

AMENDMENT TO OFFICIAL STATEMENT

\$113,700,000

COLORADO HOUSING AND FINANCE AUTHORITY
Multi-Family/Project Bonds

\$57,130,000
Class I Taxable
Adjustable Rate Bonds
2006 Series A-1

\$34,515,000
Class I
Adjustable Rate Bonds
2006 Series A-2
(AMT)

\$22,055,000
Class III
Adjustable Rate Bonds
2006 Series A-3
(non-AMT)

The first paragraph under the caption "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2006A Derivative Products" of the Official Statement dated September 28, 2006 for the above-captioned Bonds shall be replaced in its entirety with the following paragraph:

"In connection with the issuance of the Taxable 2006 Series A-1 Bonds, the Authority is entering into certain interest rate swap agreements (collectively, the "2006A-1 Derivative Product") with Lehman Brothers Derivative Products Inc., and, in the case of one interest rate swap agreement, with Bank of America, N.A. The Authority is also entering into interest rate swap agreements (collectively, the "2006A-2 Derivative Product") with Lehman Brothers Derivative Products Inc. in connection with the issuance of the 2006 Series A-2 Bonds, certain of which will not take effect until November 1, 2006. In addition, the Authority is entering into interest rate swap agreements (collectively, the "2006A-3 Derivative Product") with Lehman Brothers Derivative Products Inc. in connection with the issuance of the 2006 Series A-3 Bonds which will not take effect until November 1, 2006. Collectively, the 2006A-1 Derivative Product, the 2006A-2 Derivative Product and the 2006A-3 Derivative Product are referred herein as the "2006A Derivative Products." Lehman Brothers Derivative Products Inc. and Bank of America are each referred to as the "2006A Counterparty" herein in reference to the respective 2006A Derivative Products for which each is a counterparty.

COLORADO HOUSING AND FINANCE
AUTHORITY



By: /s/ Milroy A. Alexander
Executive Director

Amendment Dated: October 3, 2006

NEW ISSUE - Book-Entry Only

INTEREST ON THE TAXABLE 2006 SERIES A-1 BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, interest on the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds (except for interest on any 2006 Series A-2 Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2006 Series A-2 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2006 Series A Bonds (the "Tax Code")) is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; however, (a) interest on the 2006 Series A-2 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under federal income tax laws, and (b) interest on the 2006 Series A-3 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described herein. In addition, in the opinion of Bond Counsel, the 2006 Series A Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado law in effect on the date of delivery of the 2006 Series A Bonds. See "Part I – TAX MATTERS."



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(AMT)

\$22,055,000
Class III
Adjustable Rate Bonds
2006 Series A-3
(non-AMT)

Dated: Date of Delivery

Due: As shown below

The 2006 Series A Bonds are being issued by the Colorado Housing and Finance Authority in the series shown above as fully registered bonds pursuant to a Master Indenture of Trust dated as of March 1, 2000, as amended, and a 2006 Series A Indenture of Trust dated as of October 1, 2006, each between the Authority and Wells Fargo Bank, National Association, as Trustee.

The 2006 Series A Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2006 Series A Bonds and nominee of The Depository Trust Company, New York, New York. One fully registered bond equal to the principal amount of each maturity of the 2006 Series A Bonds will be registered in the name of Cede & Co. Individual purchases of 2006 Series A Bonds will be made in book-entry form only, and beneficial owners of the 2006 Series A Bonds will not receive physical delivery of bond certificates representing their interest in the 2006 Series A Bonds, except as described herein. Upon receipt of payments of principal and interest, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the 2006 Series A Bonds. Payments of principal of and interest on the 2006 Series A Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners of the 2006 Series A Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

Proceeds of the 2006 Series A Bonds are expected to be used to acquire and originate certain insured and uninsured rental and business loans previously made or to be made to borrowers to assist them in financing or refinancing projects in Colorado and to finance or refinance a rental project owned by the Authority. In addition, proceeds of the 2006 Series A Bonds, together with amounts advanced by the Authority and reimbursed by certain of the Borrowers and other legally available funds of the Authority, will be used to refund certain outstanding bonds of the Authority, to make deposits to certain funds and accounts, and to pay certain costs of issuance in accordance with the 2006 Series A Indenture.

Each series of the 2006 Series A Bonds initially will bear interest at a weekly rate (the "Weekly Rate") determined prior to the date of delivery of the 2006 Series A Bonds to be effective to and including the following Tuesday, and thereafter determined on each Tuesday by Lehman Brothers[†] in its capacity as the 2006A Remarketing Agent, to be effective from and including each Wednesday to and including the following Tuesday. Following the first Interest Period, the interest rate on any or all series of the 2006 Series A Bonds or any portion thereof may be adjusted to a Commercial Paper Rate, Daily Rate, Term Rate, Select Auction Variable Rate SecuritiesSM ("SAVRS") Rate or Fixed Rate as described herein. Interest on the 2006 Series A Bonds (while in an Interest Period for a Mode other than a Daily Mode, SAVRS Rate Mode or Commercial Paper Mode) will be payable on each April 1 and October 1, commencing on April 1, 2007, on any redemption date and at maturity.

While any of the 2006 Series A Bonds are in an Interest Period other than a Fixed Rate Mode, Commercial Paper Mode or SAVRS Rate Mode, holders of any such 2006 Series A Bonds will have the right to tender their Bonds for purchase and will also be required to tender their Bonds for purchase at the times and subject to the conditions set forth in the Indenture. Payment of the purchase price for the Taxable 2006 Series A-1 Bonds and 2006 Series A-2 Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will be supported by a standby bond purchase agreement (the "Initial 2006A-1/A-2 Liquidity Facility") among the Authority, DEPPA BANK plc, acting through its New York Branch (the "2006A Liquidity Facility Provider") and Wells Fargo Bank, National Association, as Trustee and Paying Agent. Payment of the purchase price for the 2006 Series A-3 Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will be supported by a standby bond purchase agreement (the "Initial 2006A-3 Liquidity Facility," and together with the Initial 2006A-1/A-2 Liquidity Facility, the "Initial 2006A Liquidity Facilities") among the Authority, the 2006A Liquidity Facility Provider and the Paying Agent. Coverage under each of the Initial 2006A Liquidity Facilities, unless extended or earlier terminated, is stated to expire on October 4, 2014. Under certain circumstances, the obligation of the 2006A Liquidity Facility Provider to purchase the related 2006 Series A Bonds tendered by the owners thereof or subject to mandatory purchase may be terminated or suspended and, in some of such circumstances, the termination or suspension of such obligation will be immediate and without notice to such owners. In such event, sufficient funds may not be available to purchase such 2006 Series A Bonds tendered by the owners of such 2006 Series A Bonds or subject to mandatory purchase.

MATURITY SCHEDULE

\$57,130,000 Class I Taxable Adjustable Rate Bonds, 2006 Series A-1 due October 1, 2036 - Price: 100% (CUSIP: 196479 LV9*)
\$34,515,000 Class I Adjustable Rate Bonds, 2006 Series A-2 due October 1, 2041 - Price: 100% (CUSIP: 196479 LW7*)
\$22,055,000 Class III Adjustable Rate Bonds, 2006 Series A-3 due October 1, 2036 - Price: 100% (CUSIP: 196479 LX5*)

The 2006 Series A Bonds are subject to special redemption, optional redemption and mandatory sinking fund redemption prior to maturity at par as described herein.

The Master Indenture provides for four classes of Obligations (which may be Bonds or Derivative Products) thereunder – Class I, Class II, Class III and Class IV Obligations. The Taxable 2006 Series A-1 Bonds and the 2006 Series A-2 Bonds are being issued as Class I Bonds, payable from the revenues, assets and moneys pledged under the Indenture as described herein on an equal and ratable basis with all other Class I Obligations now or hereafter outstanding under the Master Indenture. The Taxable 2006 Series A-1 Bonds and the 2006 Series A-2 Bonds will be special limited obligations of the Authority, and the Taxable 2006 Series A-1 Bonds will also be payable as general obligations of the Authority. The 2006 Series A-3 Bonds are being issued as Class III Bonds, payable from the revenues, assets and money pledged under the Indenture on an equal and ratable basis with all other Class III Obligations now or hereafter outstanding under the Master Indenture, on a basis subordinate to the Class I and Class II Obligations. The 2006 Series A-3 Bonds will also be payable as general obligations of the Authority.

Payment, when due, of the principal of and interest on the 2006 Series A-3 Bonds will be guaranteed under a financial guaranty insurance policy (the "2006A-3 Policy") to be issued by MBIA Insurance Corporation ("MBIA") simultaneously with the delivery of the 2006 Series A-3 Bonds. The 2006A-3 Policy does not insure the purchase price of the 2006 Series A-3 Bonds.

Additional Obligations may be issued by the Authority under the Master Indenture in each of the four Classes and as general obligations of the Authority upon delivery of a Cash Flow Statement and satisfaction of certain other conditions as set forth in the Master Indenture. **In no event shall the 2006 Series A Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any other political subdivision thereof (other than the general credit of the Authority, which general credit is only being pledged for the payment of the Taxable 2006 Series A-1 Bonds and the 2006 Series A-3 Bonds).**

This cover page contains only a brief description of the Authority, the 2006 Series A Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2006 Series A Bonds. Potential investors should read this entire Official Statement to obtain information necessary to make an informed investment decision. Potential investors should pay particular attention to the discussion in "Part II – CERTAIN BONDOWNERS' RISKS."

The 2006 Series A Bonds are offered when, as and if issued and delivered to the Underwriters, subject to the approval of legality by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Authority by Charles L. Borgman, Esq., its General Counsel, and by Hogan & Hartson L.L.P., Denver, Colorado, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the 2006A Liquidity Facility Provider by its U.S. counsel, Chapman and Cutler LLP, Chicago, Illinois, and by its internal Irish counsel. The Underwriters are being represented in connection with their purchase of the 2006 Series A Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. MBIA is being represented by Kutak Rock, Omaha, Nebraska. It is expected that the 2006 Series A Bonds will be delivered (through DTC) in New York, New York on or about October 4, 2006.

LEHMAN BROTHERS[†]

**UBS Investment Bank
RBC Capital Markets
A.G. Edwards & Sons, Inc.**

**Capmark Securities Inc.
Stifel, Nicolaus & Company, Incorporated**

**George K. Baum & Company
Piper Jaffray & Co.
Harvestons Securities, Inc.**

This Official Statement is dated September 28, 2006.

[†] 2006A Remarketing Agent

SM Service Mark of Lehman Brothers, Inc.

* The Authority takes no responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the 2006 Series A Bonds.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder, under any circumstance, creates any implication that there has been no change in the affairs of the Authority or otherwise since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2006 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth in this Official Statement has been furnished by the Authority and obtained from other sources believed to be reliable. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized. All information regarding the Authority and the 2006 Series A Bonds is contained in this Official Statement.

While the Authority maintains an Internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information (except in the case of the limited information provided in the section entitled "Bond Disclosures") with respect to the Bonds (including the 2006 Series A Bonds), the Borrowers, the Authority Projects, the Loans, the Initial 2006A Liquidity Facilities, the 2006A Liquidity Facility Provider, the 2006A-3 Policy, the 2006A-1 Surety Bond, MBIA Insurance Corporation, or any other bonds or obligations of the Authority.

THE PRICES AT WHICH THE 2006 SERIES A BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE FRONT COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2006 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The 2006 Series A Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Commission or any state securities commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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

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Parts I and II and the Appendices.**

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PART I

INTRODUCTION

This Official Statement, which includes the front cover page, this Part I, Part II and the Appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "**Authority**") and otherwise in connection with the offer and sale of the above-captioned Bonds (being collectively referred to herein as the "**2006 Series A Bonds**"). The 2006 Series A Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**"), and the 2006 Series A Indenture dated as of October 1, 2006 (the "**2006 Series A Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**"). Capitalized terms used herein and not defined have the meanings specified in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE" in **Appendix C** to this Official Statement.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by the information contained in, the entire Official Statement, including the front cover page, this Part I, Part II hereof and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of 2006 Series A Bonds to potential investors is made only by means of the entire Official Statement. This Official Statement does not constitute a contract between the Authority or the Underwriters, and any one or more owners of the 2006 Series A Bonds.

Colorado Housing and Finance Authority

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

Authority for Issuance

The 2006 Series A Bonds are authorized to be issued pursuant to the Colorado Housing and Finance Authority Act, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes, as amended (the "Act") and the Supplemental Public Securities Act, being Part 2 of Article 57 of Title 11 of the Colorado Revised Statutes. The 2006 Series A Bonds are being issued and secured under the Indenture.

Purposes of the 2006 Series A Bonds

Proceeds of the 2006 Series A Bonds will be deposited to the credit of the 2006 Series A subaccounts of the Acquisition Account and are expected to be used to acquire and originate insured and uninsured rental and business loans as described in **Appendix G-1** hereto made to Borrowers to assist them in financing or refinancing projects in Colorado. Certain proceeds of the 2006 Series A-3 Bonds will also be used to finance or refinance a rental project owned by the Authority. See "Part I – PLAN OF FINANCE – Use of Amounts in Acquisition Account." Proceeds of the 2006 Series A Bonds, together with amounts advanced by the Authority and reimbursed by certain of the Borrowers and other legally available funds of the Authority, will also be used to make deposits to certain funds and accounts in accordance with the 2006 Series A Indenture, including the payment of costs of issuance, as described in "Part I – PLAN OF FINANCE – Sources and Uses of Funds."

In addition, certain proceeds of the 2006 Series A Bonds, together with other legally available funds, will be used to redeem and pay a portion of the Authority's outstanding Multi-Family Housing Insured Mortgage Revenue Bonds, 1996 Series A, 1996 Series B and 1996 Series C (collectively, the "**Series 1996 Bonds**"), and a portion of its outstanding Multi-Family/Project Bonds, 2000 Series A (the "**Series 2000A Bonds**") and 2002 Series A (the "**Series 2002A Bonds**") as described in "Part I – PLAN OF FINANCE – Redemption and Payment of the Refunded Bonds." In connection with such redemption and payment of the Series 1996 Bonds, the multi-family housing loans previously financed with proceeds of such Series 1996 Bonds will be transferred and deposited to the credit of the 2006 Series A subaccount of the Acquisition Fund and pledged as part of the Trust Estate under the Indenture. In connection with such redemption and payment of the Series 2000A Bonds and the Series 2002A Bonds, the loans previously financed with proceeds of Series 2000A Bonds and Series 2002A Bonds will continue to be pledged in the Trust Estate under the Indenture and reallocated to the credit of the 2006 Series A subaccount of the Acquisition Fund. See **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2006A LOANS AND 2006A AUTHORITY PROJECT – Existing Loans To Be Transferred."

The Loans to be so acquired, originated, deposited and reallocated are collectively referred to herein as the "**2006A Loans**." The Authority's rental project to be so financed or refinanced is referred to as the "**2006A Authority Project**." See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2006A Loans and 2006A Authority Project."

Description of the 2006 Series A Bonds

Interest Rates and Payments

The Authority's Multi-Family/Project Class I Taxable Adjustable Rate Bonds, 2006 Series A-1 (the "**Taxable 2006 Series A-1 Bonds**"), the Authority's Multi-Family/Project Class I Adjustable Rate Bonds, 2006 Series A-2 (the "**2006 Series A-2 Bonds**") and the Authority's Multi-Family/Project Class III Adjustable Rate Bonds, 2006 Series A-3 (the "**2006 Series A-3 Bonds**" and, collectively with the Taxable 2006 Series A-1 Bonds and the 2006 Series A-2 Bonds, the "**2006 Series A Bonds**") initially will bear interest at Weekly Rates. While in a Weekly Rate Mode, interest on each series of the 2006 Series A Bonds will be determined and adjusted weekly and is payable semiannually on April 1 and October 1 of

each year, commencing April 1, 2007, as described in "Part I – TERMS OF THE 2006 SERIES A BONDS," and computed on the basis of a 365-day year or a 366-day year, as applicable for the number of days actually elapsed. The 2006 Series A Bonds are to be issued in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000 and will mature on the dates and in the amounts shown on the front cover hereof (unless redeemed prior to maturity).

Redemption and Tender

The 2006 Series A Bonds are subject to special, optional and mandatory sinking fund redemption prior to maturity, as described under "Part I – TERMS OF THE 2006 SERIES A BONDS – Prior Redemption." The 2006 Series A Bonds are also subject to optional and mandatory tender for purchase as described under "Part I – TERMS OF THE 2006 SERIES A BONDS – Optional Tender and Purchase" and "– Mandatory Purchase." See also "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

For a more complete description of the 2006 Series A Bonds and the Indenture pursuant to which such 2006 Series A Bonds are being issued, see "Part I – TERMS OF THE 2006 SERIES A BONDS" and Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE."

Security and Sources of Payment

All Obligations under the Master Indenture (which may be Bonds or Derivative Products and may be outstanding as Class I, Class II, Class III or Class IV Obligations) will be secured by and payable from all of the Authority's rights and interests in and to the revenues, assets and moneys pledged under the Master Indenture, in particular the Revenues and the Loans (collectively, the "**Trust Estate**"). See "Part II – SECURITY FOR THE OBLIGATIONS." In accordance with the Indenture, Obligations may also be designated as general obligations of the Authority. As of October 1, 2006, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$509,275,000, with \$426,295,000 outstanding as Class I Bonds, \$63,730,000 outstanding as Class II Bonds and \$19,250,000 outstanding as Class III Bonds. The Outstanding Class III Bonds and certain Outstanding Class I Bonds have been designated as general obligations of the Authority. There are no Class IV Obligations outstanding under the Master Indenture. See **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS."

The 2006 Series A Bonds are being issued as Class I Obligations and Class III Obligations pursuant to the Indenture and will be secured by and payable from the Trust Estate as described herein. See "Part I – CERTAIN PROGRAM ASSUMPTIONS." The Trust Estate is pledged under the Indenture to secure first, the Class I Obligations, and, second, the Class II Obligations, as described in "Part II – SECURITY FOR THE OBLIGATIONS – Pledge of Trust Estate." The Class III Obligations are secured under the Master Indenture by a third priority lien on the Trust Estate. None of the 2006 Series A Bonds are being issued as Class II Obligations or Class IV Obligations. The Taxable 2006 Series A-1 Bonds and 2006 Series A-3 Bonds are also being designated as general obligations of the Authority. Payment, when due, of the principal of and interest on the 2006 Series A-3 Bonds will be guaranteed under a financial guaranty insurance policy (the "**2006A-3 Policy**") to be issued by MBIA Insurance Corporation ("**MBIA**" or the "**Bond Insurer**") simultaneously with the delivery of the 2006 Series A-3 Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Bond Insurance for the 2006 Series A-3 Bonds" and **Appendix M** – "MBIA INSURANCE CORPORATION." A specimen of the 2006A-3 Policy is included in **Appendix L** hereto.

In addition, the 2006 Series A Bonds are secured by the Debt Service Reserve Fund established under the Master Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service

Reserve Fund" and "Part II – SECURITY FOR THE OBLIGATIONS." The Debt Service Reserve Fund Requirement for the Taxable 2006 Series A-1 Bonds will be funded with a reserve fund surety bond (the "**2006A-1 Surety Bond**" or "**Surety Bond**") to be issued by MBIA simultaneously with the issuance of the 2006 Series A Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund" and **Appendix M** – "MBIA INSURANCE CORPORATION." A specimen of the 2006A-1 Surety Bond is included in **Appendix L** hereto. **In no event shall the 2006 Series A Bonds constitute an obligation or liability of the State or any political subdivision thereof. The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof other than the general credit of the Authority, which general credit is not pledged for payment of the 2006 Series A Bonds other than the Taxable 2006 Series A-1 Bonds and the 2006 Series A-3 Bonds.**

Upon delivery of the 2006 Series A Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for the Taxable 2006 Series A-1 Bonds and 2006 Series A-2 Bonds (the "**Initial 2006A-1/A-2 Liquidity Facility**") with DEPFA BANK plc, acting through its New York Branch as the initial standby bond purchaser (referred to herein as the "**2006A Liquidity Facility Provider**"). See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2006A LIQUIDITY FACILITIES – Initial 2006A-1/A-2 Liquidity Facility" and **Appendix I** – "THE 2006A LIQUIDITY FACILITY PROVIDER." Upon delivery of the 2006 Series A-3 Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for the 2006 Series A-3 Bonds (the "**Initial 2006A-3 Liquidity Facility**" and, together with the Initial 2006A-1/A-2 Liquidity Facility, the "**Initial 2006A Liquidity Facilities**") with the 2006A Liquidity Facility Provider. See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2006A LIQUIDITY FACILITIES – Initial 2006A-3 Liquidity Facility" and **Appendix I** – "THE 2006A LIQUIDITY FACILITY PROVIDER." UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE 2006A LIQUIDITY FACILITY PROVIDER TO PURCHASE THE RELATED 2006 SERIES A BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED AND, IN SOME OF SUCH CIRCUMSTANCES, THE TERMINATION OR SUSPENSION OF SUCH OBLIGATION WILL BE IMMEDIATE AND WITHOUT NOTICE TO SUCH OWNERS. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SUCH 2006 SERIES A BONDS TENDERED BY THE OWNERS OF SUCH 2006 SERIES A BONDS OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE INITIAL 2006A LIQUIDITY FACILITIES DO NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2006 SERIES A BONDS.

Professionals Involved in the Offering

In connection with the issuance and sale of the 2006 Series A Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion included as **Appendix E** hereto. Certain legal matters relating to the 2006 Series A Bonds will be passed upon for the Underwriters by their counsel, Bookhardt & O'Toole. Certain legal matters will be passed upon for the Authority by its General Counsel, Charles L. Borgman, Esq., and by its Disclosure Counsel, Hogan & Hartson L.L.P. MBIA is being represented in the transaction by Kutak Rock, Omaha, Nebraska. Certain legal matters will be passed upon for the 2006A Liquidity Facility Provider by its U.S. counsel, Chapman and Cutler LLP, Chicago, Illinois and by its internal Irish counsel.

Availability of Continuing Information

The Authority has not agreed to provide continuing financial or other information for the benefit of the owners of the 2006 Series A Bonds while in any Daily Mode or Weekly Mode, or a Term Mode or Commercial Paper Mode equal to or less than nine months. However, the Authority is obligated, in connection with certain other outstanding Bonds under the Master Indenture, to file

certain financial information and operating data relating to the Trust Estate with the national repositories on an annual basis. In addition, the 2006 Series A Indenture requires the Trustee to file certain notices with the National Repositories, as described in "Part I – TERMS OF THE 2006 SERIES A BONDS."

Investment Considerations

The purchase and ownership of the 2006 Series A Bonds involve investment risks. Prospective purchasers of the 2006 Series A Bonds being offered by this Official Statement are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2006 Series A Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."

TERMS OF THE 2006 SERIES A BONDS

General Terms

The 2006 Series A Bonds will be dated the date of delivery and will mature, subject to prior redemption or purchase as described below, in the amounts and on the dates set forth on the front cover page of this Official Statement. The principal or redemption price of the 2006 Series A Bonds is payable to Cede & Co. Interest on the 2006 Series A Bonds will be payable on the Interest Payment Dates to Cede & Co. The 2006 Series A Bonds are subject to redemption as described in "Prior Redemption" under this caption.

Book-Entry System

DTC will act as securities depository for the 2006 Series A Bonds. The ownership of one fully registered Bond for each maturity as set forth on the front cover page, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. Information concerning the book-entry system provided by DTC is set forth in **Appendix F – "BOOK-ENTRY SYSTEM."** **So long as the 2006 Series A Bonds are registered in the DTC book-entry form described in Appendix F, each Beneficial Owner of a 2006 Series A Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2006 Series A Bonds.**

Defeasance and Discharge

The Indenture provides the Authority with the right to discharge the pledge and lien created by the Indenture with respect to any 2006 Series A Bonds by depositing with the Trustee or the Paying Agent sufficient moneys or Defeasance Securities to pay when due the principal or Redemption Price of, if applicable, and interest due or to become due on such 2006 Series A Bonds at the maturity or redemption thereof. See **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Defeasance."**

Interest Rates

Generally

Each series of the 2006 Series A Bonds initially will bear interest at a respective Weekly Rate determined prior to the date of delivery by Lehman Brothers Inc. Thereafter, the interest rate on any series or portion thereof of the 2006 Series A Bonds may be adjusted to a Commercial Paper Rate, Daily

Rate, Term Rate, SAVRS Rate or Fixed Rate, as described herein. While any series of the 2006 Series A Bonds is in an Interest Period for a Mode other than a Daily Mode, SAVRS Rate Mode or Commercial Paper Mode, interest will be payable on each April 1 and October 1, commencing April 1, 2007, on any redemption date or Mode Change Date and on the Maturity Date.

While in an Interest Period for a Term Rate Mode shorter than one year, a Commercial Paper Mode, a Daily Mode or a Weekly Mode, interest on any series of the 2006 Series A Bonds is to be calculated on the basis of the actual number of days in a year for the actual number of days elapsed. Interest on any series of the 2006 Series A Bonds in a SAVRS Rate Mode, Fixed Rate Mode or a Term Rate Mode of one year or longer is to be computed on the basis of a 360-day year comprised of twelve 30-day months. The 2006 Series A Bonds of any series in a Daily Mode, Weekly Mode, Commercial Paper Mode or SAVRS Rate Mode may be purchased in denominations of \$100,000, or any integral multiples of \$5,000 in excess of \$100,000. 2006 Series A Bonds of any series in a Term Rate Mode or Fixed Rate Mode are issuable in denominations of \$5,000 or any integral multiple thereof.

Determination of Interest Rate

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

*Conversion of the interest rate on the 2006 Series A Bonds such that all of the 2006 Series A Bonds covered by an Initial 2006A Liquidity Facility bear interest at a Fixed Interest Rate or the SAVRS Rate would result in a termination of such Initial 2006A Liquidity Facility. See **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2006A LIQUIDITY FACILITIES."*

Weekly Rate. During any Interest Period in which any 2006 Series A Bonds are in a Weekly Mode, the 2006A 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 2006A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2006A Remarketing Agent under then-existing market conditions, would result in the sale of such 2006 Series A Bonds on such date at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2006A 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 2006 Series A Bonds are to bear interest from the last date on which the Weekly Rate was determined by the 2006A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2006A Remarketing Agent determines the Weekly Rate (or until there is delivered an opinion of counsel to the effect that the method of determining such interest was enforceable) at (i) in the case of the Taxable 2006 Series A-1 Bonds, the One Month LIBOR Rate plus 0.20%, or (ii) in the case of the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds, the BMA Municipal Swap Index plus 0.20% (or, in the event the Indexing Agent no longer publishes an index satisfying the requirements of the definition of BMA Municipal SWAP Index, the J.J. Kenny Index plus 0.20%; provided, however, that if the J.J. Kenny Index also ceases to be published, an

alternative index shall be calculated by an entity selected in good faith by the Authority, and shall be determined using the criteria for the BMA Municipal Swap Index), as such rates are reported on the day such Weekly Rate would otherwise have been determined by the 2006A Remarketing Agent. The 2006A Remarketing Agent is to make the Weekly Rate available: (i) after 4:00 p.m., Eastern time, on the date of determination of such rate by telephone to any Owner, the Authority, the Trustee, the Paying Agent and the applicable Liquidity Facility Provider; and (ii) by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or other transmission, to the Paying Agent, not later than 4:00 p.m., Eastern time, on the second Business Day after the date of such rate determination.

Daily Rate. During any Interest Period in which any 2006 Series A Bonds are in a Daily Mode, the 2006A Remarketing Agent is to determine the Daily Rate by 10:00 a.m., Eastern time, on each Business Day. The Daily Rate for any day during the Daily Rate Mode which is not a Business Day will be the Daily Rate established as of the immediately preceding Business Day. The Daily Rate determined by the 2006A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2006A Remarketing Agent under then-existing market conditions, would result in the sale of such 2006 Series A Bonds on the date of rate determination at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2006A 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 2006 Series A Bonds are to bear interest from the last date on which the Daily Rate was determined by the 2006A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2006A 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 2006A Remarketing Agent.

Term Rates. During any Interest Period in which any 2006 Series A Bonds are in a Term Rate Mode, the 2006A 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 2006A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2006A Remarketing Agent, will result in the sale of such 2006 Series A Bonds at a price equal to the principal amount thereof. If, for any reason, a new Term Rate for a 2006 Series A Bond that has been in the Term Rate Mode and is to continue in the Term Rate Mode is not or cannot be established, then (i) if such 2006 Series A Bond is secured by the Liquidity Facility, it will be changed, with the prior written consent of the Bond Insurer with respect to the 2006 Series A-3 Bonds, to the Commercial Paper Mode with an Interest Period and Commercial Paper Rate to be determined by the 2006A Remarketing Agent in accordance with the Indenture or (ii) if such 2006 Series A Bond is not secured by the Liquidity Facility or if the consent of the Bond Insurer, if applicable, is not received, then such Bond shall stay in the Term Rate Mode for an Interest Period ending on the next April 1 or October 1 and (A) in the case of the Taxable 2006 Series A-1 Bonds, shall bear interest based on the One-Year LIBOR Rate in effect on such Rate Determination Date plus 0.20%, or (B) in the case of the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds, shall bear interest based on an index published by Kenny Information Systems plus 0.20%, which index is based on yield evaluations at par of non-AMT tax-exempt bonds. The Trustee shall promptly notify the Owners, with a copy to each National Repository, of any failed change in mode. The bonds upon which the index is based shall include not less than five "high grade" component issuers selected by Kenny Information Systems which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny Information Systems in its discretion. The yield evaluation period for the index shall be a one year evaluation. The 2006A Remarketing Agent is to give written notice of the Term Rate to the Authority and the Paying Agent upon request. If a new Interest Period is not selected by the Authority prior to the Business Day next preceding the Purchase Date for the Interest Period then in effect, the new Interest Period will be the same length as the current Interest Period, or such lesser period necessary to prevent the Interest Period from

extending beyond the date which is five Business Days prior to the stated term, expiration date or termination date of the applicable Liquidity Facility, or such date as it may be extended, or any earlier date on which the applicable Liquidity Facility is to terminate, expire or be cancelled. No Interest Period in the Term Rate Mode may extend beyond the applicable Maturity Date.

Fixed Rate. During each Fixed Rate Mode for any 2006 Series A Bonds, the 2006A 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 2006A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2006A Remarketing Agent would result in the sale of such 2006 Series A Bonds on the date of rate determination at a price equal to the principal amount thereof. Upon request of any Owner, the Authority, the Trustee, the Paying Agent or the applicable Liquidity Facility Provider, the 2006A Remarketing Agent is to make the Fixed Rate available by telephone and by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or other transmission.

Commercial Paper Rates. On the first day of each Interest Period for a 2006 Series A Bond in a Commercial Paper Mode, the 2006A Remarketing Agent is to select for such 2006 Series A Bond the Interest Period which would result in the 2006A Remarketing Agent being able to remarket such 2006 Series A Bond at par in the secondary market at the lowest interest rate then available and for the longest Interest Period available at such rate, provided that if on the first day of any Interest Period the 2006A Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Interest Period would result in a lower average interest cost on such 2006 Series A Bond, then the 2006A Remarketing Agent is to select the Interest Period which in the judgment of the 2006A Remarketing Agent would permit such 2006 Series A Bond to achieve such lower average interest cost; provided, however, that if the 2006A Remarketing Agent has received notice from the Authority that any 2006 Series A Bond is to be changed from the Commercial Paper Mode to any other Mode or is to be purchased in accordance with a mandatory purchase pursuant to the Indenture, the 2006A Remarketing Agent shall, with respect to such 2006 Series A Bond, select Interest Periods which do not extend beyond the Mandatory Purchase Date. On or after 4:00 p.m., Eastern time, on the Business Day next preceding the first day of each Interest Period for a 2006 Series A Bond in the Commercial Paper Mode, any Owner of such 2006 Series A Bond may telephone the 2006A Remarketing Agent and receive notice of the anticipated next Interest Period and the anticipated Commercial Paper Rate for such Interest Period for such 2006 Series A Bond. To receive payment of the Purchase Price, the Owner of any 2006 Series A Bond in the Commercial Paper Mode must present such Bond to the Paying Agent by 12:00 noon, Eastern time, on the first day of the Interest Period for a Commercial Paper Mode, in which case the Paying Agent shall pay the Purchase Price to such Owner by the close of business on the same day. By 12:30 p.m., Eastern time, on the first day of each Interest Period for a Commercial Paper Mode, the 2006A Remarketing Agent is to determine the Commercial Paper Rate for the Interest Period then selected for such 2006 Series A Bond and is to give notice to the Paying Agent by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission, of the new Owner, the Interest Period, the Purchase Date and the Commercial Paper Rate. By 1:00 p.m., Eastern time, on the first day of each Interest Period for a Commercial Paper Mode, the 2006A Remarketing Agent is to assign CUSIP numbers for each Commercial Paper Bond for which a Commercial Paper Rate and Interest Period have been determined on such date and notify the Paying Agent of such assignment by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission. If, for any reason, a new Commercial Paper Rate for a 2006 Series A Bond that has been in the Commercial Paper Rate Mode and is to continue in the Commercial Paper Rate Mode is not or cannot be established, then such Bond shall stay in the Commercial Paper Rate Mode and (i) in the case of the Taxable 2006 Series A-1 Bonds, shall bear interest at the Three-Month LIBOR Rate in effect on such Rate Determination Date plus 0.20%, or (ii) in the case of the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds, shall bear interest at

the Lehman Brothers Tax Exempt Commercial Paper Index plus 0.20% in effect on such Rate Determination Date.

Adjustment Between Modes

Any change to a different Mode requires delivery to the Trustee, the Paying Agent and the 2006A Remarketing Agent of: (i) a notice from each Rating Agency confirming that the rating on the 2006 Series A Bonds will not be withdrawn (other than a withdrawal of a short term rating upon a change to the Term Rate Mode or Fixed Rate Mode) as a result of such change in Mode; (ii) if the change is from a Short-Term Mode to a Term Rate Mode, SAVRS Rate Mode or Fixed Rate Mode, or from a Term Rate Mode to a Short-Term Mode, a favorable opinion of bond counsel; and (iii) the Liquidity Facility (except if the change is to the Fixed Rate Mode or, in the case of a change to a Term Rate, the Authority elects not to have the Liquidity Facility with respect to such Bonds in a Term Rate Mode). The Authority may change a 2006 Series A Bond (other than a 2006 Series A Bond in the Fixed Rate Mode, and, with respect to the 2006 Series A-3 Bonds, with the prior written consent of the Bond Insurer) from one Mode to another Mode by giving written notice no later than the 45th day (or such shorter time as may be agreed upon by the Authority, the Trustee, the Paying Agent and the 2006A Remarketing Agent) preceding the proposed date of Mode change to the Trustee, the Paying Agent and the applicable Liquidity Facility Provider. Such notice is to include: (i) the new Mode; (ii) the length of the initial Interest Period if the change is to a Term Rate Mode; and (iii) whether or not the 2006 Series A Bonds to be converted to a new Mode will be covered by the applicable Liquidity Facility. The Trustee is to give notice to Owners of 2006 Series A Bonds, with a copy to each National Repository, by mail no less than 30 days prior to the proposed date of the Mode change stating that such Bonds are subject to mandatory purchase on such date. The 2006 Series A Bonds are subject to mandatory purchase on any day on which a different Mode for such Bonds begins. See "Mandatory Purchase - Mandatory Purchase on Mode Change Date" under this caption. **So long as the 2006 Series A Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

Optional Tender and Purchase

Optional Tender during a Weekly Mode or Daily Mode

During any Interest Period for a Weekly Mode or Daily Mode, any 2006 Series A Bond (other than a Bank Bond) is to be purchased in an Authorized Denomination from its Owner at the option of the Owner on any Business Day at a purchase price equal to the principal amount thereof tendered for purchase plus accrued interest to the Purchase Date defined below (the "**Purchase Price**" for such 2006 Series A Bonds in the Weekly Mode), payable by wire transfer in immediately available funds, upon delivery to the 2006A Remarketing Agent of an irrevocable telephonic notice in the case of 2006 Series A Bonds in the Daily Mode and an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed in writing to the Paying Agent, in the case of 2006 Series A Bonds in the Weekly Mode, which notice states the CUSIP number, the Bond number, the principal amount of such 2006 Series A Bond, the principal amount thereof to be purchased and the date on which the same is to be purchased (the "**Purchase Date**" for such 2006 Series A Bonds in the Weekly Mode), which date is to be a Business Day specified by the Owner. In the case of 2006 Series A Bonds tendered for purchase during the Daily Mode, such notice is to be delivered by the Owner by no later than 11:00 a.m., Eastern time on such Business Day. In the case of 2006 Series A Bonds tendered for purchase during the Weekly Mode, such notice is to be delivered by the Owner by no later than 4:00 p.m., Eastern time on a Business Day not less than seven days before the Purchase Date specified by the Owner in such notice. For payment of such Purchase Price, such 2006 Series A Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds

by the Paying Agent by the close of business on the Purchase Date. An Owner who gives the notice described above may repurchase the Bonds so tendered, if the 2006A Remarketing Agent agrees to sell the tendered Bonds to such Owner, in which case the delivery requirements set forth above will be waived.

Optional Purchase at End of Term Rate Period

Unless such 2006 Series A Bonds are being changed to a Mode other than another Term Rate Mode, the owner of 2006 Series A Bonds in a Term Rate Mode may act to have its Bond (or portions thereof in Authorized Denominations) purchased on the last day of any Interest Period for a Term Rate Mode (or the next Business Day if such last day is not a Business Day) (the "**Purchase Date**" for such 2006 Series A Bonds in the Term Rate Mode) at a purchase price equal to the principal amount thereof tendered for purchase (the "**Purchase Price**" for such 2006 Series A Bonds in the Term Rate Mode) upon delivery to the 2006A Remarketing Agent of an irrevocable written notice of tender or an irrevocable telephonic notice of tender, confirmed in writing to the Paying Agent, which notice states the CUSIP number, the Bond number and the principal amount of such 2006 Series A Bond to be purchased. Such notice is to be given not later than 10:00 a.m. on a Business Day not less than seven days before such last day of the Interest Period. For payment of such Purchase Price, such 2006 Series A Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date.

Mandatory Purchase

Mandatory Purchase at End of Commercial Rate Period

On the last day of any Interest Period for the Commercial Paper Mode, the 2006 Series A Bonds in such mode are subject to mandatory tender without notice at the Purchase Price. Owners are to deliver such Bonds to the office of the Paying Agent in Denver, Colorado, at or before 12:00 noon, Eastern time, on such date. Payment of the Purchase Price is to be made by wire transfer of immediately available funds by the close of business on such date.

Mandatory Purchase on Mode Change Date

2006 Series A Bonds to be changed from one Mode to another Mode will be subject to mandatory tender for purchase on each day on which a new Mode for such Bonds begins (the "**Mode Change Date**") at a purchase price equal to the Purchase Price. The Trustee is to give notice by first-class mail, or transmitted in such other matter (such as by electronic means) as may be customary for the industry as directed in writing by the Authority, to the Owners of such Bonds, with a copy to each National Repository, no less than 30 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, the numbers of the 2006 Series A Bonds to be purchased if less than all of the Bonds owned by such Owners are to be purchased and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2006 Series A Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which such notice was mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by the Owner. 2006 Series A Bonds subject to mandatory purchase on the Mandatory Purchase Date are to be delivered (with all necessary endorsements) to the office of the Paying Agent in Denver, Colorado at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the close of business on the Mandatory Purchase Date.

So long as the 2006 Series A Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.

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

In the event that the Authority does not replace the Liquidity Facility with another Liquidity Facility prior to its expiration date in accordance with the Indenture, the 2006 Series A Bonds having the benefit of such Liquidity Facility will be subject to mandatory purchase on the earlier of the last Interest Payment Date before the then current Liquidity Facility expires (whether at the stated expiration date thereof or earlier termination date) or 45 days before such stated expiration date or earlier termination date. In addition, in the event that on or prior to the 45th day next preceding the date on which an Alternate Liquidity Facility is to be substituted for the current Liquidity Facility (the "**Substitution Date**") the Authority has failed to deliver to the Paying Agent a Rating Confirmation Notice in connection with such substitution, the 2006 Series A Bonds having the benefit of the Liquidity Facility will be subject to mandatory tender for purchase five Business Days prior to the Substitution Date. The Trustee is to give notice by first-class mail (or transmitted in such other manner, such as electronic means, as may be customary for the industry as directed in writing by the Authority) to the Owners of the 2006 Series A Bonds subject to mandatory purchase, with a copy to each National Repository, no less than 30 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to transmit such notice with respect to any 2006 Series A Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which such notice was transmitted. Any notice transmitted as aforesaid will be conclusively presumed to have been given, whether or not actually received by the Owner. For payment of such Purchase Price, such 2006 Series A Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Mandatory Purchase Date.

The obligation of the 2006A Liquidity Facility Provider to purchase related 2006 Series A Bonds under the applicable Initial 2006A Liquidity Facility is subject to the conditions that the long-term ratings of such 2006 Series A Bonds by Moody's and S&P are not lower than "Baa2" and "BBB," respectively. See Appendix H – "CERTAIN TERMS OF THE INITIAL 2006A LIQUIDITY FACILITIES." In addition, the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds under the Initial 2006A-3 Liquidity Facility is subject to the nonoccurrence of certain events of default under the 2006A-3 Policy.

Mandatory Purchase Upon Termination of Liquidity Facility

If the Trustee receives notice from the 2006A Liquidity Facility Provider that the respective Initial 2006A 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 2006 Series A Bonds having the benefit of such Initial 2006A Liquidity Facility are outstanding, such 2006 Series A Bonds will be subject to mandatory purchase. Such 2006 Series A Bonds will be subject to mandatory tender for purchase on a Business Day which is at least ten days subsequent to such notice from the 2006A Liquidity Facility Provider and at least five Business Days prior to the termination of the Initial 2006A 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 2006 Series A Bonds, with a copy to each National Repository, subject to such mandatory purchase within two Business Days after receipt of notice from the 2006A 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 2006 Series A Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date.

Payment of Tender Price Upon Purchase

Any 2006 Series A Bonds required to be purchased in accordance with the Indenture as described above are to be purchased from the Owners thereof on the Purchase Date at the Purchase Price. The Indenture creates a separate fund (the "**Purchase Fund**") to be maintained by the Paying Agent, with separate accounts designated as the Remarketing Proceeds Account and the Standby Purchase Account. Funds for the payment of the Purchase Price are to be made solely from the following sources in the order of priority indicated:

(1) proceeds of the sale of remarketed 2006 Series A Bonds (except proceeds of remarketed Bank Bonds to the extent applied to any amount owing to the 2006A Liquidity Facility Provider) pursuant to the Indenture and the Remarketing Agreement and furnished to the Tender Agent by the 2006A Remarketing Agent for deposit into the Remarketing Proceeds Account; and

(2) money furnished by the 2006A Liquidity Facility Provider to the Trustee for deposit with the Paying Agent from requests under the applicable Initial 2006A Liquidity Facility, if any, as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2006A LIQUIDITY FACILITIES."

Moneys held in the Standby Purchase Account and the Remarketing Proceeds Account will be held by the Trustee uninvested and separate and apart from all other funds and accounts. **So long as the 2006 Series A Bonds are registered in the DTC book-entry system described in Appendix F, any notices will be sent only to DTC's nominee.**

Prior Redemption

Special Redemption

Unexpended Amounts in Acquisition Account. The 2006 Series A Bonds are subject to special redemption prior to maturity, in whole or in part at any time and from time to time on or before October 1, 2009 (or such later date as may be selected by the Authority by the filing with the Trustee of an Authority Request accompanied by a Cash Flow Statement and a favorable opinion of Bond Counsel), upon notice as provided in the Master Indenture, at a Redemption Price equal to 100% of the Aggregate Principal Amount of the 2006 Series A Bonds or portions thereof to be so redeemed together with accrued interest to the date of redemption, to the extent that there are any unexpended proceeds of the 2006 Series A Bonds transferred from the 2006 Series A subaccounts of the Acquisition Account to the 2006 Series A subaccounts of the Redemption Fund. The Indenture requires that the Trustee transfer such unexpended proceeds to the Redemption Fund pursuant to an Authority Request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred to finance or refinance Loans or Authority Projects. Such amounts are to be transferred not later than September 1, 2009;

provided that the Indenture permits the Authority to extend such date to a later date if the Authority has filed with the Trustee an Authority Request specifying a later date or dates for such transfer accompanied by a Cash Flow Statement and a favorable opinion of Bond Counsel. See "Notice of Redemption" under this caption. See also "Part I – PLAN OF FINANCE - Sources and Uses of Funds" and "– Use of Amounts in Acquisition Account." For information concerning the 2006A Loans expected to be acquired or originated by the Authority and the 2006A Authority Project to be financed or refinanced with proceeds of the 2006 Series A Bonds deposited to the 2006 Series A subaccounts of the Acquisition Account, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2006A Loans and 2006A Authority Project." See also "Part II – CERTAIN BONDOWNERS' RISKS."

Moneys deposited in or transferred to the 2006 Series A subaccounts of the Redemption Fund as described above shall be applied to redeem the 2006 Series A Bonds as follows: first, there shall be transferred to the 2006 Series A Subaccount of the Class I Special Redemption Account the amount necessary to satisfy the 2006 Series A Class I Asset Requirement, calculated upon such transfer; second, there shall be transferred to the 2006 Series A Subaccount of the Class III Special Redemption Account the amount necessary to satisfy the 2006 Series A Class III Asset Requirement, calculated upon such transfer; and third, the remainder of funds to be transferred shall be allocated to the 2006 Series A Subaccount of the Class I Special Redemption Account and the 2006 Series A Subaccount of the Class III Special Redemption Account on the basis of the respective ratios represented by the Aggregate Principal Amount of Outstanding 2006 Series A Class I Bonds and the Aggregate Principal Amount of Outstanding 2006 Series A Class III Bonds, respectively, to the Aggregate Principal Amount of all 2006 Series A Bonds Outstanding. See **Appendix D** – "CLASS ASSET REQUIREMENTS." If less than all of the 2006 Series A Bonds are to be redeemed in accordance with the provision described in this paragraph, the 2006 Series A Bonds are to be redeemed on a pro rata by tenor and maturity basis, or on any other basis determined by the Authority after giving effect to expected Cash Flows in the Trust Estate.

Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions. Except as described in the following sentence and subject to the limitations described in the following paragraph, the 2006 Series A Bonds are subject to special redemption prior to maturity, in whole or in part at any time, upon notice as provided in the Master Indenture, at a Redemption Price equal to 100% of the Aggregate Principal Amount of the 2006 Series A Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, from and to the extent there are moneys and/or Investment Securities in the 2006 Series A Subaccount of the Class I Special Redemption Account and 2006 Series A Subaccount of the Class III Special Redemption Account of the Redemption Fund, on the 45th day prior to the redemption date. Amounts on deposit in the Revenue Fund, including Loan Repayments and Prepayments and amounts in excess of applicable Debt Service Reserve Fund Requirements transferred to the Revenue Fund from the applicable account of the Debt Service Reserve Fund, are to be transferred to the applicable Special Redemption Accounts of the Redemption Fund at the election of the Authority and as otherwise required in accordance with the provisions of the Master Indenture described in **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Revenue Fund."

Loan Repayments and Prepayments of Loans financed or refinanced with moneys in the 2006A Taxable Loan Subaccount of the Restricted Loan Subaccount may only be used to redeem the Taxable 2006 Series A-1 Bonds or other General Obligation Bonds, and not to redeem any other Bonds. In addition, payments made by the Authority for deposit to the Revenue Fund with respect to the Authority Project financed or refinanced, and Loan Repayments and Prepayments of Loans financed or refinanced, with moneys in the Authority Projects Subaccount may only be used to redeem the 2006 Series A-3 Bonds or other Bonds the interest on which is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and not to redeem any other Bonds. See "Part I – PLAN OF FINANCE – Use of Amounts in Acquisition Account."

It is anticipated that moneys will be available to redeem a substantial portion of the 2006 Series A Bonds without premium in accordance with the provisions described in the preceding paragraph. Such moneys may be directed to the Class I Special Redemption Account (with respect to the Class I Bonds) or the Class III Special Redemption Account (with respect to the Class III Bonds) of the Redemption Fund and available for this redemption as a result of excess revenues resulting from 2006A Loan payments and prepayments or refinancing of the 2006A Authority Project, proceeds received as a result of damage, destruction or condemnation of the 2006A Authority Project if financed or refinanced with proceeds of the 2006 Series A Bonds, and other sources.

Cross-Calls and Recycling. Pursuant to the Master Indenture, the Authority may, by delivery of an Authority Request to the Trustee, instruct the Trustee to transfer moneys on deposit in any Series subaccount of a Class Account of the Redemption Fund to any other Series subaccount of the same Class Account to be applied to the redemption of the same Class of Bonds of a different Series. Any such Authority Request is to (i) certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture, and (ii) be accompanied by evidence of satisfaction of all Asset Requirements for the 2006 Series A Bonds. The 2006 Series A Indenture does not prohibit cross calls, but does restrict the use of certain Loan Repayments and Prepayments as discussed above under "Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions." However, the 2003 Series A Indenture, the 2001 Series A Indenture and the 2000 Series B Indenture prohibit cross calls, and other Series Indentures may in the future prohibit such cross calls, with respect to Related Series of Bonds. In addition, the Master Indenture permits the Authority, by delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, to instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Revenue Fund to a Related subaccount of the Loan Recycling Account to be used to finance or refinance Loans or Authority Projects as permitted by the Master Indenture. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Revenue Fund." *The Authority may transfer Prepayments or Loan Repayments to the Loan Recycling Account of the Program Fund to finance Loans or transfer such Prepayments or Loan Repayments to the Special Redemption Accounts of the Redemption Fund at any time in accordance with the Master Indenture.* See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

Optional Redemption

Weekly Mode, Daily Mode and Commercial Paper Mode. The 2006 Series A Bonds may be redeemed prior to maturity at the option of the Authority from any source, in whole or in part, in Authorized Denominations on any date during Interest Periods for a Weekly Mode or Daily Mode and on the last day of the Interest Period for such 2006 Series A Bonds during Interest Periods for a Commercial Paper Mode, at a redemption price equal to 100% of the Aggregate Principal Amount of 2006 Series A Bonds to be so redeemed.

Term Rate Mode and Fixed Rate Mode. During any Interest Period for a Term Rate Mode, the 2006 Series A Bonds may be redeemed in whole or in part on any date (and if in part, by lot or by such other method as the Paying Agent determines to be fair and reasonable and in Authorized Denominations) at the option of the Authority, but only if all amounts owing to the Bond Insurer in connection with the Policy have been paid in full from any source, at a redemption price equal to 100% of the principal amount of 2006 Series A Bonds to be so redeemed, plus accrued interest, if any, to the redemption date; provided that if on the day on which the Term Rate Mode or Fixed Rate Mode begins, the length of the Interest Period or the remaining term: (i) is greater than 15 years, then such 2006 Series A Bonds will be subject to such optional redemption on any date on or after the first April 1 or October 1 following the tenth anniversary of the beginning of such Mode; and (ii) is equal to or less than 15 years, but greater than

10 years, then such 2006 Series A Bonds will be subject to such optional redemption on any date on or after the first April 1 or October 1 following the seventh anniversary of the beginning of such Mode. The 2006 Series A Bonds will not be subject to optional redemption during a particular Term Rate Mode or Fixed Rate Mode if, on the day on which the Term Rate Mode or Fixed Rate Mode begins, the length of the Interest Period is equal to or less than ten years. The Authority, in connection with a change to a Term Rate Mode or Fixed Rate Mode, may waive or otherwise alter its rights to direct the redemption of any such 2006 Series A Bonds so changed to a Term Rate Mode or Fixed Rate Mode at any time without premium; provided that notice describing the waiver or alteration must be submitted to the Paying Agent, the Bond Insurer, the Trustee and the 2006A Remarketing Agent, together with a favorable opinion of bond counsel addressed to them.

SAVRS Rate Mode. After a conversion, if any, to the SAVRS Rate Mode, such 2006 Series A Bonds may be redeemed prior to maturity as provided in the Supplemental Indenture to be entered into in connection with such conversion.

Sinking Fund Redemption

The 2006 Series A-2 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2006 Series A Class I Sinking Fund Installments, upon notice, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price of 100% of the principal amount of such 2006 Series A-2 Bonds or portions thereof to be so redeemed together with accrued interest to the date of redemption as follows:

2006 Series A-2 Bonds

<u>Date</u> <u>(April 1)</u>	Class I <u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	Class I <u>Sinking Fund</u> <u>Installments</u>
2007	\$ 100,000	2007	\$ 210,000
2008	225,000	2008	230,000
2009	250,000	2009	270,000
2010	285,000	2010	285,000
2011	295,000	2011	300,000
2012	310,000	2012	315,000
2013	325,000	2013	330,000
2014	335,000	2014	285,000
2015	290,000	2015	310,000
2016	320,000	2016	330,000
2017	330,000	2017	345,000
2018	355,000	2018	365,000
2019	365,000	2019	385,000
2020	395,000	2020	410,000
2021	420,000	2021	430,000
2022	440,000	2022	460,000
2023	470,000	2023	480,000
2024	495,000	2024	515,000
2025	530,000	2025	545,000
2026	3,125,000	2026	550,000
2027	560,000	2027	570,000
2028	515,000	2028	395,000
2029	405,000	2029	415,000
2030	430,000	2030	445,000
2031	455,000	2031	465,000
2032	480,000	2032	495,000
2033	510,000	2033	525,000
2034	540,000	2034	555,000
2035	570,000	2035	585,000
2036	600,000	2036	625,000
2037	640,000	2037	660,000
2038	565,000	2038	330,000
2039	280,000	2039	255,000
2040	265,000	2040	270,000
2041	275,000	2041 (1)	3,825,000

(1) Final maturity

The 2006 Series A-3 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2006 Series A Class III Sinking Fund Installments, to the extent moneys available therefore are deposited or expected to be deposited in the 2006 Series A Subaccount of the Class III Debt Service Fund, upon notice, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price of 100% of the principal amount of such 2006 Series A-3 Bonds or portions thereof to be so redeemed together with accrued interest to the date of redemption as follows:

2006 Series A-3 Bonds

<u>Date</u> <u>(April 1)</u>	<u>Class III</u> <u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	<u>Class III</u> <u>Sinking Fund</u> <u>Installments</u>
2007	\$ 95,000	2007	\$385,000
2008	390,000	2008	400,000
2009	415,000	2009	425,000
2010	445,000	2010	460,000
2011	475,000	2011	485,000
2012	495,000	2012	515,000
2013	525,000	2013	545,000
2014	565,000	2014	585,000
2015	605,000	2015	620,000
2016	640,000	2016	655,000
2017	685,000	2017	700,000
2018	675,000	2018	700,000
2019	675,000	2019	640,000
2020	555,000	2020	470,000
2021	425,000	2021	415,000
2022	430,000	2022	435,000
2023	415,000	2023	415,000
2024	385,000	2024	380,000
2025	390,000	2025	390,000
2026	390,000	2026	300,000
2027	190,000	2027	170,000
2028	175,000	2028	175,000
2029	185,000	2029	190,000
2030	185,000	2030	195,000
2031	130,000	2031	70,000
2032	70,000	2032	75,000
2033	75,000	2033	75,000
2034	80,000	2034	80,000
2035	85,000	2035	90,000
2036	90,000	2036 (1)	75,000

(1) Final maturity

The payment of such Sinking Fund Installments with respect to the 2006 Series A-3 Bonds of any such maturity will be contingent upon there being, and will be due and payable and are to be made only to the extent there are, amounts available therefor in the Class III Debt Service Fund from Loan Repayments allocated to such 2006 Series A-3 Bonds. If the amount on deposit in the 2006 Series A Subaccount of the Class III Debt Service Fund is not sufficient on any Bond Payment Date to pay the scheduled Sinking Fund Installment for such date, the amount of the insufficiency is to be added to the next such Sinking Fund Installment until paid. It is expected that unless a default occurs on one or more of the Loans, the revenues available to the Trustee under the Indenture will be adequate to enable the Trustee to make the scheduled Sinking Fund Installments set forth above (as such amounts may be reduced as described herein). However, the failure to make such Sinking Fund Installments due to insufficient available funds will not constitute a default under the Indenture. See "Part II – CERTAIN BONDHOLDERS' RISKS - Limited Security."

To the extent that any of the 2006 Series A Bonds are called for redemption or are purchased in lieu of redemption as provided in the Indenture, the Authority will be entitled to apply the principal amount of such 2006 Series A Bonds so redeemed or purchased against any sinking fund obligation with respect to such 2006 Series A Bonds as described in **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Credit Against Sinking Fund Installments."**

Selection of Bonds for Redemption

If less than all of the 2006 Series A Bonds are to be redeemed, the Authority may, by Authority Request certifying that it is consistent with the most recently filed Related Cash Flow Statement, direct the redemption of 2006 Series A Bonds in any amounts and order of maturity of any series, maturity or maturities, provided that Bank Bonds are to be redeemed prior to any other 2006 Series A Bonds. In the event that the Authority does not provide such direction, and if less than all of the 2006 Series A Bonds are to be redeemed, the Trustee is to select for redemption a pro rata amount of the 2006 Series A Bonds of each maturity of the 2006 Series A Bonds for redemption. If less than all 2006 Series A Bonds of like Class and maturity are to be redeemed, the particular 2006 Series A Bonds or portions of 2006 Series A Bonds to be redeemed are to be selected by lot as the Bond Registrar in its discretion may deem fair and appropriate.

Notice of Redemption

When any 2006 Series A Bonds are to be redeemed, the Bond Registrar is to cause notice of such redemption to be mailed by first class mail, or transmitted in such other manner (such as by readily available electronic means) as may be customary for the industry as directed in writing by the Authority, not more than 60 days nor less than 25 days prior to the redemption date, to the registered owner of each 2006 Series A Bond to be redeemed at such Owner's address as it appears in the registration records of the Bond Registrar or at such other address as is furnished in writing by such Owner to the Bond Registrar and to each National Repository. However, failure to give any such notice to any Owner, or any defect therein, shall not affect the validity of the redemption proceedings for any 2006 Series A Bond with respect to which no such failure or defect has occurred. **So long as the 2006 Series A Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

PLAN OF FINANCE

Sources and Uses of Funds

The following are the estimated sources and uses of funds relating to the 2006 Series A Bonds.

	<u>Estimated Amounts</u>
SOURCES OF FUNDS:	
Taxable 2006 Series A-1 Bonds	\$ 57,130,000
2006 Series A-2 Bonds	34,515,000
2006 Series A-3 Bonds	22,055,000
Legally Available Funds of the Authority (1).....	<u>1,972,752</u>
TOTAL SOURCES OF FUNDS	<u>\$115,672,752</u>
USES OF FUNDS:	
For Redemption and Payment of Refunded Bonds (2)	\$ 40,515,000
For Deposit to Acquisition Account (3).....	73,176,928
For Deposit to Debt Service Reserve Fund (4).....	1,052,907
For Costs of Issuance and Underwriters' compensation (5).....	<u>927,917</u>
TOTAL USES OF FUNDS.....	<u>\$115,672,752</u>

- (1) Such amounts represent funds legally available to the Authority as a result of the redemption and payment of the Refunded Bonds (as defined below). Such amounts also represent amounts advanced by the Authority to pay certain costs of issuance for which certain of the Borrowers will be required to reimburse the Authority in accordance with their respective funding agreements.
- (2) See "Redemption and Payment of the Refunded Bonds" under this caption. Legally available funds and proceeds deposited to the 2006 Series A subaccounts of the Acquisition Account to be used on November 1, 2006 for the redemption and payment of the Series 1996 Bonds and Series 2002A Bonds will be invested in the 2006A Short-Term Investment Agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS - 2006A Investment Agreements."
- (3) Proceeds of the 2006 Series A Bonds will be deposited to the 2006 Series A subaccounts of the Acquisition Account and used to acquire and originate certain rental and business loans of the Authority and to finance or refinance a rental project owned by the Authority, as described in "Use of Amounts in Acquisition Account" under this caption. Such amounts while on deposit will be invested in an investment agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2006A Investment Agreements."
- (4) Funds legally available to the Authority as a result of the redemption and payment of the Refunded Bonds will be deposited to the Debt Service Reserve Fund to fund a portion of the Debt Service Reserve Fund Requirement relating to the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund" and "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund." Such deposit will be invested in an investment agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2006A Investment Agreements." Under the Indenture, the Authority may at any time replace such cash or deposit with a Qualified Surety Bond.
- (5) Proceeds of the 2006 Series A Bonds and certain legally available funds of the Authority will be deposited to the Costs of Issuance Account in the Program Fund and used to pay costs of issuance, including the payment of the premium for the 2006A-3 Policy and the 2006A-1 Surety Bond, and Underwriters' compensation relating to the 2006 Series A Bonds. For information concerning the Underwriters' compensation, see "Part I – UNDERWRITING."

Redemption and Payment of the Refunded Bonds

Certain proceeds of the 2006 Series A Bonds, together with other funds legally available to the Authority, will be used to refund the Authority's Series 1996 Bonds, Series 2000A Bonds, and Series

2002A Bonds outstanding in the aggregate principal amounts of \$26,000,000, \$8,875,000, and \$5,120,000, respectively (collectively, the "**Refunded Bonds**"). It is expected that the Series 1996 Bonds and Series 2002A Bonds will be redeemed on or about November 1, 2006. The Series 2000A Bonds will be redeemed in connection with delivery of the 2006 Series A Bonds. Upon redemption and payment of the Series 1996 Bonds, the 2006A Authority Project which currently secures the Series 1996 Bonds is to be refinanced and the insured rental loans securing such Series 1996 Bonds (which are described in **Appendix G-1** hereto) are to be deposited to the credit of the 2006 Series A subaccount of the Acquisition Fund and pledged in the Trust Estate under the Indenture, and will no longer remain pledged to the General Resolution under which the Series 1996 Bonds were issued. Upon redemption and payment of the Series 2000A Bonds and the Series 2002A Bonds, the outstanding mortgage loans previously financed by the Series 2000A Bonds and Series 2002A Bonds will continue to be pledged under the Indenture and reallocated to the credit of the 2006 Series A subaccount of the Acquisition Fund.

Use of Amounts in Acquisition Account

Certain proceeds of the 2006 Series A Bonds will be deposited to the following subaccounts of the Restricted Loan Subaccount of the 2006 Series A Subaccount of the Acquisition Account of the Program Fund: the 2006A Taxable Loan Subaccount, the 2006A AMT Loan Subaccount, and the 2006A Non-AMT Loan Subaccount. In addition, certain proceeds of the 2006 Series A-3 Bonds will be deposited to the 2006A Authority Project Subaccount of the 2006 Series A Subaccount of the Acquisition Account of the Program Fund. It is expected that all deposits to such 2006 Series A subaccounts will be applied to finance or refinance 2006A Loans to the Borrowers and the 2006A Authority Project as described in **Appendix G-1 – "CERTAIN INFORMATION ABOUT THE 2006A LOANS AND 2006A AUTHORITY PROJECT"** within three years from the date of issuance of the 2006 Series A Bonds. Amounts on deposit in the 2006A Taxable Loan Subaccount (representing certain proceeds of the Taxable 2006 Series A-1 Bonds) are expected to be used to fund a portion of the uninsured rental and business loans identified in **Appendix G-1** as loans to be funded with proceeds of the Taxable 2006 Series A-1 Bonds, and, as a result of the refunding of the Refunded Bonds and the transfer and deposit of the loans, to refinance a portion of the insured loans identified in **Appendix G-1**. Amounts on deposit in the 2006A AMT Loan Subaccount (representing certain proceeds of the 2006 Series A-2 Bonds) are expected to be used to fund the insured and uninsured rental loans identified in **Appendix G-1** as loans to be funded with proceeds of the 2006 Series A-2 Bonds, and, as a result of the refunding of the Refunded Bonds and the transfer and deposit of the loans, to refinance the insured rental loans identified in **Appendix G-1**. Amounts on deposit in the 2006A Non-AMT Loan Subaccount (representing certain proceeds of the 2006 Series A-3 Bonds) are expected to be used to fund the business loan identified in **Appendix G-1** as a loan to be funded with proceeds of the 2006 Series A-3 Bonds, and, as a result of the refunding of the Refunded Bonds and the transfer and deposit or reallocation of the loans, to refinance the rental loans identified in **Appendix G-1**. Amounts on deposit in the 2006A Authority Project Subaccount (representing certain proceeds of the 2006 Series A-3 Bonds) are expected to be used to fund the financing or refinancing of the 2006A Authority Project identified in **Appendix G-1**.

For information regarding the loans expected to be acquired, originated, transferred or reallocated as 2006A Loans and the 2006A Authority Project to be financed or refinanced, see **Appendix G-1** hereto. Each of the Borrowers is required to use the amounts so loaned to it as a 2006A Loan to finance or refinance, in part, the acquisition, construction and/or rehabilitation of, and certain costs associated with, the respective 2006A Project. See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2006A Loans and 2006A Authority Project," "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date," and **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE."** See "TERMS OF THE 2006 SERIES A BONDS – Prior Redemption – Special Redemption – Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions" for a

discussion of the required use of certain loan repayments and prepayments for special redemption of certain Bonds.

At the option of the Authority, additional moneys may be paid into the Restricted Loan Subaccount from various sources identified in the 2006 Series A Indenture, including unexpended Bond proceeds transferred from the Authority Projects Subaccount. Amounts deposited in the Restricted Loan Subaccount are to be applied to make 2006A Loans and for other purposes authorized in the 2006 Series A Indenture. The Trustee is authorized to withdraw moneys from the Restricted Loan Subaccount to finance 2006A Loans upon delivery to the Trustee of an Authority Certificate to the effect that the requirements of the Indenture have been satisfied with respect to the 2006A Loans to be financed and an Authority Request to finance such 2006A Loans. Any moneys credited to the Restricted Loan Subaccount that are not used to finance 2006A Loans or for the other purposes authorized by the 2006 Series A Indenture, unless transferred at the direction of the Authority to the Authority Projects Subaccount, must be transferred by the Trustee to the Redemption Fund pursuant to an Authority Request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred for any such purpose. Such amounts must be transferred not later than October 1, 2009, unless the Authority files with the Trustee an Authority Request specifying a later date or dates for such transfer, accompanied by a Cash Flow Statement with respect to the 2006 Series A Bonds and an opinion of Bond Counsel to the effect that such action will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds (as defined herein) for federal income tax purposes, in which case such transfer will occur on the later specified date or dates.

At the option of the Authority, moneys may be paid into the Authority Projects Subaccount from various sources identified in the 2006 Series A Indenture, including unexpended Bond proceeds transferred from the Restricted Loan Subaccount. Amounts deposited in the Authority Projects Subaccount are to be applied to finance or refinance the 2006A Authority Project and for the other purposes authorized in the 2006 Series A Indenture. Any moneys credited to the Authority Projects Subaccount that are not used to finance or refinance Authority Project or for the other purposes authorized in the Indenture, unless transferred at the direction of the Authority to the Restricted Loan Subaccount, must be transferred by the Trustee to the Redemption Fund pursuant to an Authority Request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred to finance or refinance the 2006A Authority Project or for the other purposes authorized in the 2006 Series A Indenture. Such amount must be transferred not later than October 1, 2009, unless the Authority files with the Trustee an Authority Request specifying a later date or dates for such transfer, accompanied by a Cash Flow Statement with respect to the 2006 Series A Bonds and an opinion of Bond Counsel to the effect that such action will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes, in which case such transfer will occur on the later specified date or dates.

CERTAIN PROGRAM ASSUMPTIONS

The 2006A Loans and 2006A Authority Project

Generally

Proceeds of the 2006 Series A Bonds are expected to be used as follows:

- (i) Existing General Fund Loans. To acquire as 2006A Loans the following existing loans currently held in the Authority's General Fund: (a) certain uninsured rental loans made under the Authority's SMART Program and (b) certain uninsured business loans made under various Authority business programs; and

(ii) Existing Loans to be Transferred and Reallocated. Together with other legally available funds of the Authority, to redeem and pay the Refunded Bonds and deposit or reallocate rental loans and a portion of insured loans financed with proceeds of such Refunded Bonds, respectively, to the credit of the 2006A Taxable Loan Subaccount, the 2006A AMT Loan Subaccount and the 2006A Non-AMT Loan Subaccount of the Acquisition Account; and

(iii) New Loans. To originate as 2006A Loans (a) uninsured rental loans made under the Authority's SMART Program, (b) uninsured business loans made under various Authority business programs, and (c) rental loans made under the Authority's Multi-Family Housing Facility Loan Program, one of which is insured by the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, as amended; and

(iv) 2006A Authority Project. To finance or refinance a rental project presently owned by the Authority.

See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date" and **Appendix G-1** hereto. The loans expected to be so acquired, originated, deposited and reallocated are referred to herein as the "**2006A Loans.**" The rental project owned by the Authority to be so financed or refinanced is referred to herein as the "**2006A Authority Project.**" See "Part I – PLAN OF FINANCE."

The Master Indenture permits the Authority to recycle payments and repayments made on any Loans, including the 2006A Loans, to make new Loans, which may include insured, uninsured, first lien or subordinate lien Loans, or to finance or refinance Authority Projects, so long as the requirements of the Master Indenture are satisfied. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Program Fund; Loan Recycling Account." Certain restrictions on the rental and occupancy of the multi-family projects to be funded with certain 2006A Loans (the "**2006A Multifamily Projects**") will be imposed on the respective Borrowers, as described in "The Regulatory Agreements" under this caption.

In the event the Authority determines that it is not feasible for it to, or it is unable to, finance all or any portion of the costs of one or more of the 2006A Loans or the 2006A Authority Project, the Authority may, at its option, any time within three years of the date of issuance of the 2006 Series A Bonds, direct the Trustee to transfer amounts in the Program Fund to the Redemption Fund to be used to redeem 2006 Series A Bonds at par plus accrued interest. Furthermore, to the extent such amounts are not used by the Authority to finance or refinance 2006A Loans or the 2006A Authority Project or other permissible projects during the three year period following issuance of the 2006 Series A Bonds in accordance with the Indenture, amounts remaining in the Program Fund at the end of such period are required to be used to redeem 2006 Series A Bonds. See "Part I – TERMS OF THE 2006 SERIES A BONDS – Prior Redemption" and "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

Interest Rates

The existing loans to be acquired with proceeds of the 2006 Series A Bonds and deposited to the 2006 Series A subaccounts of the Acquisition Account currently bear interest at the rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2006A LOANS AND 2006A AUTHORITY PROJECT – Existing Loans To Be Acquired." The existing loans to be deposited or reallocated to the credit of the 2006A AMT Loan Subaccount and the 2006A Non-AMT Loan Subaccount of the Acquisition Account upon redemption and payment of the Series 1996 Bonds, Series 2000A Bonds, and Series 2002A Bonds currently bear or will bear interest at the rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2006A LOANS AND 2006A AUTHORITY PROJECT –

Existing Loans to be Transferred." The loans expected to be originated with proceeds of the 2006 Series A Bonds are expected to bear interest at the estimated rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2006A LOANS AND 2006A AUTHORITY PROJECT – Loans Expected to be Originated." See "Modification of Loan Terms" under this caption.

The 2006A Borrowers

The loans expected to be acquired or originated by the Authority or transferred and deposited or reallocated as 2006A Loans have been or will be made to particular for-profit and non-profit private organizations, referred to as the "Borrowers" and described in **Appendix G-1** hereto. In the case of rental loans, repayment of amounts due is a nonrecourse obligation of the respective Borrower, payable solely from revenues generated by the respective project. See "Part II – CERTAIN BONDHOLDERS' RISKS – Limited Security."

The Regulatory Agreements

Simultaneously with the closing of each 2006A Loan which is an uninsured or insured rental loan, each Borrower has entered or will enter into a regulatory agreement with the Authority (collectively, the "**CHFA Regulatory Agreements**") relating to the respective project. Pursuant to the provisions of the CHFA Regulatory Agreements, the Borrower agrees, among other things, to rent the units in the respective projects so as to comply with applicable provisions of the Tax Code, State law and CHFA regulatory requirements. In particular, each Borrower will agree that each individual rental unit in the respective project will be rented or held for rental on a first-come, first-served basis, to the general public on a continuous basis. In addition, the Borrowers will agree to certain occupancy requirements based on state law income limits specific to each project and certain federal limitations, where applicable, and to certain rental restrictions.

The CHFA Regulatory Agreements also contain provisions for verifying compliance with the terms thereof. The provisions of the CHFA Regulatory Agreements discussed herein are intended, among other things, to insure compliance with the requirements of the Tax Code with respect to the excludability of the interest on the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds from gross income. Upon any breach by a Borrower of any provisions of its CHFA Regulatory Agreement, the Authority may, subject to HUD consent in certain circumstances, take such actions at law or in equity as deemed appropriate under the circumstances for the protection of the Bondowners, including an action for specific performance of the respective CHFA Regulatory Agreement. *Such a breach by a Borrower may result in interest on the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds being included in gross income of the Owners of such 2006 Series A Bonds for purposes of federal income taxation and will not result in a mandatory redemption of such 2006 Series A Bonds under the Indenture as described in "Part II – CERTAIN BONDOWNERS' RISKS – Enforcement of Regulatory Agreements."*

Servicing by the Authority

The Authority will service a substantial portion of the 2006A Loans, handling the receipt and disbursement of funds related to the 2006A Loans which the Authority is servicing. This includes receiving payments, monitoring and disbursing escrowed funds for taxes and insurance and managing delinquencies and claims. The Asset Management Division of the Authority will oversee compliance by the Borrowers with requirements of the 2006A Loans, including occupancy and rental restrictions with respect to Loans for 2006A Multifamily Projects, and will review the financial status of the 2006A Multifamily Projects. The Authority similarly oversees compliance for certain other Loans outstanding under the Indenture. The other Loans outstanding under the Indenture are similarly serviced by the Authority or third-party contractors. The Authority believes that, through its in-house servicing

operations, the Authority is servicing the Loans in accordance with servicing practices or standards as required to maintain any applicable insurance with respect to such Loans. For more information concerning the Authority, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

Modification of Loan Terms

From time to time, the Authority may agree with the Borrower of an outstanding 2006A Loan to modify the terms of such 2006A Loan, so long as such modification is consistent with the restrictions of the Indenture. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Covenants Relating to Loans."

General Obligation Pledge for Uninsured 2006A Loans

Each uninsured 2006A Loan shall be payable as a general obligation of the Authority in the event that the Borrower of such 2006A Loan fails to make payments when due under such 2006A Loan. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – The General Fund."

Debt Service Reserve Fund

Generally

The Debt Service Reserve Fund Requirement for the 2006 Series A Bonds will be, as of any date of calculation, an amount equal to the difference between (a) the sum of (i) two-thirds of the maximum principal and interest payment due for any period of twelve consecutive calendar months on Loans Related to the 2006 Series A Bonds that are insured or guaranteed by the United States of America and any agency or instrumentality thereof and (ii) the maximum principal and interest payment due for any period of twelve consecutive calendar months on Loans Related to the 2006 Series A Bonds that are not insured or guaranteed by the United States of America and any agency or instrumentality thereof, and (b) the aggregate amount in the subaccounts of the Debt Service Reserve Fund for all other Series of Bonds in excess of the aggregate Debt Service Reserve Fund Requirements for all such other Series of Bonds. There will be no Debt Service Reserve Fund Requirement at any time related to proceeds of the 2006 Series A Bonds used to finance or refinance the 2006A Authority Project or related to unexpended proceeds of the 2006 Series A Bonds. At the time of issuance of the Taxable 2006 Series A-1 Bonds, the 2006A-1 Surety Bond issued by MBIA in an amount equal to the Taxable 2006 Series A-1 Bonds Debt Service Reserve Fund Requirement will be deposited to the Debt Service Reserve Fund. A specimen of the 2006A-1 Surety Bond is included in **Appendix L** hereto. See "– 2006A-1 Surety Bond" under this caption and **Appendix M** – "MBIA INSURANCE CORPORATION." **Certain legally available amounts that will be transferred as a result of the refunding of the Series 1996 Bonds will also be deposited to the Debt Service Reserve Fund. See "Part I – PLAN OF FINANCE – Sources and Uses of Funds." No proceeds of the Taxable 2006 Series A-1 Bonds, 2006 Series A-2 Bonds or 2006 Series A-3 Bonds will be deposited to the Debt Service Reserve Fund.**

2006A-1 Surety Bond

Application has been made to MBIA for a commitment to issue a surety bond (the "**2006A-1 Surety Bond**"). The 2006A-1 Surety Bond will provide that upon notice from the Trustee to MBIA to the effect that insufficient amounts are on deposit in the Debt Service Reserve Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Taxable 2006 Series A-1 Bonds, MBIA will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Taxable 2006 Series A-1 Bonds or the available amount of the 2006A-1 Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by MBIA of a Demand for

Payment in the form attached to the 2006A-1 Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Taxable 2006 Series A-1 Bonds as specified in the Demand for Payment presented by the Trustee to MBIA, MBIA will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the 2006A-1 Surety Bond is the initial face amount of the 2006A-1 Surety Bond less the amount of any previous deposits by MBIA with the Trustee which have not been reimbursed by the Authority. The Authority and MBIA will enter into a Financial Guaranty Agreement dated October 4, 2006 (the "**Financial Guaranty Agreement**"). Pursuant to the Agreement, the Authority is required to reimburse MBIA, within one year of any deposit, the amount of such deposit made by MBIA with the Trustee under the 2006A-1 Surety Bond. Such reimbursement shall be made only after all required deposits to the Revenue Fund, the Program Fund and the Debt Service Reserve Fund have been made.

Under the terms of the Financial Guaranty Agreement, the Trustee is required to reimburse MBIA, with interest, until the face amount of the 2006A-1 Surety Bond is reinstated before any deposit is made to the Program Fund. No optional redemption of Taxable 2006 Series A-1 Bonds may be made until the 2006A-1 Surety Bond is reinstated. The 2006A-1 Surety Bond will be held by the Trustee in the Debt Service Reserve Fund and is provided as an alternative to the Authority depositing funds equal to the Debt Service Reserve Fund Requirement for outstanding Taxable 2006 Series A-1 Bonds. The 2006A-1 Surety Bond will be issued in the face amount equal to \$4,965,000 and the premium therefor will be fully paid by the Authority at the time of delivery of the Taxable 2006 Series A-1 Bonds.

General Obligation Pledge for Taxable 2006 Series A-1 Bonds and 2006 Series A-3 Bonds

In addition to a lien on the Trust Estate under the Indenture as described in "Part II – SECURITY FOR THE OBLIGATIONS – Pledge of Trust Estate," the 2006 Series A Indenture provides that the Taxable 2006 Series A-1 Bonds and 2006 Series A-3 Bonds are also payable as general obligations of the Authority from unencumbered assets and available income of the Authority and any other available revenues or moneys of the Authority, subject to any agreements with the owners of particular notes or bonds pledging any particular revenues or assets for the benefit of such owners. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY" and the Authority's audited 2005 financial statements attached hereto as **Appendix A**. **Potential investors should evaluate the likelihood that moneys will be available in the General Fund or otherwise held by the Authority and available to pay debt service when due on the Taxable 2006 Series A-1 Bonds and the 2006 Series A-3 Bonds. However, neither the General Fund nor any revenues, income or assets of the Authority other than the Trust Estate is pledged to repay the Taxable 2006 Series A-1 Bonds or the 2006 Series A-3 Bonds. See "Part II – CERTAIN BONDOWNERS' RISKS."** The Authority has outstanding other general obligations and may hereafter incur or issue (without restriction as to amount) additional general obligations, all of which are payable on an equal basis from the assets, income and revenues of the Authority. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY - General Obligations of the Authority."

Bond Insurance for the 2006 Series A-3 Bonds

Payment, when due, of the principal of and interest on the 2006 Series A-3 Bonds will be guaranteed under the 2006A-3 Policy to be issued by the Bond Insurer simultaneously with the delivery of the 2006 Series A-3 Bonds. See **Appendix M** – "MBIA INSURANCE CORPORATION." A specimen of the 2006A-3 Policy is included in **Appendix L** hereto. The payment of principal of and

interest on the 2006 Series A-1 Bonds and the 2006 Series A-2 Bonds will not be guaranteed under the Policy.

The 2006A-3 Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority 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 2006 Series A-3 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 2006A-3 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, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the 2006 Series A-3 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 2006A-3 Policy has been endorsed to provide for cancellation of the 2006A-3 Policy upon delivery of a substitute bond insurance policy for the 2006 Series A-3 Bonds to the Trustee in accordance with the terms of the 2006 Series A Indenture. The 2006A-3 Policy will, however, remain in effect with respect to claims for Preferences resulting from payments made under the 2006A-3 Policy for the 2006 Series A-3 Bonds prior to the effective date of cancellation of the 2006A-3 Policy.

The 2006A-3 Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2006 Series A-3 Bonds. The 2006A-3 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 2006 Series A-3 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The 2006A-3 Policy also does not insure against nonpayment of principal of or interest on the 2006 Series A-3 Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other Trustee for the 2006 Series A-3 Bonds.

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 MBIA from the Trustee or any owner of a 2006 Series A-3 Bonds the payment of an insured amount for which is then due, that such required payment has not been made, MBIA 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 U.S. Bank Trust National Association, 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 2006 Series A-3 Bonds or presentment of such other proof of ownership of the 2006 Series A-3 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2006 Series A-3 Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the 2006 Series A-3 Bonds in any legal proceeding related to payment of insured amounts on the 2006 Series A-3 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such 2006 Series A-3 Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

2006A Investment Agreements

Amounts in the 2006 Series A subaccounts of the Acquisition Account (except amounts expected to be used to refund the Series 1996 Bonds and the Series 2002A Bonds on November 1, 2006 which will be invested in the 2006A Short-Term Investment Agreement described below) will be invested in an investment agreement (the "**2006A Acquisition Investment Agreement**") between the Trustee and Transamerica Life Insurance Company ("**Transamerica**"), at an interest rate of 5.412% per annum, through October 1, 2007 or such earlier date on which all amounts invested in such fund have been withdrawn. Amounts in the 2006 Series A subaccounts of the Debt Service Fund, the Revenue Fund, the Redemption Fund, the Costs of Issuance Account, and prepayments deposited in the Loan Recycling Account will be invested in an investment agreement (the "**2006A DEPFA Investment Agreement**") between the Trustee and DEPFA BANK plc ("**DEPFA**") subject to certain limitations set forth in the 2006A DEPFA Investment Agreement, at an annual interest rate equal to 4.20% per annum, through October 1, 2041 or such earlier date on which the 2006 Series A Bonds are no longer outstanding. Certain legally available funds resulting from the redemption of the Series 1996 Bonds, deposited to the Debt Service Reserve Fund on November 1, 2006, will be invested in the 2006A DEPFA Investment Agreement at an interest rate of 4.50% per annum through October 1, 2038 or such earlier date on which the 2006 Series A Bonds are no longer outstanding. The 2006A Acquisition Investment Agreement and the 2006A DEPFA Investment Agreement are collectively referred to herein as the "**2006A Investment Agreements**." The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the 2006A Investment Agreements will be available as described. However, in the event that either of the 2006A Investment Agreements is terminated as a result of default by Transamerica or DEPFA or for any other reason, it may not be possible to reinvest such proceeds and deposits at these assumed rates and the cashflows may be adversely affected.

Amounts deposited to the 2006 Series A subaccounts of the Acquisition Account to be used for the refunding of the Series 1996 Bonds and the Series 2002A Bonds on November 1, 2006 are expected to be invested in an investment agreement (the "**2006A Short-Term Investment Agreement**") between the Trustee and Transamerica (the "**2006A Short-Term Investment Provider**") at 4.91% per annum. Such investment and the earnings thereon under the 2006A Short-Term Investment Agreement are part of the Trust Estate pledged under the Indenture to secure all outstanding Bonds, but are expected to be available to pay the redemption price of the Series 1996 Bonds and Series 2002A Bonds (plus accrued interest) on November 1, 2006. See "PLAN OF FINANCE – Redemption and Payment of the Refunded Bonds." *Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of Transamerica or DEPFA. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of Transamerica or DEPFA.*

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

Outstanding Investment Agreements

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

* Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of the Investment Providers listed in this chart. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the Investment Providers. See "Part II – SECURITY FOR THE OBLIGATIONS."

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

2006A Derivative Products

In connection with the issuance of the Taxable 2006 Series A-1 Bonds, the Authority is entering into certain interest rate swap agreements (collectively, the "**2006A-1 Derivative Product**") with Lehman Brothers Derivative Products Inc. (the "**2006A Counterparty**"). The Authority is also entering into interest rate swap agreements (collectively, the "**2006A-2 Derivative Product**") with the 2006A Counterparty in connection with the issuance of the 2006 Series A-2 Bonds, certain of which will not take effect until November 1, 2006. In addition, the Authority is entering into an interest rate swap agreement (the "**2006A-3 Derivative Product**") with the 2006A Counterparty in connection with the issuance of the 2006 Series A-3 Bonds which will take effect on November 1, 2006. Collectively, the 2006A-1 Derivative Product, the 2006A-2 Derivative Product and the 2006A-3 Derivative Product are referred to as the "**2006A Derivative Products**."

Pursuant to the 2006A-1 Derivative Product, the Authority will pay interest to the 2006A Counterparty at a fixed rate and will receive interest from the 2006A Counterparty at a variable rate which will be based on a LIBOR Index. The Authority will assume the risk of a difference in the amount of its actual interest payments on the Taxable 2006 Series A-1 Bonds and the amount of such interest payments to be made by the 2006A Counterparty under the 2006A-1 Derivative Product. Pursuant to the 2006A-2 Derivative Product and the 2006A-3 Derivate Product, the Authority will pay interest to the 2006A Counterparty at a fixed rate and will receive interest from the 2006A Counterparty at a variable rate which will be based on a BMA Index. The Authority will assume the risk of a difference in the amount of its actual interest payments on the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds and the amount of such payments to be made by the 2006A Counterparty under the 2006A-2 Derivative Product and the 2006A-3 Derivative Product, respectively.

The Authority's obligation to make interest payments to the 2006A Counterparty under the 2006A Derivative Products will constitute Class I Obligations, with respect to the 2006A-1 and 2006A-2 Derivative Products, and a Class III Obligation, with respect to the 2006A-3 Derivative Product, under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations and Class III Obligations, respectively. The Authority's obligation to make termination payments under the 2006A Derivative Products in the event of early termination is expected to be a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority." For information concerning the Derivative Products currently Outstanding under the Master Indenture, see **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS." See also "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products" and **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Derivative Products."

TAX MATTERS

Tax-Exempt Bonds

Sherman & Howard L.L.C., Bond Counsel, is of the opinion that (i) assuming continuous compliance with certain covenants and representations of the Authority, interest on the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds (collectively, the "**Tax-Exempt Bonds**") (except for interest on any 2006 Series A Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2006 Series A-2 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended, to the date of delivery of the Tax-Exempt Bonds (the "**Tax Code**")) is excluded from gross income for federal income tax purposes under federal income tax laws pursuant to Section 103 of the Tax Code; however, (a) interest on the 2006 Series A-2 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under federal income tax laws, and (b) interest on the 2006 Series A-3 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described herein. In addition, in the opinion of Bond Counsel, the Tax-Exempt Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado law in effect on the date of delivery of the Tax-Exempt Bonds.

The Tax Code imposes several requirements which must be met with respect to the Tax-Exempt Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the Tax-Exempt Bonds. These requirements include: (a) limitations as to the use of proceeds of the Tax-Exempt

Bonds; (b) limitations on the extent to which proceeds of the Tax-Exempt Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Tax-Exempt Bonds above the yield on the Tax-Exempt Bonds to be paid to the United States Treasury. The Authority will covenant and represent in the Indenture that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income and (in the case of the 2006 Series A-3 Bonds) alternative minimum taxable income under the Tax Code. Bond Counsel's opinion as to the exclusion of interest on the Tax-Exempt Bonds from gross income and (in the case of the 2006 Series A-3 Bonds) alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Authority to comply with these requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income or (in the case of the 2006 Series A-3 Bonds) alternative minimum taxable income from the date of issuance.

Section 55 of the Tax Code contains a 20 percent alternative minimum tax on the alternative minimum taxable income of corporations and a 24 percent alternative minimum tax on the alternative minimum taxable income of taxpayers other than corporations. Alternative minimum taxable income is defined to include "items of preference" and under Section 57 of the Tax Code, interest on the 2006 Series A-2 Bonds is an item of tax preference.

Under the Tax Code, an "adjusted current earnings" adjustment is required to be made for purposes of the alternative minimum tax provision applicable to corporations. Under this adjustment, 75 percent of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction) is included in calculating the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" include interest on the 2006 Series A-3 Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Tax-Exempt Bonds. Owners of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal tax consequences. Bond Counsel's opinion relates only to the exclusion of interest on the Tax-Exempt Bonds from gross income and (in the case of the 2006 Series A-3 Bonds) alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or State of Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the Tax-Exempt Bonds. Owners of the Tax-Exempt Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based upon existing law as of the delivery date of the Tax-Exempt Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to any pending or proposed legislation. Amendments to federal and Colorado tax laws may be pending now or could be proposed in the future which, if enacted into law, could adversely affect the value of the Tax-Exempt Bonds, the exclusion of interest on the Tax-Exempt Bonds from gross income, alternative minimum taxable income (in the case of the 2006 Series A-3 Bonds), or any combination thereof from the date of issuance of the Tax-Exempt Bonds or any other date, or which could result in other adverse federal or State of Colorado tax consequences. Bond Owners are advised to consult with their own advisors with respect to such matters.

IRS Audit Program

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

Taxable 2006 Series A-1 Bonds

IN THE OPINION OF BOND COUNSEL, THE INTEREST ON THE TAXABLE 2006 SERIES A-1 BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TAX CODE. THE TAXABLE 2006 SERIES A-1 BONDS AND THE INCOME THEREFROM ARE FREE FROM TAXATION BY THE STATE OF COLORADO UNDER COLORADO LAWS IN EFFECT AS OF THE DATE OF DELIVERY OF THE TAXABLE 2006 SERIES A-1 BONDS.

Bond Counsel will express no other opinion as to any tax consequences regarding the Taxable 2006 Series A-1 Bonds. Owners of the Taxable 2006 Series A-1 Bonds should consult with their own tax advisors as to the tax consequences pertaining to the Taxable 2006 Series A-1 Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the Taxable 2006 Series A-1 Bonds prior to stated maturity, and as to other applications of federal, state, local or foreign tax laws.

Any tax advice concerning the Taxable 2006 Series A-1 Bonds, interest on the Taxable 2006 Series A-1 Bonds or any other federal income tax issues associated with the Taxable 2006 Series A-1 Bonds, express or implicit in the provisions of this Official Statement, is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on any taxpayer by the Internal Revenue Service. This document supports the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

UNDERWRITING

The 2006 Series A Bonds are to be purchased from the Authority by the underwriters listed on the front cover page of this Official Statement (collectively, the "**Underwriters**"). The Underwriters have agreed, subject to certain conditions, to purchase all but not less than all of the 2006 Series A Bonds at a price equal to \$113,700,000 (being the par amount of the 2006 Series A Bonds). The Underwriters will be paid a fee of \$496,084 (plus reimbursement of certain expenses). The initial public offering price may be changed from time to time by the Underwriters. RBC Capital Markets is the name under which RBC Dain Rauscher Inc. will be performing underwriting services in connection with the issuance of the 2006 Series A Bonds. UBS Investment Bank is a trade name of UBS Securities LLC, which will be performing underwriting services in connection with the issuance of the 2006 Series A Bonds.

2006A REMARKETING AGENT

Lehman Brothers Inc. has initially been appointed to serve as 2006A Remarketing Agent for the 2006 Series A Bonds (the "**2006A Remarketing Agent**") pursuant to the Indenture and a Remarketing Agreement dated as of October 1, 2006 between the Authority and Lehman Brothers. If 2006 Series A Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2006 SERIES A BONDS – Optional Tender and Purchase" and "- Mandatory Purchase," the 2006A Remarketing Agent is required to use its best efforts to remarket such 2006 Series A Bonds in accordance with the terms of the Indenture and the Remarketing Agreement. The 2006A Remarketing Agent will also be responsible for determining the rates of interest for the 2006 Series A Bonds in accordance with the Indenture. The 2006A Remarketing Agent is to transfer any proceeds of remarketing of the 2006 Series A Bonds it receives to the Paying Agent for deposit to the Remarketing Proceeds Subaccount of the Purchase Fund in accordance with the Indenture.

The 2006A 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, the Bond Insurer, and the Liquidity Facility Provider with thirty (30) days' prior written notice. The 2006A Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the 2006A Remarketing Agent, the Trustee, the Paying Agent, the Bond Insurer, and the Liquidity Facility Provider and upon at least thirty (30) days' prior written notice to the 2006A Remarketing Agent. Any successor 2006A Remarketing Agent shall be selected by the Authority. The 2006A Remarketing Agent shall assign and deliver the 2006A Remarketing Agreement to its successor.

FORWARD-LOOKING STATEMENTS

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

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

LITIGATION

At the time of the delivery of and payment for the 2006 Series A Bonds, the Authority will deliver an opinion of its General Counsel, Charles L. Borgman, Esq., to the effect that no litigation before any court is pending or, to his knowledge, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the 2006 Series A Bonds, or which would materially adversely affect the financial condition of the Authority, or in any way contesting or affecting the validity or

enforceability of the 2006 Series A Bonds, the Indenture or the contract for the purchase of the 2006 Series A Bonds.

RATINGS

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("**S&P**"), are expected to give the Taxable 2006 Series A-1 Bonds and 2006 Series A-2 Bonds ratings of "Aaa/VMIG-1" and "AAA/A-1+," respectively, based (in the case of the short-term ratings) on the delivery of the Initial 2006A-1/A-2 Liquidity Facility by the 2006A Liquidity Facility Provider. Moody's and S&P are expected to give the 2006 Series A-3 Bonds ratings of "Aaa/VMIG-1" and "AAA/A-1+," respectively, based (in the case of the short-term ratings) on the delivery of the Initial 2006A-3 Liquidity Facility by the 2006A Liquidity Facility Provider and based (in the case of the long-term ratings) on the delivery of the 2006A-3 Policy in connection with the 2006 Series A-3 Bonds. Such ratings reflect only the views of Moody's and S&P, respectively, and are not a recommendation to buy, sell or hold the 2006 Series A Bonds. An explanation of the significance of the ratings given by Moody's and S&P, respectively, may be obtained from Moody's and S&P, respectively. Generally, a rating agency bases its rating on the information and materials furnished it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if circumstances so warrant. Neither the Authority nor the 2006A Remarketing Agent has undertaken to provide notice of any change in these ratings of the 2006 Series A Bonds. Any such downward revision or withdrawal of any such rating may have an adverse effect on the marketability or price of the respective 2006 Series A Bonds.

CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as an Underwriter and the initial 2006A Remarketing Agent of the 2006 Series A Bonds. Certain affiliates of Lehman Brothers Inc. are acting as a counterparty to the Authority under the 2006A Derivative Products and have also acted as a counterparty to the Authority under certain of the Outstanding Master Indenture Derivative Products described in **Appendix B**. See "CERTAIN PROGRAM ASSUMPTIONS – 2006A Derivative Products."

(End of Part I)

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PART II

COLORADO HOUSING AND FINANCE AUTHORITY

Background

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

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

Board of Directors and Staff Officers

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

Present Board of Directors of the Authority

<u>Name</u>	<u>Affiliation</u>	<u>End of Term</u>
Joseph A. Garcia, Chair (1)	President, Colorado State University – Pueblo; Pueblo, Colorado	July 1, 2009
Michelle Dressel, Chair, <u>pro tem</u> (1)	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	July 1, 2009
Richard Grice, Secretary/Treasurer (1)	Executive Director, Colorado Department of Labor and Employment; Denver, Colorado	July 1, 2007
John Blumberg	Co-Founder and Principal, Black Creek Capital LLC; Denver, Colorado	July 1, 2009
M. Michael Cooke	Executive Director, Colorado Department of Revenue; Denver, Colorado	At the pleasure of the Governor
John R. Davidson	Chairman of the Board and Chief Executive Officer, First American State Bank; Greenwood Village, Colorado	July 1, 2007
Jim Isgar	State Senator; Hesperus, Colorado	End of legislative biennium 2005-2006
Sally W. Symanski	Colorado State Auditor; Denver, Colorado	July 1, 2011
Nancy J. McCallin	President, Colorado Community College System; Denver, Colorado	July 1, 2007
Eric C. Moore	Chief Information Officer, Arapahoe Douglas Mental Health Network; Denver, Colorado	July 1, 2009
Joel S. Rosenstein	Attorney, Senn, Lewis & Visciano; Denver, Colorado	July 1, 2009

(1) These Board members were elected to their respective offices effective March 23, 2006.

The principal staff officers of the Authority are as follows:

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

Cris A. White, Chief Operating Officer since February 2002, joined the staff in 1988 and served in various capacities until January 1996. He rejoined the staff in September of 1996 as the Director of Asset Management, after serving in the interim as a business development executive with an international equipment and real estate mortgage lender. On February 1, 2001, Mr. White was appointed Deputy

Executive Director for Asset Management and Business Support Services and served until his present appointment. He also continued to serve as Director of Asset Management until December 10, 2001. Mr. White has a Bachelor's Degree in Business Administration from Regis College.

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

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

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

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

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

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

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

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

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

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

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

Employees and Pension Information

As of December 31, 2005, the Authority had approximately 154 full-time employees, all of whom are members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute ten percent (10%) of each participating employee's gross salary to PERA in 2005. In 2005, the Authority's PERA contribution totaled approximately \$827,000, compared to an Authority contribution in 2004 of \$792,000. See footnote (10) of the audited 2005 financial statements attached as **Appendix A** hereto for further information.

Insurance Coverage

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

Selected Financial Information

The following is a brief summary of historical selected financial information for the Authority. The audited 2005 financial statements of the Authority included in **Appendix A** to this Official Statement also provide certain financial information about the Authority on a fund accounting basis, including a description of its General Fund. This information has been included solely for purposes of providing a general overview for potential purchasers of the financial status of the Authority given that the Authority operates the programs which result in the Loans securing Bonds and Derivative Products under the Master Indenture and also services such Loans. The Bonds and Derivative Products are limited obligations of the Authority secured by and payable from the Trust Estate, except in the limited case of those Bonds and Derivative Products designated as general obligations of the Authority. See "Long-Term

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

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Colorado Housing and Finance Authority
Summary Statements of Net Assets
As of December 31
(in thousands of dollars)

	2005	2004	2003	2002	2001
ASSETS					
Current Assets:					
Cash	\$ 24,024	\$ 22,469	\$ 17,702	\$ 30,733	\$ 20,476
Investments (at amortized cost which approximates fair value)	554,138	635,805	647,147	606,803	411,581
Loans receivable	70,191	63,935	57,725	52,796	46,857
Accrued interest receivable	18,840	19,028	19,539	17,658	16,838
Deferred debt financing costs, net	694	640	662	761	1,234
Federally assisted program advances	838	1,945	1,924	860	369
Other assets	5,992	6,616	9,160	8,843	6,046
Total Current Assets	674,717	750,438	753,859	718,454	503,401
Noncurrent Assets:					
Investments (at fair value)	181,735	189,702	156,290	147,092	113,916
Loans receivable, net	2,035,553	1,854,120	1,674,010	1,531,076	1,358,850
Capital assets - non-depreciable	7,991	8,242	6,181	6,029	4,669
Capital assets - depreciable, net	31,892	31,571	28,177	27,629	26,994
Other real estate owned, net	4,005	6,601	5,772	5,380	7,146
Deferred debt financing costs, net	12,491	11,529	11,923	13,699	16,674
Other assets	12,361	11,114	8,918	8,301	5,933
Total Noncurrent Assets	2,286,028	2,112,879	1,891,271	1,739,206	1,534,182
TOTAL ASSETS	\$ 2,960,745	\$ 2,863,317	\$ 2,645,130	\$ 2,457,660	\$ 2,037,583
LIABILITIES					
Current Liabilities:					
Short-term debt	\$ 120,405	\$ 98,945	\$ 85,821	\$ 113,127	\$ 101,792
Bonds payable, current portion	173,910	290,370	272,954	176,126	28,297
Notes payable, current portion	107	115	773	251	189
Accrued interest payable	23,688	22,147	22,882	27,058	25,224
Federally assisted program advances	838	1,945	1,924	860	369
Accounts payable and other liabilities	17,385	19,304	18,572	19,361	15,413
Total Current Liabilities	336,333	432,826	402,926	336,783	171,284
Noncurrent Liabilities:					
Bonds payable, net	2,371,168	2,183,137	2,024,838	1,918,377	1,682,675
Notes payable	2,079	12,999	7,237	3,844	2,519
Other liabilities	8,312	6,834	362	358	298
Total Noncurrent Liabilities	2,381,559	2,202,970	2,032,437	1,922,579	1,685,492
Total Liabilities	2,717,892	2,635,796	2,435,363	2,259,362	1,856,776
NET ASSETS					
Invested in capital assets, net of debt	7,831	7,093	6,636	5,327	2,759
Restricted by bond indentures	93,609	91,042	78,563	75,323	68,628
Unrestricted	141,413	129,386	124,568	117,648	109,420
Total Net Assets	242,853	227,521	209,767	198,298	180,807
TOTAL LIABILITIES & NET ASSETS	\$ 2,960,745	\$ 2,863,317	\$ 2,645,130	\$ 2,457,660	\$ 2,037,583

Sources: Audited financial statements of the Authority for the years ended December 31, 2001-2005. For the years ended December 31, 2001, 2002 and 2003, "Cash" and "Accounts payable and other liabilities" have been increased by \$7,547, \$9,942 and \$9,402, respectively, in order to reflect escrow deposits, which is consistent with the presentation for 2004 and 2005.

Colorado Housing and Finance Authority
Summary Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31
(in thousands of dollars)

	2005	2004	2003	2002	2001
Operating Revenues:					
Interest on loans receivable	\$ 111,337	\$ 99,482	\$ 93,861	\$ 86,960	\$ 98,772
Investment income	30,628	23,881	23,804	23,521	28,754
Net increase (decrease) in the fair value of investments	788	1,233	(3,578)	3,904	(230)
Rental income	10,902	10,463	9,549	10,569	10,373
Loan servicing income	7,826	7,091	6,534	5,602	4,930
Section 8 administration fees	3,976	3,644	3,663	3,411	1,852
Other revenues	2,295	2,021	3,861	3,409	3,956
Total Operating Revenues	167,752	147,815	137,694	137,376	148,407
Operating Expenses:					
Interest on debt	120,371	98,257	92,629	90,852	103,793
Salaries and related benefits	11,322	10,668	11,545	10,869	9,892
General operating	15,485	14,411	14,360	10,278	9,462
Other interest expense	1,848	1,711	1,688	1,715	1,822
Depreciation	2,679	2,574	2,745	2,246	1,693
Provision for losses	715	2,455	3,550	4,147	6,666
Total Operating Expenses	152,420	130,076	126,517	120,107	133,328
Total Operating Income	15,332	17,739	11,177	17,269	15,079
Nonoperating Revenues and Expenses, net	-	15	292	222	1,236
Change in Net Assets	15,332	17,754	11,469	17,491	16,315
Net Assets:					
Beginning of year	227,521	209,767	198,298	180,807	164,492
End of year	\$ 242,853	\$ 227,521	\$ 209,767	\$ 198,298	\$ 180,807

Sources: Audited financial statements of the Authority for the years ended December 31, 2001-2005.

The General Fund

Generally

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

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

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

Financial Information for the General Fund

The following table sets forth historical selected financial information for the General Fund for the five years ended December 31, 2005 as provided by the Authority.

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

	<u>FY</u> <u>2005</u>	<u>FY</u> <u>2004</u>	<u>FY</u> <u>2003</u>	<u>FY</u> <u>2002</u>	<u>FY</u> <u>2001</u>
Interest and investment revenue:					
Loans receivable	\$7,496	\$10,454	\$10,094	\$12,177	\$16,987
Marketable securities	2,016	1,744	1,955	3,084	3,135
Net increase (decrease) fair value of long-term marketable securities	<u>441</u>	<u>(392)</u>	<u>(570)</u>	<u>(10)</u>	<u>473</u>
Total interest and investment revenue	9,953	11,806	11,479	15,251	20,595
Interest expense - bonds and notes payable	--	<u>5,799</u>	<u>5,345</u>	<u>8,100</u>	<u>11,267</u>
Net interest and investment revenue	9,953	6,007	6,134	7,151	9,328
Other revenue (expense):					
Rental operations	10,902	10,279	9,549	10,569	10,373
Fees and miscellaneous income	14,097	12,756	14,058	12,461	11,679
Program fees	--	--	<u>4,665</u>	<u>4,705</u>	<u>5,539</u>
Total other revenue	<u>24,999</u>	<u>23,035</u>	<u>28,272</u>	<u>27,735</u>	<u>27,591</u>
Net revenue	34,952	29,042	34,406	34,886	36,919
Other expenses:					
Salaries and related benefits	11,322	10,668	11,545	10,869	9,892
General operating (1)	14,724	13,462	13,651	9,725	10,280
Provision for losses	870	(816)	133	996	953
Other interest expense	1,848	1,326	1,260	1,274	1,332
Transfers	--	--	--	--	(1,059)
Depreciation	<u>2,679</u>	<u>2,574</u>	<u>2,745</u>	<u>2,246</u>	<u>--</u>
Total other expense	<u>31,442</u>	<u>27,214</u>	<u>29,334</u>	<u>25,110</u>	<u>21,398</u>
Operating income	<u>\$ 3,509</u>	<u>\$ 1,828</u>	<u>\$ 5,072</u>	<u>\$ 9,776</u>	<u>\$ 15,521</u>
Fund Balance, end of year	<u>\$149,244</u>	<u>\$136,479</u>	<u>\$131,204</u>	<u>\$122,975</u>	<u>\$112,179</u>
Bonds and Notes Payable	<u>\$253,738</u>	<u>\$212,798</u>	<u>\$162,623</u>	<u>\$202,012</u>	<u>\$224,414</u>
Total Assets	<u>\$428,627</u>	<u>\$359,139</u>	<u>\$305,912</u>	<u>\$336,322</u>	<u>\$353,547</u>

(1) The Authority's general operating expenses increased between 2002 and 2003 as a result of a rise in loan payoffs (prepayments) which increased the amortization of certain deferred expenses included in general operating expenses, such as service release premiums. Further information is available in the Authority's audited 2005 financial statements attached as **Appendix A** hereto.

Sources: Derived from the audited financial statements of the Authority for years ended December 31, 2001-2005

Authority Policy Regarding Swaps

The Master Indenture permits the Authority to enter into "Derivative Products," which include interest rate exchange or swap contracts, cash flow exchange contracts, forward swaps, interest rate floors, caps or collars and other derivative products. See **Appendix B** and "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products." Under the master indenture relating to its single family revenue bonds, the Authority is also permitted to enter, and has entered into, certain derivative obligations

which are described in footnote (7) of the audited 2005 financial statements of the Authority attached in **Appendix A**. The Board of the Authority adopted a Bond Issuance Policy dated March 27, 2003 as revised on March 25, 2004, July 22, 2004 and March 24, 2005, which, among other things, establishes parameters for swap agreements which may be authorized from time to time by resolution of the Board in connection with the issuance of bonds by the Authority (including Bonds under the Master Indenture). On an annual basis, the Authority staff is to provide a report to the Board regarding all outstanding swap agreements. The Board may change its Bond Issuance Policy at any time and from time to time at its sole discretion, including an expansion of the Bond Issuance Policy to permit derivative products other than swap agreements. Any changes to the Bond Issuance Policy may impact future swap agreements or other Derivative Products authorized in connection with Bonds under the Master Indenture.

Programs to Date

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

Commercial Loan Programs

Rental Finance Programs. The Commercial Lending Division of the Authority encompasses the business finance programs (described below) as well as the rental finance programs under which the Authority makes mortgage loans to qualified sponsors of low and moderate income multi-family housing within Colorado. As part of its rental finance activities, the Authority makes mortgage loans insured by an agency or instrumentality of the United States. The insured rental loans made by the Authority must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured rental loans made to date have been insured by the Federal Housing Administration ("**FHA**") under Sections 221(d)(3), 221(d)4 and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. These insured rental loans have been funded by the Authority as described in "Long-Term Obligations of the Authority – Revenue Bonds and Notes – Rental Finance Programs" under this caption. In the case of a Section 542(c) claim, the Authority is responsible to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such claim. See "Long-Term Obligations of the Authority – General Obligations – Section 542(c) Risk Sharing Loans" under this caption. For certain information regarding the Authority's outstanding insured rental loans, see footnote (3) to the audited 2005 financial statements of the Authority included in this Official Statement as **Appendix A**.

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

Uninsured rental loans have also been made by the Authority using funds from amounts in its General Fund designated as the Housing Opportunity Fund under a program referred to as the "**HOF Program**." Under the HOF Program, the Authority makes fixed interest rate loans to nonprofit and for profit developers in support of rental housing facilities targeted to low income residents. Eligible "low

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

Under another rental finance program, the *Rental Acquisition Program* (the "**RAP Program**"), the Authority acquires and rehabilitates apartment buildings located throughout Colorado for rental to persons and families of low and moderate income. The Authority contracts with private entities to manage such buildings. For certain information concerning the RAP Program and facilities acquired, rehabilitated and operated by the Authority, see footnotes (1) and (4) to the audited 2005 financial statements of the Authority included in this Official Statement as **Appendix A**.

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

- Under the *CHFA Direct Loan Program*, the Authority provides loans to for-profit businesses to acquire, construct and/or rehabilitate and equip commercial, retail or manufacturing facilities.
- Under the *Non-Profit Real Estate Loan Program*, the Authority provides loans to non-profit organizations to fund real estate acquisition.
- Under the *SBA 504 Program*, the Authority provides loans to for-profit businesses to finance owner-occupied real estate and/or equipment. The Program provides two structures, a direct loan option (where the Authority originates the first mortgage loan which generally finances 50% of the project costs) and a loan participation option (where the Authority purchases up to a 90% participation in a first mortgage loan). An SBA-approved company provides a second mortgage for up to 40% of the total project costs (or \$1.3 million, whichever is less), with the Borrower providing the remaining 10% of the costs.
- Under the *CHFA Rural Program*, the Authority provides loans to rural small for-profit businesses to finance real estate and/or equipment.

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

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

The business loan programs of the Authority also include three secondary market programs described below. Under these programs, the Authority purchases the guaranteed portion of a business loan (the "**participation interest**"), and is thereby able to provide the Borrower with the safety and predictability of a fixed-rate throughout the term of the loan at an attractive interest rate. Additionally, each of these secondary market programs is a source of profit and liquidity for originating lenders. The *Quality Investment Capital ("QIC") Program* is a secondary market program whereby the Authority purchases the guaranteed portion of loans originated by local lenders and guaranteed by the SBA. Typically, the Authority markets the QIC Program to local lenders and potential borrowers and purchases the participation interest (which is 100% guaranteed by the SBA). Proceeds of these participation interests may be used to fund real estate, equipment, machinery and working capital.

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

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

Single Family Mortgage Programs

Under its Single Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings directly to individual borrowers or may purchase such mortgage loans from qualified originating Mortgage Lenders. The Authority presently purchases and originates mortgage loans under its *Qualified Single Family Mortgage Program* and its *Non-Qualified Single Family Mortgage Program*. Under its Qualified Single Family Mortgage Program, the Authority may make mortgage loans to Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. The Authority permits Eligible Borrowers under its Non-Qualified Single Family Mortgage Program to meet certain income limits which are somewhat higher than the limits permitted for the Qualified Single Family Mortgage Program. There is also no limit on prior home ownership or limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-

Qualified Single Family Mortgage Program. In many other respects, the requirements for the Non-Qualified Single Family Mortgage Program are the same as the requirements for the Authority's Qualified Single Family Mortgage Program. For certain information regarding the outstanding mortgage loans originated under the Single Family Mortgage Programs, see footnote (3) to the audited 2005 financial statements of the Authority included in this Official Statement as **Appendix A**.

Long-Term Obligations of the Authority

The following is a summary of the long-term obligations incurred by the Authority to provide funds for and otherwise operate the Authority and the Programs described in "Programs to Date" under this caption. This summary has been included solely for purposes of providing information to assist a potential investor in evaluating the Authority's financial status. See also footnote (6) to the audited 2005 financial statements of the Authority included in this Official Statement as **Appendix A**.

Revenue Bonds and Notes

Rental Finance Programs. The Authority has financed insured rental loans with proceeds of its Multifamily Housing Insured Mortgage Revenue Bonds (outstanding as of December 31, 2005 in an aggregate principal amount of \$338.1 million) and, since 2000, with proceeds of the Bonds. See **Appendix B**. Such Multi-Family/Project Bonds, which have been issued not only to finance such insured rental loans but also insured rental and business loans, were outstanding as of December 31, 2005 in an aggregate principal amount of \$468.3 million. The Authority has also financed its uninsured rental loans using proceeds of its Mortgage Revenue Bonds sold to institutional purchasers and secured solely by and payable solely from such uninsured rental loans, and its Multi-Family Housing Revenue Bonds issued by the Authority as a conduit issuer and supported by letters of credit or other credit facilities. One outstanding series of bonds which financed an uninsured rental loan in connection with the Denver Dry housing project is secured by a pledge of loan revenues as well as the full faith and credit of the Authority. See "General Obligations – Rental Finance – Bonds/Notes." Bonds have also been privately placed by the Authority in order to finance uninsured rental loans under the SMART program. Projects in the RAP Program have been acquired using a combination of revenue bonds, the Authority's general fund monies, proceeds of general obligation bonds and non-recourse seller carryback financing secured solely by the acquired projects. See footnote (6) of the audited 2005 financial statements of the Authority attached in **Appendix A** for more information regarding these outstanding bonds and notes.

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

Single Family Mortgage Programs. In connection with its Single Family Mortgage Programs, the Authority has previously issued numerous series of its single-family housing revenue bonds as senior and subordinate bonds, single family mortgage bonds and taxable mortgage revenue bonds payable from the revenues of pledged mortgage loans. The aggregate principal amount of such single family bonds (which

include Bonds issued and payable under the Master Indenture) outstanding as of December 31, 2005 was approximately \$1.670 billion. For information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see www.colohfa.org and footnote (6) of the audited 2005 financial statements of the Authority attached in **Appendix A**.

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

General Obligations

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

Rental Finance and Business Finance – Multi-Family/Project Bonds. The Authority has issued Class I Multi-Family/Project Bonds (outstanding as of December 31, 2005 in an aggregate principal amount of \$99.5 million) in order to finance uninsured rental and business loans which are payable not only from a senior lien on loan revenues but also as general obligations of the Authority. The Authority has also issued Class III Multi-Family/Project Bonds (outstanding as of December 31, 2005 in an aggregate principal amount of \$20.3 million) in order to finance uninsured rental and business loans. These Class III Multi-Family/Project Bonds are payable from loan revenues on a subordinate lien basis and also as general obligations of the Authority. See **Appendix B**.

Rental Finance and Business Finance – Uninsured Loans. The Authority has acquired or originated certain uninsured rental and business loans using proceeds of and pledged to the repayment of its Multi-Family/Project Bonds. The Authority has pledged its full faith and credit to the payment of certain such loans, outstanding as of December 31, 2005 in the aggregate principal amount of \$20.7 million.

Section 542(c) Risk Sharing Loans. The Authority has also assumed as a general obligation 50% risk of loss in the mortgage loans insured by the FHA under Section 542(c) of the Housing and Community Development Act of 1992, as amended. As of December 31, 2005, such 542(c) mortgage loans were outstanding in the amount of approximately \$328 million. In the case of a §542(c) claim, the Authority is responsible, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after the final settlement of such claim. See "Programs to Date – Commercial Loan Programs – Rental Finance Programs" under this caption. To date, the Authority has incurred risk-sharing liabilities of approximately \$7.3 million as a result of defaults on insured mortgage loans for the Marycrest, Allied Lowry, Sterling Manor, Skyview Village and Heritage Center projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with FHA. In addition, the mortgage loan for the Mesa Garden Apartments project in the approximate aggregate principal amount of \$3.8 million has also defaulted. The Authority has filed an insurance claim and received insurance proceeds from HUD with respect to this loan. It is likely that the Authority will incur a risk-sharing liability with respect to the Mesa Garden Apartments project, for which the Authority believes it is adequately reserved.

Rental Finance – Bonds/Notes. The Authority has financed an uninsured rental loan in connection with the Denver Dry housing project using proceeds of its publicly-offered bonds. As of December 31, 2005, such bonds, secured by a general obligation pledge and loan revenues, were outstanding in an aggregate principal amount of \$3,190,000. In addition, the Authority has issued general obligation bonds and notes through private placement in order to finance uninsured rental loans. As of December 31, 2005, such privately placed bonds and notes were outstanding in an aggregate principal amount of \$28,597,000.

Business Finance – Bonds/Notes. In connection with the Special Projects financing program, the Authority has financed certain business loans to non-profit organizations through the public offering of Authority bonds. As of December 31, 2005, such bonds, issued to finance a business loan to the Colorado Municipal League, were outstanding in the aggregate principal amount of \$1,210,000. The Authority has funded participation interests in business loans under the QIC, QAL and B&I II Programs as well as business loans under the CHFA Direct Loan and SBA 504 Programs using proceeds of its Guaranteed Loan Participation Purchase Bonds and its Project Loan Participation Purchase Bonds and Refunding Bonds, outstanding as of December 31, 2005 in the aggregate principal amount of \$31,593,000. These Bonds, which are general obligations of the Authority, have been privately placed. The Authority has also issued by private placement its Rural Business Cooperative Service Notes (outstanding as of December 31, 2005 in the aggregate principal amount of \$1,301,000 and secured by a general obligation pledge of the Authority), the proceeds of which have been used to finance project or working capital loans or participations therein for small businesses in rural areas.

Single Family Mortgage Programs – Bonds. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds are payable from mortgage loan revenues on a subordinate lien basis and are also general obligations of the Authority. The aggregate principal amount of such Subordinate Bonds as of December 31, 2005 was \$3,050,000. The Authority has also issued Class III Bonds under the Master Indenture, the proceeds of which have been used to finance mortgage loans for the Single Family Mortgage Programs. These Class III Bonds, outstanding in the aggregate principal amount of \$91,330,000 as of December 31, 2005, are payable from mortgage loan revenues and are also general obligations of the Authority. In addition to these bonds which have been publicly offered by the Authority, the Authority has issued general obligation bonds through private placement in order to finance single family mortgage loans. As of December 31, 2005, such privately placed bonds were outstanding in an aggregate principal amount of \$35.3 million.

Derivative Products. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under the Derivative Products relating to the Bonds under the Master Indenture and under the interest rate contracts relating to the single family bonds under the related master indenture. See **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Master Indenture Derivative Products." See also "Authority Policy Regarding Swaps" under this caption and footnote (7) to the audited 2005 financial statements of the Authority included in this Official Statement as **Appendix A**.

Line of Credit Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for the borrowing from time to time. 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 June 30, 2006, \$94,778,245 in borrowings were outstanding under those agreements.

General Obligation Ratings. Moody's has assigned an "A1" rating and S&P has assigned an "A+" rating to the Authority's ability to repay its long-term general obligation liabilities. The ratings have been assigned based on the Authority's management, financial performance and overall program performance.

There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward entirely by Moody's or S&P, respectively, if circumstances so warrant.

SECURITY FOR THE OBLIGATIONS

Pledge of Trust Estate

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

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

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

In no event shall the 2006 Series A Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof (other than the general credit of the Authority, which general credit is not pledged for the payment of the Bonds except in the case of Bonds specifically designated as general obligations of the Authority).

Revenues

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

Pursuant to the Master Indenture, all Revenues related to each Series of Bonds, in addition to other amounts, are to be deposited into the subaccount of the Revenue Fund related to such Series of Bonds. On the last business day prior to each Bond Payment Date, the Trustee is required to make certain transfers of amounts from each Series subaccount of the Revenue Fund, to the extent moneys are available, to various Funds and Accounts in a certain priority, as provided in the Master Indenture. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Allocation of Moneys in the Revenue Fund." Among these transfers, the Trustee is to deposit into: (i) the related Series Subaccount of the related Class Special Redemption Account, the Loan Recycling Account (at the election of the Authority), or any combination of the two, the amount needed, if any, to ensure that the Class Asset Requirement for the related Series of Bonds will be met on such Bond Payment Date; and (ii) each Series subaccount of the Related Class Special Redemption Account not related to such Series of Bonds, on a proportionate basis with all such unrelated subaccounts, the amount of any deficiency resulting from the lack of moneys sufficient to make the deposit described in (i).

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

The Loans and Authority Projects

Master Indenture Requirements

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

The Authority is also permitted by the Master Indenture to apply the proceeds of Obligations issued under the Master Indenture to make or purchase (as Loans) uninsured mortgage loans made for housing facilities which are secured only by a mortgage on the related housing facilities or made for certain commercial Projects (as defined above). The Authority is also permitted by the Master Indenture to apply proceeds to Bonds for the financing of a portion of the costs of an Authority Project. An "**Authority Project**" means a housing facility or other asset intended to be owned and operated by the Authority, or the financing and refinancing of designated expenditures and/or obligations of the Authority, or any combination thereof.

Outstanding Loans, Authority Projects and Fund Balances

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

Debt Service Reserve Fund

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

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

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

Liquidity Facilities

The Authority has entered into, and may in the future enter into, Liquidity Facilities in connection with Adjustable Rate Bonds issued under the Master Indenture. The Authority may elect to replace any Liquidity Facility (including but not limited to the Initial 2006A Liquidity Facilities, except that with respect to the Initial 2006 Series A-3 Liquidity Facility, the Authority may not replace the Initial 2006A-3 Liquidity Facility so long as the 2006 Series A-3 Bonds remain Outstanding in any Mode other than the Fixed Rate Mode, without the written consent of the Bond Insurer) with an Alternate Liquidity Facility. The Authority shall promptly notify the Trustee, the 2006A Remarketing Agent and the Paying Agent of the Authority's intention to deliver an Alternate Liquidity Facility at least 45 days prior to such delivery. Upon receipt of such notice, if the Alternate Liquidity Facility is to be provided by an entity other than the provider of the then current Liquidity Facility, the Trustee will promptly mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of such Alternate Liquidity Facility, by first-class mail (or transmitted in such other manner as may be customary for the industry as directed in writing by the Authority) to the 2006A Remarketing Agent, and to each Owner of the

Adjustable Rate Bonds at such Owner's registered address, at least 30 days prior to delivery of the Alternate Liquidity Facility.

Pursuant to the Indenture, unless extended in accordance with the applicable Initial 2006A Liquidity Facility, each of the Initial 2006A Liquidity Facilities will expire at the end of the "Commitment Period," as defined in such Initial 2006A Liquidity Facilities. The Authority may, at its option, submit to the 2006A Liquidity Facility Provider not earlier than 180 days before, and not later than 90 days before, the Expiration Date (as defined in the respective Initial 2006A Liquidity Facility) as from time to time in effect, a request that the 2006A Liquidity Facility Provider renew an Initial 2006A Liquidity Facility and extend the Expiration Date thereof for an additional period (as specified by the Authority in writing) after the then-effective Expiration Date thereof in accordance with such Initial 2006A Liquidity Facility. Pursuant to such Initial 2006A Liquidity Facility, at the Authority's written request made in accordance with such Initial 2006A Liquidity Facility, such Initial 2006A Liquidity Facility may be renewed from time to time for a period of one year if the 2006A Liquidity Facility Provider consents to such request in its sole discretion. Under certain circumstances, the obligation of a 2006A Liquidity Facility Provider to purchase the related 2006 Series A Bonds tendered by the owners thereof or subject to mandatory purchase may be terminated or suspended and, in some of such circumstances, the termination or suspension of such obligation will be immediate and without notice to such owners. See **Appendix H** - "CERTAIN TERMS OF THE INITIAL 2006A LIQUIDITY FACILITIES – Initial 2006A-3 Liquidity Facility – Events of Default under the Initial 2006A-3 Liquidity Facility." In such event, sufficient funds may not be available to purchase such 2006 Series A Bonds tendered by the owners of such 2006 Series A Bonds or subject to mandatory purchase.

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

If the credit rating assigned to the senior unsecured short-term obligations of the Liquidity Facility Provider by Moody's or S&P is reduced below "P-1" or "A-1," respectively, upon written request of the Bond Insurer, the Authority will use its best efforts to replace the Liquidity Facility with a new Liquidity Facility issued by a Person the senior unsecured short term obligations of which are rated by Moody's and S&P at least "P-1" and "A-1," respectively, if such an Alternate Liquidity Facility can be obtained on commercially reasonable terms.

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

Derivative Products

In connection with the issuance of certain Adjustable Rate Bonds, the Authority has entered, and expects in the future to enter, into interest rate swap agreements (the "**Derivative Products**") with a counterparty with respect to such Adjustable Rate Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2006A Derivative Products." Any payments or receipts received by the Authority under the Derivative Products will be pledged as Revenues, as described in **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE – Derivative Products." The Authority's

obligation to make regular interest payments to the Counterparty under each of the Derivative Products has constituted, and is expected in the future to constitute, a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of the Derivative Products in the event of early termination, and in the future is expected to be, a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

Issuance of Additional Bonds

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

CERTAIN BONDOWNERS' RISKS

Limited Security

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

Origination of New Loans

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

Considerations Regarding Redemption at Par

A significant portion of the outstanding Loans are now subject to voluntary prepayment by the respective Borrowers at any time and, additionally, numerous loans will become subject to voluntary prepayment by the Borrowers prior to the optional redemption date. Voluntary prepayments may result from a refinancing provided by any source, including the Authority. Involuntary prepayments may also be made on the Loans as a result of damage or destruction of the housing facilities, or acceleration or sale

of a Loan in the event of a Borrower default. Any Loan or Authority Project is also subject without restriction to voluntary sale, assignment or other disposition.

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

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, THE BONDS MAY BE REDEEMED PRIOR TO THEIR STATED MATURITY FROM ANY MONEYS AND/OR INVESTMENT SECURITIES ON DEPOSIT IN THE RESPECTIVE ACCOUNTS OF THE REDEMPTION FUND, INCLUDING UNEXPENDED BOND PROCEEDS, EXCESS REVENUES FROM REGULAR LOAN PAYMENTS, VOLUNTARY OR INVOLUNTARY PREPAYMENTS AND AMOUNTS DEPOSITED AS A RESULT OF ANY OTHER EVENT AS DESCRIBED HEREIN. SEE "PART I – TERMS OF THE 2006 SERIES A BONDS – PRIOR REDEMPTION." THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED. **However, it is assumed that a substantial portion of each Series of Bonds subject to such special redemption under the Indenture will be redeemed prior to their respective stated maturities at a redemption price equal to the principal amount of such Series of Bonds to be redeemed, without premium (except in limited circumstances).**

Tax Exempt Status of Tax-Exempt Bonds

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

Conditions to Payment of FHA Insurance

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

Derivative Products

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

Expiration of HAP Contracts

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

Enforcement of Regulatory Agreements

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

There is no provision in the Bonds or the Indenture for an acceleration of the indebtedness evidenced by the Bonds or payment of additional interest in the event interest on the Bonds were declared taxable, and the Authority will not be liable under the Bonds or the Indenture for any such payment on the Bonds whatsoever. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2006A Loans and 2006A Authority Project."

NO IMPAIRMENT OF CONTRACT BY THE STATE

Pursuant to the provisions of Section 29-4-731 of the Act, the Authority has included in the Indenture the pledge and agreement of the State of Colorado that the State of Colorado will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with Bond Owners, or in any way impair the rights and remedies of such Owners until the Bonds, together with the

interest thereon and all costs and expenses in connection with any action or proceedings by or on behalf of such Owners, are fully met and discharged.

LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS

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

INDEPENDENT AUDITORS

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

MISCELLANEOUS

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

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

COLORADO HOUSING AND FINANCE AUTHORITY

By: /s/ Milroy A. Alexander
Executive Director

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APPENDIX A

**Financial Statements for the Year ended December 31, 2005
(with Summarized Financial Information for 2004)
and Independent Auditor's Reports**

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Independent Auditor's Report

Board of Directors
Colorado Housing and Finance Authority
Denver, Colorado

We have audited the accompanying financial statements of the business-type activities and each major fund of Colorado Housing and Finance Authority as of and for the year ended December 31, 2005 which collectively comprise Colorado Housing and Finance Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Colorado Housing and Finance Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation, and Village of Yorkshire Corporation, which represent 0.6% of total assets at December 31, 2005 and 2.5% of total revenues for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation, and Village of Yorkshire Corporation, are based solely on the reports of such other auditors. The prior year summarized comparative information has been derived from the Authority's December 31, 2004 basic financial statements which were audited by other auditors whose report dated June 24, 2005 expressed an unqualified opinion on the basic financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Colorado Housing and Finance Authority as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2006 on our consideration of Colorado Housing and Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 7 and is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Clifton Henderson LLP

Greenwood Village, Colorado
March 3, 2006

This section of the Colorado Housing and Finance Authority's (the "Authority") annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal year ended December 31, 2005. This analysis should be read in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- Net assets as of December 31, 2005, were \$242.9 million, an increase of \$15.3 million, or 6.7%, compared to net assets of \$227.5 million as of December 31, 2004, strengthening the Authority's capital position. Net assets as a percent of total assets increased from 7.95% as of December 31, 2004, to 8.20% as of December 31, 2005.
- As reflected in the Statement of Revenues, Expenses and Changes in Net Assets, the change in net assets of \$15.3 million for 2005 represents a 13.6% decrease compared to the change in net assets for 2004 of \$17.8 million. This decrease was primarily due to an increase in interest expense on debt, discussed in more detail below. Profitability, as measured by return on average net assets, was 6.52% in 2005 compared to 8.12% in 2004. Excluding the effect of the change in fair value of investments, the return on average net assets was 6.18% in 2005 and 7.56% in 2004.
- Total net loans receivable as of December 31, 2005, were \$2.1 billion, an increase of \$187.7 million, or 9.8%, compared to the amount outstanding as of December 31, 2004.
- The increase in loans receivable was funded by an increase in debt and use of bond proceeds held at December 31, 2004, for loan acquisitions in short-term investments. As of December 31, 2005, debt outstanding was \$2.7 billion, an increase of \$82.1 million, or 3.2%, compared to the balance at December 31, 2004. Investments as of December 31, 2005, were \$735.9 million, a decrease of \$89.6 million, or 10.9%, compared to the prior year-end balance.

Overview of the Financial Statements

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

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

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

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

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

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

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

Analysis of Financial Activities

Statement of Net Assets

The following table presents condensed information about the financial position of the Authority as of December 31, 2005, and 2004, and changes in the balances of selected items during the fiscal year ended December 31, 2005.

As of December 31, (in thousands)	2005	2004	\$ Change	% Change
Assets				
Current assets	\$ 674,717	\$ 750,438	\$ (75,721)	-10.1%
Noncurrent assets:				
Investments	181,735	189,702	(7,967)	-4.2%
Loans receivable, net	2,035,553	1,854,120	181,433	9.8%
Capital assets, net	39,883	39,813	70	0.2%
Other assets	28,857	29,244	(387)	-1.3%
Total noncurrent assets	2,286,028	2,112,879	173,149	8.2%
Total assets	\$ 2,960,745	\$ 2,863,317	\$ 97,428	3.4%
Liabilities				
Current liabilities	\$ 336,333	\$ 432,826	\$ (96,493)	-22.3%
Noncurrent liabilities:				
Bonds and notes payable, net	2,373,247	2,196,136	177,111	8.1%
Other liabilities	8,312	6,834	1,478	21.6%
Total noncurrent liabilities	2,381,559	2,202,970	178,589	8.1%
Total liabilities	2,717,892	2,635,796	82,096	3.1%
Net assets:				
Invested in capital assets, net of related debt	7,831	7,093	738	10.4%
Restricted by bond indentures	93,609	91,042	2,567	2.8%
Unrestricted	141,413	129,386	12,027	9.3%
Total net assets	242,853	227,521	15,332	6.7%
Total liabilities and net assets	\$ 2,960,745	\$ 2,863,317	\$ 97,428	3.4%

Total loans receivable increased \$187.7 million, or 9.8%, during the current year, of which the noncurrent portion of the increase was \$181.4 million. This increase is largely due to new loan purchases and originations of approximately \$482.3

million, offset by loan repayments and prepayments that resulted in total principal reductions of \$286.9 million. This growth in loans receivable was funded by use of bond proceeds held in short-term investments at December 31, 2004, for loan acquisitions (reflected in the decrease in current assets) and increases in bonds and notes payable, discussed further below.

New loan production, as measured by total loans funded, of \$482.3 million was \$43.8 million, or 8.3%, less than 2004 production. This decrease in production is primarily due to a decline in single family loan production as a result of increases in mortgage loan rates.

Current liabilities decreased \$96.5 million, or 22.3%, compared to 2004. This decrease was primarily the result of the maturity of certain short-term bonds payable related to the Authority's private activity bond volume cap preservation program. Partially offsetting this decrease was a \$21.5 million increase in amounts outstanding under the Authority's borrowing agreements with the Federal Home Loan Bank. Noncurrent bonds and notes payable increased \$177.1 million, or 8.1%, compared to December 31, 2004, as a result of various new bond issues. Additional information on the Authority's debt activities is provided under "Debt Administration".

Statement of Revenues, Expenses and Changes in Net Assets

The following table presents condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2005, and 2004, and the change from the prior year.

For the years ended December 31, (in thousands)	2005	2004	\$ Change	% Change
Operating revenues:				
Interest on loans receivable	\$ 111,337	\$ 99,482	\$ 11,855	11.9%
Investment income	30,628	23,881	6,747	28.3%
Net increase in the fair value of investments	788	1,233	(445)	-36.1%
Rental income	10,902	10,463	439	4.2%
Other revenues	14,097	12,756	1,341	10.5%
Total operating revenues	167,752	147,815	19,937	13.5%
Operating expenses:				
Interest on debt	120,371	98,257	22,114	22.5%
Salaries and related benefits	11,322	10,668	654	6.1%
General operating	15,485	14,411	1,074	7.5%
Other interest expense	1,848	1,711	137	8.0%
Depreciation	2,679	2,574	105	4.1%
Provision for losses	715	2,455	(1,740)	-70.9%
Total operating expenses	152,420	130,076	22,344	17.2%
Total operating income	15,332	17,739	(2,407)	-13.6%
Nonoperating revenues and expenses, net	-	15	(15)	-100.0%
Change in net assets	15,332	17,754	(2,422)	-13.6%
Net assets:				
Beginning of year	227,521	209,767	17,754	8.5%
End of year	\$ 242,853	\$ 227,521	\$ 15,332	6.7%

Interest earned on loans of \$111.3 million, interest income on investments of \$30.6 million and interest expense on debt of \$120.4 million are the primary components of total revenues and expenses of the Authority.

Total operating revenues were \$167.8 million in 2005, an increase of \$19.9 million, or 13.5%, compared to 2004. Interest on loans climbed \$11.9 million, or 11.9%, over the 2004 amount. This increase is primarily the result of increased loan volumes. Investment income increased \$6.7 million, or 28.3%, compared to the prior year. This increase was due primarily to increases in yields earned on investments, approximately 75% of which are short-term in nature. The \$1.3 million, or 10.5%, increase in other revenues was primarily the result of increased levels of loan servicing income. The Authority services in excess of 99% of its loans receivable, for which it receives a monthly fee.

Total operating expenses of \$152.4 million for 2005 increased \$22.3 million, or 17.2%, compared to 2004. The rise was largely attributable to a \$22.1 million, or 22.5%, increase in interest expense on debt. The majority of this increase was due to a 12.2% increase in average debt volumes from 2004 to 2005. In addition, amortization of premiums on bonds declined \$6.3 million compared to 2004, reflecting the payoff and early redemption of various bond issues issued from 1995 to 2003. These premiums were used in part to fund the Authority's down-payment assistance program, which was subsequently replaced with a second mortgage program.

Partially offsetting this increase was a decrease in the provision for losses on loans and other real estate owned of \$1.7 million, or 70.9%, due in part to improved credit quality in various multi-family loans.

Capital Assets

Capital assets, net of accumulated depreciation, as of December 31, 2005, totaled \$39.9 million, essentially unchanged from the \$39.8 million as of December 31, 2004. The majority of this investment in capital assets is related to the Authority's ownership of 15 apartment complexes that provide housing to lower and moderate income families. The only significant activity during 2005 was certain improvements to the Authority's corporate offices. To provide for long-term growth, an adjacent building was purchased in 2001. Various improvements were made to the building in 2004 and 2005 totaling approximately \$2 million. Additional information regarding the Authority's capital assets can be found in the notes to the financial statements.

Debt Administration

As of December 31, 2005, the Authority had \$2.5 billion in bonds and notes payable outstanding and \$120.4 million outstanding under borrowing agreements with the Federal Home Loan Bank. This debt is secured by various assets and, in certain cases, the general obligation pledge of the Authority. The ratings on the debt of the Single Family Fund and the Multi-Family/Business Fund range from A1 to Aaa by Moody's Investors Service (Moody's) and A+ to AAA by Standard & Poor's (S&P), depending on the underlying collateral. The ratings on the general obligation debt of the Authority are A1/A+ by Moody's and S&P, respectively. There were no changes in ratings during 2005.

In 2005 the Authority issued \$597.4 million in debt related to its lending programs. Of this amount, \$442.9 million was issued pursuant to the Authority's single family lending program and is reflected in the Single Family Fund, \$129.6 million was for the multi-family/business lending program and is reflected in the Multi-Family/Business Fund and \$24.9 million was issued in the form of private placements of debt to finance single family and business loans – reflected in the General Fund. Partially offsetting these new debt issues were maturities of short-term debt related to the Authority's private activity bond volume cap preservation program, scheduled debt payments, early redemptions and refundings of various debt issues.

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

Colorado Housing and Finance Authority
Statement of Net Assets

December 31, 2005

(with summarized financial information for December 31, 2004)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2005	2004
Assets						
Current assets:						
Cash	\$ 24,024	\$ -	\$ -	\$ -	\$ 24,024	\$ 22,469
Investments	127,410	298,056	128,672	-	554,138	635,805
Loans receivable	7,496	43,412	20,322	(1,039)	70,191	63,935
Accrued interest receivable	2,139	11,584	5,382	(265)	18,840	19,028
Deferred debt financing costs, net	21	540	133	-	694	640
Federally assisted program advances	838	-	-	-	838	1,945
Other assets	5,982	10	-	-	5,992	6,616
Due to (from) other funds	(13,651)	18,754	(5,103)	-	-	-
Total current assets	154,259	372,356	149,406	(1,304)	674,717	750,438
Noncurrent assets:						
Investments	4,200	74,407	103,128	-	181,735	189,702
Loans receivable, net	217,375	1,258,961	589,345	(30,128)	2,035,553	1,854,120
Capital assets - non-depreciable	7,991	-	-	-	7,991	8,242
Capital assets - depreciable, net	31,892	-	-	-	31,892	31,571
Other real estate owned, net	175	3,830	-	-	4,005	6,601
Deferred debt financing costs, net	374	9,721	2,396	-	12,491	11,529
Other assets	12,361	-	-	-	12,361	11,114
Total noncurrent assets	274,368	1,346,919	694,869	(30,128)	2,286,028	2,112,879
Total assets	\$ 428,627	\$ 1,719,275	\$ 844,275	\$ (31,432)	\$ 2,960,745	\$ 2,863,317
Liabilities						
Current liabilities:						
Short-term debt	\$ 120,405	\$ -	\$ -	\$ -	\$ 120,405	\$ 98,945
Bonds payable, current portion	75	167,700	6,135	-	173,910	290,370
Notes payable, current portion	107	-	-	-	107	115
Accrued interest payable	893	13,273	9,787	(265)	23,688	22,147
Federally assisted program advances	838	-	-	-	838	1,945
Accounts payable and other liabilities	16,677	445	263	-	17,385	19,304
Total current liabilities	138,995	181,418	16,185	(265)	336,333	432,826
Noncurrent liabilities:						
Bonds payable, net	99,905	1,477,975	793,288	-	2,371,168	2,183,137
Notes payable	33,246	-	-	(31,167)	2,079	12,999
Other liabilities	7,237	199	876	-	8,312	6,834
Total noncurrent liabilities	140,388	1,478,174	794,164	(31,167)	2,381,559	2,202,970
Total liabilities	279,383	1,659,592	810,349	(31,432)	2,717,892	2,635,796
Net assets						
Invested in capital assets, net of related debt	7,831	-	-	-	7,831	7,093
Restricted by bond indentures	-	59,683	33,926	-	93,609	91,042
Unrestricted	141,413	-	-	-	141,413	129,386
Total net assets	149,244	59,683	33,926	-	242,853	227,521
Total liabilities and net assets	\$ 428,627	\$ 1,719,275	\$ 844,275	\$ (31,432)	\$ 2,960,745	\$ 2,863,317

The accompanying notes are an integral part of these statements

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

For the year ended December 31, 2005

(with summarized financial information for the year ended December 31, 2004)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2005	2004
Operating revenues:						
Interest on loans receivable	\$ 11,241	\$ 64,129	\$ 37,902	\$ (1,935)	\$ 111,337	\$ 99,482
Investment income	2,016	19,130	9,482	-	30,628	23,881
Net increase (decrease) in the fair value of investments	441	728	(381)	-	788	1,233
Rental income	10,902	-	-	-	10,902	10,463
Loan servicing income	7,826	-	-	-	7,826	7,091
Section 8 administration fees	3,976	-	-	-	3,976	3,644
Other revenues	2,295	-	-	-	2,295	2,021
Total operating revenues	38,697	83,987	47,003	(1,935)	167,752	147,815
Operating expenses:						
Interest on debt	7,681	74,614	40,011	(1,935)	120,371	98,257
Salaries and related benefits	11,322	-	-	-	11,322	10,668
General operating	14,724	530	231	-	15,485	14,411
Other interest expense	1,848	-	-	-	1,848	1,711
Depreciation	2,679	-	-	-	2,679	2,574
Provision for losses	870	2,881	(3,036)	-	715	2,455
Total operating expenses	39,124	78,025	37,206	(1,935)	152,420	130,076
Total operating income (loss)	(427)	5,962	9,797	-	15,332	17,739
Nonoperating revenues and expenses						
Grant income	-	-	-	-	-	15
Federal grant receipts	92,479	-	-	-	92,479	87,473
Federal grant payments	(92,479)	-	-	-	(92,479)	(87,473)
Total nonoperating revenues	-	-	-	-	-	15
Income (loss) before transfers	(427)	5,962	9,797	-	15,332	17,754
Transfers from (to) other funds	13,192	(12,920)	(272)	-	-	-
Change in net assets	12,765	(6,958)	9,525	-	15,332	17,754
Net assets:						
Beginning of year	136,479	66,641	24,401	-	227,521	209,767
End of year	\$ 149,244	\$ 59,683	\$ 33,926	\$ -	\$ 242,853	\$ 227,521

The accompanying notes are an integral part of these statements

Colorado Housing and Finance Authority

Statement of Cash Flows

For the year ended December 31, 2005

(with summarized financial information for the year ended December 31, 2004)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2005	2004
Cash flows from operating activities:						
Principal payments received on loans receivable	\$ 21,799	\$ 212,256	\$ 53,417	\$ -	\$ 287,472	\$ 330,062
Interest payments received on loans receivable	10,954	66,906	38,303	(1,929)	114,234	105,523
Payments for fundings of loans receivable	(429,681)	-	(53,253)	-	(482,934)	(526,149)
Receipt (payment) for loan transfers between funds	451,788	(417,767)	(34,021)	-	-	-
Receipts from rental operations	10,880	-	-	-	10,880	10,233
Receipts from other revenues	14,057	-	-	-	14,057	12,521
Receipts from dispositions of other real estate owned	2,177	2,605	-	-	4,782	4,717
Payments for salaries and related benefits	(11,294)	-	-	-	(11,294)	(10,511)
Payments for goods and services	(12,151)	(530)	(231)	-	(12,912)	(12,275)
All other, net	(3,905)	116	8	-	(3,781)	(281)
Net cash provided (used) by operating activities	54,624	(136,414)	4,223	(1,929)	(79,496)	(86,160)
Cash flows from noncapital financing activities:						
Proceeds from issuance of short-term debt	4,805,225	-	-	-	4,805,225	4,086,597
Proceeds from issuance of bonds	24,845	443,197	129,620	-	597,662	633,821
Proceeds from issuance of notes payable	-	-	-	-	-	4,814
Receipts from grants	-	-	-	-	-	15
Receipts from federal grant programs	91,372	-	-	-	91,372	87,473
Payments for federal grant programs	(91,372)	-	-	-	(91,372)	(87,473)
Principal paid on short-term debt	(4,783,765)	-	-	-	(4,783,765)	(4,073,473)
Principal paid on bonds	(9,504)	(437,463)	(75,456)	-	(522,423)	(449,080)
Principal paid on notes payable	(3,942)	-	-	-	(3,942)	(5,915)
Interest paid on short-term debt	(2,475)	-	-	-	(2,475)	(1,685)
Interest paid on bonds	(4,605)	(74,099)	(38,649)	1,565	(115,788)	(102,808)
Interest paid on notes payable	(14)	-	-	-	(14)	(452)
Transfers (to) from other funds	13,192	(12,920)	(272)	-	-	-
All other, net	-	(2,976)	(1,073)	-	(4,049)	(2,527)
Net cash provided (used) by noncapital financing activities	38,957	(84,261)	14,170	1,565	(29,569)	89,307
Cash flows from capital and related financing activities:						
Purchase of capital assets	(3,042)	-	-	-	(3,042)	(8,162)
Proceeds from the disposal of capital assets	-	-	-	-	-	6
Proceeds from issuance of capital-related debt	-	-	-	-	-	6,259
Principal paid on capital-related debt	(6,044)	-	-	-	(6,044)	(53)
Interest paid on capital-related debt	(2,212)	-	-	364	(1,848)	(1,711)
Net cash provided (used) by capital and related financing activities	(11,298)	-	-	364	(10,934)	(3,661)
Cash flows from investing activities:						
Proceeds from maturities and sales of investments	2,026,021	2,148,663	887,103	-	5,061,787	6,022,810
Purchase of investments	(2,108,333)	(1,947,308)	(914,591)	-	(4,970,232)	(6,043,518)
Income received from investments	1,584	19,320	9,095	-	29,999	22,981
Net cash provided (used) by investing activities	(80,728)	220,675	(18,393)	-	121,554	2,273
Net increase in cash	1,555	-	-	-	1,555	1,759
Cash at beginning of year	22,469	-	-	-	22,469	20,710
Cash at end of year	\$ 24,024	\$ -	\$ -	\$ -	\$ 24,024	\$ 22,469

The accompanying notes are an integral part of these statements

Continued on the next page.

Statement of Cash Flows *(continued)*

For the year ended December 31, 2005

(with summarized financial information for the year ended December 31, 2004)

(in thousands of dollars)

	General Fund	Single Family	Multi-Family/ Business	Eliminations	2005	2004
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ (427)	\$ 5,962	\$ 9,797	\$ -	\$ 15,332	\$ 17,739
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	2,679	-	-	-	2,679	2,574
Provision for losses	870	2,881	(3,036)	-	715	2,455
Loss on disposition of capital assets	292	-	-	-	292	124
Amortization/accretion of premiums and discounts on investments, net	(302)	(209)	(620)	-	(1,131)	(132)
Amortization of deferred loan fees/costs, net	(309)	3,513	(48)	-	3,156	5,995
Amortization of premiums on bonds	-	(3,734)	(2)	-	(3,736)	(9,994)
Amortization of bond issuance costs	18	2,498	458	-	2,974	3,444
Accretion of capital appreciation term bonds	-	422	-	-	422	596
Amortization of service release premiums	2,077	-	-	-	2,077	1,845
(Increase) decrease in fair value of investments	(441)	(728)	381	-	(788)	(1,233)
Income received from investments	(1,584)	(19,320)	(9,095)	-	(29,999)	(22,981)
Interest paid on bonds, notes and short-term debt	9,306	74,099	38,649	(1,929)	120,125	106,656
Changes in assets and liabilities:						
Loans receivable	44,866	(205,511)	(33,857)	-	(194,502)	(194,990)
Accrued interest receivable	(101)	(339)	629	-	189	511
Other real estate owned	2,177	2,605	-	-	4,782	4,717
Other assets	(4,682)	116	8	-	(4,558)	(2,771)
Accrued interest payable	196	885	645	-	1,726	(736)
Accounts payable and federally assisted programs	(11)	446	314	-	749	21
Net cash provided (used) by operating activities	\$ 54,624	\$ (136,414)	\$ 4,223	\$ (1,929)	\$ (79,496)	\$ (86,160)

The accompanying notes are an integral part of these statements

(1) Organization and Summary of Significant Accounting Policies

(a) Authorizing Legislation and Reporting Entity

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

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

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

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

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

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

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

Financial Statement Presentation - The Authority's financial statements include a classified Statement of Net Assets, a Statement of Revenues, Expenditures and Changes in Net Assets formatted to report operating and nonoperating revenues and expenses, a Statement of Cash Flows presented using the direct method and notes to the financial statements. The Authority's financial statements present its funds in separate columns. Summarized financial information for 2004 has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position, results of operations and cash flows on an entity-wide basis. However, the summarized financial information is not intended to present the financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

(c) Summary of Significant Accounting Policies

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

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

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

Capital Assets – The Authority's capital assets consist of two components. Corporate capital assets include those capital assets other than those used in its Rental Acquisition Program (RAP) activities. The Authority commenced its RAP operations in 1988 when the Board authorized the acquisition, rehabilitation and operation of multi-family properties to provide affordable housing to lower and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (1) general obligation and multi-family bond proceeds, (2) seller-carry notes, and (3) contributions from the General Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. As of December 31, 2005, the Authority owned a total of 15 RAP projects, including its three component units, containing 1,586 units.

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Cash and Investments

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

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

As of December 31, 2005, the Authority had the following investments:

Investment Type	Investment Maturities (In Years)				Total	2004
	Less Than 1	1-5	6-10	More Than 10		
Money market mutual fund	\$ 15,350	\$ -	\$ -	\$ -	\$ 15,350	\$ 7,262
External investment pool	28,241	-	-	-	28,241	30,347
Certificate of deposit	84,390	-	-	-	84,390	-
Repurchase agreement	263	-	-	-	263	692
U.S. Treasury	-	-	2,946	566	3,512	4,392
U.S. Government agencies	74,805	28,603	-	73,703	177,111	155,126
State & political subdivision obligations	-	-	-	10,761	10,761	10,859
Investment agreements - uncollateralized	338,158	-	-	50,348	388,506	587,636
Investment agreements - collateralized	12,931	-	-	14,808	27,739	29,193
Total	\$ 554,138	\$ 28,603	\$ 2,946	\$ 150,186	\$ 735,873	\$ 825,507

Interest Rate Risk – The Authority manages interest rate risk in the General Fund by generally limiting the maximum maturity date of an investment to seven years. Of the General Fund's \$131,610,000 in investments, 97% have maturities of less than one year.

In the Single Family and Multi-Family/Business Funds, the Authority matches maturities to anticipated cash flows. Of the \$149,070,000 in investments with a maturity of more than ten years held by these funds, over 99% are debt service reserves.

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

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

The rating for the certificate of deposit in the above table is for the issuer – the Federal Home Loan Bank. This certificate of deposit is pledged as collateral to an advance from the Federal Home Loan Bank (see Note 5 for more information). The rating for the repurchase agreement is the rating of the underlying security. 96% of the investments in securities issued by state and political subdivisions are rated AAA.

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

As of December 31, 2005, the Authority had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local governmental entities in Colorado to pool funds available for investment. COLOTRUST is reflected in the above tables as an external investment pool. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similar to a money market fund and each share's fair value is \$1.00.

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

Issuer	Total	General Fund	Single Family	Multi-Family/ Business
Federal Home Loan Bank	14.5%	64.2%		9.6%
Freddie Mac	12.6%		8.4%	24.4%
Fannie Mae	8.5%	8.0%		14.3%

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

Custodial Credit Risk - Cash Deposits – In the case of cash deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2005, the Authority's cash deposits had a carrying amount of \$24,024,000 and a bank balance of \$20,470,000, of which \$9,000 was held in an uninsured and uncollateralized account with the Federal Home Loan Bank (FHLB). The FHLB is rated AAA by both Standard and Poor's and Moody's. With the exception of the FHLB account, it is the Authority's policy to ensure that all deposit accounts are either covered by the Federal Deposit Insurance Corporation or collateralized in accordance with the PDPA.

Included in cash deposits are escrow deposits in the amount of \$14,499,000 held in a fiduciary capacity. These escrow deposits are primarily held for the payment of property taxes and insurance for the Authority's mortgagors.

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

Loans receivable at December 31, 2005, and 2004, consist of the following:

	2005	2004
General Fund	\$ 237,765	\$ 272,127
Single Family Fund:		
Taxable Mortgage Revenue	-	2,446
Revenue	-	630
Program Senior and Subordinate Mortgage	146,239	196,477
	1,149,545	888,385
Total Single Family Fund loans	1,295,784	1,087,938
Multi-Family/Business Fund:		
Insured Mortgage Revenue	173,907	204,794
Multi-Family/Project	417,494	367,003
Total Multi-Family/Business Fund loans	591,401	571,797
Total loans receivable	2,124,950	1,931,862
Payments in process	(3,583)	-
Deferred cash assistance expense	10,136	13,661
Deferred fee income	(7,572)	(7,356)
Allowance for loan losses	(18,187)	(20,112)
Total loans receivable, net	\$ 2,105,744	\$ 1,918,055

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

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

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

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

Activity in the allowance for loan losses for the year ended December 31, 2005, was as follows:

Beginning Balance	Provision	Net Charge-offs	Ending Balance
\$ (20,112)	\$ (610)	\$ 2,535	\$ (18,187)

Other real estate owned of \$4,005,000 as of December 31, 2005, consisted entirely of foreclosures of single-family residences. Activity in the allowance for losses on other real estate for the year ended December 31, 2005, was as follows:

Beginning Balance	Provision	Net Charge-offs	Ending Balance
\$ (1,038)	\$ (105)	\$ 1,143	\$ -

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

Capital assets activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Non-depreciable capital assets:				
Land	\$ 7,529	\$ -	\$ -	\$ 7,529
Construction in progress	713	2,406	(2,657)	462
Total non-depreciable capital assets	<u>8,242</u>	<u>2,406</u>	<u>(2,657)</u>	<u>7,991</u>
Depreciable capital assets:				
Cost:				
Computer equipment/software	1,900	383	(24)	2,259
Office equipment	4,290	93	(878)	3,505
Furniture and fixtures	3,899	367	(606)	3,660
Buildings	39,164	2,450	(30)	41,584
Total depreciable capital assets	<u>49,253</u>	<u>3,293</u>	<u>(1,538)</u>	<u>51,008</u>
Less accumulated depreciation:				
Computer equipment/software	(959)	(646)	22	(1,583)
Office equipment	(3,328)	(348)	727	(2,949)
Furniture and fixtures	(2,108)	(346)	490	(1,964)
Buildings	(11,287)	(1,339)	6	(12,620)
Total accumulated depreciation	<u>(17,682)</u>	<u>(2,679)</u>	<u>1,245</u>	<u>(19,116)</u>
Total depreciable capital assets, net	<u>31,571</u>	<u>614</u>	<u>(293)</u>	<u>31,892</u>
Total capital assets, net	<u>\$ 39,813</u>	<u>\$ 3,020</u>	<u>\$ (2,950)</u>	<u>\$ 39,883</u>

As discussed in Note 1(c), the Authority's capital assets consist of two components, corporate capital assets and RAP capital assets. Summary capital assets activity for these two components for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Corporate activities:				
Cost	\$ 9,058	\$ 5,264	\$ (2,623)	\$ 11,699
Accumulated depreciation	(3,175)	(970)	-	(4,145)
Net	5,883	4,294	(2,623)	7,554
RAP activities:				
Cost	48,437	435	(1,572)	47,300
Accumulated depreciation	(14,507)	(1,709)	1,245	(14,971)
Net	33,930	(1,274)	(327)	32,329
Total capital assets, net	\$ 39,813	\$ 3,020	\$ (2,950)	\$ 39,883

Summary financial information for the Authority's RAP activities as of December 31, 2005, and for the year then ended is provided below:

As of December 31, 2005	
Property, net of accumulated depreciation of \$14,971	\$ 32,329
Total assets	\$ 39,952
Total liabilities	\$ 27,812
Net assets	\$ 12,140
For the year ended December 31, 2005	
Rental income	\$ 10,902
Other revenues	105
General operating expenses	(6,939)
Depreciation expense	(1,709)
Interest expense	(1,848)
Operating income	\$ 511

(5) Short-term Debt

The Authority has agreements with the Federal Home Loan Bank of Topeka (FHLB) for borrowings of up to \$280,000,000. Borrowings under these agreements are used to support the Authority's various lending programs, including warehousing of loans in the General Fund, and activities related to the Authority's private activity bond volume cap preservation program. Amounts drawn under the agreements bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investments. There are no commitment fees associated with these agreements.

The Authority also has a revolving, unsecured, commercial bank line of credit for borrowings of up to \$15,000,000. Amounts drawn under the agreement bear interest fixed at 0.55% per annum above the London Interbank Offered Rate. This line of credit agreement terminates on July 25, 2006. The Authority pays an unused line fee at the rate of 0.15% per annum, payable in arrears on the last day of each calendar quarter until the Maturity Date, and on the Maturity Date. The fee is based upon the amount by which the daily average of the aggregate principal amount of the borrowings outstanding is less than the line of credit. There were no borrowings under this line of credit during 2005.

Short-term debt activity for the year ended December 31, 2005, was as follows:

Beginning Balance	Additions	Reductions	Ending Balance
\$ 98,945	\$ 4,805,225	\$ 4,783,765	\$ 120,405

(6) Long-term Liabilities

The Authority issues bonds and notes payable to finance its lending programs. Proceeds from long-term debt of the Single Family and Multi-Family/Business Funds are used for funding of single family, multi-family and business loans. Long-term debt of the General Fund (including notes payable) is used to finance single family and business loans related to various private placements, the Authority's RAP activities and for general corporate purposes. The aggregate principal amounts of bonds and notes payable outstanding as of December 31, 2005, and 2004, are shown in the table on the following pages. Interest is payable semi-annually unless otherwise noted. Interest rates on variable debt are reset on a weekly basis by the remarketing agents.

Description and due date	Interest rate (%)	2005	2004	
Bonds payable:				
General Fund:				
General Obligation Bonds:				
1992 Series A	2006-2030	9.125	\$ 3,190	\$ 3,220
1998 Series A	2006-2017	4.60 to 5.25	1,210	1,280
Total General Obligation Bonds			4,400	4,500
Single Family:				
Taxable Mortgage Revenue Bonds: (* principal and interest payable monthly)				
2000 Series A*	2006-2020	6.914	1,549	1,615
2000 Series B*	2006-2020	6.675	436	817
2001 Series AP*	2006-2021	6.135	2,265	3,576
2001 Series AV*	2006-2021	6.625	705	1,350
2002 Series AP*	2006-2022	5.662	936	1,455
2004 Series A*	2006-2024	4.95	1,840	2,010
2004 Series B*	2006-2035	4.98	4,470	5,000
2004 Series CV*	2006-2035	5.14	2,840	4,500
2005 Series A *	2006-2035	5.17	10,249	-
2005 Series B*	2006-2036	5.32	10,100	-
Total Single Family			35,390	20,323
Multi-Family/Business Finance:				
ACCESS Program Bonds:				
1995 Series A	2006-2015	7.67	362	443
1999 Series A		6.49	-	615
Total ACCESS Program Bonds			362	1,058
Guaranteed Loan Participation Purchase Bonds: (* principal and interest payable monthly)				
1999 Series A	2006-2024	5.71	1,198	2,073
2000 Series A	2006-2025	6.755	281	300
2003 Series A*	2006-2023	5.004	3,996	4,192
2004 Series A*	2006-2024	4.62	4,529	4,940
2004 Series B*	2006-2024	4.88	9,103	9,832
2005 Series A*	2006-2025	4.81	4,176	-
Total Guaranteed Loan Participation Purchase Bonds			23,283	21,337
Project Loan Participation Purchase Bonds: (* principal and interest payable monthly)				
2004 Series AP*	2006-2024	4.90	7,948	8,183
Taxable Rental Project Revenue Bonds: (* principal and interest payable monthly)				
2000 Series A	2006-2020	6.152	4,918	5,227
2002 Series AV*	2006-2022	5.55	6,571	6,692
2003 Series AV*	2006-2024	5.19	3,892	3,946
2004 Series A*	2006-2024	4.90	13,216	13,374
Total Taxable Rental Project Revenue Bonds			28,597	29,239
Total Multi-Family/Business Finance			60,190	59,817
Total General Fund			99,980	84,640

Description and due date	Interest rate (%)	2005	2004	
Single Family Fund:				
Taxable Single Family Mortgage Revenue Bonds:				
1998 Issue I	6.65	-	430	
Single Family Revenue Bonds:				
1985 Series A	11.125	-	618	
1985 Series B	8.75	-	345	
1993 Refunding Series A	7.00	-	3,003	
Total Single Family Revenue Bonds		-	3,966	
Single Family Program Senior and Subordinate Bonds:				
1994 Series B	2006-2024	6.125 to 7.50	420	495
1994 Series C		6.25 to 7.90	-	140
1995 Series B		5.90 to 7.90	-	265
1995 Series C		5.30 to 7.65	-	545
1995 Series D	2006-2026	5.625 to 7.375	1,410	5,940
1996 Series A	2006-2027	5.35 to 7.40	1,570	3,330
1996 Series B	2006-2027	7.45 to 7.65	1,390	2,860
1996 Series C	2006-2027	5.50 to 7.55	1,760	4,135
1997 Series A	2006-2027	4.95 to 7.25	3,170	5,530
1997 Series B	2006-2028	5.10 to 7.00	2,480	3,750
1997 Series C	2006-2028	6.75 to 6.875	2,910	4,880
1998 Series A	2006-2029	6.50 to 6.60	7,285	10,060
1998 Series B	2006-2029	5.50 to 6.55	7,145	10,164
1998 Series C	2006-2029	5.15 to 5.625	7,586	9,202
1998 Series D	2006-2029	4.25 to 6.35	9,060	12,950
1999 Series A	2006-2030	4.375 to 6.45	10,695	14,405
1999 Series B	2006-2029	4.875 to 6.80	8,300	12,505
1999 Series C	2006-2031	5.25 to 7.20	11,155	16,235
2000 Series A	2006-2031	5.75 to 7.50	5,015	6,385
2000 Series B	2006-2031	5.35 to 7.25	5,520	7,155
2000 Series C	2006-2031	5.70 to 8.40	6,175	9,280
2000 Series D	2006-2032	5.40 to 6.90	7,120	10,225
2000 Series E	2006-2032	5.375 to 7.10	5,835	8,115
2001 Series A	2006-2032	5.00 to 6.50	11,110	15,165
2001 Series B	2006-2033	5.00 to 6.80	14,370	18,415
2001 Series C	2006-2033	4.875 to 6.60	18,470	24,350
Total Single Family Program Senior and Subordinate Bonds			149,951	216,481
Single Family Mortgage Bonds:				
2001 Series AA	2006-2041	Variable & 5.25	131,840	131,840
2002 Series A	2006-2032	Variable & 4.55 to 5.65	73,740	84,855
2002 Series B	2006-2032	Variable & 4.80 to 5.40	116,295	129,655
2002 Series C	2006-2036	Variable & 4.40 to 4.95	142,550	169,900
2003 Series A	2006-2032	Variable & 4.75 to 5.15	65,665	76,350
2003 Series B	2006-2033	Variable & 5.00	182,710	198,260
2003 Series C	2006-2032	Variable & 5.00	114,230	121,695
2004 Series A	2006-2034	Variable & 5.25	116,875	312,000
2004 Series B	2006-2034	Variable & 5.25	97,870	183,335
2005 Series A	2006-2035	Variable & 2.50 to 5.25	124,395	-
2005 Series B	2006-2036	Variable & 2.75 to 5.22	318,500	-
Total Single Family Mortgage Bonds			1,484,670	1,407,890
Total Single Family Fund			1,634,621	1,628,767

Description and due date	Interest rate (%)	2005	2004
Multi-Family/Business Fund:			
Multi-Family Housing Insured - Mortgage Revenue Bonds:			
1995 Series A	5.90 to 6.80	-	11,380
1995 Series B	5.70 to 6.75	-	13,735
1995 Series C	5.30 to 6.50	-	12,520
1996 Series A	2006-2037 5.40 to 7.20	20,945	21,435
1996 Series B	2006-2037 5.75 to 8.00	8,410	8,510
1996 Series C	2006-2038 5.50 to 8.10	14,660	14,780
1997 Series A	2006-2038 5.00 to 7.125	10,340	10,505
1997 Series B	2006-2038 4.90 to 7.25	22,495	22,715
1997 Series C	2006-2039 4.95 to 6.75	25,240	28,565
1998 Series A	2006-2039 5.45 to 6.70	19,790	19,975
1998 Series B	2006-2040 5.45 to 7.00	7,170	7,195
1999 Series A	2006-2041 4.25 to 6.65	33,320	33,590
1999 Series B	2006-2041 5.25 to 5.85	5,390	5,435
1999 Series C	2006-2041 5.15 to 7.10	16,070	16,215
2002 Series AA	2006-2030 Variable	59,820	74,370
Total Multi-Family Housing Insured - Mortgage Revenue Bonds		243,650	300,925
Multi-Family/Project Bonds: (* principal and interest payable quarterly on some of the bonds)			
2000 Series A	2006-2032 Variable & 6.15	64,070	64,530
2000 Series B*	2006-2042 Variable & 5.90 to 6.10	30,710	30,950
2001 Series A	2006-2043 3.80 to 5.65	26,565	28,310
2002 Series A	2006-2042 Variable & 3.90 to 5.70	33,010	33,810
2002 Series B	2006-2032 Variable	6,495	13,260
2002 Series C	2006-2042 Variable & 2.85 to 5.30	140,020	142,645
2003 Series A	2006-2033 Variable	45,255	48,780
2004 Series A	2006-2045 Variable & 1.95 to 4.80	87,095	89,115
2005 Series A	2006-2040 Variable	96,250	-
2005 Series B	2006-2040 Variable	33,370	-
Total Multi-Family/Project Bonds		562,840	451,400
Total Multi-Family/Business Fund		806,490	752,325
Total bonds payable		2,541,091	2,465,732
Notes payable:			
No payments, principal forgiven annually, 2005	0.00	-	10
Quarterly interest payments, principal due 2006	Variable	-	6,000
Annual payments, 2005-2008	6.40	-	4,813
Monthly payments, 2005-2014	4.50	650	672
Annual payments, 2005-2020	1.00	671	713
No payments, principal forgiven annually, 2005-2024	0.00	234	247
Annual payments, 2005-2025	1.00	631	659
Total notes payable		2,186	13,114
Total bonds and notes payable		2,543,277	2,478,846
Deferred premiums		11,776	15,210
Deferred losses on refunding amounts		(7,789)	(7,435)
Total bonds and notes payable, net		\$ 2,547,264	\$ 2,486,621

A breakdown of bonds payable as of December 31, 2005, and 2004 by fixed and variable interest rates follows in the table below. Certain of the Authority's variable rate debt has been converted to fixed rate debt by entering into pay fixed/receive variable rate interest rate swap agreements as further described in Note 7. Such debt is referred to in the table as synthetic fixed rate debt.

Description	2005	2004
Fixed rate debt	\$ 935,536	\$ 1,053,922
Synthetic fixed rate debt	1,344,355	1,145,570
Variable rate debt	261,200	266,240
Total	\$ 2,541,091	\$ 2,465,732

Included in certain of the bond issues shown in the previous table are capital appreciation term bonds. The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity, and as reflected in the accompanying Statement of Net Assets at December 31, 2005, and 2004, are as follows:

Description and due date	Interest Rate (%)	Appreciated Balances		
		Maturity	2005	2004
Single Family Revenue Bonds:				
1985 Series A	11.125	\$ -	\$ -	\$ 618
1993 Refunding Series A	7.00	-	-	3,003
Single Family Program Senior and Subordinate Bonds:				
1998 Series B - 2025-2029	5.50	6,053	1,904	1,804
1998 Series C - 2020-2029	5.625	12,265	4,341	4,107

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

Description	2005	2004
Single Family Program Subordinate Bonds	\$ 3,050	\$ 4,695
Single Family Mortgage Bonds, Class III	91,330	98,000
Multi-Family/Project Bonds, Class I	149,760	103,695
Multi-Family/Project Bonds, Class III	20,300	21,100
Total	\$ 264,440	\$ 227,490

Long-term liability activity for the year ended December 31, 2005, was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 2,465,732	\$ 597,360	\$ 522,001	\$ 2,541,091	\$ 173,910
Notes payable	13,114	-	10,928	2,186	107
Unamortized premium	15,210	302	3,736	11,776	-
Deferred losses on refunding	(7,435)	(753)	(399)	(7,789)	-
Total bonds and notes payable	2,486,621	596,909	536,266	2,547,264	174,017
Arbitrage rebate payable	1,021	891	837	1,075	-
Compensated absences	487	664	658	493	93
Deferred income	2,339	543	226	2,656	177
Other long-term liabilities	3,579	782	3	4,358	-
Total long-term liabilities	\$ 2,494,047	\$ 599,789	\$ 537,990	\$ 2,555,846	\$ 174,287

Bonds and notes payable sinking fund installments and maturities subsequent to December 31, 2005, using rates in effect as of that date are as follows:

Year Ending December 31,	General Fund		Single Family		Multi-Family/Business		Notes Payable	
	Principal	Interest	Principal *	Interest	Principal	Interest	Principal	Interest
2006	\$ 75	\$ 5,326	\$ 167,770	\$ 68,170	\$ 6,135	\$ 35,817	\$ 107	\$ 42
2007	78	5,323	5,165	65,027	6,530	35,867	108	40
2008	198	5,317	6,185	64,719	6,705	35,583	110	38
2009	212	5,306	6,275	64,358	7,045	35,245	112	36
2010	224	5,294	7,365	63,985	7,395	34,900	114	34
2011-2015	1,730	26,185	192,095	304,074	52,185	168,462	968	117
2016-2020	6,303	25,504	220,700	258,896	56,270	155,551	448	20
2021-2025	60,311	18,387	207,446	211,822	100,180	138,867	219	5
2026-2030	3,190	8,634	257,256	169,725	191,525	116,020	-	-
2031-2035	17,559	6,727	467,747	91,355	222,775	69,572	-	-
2036-2040	10,100	45	58,690	12,992	128,300	23,683	-	-
2041-2045	-	-	50,000	1,103	21,445	2,431	-	-
Total	\$ 99,980	\$ 112,048	\$ 1,646,694	\$ 1,376,226	\$ 806,490	\$ 851,998	\$ 2,186	\$ 332

* Includes \$12.1 million of future accretion of principal value on capital appreciation bonds.

The Authority has issued certain conduit bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 2005, the amount outstanding on these bonds was \$356,615,000. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are generally guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

(7) Interest Rate Swap Agreements

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

Summary of Swap Transactions - The key terms, including the fair values and counterparty ratings of the outstanding swaps as of December 31, 2005, are shown in the table on the following page. The notional amounts of the swaps match the principal amounts of the associated debt. Except as discussed under amortization risk below, the authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

Risk Disclosure

Credit Risk: All of the Authority's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result the Authority is exposed to credit risk - i.e., the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the column labeled "Fair Value" in the table on the following page. The Authority is exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. As of December 31, 2005, the Authority was exposed to a total of \$5,357,000 of credit risk to 3 counterparties. To mitigate credit risk, the Authority maintains strict credit standards for swap counterparties. All swap counterparties must be rated in the double-A or higher category by either Moody's Investors Service (Moody's) or Standard & Poor's (S&P) at the time the contract is entered into.

The Authority has executed 48 swap transactions with 7 counterparties of which 27 swaps, representing approximately 60% of the notional amount of swaps outstanding, are held with 2 separate Aaa/AAA rated (Moody's and S&P respectively) special purpose vehicles, which are bankruptcy remote, both of which are affiliates of the same parent company (40% of the notional amount outstanding are held with the special purpose vehicle with a continuation structure and 20% are held with the special purpose vehicle with a terminating structure). The bankruptcy-remote nature of these special purpose vehicles makes them bankruptcy remote from each other, as well as from their parent company. Thus they should be viewed as discrete credits. Of the remaining 21 swaps, the Authority holds 13 swaps, approximately 25% of the notional amount outstanding, with a single counterparty rated Aa/AA. The remaining 8 swaps, approximately 15% of the notional amount outstanding, are held with 4 counterparties, 2 of which are rated Aaa/AAA (one of which operates as a special purpose vehicle with a terminating structure), and 2 of which are rated in the double-A category by both Moody's and S&P.

Additionally, the Authority has entered into 4 letter agreements (agreements to enter into a swap contract on a future date) with 2 counterparties for a notional amount of \$79,955,000. The fair value of these swaps as of December 31, 2005, was a negative \$1,763,000. As of December 31, 2005, the bonds relating to these future swap contracts had not been issued.

Basis Risk: The Authority is exposed to basis risk when the variable interest rate paid to the holders of its variable rate demand obligations (VRDO's) is not equivalent to the variable interest rate received from its counterparties on the related swap agreements. When exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated. The Authority's tax-exempt variable-rate bond interest payments are substantially equivalent to the Bond Market Association Municipal Swap Index (BMA) rate (plus a trading spread). For the swaps in which the Authority is receiving its actual VRDO rate from the counterparty, the Authority is not exposed to basis risk. For the swaps in which the Authority can only receive a rate indexed on BMA, it is only exposed to basis risk to the extent that the Authority's bonds diverge from their historic trading relationship

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

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received *	Optional Termination Date, at Par	Optional Termination Amount	Counterparty Rating Moody's/S&P	Fair Value **
Single Family:									
2001 Series AA1	31,940	10/04/01	11/01/13	5.290%	VRDO's Rate			Aaa/AAA	\$ (478)
2001 Series AA2	46,840	10/04/01	05/01/31	4.600%	VRDO's Rate, with tax event language			Aaa/AAA	(3,057)
2002 Series A1	30,980	04/25/02	11/01/13	5.499%	VRDO's Rate			Aaa/AAA	(601)
2002 Series A3	19,090	04/25/02	11/01/21	4.749%	VRDO's Rate			Aaa/AAA	(1,383)
2002 Series B1	13,825	10/24/02	05/01/22	5.529%	VRDO's Rate			Aaa/AAA	(527)
2002 Series B2	37,660	07/18/02	11/01/13	5.285%	VRDO's Rate			Aaa/AAA	(463)
2002 Series B3	40,000	07/18/02	11/01/21	4.506%	VRDO's Rate, with tax event language			Aaa/AAA	(2,125)
2002 Series C1	29,770	10/24/02	11/01/32	5.350%	VRDO's Rate	11/01/17	21,765	Aaa/AAA	(158)
2002 Series C2	49,470	10/24/02	11/01/11	4.362%	VRDO's Rate			Aaa/AAA	575
2002 Series C3	40,000	10/24/02	05/01/22	4.422%	VRDO's Rate, with tax event language			Aaa/AAA	(1,482)
2003 Series A1	9,750	08/01/03	05/01/11	3.390%	LIBOR plus .05%			Aaa/AAA	337
2003 Series A1	16,140	02/26/03	11/01/11	4.008%	LIBOR plus .05%			Aaa/AAA	343
2003 Series A2	20,000	02/26/03	11/01/21	4.160%	BMA plus .05%, with tax event language			Aaa/AAA	(451)
2003 Series B1	40,000	08/01/03	11/01/26	4.851%	LIBOR plus .05%	05/01/15	27,305	Aaa/AAA	1,158
2003 Series B2	51,945	08/01/03	05/01/12	3.665%	LIBOR plus .05%			Aaa/AAA	1,653
2003 Series B3	60,000	07/09/03	11/01/26	4.384%	BMA plus .15%	05/01/15	43,170	Aaa/AAA	(972)
2003 Series C1	52,380	12/03/03	05/01/12	4.033%	LIBOR plus .05%			Aaa/AAA	1,135
2003 Series C2	40,000	11/13/03	11/01/26	4.595%	BMA plus .15%	05/01/15	28,780	Aaa/AAA	(1,335)
2004 Series A1	42,055	09/01/04	05/01/12	4.460%	LIBOR plus .05%			Aaa/AAA	493
2004 Series A2	50,000	07/28/04	11/01/26	4.369%	Trigger, BMA plus .15% or 68% LIBOR	05/01/15	35,970	Aa2/AA	(2,277)
2004 Series B1	36,870	12/01/04	05/01/12	4.052%	LIBOR plus .05%			Aa2/AA+	840
2004 Series B2	40,000	11/01/04	11/01/26	4.122%	Trigger, BMA plus .15% or 68% LIBOR	05/01/15	28,780	Aa2/AA	(948)
2005 Series A1	40,000	05/01/05	05/01/13	4.356%	LIBOR plus .05%			Aa2/AA+	713
2005 Series A2	40,000	03/16/05	11/01/27	4.071%	Trigger, BMA plus .15% or 68% LIBOR	05/01/15	32,290	Aa2/AA	(791)
2005 Series B2	80,000	05/01/05	05/01/34	4.169%	Trigger, BMA plus .15% or 68% LIBOR	05/01/15	48,650	Aa2/AA	(2,453)
Total Single Family	958,715								(12,254)
Multi-Family/Business:									
2000 Series A1	12,750	03/21/00	10/01/20	5.235%	VRDO's Rate, with tax event language			Aaa/AAA	(1,571)
2000 Series A1	18,040	03/21/00	04/01/25	5.225%	VRDO's Rate, with tax event language			Aaa/AAA	(1,778)
2000 Series A2	11,545	02/01/00	04/01/15	5.800%	VRDO's Rate			Aaa/AAA	(1,349)
2000 Series B1	6,985	10/19/00	07/01/20	7.390%	LIBOR plus .25%			Aaa/AAA	(1,055)
2002 Series A1	9,410	01/29/03	10/01/22	5.100%	VRDO's Rate			Aaa/AAA	(1,052)
2002 Series AA	32,675	07/03/02	10/01/23	6.068%	VRDO's Rate			Aaa/AAA	(5,662)
2002 Series AA	10,000	10/01/05	04/28/08	3.345%	BMA plus .05%			Aaa/AAA	35
2002 Series C1	10,690	04/01/03	10/01/32	6.129%	VRDO's Rate	As of: 1) 10/1/2012 2) 4/1/2015 3) 4/1/2018	Up to: 1) 4,375 2) 6,575 3) all remaining	Aaa/AAA	(581)
2002 Series C2	70,715	10/01/03	10/01/32	5.124%	VRDO's Rate, with tax event language	04/01/18	59,340	Aaa/AAA	(6,619)
2002 Series C4	31,960	10/01/03	10/01/32	5.044%	VRDO's Rate, with tax event language	04/01/18	26,785	Aaa/AAA	(2,736)
2003 Series A1	24,655	10/01/03	04/01/26	4.555%	LIBOR plus .05%	10/01/09	16,576	Aaa/AAA	1,443
2004 Series A1	49,990	11/01/04	10/01/25	5.528%	LIBOR plus .05%	10/01/14	all remaining	Aa2/AA	(744)
2004 Series A2	10,785	09/22/04	04/01/45	4.884%	BMA plus .15%	10/01/19	all remaining	Aa2/AA	(418)
2005 Series A1 (A)	5,210	08/01/05	10/01/35	5.820%	LIBOR plus .05%	04/01/15	all remaining	Aa2/AA	(122)
2005 Series A1 (B)	3,340	08/01/05	10/01/20	5.205%	LIBOR plus .05%			Aa2/AA	(60)
2005 Series A1 (C)	10,930	08/01/05	10/01/25	5.712%	LIBOR plus .05%	04/01/15	all remaining	Aa2/AA	(233)
2005 Series A1 (D)	4,765	08/01/05	10/01/25	5.573%	LIBOR plus .05%	10/01/11	all remaining	Aa2/AA	(17)
2005 Series A2	22,200	07/01/05	04/01/36	4.285%	BMA plus .05%	04/01/15	all remaining	Aa2/AA	(182)
2005 Series A3 (A)	6,875	04/13/05	04/01/40	4.656%	BMA plus .15%	10/01/20	all remaining	Aa2/AA	(243)
2005 Series A3 (B)	6,930	10/01/05	04/01/32	4.480%	BMA plus .15%	04/01/15	all remaining	Aa2/AA	(56)
2005 Series B1	15,275	03/01/06	04/01/36	5.235%	LIBOR plus .05%	10/01/15	11,125	Aa2/AA	77
2005 Series B2 (A)	3,690	01/02/06	10/01/40	4.735%	BMA plus .15%	10/01/15	3,305	Aa2/AA	(53)
2005 Series B2 (B)	6,225	09/01/06	10/01/38	4.527%	BMA plus .15%	10/01/21	4,520	Aa2/AA	(91)
Total Multi-Family/Business	385,640								(23,067)
Total	\$ 1,344,355								\$ (35,321)

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

** The fair value of the outstanding swaps are presented for informational purposes only and do not impact the financial statements. All fair values have been calculated using the mark-to-market or par value method and include the valuation of any related embedded option. Additionally, eight of the tax-exempt swap agreements contain language which transfer the risk of a tax event to the Authority. The fair value of these swaps would decrease an additional \$7,187,797 if a tax event had occurred on the valuation date.

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

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

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

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

Rollover Risk: The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of December 31, 2005, the Authority is not exposed to rollover risk.

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

Swap Payments and Associated Debt - Using interest rates as of December 31, 2005, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable rate interest rate payments on the bonds and net swap payments will vary.

Year Ending December 31,	Principal	Interest	Swaps, Net	Total
2006	\$ 76,940	\$ 52,041	\$ 10,346	\$ 139,327
2007	81,435	49,133	10,451	141,019
2008	86,915	45,449	10,340	142,704
2009	71,825	41,903	10,242	123,970
2010	66,380	38,813	10,096	115,289
2011-2015	299,970	155,551	45,318	500,839
2016-2020	299,000	98,916	29,227	427,143
2021-2025	211,840	49,290	15,020	276,150
2026-2030	91,385	19,340	6,456	117,181
2031-2035	48,995	4,835	1,543	55,373
2036-2040	7,090	1,062	335	8,487
2041-2045	2,580	276	94	2,950
Total	\$ 1,344,355	\$ 556,609	\$ 149,468	\$ 2,050,432

(8) Debt Refundings

On April 13, 2005, the Authority issued its Multi-Family/Project Bonds 2005 Series A, in the aggregate principal amount of \$96,250,000. A portion of the proceeds of these bonds were used to refund its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds 1995 Series A, 1995 Series B, and 1995 Series C, in the amount of \$37,635,000. Included in the refunding bond issue are variable rate bonds with interest rates during 2005 ranging from a weekly high of 3.60% which could result in a decrease in aggregate debt service requirement of \$20,835,000 and an approximate economic gain to the Authority of \$11,622,000, to a weekly low of 2.05% which could result in a decrease in aggregate debt service requirement of \$30,226,000 and an approximate economic gain to the Authority of \$20,151,000. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, \$753,000 was deferred and is being amortized over the estimated life of the old debt.

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

(9) Restricted Net Assets and Transfers

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

Assets of the Single Family and Multi-Family/Business Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the Single Family and Multi-Family/Business Funds and are held in cash or investments. At December 31, 2005, and 2004, these assets were at least equal to the amounts required to be restricted.

The Authority's Board of Directors (the "Board") has designated certain amounts of the unrestricted net assets of the General Fund as of December 31, 2005, for various purposes, as indicated in the following table. These designations of net assets are not binding, and can be changed by the Board.

Appropriations for loan programs:	
Housing Opportunity loans	\$ 42,999
Housing loans	469
Business finance loans	17,521
Total appropriations	60,989
Designations:	
General obligation bonds	16,616
General operating and working capital	39,476
Unrealized appreciation of investments	713
Single and multi-family bonds	23,619
Total designations	80,424
Total General Fund unrestricted net assets	\$ 141,413

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

(10) Retirement Plans

Employees of the Authority are members of the Municipal Division Trust Fund, a cost-sharing multi-employer public defined benefit plan administered by the Public Employees' Retirement Association of Colorado (PERA). Changes to the plan, including benefits and contribution requirements, require legislation by the General Assembly of the State of Colorado.

Generally, all employees are required to participate in PERA. Under the plan, State statute provides that members are eligible for full retirement benefits at age 50 with at least 30 years of service with a participating employer, at age 55 with at least 25 years of service, at age 65 with at least 5 years of service, or by earning 35 or more years of credited service. Reduced retirement benefits are available at age 50 with at least 25 years service, at age 55 with at least 20 years of service, and at age 60 with at least 5 years of service. Additionally, disability and survivors benefits are available. Benefits are vested after five years of service. Benefits are calculated as a percentage of the highest average salary on which contributions were paid associated with three periods of consecutive 12 months of service credit.

Under the plan, for 2005 and 2004 State statute required the Authority and participating employees to contribute 10% and 8%, respectively, of the employees' gross salaries, as defined by the plan. Contributions by the Authority for the years ended December 31, 2005, 2004 and 2003 were \$827,000, \$792,000 and \$816,000, respectively. These contributions equaled the contribution requirements for each year.

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. The Municipal Division plan and other divisions' plans are included

in PERA's financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203 or from PERA's web site at www.copera.org.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program, established under Section 401(k) of the Internal Revenue Code. Participants invest a percentage of their annual gross salaries up to the annual IRS limit of their gross salaries. The Authority contributes 1% of each participating employee's salary as part of the 401(k) match and, in addition to the 1% contribution, the Authority matches half of the employee's 401(k) contribution up to 5% of the participating employee's gross salary. The Authority's match is a maximum of 3.5%, which includes the 1% contribution. Contributions by the Authority for the years ended December 31, 2005, and 2004 were \$234,000 and \$231,000, respectively. Contributions by participating employees for the year ended December 31, 2005, was \$551,000.

Included in bonds and notes payable are bonds payable to PERA of \$42,212,000 at December 31, 2005, that carry the Authority's general obligation pledge.

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 Authority does not contribute to this plan. Any changes or modifications to the deferred compensation plan must be approved by the Board. The plan is administered by an independent trustee.

(11) Risk Management

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

(12) Commitments and Contingencies

The Authority had outstanding commitments to make or acquire single family and multi-family/business loans of \$37,471,000 and \$77,206,000, respectively, as of December 31, 2005.

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

(13) Subsequent Event

On January 18, 2006, the Authority issued \$180,700,000 of Single Family Mortgage Bonds, Series 2006A. The proceeds from this bond issue will be used to finance new loan purchases and for the refunding of advances under the Authority's borrowing agreements with the Federal Home Loan Bank related to the its private activity bond volume cap preservation program.

(14) Accounting Policy Changes and Restatements

Mortgage Escrow Accounts - An accounting policy change was adopted by the Authority during the year ended December 31, 2005 to record mortgage escrow account deposits that were previously not recorded in the basic financial statements. These deposits primarily represent cash collected from borrowers and held by the Authority to make property tax and insurance payments when due. A retroactive adjustment of \$13,719,089 was applied to December 31, 2004, increasing both assets and liabilities.

Cash Equivalents - Prior to 2005, the Authority defined cash equivalents as cash deposits and highly liquid investments with a maturity of three months or less when purchased. During 2005 the Authority changed its definition of cash and cash equivalents for the presentation of the statement of cash flows to include only cash deposits and exclude highly liquid investments. A retroactive adjustment was applied to the December 31, 2004, cash equivalents as follows:

Cash equivalents at December 31, 2004, as originally stated	\$ 644,555
Less short term highly liquid investments December 31, 2004	(635,805)
Add mortgage escrow accounts (per above)	13,719
Cash equivalents at December 31, 2004, as restated	\$ 22,469

Certain other summarized financial information for the year ended December 31, 2004, has been modified for the retrospective impact of these changes for basic financial statement presentation purposes.

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APPENDIX B

Outstanding Master Indenture Obligations

Outstanding Master Indenture Bonds

As of October 1, 2006, the Authority will have issued and have Outstanding the following Series of Bonds under the Master Indenture in the Classes as indicated:

<u>Title of Bonds</u>	<u>Principal Amount Issued</u>	<u>Outstanding Principal Amount (October 1, 2006)</u>
2000 Series A Bonds:		
Adjustable 2000 Series A-1 (Class I)	\$56,195,000	\$12,750,000
Adjustable 2000 Series A-1 (Class III)	18,500,000(1)	17,030,000
Adjustable 2000 Series A-2 (Class I)	11,545,000	11,545,000
2000 Series A-3 (Class II)	6,700,000	6,700,000
Taxable 2000 Series A-4 (Class I)	3,640,000	-0-
2000 Series B Bonds:		
Taxable Floating 2000 Series B-1 (Class I)	\$ 7,780,000	\$ 6,730,000
2000 Series B-2 (Class I)	13,880,000	13,880,000
Adjustable 2000 Series B-3 (Class I)	5,000,000	5,000,000
2000 Series B-4 (Class I)	4,845,000	4,845,000
2000 Series B-4 (Class III)	370,000	-0-
2001 Series A Bonds:		
2001 Series A-1 (Class I)	\$24,350,000	\$15,775,000
2001 Series A-2 (Class II)	10,810,000	8,220,000
2001 Series A-2 (Class III)	2,890,000(1)	2,220,000
2002 Series A Bonds:		
Adjustable 2002 Series A-1 (Class I)	\$ 9,410,000	\$9,400,000
2002 Series A-2 (Class I)	3,590,000	2,095,000
2002 Series A-3 (Class II)	5,735,000	5,725,000
Adjustable 2002 Series A-4 (Class I)	19,450,000	14,990,000
2002 Series A-5 (Class I)	9,820,000	-0-
2002 Series B Bonds:		
Taxable Adjustable 2002 Series B-1 (Class I)	\$49,975,000	\$1,795,000
Taxable Adjustable 2002 Series B-2 (Class III)	14,625,000(1)	-0-
2002 Series C Bonds:		
Taxable Adjustable 2002 Series C-1 (Class I)	\$10,920,000	\$10,525,000
Adjustable 2002 Series C-2 (Class I)	70,715,000	70,715,000
2002 Series C-3 (Class I)	16,550,000	13,415,000
Adjustable 2002 Series C-4 (Class I)	31,960,000	31,960,000
2002 Series C-5 (Class I)	7,575,000	5,730,000
2002 Series C-6 (Class II)	5,000,000	4,495,000
2003 Series A Bonds:		
Taxable Adjustable 2003 Series A-1 (Class I)	\$37,415,000(1)	\$33,290,000
Taxable Adjustable 2003 Series A-2 (Class II)	11,365,000	10,195,000
2004 Series A Bonds:		
Taxable Adjustable 2004 Series A-1 (Class I)	\$66,280,000(1)	\$62,980,000
Adjustable 2004 Series A-2 (Class I)	10,785,000	10,785,000
2004 Series A-3 (Class II)	12,050,000	11,315,000
2005 Series A Bonds:		
Taxable Adjustable 2005 Series A-1 (Class I)	\$33,740,000(1)	\$33,335,000
Adjustable 2005 Series A-2 (Class I)	22,235,000	21,595,000
Adjustable 2005 Series A-3 (Class II)	40,275,000	17,080,000
2005 Series B Bonds:		
Taxable Adjustable 2005 Series B-1 (Class I)	\$16,550,000(1)	\$16,385,000
Adjustable 2005 Series B-2 (Class I)	10,820,000	10,805,000
Adjustable 2005 Series B-3 (Class I)	<u>6,000,000</u>	<u>5,970,000</u>
Total Class I Bonds	\$561,025,000	\$426,295,000
Total Class II Bonds (2)	91,935,000	63,730,000
Total Class III Bonds (2)	36,385,000	19,250,000
Total Class IV Bonds	--	--

(1) Designated as general obligations of the Authority.

(2) The Authority expects to issue Class II Taxable Adjustable Rate Bonds and Class III Taxable Adjustable Rate Bonds under the Master Indenture before the end of 2006 in an aggregate principal amount of approximately \$130 million to finance two uninsured loans (which will be general obligations of the Authority) to Fort Carson Family Housing, LLC.

Outstanding Master Indenture Derivative Products

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

<u>Outstanding Derivative Products</u>	<u>Amount (1)</u>	<u>Counterparty</u>
2000 Series A Derivative Products:		
Adjustable 2000 Series A-1 (Class I)	\$12,750,000	Lehman Brothers Financial Products Inc.
Adjustable 2000 Series A-1 (Class III) (2)	17,550,000	Lehman Brothers Financial Products Inc.
Adjustable 2000 Series A-2 (Class I)	11,545,000	Lehman Brothers Financial Products Inc.
2000 Series B Derivative Products:		
Taxable Floating 2000 Series B-1 (Class I)	\$ 6,795,000	Morgan Stanley Derivative Products Inc.
2002 Series A Derivative Products:		
Adjustable 2002 Series A-1 (Class I)	\$ 9,410,000	Lehman Brothers Financial Products Inc.
2002 Series C Derivative Products:		
Adjustable 2002 Series C-1 (Class I)	\$10,610,000	Lehman Brothers Financial Products Inc.
Adjustable 2002 Series C-2 (Class I)	70,715,000	Lehman Brothers Financial Products Inc.
Adjustable 2002 Series C-4 (Class I)	31,960,000	Lehman Brothers Financial Products Inc.
2003 Series A Derivative Products		
Taxable Adjustable 2003 Series A-1 (Class I)	\$24,155,000	Lehman Brothers Financial Products Inc.
2004 Series A Derivative Products:		
Taxable Adjustable 2004 Series A-1 (Class I)	\$49,355,000	AIG Financial Products Corp.
Adjustable 2004 Series A-2 (Class I)	10,785,000	AIG Financial Products Corp.
2005 Series A Derivative Products:		
Taxable Adjustable 2005 Series A-1 (Class I)	\$24,065,000	AIG Financial Products Corp.
Adjustable 2005 Series A-2 (Class I)	21,890,000	AIG Financial Products Corp.
Adjustable 2005 Series A-3 (Class II) (3)	13,705,000	AIG Financial Products Corp.
2005 Series B Derivative Products:		
Taxable Adjustable 2005 Series B-1 (Class I)	\$15,275,000	Bank of America, N.A.
Adjustable 2005 Series B-2 (Class I)	9,915,000	Bank of America, N.A.
Total Outstanding Class I Derivative Products	<u>\$309,225,000</u>	
Total Outstanding Class II Derivative Products	<u>\$13,705,000</u>	
Total Outstanding Class III Derivative Products	<u>\$17,550,000</u>	

(1) As of June 30, 2006.

(2) Payable as a Class III Obligation under the Master Indenture.

(3) Payable as a Class II Obligation under the Master Indenture.

Except as noted in the table above, the Authority's obligation to make interest payments to the respective Counterparty under each of these Derivative Products constitutes a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of these Derivative Products in the event of early termination is a general obligation of the Authority and not an Obligation under the Master

Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Long-Term Obligations of the Authority – General Obligations." See also footnote (5) to the audited 2005 financial statements of the Authority included in this Official Statement as **Appendix A**.

For a discussion of the 2006A Derivative Products expected to be entered in connection with the 2006 Series A Bonds, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2006A Derivative Products."

Outstanding Liquidity Facilities

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

Outstanding Liquidity Facilities - FHLB

<u>Series of Adjustable Rate Bonds</u>	<u>Expiration Date</u>
2000 Series A-1 and A-2	March 20, 2008
2000 Series B-3	October 19, 2010
2002 Series A-1 and A-4	May 15, 2007
2002 Series B-1	July 24, 2007
2002 Series C-1, C-2 and C-4	November 14, 2007
2003 Series A-1 and A-2	September 23, 2008
2004 Series A-1 and A-2	September 21, 2009
2005 Series A-1 and A-3	April 12, 2010
2005 Series B-1, B-2 and B-3	December 13, 2010

Other Liquidity Facilities and Providers

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

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

In connection with the issuance of the 2006 Series A Bonds, the Authority will enter into a Standby Bond Purchase Agreement with DEPFA BANK plc, acting through its New York Branch, as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2006A LIQUIDITY FACILITIES." See also **Appendix I** – "THE 2006A LIQUIDITY FACILITY PROVIDER."

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APPENDIX C

Summary of Certain Provisions of the Master Indenture

The Master Indenture and the 2006 Series A Indenture (collectively, the "**Indenture**") contain various provisions and covenants, some of which are summarized below. Reference is made to the Indenture for a full and complete statement of its provisions. Copies of the Indenture are available as provided in "Part II - MISCELLANEOUS."

Certain Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Any Investment Agreement;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Record Date" means (i) with respect to 2006 Series A Bonds in a Commercial Paper Mode, a Weekly Mode or a SAVRS Rate Mode, the day (whether or not a Business Day) next preceding each Interest Payment Date, (ii) with respect to 2006 Series A Bonds in the Daily Rate Mode, the last day of each month (whether or not a Business Day) and (iii) with respect to 2006 Series A Bonds in a Term Rate

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

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

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

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

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

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

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

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

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

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

"State" means the State of Colorado.

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

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

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

Indenture Constitutes a Contract

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

Issuance of Additional Bonds

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

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

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

Issuance of Refunding Bonds

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

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

Derivative Products

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

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

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

Funds Established by the Master Indenture

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

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

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

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

Allocation of Moneys, Investments and Loans Among Series

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

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

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

Program Fund; Acquisition Account

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

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

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

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

Program Fund; Cost of Issuance Account

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

Program Fund; Negative Arbitrage Account

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

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

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

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

Program Fund; Loan Recycling Account

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

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

Revenue Fund

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

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

Allocation of Moneys in the Revenue Fund

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

(a) Related Subaccounts of Rebate Fund. On each May 1, an amount to be calculated by the Authority which, together with the amount therein, will equal the Rebate Requirement related to the Tax-Exempt Bonds of each respective Series, as determined by the Authority;

(b) Related Subaccounts of the Excess Earnings Fund. On each May 1, an amount to be calculated by the Authority which, together with the amount therein, will equal the amount determined by the Authority to be required to be on deposit therein;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

Debt Service Reserve Fund

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

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

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

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

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

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

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

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

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

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

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

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

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

Redemption Fund

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

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

Credit Against Sinking Fund Installments

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

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

Authority Payment Accounts

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

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

Investment of Funds

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

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

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

Creation of Liens

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

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

Covenants Relating to Loans

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

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

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

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

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

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

Certain Other Covenants

Creation and Use of Rebate Account

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

Creation and Use of Excess Earnings Fund

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

Tax Covenant

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

Events of Default under the Indenture and Remedies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General Obligation Bonds Events of Default and Remedies

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

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

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

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

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

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

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

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

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

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

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

Successors to Trustee

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

Modifications of Indenture and Outstanding Bonds

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

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

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

Defeasance

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

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

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

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

APPENDIX D

Class Asset Requirements

The Class Asset Requirements applicable to each Series of Bonds are set forth in each Related Series Indenture. Set forth below are the Class Asset Requirements applicable to each Series of Bonds to be Outstanding under the Master Indenture upon issuance of the 2006 Series A Bonds. The Loans and Authority Projects are currently in compliance with all applicable Class Asset Requirements.

Class Asset Requirements

Pursuant to the Related Series Indenture, the Class Asset Requirements for each Series of Bonds to be Outstanding under the Master Indenture upon issuance of the 2006 Series A Bonds (except as noted) require that, as of any date of calculation:

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

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

⁽¹⁾ The definitions of Class I Asset Requirement and Class III Asset Requirement in the 2006 Series A Indenture provide, and the definitions of Class I Asset Requirement, Class II Asset Requirement and Class III Asset Requirement in the series indentures for future series of Bonds will provide, that amounts held in applicable subaccounts and the unpaid principal balances of Loans and Authority Projects for Unrelated Bonds in excess of the applicable Asset Requirements for such Unrelated Bonds (and not already taken into account in satisfying the Asset Requirements for any other Unrelated Bonds) will be taken into account in the calculation of such Asset Requirements for the 2006 Series A Bonds and future series of Bonds.

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

(c) with respect to the **Class III Asset Requirement**,⁽¹⁾⁽³⁾ the sum of (a) amounts held in the related subaccount of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of the Class I Bonds of such Series), the related subaccount of the Class II Debt Service Fund (to the extent such amounts are required to be used to pay principal of Class II Bonds of such Series),⁽⁴⁾ the related subaccount of the Class III Debt Service Fund (to the extent such amounts are required to be used to pay principal of Class III Bonds of such Series), the related subaccounts of the Redemption Fund and the related subaccount of the Debt Service Fund, and (b) the sum of the products of the unpaid principal balance of Loans and Authority Projects related to the Bonds for such Series, be at least equal to 102% of the Aggregate Principal Amount of the Bonds then Outstanding, or such lesser percentage as may be permitted by each Rating Agency, as evidenced by a Confirmation from each Rating Agency.

⁽¹⁾ The definitions of Class I Asset Requirement and Class III Asset Requirement in the 2006 Series A Indenture provide, and the definitions of Class I Asset Requirement, Class II Asset Requirement and Class III Asset Requirement in the series indentures for future series of Bonds will provide, that amounts held in applicable subaccounts and the unpaid principal balances of Loans and Authority Projects for Unrelated Bonds in excess of the applicable Asset Requirements for such Unrelated Bonds (and not already taken into account in satisfying the Asset Requirements for any other Unrelated Bonds) will be taken into account in the calculation of such Asset Requirements for the 2006 Series A Bonds and future series of Bonds.

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

⁽⁴⁾ Not included in Class III Asset Requirement for 2000 Series B Bonds.

Asset Coverage Divisors

The following table sets forth the Asset Coverage Divisors for all Series of Bonds to be outstanding under the Master Indenture upon issuance of the 2006 Series A Bonds (except as noted):

Asset Coverage Divisors

<u>Loan Type</u>	<u>Asset Coverage Divisor</u>	
	<u>Class I</u>	<u>Class II</u>
Uninsured Loan	1.72	1.45
FHA-Insured Section 542(c) Loan (1)	1.00	1.00
QIC, QAL or B&I II Loan	1.00	1.00
Other FHA-Insured Loan (1)	1.12	1.015
Authority Project (2)	1.30	1.18
Other Loans	(3)	(3)

- (1) The Series Indenture related to the 2000 Series A Bonds does not distinguish between Section 542(c) Loans and other FHA-Insured Loans. The Asset Coverage Divisor for all FHA-Insured Loans related to the 2000 Series A Bonds is 1.12 for the Class I Asset Requirement and 1.015 for the Class II Asset Requirement.
- (2) The uninsured rental loans and uninsured business loans expected to be acquired using proceeds of the 2006 Series A Bonds as described in **Appendix G-1** hereto will be included within this category for purposes of determining the applicable Asset Coverage Divisor because the Taxable 2006 Series A-1 Bonds financing these uninsured loans, and such uninsured loans financed with proceeds of the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds, will be backed by a general obligation of the Authority. Certain outstanding uninsured loans described in **Appendix G-2** have been funded with Bonds backed by a general obligation of the Authority and will also be included within this category.
- (3) As may be specified by the Rating Agencies from time to time at the request of the Authority.

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APPENDIX E

Form of Bond Counsel Opinion

October 4, 2006

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

Colorado Housing and Finance Authority
Taxable Multi-Family/Project Class I Adjustable Rate Bonds, 2006 Series A-1
Multi-Family/Project Class I Adjustable Rate Bonds, 2006 Series A-2
Multi-Family/Project Class III Adjustable Rate Bonds, 2006 Series A-3

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance of its Taxable Multi-Family/Project Class I Adjustable Rate Bonds, 2006 Series A-1 (the "2006 Series A-1 Bonds"), Multi-Family/Project Class I Adjustable Rate Bonds, 2006 Series A-2 (the "2006 Series A-2 Bonds") and Multi-Family/Project Class III Adjustable Rate Bonds, 2006 Series A-3 (the "2006 Series A-3 Bonds" and, together with the 2006 Series A-1 Bonds and the 2006 Series A-2 Bonds, the "2006 Series A Bonds") in the aggregate principal amount of \$113,700,000. In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter. The 2006 Series A Bonds are authorized and issued pursuant to the Master Indenture of Trust, dated as of March 1, 2000, as amended, and as supplemented by the 2006 Series A Indenture of Trust dated as of October 1, 2006 (together, the "Indenture") between the Authority and Wells Fargo Bank, National Association (formerly, Norwest Bank Colorado, National Association), as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

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

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

1. The 2006 Series A-2 Bonds constitute valid and binding special, limited obligations of the Authority, payable solely from the Revenues and other assets pledged thereto under the Indenture. The 2006 Series A-1 Bonds and the 2006 Series A-3 Bonds constitute valid and binding obligations of the Authority, payable from the Revenues and other assets pledged thereto under the Indenture and also constitute general obligations of the Authority for the payment of which the Authority has pledged its full faith and credit, subject only to the provisions of any agreements with the owners of particular notes, bonds or other obligations pledging any particular revenues or assets to the payment thereof.

2. The Indenture has been duly authorized by the Authority, duly executed and delivered by authorized officials of the Authority, and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms.

3. Interest on the 2006 Series A-2 Bonds and the 2006 Series A-3 Bonds (except for interest on any 2006 Series A-2 Bond for any period during which it is held by a “substantial user” of facilities financed with the 2006 Series A-2 Bonds or a “related person” as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date hereof (the “Tax Code”), is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; however, interest on the 2006 Series A-2 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and interest on the 2006 Series A-3 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority’s certified proceedings and in certain other documents or certain other certifications furnished to us.

4. Interest on the 2006 Series A-1 Bonds is not excluded from gross income for federal income tax purposes.

5. The 2006 Series A Bonds, their transfer and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date hereof.

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

The obligations of the Authority pursuant to the 2006 Series A Bonds and the Indenture are subject to the application of equitable principles, to the reasonable exercise in the future by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

We understand that MBIA Insurance Corporation has issued a financial guaranty insurance policy relating to the 2006 Series A-3 Bonds and a reserve fund surety bond relating to the 2006 Series A-1 Bonds and that DEPFPA BANK plc, acting through its New York Branch has delivered two Standby Bond Purchase Agreements with respect to the 2006 Series A Bonds. We express no opinion as to the validity or enforceability of such insurance policy, such surety bond or such Standby Bond Purchase Agreements or the security afforded thereby.

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

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not opining upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any sale of the 2006 Series A Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership of the 2006 Series A Bonds, except those specifically addressed herein.

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

Respectfully submitted,

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APPENDIX F

Book-Entry System

The following information in this section regarding DTC and the book entry system is based solely on information provided by DTC. No representation is made by the Authority or the Underwriters as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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APPENDIX G-1

Certain Information about the 2006A Loans and 2006A Authority Project

Existing Loans to be Acquired

The Authority expects to acquire certain existing uninsured rental loans and uninsured business loans (which are presently held in the Authority's General Fund) using proceeds of the 2006 Series A Bonds as described in "Part I – PLAN OF FINANCE – Uses of Amounts in Acquisition Account." The Indenture, however, permits the Authority at its option to purchase or originate Loans or finance Authority Projects other than those described below.

Existing Rental Loans

The Authority has originated uninsured rental loans as part of its multi-family SMART Program. For a brief description of the SMART Program, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Loan Programs – Rental Finance Programs." The Authority expects to use proceeds of the 2006 Series A Bonds to acquire as 2006A Loans certain of such existing uninsured rental loans currently held by the Authority in its General Fund.

The existing uninsured rental loans under the SMART program expected to be acquired as 2006A Loans, which are current in repayment, are listed on the following table:

Existing Uninsured Rental Loans (SMART Program) to be Acquired

<u>Borrower/ Project</u>	<u>Location</u>	<u>Units</u>	<u>Original Loan Amount</u>	<u>Outstanding Principal Amount of Loan</u>	<u>Mortgage Rate</u>	<u>Loan Date</u>	<u>Maturity</u>	<u>Series for Funding</u>
Reserve @Thornton II	Thornton	60	\$3,500,000	\$3,497,443	6.80%	7/18/2006	7/19/2026	2006A-1
Sunset Park	Denver	242	5,376,100	5,367,173	6.95%	6/07/2006	7/01/2036	2006A-1
Casa Dorada	Denver	72	<u>2,000,000</u>	<u>2,000,000</u>	7.00%	8/25/2006	8/01/2022	2006A-1
Total			<u>\$10,876,100</u>	<u>\$10,864,616</u>				

Existing Uninsured Business Loans

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

The existing uninsured business loans expected to be acquired as 2006A Loans, which are current in repayment, are listed on the following table:

Existing Uninsured Business Loans to be Acquired

<u>Borrower/Project</u>	<u>Business Program</u>	<u>Location</u>	<u>Original Loan Amount</u>	<u>Outstanding Principal Amount of Loan</u>	<u>Loan Interest Rate</u>	<u>Loan Date</u>	<u>Maturity</u>	<u>Series for Funding</u>
Baseline Offices, LLC	Direct	Lafayette	\$ 495,000	\$ 487,519	6.15%	1/19/2006	1/19/2026	2006A-1
Alfred Manufacturing Co.	Direct	Denver	398,878	394,102	6.40%	6/15/2006	6/15/2026	2006A-1
Coalition for the Upper South Platte	NPRE	Lake George	120,000	115,387	6.50%	2/24/2005	2/24/2025	2006A-1
Daniel Price & Rick Fillmon Denver Urban Economic Developer	Direct NPRE	Denver	458,000 250,000	443,904 242,607	6.15% 6.50%	6/9/2005 6/30/2005	6/9/2025 6/30/2025	2006A-1 2006A-1
Emerson Leasing Capital, LLC	Direct	Colorado Springs	315,000	311,734	6.45%	4/30/2006	4/30/2026	2006A-1
HAJLOO INC	Rural	Parker	125,000	87,745	6.50%	11/17/2004	11/17/2024	2006A-1
MK TOOTS, LLC	Direct	Boulder	161,713	159,293	6.45%	1/26/2006	1/26/2026	2006A-1
PROPERTY MANAGEMENT	Direct	Grand Junction	170,000	164,385	6.75%	4/1/2005	4/1/2025	2006A-1
Rail Yard Industries, Inc.	SBA 504	Denver	637,500	633,485	6.30%	5/17/2006	5/17/2026	2006A-1
Vigil Holdings	Direct	Denver	248,500	245,400	6.45%	2/27/2006	2/27/2026	2006A-1
Wambolt Properties	Direct	Littleton	690,000	685,731	6.45%	5/31/2006	5/31/2026	2006A-1
Water Val 200, LLC	Direct	Windsor	1,700,000	1,689,985	6.86%	6/14/2006	6/14/2026	2006A-1
WOW Children's Museum	NPRE	Lafayette	400,000	378,203	6.49%	7/28/2004	7/28/2029	2006A-1
Big Energy Holdings	Rural	Steamboat Springs	498,000	495,890	6.20%	6/21/2006	6/21/2026	2006A-1
Cordovano & Honeck	SBA 504	Englewood	406,373	404,641	6.15%	6/14/2006	6/14/2026	2006A-1
Power Assist Company, Inc.	SBA 504	Denver	1,242,223	1,242,223	7.50%	7/12/2006	7/12/2026	2006A-1
Luther Property, LLC	Rural	Grand Junction	694,529	691,457	5.95%	7/26/2006	7/26/2026	2006A-1
Fenton Construction	Rural	Carbondale	721,250	719,928	7.38%	7/31/2006	7/31/2026	2006A-1
Learning House Foundation	NPRE	Fort Collins	315,000	314,418	7.32%	7/31/2006	7/31/2026	2006A-1
James and Tashina Quain	Rural	Delta	250,000	248,733	6.20%	6/23/2006	7/1/2024	2006A-1
EJ Landholdings, LLC	Rural	Lawson	386,500	366,018	6.00%	9/20/2004	10/1/2024	2006A-1
Integrity Properties, LLC	Direct	Colorado Springs	308,000	297,694	6.00%	6/30/2005	7/1/2025	2006A-1
Larry Suk Bae Kang	Direct	Colorado Springs	312,000	304,384	6.00%	9/29/2005	10/1/2025	2006A-1
CAV'S LLC	Rural	Grand Junction	685,000	672,860	5.95%	12/21/2005	1/1/2026	2006A-1
To Mi LLC	Direct	Denver	397,000	287,536	6.15%	11/30/2005	12/1/2025	2006A-1
West/Hultsch, LLC	Direct	Ft. Collins	500,000	493,539	6.15%	2/16/2006	3/1/2026	2006A-1
Taralu, LLC	Rural	Steamboat Springs	750,000	740,081	5.95%	2/16/2006	3/1/2026	2006A-1
T O LLC	Rural	Steamboat Springs	265,500	261,989	5.95%	2/3/2006	3/1/2026	2006A-1
PTRT Partnership	Rural	Salida	385,000	380,767	5.95%	3/16/2006	4/1/2026	2006A-1
Post Office Crossing, LLC	Rural	Eagle	363,600	361,213	5.95%	5/4/2006	6/1/2026	2006A-1
Charles R. Presby, Inc.	Rural	Montrose	722,500	717,758	5.95%	5/4/2006	6/1/2026	2006A-1
Alpine View, LLC	Rural	Montrose	595,000	591,094	5.95%	5/4/2006	6/1/2026	2006A-1
Spencer and Kathleen Madisen	Rural	Steamboat Springs	291,000	286,499	5.95%	5/12/2006	6/1/2026	2006A-1
Wiggins II LLC	Rural	Vail	750,000	745,077	5.95%	5/18/2006	6/1/2026	2006A-1
PM Real Estate, LLC	Rural	Durango	697,000	693,958	5.95%	6/12/2006	7/1/2026	2006A-1
Hansen, Kim and Terri	Rural	Nathrop	434,000	434,000	6.20%	9/8/2006	10/1/2026	2006A-1
Cochran Land Company Eagle	Rural	Eagle	333,333	333,333	6.20%	7/26/2006	9/1/2026	2006A-1
Innovative Holdings	Direct	Denver	403,000	403,000	7.15%	9/14/2006	10/01/2026	2006A-1
Rochester Partners, LLC	Rural	Steamboat Springs	431,660	430,869	7.38%	8/16/2006	9/1/2026	2006A-1
Wacker Holdings, LLC	Direct	Wheat Ridge	176,800	176,800	7.38%	8/30/2006	9/1/2026	2006A-1
Erickson, Scott-Camelot West	Rural	Telluride	530,059	530,059	7.40%	8/30/2006	9/1/2026	2006A-1
KTB Holdings, LLC	Direct	Loveland	256,000	256,000	7.43%	8/29/2006	9/1/2026	2006A-1
Marsh, Steven & Kerri	Rural	Frisco	262,000	262,000	7.40%	9/20/2006	10/1/2026	2006A-1
VVOMS EDC Condo LLC	Rural	Edwards	495,000	495,000	6.20%	8/31/2006	9/1/2026	2006A-1
Mason Enterprises LLC	SBA 504	Aurora	284,000	284,000	6.45%	9/18/2006	10/1/2026	2006A-1
Total			\$21,310,918	\$20,962,298				

Existing Loans To Be Transferred

1996 Transferred Loans

Using proceeds of the Series 1996 Bonds, the Authority has previously made the following insured mortgage loans to borrowers for the described projects. These mortgage loans and certain

revenues therefrom had been pledged to secure repayment of certain outstanding bonds of the Authority under a General Resolution for the Authority's rental finance program (the "**General Resolution**") as described in "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Loan Programs – Rental Finance Programs." Upon redemption and payment of the Series 1996 Bonds on November 1, 2006 as described in "Part I – PLAN OF FINANCE – Redemption and Payment of the Refunded Bonds," these outstanding mortgage loans financed by the Series 1996 Bonds will no longer remain pledged under the General Resolution, and such mortgage loans will be transferred and pledged under the Indenture to secure the 2006 Series A Bonds. Such outstanding mortgage loans are subject to prepayment by the related borrowers, and such prepayments may be used by the Authority, at its option, to redeem 2006 Series A Bonds at par, as described in "Part II – CERTAIN BONDOWNERS' RISKS - Considerations Regarding Redemption at Par." Payments on the outstanding mortgage loans financed by the Series 1996 Bonds listed below are presently current and have generally been current during the last five years.

Existing 1996 Loans to be Transferred

<u>Borrower/ Project</u>	<u>Location</u>	<u>Units</u>	<u>Original Loan Amount</u>	<u>Outstanding Principal Amount</u>	<u>Mortgage Rate*</u>	<u>Loan Date</u>	<u>Maturity</u>	<u>Series for Funding</u>
A.T. Lewis	Denver	51	\$ 5,720,800	\$5,090,687	5.85%	11/19/1997	12/01/2027	2006A-2
Forum Apartments	Denver	100	465,000	423,264	5.85%	05/23/1997	06/01/2027	2006A-1/ 2006A-2
Legacy Center	Canon City	32	1,680,000	1,570,317	6.00%	04/04/1996	05/01/2036	2006A-3
Tiara	Aurora	51	1,430,700	849,195	5.60%	07/01/1984	12/01/2014	2006A-3
Village in the Pines	Breckenridge	61	5,010,200	4,724,570	5.75%	06/26/1996	03/01/2036	2006A-2
Westwood Manor Apartments	Durango	48	2,600,000	2,484,344	5.95%	09/15/1998	10/01/2038	2006A-1/ 2006A-2
Woodland Apartments	Ft. Collins	116	<u>5,506,800</u>	<u>5,230,372</u>	6.00%	1/23/1998	2/01/2038	2006A-2
	Total		<u>\$22,413,500</u>	<u>\$20,372,749</u>				

* Subject to modification. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2006A Loans and 2006A Authority Project – Modification of Loan Terms."

2000A Transferred Loans

Using proceeds of the Series 2000A Bonds, the Authority has previously made the following mortgage loans to borrowers for the described projects. These mortgage loans and certain revenues therefrom had been pledged to secure repayment of certain outstanding bonds of the Authority under the Master Indenture. Upon redemption and payment of the Series 2000A Bonds as described in "Part I – PLAN OF FINANCE – Redemption and Payment of the Refunded Bonds," these outstanding mortgage loans financed by the Series 2000A Bonds will continue to be pledged under the Indenture but will be allocated to secure the 2006 Series A Bonds. Such outstanding mortgage loans are subject to prepayment by the related borrowers, and such prepayments may be used by the Authority, at its option, to redeem 2006 Series A Bonds at par, as described in "Part II – CERTAIN BONDOWNERS' RISKS - Considerations Regarding Redemption at Par." Payments on the outstanding mortgage loans financed by the Series 2000A Bonds listed below are presently current and have generally been current during the last five years.

Existing 2000A Loans to be Transferred

Borrower/ Project	Location	Units	Original Loan Amount	Outstanding Principal Amount	Mortgage Rate*	Loan Date	Maturity	Series for Funding
Allison	Arvada	37	\$1,236,100	\$ 824,456	7.000%	07/05/1979	9/01/2020	2006A-3
Arvada Place	Arvada	42	769,144	599,710	7.875%	03/31/1992	4/01/2022	2006A-3
Club 60	Glenwood Springs	5	134,517	83,959	8.000%	02/19/1987	3/01/2017	2006A-3
Columbine Court	Ft. Lupton	30	855,300	551,208	7.000%	01/03/1979	6/01/2020	2006A-3
Fountain Mesa	Fountain	64	1,077,751	881,275	7.875%	02/24/1993	3/01/2023	2006A-3
Grand Manor	Grand Junction	112	3,550,000	3,281,677	7.000%	06/07/2000	7/01/2030	2006A-3
In Between	Longmont	31	203,000	171,291	8.000%	11/23/1994	12/01/2024	2006A-3
Louisiana	Denver	40	332,600	269,440	7.875%	05/30/1991	7/01/2023	2006A-3
New Heritage	Denver	34	177,100	143,468	7.875%	05/30/1991	7/01/2023	2006A-3
RB Ranch	Arvada	10	150,000	99,368	8.000%	01/17/1992	2/01/2022	2006A-3
Sandoe	Boulder	24	250,000	98,818	6.100%	08/14/1987	11/01/2019	2006A-3
Sandoe	Boulder	24	407,776	347,848	7.800%	07/27/1995	8/01/2025	2006A-3
Sunnyside	Denver	19	938,500	629,470	7.500%	05/01/1988	12/1/2018	2006A-3
Townhouse	La Junta	27	153,000	125,386	8.000%	09/29/1993	11/01/2023	2006A-3
Urban Peak	Denver	30	225,000	201,754	7.000%	02/12/1999	3/01/2029	2006A-3
W.H.E.R.E.	Englewood	56	<u>700,000</u>	<u>566,195</u>	7.750%	12/29/1989	1/01/2020	2006A-3
Total			\$11,159,788	\$8,875,323				

* Subject to modification. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2006A Loans and 2006A Authority Project – Modification of Loan Terms."

2002A Transferred Loans

Using proceeds of the Series 2002A Bonds, the Authority has previously made the following insured mortgage loans to borrowers for the described projects. These mortgage loans and certain revenues therefrom had been pledged to secure repayment of certain outstanding bonds of the Authority under the Master Indenture. Upon redemption and payment of the Series 2002A Bonds as described in "Part I – PLAN OF FINANCE – Redemption and Payment of the Refunded Bonds," these outstanding mortgage loans financed by the Series 2002A Bonds will continue to be pledged under the Indenture and allocated to secure the 2006 Series A Bonds. Such outstanding mortgage loans are subject to prepayment by the related borrowers, and such prepayments may be used by the Authority, at its option, to redeem 2006 Series A Bonds at par, as described in "Part II – CERTAIN BONDOWNERS' RISKS - Considerations Regarding Redemption at Par." Payments on the outstanding mortgage loans financed by the Series 2002A Bonds listed below are presently current and have generally been current during the last five years.

Existing 2002A Loans to be Transferred

Borrower/ Project	Location	Units	Original Loan Amount	Outstanding Principal Amount	Mortgage Rate*	Loan Date	Maturity	Series for Funding
A.C.C.E.S.S.	Aurora	6	\$ 222,963	\$ 155,735	8.50%	5/30/1989	11/01/2019	2006A-3
Corona I	Denver	56	1,225,300	700,845	7.25%	7/01/1976	6/01/2017	2006A-3
Hanigan	Denver	9	445,200	317,282	6.25%	3/13/1989	11/01/2019	2006A-3
Marcella	Arvada	205	4,442,900	2,739,953	7.25%	3/01/1977	8/01/2019	2006A-3
Niblock	Denver	10	260,138	218,869	6.75%	12/24/1985	10/01/2026	2006A-3
Walnut Park	Grand Junction	78	<u>1,576,300</u>	<u>983,035</u>	7.50%	12/01/1976	8/01/2018	2006A-3
Total			\$8,172,801	\$5,115,719				

* Subject to modification. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2006A Loans and 2006A Authority Project – Modification of Loan Terms."

Loans Expected to be Originated

Rental Loans

General. The insured and uninsured rental loans expected to be originated by the Authority using proceeds of the 2006 Series A Bonds are listed on the following table:

Rental Loans Expected to be Originated*

<u>Borrower/Project</u>	<u>Location</u>	<u>Units</u>	<u>Projected Loan Amount*</u>	<u>Mortgage Rate*</u>	<u>Projected Loan Date*</u>	<u>Maturity</u>	<u>Series for Funding</u>
Pinecrest @ Commerce City (1)	Commerce City	112	3,400,000	7.00%	11/20/2006	11/20/2026	2006A-1
Village Place Apts. (2)	Longmont	722	1,562,000	6.35%	10/1/2006	10/1/2008	2006A-2
Village Place Apts.	Longmont	722	3,100,000	6.35%	10/1/2006	4/1/2024	2006A-2
Renaissance 88 Housing Corporation (3)	Thornton	180	2,250,000	6.20%	11/1/2006	10/1/2008	2006A-2
Renaissance 88 Housing Corporation (3)	Thornton	180	8,950,000	6.20%	11/1/2006	10/1/2046	2006A-2
Renaissance 88 Housing Corporation (3)	Thornton	180	<u>728,742</u>	6.20%	11/1/2006	10/1/2014	2006A-2
		Total	<u>\$19,990,742</u>				

*Subject to change

(1) Uninsured, SMART program.

(2) Uninsured, Private Activity Bond.

(3) See discussion following table.

Renaissance 88 Housing Corporation. As described in the table above, the Authority expects to originate certain loans to Renaissance 88 Housing Corporation for the acquisition and rehabilitation of an existing affordable housing project known as Village 88 Project (the "**Renaissance 88 Project**"). The total project cost is estimated to be \$22,189,175, including approximately \$9.1 million in renovation costs, which is anticipated to be funded with (i) a tax-exempt Private Activity Bond of the Authority of approximately \$728,742 (eight year term) secured by a FHA Section 236 Interest Reduction Payment ("**IRP**") subsidy; (ii) a FHA Section 542(c) insured loan of approximately \$8.95 million (40 year term) (See **Appendix J** – "FEDERAL INSURANCE PROGRAMS"); and (iii) an uninsured revolving line of credit construction loan of approximately \$2.25 million (two year term). The balance of the total project costs will be funded by the Colorado Coalition for the Homeless (the "**Sponsor**" or "**Borrower**") with equity of \$2,500,000, tax credit equity of \$6,543,000, and other loans.

The Renaissance 88 Project is an existing 180 unit multi-family property located in Thornton, Colorado that was built in 1972 and is currently supported by a Section 8 Housing Assistance Payments ("**HAP**") Contract. See **Appendix K** – "DESCRIPTION OF SECTION 8 SUBSIDY PROGRAM." The units are evenly split as follows: sixty units at 40% AMI; sixty units at 50% AMI; and sixty units at 60% AMI. The units are located in six three-story, walk-up buildings with wood frame construction and masonite siding. Planned rehabilitation consists of kitchen and bathroom remodeling; plumbing repairs; window and window covering replacement; floor covering, interior light fixtures, ventilation/circulation and kitchen appliance replacement; new playground equipment in two playground areas; roof and insulation repair and/or replacement on all buildings; heating system replacement; modification of ten units to be handicap accessible; construction of a 4,500 square foot community building; security system upgrade; asphalt replacement; landscape improvements; and exterior repainting.

The table below identifies the number, type and approximate size of units expected to be offered at the Renaissance 88 Project as renovated:

Renaissance 88 Project

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
18	One bedroom/one bath	525
72	Two bedrooms/one bath	770
72	Three bedrooms/one and a half baths	1,020
18	Four bedrooms/ one and a half baths	1,260

The Low Income Housing Preservation and Resident Homeownership Act of 1991 ("**LIHPRHA**") Use Agreement relating to the Renaissance 88 Project that was entered into in 1995 states that the Section 8 HAP Contract will remain in place for not less than 50 years from the time of the agreement (until 2045). The Borrower expects to continue to renew the Section 8 HAP contract on an annual basis. Section 8 funding is subject to annual Congressional appropriations. See **Appendix K**.

The Borrower for the Renaissance 88 Project is Colorado Coalition for the Homeless ("**CCH**"), the Sponsor of the project. Renaissance 88 Apartments, LLLP (the "**Partnership**") will be the project owner. Renaissance 88 Housing Corporation (the "**Corporation**"), a wholly-owned subsidiary of Renaissance Housing Development Corporation ("**RHDC**"), will be the General Partner. RHDC is a non-profit corporation and is a wholly-owned subsidiary of CCH. CCH is a 501(c)(3) organization established in 1984. It owns, through RHDC, eleven properties consisting of 1,017 units. Renaissance Property Management Corporation (the "**Manager**") is a wholly-owned subsidiary of CCH and will manage the Renaissance 88 Project. Enterprise Social Investment Corporation ("**ESIC**") will serve as Limited Partner and will purchase the tax credits on the project. ESIC is one of the nation's largest tax credit syndicators of Low Income Housing Tax Credit ("**LIHTC**") with investments in affordable housing valued in excess of \$6.0 billion in over 1,300 properties.

Presidential Construction, a wholly-owned subsidiary of Palace Construction, will serve as the General Contractor for the rehabilitation of the Renaissance 88 Project. Palace Construction is one of the largest construction services firms in Denver, Colorado. It is in the process of renovating various projects and has completed renovation work for CCH in the past on the Renaissance at Blue Spruce project. Palace Construction has completed numerous projects throughout Colorado, including LIHTC projects, projects for the Denver Housing Authority, Signature Assisted Living Facilities, Northeast Denver Housing, and Wellspring Assisted Living Facilities.

The following assumptions as to the economic feasibility of the Renaissance 88 Project have been made in the application to the FHA for Section 542(c) insurance:

Assumptions as to the Renaissance 88 Project

Estimated Annual Project Gross Income at Occupancy of 100% (includes Other Income of \$156,000)	\$1,741,440
Estimated Annual Effective Gross Income at Estimated Occupancy of 93%	1,619,539
Estimated Total Annual Project Expenses (including Administrative, Operating, Service, Maintenance, and Taxes)	900,640
Est. Annual Net Operating Income Before Conversion to Perm. Financing (including IRP cash flow)	831,702
Est. Annual Net Operating Income Upon Conversion to Perm. Financing (including IRP cash flow)	857,307
Annual Mortgage Loan Payment (FHA 263 IRP, FHA 542(c), and uninsured line of credit)	782,709

Uninsured Business Loans

The uninsured business loans expected to be originated by the Authority under the business programs described above using proceeds of the 2006 Series A Bonds are listed on the following table:

Uninsured Business Loans Expected to be Originated*

Type of Borrower	Program	Location	Projected Loan Amount*	Loan Interest Rate*	Projected Loan Date*	Series for Funding
1117 Grand LLC	Rural	Glenwood Springs	\$288,000	7.40%	10/18/2006	2006A-1
Black Dog Enterprises	Rural	Montrose	417,000	7.43%	11/29/2006	2006A-1
Haile Freedomia, LLC	Direct	Denver	2,666,000	7.21%	10/12/2006	2006A-1
Horan & McConaty	Direct	Centennial	2,200,000	6.73%	12/31/2006	2006A-1
HVH Enterprises, LLC	Rural	Grand Junction	480,000	6.20%	9/28/2006	2006A-1
I3MG, Inc.	Rural	Steamboat Springs	657,000	6.20%	11/21/2006	2006A-1
Indwell, Inc.	SBA 504	Grand Junction	701,000	7.24%	10/11/2006	2006A-1
OBP, LLC	Rural	Aspen	750,000	6.30%	10/16/2006	2006A-1
Par 4 Properties, LLC	SBA 504	Dacono	490,000	6.40%	10/11/2006	2006A-1
Pro Shop Apparel Association	SBA 504	Denver	360,209	7.14%	12/1/2006	2006A-1
Rocky Mountain Healthcare Services	NPRE	Colorado Springs	607,000	7.51%	11/21/2006	2006A-1
RockyMountainTrail.com	Rural	Buena Vista	360,000	6.20%	12/1/2006	2006A-1
Scott Group	Direct	Henderson	3,442,000	6.87%	10/31/2006	2006A-1
Sixth and Inca	Direct	Lakewood	225,250	7.40%	10/2/2006	2006A-1
Snyder & Walters	Rural	Glenwood Springs	391,000	7.56%	10/2/2006	2006A-1
Spieker Investments Inc.	Direct	Littleton	741,000	6.45%	10/19/2006	2006A-1
Sun Power	NPRE	Denver	897,000	6.55%	10/31/2006	2006A-3
VCC Enterprises, LLC	Rural	Montrose	535,000	6.20%	11/21/2006	2006A-1
Wilcoxson Manufacturing	SBA 504	Longmont	676,500	6.60%	11/15/2006	2006A-1
Wilder, Cody	Rural	Grand Lake	235,000	7.43%	12/1/2006	2006A-1
Elms Blessing	SBA 504	Denver	575,700	7.40%	10/16/2006	2006A-1
Triple J Investments	SBA 504	Pueblo	418,250	7.30%	1/17/2007	2006A-1
Hong's Garden	Rural	Parachute	263,000	7.20%	10/6/2006	2006A-1
Huston (Acuity Services)	Direct	Denver	584,000	7.20%	10/31/2006	2006A-1
Williams (Links Freight Management)	Direct	Grand Junction	1,314,364	7.76%	10/31/2006	2006A-1
Barker Rinker Seacat	SBA 504	Denver	<u>1,085,000</u>	7.65%	3/1/2007	2006A-1
Total			<u>\$21,359,273</u>			

*Subject to change

2006A Authority Project

The 2006A Authority Project is expected to involve the refinancing of the Village of Yorkshire, which is currently owned by the Authority and pledged to secure the Series 1996 Bonds. The amount of proceeds of the 2006 Series A-3 Bonds to be used to refinance the Village of Yorkshire is expected to be approximately \$4,575,508. Upon refunding of the Series 1996 Bonds on November 1, 2006, the Village of Yorkshire will be transferred and pledged as part of the Trust Estate under the Indenture.

Village of Yorkshire is composed of 200 units in ten buildings in Thornton, Colorado. Unit amenities include a patio or balcony, separate dining room, cable ready units, air conditioning and all major appliances including dishwashers and disposals. The table below identifies the number and types of units offered at Village of Yorkshire and their approximate size in square feet:

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
51	One bedroom/one bath	693
49	One bedroom/one bath, with den	737
53	Two bedrooms/one bath	850
31	Two bedrooms/one bath, with den	937
16	Three bedrooms/two baths	1,075

Newcastle Properties, Inc. ("**Newcastle**") handles the management of the property. Newcastle manages a portfolio of 3,000 units at 15 properties located in Colorado with a staff of approximately 120 employees. Over eighty-five percent of the units are currently made available to low-income households at or below sixty percent of the Area Median Income.

APPENDIX G-2

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

The chart included in this Appendix G-2 has been prepared by the Authority to provide, as of June 30, 2006, certain information about the Master Indenture Loan Portfolio and Authority Projects. Information is also provided about the Fund Balances existing under the Master Indenture as of June 30, 2006. In summary, as of June 30, 2006, the Trust Estate included the following:

	<u>Amount (1)(2)</u>	<u>No. of Loans/ Interests/Projects (2)</u>	<u>Total % of Portfolio</u>
Insured Rental Loans	\$240,159,127	68	52.31%
Uninsured Rental Loans (1)	63,476,930	74	13.83%
Uninsured Business Loans	122,470,344	117	26.68%
Participation Interests	11,459,652	30	2.50%
Authority Projects	<u>21,517,092</u>	14	4.69%
Total	<u>\$459,083,145</u>		

- (1) Prior to the end of 2006, the Authority expects to issue approximately \$130 million of its 2006 Series B MultiFamily/Project Bonds to finance two uninsured loans (which will be general obligations of the Authority) to Fort Carson Family Housing, LLC to finance an expansion of the housing facilities at the Fort Carson Army Base in Colorado Springs, Colorado.
- (2) Includes the 2000A and 2002A Loans listed in **Appendix G-1** to be reallocated.

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

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

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

Colorado Housing and Finance Authority
Loan Portfolio Report
As of 06/30/2006

Multi Family Housing Insured Revenue Bonds
2000 SERIES A, 2000 SERIES B, 2001 SERIES A, 2002 SERIES B, 2002 SERIES C, 2003 A, 2004 A, 2005A, and 2005B

<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due Date</u>	<u>Current Balance</u>
M00A	60	134,517.00	3/1/2017	987.04	RF 501(C)3	9/1/2006	84,383.47
M00A	MADISON	621,000.00	12/1/2021	3,340.20	RF 501(C)3	7/1/2006	383,913.98
M00A	CT	855,300.00	6/1/2020	5,192.68	221(D)3	7/1/2006	555,128.56
M00A	ALLISON	1,236,100.00	9/1/2020	7,681.51	221(D)4	7/1/2006	830,150.83
M00A	SUNNYSIDE	938,500.00	12/1/2018	6,562.13	221(D)4	7/1/2006	637,256.29
M00A	VILLAGE	211,404.00	4/1/2022	1,551.21	RAP (RENTAL AC	7/1/2006	166,804.32
M00A	W.H.E.R.E	700,000.00	1/1/2020	5,014.89	RF 501(C)3	7/1/2006	570,107.01
M00A	RIDGE	1,556,700.00	10/4/2021	5,836.32	RAP (RENTAL AC	7/4/2006	617,581.77
M00A	SANDOE	250,000.00	11/1/2019	911.37	RF 501(C)3	8/1/2006	99,629.77
M00A	HOTEL	525,000.00	9/1/2034	2,580.62	RF 501(C)3	7/1/2006	400,096.46
M00A	LOUISIANA	332,600.00	7/1/2023	2,411.58	RF 501(C)3	7/1/2006	271,344.59
M00A	HERITAGE	177,100.00	7/1/2023	1,284.10	RF 501(C)3	7/1/2006	144,482.57
M00A	MADISON	114,842.00	12/1/2021	755.14	RF 501(C)3	7/1/2006	86,847.73
M00A	RANCH	150,000.00	2/1/2022	1,100.65	RF 501(C)3	7/1/2006	100,665.04
M00A	PLACE	769,144.00	4/1/2022	5,576.83	RF 501(C)3	7/1/2006	604,570.17
M00A	VERDE	1,143,429.00	10/1/2023	8,290.66	RAP (RENTAL AC	7/1/2006	939,218.95
M00A	PK	2,153,185.00	5/1/2022	12,412.66	RF 501(C)3	7/1/2006	1,509,683.70
M00A	SAXONY	272,735.00	7/1/2022	1,764.74	RF 501(C)3	7/1/2006	199,074.79
M00A	BELMONT	712,500.00	9/1/2022	4,616.91	RF 501(C)3	7/1/2006	555,095.15
M00A	MESA	1,077,751.00	3/1/2023	7,814.44	RF 501(C)3	7/1/2006	869,640.50
M00A	TOWNHOUSE	153,000.00	11/1/2023	1,122.66	RF 501(C)3	8/1/2006	125,953.63
M00A	HILLS	3,287,357.00	11/1/2023	21,398.91	RF 501(C)3	7/1/2006	2,673,161.54
M00A	RIDGE	1,542,396.00	3/1/2022	11,527.21	RAP (RENTAL AC	7/1/2006	1,236,565.89
M00A	TREE	734,970.00	7/1/2022	1,739.66	RAP (RENTAL AC	7/1/2006	188,570.02
M00A	TREE	194,478.00	11/1/2022	1,427.01	RAP (RENTAL AC	7/1/2006	55,570.08
M00A	PLACE	142,797.00	12/1/2022	1,047.80	RAP (RENTAL AC	7/1/2006	115,000.32
M00A	SHADOWWOOD	220,899.00	7/1/2022	1,620.88	RAP (RENTAL AC	7/1/2006	175,694.30
M00A	GL	247,475.00	6/1/2021	1,794.37	RAP (RENTAL AC	7/1/2006	189,153.69
M00A	BETWEEN	203,000.00	12/1/2024	1,489.54	RF 501(C)3	7/1/2006	172,320.12
M00A	SANDOE	90,000.00	1/1/2025	660.39	RF 501(C)3	8/1/2006	76,397.35
M00A	SMOKEYTRAIL	900,000.00	2/1/2030	5,908.21	RAP (RENTAL AC	7/1/2006	800,044.94
M00A	SANDOE	407,776.00	8/1/2025	2,935.46	RF 501(C)3	8/1/2006	349,183.65
M00A	ANIMAS	159,000.00	4/1/2027	1,017.28	RF 501(C)3	7/1/2006	139,142.73
M00A	CITY OF STERLING	522,000.00	9/1/2026	3,036.76	RF 501(C)3	7/1/2006	465,077.56
M00A	STREET COMPUTERS	4,084,592.00	2/1/2017	34,394.64	CHFA NOTE (CHFA NOTE	8/1/2006	2,982,245.80
M00A	48	1,844,689.00	12/1/2039	10,538.12	221(D)4	7/1/2006	1,762,074.13
M00A	RIDGE ASSOCIATES	407,070.00	4/1/2039	2,354.28	221(D)4	7/1/2006	387,019.22

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M00A	PEAK	225,000.00	3/1/2029	1,496.93	SMART TAX EXEMPT	7/1/2006	202,702.60
M00A	BLUESKY ENTERPRISES	190,000.00	2/1/2029	1,194.69	SMART TAX EXEMPT	10/1/2006	125,289.24
M00A	STREET BUILDING	400,000.00	11/1/2021	17,680.74	CHFA NOTE (CHFA NOTE	11/1/2006	310,977.53
M00A	RIDGE	1,344,740.00	8/1/2039	8,307.84	542(C)	7/1/2006	1,290,406.11
M00A	MANOR	3,550,000.00	7/1/2030	23,618.24	542(C)	7/1/2006	3,294,947.59
M00A	AT LAKEWOOD	834,925.00	3/1/2040	5,037.58	542(C)	7/1/2006	804,463.51
M00A	OFFICE	175,000.00	10/1/2030	1,135.05	SMART TAX EXEMPT	7/1/2006	162,561.03
M00A	NEIGHBORHOOD HOUSING	175,000.00	11/1/2032	1,158.41	SMART TAXABLE	7/1/2006	167,949.42
M00A	HOA	250,000.00	7/1/2032	1,580.17	SMART TAXABLE	6/1/2006	238,230.04
M00A Total							28,116,377.69
M00B	CROSSING III	11,330,000.00	11/1/2042	65,894.58	542(C)	7/1/2006	11,130,650.87
M00B	GARDENS LLC	2,420,000.00	3/1/2031	15,253.55	542(C)	7/1/2006	2,272,938.04
M00B	COLLINS FM	10,008,500.00	3/1/2043	61,832.80	542(C)	7/1/2006	9,839,845.81
M00B	COLUMBINE	4,313,000.00	12/1/2030	28,984.74	542(C)	7/1/2006	4,034,133.60
M00B	RUN APARTMENTS	3,409,175.00	7/1/2043	19,596.08	542(C)	7/1/2006	3,349,523.68
M00B Total							30,627,092.00
M01A	MARTINIQUE	460,000.00	5/1/2026	3,247.94	RF 501(C)3	7/1/2006	398,821.92
M01A	VILLAGE MHA LTD	4,200,000.00	6/1/2031	27,241.12	542(C)	7/1/2006	3,942,779.79
M01A	COALITION FOR	1,294,650.00	3/1/2026	9,142.06	BF EDF	7/1/2006	1,173,235.21
M01A	PARTNERSHIP INC	700,000.00	4/1/2031	4,355.65	SMART TAX EXEMPT	7/1/2006	652,341.71
M01A	EAST HOUSING	7,475,000.00	1/1/2044	45,801.89	542(C)	7/1/2006	7,382,365.42
M01A	MANAGEMENT CO	1,621,000.00	6/1/2031	10,513.78	542(C)	7/1/2006	1,523,668.07
M01A	OF AMERICA	660,000.00	9/1/2021	5,316.92	BF EDF	7/1/2006	578,268.67
M01A	RIDGE TOWNHOMES	6,750,000.00	1/1/2044	40,969.67	542(C)	7/1/2006	6,663,978.38
M01A	PARTNERSHIP INC	924,000.00	9/1/2031	6,023.79	SMART TAXABLE	7/1/2006	871,170.87
M01A	STREET BLDG-2	1,595,920.00	11/1/2022	71,861.01	CHFA NOTE (CHFA NOTE	11/1/2006	1,390,722.20
M01A	RUN APARTMENTS	132,825.00	7/1/2043	763.48	542(C)	7/1/2006	130,500.92
M01A Total							24,707,853.16
M02A	MEADOWS ASSOCIATED	2,614,000.00	5/1/2043	15,397.05	542(C)	7/1/2006	2,567,850.16
M02A	LIMITED PARTNERSHIP	2,112,800.00	7/1/2032	13,773.88	542(C)	7/1/2006	2,016,079.87
M02A	MANOR LLP	5,480,000.00	6/1/2032	32,919.67	542(C)	7/1/2006	5,195,023.13
M02A	LIMITED PARTNERSHIP	360,000.00	4/1/2013	3,960.15	SMART TAX EXEMPT	4/1/2006	265,673.18
M02A	PHASE II	5,650,000.00	6/1/2043	33,078.31	542(C)	8/1/2006	5,535,169.39
M02A	RIDGE SOUTH APTS LLP	4,126,000.00	8/1/2044	23,716.41	221(D)4	7/1/2006	4,079,956.19
M02A	PARK	1,576,300.00	8/1/2018	10,373.18	221(D)3	7/1/2006	991,415.29
M02A	I	1,225,300.00	6/1/2017	7,837.90	221(D)4	7/1/2006	711,526.97
M02A	MARCELLA	4,442,900.00	8/1/2019	28,419.99	221(D)4	7/1/2006	2,763,471.68

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M02A	SILVERLEAF	1,429,500.00	8/1/2018	9,144.11	221(D)3	7/1/2006	854,361.79
M02A	NIBLOCK	260,138.00	10/1/2026	1,653.50	221(D)4	7/1/2006	218,869.14
M02A	HANIGAN	445,200.00	11/1/2019	2,938.80	221(D)4	7/1/2006	319,835.14
M02A	A.C.E.S.S	222,963.00	11/1/2019	1,630.00	221(D)3	6/1/2006	156,777.63
M02A	TANGLEWOOD	3,024,980.00	4/1/2028	20,938.18	RAP (RENTAL AC	7/1/2006	2,641,809.99
M02A	PARTNERSHIP	370,006.00	4/1/2019	1,890.18	SMART TAX EXEMPT	7/1/2006	321,698.24
M02A	RURAL	286,000.00	12/1/2030	1,854.99	SMART TAX EXEMPT	8/1/2006	263,198.46
M02A	CITY OF STERLING	893,000.00	4/1/2031	5,556.56	SMART TAX EXEMPT	7/1/2006	832,201.95
M02A	CENTER	250,000.00	8/1/2031	1,580.17	SMART TAX EXEMPT	6/1/2006	235,867.56
M02A	COUNTY SENIOR	256,300.00	2/1/2032	1,603.17	SMART TAX EXEMPT	8/1/2006	241,797.18
M02A Total							30,212,582.94
MF02B	HOUSING PRESERVATION	58,500,000.00	7/1/2003	-	SPEC NEED	6/1/2006	5,905,205.73
MF02B Total							5,905,205.73
MF02C	APTS LLC	4,200,000.00	1/1/2038	25,230.40	542(C)	5/1/2006	4,085,126.94
MF02C	LLL	16,210,000.00	9/1/2032	99,084.43	542(C)	6/1/2006	15,489,684.40
MF02C	CLUB APARTMENTS	4,903,825.00	1/1/2035	33,452.73	542(C)	7/1/2006	4,835,552.06
MF02C	FOUNTAIN SPRINGS	15,587,500.00	2/1/2044	88,496.41	221(D)4	7/1/2006	15,359,255.30
MF02C	SOUTHGATE PARTNERS	2,841,000.00	1/1/2033	18,050.57	542(C)	7/1/2006	2,724,483.24
MF02C	VILLAGE ASSOCIATES L	4,700,000.00	10/1/2033	29,398.78	542(C)	7/1/2006	4,549,276.88
MF02C	HOUSING LP	2,475,000.00	1/1/2034	14,838.88	542(C)	7/1/2006	2,398,313.21
MF02C	HOUSING LP	3,050,000.00	1/1/2034	18,286.29	542(C)	7/1/2006	2,955,497.30
MF02C	HOUSING LP	815,000.00	1/1/2034	4,886.34	542(C)	7/1/2006	789,747.50
MF02C	HOUSING LP	2,200,000.00	12/1/2033	13,190.11	542(C)	7/1/2006	2,129,303.24
MF02C	HOUSING LP	10,200,000.00	7/1/2033	61,154.15	542(C)	7/1/2006	9,812,666.06
MF02C	HOUSING LP	1,860,000.00	10/1/2033	11,151.64	542(C)	7/1/2006	1,795,917.29
MF02C	HOUSING LP	12,691,300.00	9/1/2033	76,090.76	542(C)	7/1/2006	12,239,225.13
MF02C	HOUSING LP	2,606,000.00	1/1/2034	15,624.29	542(C)	7/1/2006	2,525,254.29
MF02C	HOUSING LP	3,175,000.00	10/1/2033	19,035.73	542(C)	7/1/2006	3,065,611.47
MF02C	HOUSING A MAINE LTD	1,596,100.00	7/1/2033	9,569.43	542(C)	7/1/2006	1,535,489.68
MF02C	HOUSING LP	2,700,000.00	11/1/2033	16,187.86	542(C)	7/1/2006	2,610,114.16
MF02C	HOUSING LP	3,400,000.00	1/1/2034	20,384.72	542(C)	7/1/2006	3,294,652.66
MF02C	HOUSING LP	2,070,000.00	10/1/2033	12,410.70	542(C)	7/1/2006	2,001,087.29
MF02C	HOUSING LP	2,036,000.00	12/1/2033	12,206.85	542(C)	7/1/2006	1,970,573.27
MF02C	HOUSING LP	1,140,000.00	1/1/2034	6,834.88	542(C)	7/1/2006	1,104,677.54
MF02C	HOUSING LP	3,408,000.00	10/1/2033	20,432.68	542(C)	7/1/2006	3,290,584.02
MF02C	HOUSING LTD	2,040,000.00	9/1/2033	12,230.83	542(C)	7/1/2006	1,967,345.36
MF02C	SENIOR I LP	3,701,159.00	6/1/2045	21,405.56	542(C)	7/1/2006	3,680,569.42

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MF02C	POINT INVESTMENT GRO	2,300,000.00	1/1/2034	13,789.66	542(C)	7/1/2006	2,228,735.70
MF02C	RIDGE PARTNERS LLC	3,942,000.00	4/1/2044	22,658.77	542(C)	7/1/2006	3,891,996.54
MF02C	HOUSING LP	586,000.00	1/1/2012	6,354.13	HOF CHFA	7/1/2006	413,892.33
MF02C	VALLEY LLLP	4,260,960.00	10/1/2045	24,492.17	542(C)	7/1/2006	4,245,112.10
MF02C	VETERINARY	772,400.00	5/1/2022	6,217.68	BF SBA 504	7/1/2006	691,393.88
MF02C	PROPERTIES LLC	571,500.00	2/1/2023	4,342.08	BF SBA 504	7/1/2006	520,881.85
MF02C	LE VALLEY	498,750.00	11/30/2031	39,703.70	BF QAL	11/30/2006	453,530.23
MF02C	VALLEY HOSPITAL	806,495.00	2/15/2027	5,779.25	BF B&I BUSINESS	8/15/2006	743,399.06
MF02C	COUNTY HOUSING	218,100.00	9/1/2033	1,378.54	SMART TAX EXEMPT	8/1/2006	210,761.14
MF02C	COMPANY	581,100.00	12/1/2032	3,769.00	SMART TAXABLE	8/1/2006	556,838.43
MF02C	HOTEL APTS	504,200.00	12/1/2032	3,120.86	SMART TAX EXEMPT	7/1/2006	482,000.32
MF02C	ZETA	5,650,000.00	5/1/2034	34,421.39	542(C)	7/1/2006	5,543,829.54
MF02C	ZETA	1,249,000.00	4/1/2019	10,546.00		5/1/2006	1,105,631.90
MF02C	COMMUNITY FOUNDATION	1,310,000.00	6/1/2039	7,469.49	SMART TAX EXEMPT	7/1/2006	1,292,726.66
MF02C	HOUSING LP	360,000.00	12/1/2007	6,959.81	HOF CHFA	7/1/2006	193,441.26
MF02C	HOUSING LP	105,000.00	11/1/2008	2,029.94	HOF CHFA	7/1/2006	54,672.66
MF02C	HOUSING LP	25,000.00	1/1/2009	483.32	HOF CHFA	7/1/2006	13,847.51
MF02C	HOUSING LP	113,000.00	12/1/2008	2,184.61	HOF CHFA	7/1/2006	60,718.93
MF02C Total							128,913,417.75
MF03A	PARK	9,354,400.00	3/1/2028	62,404.43	RAP (RENTAL AC	7/1/2006	8,098,274.71
MF03A	APARTMENTS	3,248,400.00	4/1/2028	18,328.08	223(F)	7/1/2006	2,800,272.35
MF03A	TANGLEWOOD	375,020.00	4/1/2028	2,595.80	RAP (RENTAL AC	7/1/2006	327,516.74
MF03A	HOUSING	257,000.00	9/1/2021	1,731.68	BF EDF	7/1/2006	206,610.37
MF03A	NEUGER	99,000.00	11/1/2016	859.15	BF EDF	7/1/2006	71,096.06
MF03A	INC	628,000.00	2/1/2019	3,078.07	BF EDF	7/1/2006	304,857.65
MF03A	MOUNTAIN HEALTH CARE	380,470.00	12/1/2018	3,182.40	BF EDF	8/1/2006	299,991.46
MF03A	EMPOWERMENT	272,500.00	8/1/2019	2,195.24	BF EDF	7/1/2006	219,224.90
MF03A	BEYE-LOTZ	392,000.00	9/1/2020	2,989.62	BF EDF	8/1/2006	330,418.86
MF03A	MANDERLEY	250,000.00	7/15/2020	2,209.28	BF SBA 504	5/15/2006	212,455.92
MF03A	SILVERTON RR	126,000.00	1/1/2013	1,103.17	BF EDF	7/1/2006	20,585.67
MF03A	KIMBLE LLC	519,750.00	4/1/2021	3,801.40	BF SBA 504	7/1/2006	447,373.33
MF03A	MOUNTAIN HEALTH CARE	168,300.00	3/1/2021	1,459.48	BF EDF	8/1/2006	146,639.67
MF03A	STATE PAVING	140,000.00	7/1/2021	1,214.07	BF SBA 504	7/1/2006	123,519.84
MF03A	LLC	178,500.00	7/1/2021	1,422.88	BF SBA 504	7/1/2006	156,148.09
MF03A	OF NORTHERN COLORADO	399,000.00	7/1/2026	2,772.36	BF EDF	8/1/2006	359,094.62
MF03A	JONES	100,000.00	10/1/2021	835.82	BF SBA 504	6/1/2006	88,748.99
MF03A	CRANE	79,000.00	1/1/2022	635.94	BF SBA 504	7/1/2006	69,953.30
MF03A	DEVLIN	183,500.00	6/1/2021	1,178.01	SMART TAXABLE	7/1/2006	167,576.56
MF03A	HOTEL & LODGING	410,500.00	9/1/2026	3,033.56	BF EDF	7/1/2006	378,490.83

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MF03A	STAVELY	215,010.00	3/1/2026	19,372.24	BF QAL	3/1/2007	133,107.51
MF03A	HOUSING ASSIST CORP	250,000.00	9/1/2021	1,882.93	BF EDF	7/1/2006	218,406.45
MF03A	THOMPSON II	251,421.00	7/26/2031	22,033.83	BF QAL	7/26/2006	241,360.92
MF03A	UP CORP	382,579.00	8/2/2031	3,150.00	BF QIC	6/2/2006	197,641.15
MF03A	RICHIE	196,843.00	7/1/2016	1,876.38	BF QAL	11/1/2006	163,094.45
MF03A	INN MOTEL	617,320.00	8/7/2026	6,116.00	BF QIC	6/7/2006	570,818.06
MF03A	SCHLAGER	259,020.00	3/1/2031	21,237.95	BF QAL	3/1/2008	234,404.47
MF03A	MEADOWS AFFORDABLE	1,860,000.00	5/1/2032	11,879.05	SMART TAXABLE	7/1/2006	1,768,511.50
MF03A	GARD	99,450.00	2/1/2022	786.03	BF SBA 504	7/1/2006	82,457.63
MF03A	HINKLE	190,000.00	2/1/2022	1,238.66	SMART TAXABLE	7/1/2006	180,426.97
MF03A	TATE	209,700.00	3/1/2026	16,742.96	BF QAL	3/1/2007	181,974.42
MF03A	HAMACHER	284,400.00	2/1/2027	24,758.96	BF QAL	2/1/2007	266,609.47
MF03A	AUTO PARTS INC	524,089.00	3/5/2027	3,673.52	BF QIC	7/5/2006	489,302.70
MF03A	PERDUE	75,960.00	3/1/2022	7,268.73	BF QAL	3/1/2009	59,492.97
MF03A	FORK COMPUTER SOCIET	225,225.00	3/1/2023	1,744.82	BF EDF	7/1/2006	206,332.51
MF03A	RUBBER COMPANY	846,000.00	1/1/2023	6,307.55	BF EDF	7/1/2006	766,661.36
MF03A	MOUNTAIN SCHOOL OF A	6,900,000.00	1/1/2029	50,319.08	BF SBA 504	7/1/2006	6,643,494.77
MF03A	GRIFFIN	175,500.00	1/15/2023	19,225.40	BF QAL	1/15/2008	160,284.00
MF03A	AMERICAN RESEARCH	96,287.00	5/1/2028	664.65	BF EDF	7/1/2006	91,209.89
MF03A	INDUSTRIES INC	1,000,000.00	6/1/2033	5,995.51	BF EDF	7/1/2006	959,942.70
MF03A	SIRCY	144,450.00	1/15/2023	15,595.85	BF QAL	1/15/2007	126,366.95
MF03A	FULLMER	200,000.00	5/1/2023	1,432.86	BF EDF	7/1/2006	182,388.05
MF03A	ENTERPRISES LLC	584,551.00	12/5/2031	3,662.86	BF B&I BUSINESS	7/5/2006	563,944.88
MF03A	MARTIN	540,242.00	7/18/2031	3,445.64	BF B&I BUSINESS	7/18/2006	515,062.71
MF03A	PARK COURT LLC	315,000.00	7/1/2023	2,346.70	BF EDF	6/1/2006	291,066.88
MF03A	AKERS	180,000.00	2/20/2028	14,526.97	BF QAL	2/20/2007	170,669.77
MF03A	ENTERPRISES LLC	788,384.00	3/24/2023	5,950.60	BF B&I BUSINESS	5/24/2006	722,178.75
MF03A	FINDLEY	195,300.00	1/1/2011	34,699.58	BF QAL	1/1/2005	190,870.48
MF03A	FINDLEY	351,000.00	1/1/2023	30,689.56	BF QAL	1/1/2006	351,000.00
MF03A	SAYLES	225,000.00	1/15/2018	25,064.60	BF QAL	1/15/2007	187,088.85
MF03A	SIRCY	225,000.00	1/15/2024	24,274.80	BF QAL	1/15/2008	191,999.41
MF03A	BRACHTENBACH	90,000.00	1/15/2010	12,780.00	BF QAL	1/15/2008	66,824.16
MF03A	LEONARD	324,000.00	12/31/2022	28,252.58	BF QAL	12/31/2006	289,514.56
MF03A	HOLDINGS LLC	3,535,000.00	12/1/2023	26,356.01	BF SBA 504	7/1/2006	3,300,882.22
MF03A	HOLDINGS LLC	826,000.00	4/1/2024	6,158.43	BF SBA 504	7/1/2006	779,111.57
MF03A	HOLDINGS LLC	450,000.00	5/23/2033	33,716.49	BF QAL	5/23/2007	432,701.92
MF03A	KNOTT	540,000.00	3/15/2028	43,686.00	BF QAL	3/15/2007	507,479.21
MF03A	MCARTHUR	684,000.00	8/1/2033	4,122.94	SMART TAXABLE	7/1/2006	659,039.88
MF03A	COMPANY LLC	1,200,000.00	2/1/2009	8,597.17	BF EDF	7/1/2006	1,122,151.05
MF03A	HOUSING PRESERVATION						

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<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due Date</u>	<u>Current Balance</u>
MF03A	BUILDINGS LLC	437,500.00	12/1/2025	3,172.36	BF SBA 504	7/1/2006	431,846.97
MF03A	BUILDINGS LLC	332,500.00	12/1/2025	2,411.00	BF SBA 504	7/1/2006	328,203.66
MF03A	VET CLINIC LLC	484,000.00	9/1/2025	3,509.54	BF CHFA DIRECT	7/1/2006	474,546.50
MF03A	RIDGE PROPERTIES LLC	94,050.00	11/1/2025	681.97	BF CHFA DIRECT	7/1/2006	87,617.84
MF03A	INVESTMENTS LLC	166,504.00	1/1/2026	1,207.34	BF SBA 504	7/1/2006	164,715.73
MF03A	INVESTMENTS LLC	578,000.00	3/1/2026	4,224.77	BF CHFA DIRECT	8/1/2006	573,104.50
MF03A	FOWLER	297,000.00	5/1/2026	2,162.21	BF CHFA RURAL	7/1/2006	296,264.18
MF03A	COLLISION CENTER INC	113,400.00	6/1/2026	825.57	BF CHFA RURAL	7/1/2006	113,400.00
MF03A	LLC	483,750.00	6/1/2026	3,521.78	BF CHFA RURAL	7/1/2006	483,750.00
MF03A Total							42,048,174.50
MF04A	COOPER'S	182,700.00	11/1/2016	1,545.42	BF SBA 504	7/1/2006	132,274.15
MF04A	DURO	1,107,720.00	1/1/2017	9,966.44	BF SBA 504	6/1/2006	818,110.63
MF04A	CO	234,000.00	7/1/2017	2,165.93	BF SBA 504	5/1/2006	180,069.50
MF04A	96TH STREET	355,500.00	8/1/2017	3,124.57	BF SBA 504	7/1/2006	271,155.00
MF04A	CHILD REUNION	95,670.00	12/1/2017	721.42	BF SBA 504	6/1/2006	69,507.02
MF04A	CREEKS RESIDENCES	935,000.00	1/1/2035	5,909.84	SMART TAX EXEMPT	7/1/2006	919,990.78
MF04A	ZAPIEN DDS INC	181,900.00	6/1/2022	1,443.62	BF SBA 504	5/1/2006	163,766.09
MF04A	O'TOOLE	1,190,000.00	2/1/2022	9,477.71	BF CHFA DIRECT	7/1/2006	1,056,436.45
MF04A	ANDERSON	700,000.00	5/1/2022	5,532.63	BF CHFA DIRECT	2/1/2006	634,526.70
MF04A	CONTAINMENT SYSTEMS	1,000,000.00	1/28/2023	7,604.00	BF CHFA DIRECT	6/28/2006	914,149.25
MF04A	RESOURCE CENTER	1,207,500.00	12/1/2022	9,624.43	BF EDF	7/1/2006	1,099,733.11
MF04A	SCHRAGE	1,700,000.00	3/1/2018	15,137.87	BF CHFA DIRECT	7/1/2006	1,463,351.89
MF04A	HOLDINGS LLC	2,976,546.00	6/1/2024	23,059.27	BF SBA 504	7/1/2006	2,829,641.99
MF04A	TRI CITY ETC LLC	2,879,500.00	10/1/2024	21,980.36	BF SBA 504	7/1/2006	2,759,926.41
MF04A	CANDIES SINCE 1920	280,000.00	5/1/2012	6,222.19	BF CHFA DIRECT	7/1/2006	366,957.76
MF04A	GROUP PROPERTIES LLC	396,000.00	3/1/2024	2,894.48	BF CHFA DIRECT	7/1/2006	371,947.45
MF04A	PARK PROFESSIONAL	527,295.00	9/1/2024	4,037.62	BF SBA 504	7/1/2006	504,341.05
MF04A	SPRINGS INN & SUITES	1,650,000.00	5/20/2028	10,823.43	BF B&I BUSINESS	8/20/2006	1,235,726.55
MF04A	SHERMAN MD	450,000.00	10/1/2023	3,141.42	BF EDF	7/1/2006	414,629.27
MF04A	AND CONSUMER FOUND	1,125,000.00	2/1/2029	7,951.27	BF NON PROFIT	7/1/2006	1,082,891.56
MF04A	AGENCY INC	487,296.00	12/1/2023	3,822.00	BF CHFA DIRECT	6/1/2006	456,921.32
MF04A	HOUSING AUTHORITY	528,100.00	11/1/2033	3,081.85	SMART TAX EXEMPT	8/1/2006	508,894.59
MF04A	PEARL LLC	182,695.00	2/1/2024	1,429.62	BF CHFA DIRECT	7/1/2006	172,200.80
MF04A	INC	199,295.00	3/1/2024	1,522.48	BF CHFA DIRECT	7/1/2006	187,907.07
MF04A	PLAZA INVESTMENT	1,170,000.00	11/1/2034	7,165.89	542(C)	7/1/2006	1,147,564.25
MF04A	HOUSING AUTHORITY	452,800.00	12/1/2033	2,642.42	SMART TAX EXEMPT	9/1/2006	433,523.93
MF04A	SENIOR I LP	5,776,841.00	6/1/2045	33,410.22	542(C)	7/1/2006	5,744,704.38
MF04A	COUNTY HOUSING AUTHO	1,100,000.00	1/1/2034	6,772.89	SMART TAX EXEMPT	7/1/2006	1,067,417.91
MF04A	COMMUNITY CENTERS	6,200,000.00	12/1/2023	45,137.05	BF NON PROFIT	7/1/2006	5,806,320.56

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<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due Date</u>	<u>Current Balance</u>
MF04A	PROPERTIES LLC	375,000.00	6/1/2024	2,842.45	BF SBA 504	7/1/2006	355,528.47
MF04A	ARK INC	3,200,000.00	10/1/2029	22,109.17	BF NON PROFIT	7/1/2006	3,113,273.10
MF04A	UTE APTS LLLP	651,600.00	3/1/2034	4,054.49	SMART TAXABLE	7/1/2006	633,827.86
MF04A	HOUSING AUTHORITY	676,700.00	3/1/2034	3,949.04	SMART TAX EXEMPT	8/1/2006	655,576.41
MF04A	SILVERTON	16,500,000.00	12/1/2024	129,414.16	BF B&I BUSINESS	7/1/2006	15,910,419.16
MF04A	LLC	476,000.00	6/1/2024	3,639.17	BF CHFA DIRECT	7/1/2006	452,058.46
MF04A	PLAINS HOTEL INC	248,500.00	7/1/2024	1,639.99	BF CHFA RURAL	6/1/2006	234,601.02
MF04A	SITES HOLDINGS LLC	902,140.00	3/1/2025	6,620.31	BF CHFA DIRECT	8/1/2006	869,725.36
MF04A	ROAD REDEVELOPMENT	1,264,000.00	10/1/2024	7,906.39	SMART TAXABLE	7/1/2006	1,239,479.61
MF04A	ROAD REDEVELOPMENT	2,173,000.00	10/1/2024	13,592.24	SMART TAXABLE	7/1/2006	2,130,845.79
MF04A	HOUSING CORP	1,229,900.00	5/1/2034	7,413.45	SMART TAX EXEMPT	7/1/2006	1,197,675.30
MF04A	CURVE LLC	2,182,500.00	6/25/2024	12,689.39	BF B&I BUSINESS	6/25/2006	1,656,262.26
MF04A	ELLIOTT	107,420.00	2/1/2011	19,235.84	BF QAL	2/1/2007	88,380.05
MF04A	ELLIOTT	313,580.00	2/1/2026	26,018.79	BF QAL	2/1/2007	268,562.25
MF04A	RANGE REGIONAL	900,000.00	6/1/2024	6,657.28	BF NON PROFIT	7/1/2006	852,581.35
MF04A	LLC	147,050.00	12/1/2024	1,088.59	BF CHFA DIRECT	6/1/2006	141,671.17
MF04A	INVESTMENT PROPRTIE	328,882.00	12/1/2024	2,597.41	BF CHFA DIRECT	7/1/2006	317,260.57
MF04A	HOLDINGS OF STEAMBOA	394,000.00	12/1/2024	2,872.97	BF CHFA DIRECT	7/1/2006	378,369.35
MF04A	NORTH LLC & HERON 25	251,416.00	11/1/2024	1,991.70	BF CHFA DIRECT	7/1/2006	242,052.64
MF04A	BUYERS GROUP LLC	646,000.00	11/1/2024	5,082.37	BF CHFA DIRECT	8/1/2006	620,334.57
MF04A	BUSTILLOS	262,000.00	1/1/2025	2,061.27	BF CHFA DIRECT	7/1/2006	253,232.58
MF04A	COMPANY	432,000.00	11/1/2024	3,530.52	BF CHFA DIRECT	7/1/2006	365,686.03
MF04A	LLC	430,000.00	12/1/2024	3,448.29	BF CHFA DIRECT	8/1/2006	414,277.23
MF04A	HOLDING CORP	550,000.00	11/1/2024	3,972.17	BF CHFA DIRECT	8/1/2006	525,219.77
MF04A	INVESTMENT GROUP	759,694.00	5/1/2025	6,096.84	BF SBA 504	7/1/2006	741,064.78
MF04A	HOUSING PRESERVATION	4,000,000.00	11/1/2044	23,418.27	542(C)	7/1/2006	3,965,046.24
MF04A	LLC	865,000.00	12/1/2024	6,936.68	BF CHFA DIRECT	8/1/2006	833,371.57
MF04A	LLC	450,000.00	12/1/2024	3,608.68	BF CHFA DIRECT	8/1/2006	433,545.85
MF04A	LLC	775,000.00	12/1/2024	6,214.95	BF CHFA DIRECT	8/1/2006	746,662.29
MF04A	PROPERTIES LLC	228,916.00	2/1/2025	1,607.18	BF CHFA RURAL	7/1/2006	220,451.28
MF04A	BRAD DVM	1,851,000.00	2/1/2025	14,129.41	BF CHFA DIRECT	7/1/2006	1,790,211.28
MF04A	LUPTON HOUSING	1,100,000.00	4/1/2021	7,010.72	SMART TAXABLE	7/1/2006	1,085,793.86
MF04A	ENTERPRISES LLC	500,000.00	7/1/2025	3,654.64	BF CHFA DIRECT	8/1/2006	486,839.35
MF04A	SOUTH COLO BLVD LLC	2,167,500.00	10/1/2025	16,545.38	BF CHFA DIRECT	7/1/2006	2,132,712.85
MF04A	LLC	315,000.00	11/1/2025	2,284.10	BF CHFA DIRECT	7/1/2006	310,239.24
MF04A Total							78,477,426.37

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<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due Date</u>	<u>Current Balance</u>
MF05A	RIO GRAND	4,475,000.00	11/1/2026	27,470.99	542(C)	7/1/2006	3,875,300.43
MF05A	STEAMBOAT	6,629,200.00	11/1/2036	37,230.22	542(C)	7/1/2006	6,234,110.61
MF05A	ACADEMY OF FAMILY	175,140.00	6/1/2024	1,305.80	BF NON PROFIT	8/1/2006	165,606.70
MF05A	PRESCHOOL INC	1,400,000.00	8/1/2035	8,711.30	BF NON PROFIT	7/1/2006	1,386,203.68
MF05A	LLC	776,850.00	10/1/2025	5,819.46	BF SBA 504	7/1/2006	764,025.19
MF05A	DEMICELL	161,500.00	12/1/2024	1,272.51	BF CHFA DIRECT	7/1/2006	155,874.52
MF05A	BUCK	191,250.00	1/1/2025	1,480.46	BF CHFA DIRECT	8/1/2006	184,287.70
MF05A	VALLEY WOMEN'S CENTE	556,204.00	2/1/2025	4,305.57	BF CHFA DIRECT	7/1/2006	538,311.18
MF05A	LLC	250,000.00	5/1/2025	1,927.76	BF CHFA DIRECT	8/1/2006	242,963.52
MF05A	2D LLC	1,872,604.00	5/1/2025	14,294.33	BF CHFA DIRECT	7/1/2006	1,822,555.52
MF05A	CREEK INVESTMENTS	448,250.00	8/1/2025	3,121.55	BF SBA 504	7/1/2006	437,922.66
MF05A	REAL ESTATE CO LLC	1,224,000.00	9/1/2025	9,161.88	BF CHFA DIRECT	7/1/2006	1,201,178.32
MF05A	CITY SENIOR HOUSING	2,900,000.00	1/1/2025	18,044.84	SMART TAXABLE	7/1/2006	2,852,122.15
MF05A	LLC	442,900.00	5/1/2025	3,380.83	BF CHFA DIRECT	7/1/2006	431,179.83
MF05A	COURT ASSOC	800,000.00	2/1/2035	5,162.22	SMART TAXABLE	7/1/2006	788,392.75
MF05A	HOUSING COLORADO VII	700,000.00	4/1/2025	4,633.64	SMART TAXABLE	7/1/2006	691,574.80
MF05A	AMBUUL	1,112,000.00	6/1/2026	8,548.05	BF CHFA DIRECT	7/1/2006	1,112,000.00
MF05A	LOUSBERG LLC	105,158.00	6/1/2025	799.58	BF SBA 504	7/1/2006	102,582.48
MF05A	VILLAGE AT PUEBLO	1,200,000.00	6/1/2025	7,983.63	SMART TAXABLE	7/1/2006	1,187,810.28
MF05A	POINTE LLLP	2,000,000.00	4/1/2021	12,879.04	SMART TAXABLE	7/1/2006	1,974,655.80
MF05A	EXPERIENCE INC	19,075,000.00	5/1/2025	136,659.22	BF NON PROFIT	7/1/2006	18,521,905.40
MF05A	VALLEY LLLP	3,659,040.00	10/1/2045	21,032.31	542(C)	7/1/2006	3,645,430.83
MF05A	LLC	1,000,000.00	5/1/2026	7,723.01	BF CHFA DIRECT	7/1/2006	998,068.66
MF05A	REAL ESTATE HOLDING	419,000.00	3/1/2026	3,099.33	BF CHFA DIRECT	7/1/2006	416,392.16
MF05A	AND CANTERBURY	2,896,000.00	8/1/2026	16,290.00	SMART TAXABLE	7/1/2006	2,896,000.00
MF05A	10 AVE RESIDENCES	1,400,000.00	2/1/2023	8,547.93	SMART TAXABLE	7/1/2006	1,397,755.83
MF05A	GREENS ASSOC	1,700,000.00	12/1/2023	10,445.09	SMART TAXABLE	7/1/2006	1,690,157.48
MF05A	SQUARE OWNERSHIP	2,850,000.00	2/1/2026	18,961.12	SMART TAXABLE	7/1/2006	2,840,573.43
MF05A	TOWN CO LLC	441,000.00	1/1/2026	3,159.46	BF CHFA DIRECT	7/1/2006	436,179.74
MF05A	VILLAGE APARTMENTS L	1,600,000.00	4/1/2023	9,083.83	SMART TAXABLE	7/1/2006	1,598,495.09
MF05A Total							60,589,616.74
MF05B	HOUSING PRESERVATION	3,700,000.00	10/1/2040	21,346.08	542(C)	7/1/2006	3,681,962.55
MF05B	HOUSING PRESERVATION	599,800.00	10/1/2040	3,706.46	542(C)	7/1/2006	597,254.65
MF05B	HOLDING CORP	750,000.00	3/1/2026	5,451.41	BF CHFA DIRECT	8/1/2006	745,208.68
MF05B	ASSOC LLC	2,449,000.00	10/1/2025	17,800.66	BF CHFA DIRECT	7/1/2006	2,406,737.61
MF05B	REAL ESTATE HOLDING	1,000,000.00	3/1/2026	7,396.98	BF CHFA DIRECT	7/1/2006	993,775.98
MF05B	CHAPTER LLC	1,040,000.00	11/1/2025	8,000.80	BF CHFA DIRECT	7/1/2006	1,025,608.03
MF05B	INVESTMENTS LLC	750,000.00	11/1/2025	5,516.99	BF CHFA DIRECT	7/1/2006	738,900.41
MF05B	PROPERTIES LLC	750,000.00	12/1/2025	5,547.73	BF CHFA DIRECT	7/1/2006	740,588.92

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<u>Bond Issue</u>	<u>Borrower</u>	<u>Note Amount</u>	<u>Loan Matures</u>	<u>PI Amount</u>	<u>Loan Subtype</u>	<u>Next Due Date</u>	<u>Current Balance</u>
MF05B	BROADWAY LLLP	1,110,000.00	9/1/2025	7,089.11	SMART TAXABLE	7/1/2006	1,100,945.64
MF05B	MANSION LLC	1,105,000.00	11/1/2025	8,336.45	BF CHFA DIRECT	7/1/2006	1,089,249.73
MF05B	LLC	1,500,000.00	4/1/2026	11,405.46	BF CHFA DIRECT	7/1/2006	1,493,477.12
MF05B	PLAZA PARTNERS RLLLP	2,148,800.00	6/1/2037	-	SMART TAXABLE	7/1/2006	1,083,808.56
MF05B	POINTE LLLP	1,673,077.00	2/1/2022	10,095.57	SMART TAXABLE	7/1/2006	1,666,440.82
MF05B	LLC	1,147,500.00	3/1/2026	8,951.74	BF CHFA DIRECT	7/1/2006	1,140,916.84
MF05B	INVESTMENT GROUP LLL	2,450,000.00	5/1/2036	15,085.07	SMART TAXABLE	7/1/2006	2,447,675.35
MF05B	VIEW PLAZA INVESTMEN	2,570,000.00	5/1/2036	15,823.93	SMART TAXABLE	7/1/2006	2,567,561.49
MF05B	CHFA	6,000,000.00	11/1/2035	33,132.22	RAP (RENTAL AC	7/1/2006	5,965,286.49
MF05B Total							29,485,398.87

As of June 30, 2006, the following balances were held in the respective subaccounts under the Master Indenture:

<u>Accounts</u>	<u>Amounts on Deposit (as of June 30, 2006) (1)</u>
2003 Series A Loan Recycling	\$ 75,414
2005 Series A Taxable Loan Recycling	3,361,619
2005 Series B Taxable Loan Recycling	2,684,581
2005 Series B AMT Loan Recycling	<u>796,743</u>
Total	<u>\$6,918,357</u>

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

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APPENDIX H

Certain Terms of the Initial 2006A Liquidity Facilities

This Appendix contains a brief summary of certain provisions of the Initial 2006A-1/A-2 Liquidity Facility and Initial 2006A-3 Liquidity Facility among the Authority, the Trustee and the 2006A Liquidity Facility Provider, as well as certain defined terms used therein. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial 2006A Liquidity Facilities are qualified by reference to the related documents. The Initial 2006A Liquidity Facilities may be amended at any time without the consent of or notice to Bondholders. Any Alternate Liquidity Facility may have terms substantially different from those of the Initial 2006A Liquidity Facilities.

Alternate Liquidity Facility

The Authority may replace the Initial 2006A Liquidity Facilities with a new Liquidity Facility (an "**Alternate Liquidity Facility**") in accordance with the procedures set forth in the Indenture. See "Part II – SECURITY FOR THE OBLIGATIONS – Liquidity Facilities."

*For information regarding the 2006A Liquidity Facility Provider, see **Appendix I**.*

Initial 2006A-1/A-2 Liquidity Facility

Pursuant to the Initial 2006A-1/A-2 Liquidity Facility, the 2006A Liquidity Facility Provider will agree, subject to the terms and conditions therein, to purchase the Taxable 2006 Series A-1 Bonds and 2006 Series A-2 Bonds (together, the "**2006 Series A-1/A-2 Bonds**") solely for purposes of this **Appendix H** which 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 2006A-1/A-2 Liquidity Facility will expire October 4, 2014, unless extended or 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, in each case, as of such day.

"Available Interest Commitment" means an amount equal to 183 days' interest on the Available Principal Commitment for the 2006 Series A-1/A-2 Bonds based upon an assumed rate of interest of (a) 12.00% per annum in the case of the Taxable 2006 Series A-1 Bonds, and (b) 10.00% per annum in the case of the 2006 Series A-2 Bonds, and a 360-day year comprised of twelve 30-day months, as such amount shall be adjusted from time to time as follows:

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

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

"Available Principal Commitment" means initially the principal amount of the 2006 Series A-1/A-2 Bonds Outstanding (as detailed on the cover page hereof) and, thereafter, means such initial amount adjusted from time to time as follows:

(a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the Initial 2006A-1/A-2 Liquidity Facility;

(b) downward by the principal amount of any 2006 Series A-1/A-2 Bonds purchased by the 2006A Liquidity Facility Provider pursuant to the Initial 2006A-1/A-2 Liquidity Facility; and

(c) upward by the principal amount of any 2006 Series A-1/A-2 Bonds theretofore purchased by the 2006A Liquidity Facility Provider pursuant to the Initial 2006A-1/A-2 Liquidity Facility which are remarketed (or deemed to be remarketed) pursuant to such Initial 2006A-1/A-2 Liquidity Facility by the Remarketing Agent and for which the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon;

provided, however, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed the original principal amount of such 2006 Series A-1/A-2 Bonds. Any adjustment to the Available Principal Commitment as described in clause (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

"Commitment Period" means the period from the date of delivery of the Initial 2006A-1/A-2 Liquidity Facility to and including the earliest of (i) October 4, 2014 (or to an extended date as may become effective under the Initial 2006A-1/A-2 Liquidity Facility), (ii) the date on which no 2006 Series A-1/A-2 Bonds are outstanding, (iii) the close of business on the date on which the 2006 Series A-1/A-2 Bonds are converted to a Fixed Interest Rate or the SAVRS Rate, (iv) the close of business on the 30th day (or, if such day is not a Business Day, the next succeeding Business Day) following receipt by the Authority and the Tender Agent of a Notice of Termination Date, and (v) the date on which the Available Commitment has been reduced to zero or terminated in its entirety due to the redemption, repayment or other payment of all of the principal amount of the 2006 Series A-1/A-2 Bonds or due to the delivery of an Alternate Liquidity Facility or due to the occurrence of an event of default which causes an immediate termination of the Available Commitment.

"Purchase Date" means a Business Day on which the 2006 Series A-1/A-2 Bonds are subject to optional tender or mandatory purchase.

"Purchase Price" means, with respect to any 2006 Series A-1/A-2 Bond that is deemed an "Eligible Bond" under the Initial 2006A-1/A-2 Liquidity Facility, 100% of the principal amount of such 2006 Series A-1/A-2 Bond plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; *provided, however,* if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and *provided, further,* in no event shall the Purchase Price of any Eligible Bond include any premium owed with respect to any 2006 Series A-1/A-2 Bond or any Defaulted Interest in the excess of any amount specified in the Initial 2006A-1/A-2 Liquidity Facility.

THE INITIAL 2006A-1/A-2 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 2006 SERIES A-1/A-2 BONDS, AND MAY BE TERMINATED OR SUSPENDED AS DESCRIBED BELOW.

Conditions Precedent to Obligations of 2006A Liquidity Facility Provider in Connection with the Initial 2006A-1/A-2 Liquidity Facility

The obligation of the 2006A Liquidity Facility Provider to purchase the 2006 Series A-1/A-2 Bonds on any particular Purchase Date under the Initial 2006A-1/A-2 Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by such 2006A Liquidity Facility Provider: (i) that the 2006A Liquidity Facility Provider shall have timely received the Notice of Bank Purchase as provided in the Initial 2006A-1/A-2 Liquidity Facility, and (ii) that no Special Event of Default or Suspension Event (each as defined below) shall have occurred and be continuing.

Termination by 2006A Liquidity Facility Provider

In the case of any of the following Events of Default (each a "**Special Events of Default**"):

(i) failure by the Authority to pay when due (a) principal of, or interest on, the 2006 Series A-1/A-2 Bonds, (b) any principal of, or interest on, any Class II Bond or Class IV Bond, or (c) any general obligation of the Authority;

(ii) (a) the Authority shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or seeking to declare a moratorium with respect to obligations of the Authority, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets or for all or any portion of the Trust Estate, or the Authority shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Authority any case, proceeding or other action of a nature referred to in clause (a) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the Authority, any case, proceeding or other action seeking, issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets or for all or any portion of the Trust Estate, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (d) the Authority shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the Authority shall generally not, or shall be unable to, or shall admit in writing, its inability to, pay its debts; or (f) a moratorium is imposed by a finding or ruling by a court or governmental authority with competent jurisdiction over the Authority with respect to payment of the 2006 Series A-1/A-2 Bonds or any Class I Bonds;

(iii) (a) any material provision of the Initial 2006A-1/A-2 Liquidity Facility or any Related Document (other than the Official Statement) related to payment of principal of or interest on the Bonds shall at any time for any reason cease to be valid and binding on the Authority as a result of a finding or ruling by a court or governmental authority with competent jurisdiction over the Authority, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction over the Authority, to be null and void, invalid or unenforceable or (b) the validity or enforceability of the Initial 2006A-1/A-2 Liquidity Facility, the Master Indenture or the 2006 Series A Indenture shall, in a judicial proceeding or

any other official action commenced by the Authority, be contested by the Authority in said proceeding or action;

(iv) the long-term ratings by S&P and Moody's of the 2006 Series A-1/A-2 Bonds or any other Class I Bonds not supported by credit enhancement shall be withdrawn, suspended or reduced below "BBB-" by S&P and "Baa3" by Moody's, other than as a result of debt maturity, redemption, defeasance, non-application and non-provision of information; or

(v) One or more final, unappealable judgments against the Authority or payable from the Trust Estate for the payment of money, and not covered by insurance, or attachments against the Trust Estate, the operation or result of which, individually or in the aggregate, equal or exceed \$1,000,000 shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days.

then, in any such event, the Available Commitment shall immediately be reduced to zero, in which case the obligations of the 2006A Liquidity Facility Provider shall immediately terminate and expire without requirement of notice by the 2006A Liquidity Facility Provider. After such termination, the 2006A Liquidity Facility Provider shall deliver, within two (2) Business Days, to the Authority, the Trustee, the Tender Agent and the Remarketing Agent written notice of such termination or expiration; provided, however, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

Upon the occurrence of an event which, with the passage of time would become an Event of Default under paragraph (ii) or (v) above (also a "**Suspension Event**"), the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-1/A-2 Bonds under the Initial 2006A-1/A-2 Liquidity Facility shall be immediately suspended without notice and the 2006A Liquidity Provider shall be under no obligation to purchase 2006 Series A-1/A-2 Bonds unless such default is cured within the applicable grace period. In the event such default is cured within the applicable grace period, the obligations of the 2006A Liquidity Facility Provider to purchase 2006 Series A-1/A-2 Bonds under the Initial 2006A-1/A-2 Liquidity Facility shall be reinstated and the terms thereof will continue in full force and effect (unless the obligations of the 2006A Liquidity Facility Provider to purchase 2006 Series A-1/A-2 Bonds thereunder shall have otherwise terminated in accordance with the terms thereof) as if there has been no such suspension. If such failure to make payment is not cured within the applicable grace period, the 2006A Liquidity Facility Provider's obligations shall immediately terminate.

Upon the occurrence of other Events of Default not described as Special Events of Default or a Suspension Event above (including failure of the Authority to pay certain other amounts due to the 2006A Liquidity Facility Provider and the breach of covenants or representations made by the Authority in the Initial 2006A-1/A-2 Liquidity Facility), such 2006A Liquidity Facility Provider may, among other remedies, give notice of such Event of Default to the Trustee and require the termination of the related Initial 2006A-1/A-2 Liquidity Facility. See "Part I – TERMS OF THE 2006 SERIES A BONDS – 2006 Series A Bonds – Mandatory Purchase."

Termination by Authority

Upon (i) the withdrawal, suspension or reduction in the rating assigned to the 2006A Liquidity Facility Provider's senior unsecured short-term obligations by Moody's or S&P below "P-1" or "A-1," respectively, or the default by the 2006A Liquidity Facility Provider in honoring its payment obligations under the Initial 2006A-1/A-2 Liquidity Facility or the 2006A Liquidity Facility Provider seeking recovery of amounts described in the Initial 2006A-1/A-2 Liquidity Facility for certain specified reasons, (ii) the payment to the 2006A Liquidity Facility Provider of all fees, expenses and other amounts payable under the Initial 2006A-1/A-2 Liquidity Facility, and (iii) the payment to the 2006A Liquidity Facility

Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate the Initial 2006A-1/A-2 Liquidity Facility. See "Part II – SECURITY FOR THE OBLIGATIONS – Liquidity Facilities."

Initial 2006A-3 Liquidity Facility

Pursuant to the Initial 2006A-3 Liquidity Facility, the 2006A Liquidity Facility Provider will agree, subject to the terms and conditions therein, to purchase the 2006 Series A-3 Bonds which 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 2006A-3 Liquidity Facility will expire October 4, 2014, unless extended or 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, in each case, as of such day.

"Available Interest Commitment" means an amount equal to 183 days' interest on the Available Principal Commitment for the 2006 Series A-3 Bonds based upon an assumed rate of interest of ten percent (10%) per annum and a 360-day year comprised of twelve 30-day months, as such amount shall be adjusted from time to time as follows.

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

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

"Available Principal Commitment" means initially the aggregate principal amount of the 2006 Series A-3 Bonds Outstanding (as detailed on the cover page hereof) and, thereafter, means such initial amount adjusted from time to time as follows:

(a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the Initial 2006A-3 Liquidity Facility;

(b) downward by the principal amount of any 2006 Series A-3 Bonds purchased by the Bank pursuant to the Initial 2006A-3 Liquidity Facility; and

(c) upward by the principal amount of any 2006 Series A-3 Bonds theretofore purchased by the Bank pursuant to the Initial 2006A-3 Liquidity Facility which are remarketed (or deemed to be remarketed) pursuant to such Initial 2006A-3 Liquidity Facility by the Remarketing Agent and for which the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon;

provided, however, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Bank Bonds shall never exceed the original principal amount of such 2006 Series A-3

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

"Commitment Period" means the period from the Effective Date hereof to and including the earliest of (a) the October 4, 2014, (b) the date on which no 2006 Series A-3 Bonds are Outstanding, (c) the close of business on the date on which the 2006 Series A-3 Bonds are converted to Fixed Interest Rate or the SAVRS Rate, (d) the close of business on the thirtieth (30th) day (or, if such day is not a Business Day, the next succeeding Business Day) following receipt by the Authority and the Trustee of a Notice of Terminate Date, and (e) the date on which the Available Commitment has been reduced to zero or terminated in its entirety due to the redemption, repayment, or other payment of all of the principal amount of the 2006 Series A-3 Bonds or due to the delivery of an Alternate Liquidity Facility or due to the occurrence of an event of default which causes an immediate termination of the Available Commitment.

"Purchase Date" means a Business Day on which the 2006 Series A-3 Bonds are subject to optional tender or mandatory purchase.

"Purchase Price" means, with respect to any 2006 Series A-3 Bond that is deemed an "Eligible Bond" under the Initial 2006A-3 Liquidity Facility, 100% of the principal amount of such 2006 Series A-3 Bond plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; *provided, however*, if the Purchase Date for any Eligible Bond is also an Interest Payment Date for such Eligible Bond, the Purchase Price for such Eligible Bond shall not include accrued but unpaid interest on such Eligible Bond; and *provided, further*, in no event shall the Purchase Price of any Bond include any premium owed with respect to any 2006 Series A-3 Bond or any Defaulted Interest in the excess of any amount specified in the Initial 2006A-3 Liquidity Facility.

THE INITIAL 2006A-3 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 2006 SERIES A-3 BONDS, AND MAY BE TERMINATED OR SUSPENDED AS DESCRIBED BELOW.

Conditions Precedent to Obligations of 2006A Liquidity Facility Provider in Connection with the Initial 2006A-3 Liquidity Facility

The obligation of the 2006A Liquidity Facility Provider to purchase the 2006 Series A-3 Bonds on any particular Purchase Date under the Initial 2006A-3 Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by such 2006A Liquidity Facility Provider: (i) that the 2006A Liquidity Facility Provider shall have timely received the Notice of Bank Purchase as provided in the 2006A-3 Initial Liquidity Facility, and (ii) that no Special Event of Default or Suspension Event (each as defined below) shall have occurred and be continuing.

Events of Default Under the Initial 2006A-3 Liquidity Facility

Upon the occurrence of any of the following Events of Default (each an "**Event of Default**"):

(i) The Authority shall fail to pay when due (a) any principal of, or interest on, any 2006 Series A-3 Bond or other Parity Obligation (as defined in the Initial 2006A-3 Liquidity Facility) or any Bank Bond (as defined in the Initial 2006A-3 Liquidity Facility), (b) any Class I Bond or Class II Bond (as defined in the Initial 2006A-3 Liquidity Facility), or (c) any other

amount owed to the 2006A Liquidity Facility Provider pursuant to the Initial 2006A-3 Liquidity Facility (other than amounts described in (a) or (b) above) or any General Obligation (as defined in the Initial 2006A-3 Liquidity Facility) of the Authority; or

(ii) The Authority shall fail to pay when due (a) any commitment fee under the Initial 2006A-3 Liquidity Facility, (b) any amendment, transfer or purchase fee, or (c) taxes, increased costs, or reasonable costs and expenses incurred by the 2006A Liquidity Facility Provider and its counsel in connection with the preparation of the Initial 2006A-3 Liquidity Facility; or

(iii) Any representation or warranty made by or on behalf of the Authority in the Initial 2006A-3 Liquidity Facility or in any Related Document (here and hereinafter, as defined in the Initial 2006A-3 Liquidity Facility) or in any certificate or statement delivered hereunder or thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(iv) The Authority shall default in the due performance or observance of any of certain covenants set forth in the Initial 2006A-3 Liquidity Facility; or

(v) The Authority shall materially default in the due performance or observance of any other term, covenant or agreement contained in the Initial 2006A-3 Liquidity Facility (other than those referred to in Sections (i), (ii), (iii), and (iv) above) or any Related Document and such default shall remain unremedied for a period of thirty (30) days after the Authority shall have received notice thereof; or

(vi) One or more final, unappealable judgments against the Authority payable from the Trust Estate (here and hereinafter, as defined in the Initial 2006A-3 Liquidity Facility) or against the Trust Estate for the payment of money, and not covered by insurance, or attachments against the Trust Estate, the operation or result of which, individually or in the aggregate, equal or exceed \$1,000,000 shall remain unpaid, unstayed, undischarged, unbonded or undismissed for a period of sixty (60) days; or

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

shall be unable to, or shall admit in writing, its inability to, pay its debts, or (vi) a moratorium is imposed by a finding or ruling by a court or governmental authority with competent jurisdiction over the Authority with respect to obligations of the Authority; or

(viii) (i) Any material provision of the Initial 2006A-3 Liquidity Facility or any Related Document (other than this Official Statement) related to payment of principal or interest on the 2006 Series A-3 Bonds shall at any time for any reason cease to be valid and binding on the Authority as a result of a finding or ruling by a court or governmental authority with competent jurisdiction over the Authority, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction over the Authority, to be null and void, invalid or unenforceable; or (ii) the validity or enforceability of the Initial 2006A-3 Liquidity Facility, the Master Indenture or the 2006 Series A Indenture shall, in a judicial proceeding or any other official action commenced by the Authority, be contested by the Authority in said proceeding or action; or

(ix) The long-term rating by S&P and Moody's of the 2006 Series A-3 Bonds or any Parity Obligations of the Authority not supported by credit enhancement shall be withdrawn, suspended or reduced below "BBB-" by S&P and "Baa3" by Moody's, other than as a result of debt maturity, redemption, defeasance, non-application or non-provision of information; or

(x) Any Event of Default as defined in the Master Indenture or any "event of default" under any instrument authorizing the issuance of debt constituting a general obligation of the Authority or any Related Document which is not cured within any applicable cure period shall occur which, if not cured, would give rise to remedies available thereunder; or

(xi) *Bond Insurer Events of Default.*

(a) A Bond Insurer Event of Insolvency (as defined in the Initial 2006A-3 Liquidity Facility) shall have occurred.

(b) Any scheduled principal or interest due on the 2006 Series A-3 Bonds is not paid by the Authority when due and such principal or interest is not paid by the Bond Insurer when due pursuant to the terms of the 2006A-3 Policy, or the 2006A-3 Policy is surrendered, canceled, terminated, amended or modified without the written consent of the Initial 2006A-3 Liquidity Facility Provider, or a new bond insurer is substituted for the Bond Insurer without the prior written consent of the 2006A Liquidity Facility Provider; or

(c) (i) Any material provision of the 2006A-3 Policy relating to the obligation of the Bond Insurer to make payments thereunder at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the 2006A-3 Policy or the Insurance Commissioner of the State of New York or a court or other Governmental authority of appropriate jurisdiction finds or rules that any material provision of the 2006A-3 Policy relating to the obligation of the Bond Insurer to make payments thereunder is null and void or (ii) the Bond Insurer shall, in writing, (A) claim that the 2006A-3 Policy is not valid and binding on the Bond Insurer, (B) repudiate the Bond Insurer's obligations under the 2006A-3 Policy or (C) initiate legal proceedings seeking an adjudication that the 2006A-3 Policy is not valid and binding on the Bond Insurer.

(d) The Bond Insurer shall fail to make any payment required under any insurance policy (other than the 2006A-3 Policy) issued by it insuring obligations rated by Moody's and S&P when due and such failure shall continue for a period of thirty (30) days (it being understood by the 2006A Liquidity Facility Provider that such failure to make payment, for purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of claims made thereunder).

(e) (i) Each of Moody's and S&P shall downgrade the rating of the financial strength or claims-paying ability of the Bond Insurer to below Investment Grade or each of Moody's and S&P shall suspend or withdraw such financial strength or claims-paying ability rating; or (ii) a Bond Insurer Adverse Change (as defined in the Initial 2006A-3 Liquidity Facility) shall occur for credit related reasons.

then, and in any such event, the 2006A Liquidity Facility Provider may take any one or more of the following actions:

(xii) (a) In the case of any Event of Default specified in (xi)(a), (xi)(b), (xi)(d) or (xi)(e)(i) hereof (each a "**Special Event of Default**"), the Available Commitment shall immediately be reduced to zero, in which case the obligations of the 2006A Liquidity Facility Provider under the Initial 2006A-3 Liquidity Facility shall immediately terminate and expire without requirement of notice by the 2006A Liquidity Facility Provider. After such termination or expiration, the 2006A Liquidity Facility Provider shall promptly deliver to the Authority, the Trustee, the Paying Agent and the Remarketing Agent written notice of such termination or expiration; *provided, however*, that failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

(b) In the case of an Event of Default as specified in Section (xi)(c) above (each, along with the events described in (d) and (e) below, a "**Suspension Event**"), the obligation of the 2006A Liquidity Facility Provider to purchase Eligible Bonds (here and hereinafter, as defined in the Initial 2006A-3 Liquidity Facility) under the Initial 2006A-3 Liquidity Facility shall be immediately suspended without notice or demand and thereafter the 2006A Liquidity Facility Provider shall be under no obligation to purchase Eligible Bonds until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the 2006A Liquidity Facility Provider shall notify the Authority, the Bond Insurer, the Trustee and the Remarketing Agent of such suspension in writing; *provided*, that the 2006A Liquidity Facility Provider shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or its obligation to purchase Eligible Bonds pursuant to the Initial 2006A-3 Liquidity Facility. In the case of each Suspension Event, the Trustee shall immediately notify all Bondholders of the suspension of both the Available Commitment and the obligation of the 2006A Liquidity Facility Provider to purchase Eligible Bonds. With respect to Suspension Events described in Section (ix)(c) above, if a court with jurisdiction to rule on the validity of the 2006A-3 Policy shall thereafter enter a final, nonappealable judgment that such 2006A-3 Policy is not valid and binding on the 2006 A-3 Bond Insurer, then the Available Commitment and the obligation of the 2006A Liquidity Facility Provider to purchase the 2006 Series A-3 Bonds shall immediately terminate without notice or demand and thereafter the 2006A Liquidity Facility Provider shall be under no obligation to purchase 2006 Series A-3 Bonds. If a court with jurisdiction to rule on the validity of the 2006A-3 Policy shall find or rule that such 2006A-3 Policy is valid and binding on the Bond Insurer, then the Available Commitment and the obligations of the 2006A Liquidity

Facility Provider under the Initial 2006A-3 Liquidity Facility shall thereupon be reinstated (unless the Commitment Period (here and hereinafter, as defined in the Initial 2006A-3 Liquidity Facility) shall otherwise have expired or the Available Commitment shall otherwise have been terminated or suspended as provided in the Initial 2006A-3 Liquidity Facility). Notwithstanding the foregoing, if three years after the effective date of suspension of the 2006A Liquidity Facility Provider's obligations pursuant to this clause, litigation is still pending and a judgment regarding the validity of the 2006A-3 Policy has not been obtained, then the Available Commitment and the obligation of the 2006A Liquidity Facility Provider to purchase the 2006 Series A-3 Bonds shall, unless previously terminated pursuant to any other provision of the Initial 2006A-3 Liquidity Facility, at such time terminate without notice or demand and thereafter, the 2006A Liquidity Facility Provider shall be under no obligation to purchase 2006 Series A-3 Bonds. The Authority shall cause the Paying Agent to notify all Bondholders of the suspension of the Available Commitment and of the suspension of the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds.

(c) Upon the occurrence of an Event of Default specified in (ii)(a) or (xi)(e)(ii) above, the 2006A Liquidity Facility Provider may terminate the Available Commitment by giving written notice of such Event of Default (a "**Notice of Termination Date**") to the Trustee, the Authority and the Bond Insurer, requesting a mandatory tender of the 2006 Series A-3 Bonds as a result of the 2006A Liquidity Facility Provider delivery of such Notice of Termination Date. The Notice of Termination Date shall also specify the date on which the Available Commitment shall terminate (the "**Termination Date**"), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee, and on and after the Termination Date (here and hereinafter, as defined in the Initial 2006A-3 Liquidity Facility), the 2006A Liquidity Facility Provider shall be under no further obligation to purchase 2006A Liquidity Facility Provider Bonds hereunder.

(d) Upon the occurrence and during the continuance of an event which with the giving of notice or passage of time or both would constitute an Event of Default (a "**Default**") described in clause (c) of the defined term "Bond Insurer Event of Insolvency" (as defined in the Initial 2006A-3 Liquidity Facility), the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds hereunder shall be immediately and automatically suspended, without notice, and the 2006A Liquidity Facility Provider shall be under no further obligation hereunder to purchase 2006 Series A-3 Bonds, until the bankruptcy, insolvency or similar proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the obligation of the 2006A Liquidity Facility Provider hereunder shall be automatically reinstated and the terms of the Initial 2006A-3 Liquidity Facility shall continue in full force and effect (unless the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds hereunder shall otherwise have terminated or there has occurred a Bond Insurer Event of Default (here and hereinafter, as defined in the Initial 2006A-3 Liquidity Facility) as if there had been no such suspension.

(e) Upon the occurrence of a Default specified in (xi)(d) above, the obligation of the 2006A Liquidity Facility Provider under the Initial 2006A-3 Liquidity Facility to purchase 2006 Series A-3 Bonds shall be immediately and automatically suspended, without notice or demand, and thereafter the 2006A Liquidity Facility Provider shall be under no further obligation hereunder to purchase 2006 Series A-3 Bonds unless and until the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds is reinstated as described below. Promptly upon obtaining knowledge of any such Default (whether from the Authority, the Trustee or otherwise), the 2006A Liquidity Facility Provider shall give the Authority, the Trustee,

the Remarketing Agent and the Bond Insurer written notice of such Default; *provided* that the 2006A Liquidity Facility Provider shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment and of the obligations of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds pursuant to the Initial 2006A-3 Liquidity Facility. The Authority shall promptly direct the Paying Agent in writing to notify all Bondholders of any suspension of the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds as a result of the occurrence of such Default. If at any time prior to the earlier of (i) the then current Expiration Date (here and hereinafter, as defined in the Initial 2006A-3 Liquidity Facility) and (ii) the date that is three years following the suspension of the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds, (x) the Default which gave rise to such suspension is cured or ceases to be continuing and (y) the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds under the Initial 2006A-3 Liquidity Facility has not otherwise terminated (including, without limitation, the termination of the 2006A Liquidity Facility Provider's obligations hereunder due to the occurrence of an Event of Default specified in (xi)(d) above), then, upon written notice from the Trustee to the 2006A Liquidity Facility Provider to such effect, the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds under the Initial 2006A-3 Liquidity Facility shall be automatically reinstated. If the Default which gave rise to the suspension of the obligations of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds under the Initial 2006A-3 Liquidity Facility has not been cured prior to, or is continuing on, the date that is three years following the suspension of the obligation of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds, then the obligations of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds shall be terminated upon written notice from the 2006A Liquidity Facility Provider to the Authority, the Trustee, the Remarketing Agent and the Bond Insurer, and thereafter the 2006A Liquidity Facility Provider shall have no further obligations to purchase any 2006 Series A-3 Bonds; *provided* that the 2006A Liquidity Facility Provider shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the obligations of the 2006A Liquidity Facility Provider to purchase 2006 Series A-3 Bonds under the Initial 2006A-3 Liquidity Facility.

(f) In addition to the rights and remedies set forth in (a), (b), (c), (d) and (e) above, in the case of any Event of Default, the 2006A Liquidity Facility Provider may take any other action or remedy permitted by law to enforce the rights of the 2006A Liquidity Facility Provider hereunder and under the 2006 Series A-3 Bonds (if the 2006A Liquidity Facility Provider is a Bank Bondowner (here and hereinafter, as defined in the Initial 2006A-3 Liquidity Facility)) and any Related Document; *provided* that the 2006A Liquidity Facility Provider shall not have the right to terminate its obligations to purchase 2006 Series A-3 Bonds or to accelerate the payment of any amounts except as expressly provided herein and in the Related Documents. The 2006A Liquidity Facility Provider hereby acknowledges and agrees that the rights of the 2006A Liquidity Facility Provider, in its capacity as Bank Bondowner, are subject to any rights of the Bond Insurer under the Indenture to the extent that the Indenture provides that rights of Bond Owners generally are subject to the rights of the Bond Insurer to control remedies thereunder.

In addition to the foregoing, upon the occurrence of any Bond Insurer Event of Default, all obligations due and payable under the Initial 2006A-3 Liquidity Facility shall bear interest at the Default Rate (as defined in the Initial 2006A-3 Liquidity Facility).

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APPENDIX I

The 2006A Liquidity Facility Provider

The following information has been obtained from the 2006A 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.

DEPFA BANK plc ("**DEPFA**") is the parent company of the DEPFA BANK plc group of companies comprising DEPFA and its consolidated subsidiaries (the "**Group**"). DEPFA will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of DEPFA BANK plc, Dublin. DEPFA is based in Dublin and has a banking license issued under the Irish Central Bank Act, 1971 (as amended) and is supervised by the Financial Regulator. It is registered in the Irish companies Registration Office with company number 348819 and its shares are listed on the Frankfurt Stock Exchange. DEPFA has a network of subsidiaries, branches and offices across many European countries, as well as in North America and Asia.

The Group provides a broad range of products and services to public sector entities, from governmental budget financing and financing of infrastructure projects to placing of public sector assets and investment banking and other advisory services. The Group has direct client contacts with many state entities and focuses on those public sector entities involved in large volume business. The Group advises individual public sector borrowers on their international capital market transactions and preparations for the ratings process.

As of December 31, 2005, DEPFA had total consolidated assets of Euro 228.6 billion, shareholders' equity of Euro 2.3 billion and consolidated net income of Euro 475 million, determined in accordance with International Financial Reporting Standards (IFRS). DEPFA maintains its records and prepares its financial statements in Euro. At December 31, 2005, the exchange rate was 1.0000 Euro equals 1.1797 United States dollars. Such exchange rate fluctuates from time to time.

DEPFA is rated "Aa3" long-term and "P-1" short-term by Moody's, "AA-" long-term and "A-1+" short-term by S&P, and "AA-" long-term and "F1+" short-term by Fitch. On January 25, 2006, Fitch confirmed DEPFA's long term and short term rating. On November 25, 2005, S&P confirmed DEPFA's long term and short term rating. On June 1, 2006, Moody's confirmed DEPFA's long term and short term ratings.

DEPFA will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: DEPFA BANK plc, New York Branch, 623 Fifth Avenue, 22nd Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date. In addition, updated financial information may be found from the DEPFA website at: www.depfa.com.

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APPENDIX J

Federal Insurance Programs

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

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

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

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

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

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

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

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

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APPENDIX K

Description of Section 8 Subsidy Program

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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APPENDIX L

**Specimen 2006 A-3 Bond Insurance Policy
and 2006 A-1 Surety Bond**

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, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of 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 U.S. Bank Trust National Association, 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 U.S. Bank Trust National Association, U.S. Bank Trust National Association 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:

Assistant Secretary

STD-R-7
01/05

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
Multi-Family/Project Class III Adjustable Rate Bonds
2006 Series A-3
(non-AMT)

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 2006 Series A Indenture (the "Indenture") dated as of October 1, 2006 between the Colorado Housing and Finance Authority (the "Issuer") and the Paying Agent; 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 Indenture) upon the final date on which Bank Bonds are mandatorily redeemed in accordance with Section [____] of the Indenture; 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 Indenture) 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 October, 2006.

MBIA INSURANCE CORPORATION

President

Attest:

Assistant Secretary

**DEBT SERVICE RESERVE
SURETY BOND**

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

Surety Bond No. XXXXXX

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of Colorado Housing and Finance Authority (the "Issuer") under the 2006 Series A Indenture of Trust dated as of October 1, 2006 (the "Document") to Wells Fargo Bank, National Association, (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of Colorado Housing and Finance Authority Multi-Family/Project Class I Adjustable Rate Bonds 2006 Series A-1 (the "Obligations"), provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed \$[] or the 2006 Series A-1 Interest Reserve Fund Requirement (as defined in the Document) for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer, or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the Issuer (the "Financial Guaranty Agreement"); provided, that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to 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.

6. The term of this Surety Bond shall expire, on the earlier of (i) October 1, 2036 (the maturity date of the Obligations) or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. This Surety Bond shall be governed by and interpreted under the laws of the State of Colorado. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within 1 year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

9. There shall be no acceleration payment due under this Surety Bond unless such acceleration is at the sole option of the Insurer.

10. This Surety Bond is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this [___] day of October, 2006.

MBIA INSURANCE CORPORATION

President

Assistant Secretary

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APPENDIX M

MBIA Insurance Corporation

*The following information has been furnished by the Bond Insurer (also referred to in this section as MBIA) for use in this Official Statement. Such information has not been independently verified by the Authority or its counsel or Bond Counsel. This information is not guaranteed as to accuracy or completeness by the Authority and is not to be construed as a representation by the Authority. Reference is made to **Appendix L** for a specimen of the 2006A-3 Policy to be issued with respect to the 2006 Series A-3 Bonds by the Bond Insurer. **The payment of principal of and interest on the Taxable 2006 Series A-1 Bonds and the 2006 Series A-2 Bonds will not be guaranteed under the 2006A-3 Policy.***

MBIA 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 2006A-3 Policy and MBIA set forth under this heading. Additionally, MBIA makes no representation regarding the 2006 Series A-3 Bonds or the advisability of investing in the 2006 Series A-3 Bonds.

MBIA Insurance Corporation

MBIA Insurance Corporation ("**MBIA**") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA 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. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The 2006A-3 Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

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

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

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA 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 2006 Series A-3 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 above ratings may have an adverse effect on the market price of the 2006 Series A-3 Bonds. MBIA does not guaranty the market price of the 2006 Series A-3 Bonds nor does it guaranty that the ratings on the 2006 Series A-3 Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2005, MBIA had admitted assets of \$11.0 billion (audited), total liabilities of \$7.2 billion (audited), and total capital and surplus of \$3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2006, MBIA had admitted assets of \$11.3 billion (unaudited), total liabilities of \$6.9 billion (unaudited), and total capital and surplus of \$4.3 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2006 and for the six month periods ended June 30, 2006 and June 30, 2005 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2006, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2005; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or

Annual Report on Form 10-K, and prior to the termination of the offering of the 2006 Series A-3 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. 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.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006 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 the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

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