Resolution.

"*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 (a) which satisfies the applicable requirements of the Interest Rate Exchange Agreements Act, being Article 59.3, Title 11 of Colorado Revised Statutes, (b) which, at the time of entering into a Derivative Product, shall have no adverse impact on the rating assigned to any Bonds by any Rating Agency, and (c) which is obligated to make Reciprocal Payments under a Derivative Product.

"*Record Date*" means except as otherwise provided in a Series Resolution, with respect to each Bond Payment Date, (a) with respect to Bonds which are not Adjustable Rate Bonds, March 15 and September 15, as the case may be, immediately preceding such Bond Payment Date, and (b) with respect to Adjustable Rate Bonds, the business day immediately preceding such Bond Payment Date.

"*Redemption Fund*" means the Fund so designated which is created and established by the General Resolution.

"*Related Series of Bonds*", when used with respect to a Project or a Mortgage Loan, means the Series of Bonds or, pursuant to the General Resolution, the several Series of Bonds, the proceeds of which were used, or are to be used, to finance such Project or to Acquire such Mortgage Loan.

"*Revenue Fund*" means the Fund so designated which is created and established by the General Resolution.

"*Revenues*" means all income and receipts of whatever kind (other than commitment fees paid to the Authority and Escrow Payments) received by the Authority from or with respect to Mortgage Loans or Projects, including without limitation Mortgage Repayments, Fees and Charges, Housing Subsidy Payments (other than amounts which the Authority is obligated to pay to the Mortgagee), Prepayments and Acquired Project Income, and all Reciprocal Payments.

"*Series of Bonds*" or "*Bonds of a Series*" means any series of Bonds authorized by a Series Resolution.

"*Series Resolution*" means a resolution adopted by the Authority pursuant to the General Resolution authorizing the issuance of a Series of Bonds.

"*Sinking Fund Installment*", when used with respect to any Series of Bonds, means the amount so designated for any particular due date in the Series Resolution pursuant to the General Resolution.

"*Sponsor*" means a person, firm, association or other entity, constituting a "sponsor" as such term is defined in the Act, who is the mortgagee on a Mortgage Loan the Authority has Acquired or reasonably expects to Acquire, and any successors in title or assigns.

"*State*" means the State of Colorado.

"*Supplemental Resolution*" means any Series Resolution or any resolution adopted by the Authority in accordance with the General Resolution amending or supplementing the General Resolution, any Series Resolution or any Supplemental Resolution.

"*Tax Code*" means the Internal Revenue Code of 1986, as amended to the date of delivery of the respective Series of Bonds.

"*Term Bonds*" means the bonds of any Series so designated in a Series Resolution.

"*Trust Estate Derivative Payment*" means any Authority Derivative Payment which is secured by a pledge of and lien on the moneys, rights and interests pledged under the General Resolution.

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

Resolution Constitutes Contract (Section 1.03)

The provisions of the General Resolution constitute a contract between the Authority, the Trustee and the Holders of Outstanding Bonds and coupons, and the provisions, covenants and agreements to be performed by or on behalf of the Authority are for the equal benefit, protection and security of the Holders of any and all such Bonds and coupons.

Conditions Precedent to Authentication and Delivery of a Series of Bonds (Section 2.16)

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

(a) a certified copy of the General Resolution and the applicable Series Resolution except that a certified copy of the General Resolution need only be delivered with respect to authentication of the initial Series of Bonds;

(b) a written order of the Authority describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers and stating the purchase price of such Bonds;

(c) a certificate demonstrating that the Mortgage Repayments on Mortgage Loans expected to be made or purchased with the proceeds of such Series, together with other Revenues and moneys expected to be available to make Debt Service Payments and to pay Program Expenses for the then current and each future Bond Year, exceed in each such Bond Year the aggregate Debt Service and estimated Program Expenses for such Bond Year;

(d) a Cash Flow Statement with respect to all Bonds Outstanding, taking into account the proposed issuance of such Bonds and the application of the proceeds thereof;

(e) a certificate to the effect that the Authority is not in default under the General Resolution;

(f) an opinion of Bond Counsel to the effect that, among other things, the Bonds of such Series are valid and binding special obligations of the Authority and enforceable in accordance with their terms and the terms of the General Resolution, subject to State and federal laws affecting the enforcement of creditors' rights;

(g) the amount, if any, necessary for deposit in the Debt Service Reserve Fund so that moneys on deposit in such Fund after the issuance of such Series at least equal the Debt Service Reserve Fund Requirement; and

(h) such further documents and moneys as may be required by the provisions of the Series Resolution authorizing the issuance of such Bonds.

Funding of the Mortgage Loan Reserve Fund is not required by the General Resolution.

Issuance of Refunding Bonds (Section 2.17)

Bonds of one or more Series may be issued to refund Outstanding Bonds of one or more Series only upon receipt by the Trustee of (i) items referred to in clauses (a), (b), (d), (e) and (f) of the preceding paragraph, (ii) a certificate demonstrating that the Aggregate Debt Service with respect to the Outstanding Bonds of all Series immediately after delivery of such Refunding Bonds is not greater than the Aggregate Debt Service with respect to the Outstanding Bonds of all Series immediately prior thereto in the current and each future Bond Year and (iii) certain other certificates and instructions. In addition, there must be deposited with the Trustee either (A) moneys in an amount sufficient to pay the principal or Redemption Price of the Bonds to be refunded, together with accrued interest thereon to the maturity date or redemption date, which moneys shall be held by the Trustee or by one or more Paying Agents in a separate account irrevocably in trust for the Holders of the Bonds and coupons being refunded, or (B) Government Obligations, the principal and interest on which when due, together with any moneys deposited with the Trustee or Paying Agents, will be sufficient to pay the principal or Redemption Price of and interest due or to become due on the Bonds to be refunded. Government Obligations include direct obligations of or obligations guaranteed by the United States; public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; and temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States.

Derivative Products; Reciprocal Payments; Authority Derivative Payments (Section 2.18)

The Authority has directed the Trustee to acknowledge any Derivative Product hereafter entered into by 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. No Derivative Product shall be entered into unless the Trustee shall have received a letter from each Rating Agency confirming that entering into such Derivative Product will not, in and of itself, result in a lowering, suspension or withdrawal of the ratings then applicable to any Bonds. Anything in the General Resolution to the contrary notwithstanding, any Reciprocal Payments shall not be available to make an Authority Derivative Payment or to pay any other amounts owed to a Reciprocal Payor under a Derivative Product.

No later than the fourth business day immediately preceding each Bond Payment Date or Derivative Payment Date on which a Reciprocal Payment or Authority Derivative Payment is due pursuant to the applicable Derivative Product through and including the termination date of the Derivative Product, the Authority shall give written notice to the Trustee stating either (i) the amount of any Reciprocal Payment due to be received by the Trustee for the account of the Authority on or preceding such Bond Payment Date or (ii) the amount of any Authority Derivative Payment (including any portion thereof which shall be a General Obligation Derivative Payment) to be paid to the Reciprocal Payor on such Bond Payment Date or Derivative Payment Date. If the Trustee fails to receive such written

notification from the Authority by the end of such fourth business day, it shall immediately notify the Authority of such fact in writing.

The Trustee is to deposit all moneys received representing Reciprocal Payments in the Revenue Fund to be applied in accordance with the provisions of the General Resolution. The Trustee shall notify the Authority on such business day, if (i) the amount received from the Reciprocal Payor is not equal to the amount specified in the written notification of the Authority, (ii) no amount is received from the Reciprocal Payor, or (iii) the amount received is not received in immediately available funds.

The Trustee is to make payment to the Reciprocal Payor from moneys in the Revenue Fund in accordance with the General Resolution of the amount of the Authority Derivative Payment specified in such written notification of the Authority (other than any General Obligation Derivative Payment), due on such Derivative Payment Date, by the deposit or wire transfer of immediately available funds to the credit of the account of the Reciprocal Payor specified in such written notification of the Authority. The Authority shall make payments of any General Obligation Derivative Payment directly to the Reciprocal Payor from moneys, other than moneys held under the General Resolution, legally available therefor.

Application of Bond Proceeds and Other Moneys (Sections 4.01 and 4.02)

The proceeds of sale of a Series of Bonds are to be deposited as follows:

- (a) the amount, if any, received as accrued interest is to be deposited in the Debt Service Fund; and
- (b) the amount to be deposited in each Fund and Account pursuant to the Series Resolution is to be deposited therein.

The amount, if any, deposited as a premium above the aggregate principal amount of the Bonds of any Series or as the proceeds attributable to Refunding Bonds is to be applied as provided in the Series Resolution.

Funds Established by the General Resolution (Section 5.01)

The General Resolution establishes or provides for the establishment of the following Funds, all of which are to be held by the Trustee:

- (a) Program Fund,
- (b) Revenue Fund,
- (c) Debt Service Fund,
- (d) Debt Service Reserve Fund,
- (e) Mortgage Loan Reserve Fund and
- (f) Redemption Fund.

Program Fund (Section 5.02)

Each Series Resolution is to specify the principal amount of each Mortgage Loan reasonably expected to be acquired (through the purchase or making of such Mortgage Loan or the payment of Notes the proceeds of which were used to purchase or make such Mortgage Loan) with the proceeds of the Series of Bonds authorized by such Series Resolution.

There is to be deposited in the Program Fund the amount of Bond proceeds specified in the related Series Resolution. Except with respect to moneys, if any, deposited in a Costs of Issuance Account or a Capitalized Interest Account and except as otherwise provided in the General Resolution, moneys in the Program Fund are to be used solely to Acquire the Mortgage Loans identified in a Series Resolution to be acquired with the proceeds of the Series of Bonds authorized thereby.

Moneys may be withdrawn from the Program Fund to pay construction advances on Mortgage Loans at the direction of the Authority. At regular intervals, the Authority is to certify to the Trustee as to the use of moneys so withdrawn. No moneys withdrawn from the Program Fund may be expended to pay Project Costs unless the Authority has previously acquired a Mortgage on such Project and the Mortgage Loan with respect to such Project is not subject to any lien prior to the lien and pledge of the General Resolution.

The Authority covenants that it will not make a construction advance with respect to a Project unless the amount of such advance (i) shall at the time it is made be insured or guaranteed by an agency of the United States and (ii) together with all other amounts previously applied from the proceeds of the Bonds to such Project is less than the anticipated Project Cost of such Project (including any Overrun previously authorized).

Moneys may be withdrawn from the Program Fund and applied by the Authority to the payment of any Overrun on any Project (irrespective of the Series of Bonds from which such Project was originally expected to be financed), subject to the certification and approval procedure set forth in the General Resolution.

Moneys in the Program Fund may be withdrawn and used to pay or defease Notes, provided that, upon such payment or provision therefor, the Authority Acquires a Mortgage on the Project with respect to which such Notes were issued and the Mortgage Loan with respect to such Project is not subject to any lien prior to the lien and pledge of the General Resolution.

The Authority may by Supplemental Resolution determine not to finance one or more Projects originally identified in a Series Resolution. Moneys deposited in the Program Fund from a Series of Bonds to finance a Project which the Authority subsequently determines not to finance are to be held by the Trustee in a special account and applied, as the Authority directs, only to (i) substitute one or more other Projects, provided that (A) the Mortgage Loan or Mortgage Loans on any such substituted Project or Projects have a yield at least equal to the yield on the Mortgage Loan on the originally identified Project and (B) the Authority certifies that the Mortgage Repayments on Mortgage Loans then expected to be made or purchased with the proceeds of such Series of Bonds, together with other Revenues and moneys expected to be available to make Debt Service Payments and to pay Program Expenses for the then current and each future Bond Year, exceed in each such Bond Year the Aggregate Debt Service and estimated Program Expenses for such Bond Year or (ii) pay Overruns on any Project (irrespective of the Series of Bonds from which such Project was originally expected to be financed), provided that the Authority certifies to the effect set forth in (B) above. In the event that there are moneys remaining in any such special account three years (or such shorter period as may be specified in the related Series Resolution) following the date of issuance of the related Series of Bonds, such moneys are to be

transferred to the Redemption Fund and used to redeem Bonds of such Series, except to the extent that the Authority certifies that any of such moneys are required to pay anticipated Project Costs of one or more projects financed from such special account.

Within 90 days after completion of all Projects for which proceeds of a Series of Bonds have been deposited in the Program Fund pursuant to a Series Resolution (including substituted Projects but excluding any Projects eliminated by Supplemental Resolution), the Authority is to direct that any such Bond proceeds remaining in the Program Fund shall be (i) applied to the making or purchasing of additional Mortgage Loans or (ii) transferred to the Redemption Fund and used to redeem Bonds of such Series. Moneys remaining in the Program Fund from a Series of Bonds which the Authority directs to be applied to the making or purchasing of additional Mortgage Loans are to be held by the Trustee in a special account and applied to make or purchase such additional Mortgage Loans, provided that no such additional Mortgage Loan shall be made or purchased unless such additional Mortgage Loan is made or purchased within 18 months from the Authority's direction, such additional Mortgage Loan has a yield at least equal to the yield on the other Mortgage Loans made or purchased with the proceeds of such Series of Bonds and the Authority certifies that the Mortgage Repayments on Mortgage Loans then expected to be made or purchased with the proceeds of such Series of Bonds, together with other Revenues and moneys expected to be available to make Debt Service Payments and to pay Program Expenses for the then current and each future Bond Year, exceed in each such Bond Year the Aggregate Debt Service and estimated Program Expenses for such Bond Year. In the event that there are moneys remaining in any such special account 18 months following the date of the Authority's direction, such moneys are to be transferred to the Redemption Fund and used to redeem Bonds of such Series, except to the extent that the Authority certifies that any of such moneys are required to pay anticipated Project Costs of one or more Projects financed from such special account.

Costs of Issuance Accounts (Section 5.03)

A Series Resolution may create a Costs of Issuance Account within the Program Fund. Moneys in a Series Costs of Issuance Account 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 Principal Account in the Revenue Fund or to the Program Fund.

Capitalized Interest Accounts (Section 5.04)

A Series Resolution may create a Capitalized Interest Account within the Program Fund. On or before each Bond Payment Date, the Trustee is to determine the amounts which have been deposited in the Revenue Fund since the preceding Bond Payment Date, if any, from the investment of the proceeds of such Series of Bonds in Mortgage Loans Investment Securities or such other obligations as are permitted under the General Resolution. To the extent, if any, that the interest becoming due and payable on such Bond Payment Date on the Bonds of such Series exceeds such amounts deposited in the Revenue Fund, the Trustee is to withdraw the excess amount from the Capitalized Interest Account and deposit such amount in the Debt Service Fund. Any excess moneys in a Capitalized Interest Account established with respect to a Series of Bonds on the day following the Bond Payment Date next succeeding completion of all Projects to be financed with the proceeds of such Series are to be transferred to the Principal Account in the Revenue Fund or to the Program Fund.

Revenue Fund (Section 5.05)

All Revenues received by the Authority are to be deposited in the Revenue Fund, except (i) Prepayments, (ii) origination fees (if any) charged by the Authority, which are to be retained by the Authority free and clear of any lien or pledge created by the Resolutions, and (iii) fees for the servicing of

Mortgage Loans, which are to be retained by the Authority (with respect to Mortgage Loans serviced by the Authority) or by their Servicers thereof free and clear of any lien or pledge created by the Resolutions. The Authority shall also deposit into the Revenue Fund, from moneys legally available therefor, (a) an amount equal to the difference between the Reciprocal Payments received from a Reciprocal Payor with respect to any Bonds and the actual interest due and payable with respect to such Bonds, except to the extent that such difference has been taken into account in the applicable Cash Flow Statement, and (b) any other amounts representing interest on Bonds in excess of the amount assumed in the applicable Cash Flow Statement.

Within the Revenue Fund there is established an Acquired Project Account and within such account an Acquired Project subaccount for each Project acquired by the Authority in connection with the enforcement of its rights under a defaulted Mortgage Loan (the "Acquired Project") into which is to be deposited all Acquired Project Income. Moneys in each Acquired Project Account subaccount are to be applied as follows:

(a) an amount equal to the interest which would have been payable on the Mortgage Loan with respect to each such Acquired Project shall be withdrawn on or before each Bond Payment Date and deposited in the Revenue Fund;

(b) an amount equal to the principal payments which would have been payable on the Mortgage Loan with respect to each such Acquired Project shall be withdrawn on or before each October 1 and deposited in the Principal Account; and

(c) the balance to the payment of Acquired Project Expenses of the related Acquired Project.

Moneys remaining in any Acquired Project Account subaccount at the end of a Fiscal Year which the Authority certifies as not being required to meet future Acquired Project Expenses of the related Acquired Project are to be released from such subaccount and held in the Revenue Fund for allocation as described below.

Within the Revenue Fund there is also established a Principal Account into which there is to be deposited that portion, if any, of each Mortgage Repayment deposited in the Revenue Fund which the Trustee determines constitutes the repayment of the principal of such Mortgage Loan. Moneys in the Principal Account shall be withdrawn by the Trustee and deposited in the Debt Service Fund on or before each October 1 in an amount equal to the Principal Installments, if any, becoming due and payable on such date on the Program Bonds of each Series (those Bonds of such Series in an aggregate principal amount equal to the aggregate principal amount of Mortgage Loans expected on the date of issuance of such Series to be made or purchased with the proceeds of such Series).

Allocation of Moneys in the Revenue Fund (Section 5.06)

On the last business day prior to each Bond Payment Date or Derivative Payment Date, or more frequently if required by a Series Resolution, or on the other dates specifically provided below, the Trustee is to withdraw from the Revenue Fund and pay or deposit the following amounts in the following order:

(a) To Debt Service Fund. An amount which, together with the amount therein (after giving effect to any transfer from the Capitalized Interest Account), will equal the interest due and payable on or before such Bond Payment Date on the Outstanding Bonds of all Series and any Trust Estate Derivative Payment accrued and unpaid as of such date; provided however, that if such Bond

Payment Date is not a date for the payment of a Principal Installment on Bonds, such transfer shall include an amount that, if made in substantially equal installments on each subsequent Bond Payment Date to and including the next Bond Payment Date that is a date for the payment of a Principal Installment of such Bonds, will equal the amount of the Principal Installments becoming due and payable on such Bonds on the next such Bond Payment Date;

(b) To the Authority. On each April 1 and October 1, an amount equal to one-half of the total Program Expenses specified in the Annual Budget for that Fiscal Year to be used to pay Program Expenses and to be held by the Authority free and clear of any lien or pledge created by the General Resolution (under the Series Resolution, amounts necessary to satisfy the Authority's rebate obligation under Section 148(f) of the Tax Code, are to be transferred from the Revenue Fund to the 2002 Series AA Rebate Account as Program Expenses, without regard to the amounts specified in any Annual Budget);

(c) To Principal Account. The amount of any withdrawal from such Account to make any Debt Service Payment to the extent not previously restored;

(d) To Debt Service Reserve Fund. On each April 1, the greater of (A) the amount withdrawn, if any, from the Debt Service Reserve Fund to make any Debt Service Payment during the previous 12-month period to the extent not previously restored or (B) the amount necessary to make the balance in such Fund equal to the Debt Service Reserve Fund Requirement;

(e) To Any Other Fund or Account. The amount, if any, previously withdrawn therefrom to make a Debt Service Payment to the extent not previously restored; and

(f) To the Authority. On or before each October 1, the balance of moneys in the Revenue Fund to the extent not held in a specific Account therein to be used for any lawful purpose free and clear of any lien or pledge created by the General Resolution.

Debt Service Fund (Section 5.07)

The Trustee is to pay out of the Debt Service Fund to the respective Paying Agents, on or before each Bond Payment Date and Derivative Payment Date, (i) the amount required for the payment of all interest payable on the Outstanding Bonds on such date (other than interest on Adjustable Rate Bonds to the extent provided in the applicable Series Resolution or the applicable reimbursement agreement between the Authority and the Liquidity Facility Provider with respect thereto) and any Trust Estate Derivative Payment, plus and (ii) the amount, if any, required for the payment of the Principal Installments due on the Outstanding Bonds on such date.

Amounts in the Debt Service Fund with respect to any Sinking Fund Installment are to be applied by the Trustee to the redemption of Bonds of the Series and maturity for which such Sinking Fund Installment was provided in an amount equal to such Sinking Fund Installment.

Debt Service Reserve Fund (Section 5.08)

If on any Bond Payment Date the amount in the Debt Service Fund (after giving effect to any transfers from the Capitalized Interest Account, the Principal Account, the Redemption Fund and the Mortgage Loan Reserve Fund) is insufficient to make the Debt Service Payments described above, the Trustee is to transfer to the Debt Service Fund moneys in the Debt Service Reserve Fund to pay (i) interest and (ii) Principal Installments, if any, then due on any Outstanding Bonds, provided that amounts on deposit in the Debt Service Reserve Fund are to be segregated and used for the purposes described in "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund."

Moneys in the Debt Service Fund allocable to the Debt Service Reserve Fund Requirement for any Series of Bonds for which a Qualified Financial Instrument is not then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein will not be available or used to make Debt Service Payments on any Series of Bonds for which a Qualified Financial Instrument is then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein. Qualified Financial Instruments allocable to the Debt Service Reserve Fund Requirement for any Series of Bonds for which a Qualified Financial Instrument is then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein shall not be available or used to make Debt Service Payments on any Series of Bonds for which a Qualified Financial Instrument is not then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein. In order to assure compliance with the requirements of the preceding sentence, the Trustee will segregate and separately account for (i) moneys allocable to the Debt Service Reserve Fund Requirement for all Series of Bonds for which a Qualified Financial Instrument is not then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein, and (ii) Qualified Financial Instruments allocable to the Debt Service Reserve Fund Requirement for all Series of Bonds for which a Qualified Financial Instrument is then held in the Debt Service Reserve Fund in lieu of or in substitution for moneys required to be deposited therein. Moneys in the Revenue Fund available to restore the balance of the Debt Service Reserve Fund will be distributed for such purpose among all Series of Bonds on a pro rata basis (based on the Debt Service Payments due on the then current Debt Service Payment date) without regard to whether such Bonds are described in clause (i) or clause (ii) of the preceding sentence, other than with respect to a Series of Bonds for which the reimbursement obligation with respect to the Qualified Financial Instrument must be satisfied from moneys other than moneys held under the Resolutions. If any Qualified Financial Instrument in the Debt Service Reserve Fund for any Series of Bonds is used for the purposes described in the Resolutions, each Qualified Financial Instrument therein will be used pro rata, based on the available amount of each Qualified Financial Instrument.

If at any time the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement and no Event of Default has occurred and be continuing, the Trustee is to transfer such excess amount or any portion thereof to the Redemption Fund if so requested by the Authority.

Redemption Fund (Section 5.09)

There is created a Redemption Fund into which moneys may be deposited from (i) proceeds received by the Authority on account of (A) damage, destruction or condemnation of a Project or part thereof to the extent such proceeds are not applied to restore or replace such Project or to make or purchase additional Mortgage Loans, (B) certain measures taken by the Authority subsequent to a default on a Mortgage Loan to the extent such proceeds are not applied to make or purchase additional Mortgage Loans and (C) prepayment of a Mortgage Loan to the extent such proceeds are not used to make or purchase additional Mortgage Loans and (ii) (A) any moneys remaining in the Program Fund three years (or such shorter period as may be specified in the related Series Resolution) after the date of issuance of the related Series of Bonds to the extent the Authority has previously determined not to finance one or more Projects originally identified in the related Series Resolution and such moneys are not applied to make or purchase additional Mortgage Loans or to pay Overruns and (B) any moneys remaining in the Program Fund allowing completion of all Projects to be financed with any particular Series of Bonds to the extent such moneys are not applied to make or purchase additional Mortgage Loans. The Trustee shall establish a special subaccount within the Redemption Fund in respect of each Series of Bonds and shall credit moneys deposited in the Redemption Fund described above to the applicable subaccount. Moneys in a subaccount shall be used to purchase or redeem Bonds of the Series in respect of which the subaccount was established.

Moneys deposited in the Redemption Fund otherwise than as described above and as to which the General Resolution does not direct the application may be applied by the Trustee to the purchase or redemption of Bonds as selected by the Authority subject to the redemption provisions of the Bonds.

Mortgage Loan Reserve Fund (Section 5.15)

If at any time moneys in the Program Fund are transferred to the Redemption Fund as a result of the failure of the Authority to Acquire Mortgage Loans, the Trustee is to withdraw from the Mortgage Loan Reserve Fund and deposit in the applicable series subaccount in the Redemption Fund any amount requested in an Authority Request which does not exceed the Allocable Portion of the Non-Asset Bonds, calculated as of the date of such request.

If at any time moneys received as Prepayments are transferred to the Redemption Fund, the Trustee is to withdraw from the Mortgage Loan Reserve Fund and deposit in the applicable series subaccount within the Redemption Fund any amount requested in an Authority Request which does not exceed the sum of (i) the Allocable Portion of the Non-Asset Bonds, calculated as of the date of such request, and (ii) except as in the case of a Prepayment representing a voluntary prepayment made by the Mortgagor or moneys secured as a consequence of a default on a Mortgage Loan as to which moneys were theretofore disbursed to the Authority, an amount equal to 1% of the amount so transferred.

For the purposes of this section, "Allocable Portion of the Non-Asset Bonds" means, as of any date of calculation, an amount computed by multiplying the sum of (i) the Costs of Issuance, plus (ii) the Underwriter's discount, plus (iii) the original issue discount, if any, plus (iv) the amount, if any, deposited in the Mortgage Loan Reserve Fund, plus (v) the amount, if any, authorized to be paid to the Authority for Program Expenses, plus (vi) the amount, if any, deposited in a Capitalized Interest Account, all as shown in the final Official Statement of the Authority used in connection with the sale of the Bonds to be so redeemed, or in a certificate of the Authority, by a fraction the numerator of which is the amount so transferred to the Redemption Fund (rounded, if necessary, to the next lower \$5,000) and the denominator of which is the aggregate principal balance of the Bonds of such Series then Outstanding.

In the event that the Authority shall notify the Trustee of a default on a Mortgage Loan, the Trustee shall disburse from the Mortgage Loan Reserve Fund to the Authority or to its order amounts not exceeding in the aggregate 1% of the principal amount of such Mortgage Loan which are certified by an Authorized Officer as required in connection with the protection and enforcement of the Authority's rights with respect to such Mortgage Loan.

As of the first day of each Bond Year, the Trustee is to calculate the amount in the Mortgage Loan Reserve Fund and, if no Event of Default hereunder has occurred and is continuing, the Trustee, upon receipt of an Authority Request, shall transfer the amount, if any, in excess of the Mortgage Loan Reserve Fund Requirement (or any portion thereof so requested) to the Revenue Fund.

Withdrawals From Funds To Prevent Defaults (Section 5.10)

If on any Bond Payment Date moneys in the Debt Service Fund are less than the amount of the Debt Service Payment due on such Date (before applying moneys in the Debt Service Reserve Fund), the Trustee is to transfer from the following Funds in the following order of priority the amount of such deficit from any moneys available for the purpose of making such Debt Service Payment and not required for the purposes of such Funds:

- (a) Capitalized Interest Account;

- (b) Principal Account;
- (c) Mortgage Loan Reserve Fund; and
- (d) Redemption Fund.

If on any Payment Date moneys in the Debt Service Fund are less than the amount of the Debt Service Payment due on such date (after making any of the above-described transfers and after applying moneys in the Debt Service Reserve Fund), the Trustee is to transfer from the following Funds in the following order of priority the amount of such deficit:

- (a) Revenue Fund; and
- (b) Program Fund.

In the event of any such transfer from any of the above Funds (and any Account within such Funds) to the Debt Service Fund, there is to be deposited in such Funds (and any Account within such Funds) an amount equal to the amount transferred from the next moneys deposited in the Revenue Fund.

Prepayments (Section 5.11)

Prepayments, except as described in the next succeeding paragraph, are to be deposited in the Program Fund and shall be (i) used to make or purchase additional Mortgage Loans, provided that no such additional Mortgage Loan shall be made or purchased unless the yield on such additional Mortgage Loan at least equals the yield on the Mortgage Loan so prepaid and the Authority certifies that the Mortgage Repayments on Mortgage Loans then expected to be made or purchased with the proceeds of the Series of Bonds used to make or purchase the Mortgage Loan in respect of which such Prepayments were received, together with other Revenues and moneys expected to be available to make Debt Service Payments and to pay Program Expenses for the then current and each future Bond Year, exceed in each such Bond Year the Aggregate Debt Service and estimated Program Expenses for such Bond Year or (ii) transferred to the applicable series subaccount within the Redemption Fund. Any Prepayments not used as provided in (i) above within 18 months shall be transferred as described in (ii) above, except to the extent that the Authority certifies that such Prepayments are required to pay anticipated Project Costs of one or more additional Properties financed from such Prepayment. Prepayments include proceeds received by the Authority on account of (i) damage, destruction or condemnation of a Project or part thereof, (ii) certain measures taken by the Authority subsequent to a default on a Mortgage Loan and (iii) the prepayment of a Mortgage Loan.

Prepayments received as a consequence of damage, destruction, or condemnation of a Project may be used, at the option of the Authority, to repair or restore such Project. The portions of Prepayments representing any penalty, fee, premium or additional charge may be transferred to the Revenue Fund.

Deposits and Investment of Funds (Sections 5.12 and 5.13)

All moneys held by the Trustee shall be continuously and fully secured for the benefit of the Authority and the Bondholders by Investment Securities of a market value at all times at least equal to the amount of the deposit so held. Investment Securities include direct obligations of or obligations guaranteed by the United States; bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks, Export-Import Bank of the United States, Federal Land Banks, the Federal National Mortgage

Association, the Government National Mortgage Association, Federal Financing Bank or the Small Business Administration; public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States; temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States; and interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements which, if not fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation shall be secured by obligations which would otherwise constitute Investment Securities. However, it is not necessary for the Trustee to give such security for any moneys invested in Investment Securities.

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. In lieu of making investments in Investment Securities, the Trustee shall, upon direction by the Authority, deposit moneys in any Fund or Account in interest-bearing time deposits or shall make other similar banking arrangements provided all moneys in such deposits or arrangements are continuously and fully secured by Investment Securities of a market value at all times at least equal to the amount of the deposit or arrangement and moneys so placed are available for use at the times when such moneys shall be needed for payments to be made from such Fund or Account for which such deposit or arrangement was made. However, moneys in the Program Fund shall not be so deposited unless the interest to be earned thereon will at least equal the interest, income or increment that would be earned by the investment of such moneys in Investment Securities of similar maturity at then current market prices.

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

Notwithstanding the other requirements of the provision described above, proceeds from any Liquidity Facility are to be held uninvested.

Creation of Liens (Section 6.13)

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 General Resolution, except that the Authority may issue evidences of indebtedness secured by a pledge of the Revenues to be derived after the pledge of the General Resolution has been discharged and satisfied.

Covenants Relating to Mortgage Loans (Sections 6.05, 6.06, 6.07, 6.08 and 6.10)

The Authority has covenanted to make or purchase Mortgage Loans only in accordance with provisions of the Act, the General Resolution, the applicable Series Resolution and any applicable regulations of the Authority.

The Authority shall at all times charge and collect Mortgage Repayments and other amounts with respect to Mortgage Loans as shall be required to provide Revenues which, together with any other

moneys estimated by the Authority to be available therefor, are at least sufficient in each Bond Year for the payment of the sum of:

- (a) the Aggregate Debt Service and Trust Estate Derivative Payments for such Bond Year;
- (b) Program Expenses during such Bond Year; and
- (c) the amount, if any, to be paid during such Bond Year from Revenues into the Debt Service Reserve Fund.

The Authority has covenanted not to sell any Mortgage Loan, except in the event of a default on such Mortgage Loan by the Sponsor, unless (i) the amount to be realized on such sale at least equals the unpaid principal balance of such Mortgage Loan, (ii) at the time of sale the Authority has a binding commitment to make or purchase a different Mortgage Loan to be sold and (iii) the Authority certifies that the Mortgage Repayments on Mortgage Loans then expected to be made or purchased with the proceeds of the Series of Bonds used to make or purchase the Mortgage Loan to be sold, together with other Revenues and moneys expected to be available to make Debt Service Payments and to pay Program Expenses for the then current and each future Bond Year, exceeds in each such Bond Year the Aggregate Debt Service and estimated Program Expense for such Bond Year.

The Authority has covenanted not to modify any Mortgage Loan or any Mortgage or any note or other obligation evidencing or securing any Mortgage Loan which will in any manner impair or materially adversely affect the rights or security of the Bondholders. The Authority shall service, or cause to be serviced, each Mortgage Loan in accordance with prudent business practices and all applicable regulations of the insurer of such Mortgage Loan and shall neither take or fail to take any action which would result in the loss, reduction or suspension of any Housing Subsidy Payments with respect to any Project.

To the extent permitted by the insurer of any Mortgage Loan, the Authority shall require that any prepayment of a Mortgage Loan shall be required to be at least sufficient to provide for the payment by the Authority of (i) the Redemption Price on the next redemption date of Bonds of the related Series in a principal amount equal to the amount of such prepaid Mortgage Loan, (ii) interest to accrue on said principal amount to such redemption date, (iii) a proportionate amount of the Costs of Issuance and capitalized interest on the related Series of Bonds and (iv) the costs and expenses of the Authority in effecting such redemption.

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 Mortgage Loans and the preservation and protection of the rights and privileges of the Authority and the Bondholders thereunder. Upon the happening of an event of default under a Mortgage Loan, the Authority shall take all reasonable steps to recover the proceeds of the insurance on such Mortgage and shall not request the payment of such proceeds in debentures. Whenever it shall be necessary or advisable in order to protect and enforce its rights under a Mortgage Loan, the Authority, with the consent of the insurer of such Mortgage Loan, shall commence foreclosure proceeding and, in the protection and enforcement of its rights, shall bid for and, if necessary, purchase the Project securing such Mortgage Loan or, as an alternative to foreclosure proceedings, take such other action as may be appropriate or necessary to acquire the Project. For such period as the Authority shall be in possession of the Project securing such Mortgage Loan, the Authority shall operate and administer such Project in the manner required of the Sponsor.

Defaults and Remedies (Sections 7.02, 7.03, 7.04, 7.09 and 7.11)

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

(a) default shall be made in the payment of any Principal Installment or the Redemption Price of any 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 Bond when and as the same shall become due and payable or shall fail to make any Trust Estate Derivative Payment due under any Derivative Product when due and payable;

(c) 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 General Resolution 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

(d) 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 Holders of not less than 25% in principal amount of the Bonds Outstanding shall, give 30 days' notice in writing to the Authority and the Governor and the Attorney General of the State of its intention to declare all Outstanding Obligations immediately due and payable. After such 30-day period the Trustee may, and upon written request of such Holders shall, by notice in writing declare all Outstanding Obligations, plus all interest accrued therein and which will accrue to the date of payment, immediately due and payable. If all Events of Default known to the Trustee shall have been remedied to the satisfaction of the Trustee prior to entry of final judgment or decree, the Trustee may annul such declaration and its consequences.

Upon the occurrence and continuation of any Event of Default, the Trustee may, and upon the written request of the Holders of not less than twenty-five percentum (25%) in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Owners of the Obligations under the Act, the Bonds, any Derivative Product and this Resolution by 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 Mortgage Loans and collect and enforce any rights in respect of the Mortgages and to require the Authority to carry out its duties and obligations under the terms of the General Resolution and to perform its duties under 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 Holders of the Bonds;

(iv) civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(v) enforcement of any other rights of Bondholders conferred by law or the General Resolution.

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 General Resolution or before the completion of the enforcement of any other remedy under the General Resolution. 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 General Resolution by any acts which may be unlawful or in violation of the General Resolution or (ii) to preserve or protect the interests of the Bondholders, provided that such request is in accordance with law and the provisions of the General Resolution and, in the sole judgment of the Trustee, is not unduly prejudicial so the interest of the Holders 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 the Event of Default 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.

Successors to Trustee (Section 8.11)

As a result of the merger between First Interstate Bank of Denver, N.A., and Wells Fargo Bank, and the subsequent sale by Wells Fargo Bank of its corporate trust department to The Bank of New York, The Bank of New York became the initial successor Trustee by the terms of the General Resolution without the execution or filing of any paper or the performance of any further act. Wells Fargo Bank West, National Association (formerly Norwest Bank Colorado, National Association) has since become successor to The Bank of New York under the terms of the General Resolution 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 General Resolution.

Modifications of Resolutions and Outstanding Bonds (Sections 9.01, 9.02, 9.03, 9.04, 10.01, 10.02, 10.03 and 10.04)

There are provided procedures whereby the Authority may amend the General Resolution or a Series Resolution by adoption of a Supplemental Resolution. 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, curing ambiguities or substituting Projects to be financed from Bond proceeds.

Amendments of the respective rights and obligations of the Authority and the Bondholders may be made with the written consent of the Holders of not less than 66-2/3% 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 or otherwise affect the classes of Bonds, the consent of the Holders of which is required to effect such amendment.

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

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APPENDIX D

Form of Bond Counsel Opinion

July 3, 2002

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

Colorado Housing and Finance Authority
Adjustable Rate Multi-Family Housing Insured
Mortgage Revenue Bonds, 2002 Series AA

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance by the Authority of its Adjustable Rate Multi-Family Housing Insured Mortgage Revenue Bonds, 2002 Series AA in the aggregate principal amount of \$75,720,000 (the "2002 Series AA Bonds"). In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado (the "State") and of the United States of America as we have deemed necessary to render this opinion letter. The 2002 Series AA Bonds are authorized and issued pursuant to (i) the Colorado Housing and Finance Authority Act, being part 7 of article 4 of title 29 of Colorado Revised Statutes (the "Act"), (ii) the Multi-Family Housing Insured Mortgage Revenue Bonds General Bond Resolution duly adopted by the Authority (as amended and supplemented, the "General Resolution"), and (iii) the 2002 Series AA Resolution, duly adopted by the Authority (the "Series Resolution"). The General Resolution and the Series Resolution are collectively referred to herein as the "Resolutions," and capitalized terms used herein, unless parenthetically defined herein, have the same meanings ascribed to them in the Resolutions.

The Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the General Resolution. Under the provisions of the General Resolution, the 2002 Series AA Bonds, the previously issued and Outstanding Bonds and all such additional Bonds hereafter issued under the General Resolution rank and will rank equally as to security and payment, except as provided therein with respect to moneys and Qualified Financial Instruments in the Debt Service Reserve Fund.

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

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

Colorado Housing and Finance Authority
Adjustable Rate Multi-Family Housing Insured
Mortgage Revenue Bonds, 2002 Series AA

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1. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and by the application of general principles of equity. No other authorization for the Resolutions is required. The General Resolution creates the valid pledge which it purports to create.

2. The 2002 Series AA Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the Resolutions. The 2002 Series AA Bonds constitute the legal and valid obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolutions, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and by the application of general principles of equity. The 2002 Series AA Bonds are entitled to the benefits of the Resolutions and the Act.

3. Interest on the 2002 Series AA Bonds, except for interest on any 2002 Series AA Bond for any period during which it is held by a "substantial user" of facilities financed with the 2002 Series AA Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), is excluded from gross income pursuant to Section 103 of the Tax Code; and interest on the 2002 Series AA Bonds is not included in 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. The 2002 Series AA Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date of delivery of the 2002 Series AA Bonds.

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

The obligations of the Authority pursuant to the 2002 Series AA Bonds and the Resolutions are subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

Colorado Housing and Finance Authority
Adjustable Rate Multi-Family Housing Insured
Mortgage Revenue Bonds, 2002 Series AA

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We understand that MBIA Insurance Corporation has issued a financial guaranty insurance policy relating to the 2002 Series AA Bonds and that Westdeutsche Landesbank Girozentrale, acting through its New York Branch, has delivered a Standby Bond Purchase Agreement with respect to the 2002 Series AA Bonds. We express no opinion as to the validity or enforceability of such insurance policy or such Standby Bond Purchase Agreement or the security afforded thereby.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not opining upon the accuracy or completeness of the Official Statement or any other statements made in connection with any sale of the 2002 Series AA Bonds or upon any federal or Colorado tax consequences arising from the receipt or accrual of interest on or the ownership of the 2002 Series AA Bonds except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to update 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 E

Certain Information about the Outstanding Mortgage Loans and Projects

The attached chart has been prepared by the Authority to provide, as of its date, certain information about the Outstanding Mortgage Loans and Projects.

Colorado Housing and Finance Authority
Multifamily Housing Insured Mortgage Revenue Bonds
Series 77A, 77B, 79A, 82A, 82B, 84A, 91A, 92A, 93A, 95A, 95B, 95C, 96A, 96B, 96C, 97A, 97B, 97C, 98A, 98B, 99A, 99B, and 99C
 Loan Portfolio Information as of March 31, 2002

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	Next Due Date	HAP Expir. Date	FHA Ins. Program
Corporation	M79A	39.800%	1	Family	6/18/90	10,407.70	8,835.54	7/1/20	8.25%		4/1/02	5/1/20	MINIRAP
	M00A	60.200%											
Summersong	M79A		50	Family	9/17/79	1,934,300.00	1,542,350.24	2/1/21	7.50%		4/1/02		221 (d) 4
Sheridan	M79A		48	Family	3/12/80	1,817,300.00	1,418,978.76	5/1/21	7.00%		4/1/02	11/25/02	221 (d) 4
D.N.E.	M79A		17	Family	6/21/79	453,600.00	359,716.91	2/1/20	8.00%		4/1/02	2/5/02	221 (d) 4
Parkside	M79A		50	Family	8/29/79	1,652,500.00	1,334,439.90	11/1/20	8.00%		4/1/02	6/15/02	221 (d) 4
Sleeping Ute	M79A		60	Family	4/1/80	2,087,900.00	1,696,169.82	7/1/21	7.75%		4/1/02	1/31/02	221 (d) 4
Ridgeview	M79A		48	Family	6/19/80	1,702,100.00	1,400,257.37	9/1/21	8.00%		4/1/02	2/5/02	221 (d) 4
Much/arvada	M79A		16	Family	12/18/79	900,700.00	728,747.94	11/1/20	8.00%		2/1/02	5/4/02	221 (d) 3
Tiffany	M79A		52	Family	11/26/79	1,536,900.00	1,229,432.61	11/1/20	7.75%		4/1/02	8/24/02	221 (d) 4
Cal Park	M79A		69	Both	6/13/80	2,476,000.00	2,022,554.13	3/1/22	7.50%		4/1/02		221 (d) 4
Newland	M79A		18	Family	9/4/80	851,300.00	700,333.85	9/1/21	8.00%		4/1/02	2/28/02	221 (d) 3
East Park	M79A		60	Family	7/29/80	1,759,800.00	1,434,626.24	7/1/21	8.00%		4/1/02	5/21/02	221 (d) 4
Park Terrac	M79A		96	Family	5/28/80	2,457,300.00	2,010,637.92	11/1/21	8.00%		4/1/02	3/31/02	221 (d) 4
Dawson	M79A		36	Family	1/28/81	1,491,800.00	1,231,589.92	11/1/21	8.00%		4/1/02	9/14/02	221 (d) 4
Normandy	M79A		50	Family	7/1/80	1,637,700.00	1,359,069.04	12/1/21	8.00%		2/1/02		221 (d) 4
Reyn Rock	M79A		33	Elderly	2/23/81	1,257,200.00	1,032,441.73	8/1/22	7.50%		4/1/02	5/12/02	221 (d) 4
Cottonwood	M79A		60	Family	6/15/81	2,417,800.00	2,013,244.41	8/1/22	8.00%		4/1/02	1/27/02	221 (d) 4
Tamarin	M79A		68	Elderly	11/16/81	2,528,700.00	2,129,754.97	11/1/22	8.00%		4/1/02	11/30/02	221 (d) 4
Zuni Apts	M79A	5.400%	5	Family	6/1/88	10,438.20	8,419.57	4/1/19	7.50%		4/1/02	12/28/03	221 (d) 4
	M00A	94.600%											
Corporation	M82A		1	Family	10/25/91	24,850.00	21,218.75	11/1/21	8.25%		5/1/02	5/1/20	MINIRAP
Glenlake	M82A	37.030%	207	Family	9/1/91	1,737,966.02	1,593,565.34	10/1/26	8.10%		4/1/02		223 (f)
	M82B	13.010%											
	M91A	49.960%											
Asbury	M82A		44	Family	7/1/82	1,886,400.00	1,745,890.06	2/1/23	12.00%	Yes	4/1/02	2/14/03	221 (d) 4
Olin	M82A		107	Elderly	5/15/81	3,567,900.00	3,293,164.85	11/1/22	12.00%	Yes	4/1/02	8/6/02	221 (d) 3
Sunrise	M82A		40	Elderly	12/1/82	1,444,600.00	1,343,944.28	8/1/23	12.00%	Yes	4/1/02	8/23/03	221 (d) 4
Rotella	M82A		81	Family	8/4/82	3,290,800.00	308,339.25	8/1/23	12.00%	Yes	7/1/01	6/9/03	221 (d) 4
La Family	M82A		34	Family	8/25/82	1,241,700.00	1,156,371.37	8/1/23	12.00%	Yes	4/1/02	2/23/03	221 (d) 4
Wise Harris	M82A		22	Elderly	8/1/82	615,900.00	572,023.42	6/1/23	12.00%	Yes	4/1/02	5/23/03	221 (d) 4
Casa/Arcos	M82A		16	Elderly	8/1/82	726,500.00	675,304.71	7/1/23	12.00%	Yes	4/1/02	5/19/03	221 (d) 3
John Newey	M82A		20	Family	8/5/82	1,234,300.00	1,146,352.75	6/1/23	12.00%	Yes	4/1/02	1/13/03	221 (d) 3
Springfield	M82A		32	Elderly	7/1/82	1,034,100.00	960,419.76	6/1/23	12.00%	Yes	4/1/02	2/21/03	221 (d) 3
Clifton	M82A		51	Family	7/1/82	2,301,000.00	2,129,599.79	2/1/23	12.00%	Yes	4/1/02	2/24/03	221 (d) 4
Glennpark	M82A		26	Family	8/30/82	1,062,700.00	986,983.51	6/1/23	12.00%	Yes	4/1/02	6/9/03	221 (d) 4
Castle	M82A		50	Family	7/1/82	2,213,800.00	2,057,818.24	6/1/23	12.00%	Yes	3/1/02	4/26/03	221 (d) 4
Meadows	M82A		51	Family	8/20/82	2,016,400.00	1,867,834.85	8/1/23	12.00%	Yes	4/1/02	3/27/03	221 (d) 4
Valley Sun	M82A		50	Elderly	7/1/82	1,484,400.00	1,377,456.83	7/1/23	12.00%	Yes	4/1/02	1/31/03	221 (d) 4
Prairie	M82A		20	Elderly	7/1/82	711,600.00	660,327.24	5/1/23	12.00%	Yes	4/1/02	2/13/03	221 (d) 3
Silver Sp.	M82A		20	Elderly	7/12/82	715,000.00	663,482.45	5/1/23	12.00%	Yes	4/1/02	1/11/03	221 (d) 3
N.E. Plaza	M82A		47	Family	8/1/82	1,906,900.00	1,772,536.95	8/1/23	12.00%	Yes	4/1/02	4/17/03	221 (d) 4
Canyon Gate	M82A		53	Elderly	8/3/82	2,118,800.00	1,972,804.47	9/1/23	12.00%	Yes	4/1/02	5/4/03	221 (d) 3
Corazon	M82A		50	Elderly	8/1/82	1,700,900.00	1,582,381.42	8/1/23	12.00%	Yes	4/1/02	6/15/03	221 (d) 3
Meeker	M82A		36	Both	6/28/82	1,565,000.00	1,455,030.55	5/1/23	12.00%	Yes	4/1/02	4/4/03	221 (d) 3
Fountain	M82A		14	Family	7/22/82	593,300.00	550,060.59	5/1/23	12.00%	Yes	5/1/02	1/20/03	221 (d) 3
Mtn. View	M82A		28	Elderly	8/1/82	1,157,100.00	1,074,651.86	6/1/23	12.00%	Yes	4/1/02	3/14/03	221 (d) 3
Squire	M82A		50	Elderly	7/1/82	1,772,600.00	1,640,564.00	2/1/23	12.00%	Yes	4/1/02	2/10/03	221 (d) 4
Ratekin	M82A		108	Elderly	7/1/82	4,811,500.00	4,476,241.62	8/1/23	12.00%	Yes	4/1/02	6/9/03	221 (d) 3
Highland	M82A		117	Elderly	8/1/82	4,425,500.00	4,127,312.67	11/1/23	12.00%	Yes	4/1/02	7/11/03	221 (d) 3
Creekside	M82A		50	Family	9/22/82	1,788,500.00	1,665,247.07	9/1/23	12.00%	Yes	4/1/02	6/21/03	221 (d) 4

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	Next Due Date	HAP Expir. Date	FHA Ins. Program
Mt. Massive	M82A		24	Elderly	8/1/82	826,000.00	767,148.03	6/1/23	12.00%	Yes	4/1/02	4/17/03	221 (d) 3
King's Pnt	M82A		50	Elderly	9/2/82	1,714,400.00	1,594,947.02	8/1/23	12.00%	Yes	4/1/02	6/22/03	221 (d) 4
Helios	M82A		30	Family	9/1/82	1,548,600.00	1,440,697.18	8/1/23	12.00%	Yes	4/1/02	6/2/03	221 (d) 4
Sunset	M82A		44	Elderly	7/1/82	1,580,100.00	1,427,270.78	7/1/23	12.00%	Yes	5/1/02	4/27/03	221 (d) 3
Villa 14	M82A		36	Elderly	7/28/82	1,143,500.00	1,061,279.20	6/1/23	12.00%	Yes	4/1/02	1/18/03	221 (d) 4
Centennial Terrace	M82A		47	Elderly	7/28/82	1,496,200.00	1,388,364.29	7/1/23	12.00%	Yes	4/1/02	1/25/03	221 (d) 4
Terrace	M82A		75	Family	7/1/82	3,315,300.00	2,949,835.26	9/1/23	12.00%	Yes	4/1/02	7/13/03	221 (d) 4
Westland	M82A		100	Elderly	9/1/82	3,777,600.00	3,278,498.28	11/1/23	12.00%	Yes	4/1/02	7/14/03	221 (d) 4
Alyson	M82A		60	Elderly	9/1/82	2,130,100.00	1,983,324.81	9/1/23	12.00%	Yes	4/1/02	10/7/03	221 (d) 4
Aurora Vill	M82A		100	Elderly	9/27/82	3,326,000.00	3,101,897.94	11/1/23	12.00%	Yes	4/1/02	10/13/03	221 (d) 4
Castle East	M82A		20	Family	3/3/83	808,000.00	752,944.60	10/1/23	12.00%	Yes	4/1/02	8/1/03	221 (d) 4
Niblock	M82A	35.800%	10	Family	12/24/85	145,061.60	132,641.40	10/1/26	6.75%		3/1/02	7/14/02	221 (d) 4
	M00A	64.200%											
A.C.C.E.S.S	M82A	6.200%	6	Family	5/30/89	14,737.40	11,804.22	11/1/19	8.50%		4/1/02	10/1/04	221 (d) 3
	M00A	93.800%											
Emerson	M82A	6.700%	12	Family	1/27/89	31,550.30	26,469.99	9/1/19	8.50%		4/1/02	10/15/04	221 (d) 4
	M00A	93.300%											
4th & Fox	M82A	5.700%	13	Family	7/10/89	30,460.80	25,867.33	3/1/20	8.50%		4/1/02	8/9/05	221 (d) 4
	M00A	94.300%											
Crabtree	M82A	74.000%	8	Family	5/23/90	207,792.00	179,152.65	11/1/20	8.50%		4/1/02	10/14/05	221 (d) 4
	M82B	26.000%											
Jamaica Arm	M82A	74.000%	6	Family	10/16/91	201,576.00	177,423.46	5/1/22	8.00%		4/1/02	1/16/05	221 (d) 4
	M82B	26.000%											
Glenlake	M82B	13.010%	207	Family	9/1/91	610,611.34	559,878.07	10/1/26	8.10%		4/1/02		223 (f)
	M82A	37.030%											
	M91A	49.960%											
Maryl	M82B		50	Elderly	1/11/83	1,694,100.00	1,554,256.70	11/1/23	10.95%	Yes	4/1/02	10/6/03	221 (d) 4
Aspen	M82B		100	Elderly	1/1/83	3,818,400.00	3,499,881.51	10/1/23	10.95%	Yes	4/1/02	10/19/03	221 (d) 4
Allied Sout	M82B		96	Elderly	3/28/83	3,891,400.00	3,586,681.39	4/1/24	10.95%	Yes	4/1/02	11/14/03	221 (d) 3
Villa West	M82B	68.300%	60	Family	11/26/84	718,174.50	619,308.51	5/1/20	10.50%		4/1/02	6/20/02	221 (d) 4
	M00A	31.700%											
Crabtree	M82B	26.000%	8	Family	5/23/90	73,008.00	62,945.52	11/1/20	8.50%		4/1/02	10/14/05	221 (d) 4
	M82A	74.000%											
Jamaica Arm	M82B	26.000%	6	Family	10/16/91	70,824.00	62,337.97	5/1/22	8.00%		4/1/02	1/16/05	221 (d) 4
	M82A	74.000%											
Tiara	M84A		51	Elderly	7/1/84	1,430,700.00	1,113,327.82	12/1/14	10.85%		4/1/02		221 (d) 4
Village	M84A		60	Family	4/19/84	1,730,200.00	1,312,429.51	8/1/14	7.00%		4/1/02	8/31/02	221 (d) 4
Park West	M84A		41	Elderly	9/14/84	1,182,800.00	914,154.02	2/1/15	7.00%		4/1/02	1/17/02	221 (d) 4
Pine	M84A		111	Family	6/21/84	2,247,700.00	1,731,538.96	11/1/14	8.65%		4/1/02	2/13/03	221 (d) 4
Glenlake	M91A	49.960%	207	Family	9/1/91	2,344,822.64	2,150,000.66	10/1/26	8.10%		4/1/02		223 (f)
	M82A	37.030%											
	M82B	13.010%											
Hyland Park	M93A		492	Family	3/31/93	9,354,400.00	8,642,305.48	4/1/28	7.40%		4/1/02		223 (f)
Altamira	M93A		360	Family	3/31/93	3,142,400.00	2,903,188.33	4/1/28	7.40%		4/1/02		223 (f)
Summit Apts	M93A		256	Family	3/31/93	3,248,400.00	2,998,029.33	4/1/28	7.40%		4/1/02		223 (f)
Tanglewood	M93A	11.029%	201	Family	3/31/93	374,999.94	348,323.74	4/1/28	7.75%		4/1/02		223 (f)
	M00A	88.970%											
BCorp Rio	M95A		69	Family	10/1/96	4,475,000.00	4,198,353.04	11/1/26	7.15%		4/1/02		542 (c)
Steamboat	M95A		104	Family	10/30/96	6,629,200.00	6,452,859.74	11/1/36	7.40%		4/1/02		542 (c)
Walnut Crek	M95B		220	Family	11/7/95	13,326,400.00	12,950,450.48	11/1/36	7.17%		4/1/02		221 (d) 4
Canyon Poin	M95C		82	Elderly	9/15/95	13,004,600.00	12,692,804.32	11/1/37	6.85%		4/1/02	12/31/19	221 (d) 4
Yorkshire	M96A		200	Family	4/23/96	5,325,712.00	4,972,578.41	5/1/26	7.38%		4/1/02		542 (c)
Legacy Centr	M96A		32	Assisted Living	4/4/96	1,680,000.00	1,628,186.23	5/1/36	7.25%		4/1/02		542 (c)
Breckenridge	M96A		74	Family	6/26/96	5,010,200.00	4,895,068.84	10/1/37	7.10%		4/1/02		542 (c)
First Ave	M96A		128	Family	9/17/96	6,250,000.00	6,062,452.31	10/1/36	7.00%		4/1/02		542 (c)
Avery Apts	M96A		23	Family	9/25/96	633,514.00	593,819.18	10/1/26	7.18%		4/1/02		542 (c)

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	Next Due Date	HAP Expir. Date	FHA Ins. Program
Park Hill	M96A		36	Assisted Living	10/2/96	841,166.00	796,297.91	11/1/26	8.00%		4/1/02		542 (c)
Skyview	M96A		68	Assisted Living	9/24/95	4,180,000.00	4,056,878.92	11/1/36	7.00%		4/1/02		542 (c)
A.T.LEWIS	M96B		51	Family	11/19/97	5,720,800.00	5,471,209.15	12/1/27	7.60%		4/1/02		542 (c)
Westwood Apt	M96B		48	Family	9/15/98	2,600,000.00	2,557,265.42	10/1/38	7.30%		4/1/02		542 (c)
Forum Apts	M96C		100	SRO/Homeless	5/23/97	465,000.00	447,985.03	6/1/27	9.30%		4/1/02	10/30/06	542 (c)
Woodland Apt	M96C		116	Family	1/23/98	5,506,800.00	5,397,139.71	2/1/38	7.30%		4/1/02		542 (c)
South Oneida	M96C		112	Family	11/25/97	7,657,000.00	7,490,906.03	12/1/37	7.15%		4/1/02		542 (c)
Eaton Ter II	M97A		66	Elderly	2/28/97	4,157,000.00	3,906,711.40	3/1/27	6.85%		4/1/02	3/1/10	542 (c)
Gold Camp	M97A		24	Family	5/13/97	1,308,700.00	1,276,785.42	6/1/37	7.20%		4/1/02		542 (c)
Eastern Slop	M97A		16	Elderly, Asst. Liv.	6/20/97	1,015,000.00	990,124.47	7/1/37	7.10%		4/1/02		542 (c)
Roger	M97A		74	Elderly	6/12/97	916,000.00	865,140.20	7/1/27	6.85%		4/1/02		542 (c)
Montview Prk	M97A		126	Family	8/20/98	3,150,000.00	3,031,853.48	9/1/28	7.20%		4/1/02		542 (c)
Allied Housi	M97A	95.238%	96	Elderly	3/1/99	7,999,999.56	7,929,288.32	5/1/31	6.45%		6/1/99		542 (c)
	M99A	4.761%											
Heritage Est	M97B		326	Family	10/28/97	6,236,000.00	5,913,715.92	11/1/27	6.85%		4/1/02		542 (c)
Villa Townhm	M97B		20	Family	11/21/97	830,000.00	810,790.35	12/1/37	6.90%		4/1/02		542 (c)
Platte II	M97B		48	Family	2/20/98	1,922,000.00	1,880,508.80	3/1/38	6.90%		4/1/02		542 (c)
Tower 48	M97B	1.630%	140	Family	3/24/98	158,338.20	156,179.33	12/1/39	6.30%		4/1/02		221 (d) 4
	M97C	79.380%											
	M00A	18.990%											
Fountain Rdg	M97B	1.140%	36	Family	4/14/98	24,245.52	23,827.32	4/1/39	6.40%		4/1/02		221 (d) 4
	M97C	79.720%											
	M00A	19.140%											
Sterling	M97B	6.707%	27	Assisted Living	1/19/00	109,932.65	109,407.16	3/1/41	7.90%		2/1/02		542 (c)
	M99C	93.292%											
Burlington	M97B		38	Family	4/28/99	2,475,000.00	2,398,252.33	5/1/29	6.95%		4/1/02		542 (c)
Caley Ridge	M97B	1.200%	100	Elderly	7/19/99	85,200.00	84,085.72	8/1/39	6.95%		4/1/02		542 (c)
	M97C	79.860%											
	M00A	18.940%											
Rancho Peco	M97B	0.513%	228	Family	1/19/00	55,004.78	55,004.78	1/1/30	7.00%		5/1/02		542 (c)
	M99C	99.486%											
Homestead at	M97B	3.970%	58	Assisted Living	2/28/00	180,635.00	178,843.58	3/1/40	6.95%		4/1/02		542 (c)
	M97C	77.680%											
	M00A	18.350%											
Village Cst	M97B	64.601%	120	Family	8/11/99	3,960,041.30	3,945,312.64	7/1/41	6.35%		4/1/02		542 (c)
	M99A	35.399%											
Los Caballe	M97B	53.316%	144	Family	8/1/98	6,470,272.40	6,402,659.89	5/1/40	6.60%		4/1/02		221 (d) 4
	M98B	46.683%											
Tower 48	M97C	79.380%	140	Family	3/24/98	7,710,973.20	7,605,837.53	12/1/39	6.30%		4/1/02		221 (d) 4
	M97B	1.630%											
	M00A	18.990%											
Fountain Rdg	M97C	79.720%	36	Family	4/14/98	1,695,484.96	1,666,240.53	4/1/39	6.40%		4/1/02		221 (d) 4
	M97B	1.140%											
	M00A	19.140%											
Caley Ridge	M97C	79.860%	100	Elderly	7/19/99	5,670,060.00	5,595,904.64	8/1/39	6.95%		4/1/02		542 (c)
	M97B	1.200%		Assisted Living									
	M00A	18.940%											
Homestead at	M97C	77.680%	58	Assisted Living	2/28/00	3,534,440.00	3,499,387.79	3/1/40	6.95%		4/1/02		542 (c)
	M97B	3.970%											
	M00A	18.350%											
Madison Ave	M98A		60	Family	1/19/99	2,377,000.00	2,290,010.13	2/1/29	6.55%		4/1/02		542 (c)
Riverwalk	M98A		132	Family	6/1/98	8,083,000.00	7,958,621.70	9/1/39	6.20%		4/1/02		221 (d) 4
Montview	M98A		27	Family	12/1/98	1,483,000.00	1,455,681.19	1/1/39	6.50%		4/1/02		542 (c)
RED ROCKS	M98A		140	Elderly	12/23/99	4,204,000.00	4,097,222.62	1/1/30	6.45%		4/1/02		542 (c)
Grand Valley	M98A		50	Family	3/1/99	2,332,000.00	2,290,662.56	4/1/39	6.30%		4/1/02		542 (c)
Heatherwood	M98A		54		10/12/99	2,236,500.00	2,206,184.62	11/1/39	6.40%		4/1/02		542 (c)

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	Next Due Date	HAP Expir. Date	FHA Ins. Program
Mercy Housin	M98B	71.000%	96	Family	11/20/98	1,155,880.00	1,110,639.14	12/1/28	6.50%		4/1/02		542 (c)
	M99A	29.000%											
Los Caballe	M98B	46.683%	144	Family	8/1/98	5,665,227.60	5,606,027.58	5/1/40	6.60%		4/1/02		221 (d) 4
	M97B	53.316%											
Grand Lowry	M98B	2.396%	165	Elderly	6/15/99	469,990.67	466,531.48	1/1/41	5.95%		4/1/02		221 (d) 4
	M99A	97.603%											
Mercy Housing	M99A	29.000%	96	Family	11/20/98	472,120.00	453,641.34	12/1/28	6.50%		4/1/02		542 (c)
	M98B	71.000%											
Kittyhawk	M99A		131	Family	4/1/99	3,175,000.00	3,056,093.01	5/1/29	5.90%		4/1/02		542 (c)
Highland	M99A		76	Family	11/7/00	6,388,000.00	6,343,818.90	12/1/40	6.45%		4/1/02		542 (c)
Allied Housing	M99A	4.761%	96	Elderly	3/1/99	400,000.44	396,464.87	5/1/31	6.45%		6/1/99		542 (c)
	M97A	95.238%											
Village Cst	M99A	35.399%	120	Family	6/11/01	2,169,958.70	2,161,887.93	7/1/41	6.35%		4/1/02		542 (c)
	M97B	64.601%											
Grand Lowry	M99A	97.603%	165	Elderly	6/15/99	19,144,009.33	19,003,107.20	1/1/41	5.95%		4/1/02		221 (d) 4
	M98B	2.396%											
Broomfield S	M99B		88	Elderly	9/12/01	5,578,100.00	5,563,039.34	9/1/41	6.45%		4/1/02		542 (c)
Sterling	M99C	93.292%	27	Assisted Living	1/19/00	1,529,067.35	1,521,758.24	3/1/41	7.90%		2/1/02		542 (c)
	M97B	6.707%											
Rancho Peco	M99C	99.486%	228	Family	1/19/00	10,662,995.22	10,662,995.73	1/1/30	7.00%		5/1/02		542 (c)
	M97B	0.513%											
Allison Camp	M99C		67	Elderly	9/28/01	4,555,000.00	4,545,973.30	9/30/41	6.90%		4/1/02		542 (c)
Totals:						\$361,414,249.32	\$339,077,160.68						

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APPENDIX F

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 CONSIDERATIONS FOR BONDOWNERS – Conditions to Payment of FHA Insurance."

Federal Assistance Programs. Housing Facilities are not required by the Master Indenture to be the subject of federal assistance payments. However, many of the Housing Facilities and Projects securing Obligations under the Master Indenture (and substantially all of the 1982 Projects) have been assisted by HUD under its Section 8 Subsidy Program for New Construction, Substantial Rehabilitation or Moderate Rehabilitation. See "CERTAIN INFORMATION ABOUT THE OUTSTANDING MORTGAGE LOANS AND PROJECTS" attached as **Appendix E** hereto. In October 1997, the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("**Title V**") was signed into law, as described in "Part II – CERTAIN BONDOWNERS' RISKS - Expiration of HAP Contracts." Title V as amended provides for restructuring of mortgage financing and provides for the renewal of HAP Contracts for certain multifamily housing projects, including certain projects financed by the Loans. **Implementation of this legislation and any future changes to the HUD Section 8 Subsidy Program could have an adverse impact on the 1982 Projects which are subsidized under the Section 8 Subsidy Program.** See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

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APPENDIX G

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.

Recent Developments – Mark-to-Market Program and Other Options for Expiring HAP Contracts. There have been numerous pronouncements over the past several years from HUD officials, the White House and members of Congress as to the future of HUD and the Section 8 subsidy program primarily focused on developments having FHA-insured mortgages with terms ranging from 30 to 40 years and HAP Contracts with substantially shorter terms. 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 new 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.

The table entitled "1982 Mortgage Loans and 1982 Projects" set forth under the caption "Part I – CERTAIN PROGRAM ASSUMPTIONS – 1982 Mortgage Loans and Projects" indicates that owners of certain 1982 Mortgage Loans have advised the Authority of their entry into the Mark-to-Market Program. The Authority has not determined at this time the extent to which the owners of projects secured by other Mortgage Loans and which are the subject of expiring HAP Contracts will seek renewals of those HAP Contracts or which projects will be eligible for such renewals under Title V, with or without restructuring of the respective Mortgage Loans. With respect to those projects eligible for contract renewal and/or restructuring, the revised HAP Contract rents may be significantly lower than the current HAP Contract rents, and the corresponding reduction in Section 8 subsidy payments for such projects could materially adversely affect the ability of owners of such projects to pay debt service on the Mortgage Loans. Any termination or expiration of the HAP Contracts, without renewal or replacement with other project-based assistance, could also have a material adverse impact on the ability of the related projects to generate revenues sufficient to pay debt service on the Mortgage Loans. Restructuring plans may involve the refinancing and/or partial payment of Mortgage Loans. Thus, the Authority is unable at this time to predict the impact of expiration of these HAP Contracts or the effect of this legislation on the sufficiency of Revenues and assets pledged under the General Resolution for payment of the Bonds, including the 2002 Series AA Bonds.

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APPENDIX H

Certain Terms of the Initial 2002AA Liquidity Facility

This Appendix contains a brief summary of certain provisions of the Initial 2002AA Liquidity Facility to be entered with the 2002AA Liquidity Facility Provider. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial 2002AA Liquidity Facility are qualified by reference to such document. The Initial 2002AA Liquidity Facility may be amended at anytime without the consent of or notice to Bondholders. Any Alternate Liquidity Facility may have terms substantially different from those of the Initial 2002AA Liquidity Facility.

For information regarding the 2002AA Liquidity Facility Provider, see Appendix I.

Pursuant to the Initial 2002AA Liquidity Facility, the 2002AA Liquidity Facility Provider agrees, subject to the terms and conditions therein, to purchase 2002 Series AA Bonds (which are not owned by the 2002AA Liquidity Facility Provider or the Authority or any affiliate of the Authority) bearing interest at a Daily Rate, Weekly Rate or Term Rate which, during the Purchase Period, are tendered by the owners thereof to the Tender Agent or are subject to mandatory purchase but are not remarketed by the Remarketing Agent. The Initial 2002AA Liquidity Facility will expire July 1, 2003, unless extended or earlier terminated as described therein.

Certain Definitions

"*Available Commitment*," as of any day, means the sum of the Available Principal Commitment and the Available Interest Commitment.

"*Available Interest Commitment*" means an amount equal to 184 days of accrued interest at 10% per annum on the Available Principal Commitment then in effect computed on the basis of a year of 365 days.

"*Available Principal Commitment*" means \$75,720,000 and thereafter shall mean such initial amount adjusted from time to time as follows:

- (a) Upon any reduction in the Available Principal Commitment pursuant to the Initial 2002AA Liquidity Facility, downward by the amount of such reduction;
- (b) Downward by the principal amount of any 2002 Series AA Bonds purchased by the Bank pursuant to the Initial 2002AA Liquidity Facility; and
- (c) Upward by the principal amount of any 2002 Series AA Bonds previously purchased by the Bank pursuant to the Initial 2002AA Liquidity Facility, which a Bank Bondholder elects to retain pursuant to the Initial 2002AA Liquidity Facility or that are sold or deemed sold by a Bank Bondholder pursuant to the Initial 2002AA Liquidity Facility (regardless of the Purchase Price received for such Bonds).

Any adjustment to the Available Principal Commitment described in subparagraphs (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

"*Bond Insurer Event of Default*" means any Event of Default described in subparagraphs (c), (d), (e), (f) or (g) under the caption "Termination or Suspension by 2002AA Liquidity Facility Provider."

"*Bond Insurer Event of Insolvency*" means the occurrence and continuance of one or more of the following events: (a) the issuance of an order of rehabilitation, liquidation or dissolution of the Bond Insurer; (b) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its Debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (c) the commencement against the Bond Insurer of any involuntary case or other proceeding seeking any relief referred to in the preceding clause (b) and such case or proceeding shall not have been dismissed within 90 days following the commencement thereof; (d) the making by the Bond Insurer of an assignment for the benefit of creditors; (e) the failure of the Bond Insurer to generally pay its Debts (provided for purposes of this definition, Debts shall not include any obligation of the Bond Insurer under any insurance policy or surety bond) as they become due; or (f) the initiation by the Bond Insurer of any actions to authorize any of the foregoing.

"*Purchase Date*" means the date any 2002AA Bonds are purchased with amounts advanced under the Initial 2002AA Liquidity Facility.

"*Purchase Period*" means the period from the effective date of the Initial 2002AA Liquidity Facility to and including the earliest of (i) July 1, 2003 (or to an extended date as may become effective under the Initial 2002AA Liquidity Facility), (ii) the date on which no 2002 Series AA Bonds bearing interest at a Daily Rate, Weekly Rate or Term Rate are outstanding, and (iii) the date on which the Available Commitment has been terminated in its entirety due to the redemption, repayment, defeasance or other payment of all of the principal amount of the 2002 Series AA Bonds, conversion of the interest rate borne on any 2002 Series AA Bonds to other than a Daily Rate Mode, Weekly Rate Mode or Term Rate Mode, the occurrence of certain events of default (as described below) or due to the delivery of an Alternate Liquidity Facility.

"*Purchase Price*" means, with respect to any 2002 Series AA Bond which has been deemed to be an "Eligible Bond" under the Initial 2002AA Liquidity Facility, 100% of the principal amount of such 2002 Series AA Bond plus 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 such 2002 Series AA Bond is also an Interest Payment Date for such Bond, the Purchase Price for such 2002 Series AA Bond shall not include accrued but unpaid interest on such Bond; and provided further that in no event shall the Purchase Price of any 2002 Series AA Bond include defaulted interest accrued on such Bond or any premium owed with respect to any 2002 Series AA Bond.

THE INITIAL 2002AA LIQUIDITY FACILITY PROVIDES FUNDS ONLY FOR PAYMENT OF THE PURCHASE PRICE AS DESCRIBED ABOVE, DOES NOT SECURE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2002 SERIES AA BONDS, AND MAY BE TERMINATED AS DESCRIBED BELOW.

Conditions Precedent to Obligations of 2002AA Liquidity Facility Provider

The obligation of the 2002AA Liquidity Facility Provider to purchase 2002 Series AA Bonds in the Daily Mode, Weekly Mode, or Term Rate Mode on any particular Purchase Date under the Initial 2002AA Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by the 2002AA Liquidity Facility Provider: (i) that the 2002AA Liquidity Facility Provider shall have timely received a notice of bank purchase as provided in the 2002AA Initial Liquidity Facility, and

(ii) that no Bond Insurer Event of Default (described in subparagraphs (c)-(g) under "Termination or Suspension By 2002AA Liquidity Facility Provider" below) shall have occurred and be continuing.

Termination or Suspension By 2002AA Liquidity Facility Provider

The following events constitute Events of Default under the Initial 2002AA Liquidity Facility which may involve termination or suspension of the 2002AA Liquidity Facility Provider:

- (a) the financial strength rating assigned to the Bond Insurer is reduced below "Aa3", "AA-" and "AA-" by Moody's, S&P and Fitch, respectively, for a period of 60 consecutive days;
- (b) failure by the Authority to pay when due any installment of the commitment fee owed to the 2002AA Liquidity Facility Provider;
- (c) a Bond Insurer Event of Insolvency (as defined in the Initial 2002AA Liquidity Facility);
- (d) the Bond Insurer shall fail, wholly or partially, to make a payment when due or principal or interest to the Trustee or Paying Agent as required under the Bond Insurance Policy;
- (e) the Bond Insurer shall, in writing, claim that the Bond Insurance Policy, with respect to the payment of principal of or interest on the 2002 Series AA Bonds is not valid and binding on the Bond Insurer, or repudiate the obligations of the Bond Insurer under the Bond Insurance Policy, with respect to the payment of principal of or interest on the 2002 Series AA Bonds, or the Bond Insurer shall initiate proceedings to seek an adjudication that the Bond Insurance Policy, with respect to the payment of principal of or interest on the 2002 Series AA Bonds is not valid and binding on the Bond Insurer;
- (f) any Governmental Authority with jurisdiction to rule on the validity of the Bond Insurance Policy shall announce, find, or rule that the Bond Insurance Policy or any provision thereof regarding the obligation of the Bond Insurer to make a payment with respect to the 2002 Series AA Bonds is not valid and binding on the Bond Insurer;
- (g) the Bond Insurance Policy is canceled or terminated for any reason, or amended or modified in any material respect, without the prior written consent of the 2002AA Liquidity Facility Provider.

Upon the occurrence of an Event of Default described in subparagraphs (e) or (f) above, the 2002AA Liquidity Facility Provider's obligation to purchase 2002 Series AA Bonds under the Initial 2002AA Liquidity Facility will be immediately suspended without notice or demand to any person and thereafter the 2002AA Liquidity Facility Provider shall be under no obligation to purchase 2002 Series AA Bonds until the Available Commitment is reinstated as described below. Promptly upon any such Event of Default, the 2002AA Liquidity Facility Provider shall notify the Authority, the Paying Agent and the Remarketing Agent of such suspension in writing; provided, that the 2002AA Liquidity Facility Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the suspension of the Available Commitment and the 2002AA Liquidity Facility Provider obligations under the Initial 2002AA Liquidity Facility. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy shall thereafter enter a final, nonappealable judgment that the Bond Insurance Policy is not valid and binding on the Bond Insurer, then the Available Commitment and the obligation of the 2002AA Liquidity Facility Provider to purchase the 2002 Series AA Bonds will immediately terminate without notice or demand and thereafter the 2002AA Liquidity Facility Provider shall be under no obligation to purchase the 2002 Series AA Bonds. If a court with jurisdiction to rule on the validity of the Bond Insurance Policy finds or rules that the Bond Insurance Policy is valid and binding on the Bond Insurer, then the Available Commitment

and the obligations of the 2002AA Liquidity Facility Provider under the Initial 2002AA Liquidity Facility will thereupon be reinstated (unless the Purchase Period shall otherwise have expired or the Available Commitment shall otherwise have been terminated or suspended as provided in the Initial 2002AA Liquidity Facility). Notwithstanding the foregoing, if three years after the effective date of suspension of the 2002AA Liquidity Facility Provider's obligations pursuant to this paragraph, litigation is still pending and a judgment regarding the validity of the Bond Insurance Policy has not been obtained, then the Available Commitment and the 2002AA Liquidity Facility Provider's obligation to purchase will, unless previously terminated pursuant to any other provision of the Initial 2002AA Liquidity Facility, at such time terminate without notice or demand and thereafter the 2002AA Liquidity Facility Provider will be under no obligation to purchase 2002 Series AA Bonds.

Upon the occurrence and continuance of any involuntary case or proceeding seeking liquidation, reorganization or other relief with respect to the Bond Insurer or its Debts under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for the Bond Insurer or any substantial part of its property, the 2002AA Liquidity Facility Provider's obligation to purchase the 2002 Series AA Bonds shall be immediately suspended without notice or demand and thereafter the 2002AA Liquidity Facility Provider shall be under no obligation to purchase 2002 Series AA Bonds until the available commitment is reinstated as described below. Promptly upon any such occurrence, the 2002AA Liquidity Facility Provider shall notify the Authority, the Paying Agent and the Remarketing Agent of such suspension in writing; provided, that the 2002AA Liquidity Facility Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure will in no way affect the suspension of the available commitment and the 2002AA Liquidity Facility Provider's obligations under the Initial 2002AA Liquidity Facility. In the event such case or proceeding is terminated, then the 2002AA Liquidity Facility Provider's obligation to purchase 2002 Series AA Bonds shall be reinstated and the terms of the 2002AA Liquidity Facility shall continue in full force and effect (unless the Purchase Period shall have otherwise expired or the available commitment shall have otherwise been terminated or suspended as provided in the Initial 2002AA Liquidity Facility) as if there had been no suspension.

Upon the occurrence of an Event of Default described in subparagraphs (c), (d) or (g) above, the available commitment and the obligation of the 2002AA Liquidity Facility Provider to purchase 2002 Series AA Bonds will immediately terminate and expire without notice or demand.

Termination of the 2002AA Liquidity Facility Resulting in Mandatory Tender

In the case of an Event of Default described in subparagraphs (a) or (b) above, the 2002AA Liquidity Facility Provider may give written notice of such Event of Default and termination of the Initial 2002AA Liquidity Facility to the Paying Agent, with a copy to the Authority, the Bond Insurer and the Remarketing Agent. The Available Commitment and the obligation of the 2002AA Liquidity Facility Provider to purchase the 2002 Series AA Bonds shall terminate on the 30th day (or if such day is not a Business Day, the next following Business Day) after such notice is received by the Paying Agent and on such date the 2002AA Liquidity Facility Provider shall be under no obligation to purchase 2002 Series AA Bonds. See "Part I – TERMS OF THE 2002 SERIES AA BONDS – Tender and Purchase – Mandatory Tender Upon Termination of Initial 2002AA Liquidity Facility."

Termination by Authority

Upon (i) the payment to the 2002AA Liquidity Facility Provider of all fees, expenses and other amounts payable under the Initial 2002AA Liquidity Facility, and (ii) the payment to the 2002AA

Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate the Initial 2002AA Liquidity Facility. In the event of such termination, the Authority is required to replace the Initial 2002AA Liquidity Facility with an Alternate Liquidity Facility so long as there remains outstanding 2002 Series AA Bonds having the benefit of the 2002AA Liquidity Facility.

Alternate Liquidity Facility

The Authority may replace the Initial 2002AA Liquidity Facility with a new Liquidity Facility (an "Alternate Liquidity Facility") in accordance with the procedures set forth in the Resolutions. See "Part II –SECURITY FOR THE OBLIGATIONS– Liquidity Facilities."

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APPENDIX I

The 2002AA Liquidity Facility Provider

The following information has been obtained from the 2002AA Liquidity Facility Provider for inclusion herein. Such information is not guaranteed as to accuracy or completeness by the Authority or the Underwriters and is not to be construed as a representation by the Authority or the Underwriters. Neither the Authority nor the Underwriters have verified this information, and no representation is made by them as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to its date or the date hereof.

Westdeutsche Landesbank Girozentrale (the "**2002AA Liquidity Facility Provider**" or "**WestLB**"), which traces its history to 1832, was created by the merger of two central banks, or Landesbanks (German State Banks), in the State of North Rhine-Westphalia, the Federal Republic of Germany ("**Germany**") on January 1, 1969. As a German universal bank, WestLB provides commercial and investment banking services regionally, nationally and internationally to public, corporate and bank customers. WestLB is the largest of the Landesbanks and, on the basis of total assets at December 31, 2000, was the fifth largest bank in Germany. At December 31, 2000, WestLB had total assets of approximately €304 billion (US \$283 billion).

WestLB also performs the functions of a state and municipal bank for the State of North Rhine-Westphalia and acts as the central bank of the Sparkassen (savings banks) in North Rhine-Westphalia (Germany's most populous state). It conducts a comprehensive range of wholesale banking business and has the power to issue mortgage bonds, municipal bonds and other bonds and is one of the largest continuous issuers of long term debt in Germany. In its capacity as central bank, WestLB acts as the clearing and depository bank for the savings banks in North Rhine-Westphalia. As a state bank, WestLB provides trustee services for state-supported lending programs for housing, regional economic assistance, middle market firms and environmental protection. Internationally, the WestLB Group (the "**Group**") operates through an extensive network of banking subsidiaries, branches and representative offices to provide a range of financial services to its clients.

Pursuant to a guaranty obligation (Gewährträgerhaftung) set forth in Section 37 of the North Rhine-Westphalia Savings Bank Act and Section 5 of the Ordinances of WestLB, North Rhine-Westphalia together with the other guarantors specified therein (including regional authorities and savings bank associations) are jointly and severally liable without restriction for all obligations of WestLB, including all obligations of WestLB New York. The guaranty obligation gives creditors a direct claim against North Rhine-Westphalia only if the claims of the creditors have not first been satisfied out of the assets of WestLB, including the assets of WestLB New York.

In addition to being liable under the guaranty obligation, North Rhine-Westphalia, having established WestLB, is responsible to WestLB for the performance of WestLB's obligations, including all obligations of WestLB New York. This maintenance obligation (Anstaltslast), while not a formal guaranty affording creditors of WestLB a direct claim against North Rhine-Westphalia, requires North Rhine-Westphalia to keep WestLB in a position to perform its functions and to enable it, in the event of financial difficulties, to perform its obligations, when due.

The New York Branch

The New York Branch of WestLB ("**WestLB New York**") is licensed and subject to supervision and regulation by the Superintendent of Banks of the State of New York. WestLB New York is examined

by the New York State Banking Department and is subject to banking laws and regulations applicable to a foreign bank that operates a New York branch. In addition to being subject to New York banking laws and regulations, WestLB and WestLB New York are also subject to the International Banking Act of 1978 (the "IBA") and the Foreign Bank Supervision Enhancement Act of 1991, and WestLB is subject to federal regulation under the IBA and the Bank Holding Company Act of 1956.

Summary of Results of Operations and Financial Condition for the Fiscal Year ended December 31, 2000

The Bank's total assets decreased by 1% (from € 308 billion in 1999) to €304 billion in the 2000 business year. WestLB's total business volume expanded in 2000 by 1% (from €396 billion in 1999) to €399 billion in 2000. WestLB's capital and reserves increased by 5% to €14,672 million at the end of 2000 (as compared to €13,963 million at the end of 1999).

WestLB's operating profit after risk provisions/result of evaluation of €529 million (U.S. \$492 million) decreased by 14% from the previous year. Interest surplus decreased by 12% (from €2,010 million in 1999 to €1,768 million in 2000). Commission surplus increased by 63% (from €366 million in 1999 to €597 million in 2000). Staff expenses increased by 17% to €1,061 million (U.S. \$987 million) in 2000, with other administrative expenses showing an increase of 17% to €936 million (U.S. \$871 million) in 2000. As a result, WestLB's operating result before risk provisions/result of evaluation of €809 million in 2000 increased by 4% (€776 million in 1999).

United States and German Exchange Rates, and Generally Accepted Accounting Principles

The financial information for the year ended December 31, 2000 is derived from the audited statements of WestLB, does not include the consolidated subsidiaries of the WestLB Group and has been prepared in accordance with accounting principles, practices, laws and regulations generally accepted in Germany. German accounting principles differ in certain respects from accounting principles generally accepted in the United States.

Unless indicated otherwise, currency amounts are stated in Euro ("€" or "**Euros**") or United States dollars ("**US\$**" or "**U.S. dollars**"). Merely for the convenience of the reader, this summary contains translations of certain Euro amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the Euro amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollar amounts at the rate indicated. Unless otherwise indicated, the translations of Euro into U.S. dollars have been made at € 1.00 = US\$ 0.9305, which was the official (Frankfurt fixing) exchange rate on December 29, 2000, the last trading day in 2000. In certain instances, figures reflect the effect of rounding.

TO RECEIVE A COPY OF WESTLB'S MOST RECENT ANNUAL REPORT, PLEASE SEND YOUR WRITTEN REQUEST TO WESTDEUTSCHE LANDESBANK GIROZENTRALE, NEW YORK BRANCH, 1211 AVENUE OF THE AMERICAS, NEW YORK, NEW YORK 10036, ATTENTION: PUBLIC RELATIONS.

APPENDIX J

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 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiary 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 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.

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 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 Issuer 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 Issuer 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 in 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 Borrower, the Remarketing Agent, the Credit Enhancer or the Issuer, 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 Issuer, 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 PROVIDER, THE REMARKETING AGENT AND THE SPONSORS 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 SPONSORS, THE LIQUIDITY 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 Liquidity Provider. The Authority or the Sponsors, with the consent of the other, 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 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 K

Certain Definitions relating to Adjustable Rate Bonds

"Alternate Liquidity Facility" means any Liquidity Facility providing liquidity for a Series of Adjustable Rate Bonds delivered by the Agency pursuant to the terms of the Related Series Indenture other than the Initial Liquidity Facility for such Series; provided, however, that the delivery of any such Alternate Liquidity Facility shall result in a short-term rating on the Adjustable Rate Bonds of not less than "A-1+" or "VMIG-1" (in the case of S&P and Moody's, respectively), as evidenced by rating letters delivered when each such Alternate Liquidity Facility is delivered.

"Alternate Rate" means, on any Rate Determination Date for a 2002 Series AA Bond in a particular Mode, the following:

(i) For a 2002 Series AA Bond in the Daily Mode, the last lawful interest rate for such 2002 Series AA Bond set by the Remarketing Agent pursuant to the 2002 Series A Resolution.

(ii) For a 2002 Series AA Bond in the Weekly Mode, the BMA Municipal Swap Index in effect on such Rate Determination Date.

(iii) For a 2002 Series AA Bond in the Term Rate Mode, the Alternate Term Rate in effect on such Rate Determination Date.

"Bank Bonds" means any 2002 Series AA Bonds purchased with funds provided by a Liquidity Facility Provider pursuant to the Liquidity Facility.

"Bank Rate" means the interest rate, not to exceed the lesser of (i) the Maximum Bank Rate or (ii) the maximum interest rate permitted by law, payable on Bank Bonds and determined pursuant to the Liquidity Facility.

"BMA Municipal Swap Index" means the rate determined on the basis of an index based upon the weekly interest rates of tax-exempt variable issues included in a database maintained by Municipal Market Data which meet specific criteria established by The Bond Market Association, formerly known as the Public Securities Association. In the event the Indexing Agent no longer publishes an index satisfying the requirements of the preceding sentence, the rate shall be the "J.J. Kenny Index," 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.

"Conversion Date" means the Business Day on which the interest rate on any of the Adjustable Rate Bonds is Converted to a Fixed Interest Rate.

"Convert", "Converted" or "Conversion", as appropriate, means the conversion of the interest rate on any of the Adjustable Rate Bonds to Fixed Interest Rates as described in the Related Series Indenture.

"Daily Mode" means the Mode during which all or any part of the 2002 Series AA Bonds bear interest at the Daily Rate.

"Daily Rate" means the per annum interest rate on any 2002 Series AA Bond in the Daily Mode determined pursuant to the 2002 Series AA Supplemental Resolution.

"Fixed Rate" means the per annum interest rate on any 2002 Series AA Bonds in the Fixed Rate Mode, established in accordance with the 2002 Series AA Supplemental Resolution.

"Fixed Rate Mode" means any 2002 Series AA Bonds in the Fixed Rate Mode.

"Initial 2002A Liquidity Facility" means the Standby Bond Purchase Agreement, by and among the Authority, the 2002AA Liquidity Facility Provider and the Paying Agent.

"J.J. Kenny Index" means, with respect to a 2002 Series AA Bond in the Weekly Mode for which a rate is not, or cannot be, set pursuant to the 2002 Series AA Resolution, the rate per annum determined on the basis of the index generally made available on the applicable Rate Determination Date by Kenny Information Systems or any successor thereto. The J.J. Kenny Index shall be based upon 30-day yield evaluations at par of bonds, the interest on which is exempt from federal income taxation under the Tax Code, of not less than five "high grade" component issuers selected by the 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 the Kenny Information Systems in its discretion. The bonds on which the J.J. Kenny Index is based shall not include any bonds the interest on which is subject to a "minimum tax" or similar tax under the Tax Code, unless all tax-exempt bonds are subject to such tax.

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

"Mandatory Purchase Date" means (i) any Mode Change Date, (ii) the Substitution Tender Date and (iii) any other date that the 2002 Series AA Bonds are subject to mandatory purchase in accordance with the 2002 Series AA Resolution.

"Maximum Bank Rate" means, with respect to Bank Bonds, the lesser of (i) the maximum non-usurious lawful rate of interest permitted by applicable law and (ii) 20% per annum.

"Mode" means, as the context may require, the Daily Mode, the Weekly Mode, the Term Mode, the Fixed Rate Mode, or the SAVRS Rate Mode.

"Mode Change Date" means, with respect to any 2002 Series AA Bond in a particular Mode, the day on which another Mode for such Bonds begins.

"Notice Parties" means the Authority, the Remarketing Agent, the Liquidity Facility Provider, the Paying Agent, the Trustee and the Bond Insurer.

"Paying Agent" means Wells Fargo Bank West, National Association, a national banking association organized and existing under the laws of the United States of America, and its successors and assigns.

"Rate Determination Date" means the date on which the Effective Rate for the Effective Rate Period following each such Rate Determination Date is determined which, (i) in the case of a Daily Mode, shall be each Business Day commencing with the first day the 2002 Series AA Bonds become subject to the Daily Mode; (ii) in the case of the initial conversion to the Weekly Mode, shall be no later than the Business Day prior to the Mode Change Date, and thereafter, shall be each Tuesday or, if 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; (iii) in the case of the Term Rate Mode, shall be 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, as determined by the Remarketing Agent; and (iv) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date.

"Rating Confirmation Notice" means a notice from each Rating Agency confirming that the rating on the 2002 Series AA Bonds will not be withdrawn (other than a withdrawal of a short term rating upon a change to a Term Rate Mode or a Fixed Rate Mode) as a result of the action proposed to be taken.

"Remarketing Agent" means Lehman Brothers Inc. or any other investment banking firm which may at any time be substituted in its place as provided in the 2002 Series AA Resolution.

"SAVRS Mode Period" means any period of time during which any of the 2002 Series AA Bonds are in a SAVRS Rate Mode.

"SAVRS Rate" means the rate of interest to be borne by any of the 2002 Series AA Bonds as provided in the Supplemental Resolution to be adopted in connection with the SAVRS Rate Conversion Date.

"SAVRS Rate Bonds" means the 2002 Series AA Bonds in a SAVRS Rate Mode.

"SAVRS Rate Conversion Date" means the date on which any of the 2002 Series AA Bonds are converted to SAVRS Rate Bonds, which date shall be an Interest Payment Date.

"SAVRS Rate Mode" means the Mode during which any of the 2002 Series AA Bonds bear interest at rates determined by auction procedures described in the Supplemental Indenture to be entered in connection with the SAVRS Rate Conversion Date.

"Term Rate Mode" means the Mode, during which all or any part of the Bonds bears interest at the Term Rate.

"Weekly Mode" means the Mode during which all or any part of the 2002 Series AA Bonds bear interest at the Weekly Rate.

"Weekly Rate" means the per annum interest rate on any 2002 Series AA Bond in the Weekly Mode determined pursuant to the 2002 Series AA Resolution.

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APPENDIX L

Description of Bond Insurer and Form of Specimen Policy

The following information has been furnished by the Bond Insurer for use in this Official Statement in connection with the 2002 Series AA Bonds. No representation is made by the Authority or the Underwriters as to (1) the accuracy or adequacy of the information about the Bond Insurer that is included herein directly or by reference or (2) the absence of material adverse changes affecting the Bond Insurer since the date of such information.

The Bond Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company ("MBIA Inc."). MBIA Inc. is not obligated to pay the debts of or claims against the Bond Insurer. The Bond Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Bond Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Bond Insurer, changes in control and transactions among affiliates. Additionally, the Bond Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Bond Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer's policy and the Bond Insurer set forth in this Appendix L. Additionally, the Bond Insurer makes no representation regarding the 2002 Series AA Bonds or the advisability of investing in the 2002 Series AA Bonds.

The Financial Guaranty Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The following documents filed by MBIA Inc. with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001; and
- (2) MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002.

Any documents filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

MBIA Inc. files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2001 and (2) MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2002) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington, D.C.; (iii) over the Internet at MBIA Inc.'s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001 the Bond Insurer had admitted assets of \$8.5 billion (audited), total liabilities of \$5.6 billion (audited), and total capital and surplus of \$2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2002 the Bond Insurer had admitted assets of \$8.6 billion (unaudited), total liabilities of \$5.7 billion (unaudited), and total capital and surplus of \$2.9 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Moody's Investors Service, Inc. rates the financial strength of the Bond Insurer "Aaa."

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Bond Insurer "AAA."

Fitch IBCA, Inc. rates the financial strength of the Bond Insurer "AAA."

Each rating of the Bond Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Bond Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2002 Series AA Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the ratings may have an adverse effect on the market price of the 2002 Series AA Bonds. The Bond Insurer does not guaranty the market price of the 2002 Series AA Bonds nor does it guaranty that the ratings on the 2002 Series AA Bonds will not be revised or withdrawn.

MBIA

FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N. A., State Street Bank and Trust Company, N A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest: _____

SPECIMEN

Assistant Secretary

ENDORSEMENT

Attached to Policy No. _____ (the "Policy") issued by the MBIA Insurance Corporation (the "Insurer") with respect to the Obligations:

\$ _____
Colorado Housing and Finance Authority
Adjustable Rate Multi-Family Housing Insured Mortgage Revenue Bonds
2002 Series AA

Notwithstanding the terms and conditions contained in the Policy, it is further understood that: (1) the Policy shall be canceled upon delivery to the Paying Agent of an alternate Bond Insurance Policy in accordance with the provisions of the 2002 Series AA Resolution Authorizing the Issuance of Colorado Housing and Finance Authority Adjustable Rate Multi-Family Housing Insured Mortgage Revenue Bonds, 2002 Series AA adopted as of June 27, 2002 (the "Resolution"); provided, however, that the Policy shall remain in effect with respect to any claims for Insured Amounts as described in clause (ii) of the first paragraph of the Policy resulting from payments made by or on behalf of the Issuer prior to the effective date of the cancellation of the Policy; (2) the Policy shall guarantee the payment of the principal and interest due in respect of the Obligations constituting Bank Bonds (as defined in the Resolution) upon the final date on which Bank Bonds are mandatorily redeemed in accordance with Section 3.5 of the Resolution; and (3) the Policy shall not guarantee to the Paying Agent payment of any interest due in respect of the Obligations constituting Bank Bonds on a Bank Bond Purchase Date or a Bank Bond Sale Date (each as defined in the Resolution) but shall guarantee the payment of any such unpaid interest on the first business day of the immediately succeeding month.

This endorsement forms a part of the Policy to which it is attached, effective on the inception date of the Policy.

IN WITNESS WHEREOF, the Insurer has caused this endorsement to be executed and attested on its behalf by its President and its Assistant Secretary, this [] day of _____, 2002.

MBIA INSURANCE CORPORATION

President

Attest:

Assistant Secretary

APPENDIX M

Outstanding Investment Agreements

In connection with the prior issuance of certain Multi-Family Housing Insured Mortgage Revenue Bonds outstanding under the General Resolution, the Authority has invested certain amounts in Series subaccounts of Funds related to such Bonds 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 Providers(s) (1)(2)	Rate(s)
1979A	Program Fund	Morgan Guaranty Trust (3)	8.000%
1982A	Redemption Fund; Program Fund	Morgan Guaranty Trust (3)	8.000
1984A	Revenue Principal Fund; General Revenue Fund	Morgan Guaranty Trust (3)	8.000
1991A	Revenue Fund; Revenue Principal Fund	Morgan Guaranty Trust (3)	8.000
1993A	Revenue Principal Fund; Debt Service Fund	Morgan Guaranty Trust (3)	8.000
1993A	Debt Service Reserve Fund	Morgan Guaranty Trust (3)	5.950
1995A	Debt Service Reserve Fund	Bayerische Landesbank Gironzentrale	6.970
1995A	Revenue Fund; Revenue Principal Fund	Westdeutsche Landesbank Gironzentrale	6.000
1995B	Revenue Fund	Westdeutsche Landesbank Gironzentrale	6.000
1995B	Debt Service Reserve Fund	Westdeutsche Landesbank Gironzentrale	6.875
1995C	Revenue Fund	Westdeutsche Landesbank Gironzentrale	5.375
1996A	Debt Service Reserve Fund	Westdeutsche Landesbank Gironzentrale	6.270
1996A	Excess Earnings Fund	Westdeutsche Landesbank Gironzentrale	5.500
1996B	Revenue Fund	Westdeutsche Landesbank Gironzentrale	6.375
1996B	Debt Service Reserve	Westdeutsche Landesbank Gironzentrale	6.760
1996C	Revenue Fund	Westdeutsche Landesbank Gironzentrale	6.520
1996C	Debt Service Reserve Fund	Westdeutsche Landesbank Gironzentrale	6.720
1997A	Debt Service Reserve Fund	Westdeutsche Landesbank Gironzentrale	6.310
1997B	Revenue Fund	Westdeutsche Landesbank Gironzentrale	5.970
1997B	Debt Service Reserve Fund	Westdeutsche Landesbank Gironzentrale	6.260
1997C	Excess Earnings Fund	Westdeutsche Landesbank Gironzentrale	5.820
1997C	Debt Service Reserve Fund	Westdeutsche Landesbank Gironzentrale	5.920
1998A	Revenue Fund	Republic National Bank	5.420
1998B	Revenue Fund	Republic National Bank	5.150
1998B	Cost of Issuance Fund	Republic National Bank	5.320
1999A	Revenue Fund; Project Funds; Debt Service Reserve Fund	Westdeutsche Landesbank Gironzentrale	5.670
1999B	Debt Service Reserve Fund	Bayerische Landesbank Gironzentrale	6.030
1999B	Capitalized Interest Fund	Westdeutsche Landesbank Gironzentrale	5.500
1999C	Revenue Fund	Bayerische Landesbank Gironzentrale	5.610
1999C	Debt Service Reserve Fund	Bayerische Landesbank Gironzentrale	6.030

- (1) Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of the Investment Providers. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the Investment Providers. See "Part II – SECURITY FOR THE OBLIGATIONS."
- (2) As of March 31, 2002, the Authority had invested funds held under the General Resolution in an aggregate of \$20,303,988 with Morgan Guaranty Trust; in an aggregate of \$20,548,427 with Westdeutsche Landesbank Gironzentrale; in an aggregate of \$2,840,076 with Bayerische Landesbank Gironzentrale; and in an aggregate of \$451,975 with Republic National Bank.
- (3) The Authority's investment agreements with Morgan Guaranty Trust expire in September 2002, at which time the Authority plans to enter into agreements for the investment of such funds at then-market interest rates. The Authority anticipates that, assuming the investment of funds at then-market interest rates, it will maintain the requisite positive cash flows under the General Resolution and the ratings on the 2002 Series AA Bonds will not be adversely affected. The Authority may also choose not to reinvest certain of such funds and, instead, to apply such amounts to other permitted uses, including the redemption of 2002 Series AA Bonds. See "PART I – TERMS OF THE 2002 SERIES AA BONDS – Prior Redemption."