

## NEW ISSUE - Book-Entry Only

*In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, interest on the 2001 Series A-1 Bonds, the 2001 Series A-2 Class II Bonds and the 2001 Series A-2 Class III Bonds (collectively referred to herein as the "2001 Series A Bonds") (except for interest on any 2001 Series A Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2001 Series A 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 2001 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 2001 Series A-1 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 2001 Series A-2 Class II Bonds and the 2001 Series A-2 Class III 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 2001 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 2001 Series A Bonds. See "TAX MATTERS."*



## \$38,050,000 COLORADO HOUSING AND FINANCE AUTHORITY Multi-Family/Project Bonds

**\$24,350,000\***  
**Class I Bonds**  
**2001 Series A-1**  
**(AMT)**

**\$10,810,000**  
**Class II Bonds**  
**2001 Series A-2**  
**(non-AMT)**

**\$2,890,000**  
**Class III Bonds**  
**2001 Series A-2**  
**(non-AMT)**

**Dated: Date of Delivery**

**Due: As shown on inside front cover**

The 2001 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 2001 Series A Indenture of Trust dated as of December 1, 2001, each between the Authority and Wells Fargo Bank West, National Association, as Trustee.

The 2001 Series A Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2001 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 2001 Series A Bonds will be registered in the name of Cede & Co. Individual purchases of 2001 Series A Bonds will be made in book-entry form only, and beneficial owners of the 2001 Series A Bonds will not receive physical delivery of bond certificates representing their interest in the 2001 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 2001 Series A Bonds. Payments of principal of and interest on the 2001 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 2001 Series A Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein. Interest on the 2001 Series A Bonds will be payable on each April 1 and October 1, commencing on April 1, 2002, on any redemption date and at maturity.

The proceeds of the 2001 Series A Bonds will be used to refund certain outstanding bonds of the Authority and to fund certain insured and uninsured mortgage loans and an Authority project as described herein. The mortgage loans are being made to Borrowers to assist them in financing or refinancing the acquisition, construction and/or rehabilitation of multi-family housing projects and other projects in Colorado. Proceeds of the 2001 Series A Bonds, together with amounts advanced by the Authority and reimbursed by certain of the Borrowers, will also be used to make deposits to certain funds and accounts in accordance with the 2001 Series A Indenture. In connection with the issuance of the 2001 Series A Bonds, the Authority and certain of the Borrowers will undertake to provide certain continuing disclosure concerning the Authority, the 2001 Series A Bonds and the 2001A Projects, as described in "INTRODUCTION - Availability of Continuing Information."

### Maturity Schedules on Inside Front Cover

*Certain of the 2001 Series A Bonds are subject to special redemption, optional redemption and cumulative sinking fund redemption, at par prior to maturity 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 2001 Series A-1 Bonds are being issued as Class I Bonds. The 2001 Series A-2 Class II Bonds are being issued as Class II Bonds. The 2001 Series A-2 Class III Bonds are being issued as Class III Bonds. The 2001 Series A Bonds (other than the 2001 Series A-2 Class III Bonds) are special, limited obligations of the Authority payable solely from the revenues, assets and moneys pledged under the Indenture as described herein. The 2001 Series A-1 Bonds will be so secured by the pledge under the Master Indenture on an equal and ratable basis with all other Class I Obligations now or hereafter outstanding under the Master Indenture. The 2001 Series A-2 Class II Bonds will be secured by the pledge under the Master Indenture on an equal and ratable basis with all other Class II Obligations now or hereafter outstanding under the Master Indenture. The 2001 Series A-2 Class III Bonds will be so secured by the pledge under the Master Indenture on an equal and ratable basis with all other Class III Obligations now or hereafter outstanding under the Master Indenture and will also be payable as general obligations of the Authority. Additional Obligations may be issued by the Authority under the Master Indenture in each of the four Classes and as general obligations of the Authority upon delivery of a Cash Flow Statement and satisfaction of certain other conditions as set forth in the Master Indenture. **In no event shall the 2001 Series A Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any other political subdivision thereof (other than the general credit of the Authority).**

*This cover page contains only a brief description of the Authority, the 2001 Series A Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2001 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 "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS."*

The 2001 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 James A. Roberts, Esq., its Director of Legal Operations, and by Hogan & Hartson L.L.P., Denver, Colorado, Disclosure Counsel to the Authority. The Underwriters are being represented in connection with their purchase of the 2001 Series A Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. It is expected that the 2001 Series A Bonds will be delivered (through DTC) in New York, New York on or about December 11, 2001.

**Newman & Associates Inc.**

**Stifel, Nicolaus & Company, Inc.**  
**Hanifen Imhoff Division**

**U.S. Bancorp Piper Jaffray Inc.**

**Harvestons Securities, Inc.**

This Official Statement is dated November 30, 2001.

\* Certain of the 2001 Series A-1 Bonds are being purchased directly from the Authority by an institutional investor.

## MATURITY SCHEDULES

**\$24,350,000**

### **2001 Series A-1 Class I Bonds (Cusip No. 196478)**

\$1,980,000 of 4.75% Class I Term Bonds, 2001 Series A-1 due October 1, 2011 – Price: 100% (7N5)  
\$4,950,000\* of 5.40% Class I Term Bonds, 2001 Series A-1 due October 1, 2023 – Price: 100% (7P0)  
\$5,060,000 of 5.50% Class I Term Bonds, 2001 Series A-1 due April 1, 2031 – Price: 100% (7Q8)  
\$12,360,000\* of 5.55% Class I Term Bonds, 2001 Series A-1 due April 1, 2043 – Price: 100% (7R6)

**\$10,810,000**

### **2001 Series A-2 Class II Bonds (non-AMT) (Cusip No. 196479)**

\$2,085,000 of 2001 Series A-2 Class II Serial Bonds

<u>Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Cusip</u> <u>No.</u>
2002	\$ 65,000	2.35%	100%	CL1
2003	165,000	2.75%	100%	CM9
2004	175,000	3.15%	100%	CN7
2005	185,000	3.50%	100%	CP2
2006	205,000	3.80%	100%	CQ0
2007	210,000	4.05%	100%	CR8
2008	250,000	4.25%	100%	CS6
2009	265,000	4.40%	100%	CT4
2010	275,000	4.50%	100%	CU1
2011	290,000	4.60%	100%	CV9

\$4,335,000 of 5.30% Class II Term Bonds, 2001 Series A-2 due October 1, 2023 – Price: 100% (CW7)  
\$4,390,000 of 5.375% Class II Term Bonds, 2001 Series A-2 due October 1, 2032 – Price: 100% (CX5)

**\$2,890,000**

### **2001 Series A-2 Class III Bonds (non-AMT) (Cusip No. 196478)**

\$450,000 of 4.90% Class III Term Bonds, 2001 Series A-2 due October 1, 2011 – Price: 100% (7S4)  
\$1,090,000 of 5.55% Class III Term Bonds, 2001 Series A-2 due October 1, 2022 – Price: 100% (7T2)  
\$1,350,000 of 5.65% Class III Term Bonds, 2001 Series A-2 due October 1, 2032 – Price: 100% (7U9)

\* The 2001 Series A-1 Bonds due October 1, 2023 and April 1, 2043 are being purchased directly from the Authority by an institutional investor

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2001 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. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information, and it is not to be construed as the promise or guarantee of the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

**THE PRICES AT WHICH THE 2001 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 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 2001 SERIES A BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

The 2001 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.

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## OFFICIAL STATEMENT

**\$38,050,000**

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

<b>\$24,350,000</b>	<b>\$10,810,000</b>	<b>\$2,890,000</b>
<b>Class I Bonds</b>	<b>Class II Bonds</b>	<b>Class III Bonds</b>
<b>2001 Series A-1</b>	<b>2001 Series A-2</b>	<b>2001 Series A-2</b>
<b>(AMT)</b>	<b>(non-AMT)</b>	<b>(non-AMT)</b>

### INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "**Authority**") and otherwise in connection with the offer and sale of \$24,350,000 aggregate principal amount of the Authority's Multi-Family/Project Class I Bonds, 2001 Series A-1 (the "**2001 Series A-1 Bonds**"); \$10,810,000 aggregate principal amount of the Authority's Multi-Family/Project Class II Bonds, 2001 Series A-2 (the "**2001 Series A-2 Class II Bonds**"); and \$2,890,000 aggregate principal amount of the Authority's Multi-Family/Project Class III Bonds, 2001 Series A-2 (the "**2001 Series A-2 Class III Bonds**" and, collectively with the 2001 Series A-2 Class II Bonds, the "**2001 Series A-2 Bonds**"). Collectively, the 2001 Series A-1 Bonds and the 2001 Series A-2 Bonds are referred to herein as the "**2001 Series A Bonds**." The 2001 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 2001 Series A Indenture dated as of December 1, 2001 (the "**Series 2001A Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank West, National Association, as Trustee (the "**Trustee**"). Capitalized terms used herein and not defined have the meanings specified in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE " in **Appendix B** hereto.

*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 cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of 2001 Series A Bonds to potential investors is made only by means of the entire Official Statement.*

### **Colorado Housing and Finance Authority**

The Authority is a body corporate and political subdivision of the State of Colorado (the "**State**") established by the Colorado General Assembly for the purpose, among others, of increasing the supply of decent, safe and sanitary housing for low and moderate income

families. In order to achieve its authorized purposes, the Authority currently operates numerous housing and commercial loan programs. See "COLORADO HOUSING AND FINANCE AUTHORITY." The Authority is governed by a Board of Directors and is authorized to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes. *For financial information concerning the Authority, see certain financial statements of the Authority attached hereto as **Appendix A**.*

### **Authority for Issuance**

The 2001 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**"). The 2001 Series A Bonds are being issued and secured under the Indenture.

### **Purpose of the 2001 Series A Bonds**

Proceeds of the 2001 Series A Bonds will be used (i) to refund certain outstanding bonds of the Authority, (ii) to fund certain loans (referred to herein as the "**2001A Loans**") to the particular private developers, nonprofit organizations and local housing and health authorities (as described in **Appendix F-1** hereto (respectively, the "**Borrowers**") for the provision of housing facilities and projects and (iii) to fund an Authority-owned project (the "**2001A Authority Project**") as described in **Appendix F-1** hereto. See "PLAN OF FINANCING." In addition, proceeds of the 2001 Series A Bonds, together with amounts advanced by the Authority (certain of which will be reimbursed by Borrowers), will be used to make required deposits to certain funds and accounts, as described in "PLAN OF FINANCING - Sources and Uses of Funds." Each of the Borrowers is expected to use the amounts so loaned to it as a 2001A Loan to refinance or finance, in part, the acquisition, construction and/or rehabilitation of a multi-family housing project or other project located in Colorado. See "SECURITY FOR THE 2001 SERIES A BONDS – The Loans and Authority Projects – The 2001A Loans."

### **Description of the 2001 Series A Bonds**

Interest on the 2001 Series A Bonds is payable on April 1, 2002 and thereafter semiannually on April 1 and October 1 of each year, to be computed on the basis of a 360-day year of twelve 30-day months. The 2001 Series A Bonds will be issued in the denomination of \$5,000 or any integral multiple thereof. Principal of the 2001 Series A Bonds is payable at the times and in the amounts and on the dates as shown on the inside cover page hereof. See "TERMS OF THE 2001 SERIES A BONDS – General Terms."

The 2001 Series A Bonds are subject to mandatory, optional and cumulative sinking fund redemption prior to maturity, as described under "TERMS OF THE 2001 SERIES A BONDS – Redemption of the 2001 Series A Bonds." See also "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

**For a more complete description of the 2001 Series A Bonds and the Indenture pursuant to which such 2001 Series A Bonds are being issued, see "TERMS OF THE 2001 SERIES A**

## **BONDS" and Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."**

### **Security and Sources of Payment**

All Obligations under the Master Indenture (which may be Bonds or Derivative Products and may be outstanding as Class I, Class II, Class III or Class IV Obligations) will be secured by and payable from all of the Authority's rights and interests in and to the revenues, assets and moneys pledged under the Master Indenture, in particular the Revenues and the Loans (collectively, the "**Trust Estate**"). The 2001 Series A Bonds as described on the inside cover page hereof are being issued as Class I Obligations, Class II Obligations and Class III Obligations pursuant to the Indenture. The Trust Estate is pledged under the Master Indenture to secure first the Class I Obligations and, second, the Class II Obligations, as described in "SECURITY FOR THE 2001 SERIES A BONDS – Pledge of Trust Estate." The Class III Obligations are secured under the Master Indenture by a third priority lien on the Trust Estate. The 2001 Series A Bonds being issued as Class I Bonds and Class II Bonds will be so secured by the pledge under the Master Indenture on an equal and ratable basis with all other Class I Obligations and Class II Obligations, respectively, now or hereafter outstanding under the Master Indenture. The 2001 Series A-2 Class III Bonds will be so secured by a pledge under the Master Indenture on an equal and ratable basis with all other Class III Obligations now or hereafter outstanding under the Master Indenture, and are also payable as general obligations of the Authority. For a description of the Bonds issued under the Master Indenture which were outstanding as of September 30, 2001 in an aggregate principal amount of \$96,210,000 for the Class I Bonds, \$6,700,000 for the Class II Bonds and \$18,870,000 for the Class III Obligations, see "SECURITY FOR THE 2001 SERIES A BONDS – Outstanding Master Indenture Obligations." Additional Obligations may be issued by the Authority and secured by the Trust Estate under the Master Indenture in each of the four classes and on a parity with each class of the outstanding Obligations upon delivery of a Cash Flow Statement and satisfaction of certain other conditions as set forth in the Master Indenture and described in "TERMS OF THE 2001 SERIES A BONDS – General Terms – Additional Obligations."

As of June 30, 2001, the Trust Estate included Loans and Authority Projects outstanding in an aggregate principal amount of \$97,608,711 which had been pledged under the Master Indenture to secure payment of the Authority's outstanding Master Indenture Obligations, including, upon the issuance thereof, the 2001 Series A Bonds. **For certain information as of June 30, 2001 concerning the outstanding Loans and Authority Projects under the Master Indenture, see Appendix F-2 attached hereto. The 2001A Loans expected to be made with proceeds of the 2001 Series A Bonds will be pledged as Loans in the Trust Estate under the Indenture.** See "SECURITY FOR THE 2001 SERIES A BONDS – The Loans and the Authority Projects – The 2001A Loans." The 2001A Authority Project expected to be financed with proceeds of the 2001 Series A Bonds will be included as an Authority Project in the Trust Estate under the Indenture. See "SECURITY FOR THE 2001 SERIES A BONDS – The Loans and the Authority Projects – The 2001A Authority Project." The Bonds outstanding under the Master Indenture, including the 2001 Series A Bonds, are also secured by the Debt Service Reserve Fund established under the Master Indenture. A Qualified Surety Bond will be deposited to the Debt Service Reserve Fund in connection with the issuance of the 2001 Series A

Bonds, as described in "SECURITY FOR THE 2001 SERIES A BONDS – Debt Service Reserve Fund."

**In no event shall the 2001 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. See "SECURITY FOR THE 2001 SERIES A BONDS."**

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

In connection with the issuance and sale of the 2001 Series A Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion included as **Appendix D** hereto. Certain legal matters relating to the 2001 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 Director of Legal Operations, James A. Roberts, Esq. and its Disclosure Counsel, Hogan & Hartson, L.L.P. See "CERTAIN LEGAL MATTERS." The Authority's financial statements for the year ended December 31, 2000 have been audited by Arthur Andersen LLP and are included as **Appendix A** hereto. See "FINANCIAL STATEMENTS OF THE AUTHORITY." Wells Fargo Bank West, National Association, Denver, Colorado, will act as Trustee for the 2001 Series A Bonds under the Indenture.

### **Availability of Continuing Information**

In connection with issuance of the 2001 Series A Bonds, the Authority will deliver a Continuing Disclosure Undertaking in which it will agree, for the benefit of the Bondowners, to file annually with each nationally recognized municipal securities information repository approved in accordance with Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934 (the "**Rule**") such ongoing information concerning the Authority and to provide notice of certain enumerated events as described in "CONTINUING DISCLOSURE UNDERTAKINGS" and **Appendix E** hereto. Certain of the Borrowers which constitute "obligated persons" for purposes of the Rule will also deliver, on or before origination of the related 2001A Loans, a Continuing Disclosure Undertaking in which each will agree for the benefit of Bondowners that, so long as the 2001 Series A Bonds remain outstanding, it will annually provide to the Authority such ongoing information and audited financial statements with respect to the respective 2001A Project, and the Authority will agree to forward the information received from each such Borrower to each nationally recognized municipal securities information repository. See "CONTINUING DISCLOSURE UNDERTAKINGS" and **Appendix E** hereto.

### **Investment Considerations**

*The purchase and ownership of the 2001 Series A Bonds involve investment risks. Prospective purchasers of the 2001 Series A Bonds are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2001 Series A Bonds, see "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS."*

## TERMS OF THE 2001 SERIES A BONDS

### General Terms

#### *Payment*

The 2001 Series A Bonds to be dated the date of initial issuance and delivery thereof, will bear interest at the rates, and will mature, subject to prior redemption as described in "Redemption of the 2001 Series A Bonds" under this caption, in the amounts and on the dates set forth on the inside front cover page of this Official Statement. Interest on the 2001 Series A Bonds will be computed on the basis of a 360-day year of twelve 30-day months and will be payable each April 1 and October 1, commencing April 1, 2002, and at Maturity. The 2001 Series A Bonds will be issued as fully registered bonds without coupons. Purchases of the 2001 Series A Bonds are to be made in book entry only form in denominations of \$5,000 or any integral multiple thereof.

#### *Book-Entry System*

DTC will act as securities depository for the 2001 Series A Bonds. The ownership of one fully registered Bond for each maturity as set forth on the inside 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 H**. **So long as the 2001 Series A Bonds are registered in the DTC book-entry form described in Appendix H, each Beneficial Owner of a 2001 Series A Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2001 Series A Bonds.**

#### *Additional Obligations*

The Master Indenture permits the Authority to issue additional Bonds and Derivative Products (collectively, "Additional Obligations") thereunder from time to time, without limitation as to amount, secured on an equal lien with the outstanding Bonds and Derivative Products 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. The Authority may also enter into any Derivative Product it deems necessary or desirable with respect to any or all of the Bonds issued under the Master Indenture, subject to the requirements of the Master Indenture. See **Appendix B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Additional Bonds," "- Issuance of Refunding Bonds" and "- Derivative Products."** The Authority expects to issue additional Bonds and to enter into additional Derivative Products in the future under the Master Indenture. See "SECURITY FOR THE 2001 SERIES A BONDS – Pledge of Trust Estate."

### *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 2001 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 2001 Series A Bonds at the maturity or redemption thereof. See **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance."

### **Redemption of the 2001 Series A Bonds**

#### *Special Redemption*

Unexpended Proceeds. The 2001 Series A Bonds are subject to mandatory redemption prior to maturity, in whole or in part at any time and from time to time on or before December 1, 2004 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 2001 Series A Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, from amounts transferred to the 2001 Series A subaccounts of the Redemption Fund from any unexpended proceeds of the 2001 Series A Bonds in the Restricted Loan Subaccount and the Authority Projects Subaccount in the event the Authority has determined that it no longer reasonably expects to apply the amount to be transferred for any purpose authorized by the Indenture. See **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Program Fund; Acquisition Account" and "PLAN OF FINANCING – Sources and Uses of Funds." For information concerning the 2001A Loans and Authority Project expected to be made by the Authority with proceeds of the 2001 Series A Bonds deposited to the 2001 Series A Acquisition Account, see "SECURITY FOR THE 2001 SERIES A BONDS – The Loans and Authority Projects." See also "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS."

In the case of redemption of 2001 Series A Bonds with unexpended proceeds as described under this caption, moneys deposited in or transferred to the 2001 Series A subaccounts of the Redemption Fund shall be applied to redeem 2001 Series A Class I Bonds, 2001 Series A Class II Bonds and 2001 Series A Class III Bonds as follows: first, there shall be transferred to the 2001 Series A subaccount of the Class I Special Redemption Account the amount necessary to satisfy the 2001 Series A Class I Asset Requirement, calculated upon such transfer; second, there shall be transferred to the 2001 Series A subaccount of the Class II Special Redemption Account the amount necessary to satisfy the 2001 Series A Class II Asset Requirement, calculated upon such transfer; and third, the remainder of funds to be transferred shall be allocated to the 2001 Series A subaccount of the Class I Special Redemption Account, the 2001 Series A subaccount of the Class II Special Redemption Account and the 2001 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 2001 Series A Class I Bonds, the Aggregate Principal Amount of Outstanding 2001 Series A Class II Bonds and the Aggregate



Principal Amount of Outstanding 2001 Series A Class III Bonds, respectively, to the Aggregate Principal Amount of all 2001 Series A Bonds Outstanding.

Excess Revenues. The 2001 Series A Bonds are also 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 2001 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 2001 Series A subaccounts of the Redemption Fund (other than unexpended proceeds as described in "Unexpended Proceeds" under this caption) on the 45th day prior to the redemption date.

**It is anticipated that moneys will be available to redeem a substantial portion of the 2001 Series A Bonds without premium in accordance with the preceding paragraph. Such moneys may be directed to the Redemption Fund and available for this redemption as a result of excess revenues resulting from 2001A Loan payments, voluntary disposition of 2001A Loans or the 2001A Authority Project, voluntary or involuntary prepayments of the 2001A Loans, such as proceeds received as a result of damage, destruction or condemnation of 2001A Projects, and other such sources. HOWEVER, EXCESS REVENUES AND PREPAYMENTS RELATING TO BONDS, LOANS OR AUTHORITY PROJECTS OTHER THAN THE 2001 SERIES A BONDS, THE 2001A LOANS OR THE 2001A AUTHORITY PROJECT MAY NOT BE USED TO REDEEM THE 2001 SERIES A BONDS. See "No Cross-Calls" under this caption.**

No Cross-Calls. Pursuant to the Master Indenture except as otherwise provided in a Series 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 Special Redemption Account of the Redemption Fund to any other Series subaccount of the same Class Special Redemption 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 Series Indenture, and (ii) be accompanied by evidence of satisfaction of all Asset Requirements for the 2001 Series A Bonds. The 2001A Indenture provides that, except to the extent necessary to prevent an Event of Default, (a) moneys on deposit in the 2001 Series A subaccount of the Class I Special Redemption Account, in the 2001 Series A subaccount of the Class II Special Redemption Account and in the 2001 Series A subaccount of the Class III Special Redemption Account will be applied only to the redemption of the 2001 Series A Class I Bonds, the 2001 Series A Class II Bonds and the 2001 Series A Class III Bonds, respectively, and (b) no moneys unrelated to the 2001 Series A Bonds shall be transferred to the 2001 Series A subaccounts of the Special Redemption Account. See "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

### *Optional Redemption*

The 2001 Series A Bonds shall be subject to redemption prior to maturity at the option of the Authority from any source, including without limitation the proceeds of refunding bonds or other financing provided by the Authority or from the sale or other voluntary disposition of Loans and Authority Projects, on and after October 1, 2011, in whole or in part at any time at a redemption price equal to 100% of the Aggregate Principal Amount of the 2001 Series A Bonds, to be so redeemed, plus accrued interest to the date of redemption. In the event of a partial optional redemption, the Authority is to direct the class, tenor, series, maturity or maturities and the amounts thereof, so to be redeemed.

### *Cumulative Sinking Fund Redemption*

The 2001 Series A Bonds are subject to redemption from sinking fund installments to the extent described under this caption. To the extent that any of the 2001 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 2001 Series A Bonds so redeemed or purchased against any sinking fund obligation with respect to such 2001 Series A Bonds as described in "Credit Against Sinking Fund Installments" under this caption.

The 2001 Series A-1 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2001 Series A Class I Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2001 Series A subaccount of the Class I Debt Service Fund, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price of 100% of the principal amount of such 2001 Series A-1 Bonds, respectively, or portions thereof to be so redeemed, together with accrued interest to the date of redemption, as follows:

#### **2001 Series A-1 Bonds due October 1, 2011**

<u>Date (April 1)</u>	<u>Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Sinking Fund Installments</u>
2003	\$ 15,000	2003	\$ 95,000
2004	95,000	2004	100,000
2005	100,000	2005	105,000
2006	105,000	2006	110,000
2007	115,000	2007	115,000
2008	120,000	2008	120,000
2009	125,000	2009	125,000
2010	130,000	2010	130,000
2011	135,000	2011 (1)	140,000

(1) Final maturity

**2001 Series A-1 Bonds  
due October 1, 2023**

<u>Date (April 1)</u>	<u>Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Sinking Fund Installments</u>
2012	\$145,000	2012	\$150,000
2013	150,000	2013	155,000
2014	160,000	2014	165,000
2015	175,000	2015	180,000
2016	185,000	2016	190,000
2017	195,000	2017	200,000
2018	210,000	2018	210,000
2019	215,000	2019	225,000
2020	230,000	2020	235,000
2021	245,000	2021	250,000
2022	260,000	2022	270,000
2023	270,000	2023 (1)	280,000

(1) Final maturity

**2001 Series A-1 Bonds  
due April 1, 2031**

<u>Date (April 1)</u>	<u>Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Sinking Fund Installments</u>
2024	\$290,000	2024	\$300,000
2025	310,000	2025	320,000
2026	330,000	2026	335,000
2027	345,000	2027	365,000
2028	370,000	2028	380,000
2029	395,000	2029	405,000
2030	420,000	2030	435,000
2031 (1)	60,000	--	--

(1) Final maturity

**2001 Series A-1 Bonds  
due April 1, 2043**

Date (April 1)	Sinking Fund Installments	Date (October 1)	Sinking Fund Installments
2033	\$435,000	2033	\$450,000
2034	465,000	2034	480,000
2035	490,000	2035	510,000
2036	525,000	2036	540,000
2037	555,000	2037	575,000
2038	590,000	2038	610,000
2039	630,000	2039	645,000
2040	665,000	2040	685,000
2041	710,000	2041	730,000
2042	750,000	2042	770,000
2043 (1)	550,000	--	--

(1) Final maturity

*The payment of such Sinking Fund Installments with respect to each maturity of the 2001 Series A-1 Bonds 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 I Debt Service Fund. If the amount on deposit in the 2001 Series A subaccount of the Class I Debt Service Fund is not sufficient on any Bond Payment Date to pay the scheduled 2001 Series A Class I 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 "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS - Limited Security."*

The 2001 Series A-2 Class II Bonds due October 1, 2023 and October 1, 2032 shall be redeemed prior to their maturity, in part, by lot by payment of 2001 Series A Class II Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2001 Series A subaccount of the Class II Debt Service Fund, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price of 100% of the principal amount of such 2001 Series A-2 Class II Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, as follows:

**2001 Series A-2 Class II Bonds  
due October 1, 2023**

<u>Date</u> <u>(April 1)</u>	<u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	<u>Sinking Fund</u> <u>Installments</u>
2012	\$155,000	2012	\$160,000
2013	165,000	2013	165,000
2014	170,000	2014	180,000
2015	180,000	2015	185,000
2016	190,000	2016	190,000
2017	170,000	2017	170,000
2018	175,000	2018	180,000
2019	185,000	2019	190,000
2020	195,000	2020	205,000
2021	210,000	2021	220,000
2022	185,000	2022	165,000
2023	170,000	2023 (1)	175,000

(1) Final maturity

**2001 Series A-2 Class II Bonds  
due October 1, 2032**

<u>Date</u> <u>(April 1)</u>	<u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	<u>Sinking Fund</u> <u>Installments</u>
2024	180,000	2024	\$190,000
2025	195,000	2025	200,000
2026	195,000	2026	165,000
2027	160,000	2027	160,000
2028	160,000	2028	165,000
2029	165,000	2029	180,000
2030	185,000	2030	190,000
2031	585,000	2031	525,000
2032	385,000	2032 (1)	405,000

(1) Final maturity

*The payment of such Sinking Fund Installments with respect to each maturity of the 2001 Series A-2 Class II Bonds will be contingent upon there being, and will be due and payable and are to be made only to the extent there are, amounts available therefor in the Class II Debt Service Fund. If the amount on deposit in the 2001 Series A subaccount of the Class II Debt Service Fund is not sufficient on any Bond Payment Date to pay the scheduled 2001 Series A Class II 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 "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS - Limited Security."

The 2001 Series A-3 Class III Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2001 Series A Class III Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2001 Series A subaccount of the Class III Debt Service Fund, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price of 100% of the principal amount of such 2001 Series A-2 Class III Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, as follows:

**2001 Series A-2 Class III Bonds  
due October 1, 2011**

<u>Date (April 1)</u>	<u>Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Sinking Fund Installments</u>
2003	\$20,000	2003	\$20,000
2004	25,000	2004	20,000
2005	25,000	2005	25,000
2006	25,000	2006	25,000
2007	25,000	2007	25,000
2008	25,000	2008	25,000
2009	25,000	2009	25,000
2010	30,000	2010	25,000
2011	30,000	2011 (1)	30,000

(1) Final maturity

**2001 Series A-2 Class III Bonds  
due October 1, 2022**

<u>Date (April 1)</u>	<u>Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Sinking Fund Installments</u>
2012	\$40,000	2012	\$40,000
2013	40,000	2013	45,000
2014	45,000	2014	45,000
2015	45,000	2015	45,000
2016	45,000	2016	50,000
2017	45,000	2017	50,000
2018	50,000	2018	60,000
2019	60,000	2019	60,000
2020	65,000	2020	60,000
2021	55,000	2021	55,000
2022	45,000	2022 (1)	45,000

(1) Final maturity

**2001 Series A-2 Class III Bonds  
due October 1, 2032**

<u>Date</u> <u>(April 1)</u>	<u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	<u>Sinking Fund</u> <u>Installments</u>
2023	\$55,000	2023	\$55,000
2024	55,000	2024	60,000
2025	60,000	2025	60,000
2026	60,000	2026	70,000
2027	70,000	2027	65,000
2028	70,000	2028	70,000
2029	70,000	2029	75,000
2030	75,000	2030	75,000
2031	75,000	2031	85,000
2032	80,000	2032 (1)	65,000

(1) Final maturity

*The payment of such Sinking Fund Installments with respect to each maturity of the 2001 Series A-2 Class III Bonds 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. If the amount on deposit in the 2001 Series A subaccount of the Class III Debt Service Fund is not sufficient on any Bond Payment Date to pay the scheduled 2001 Series A Class III 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 "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS - Limited Security."*

*Selection of Bonds to Be Redeemed*

If less than all 2001 Series A Bonds are to be redeemed, except as otherwise directed by an Authority Request that certifies that such request is consistent with the most recently filed Related Cash Flow Statement, the Bond Registrar is to select a pro rata amount of the 2001 Series A Bonds of each tenor and maturity for redemption. If less than all 2001 Series A Bonds of like Class, tenor and maturity are to be redeemed, the particular 2001 Series A Bonds or the respective portions thereof to be redeemed shall be selected by lot in such manner as the Bond Registrar in its discretion may deem fair and appropriate.

The portion of any 2001 Series A Bond of a denomination of larger than the minimum denomination may be redeemed in the principal amount of such minimum denomination or a multiple thereof, and for purposes of selection and redemption, any such 2001 Series A Bond of a denomination larger than the minimum denomination shall be considered to

be that number of separate 2001 Series A Bonds of such minimum denomination which is obtained by dividing the principal amount of such 2001 Series A Bond by such minimum denomination. If there shall be selected for redemption less than all of a 2001 Series A Bond, the Authority shall execute and the Bond Registrar shall authenticate and deliver, upon the surrender of such 2001 Series A Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the 2001 Series A Bond so surrendered, 2001 Series A Bonds of like Class, interest rate, tenor and maturity in any of the authorized denominations.

#### *Notice of Redemption*

When any 2001 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 30 days prior to the redemption date, to the registered owner of each 2001 Series A Bond to be redeemed at such Owner's address as it appears in the registration records of the Bond Registrar or at such other address as is furnished in writing by such Owner to the Bond Registrar. However, failure to give any such notice to any Owner, or any defect therein, shall not affect the validity of the redemption proceedings for any 2001 Series A Bond with respect to which no such failure or defect has occurred. **So long as the 2001 Series A Bonds are registered in the DTC book-entry system described in Appendix H, such notices will be sent only to DTC's nominee.**

#### *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.

## SECURITY FOR THE 2001 SERIES A BONDS

### 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 "Outstanding Master Indenture Obligations" under this caption. *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 2001 Series A Bonds. See "COLORADO HOUSING AND FINANCE AUTHORITY - Programs to Date."*

The 2001 Series A Bonds are being issued in the following Classes: the 2001 Series A-1 Bonds being issued as Class I Bonds; the 2001 Series A-2 Class II Bonds being issued as Class II Bonds; and the 2001 Series A-2 Class III Bonds being issued as Class III Bonds.

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 2001 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).**

## **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 B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Moneys in the Revenue Fund."** Among these transfers, the Trustee is to deposit into: (i) the Related Series Subaccount of the related Class Special Redemption Account, the Loan Recycling Account (at the election of the Authority), or any combination of the two, the amount needed, if any, to ensure that the Class Asset Requirement for the related Series of Bonds will be met on such Bond Payment Date; and (ii) each Series subaccount of the related Class Special Redemption Account not related to such Series of Bonds, on a proportionate basis with all such unrelated subaccounts, the amount of any deficiency resulting from the lack of moneys sufficient to make the deposit described in (i). See **a discussion of the Class Asset Requirements in "Class Asset Requirements" under this caption.**

## **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, the Financing Documents (except for certain rights and interests expressly retained by the Authority therein) and 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 G – "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 Projects. Housing Facilities and Projects owned by the Authority and financed using a portion of proceeds of Bonds become "**Authority Projects**" for purposes of the Trust Estate.

#### *Outstanding Loans and Authority Projects*

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

#### *The 2001A Loans*

Generally. Certain proceeds of the 2001 Series A Bonds are expected to be loaned to the Borrowers and used by them to defray, in part, the costs of financing or refinancing the acquisition, construction and/or rehabilitation of the fourteen multi-family housing projects and other projects described in **Appendix F-1** hereto (the "**2001A Projects**"). See "PLAN OF FINANCING." *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 2001A Projects, the Authority may, at its option, any time within three years of the date of issuance of the 2001 Series A Bonds, direct the Trustee to transfer amounts in the 2001 Series A subaccount of the Acquisition Account to the Redemption Fund to be used to redeem 2001 Series A Bonds at par. Furthermore, to the extent such amounts are not loaned by the Authority for the 2001A Projects or other permissible projects during the three year period following issuance of the 2001 Series A Bonds in accordance with the Indenture, amounts remaining in the 2001 Series A subaccount of the Acquisition Account at the end of such period are required to be used to redeem 2001 Series A Bonds. See "TERMS OF THE 2001 SERIES A BONDS – Redemption of the 2001 Series A Bonds." See "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS – Considerations Regarding Redemption at Par." Certain restrictions on the rental and occupancy*

of the 2001A Projects will be imposed on the respective Borrowers. See "The 2001A Regulatory Agreements" under this caption.

The 2001A Borrowers. The 2001A Loans are expected by the Authority to be made to particular private developers, nonprofit organizations and housing and health authorities referred to as the "Borrowers" and described in **Appendix F-1** hereto, in connection with the 2001A Projects. Repayment of amounts due on the respective 2001A Loan will be a nonrecourse obligation of the respective Borrower, payable solely from revenues generated by the respective 2001A Project. The Borrowers will not have any obligations under the Loan documents to cover any losses in the event of a default on the 2001 Series A Bonds or to continue the 2001A Projects in operation. Each of the Borrowers will own the respective 2001A Project as its sole asset. See "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS – Limited Security."

Certain Assumptions Relating to the 2001A Loans. The 2001A Loans described in **Appendix F-1** are expected to be made in the following aggregate principal amounts and to be funded as described in "PLAN OF FINANCING":

**2001A Loans to be Financed or Refinanced (1)**

<u>Name of 2001A Project</u>	<u>Nature of Project</u>	<u>FHA Insurance(2)</u>	<u>Location</u>	<u>Number of Units</u>	<u>Estimated 2001A Loan Amounts</u>	<u>Loan Term (Years)</u>
<b>Insured:</b>						
Clifton Village South (3)	Acquisition/renovation	542(c)	Clifton	119	\$ 4,200,000	30
Belle Creek (3)	New construction	221(d)(4)	Commerce City	156	10,085,700	40
Fox Run	New construction	542(c)	Fraser	64	133,000	40
Longs Peak Residence (5)	New construction	542(c)	Longmont	50	1,621,000	30
Sheridan Ridge (3)	New construction	542(c)	Arvada	65	6,750,000	40
Spring Hollow (3)	New construction	542(c)	Brighton	108	7,475,000	40
<b>Uninsured:</b>						
Aristocrat Motel (5)	Acquisition/renovation	N/A	Denver	47	660,000	20
Colorado Coalition for the Homeless (5)	Acquisition/renovation	N/A	Denver	N/A	1,294,650	25
Country Roads Housing (5)	New construction	N/A	Multiple sites(4)	20	352,000	30
Inner Places	Acquisition/refinancing	N/A	Denver	N/A	543,000	25
Garfield (5)	Acquisition/renovation	N/A	Denver	36	924,000	30
Martinique (5)	New construction	N/A	Denver	20	445,000	30
Ronald McDonald House (5)	Acquisition/renovation	N/A	Denver	16	700,000	20
Victory House	New construction	N/A	Akron	13	575,000	30

- (1) Many of the 2001A Loans will include certain provisions restricting prepayment thereof by the respective Borrowers.
- (2) Many of the 2001A Loans will be uninsured as indicated by N/A. For information regarding the federal insurance programs, see **Appendix G** – "Federal Insurance Programs."
- (3) These 2001A Projects will be funded in part with tax credit equity.
- (4) Vona, Flagler, Kit Carson County, Seibert and Stratton
- (5) These 2001A Loans will each refinance an existing Authority loan.

See "PLAN OF FINANCING - Sources and Uses of Funds." Pursuant to the 2001A Loans, the Borrowers will make Mortgage Repayments to the Authority, which Mortgage Repayments will constitute Revenues pledged under the Indenture. See "Revenues" under this caption. Based on the analysis made by the Authority in underwriting the proposed 2001A Loans and the assumptions described in **Appendix F-1** hereto, the Authority expects, although no assurance can be given, that the cashflow from each 2001A Project as projected by each Borrower will be sufficient for the respective Borrower to pay amounts due under the respective 2001A Loan. However, the projected level of cashflow for any 2001A Project may vary due to the uncertainty of future occupancy levels (including certain restrictions on use of the 2001A Project which may lead to lower occupancy), future operating expenses or other such factors which have been predicted using certain assumptions which may prove to be incorrect.

**For certain further information regarding the proposed 2001A Loans expected to be financed or refinanced under the Indenture, see Appendix F-1.**

The Regulatory Agreements. Simultaneously with the closing of each 2001A Loan, each Borrower will enter into a regulatory agreement with the Authority (collectively, the "CHFA Regulatory Agreements") relating to the respective 2001A Project. Pursuant to the provisions of the CHFA Regulatory Agreements, the Borrowers will agree, among other things, to rent the units in the 2001A Projects so as to comply with applicable provisions of the Tax Code and the Authority's Rules and Regulations. In particular, each Borrower will agree that each individual rental unit in the respective 2001A Project will be rented or held for rental on a first-come, first-served basis, to the general public on a continuous basis and at rents based on a restricted rent proposal. In addition, the Borrowers will agree to the following respective occupancy requirements:

## Occupancy Requirements for 2001A Projects

Project Name	Occupancy Requirements
<b>Insured:</b>	
Clifton Village South	95% of units to persons or families whose incomes do not exceed 60% of area median income
Belle Creek	5% of units to persons or families whose incomes do not exceed 30% of area median income; an additional 15% of units to persons or families whose incomes do not exceed 50% of area median income; and the remaining units to persons or families whose incomes do not exceed 60% of area median income
Fox Run	83% of units to persons or families whose income do not exceed 60% of area median income
Longs Peak Residence	100% of units to persons or families whose incomes do not exceed 50% of area median income
Sheridan Ridge	46% of units to persons or families whose incomes do not exceed 60% of area median income; and an additional 29% of units to persons or families whose income do not exceed 100% of area median income
Spring Hollow	100% of units to persons or families whose incomes do not exceed 60% of area median income
<b>Uninsured:</b>	
Colorado Coalition for the Homeless	N/A
Country Roads Housing	25% of units to persons or families whose incomes do not exceed 50% of area median income; an additional 15% of units to persons or families whose income do not exceed 60% of area median income; and an additional 50% of units to persons or families whose income do not exceed 80% of area median income
Garfield	100% of units to persons or families whose incomes do not exceed 60% of area median income
Inner Places	N/A
Martinique	55% of units to persons or families whose incomes do not exceed 50% of area median income; and an additional 30% of units to persons or families whose income do not exceed 80% of area median income
Ronald McDonald House	100% of units to persons or families whose incomes do not exceed 60% of area median income.
Victory House	54% of units to persons or families whose incomes do not exceed 60% of area median income; and an additional 23% of units to persons or families whose income do not exceed 100% of area median income
Aristocrat Motel	N/A

The CHFA Regulatory Agreements will also contain provisions for verifying compliance with the terms thereof. The provisions of the CHFA Regulatory Agreements discussed herein are intended, among other things, to insure compliance with the requirements of

the Tax Code with respect to the excludability of the interest on the 2001 Series A Bonds from gross income. Upon any breach by a Borrower of any provisions of its CHFA Regulatory Agreement, the Authority may take such actions at law or in equity as deemed appropriate under the circumstances for the protection of the Bondowners, including an action for specific performance of the respective CHFA Regulatory Agreement. *Such a breach by a Borrower may result in interest on the 2001 Series A Bonds being included in gross income of the Owners of the 2001 Series A Bonds for purposes of federal income taxation and will not result in a mandatory redemption of the 2001 Series A Bonds under the Indenture as described in "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS – Enforcement of Regulatory Agreements " and "TAX MATTERS."*

Servicing by the Authority. The Authority will service the 2001A Loans. The Finance Division of the Authority will handle the receipt and disbursement of funds related to the 2001A Loans. 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 2001A Loans, including occupancy restrictions, and will review the financial status of the 2001A Projects. The Authority similarly oversees compliance for the other Loans outstanding under the Indenture. In connection with the Section 542(c) insurance, as applicable, the Authority has agreed to perform annual physical inspections, to analyze annual project audits and financial statements and to submit semiannual reports to FHA setting forth information about the status of the related Projects insured under Section 542(c). For more information concerning the Authority, see "COLORADO HOUSING AND FINANCE AUTHORITY."

#### *The 2001A Authority Project*

Certain proceeds of the 2001 Series A-2 Bonds will be deposited to the Authority Projects subaccount of the Acquisition Account and are expected to be used by the Authority to acquire and renovate the site and building located at 1939 Blake Street (the "**2001A Authority Project**"). The 2001A Authority Project, adjacent to the Authority's existing offices, will be owned and used by the Authority as additional office and meeting space. See **Appendix F-1** hereto for additional information regarding the 2001A Authority Project.

### **Debt Service Reserve Fund**

#### *Generally*

The Series 2001A Indenture establishes a 2001 Series A subaccount of the Debt Service Reserve Fund for the 2001 Series A Bonds. The Debt Service Reserve Fund Requirement for the 2001 Series A Bonds is based on the maximum principal and interest due for a particular period on Loans related to the 2001 Series A Bonds and does not directly relate to the aggregate principal amount of 2001 Series A Bonds outstanding. The Debt Service Reserve Fund Requirement for the 2001 Series A Bonds will initially be \$1,834,000 and thereafter, as of the date of calculation, will be the sum of (i) the maximum principal and interest payment due for any period of eight consecutive calendar months on the 2001A Loans that are insured or guaranteed by the United States of America and any agency or instrumentality thereof and (ii) the



maximum principal and interest payment due for any period of 12 consecutive calendar months on 2001A Loans that are not insured or guaranteed by the United State of America and any agency or instrumentality thereof. There is no Debt Service Reserve Fund Requirement related to proceeds of the 2001 Series A Bonds used to finance the 2001A Authority Project or related to unexpended proceeds of the 2001 Series A Bonds.

Upon the issuance of the 2001 Series A Bonds, the Debt Service Reserve Fund Requirement for the 2001 Series A Bonds is expected to be funded by a deposit of a Qualified Surety Bond as permitted by the Indenture. The Authority has applied to MBIA Insurance Corporation (the "**Surety Provider**") for a commitment to issue a surety bond (the "**2001A Surety Bond**") to be issued at the time of issuance of the 2001 Series A Bonds and deposited to the 2001 Series A subaccount of the Debt Service Reserve Fund. Additional moneys are to be transferred into the 2001 Series A subaccount of the Debt Service Reserve Fund from the Revenue Fund as provided in the Master Indenture in the amounts needed, if any, to increase the amount in any Subaccount of the Debt Service Reserve Fund, together with any Qualified Surety Bond therein, to the Debt Service Reserve Fund Requirement. See **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Allocation of Moneys in the Revenue Fund."

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.

#### *The 2001A Surety Bond*

The 2001A Surety Bond will provide that, upon notice from the Trustee to the Surety Provider to the effect that insufficient amounts are on deposit in the Revenue Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the 2001 Series A Bonds, the Surety Provider will promptly deposit with the Trustee an amount necessary to pay the principal of and interest on the 2001 Series A Bonds, or the available amount of the Surety Bond, whichever is less. Upon the later of: (i) three (3) business days after receipt by the Surety Provider of a Demand for Payment in the form attached to the Surety Bond, duly executed by the Trustee; or (ii) the payment date of the 2001 Series A Bonds as specified in the Demand for Payment presented by the Trustee to the Surety Provider, the Surety Provider will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The Authority and the Surety Provider will enter into a Financial Guaranty Agreement (the "**Financial Guaranty Agreement**"), pursuant to which the Authority will be required as a general obligation of the Authority to reimburse the Surety Provider the amount of

any such deposits made by the Surety Provider with the Trustee under the 2001A Surety Bond. Under the terms of the Financial Guaranty Agreement, before any amounts in the Revenue Fund are transferred to the Authority's General Fund, the Authority will be required to reimburse the Surety Provider for the amount of any such deposits, with interest at certain times, until the available amount of the 2001A Surety Bond is fully reinstated. No 2001 Series A Bonds may be redeemed pursuant to the optional redemption provisions of the Indenture until the 2001A Surety Bond has been reinstated. The 2001A Surety Bond will be held by the Trustee under the Indenture in the Debt Service Reserve Fund and is provided as an alternative to the Authority depositing funds equal to the Debt Service Reserve Requirement for outstanding 2001 Series A Bonds. The Authority will pay the total premium for such 2001A Surety Bond at the time of delivery of the 2001 Series A Bonds.

It will be the duty of the Trustee to maintain adequate records, verified with the Surety Provider, as to the amount available to be drawn at any given time under the 2001A Surety Bond and as to the amount paid and owing to the Surety Provider under the terms of the Financial Guaranty Agreement.

Potential investors may obtain copies of the Surety Provider's financial statements from the Surety Provider, without charge, by request to 113 King Street, Armonk, New York 10504, (914) 273-4545.

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

### **General Obligation Pledge for 2001 Series A-2 Class III Bonds**

In addition to a lien on the Trust Estate under the Indenture as described in "Pledge of Trust Estate" under this caption, the Series 2001A Indenture provides that the 2001 Series A-2 Class III 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 "COLORADO HOUSING AND FINANCE AUTHORITY - The General Fund" and the Authority's audited financial statements for the Fiscal Year ended December 31, 2000, attached hereto as **Appendix A**. **Potential investors should evaluate the likelihood that moneys will be available in the General Fund to pay debt service when due on the 2001 Series A-2 Class III Bonds. However, the General Fund is not pledged to repay the 2001 Series A-2 Class III Bonds. See "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS."** The Authority has outstanding other general obligations and may hereafter incur or issue (without restriction as to amount) additional general obligations, all of which are payable on an equal basis from such assets, income and revenues of the Authority. See "COLORADO HOUSING AND FINANCE AUTHORITY - General Obligations of the Authority."

## Outstanding Master Indenture Obligations

The Authority has previously issued under the Master Indenture its Multi-Family/Project Bonds, 2000 Series A (the "**2000 Series A Bonds**") outstanding in the aggregate principal amount of \$94,905,000 and its Multi-Family/Project Bonds, 2000 Series B (the "**2000 Series B Bonds**") outstanding in the aggregate principal amount of \$31,875,000. Upon issuance of the 2001 Series A Bonds, the following Bonds will be outstanding under the Master Indenture in the Classes as indicated:

<u>Pro Forma Outstanding Series</u>	<u>Class I Bonds</u>	<u>Class II Bonds</u>	<u>Class III Bonds</u>	<u>Class IV Bonds</u>	<u>Total</u>
<b>2000 Series A Bonds:</b>					
2000 Series A-1 Adjustable Rate	\$56,195,000				
2000 Series A-1 Adjustable Rate			\$18,500,000		
2000 Series A-2 Adjustable Rate	11,545,000				
2000 Series A-3		\$6,700,000			
Taxable 2000 Series A-4	1,965,000				
<b>Total 2000 Series A Bonds</b>					<u>\$94,905,000</u>
<b>2000 Series B Bonds:</b>					
Taxable 2000 Series B-1	\$ 7,780,000				
2000 Series B-2	13,880,000				
Adjustable Rate 2000 Series B-3	5,000,000				
2000 Series B-4	4,845,000		\$ 370,000		
<b>Total 2000 Series B Bonds</b>					<u>\$31,875,000 (1)</u>
<b>2001 Series A Bonds:</b>					
2001 Series A-1	\$24,350,000				
2001 Series A-2 Class II		\$10,810,000			
2001 Series A-2 Class III			\$2,890,000		
<b>Total 2001 Series A Bonds</b>					<u>\$38,050,000</u>
<b>Total Outstanding Bonds</b>	<u>\$125,560,000</u>	<u>\$ 17,510,000</u>	<u>\$ 21,760,000</u>	<u>\$ -0-</u>	<u>\$164,830,000</u>

## Class Asset Requirements

The Class Asset Requirements applicable to each Series of Bonds are set forth in each Related Series Indenture. For information on the Class Asset Requirements applicable to the 2001 Series A Bonds, see **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Class Asset Requirements" and **Appendix C** – "TABLE OF CLASS ASSET REQUIREMENTS." The following table shows the Class Asset Requirements for the Loans and Authority Projects outstanding under the Master Indenture as of November 1, 2000 and for the Outstanding Loans and Authority Projects including the 2001A Loans and 2001A Authority Project expected to be financed with proceeds of the 2001 Series A Bonds:

Class Asset Calculations

	Class Asset Requirements		Outstanding as of 10/1/00 (1)				Proforma Outstanding after Delivery of 2001 Series A Bonds(2)					
	Class I	Class II	Loan Amount	# of Loans	% of Total	Class I	Class II	Loan Amount	# of Loans	% of Total	Class I	Class II
Uninsured Loans	1.72	1.45	\$30,755,730	43	25.17	1.750	1.450	\$37,044,380	52	22.47	1.750	1.450
FHA-Insured Section 542(c) Loans	1.00	1.00	39,935,050	9	32.69	1.000	1.000	63,826,050	14	38.71	1.000	1.000
FHA-Insured non-Section 542(c) Loans	1.12	1.015	34,419,963	30	28.17	1.125	1.015	44,505,663	31	26.99	1.125	1.015
Authority Projects	1.30	1.18	10,999,071	16	9.00	1.300	1.200	12,659,071	17	7.68	1.300	1.200

(1) These loan amounts and numbers of loans vary from the portfolio information set forth in Appendix F-2 which is presented as of June 30, 2001.

(2) Based on certain assumptions regarding 2001A Loans and the 2001A Authority Project and using the 10/1/00 information as a baseline. Subject to change.

## **Outstanding Derivative Products**

In connection with the issuance of the 2000A Multi-Family/Project Bonds, the Authority entered into interest rate swap agreements with Lehman Brothers Financial Products Inc. with respect to (i) \$12,750,000 aggregate principal amount of the Class I 2000 Series A-1 Bonds, and (ii) \$18,500,000 aggregate principal amount of the Class III 2000 Series A-1 Bonds. The Authority also entered into a forward interest rate swap agreement with Lehman Brothers Financial Products Inc. which took effect on February 1, 2001 with respect to the 2000 Series A-2A Bonds. These 2000 Series A swap agreements (collectively referred to as the "**2000 Series A Swap Agreements**") constitute Class I Obligations under the Master Indenture. In connection with the issuance of the Taxable 2000 Series B-1 Bonds, the Authority entered into an interest rate swap agreement (the "**Taxable 2000 Series B-1 Swap Agreement**") with Morgan Stanley Derivative Products, Inc. (the "**Counterparty**") with respect to the Taxable 2000 Series B-1 Bonds.

Pursuant to the 2000 Series A Swap Agreements, the Authority is to pay interest to the Counterparty at a fixed rate and will receive interest in an amount equal to the actual interest payments by the Authority on the respective Bonds. Pursuant to the Taxable 2001 Series B-1 Swap Agreement, the Authority is to pay interest to the Counterparty at a fixed rate and will receive interest from the Counterparty at a variable rate which will be based on a LIBOR Index. The Authority's obligation to make interest payments to the Counterparty under each of these Swap Agreements 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 Swap Agreements in the event of early termination is a general obligation of the Authority and not an Obligation under the Master Indenture. See "COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

The Authority does not expect to enter into any interest rate swap agreements or other Derivatives in connection with the issuance of the 2001 Series A Bonds.

## **Investment Agreements**

Amounts deposited in connection with the 2000 Series A Bonds have been invested in investment agreements with AIG Matched Funding Corp. ("**AIG**"), in the case of the 2000A Acquisition Account of the Program Fund, and with FGIC Capital Market Services, Inc. ("**FGIC**"), in the case of the 2000A subaccounts of the Revenue Fund and Redemption Fund. Amounts in these Funds constitute part of the Trust Estate pledged under the Master Indenture. Amounts deposited in connection with the 2000 Series B Bonds have been invested in an investment agreement with CDC Funding Corp. ("**CDC**"), in the case of the 2000B Acquisition Account of the Program Fund and the 2000B subaccounts of the Revenue Fund and the Redemption Fund. *Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of AIG, FGIC or CDC. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of AIG, FGIC and CDC.* See "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS – Certain

Assumptions – Investment Agreements" for assumptions relating to investment agreements to be entered in connection with the 2001 Series A Bonds.

**Issuance of Additional Bonds**

The Master Indenture permits the Authority to issue additional Bonds from time to time without limitation, upon delivery of a Cash Flow Statement, as described in "TERMS OF THE 2001 SERIES A BONDS – General Terms – Additional Obligations." The Authority expects, but is not obligated, to issue additional Bonds as Additional Obligations under the Master Indenture.

## PLAN OF FINANCING

### Sources and Uses of Funds

The following are the sources and estimated uses of funds (excluding accrued interest) relating to the 2001 Series A Bonds.

	<u>Estimated Amounts</u>
<b>SOURCES OF FUNDS:</b>	
Bond proceeds:	
2001 Series A-1 Bonds .....	\$24,350,000
2001 Series A-2 Class II Bonds .....	10,810,000
2001 Series A-2 Class III Bonds .....	2,890,000
Amounts advanced by the Authority (1) .....	543,385
Exchanged amounts (2) .....	<u>6,395,000</u>
<b>TOTAL SOURCES OF FUNDS .....</b>	<b><u>\$44,988,385</u></b>
<b>USES OF FUNDS:</b>	
For refunding of 1982B Bonds (3) .....	\$ 1,470,000
For Line of Credit refunding (3) .....	4,925,000
Deposit to Acquisition Account (4) .....	37,278,526
Deposit to Capitalized Interest Account (5) .....	234,089
Deposit to Negative Arbitrage Account (6) .....	409,757
For costs of issuance and Underwriters' compensation (7) .....	<u>671,013</u>
<b>TOTAL USES OF FUNDS .....</b>	<b><u>\$44,988,385</u></b>

- (1) In accordance with their respective funding agreements, certain of the Borrowers will be required to reimburse the Authority for amounts advanced by the Authority to make deposits to the related subaccount of the Negative Arbitrage Account and pay costs of issuance relating to certain of the 2001A Loans.
- (2) The proceeds used to refund the 1982B Bonds will be exchanged for amounts held by the 1982B Trustee (the "exchanged amounts") pursuant to a Funds Exchange Agreement. The exchanged amounts will be deposited to the Acquisition Account. Certain proceeds of the 2001 Series A Bonds will also be exchanged for amounts under the Authority's line of credit.
- (3) Certain proceeds of the 2001 Series A-1 Bonds will be used to refund \$1,470,000 aggregate principal amount of the Authority's outstanding 1982B Bonds, as described in "Refunding of 1982B Bonds" under this caption. Certain proceeds of the 2001 Series A Bonds will also be exchanged for amounts under the Authority's line of credit.
- (4) See "Financing of 2001A Loans and Authority Project" under this caption. For a description of the 2001A Loans and the Authority Project currently expected to be financed in part with such amounts, see **Appendix F-1** hereto. Amounts on deposit in the 2001 Series A subaccount of the Acquisition Account will be invested in an investment agreement, as described in "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS – Investment Agreements."
- (5) The 2001 Series A Capitalized Interest Account will be created within the Program Fund for the 2001A Projects. See **Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Capitalized Interest Accounts."**
- (6) Such amount shall be deposited to the 2001 Series A subaccounts of the Negative Arbitrage Account within the Program Fund.
- (7) Such amount shall be deposited to the 2001 Series A subaccount of the Costs of Issuance Account in the Program Fund and used to pay costs of issuance and Underwriters' compensation relating to the 2001 Series A Bonds. For information concerning the Underwriters' compensation, see "UNDERWRITING AND PLACEMENT."

## **Refunding of 1982B Bonds**

On February 1, 2002, proceeds of the 2001 Series A Bonds will be used to refund \$1,470,000 aggregate principal amount of the Authority's outstanding Multi-Family Housing Insured Mortgage Revenue Bonds, 1982 Series B (the "**1982B Bonds**").

## **Financing of 2001A Loans and Authority Project**

Proceeds of the 2001 Series A Bonds (together with amounts advanced by the Authority on behalf of certain Borrowers) will be used to make the 2001A Loans, to finance the 2001A Authority Project and to make the required deposits to the funds and accounts, as described in "Sources and Uses of Funds" under this caption. It is expected that deposits to the 2001 Series A subaccount of the Acquisition Account will be made (i) to the Authority Projects Subaccount in order to finance the 2001A Authority Project; (ii) in the case of the proceeds of the 2001 Series A-1 Bonds maturing on October 1, 2023 and October 1, 2043, to a subaccount of the Restricted Loan Subaccount to be applied to finance the 2001A Loans relating to the Clifton Village and Fox Run projects; and (iii) in the case of the remaining deposits, to subaccounts of the Restricted Loan Subaccount and applied to make the 2001A Loans (other than the 2001A Loans relating to the Clifton Village and Fox Run projects) in connection with identified 2001A Projects as described in **Appendix F-1** – "CERTAIN INFORMATION ABOUT THE 2001A LOANS AND AUTHORITY PROJECT" within three years from the date of issuance of the 2001 Series A Bonds. Each of the Borrowers is required to use the amounts so loaned to it as a 2001A Loan to finance or refinance, in part, the acquisition, construction and/or rehabilitation of, and certain costs associated with, the respective 2001A Project. See also "SECURITY FOR THE 2001 SERIES A BONDS – The Loans and Authority Projects – The 2001A Loans," "COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date," **Appendix B** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

## **CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS**

### **Certain Assumptions**

The following are certain assumptions that have been made by the Authority about the 2001A Loans and in connection with the issuance of the 2001 Series A Bonds.

#### *2001A Loan Interest Rates*

The 2001A Loans, to be made with proceeds of the 2001 Series A deposited to the Restricted Loan Subaccount of the 2001 Series A subaccount of the Acquisition Account, are expected to be disbursed for the amounts bearing interest rates per annum as follows:



<u>2001A Loans</u>	<u>2001A Loan Amounts</u>	<u>Loan Rates (3)</u>
<b>Insured:</b>		
Clifton Village South (1)	\$ 4,177,996	6.750%
Belle Creek (1)	10,071,100	6.050%
Fox Run	133,000	6.650%
Longs Peak Residence	1,621,000	7.000%
Sheridan Ridge (1)	6,750,000	6.800%
Spring Hollow (1)	7,475,000	6.880%
<b>Uninsured:</b>		
Aristocrat Motel (2)	656,301	6.400%
Colorado Coalition for the Homeless (2)	1,279,903	6.990%
Country Roads Housing (2)	349,120	5.950%
Garfield (2)	921,623	6.800%
Inner Places (2)	543,000	7.125%
Martinique (2)	441,592	6.300%
Ronald McDonald House (2)	694,691	6.350%
Victory House	575,000	6.400%

(1) To be funded in part with tax credit equity.

(2) These loans have been originated by the Authority using funds from the General Fund and will be refinanced as 2001A Loans.

(3) These loan rates are the permanent rates. In some cases, a different rate will be applicable to the Loan during the construction period of the related Project.

### *Investment Agreements*

Until disbursed, amounts in the 2001 Series A subaccount of the Acquisition Account of the Program Fund under the Master Indenture will be invested in an investment agreement (the "**Investment Agreement**") between the Trustee and CDC Funding Corp. (the "**Investment Provider**"), at 2.20% per annum. Amounts in the 2001 Series A subaccount of the Revenue Fund and of the Redemption Fund will be invested in the Investment Agreement, subject to certain limitations set forth in the Investment Agreement, at 5.26% per annum. The Investment Provider is a subsidiary of CDC Finance - CDC IXIS, a French bank (societe anonyme) governed by French law (the "**Guarantor**"). The payment obligations of the Investment Provider under the Investment Agreement are guaranteed by the Guarantor. The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the Investment Agreement will be available as described. However, in the event that the Investment Agreement is terminated as a result of default by the Investment

Provider or the Guarantor or for any other reason, it may not be possible to reinvest such proceeds and deposits at these assumed rates and the cashflows may be adversely affected. *Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of the Investment Provider or the Guarantor. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the Investment Provider and the Guarantor.*

### **Financing of New Loans and Authority Projects**

There are numerous reasons why the entire amount deposited to the 2001 Series A subaccount of the Acquisition Account of the Program Fund might not be used to originate new 2001A Loans as expected and within the required timeframes. Proceeds of the 2001 Series A Bonds in such 2001 Series A subaccount of the Acquisition Account which have not been used to make new 2001A Loans or finance new 2001A Authority Projects must be used to redeem 2001 Series A Bonds at par as set forth in "TERMS OF THE 2001 SERIES A BONDS – Redemption of the 2001 Series A Bonds."

### **Considerations Regarding Redemption at Par**

As discussed in "Expiration of HAP Contracts" under this caption, 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. **However, the 2001 Series A Bonds are subject to special redemption only from excess revenues and prepayments relating to the 2001A Loans or the 2001A Authority Project financed or refinanced with proceeds of the 2001 Series A Bonds. See "TERMS OF THE 2001 SERIES A BONDS – Redemption of the 2001 Series A Bonds – No Cross-Calls."**

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, THE 2001 SERIES A BONDS MAY BE REDEEMED PRIOR TO THEIR STATED MATURITY FROM ANY MONEYS AND/OR INVESTMENT SECURITIES ON DEPOSIT IN THE RESPECTIVE ACCOUNT OF THE REDEMPTION FUND, INCLUDING UNEXPENDED BOND PROCEEDS, EXCESS REVENUES FROM REGULAR 2001A LOAN PAYMENTS, VOLUNTARY OR INVOLUNTARY PREPAYMENTS AND AMOUNTS DEPOSITED AS A RESULT OF ANY OTHER EVENT AS DESCRIBED ABOVE. SEE "TERMS OF THE 2001 SERIES A BONDS." THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED. **However, it is assumed that a substantial portion of the 2001 Series A Bonds will be redeemed prior to their respective stated maturities at a redemption price equal to the principal amount of the 2001 Series A Bonds to be redeemed, without premium.**

## **Limited Security**

The 2001 Series A-1 Bonds and the 2001 Series A-2 Class II Bonds are special limited obligations of the Authority payable solely from the Trust Estate. See "SECURITY FOR THE 2001 SERIES A BONDS – Pledge of Trust Estate." The 2001 Series A-2 Class III Bonds are payable from amounts in the Trust Estate and also constitute general obligations of the Authority. 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 2001 Series A Bonds when due. Additional Obligations may be issued by the Authority under the Master Indenture on a parity with each Class of the 2001 Series A Bonds, upon satisfaction of certain conditions set forth in the Master Indenture. See "TERMS OF THE 2001 SERIES A BONDS – General Terms – Additional Obligations."

## **General Obligation of Authority**

The 2001 Series A-2 Class III Bonds are payable from the Trust Estate and will also be general obligations of the Authority. However, the General Fund of the Authority is not pledged in any way to repay the 2001 Series A-2 Class III Bonds or any other of the 2001 Series A Bonds. See "SECURITY FOR THE 2001 SERIES A BONDS." Bondowners must therefore consider the ability of the Authority to pay debt service on the 2001 Series A-2 Class III Bonds as well as on other general obligations of the Authority from its unencumbered assets and revenues. See "COLORADO HOUSING AND FINANCE AUTHORITY – The General Fund" and "- General Obligations of the Authority." The Authority is furthermore not limited by the Indenture or otherwise from incurring additional general obligation indebtedness in the future and is not required to obtain the consent of the Bondowners.

## **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 the 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 G** – "FEDERAL INSURANCE PROGRAMS," the Authority, as 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 "COLORADO HOUSING AND FINANCE AUTHORITY." Many of the Loans, including certain of the 2001A Loans, are insured under an FHA program. See **Appendix F-1 and F-2** hereto.

## **Expiration of HAP Contracts**

As indicated in **Appendix F-2** hereto, a significant portion of the Loans pledged to secure Obligations under the Master Indenture (including one of the 2001A Loans) are secured in part by housing assistance payments ("**HAP**") contracts with terms expiring prior to expiration of the related Loan. These contracts by their terms do not contemplate renewal nor did the

parties otherwise provide for such renewal at the time the HAP contracts were originally granted. However, federal legislation enacted in October 1997, referred to as the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended by Public Laws 105-276 and 106-74 ("Title V") provided for the restructuring of mortgage financing and provides for the renewal of HAP contracts for certain multifamily housing projects, including certain projects financed by the Loans. The provisions of Title V relating to restructuring terminated October 1, 2001 but have been extended by continuing resolution pending enactment of legislation which, in the form passed by each house of the Congress as of the date hereof, provides for the extension of such provisions through the federal fiscal year 2006. The Authority has not determined at this time the extent to which the owners of projects secured by insured Loans and which are the subject of expiring HAP contracts will seek renewals of those HAP contracts or which projects will be eligible for such renewals under Title V, with or without restructuring of the insured Loans. Thus, the Authority is unable at this time to predict the impact of expiration of these HAP contracts or the effect of this legislation on the sufficiency of Revenues and assets pledged under the Master Indenture for payment of the Bonds outstanding under the Master Indenture, including the 2001 Series A Bonds.

### **Enforcement of Regulatory Agreements**

The CHFA Regulatory Agreements allow for enforcement by declaration of default under the 2001A Loans and an acceleration of the 2001A 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 2001A Loans for a covenant default relating to the 2001A Projects, including a tax-related covenant default.

There is no provision in the 2001 Series A Bonds or the Indenture for an acceleration of the indebtedness evidenced by the 2001 Series A Bonds or payment of additional interest in the event interest on the 2001 Series A Bonds were declared taxable, and the Authority will not be liable under the 2001 Series A Bonds or the Indenture for any such payment on the 2001 Series A Bonds whatsoever. See "SECURITY FOR THE 2001 SERIES A BONDS – The Loans and Authority Projects – The 2001A Loans – The Regulatory Agreements."

## **COLORADO HOUSING AND FINANCE AUTHORITY**

### **Background**

In 1973, upon a finding that there existed in the State a shortage of decent, safe and sanitary housing available within the financial capabilities of low and moderate income families, the Colorado General Assembly established the Colorado Housing Finance Authority, since renamed the Colorado Housing and Finance Authority, as a body corporate and a political subdivision of the State for the purpose of increasing the supply of decent, safe and sanitary housing for such families. The Colorado Housing and Finance Authority Act, as amended, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes (the "Act"), authorizes the Authority, among other things, to make loans to individuals and sponsors to finance the construction, reconstruction, rehabilitation or purchase of housing facilities for low and moderate income families and to purchase mortgage loans from, and lend moneys to, qualified lenders under terms and conditions which provide for loans to finance housing facilities for low and moderate income families. The Act was amended in 1982 to authorize the Authority to finance project and working capital loans to commercial and industrial enterprises of small and moderate size. The Act was amended again in 1987 to create an economic development fund to enable the Authority to finance projects or provide capital for business purposes.

In order to achieve its authorized purposes, the Authority currently operates certain Single-Family Mortgage Programs, a Multi-Family Housing Facility Loan Program, a Rental Acquisition Program and various commercial loan programs. The Authority previously operated a Loans to Lenders Home Loan Program, a Multi-Family Housing Rehabilitation Program, a Multi-Family Loans to Lenders Program, and a Construction Loan Program. See "Programs To Date" under this caption. Bonds or notes issued with respect to such programs are and will be separately secured from other bonds of the Authority, including the 2001 Series A Bonds, except as described herein. 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.

### **Board of Directors and Staff Officers**

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

### Present Board of Directors of the Authority

<u>Name</u>	<u>Affiliation</u>	<u>End of Term</u>
Jo Ellen Davidson, Chair (1)	Housing and Community Development Consultant; Denver, Colorado	June 30, 2005
Joseph B. Blake, Chair, <u>pro tem</u> (1)	President and Chief Executive Officer, Denver Metro Chamber of Commerce; Denver, Colorado	June 30, 2005
John R. Davidson, Secretary/Treasurer (1)	Chairman of the Board and Chief Executive Officer, First American State Bank; Denver, Colorado	June 30, 2003
Joanne Hill	Acting Colorado State Auditor; Denver, Colorado	(2)
M. Michael Cooke	Executive Director; Department of Regulatory Agencies; Denver, Colorado	At the pleasure of the Governor
Michelle Dressel	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	June 30, 2005
Joseph A. Garcia	Government Affairs Manager, Colorado Springs Utilities; Colorado Springs, Colorado	June 30, 2005
James Isgar	State Senator; Hesperus, Colorado	End of legislative biennium 2001-2002
Nancy J. McCallin	Director, Governor's Office of State Planning and Budgeting; Denver, Colorado	June 30, 2003
Jeffrey D. Roemer	Commercial Real Estate Broker, Fuller and Company; Denver, Colorado	June 30, 2003
Jesse L. Thomas	Government and Community Affairs Leader, Colorado Access; Denver, Colorado	June 30, 2005

(1) These Board members were elected to their respective offices effective March 26, 2001.

(2) Designated on October 24, 2001 to serve as Acting Colorado State auditor until the General Assembly appoints the Colorado State Auditor.

The principal staff officers of the Authority are as follows:

*Milroy A. Alexander*, the Executive Director, joined the staff in October 1988. Mr. Alexander is a graduate of Metropolitan State College, Denver, Colorado, with a Bachelor's Degree in Accounting. Prior to assuming the responsibilities of Executive Director on January 1,

2001, Mr. Alexander served as the Authority's Director of Finance. Mr. Alexander was previously a financial manager with a major Colorado manufacturer and a senior manager with Touche Ross, a big eight international accounting and consulting firm. Mr. Alexander is a member of the Colorado Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

*Colleen A. Schwarz*, the Deputy Executive Director for Production & Lending Programs, joined the staff in January 1986. Prior to appointment as Deputy Executive Director as of January 1, 2001, Ms. Schwarz had served as Director of Home Finance since July 1, 1999. Ms. Schwarz had previously served in various capacities within the Commercial Programs Division, including Director. Ms. Schwarz has a Master's Degree in Business Administration from Arizona State University Graduate School of Business and a Bachelor's Degree in Management with a concentration in accounting and finance from Oakland University in Rochester, Michigan. Ms. Schwarz held various management and financial positions at several large financial institutions and a regional construction company prior to joining the Authority.

*Cris A. White*, the Deputy Executive Director for Asset Management & Business Support Services and Director of Asset Management, joined the staff in 1988, where he served in various capacities until January 1996. Mr. White 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 lender, and was appointed Deputy Executive Director as of January 1, 2001. Mr. White has a Bachelor's Degree in business administration from Regis College.

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

*John Dolton*, the Director of Finance/Chief Financial Officer, joined the staff in August 1990. Prior to his responsibilities as Director of Finance/CFO, Mr. Dolton had served in various capacities within the Finance Division and as the Manager of Treasury Operations since September 1994. Before joining the Authority, Mr. Dolton was an analyst for a financial planning and investment management firm. Mr. Dolton has a Bachelor's Degree in Finance from the University of Colorado and holds the Chartered Financial Analyst designation.

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

*Karen Harkin* was appointed as Director of Home Finance in February 2001. Ms. Harkin joined the staff in June, 1999. Ms. Harkin received a Bachelor of Science degree from the University of Wisconsin-Madison and a Masters Degree in Business Administration from the

University of Dubuque, Iowa. Ms. Harkin has fifteen years experience in various capacities in public, private and non-profit real estate lending and development.

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

*Jaime Gomez*, the Director of Business Finance, joined the staff in August 1999. Mr. Gomez is a graduate of the University of Colorado with a degree in Finance. Mr. Gomez has prior experience working in both the public and private sector, including five-and-a-half years as director of finance and business development for the Colorado Office of Economic Development. Mr. Gomez was also designated as a certified bank examiner by the Federal Reserve Board of Governors in February of 1991.

### **Employees and Pension Information**

As of December 31, 2000, the Authority had approximately 135 full-time employees and three part-time employees, all of whom are members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes require the Authority to contribute 10 percent of each participating employee's gross salary to PERA. In 2000, the Authority's PERA contribution totaled approximately \$665,000, compared to an Authority contribution in 1999 of \$620,000.

### **Insurance Coverage**

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

### **The General Fund**

#### *Generally*

The audited financial statements of the Authority included in **Appendix A** to this Official Statement provide certain financial information about the Authority on a fund accounting basis, including a description of its General Fund. The General Fund is funded principally from reimbursement of administrative expenses and other allowable transfers from other funds (including the transfer of assets in excess of specified parity levels from other bond issues); loan fees payable to the Authority by borrowers; servicing fees payable to the Authority in connection with outstanding loans; income from the Authority's Rental Acquisition Program; income on investments and mortgage loans held temporarily (for warehousing purposes) and permanently in the General Fund; and administrative fees payable by the federal government in connection with the Section 8 housing assistance payments program. Uses of amounts in the General Fund include payment of general and other administrative expenses and payment of costs relating to those activities deemed necessary to fulfill the Authority corporate purposes and



not payable from other funds of the Authority. **While it is anticipated that the 2001 Series A-2 Class III Bonds will be payable from moneys available within the General Fund, the General Fund itself is not subject to any pledge created under the Indenture.** As discussed below, the Authority Board, in its discretion, has historically from time to time designated portions of the General Fund balance to particular purposes, and may do so in the future.

*Financial Information for the General Fund*

The following table sets forth historical selected financial information for the General Fund for the five years ended December 31, 2000, as provided by the Authority.

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

	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Interest and investment revenue:					
Loans receivable	\$14,966	\$12,857	\$10,646	\$10,278	\$10,406
Marketable securities	3,252	3,557	3,739	2,902	2,982
Net increase (decrease) fair value of long-term marketable securities	<u>179</u>	<u>(884)</u>	<u>483</u>	<u>96</u>	<u>903</u>
Total interest and investment revenue	18,397	15,530	14,868	13,276	14,291
Interest expense - bonds and notes payable	<u>11,983</u>	<u>10,489</u>	<u>8,467</u>	<u>7,881</u>	<u>8,648</u>
Net interest and investment revenue	6,414	5,041	6,401	5,395	5,643
Other revenue (expense):					
Rental operations	9,858	9,587	9,321	9,059	8,740
Fees and miscellaneous income	11,413	9,080	8,612	9,767	6,359
Program fees	<u>4,024</u>	<u>3,426</u>	<u>3,523</u>	<u>3,702</u>	<u>3,856</u>
Total other revenue	<u>25,295</u>	<u>22,093</u>	<u>21,456</u>	<u>22,528</u>	<u>18,955</u>
Net revenue	31,709	27,134	27,857	27,923	24,598
Other expenses:					
Salaries and related benefits	9,356	8,387	7,445	6,776	6,371
General operating	8,503	9,015	8,279	8,764	8,098
Provision for losses	(438)	1,115	146	534	719
Other interest expense	1,346	1,415	2,162	2,429	2,391
Transfers	<u>(2,058)</u>	<u>(1,833)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>16,709</u>	<u>18,099</u>	<u>18,032</u>	<u>18,503</u>	<u>17,579</u>
Net income	\$ <u>15,000</u>	\$ <u>9,035</u>	\$ <u>9,825</u>	\$ <u>9,420</u>	\$ <u>7,019</u>
Fund Balance, end of year	\$ <u>96,658</u>	\$ <u>81,658</u>	\$ <u>72,623</u>	\$ <u>56,959</u>	\$ <u>47,539</u>
Bonds and Notes Payable	\$ <u>213,588</u>	\$ <u>178,329</u>	\$ <u>161,043</u>	\$ <u>141,616</u>	\$ <u>133,826</u>
Total Assets	\$ <u>326,427</u>	\$ <u>280,203</u>	\$ <u>250,640</u>	\$ <u>216,796</u>	\$ <u>192,050</u>

GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" requires governmental entities to record most investments at fair value with recognition of unrealized gains and losses recorded in the statement of revenues and expenses. This statement has been applied retroactively by restating the fund balance as of December 31, 1996 to reflect a cumulative, prior increase of \$1,482,000 in the fair value of General Fund investments. The 1995 financial information above has not been restated.

Source: Audited financial statements of the Authority

*Appropriations, Reserves and Restrictions*

The Authority Board, in its discretion and from time to time, designates portions of the fund balance of the General Fund for particular uses by means of annual appropriations to certain programs, the establishment of reserves in limited situations and the imposition of restrictions on the fund balance. Designations by the Authority's Board using each of these means may also be redesignated at any time in the Board's discretion. The Authority Board also

annually restricts the fund balance of the General Fund (net of amounts previously appropriated or restricted for various funds, debt service reserves, or operating reserves) for the benefit of the holders of certain bonds of the Authority in the event that no other moneys are legally available for debt service payments. As long as the Authority is not in default under the related indenture or resolution for such bonds, the Board may withdraw such restricted amounts at any time.

### **Programs to Date**

The following is a brief summary of the housing and loan programs currently operated by the Authority and the bonds, notes or other obligations which have been issued to date to provide funds for such programs. In support of certain of its lending programs and for other corporate purposes, the Authority has not only issued revenue bonds but has also issued general obligation bonds or pledged its general obligation as described below. This summary has been included solely for purposes of providing information about the Authority's activities to assist a potential investor in evaluating the Authority, its programs and its financial status. **Except as otherwise described herein, the mortgage loans referred to below are not pledged in any way as security for the 2001 Series A Bonds. See "SECURITY FOR THE 2001 SERIES A BONDS."**

#### *Multi-Family Loan Programs*

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

Insured Loans made by the Authority under its Multi-Family Housing Facility Loan Program must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured Loans made by the Authority to date have been insured by the Federal Housing Administration ("**FHA**") under Sections 221(d)(3), 221(d)4 and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. In the case of a Section 542(c) claim, the Authority is responsible, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such claim. See "General Obligations of the Authority" under this caption. As of March 31, 2001, the Authority had made Insured Loans outstanding in the aggregate principal amount of over \$331 million. The Authority has in the past financed its Insured Loans with proceeds of Multi-Family Housing Insured Mortgage Revenue Bonds issued under an existing general resolution (the "**1977 General Resolution**"). As of March 31, 2001, the Authority had issued twenty-three series of its Multi-Family Housing Insured Mortgage Revenue Bonds in the aggregate principal amount of \$678,660,000 under the 1977 General Resolution, nineteen series of which were outstanding in the aggregate principal amount of \$411,430,000. The Authority has also issued two series of its Multi-Family/Project

Bonds (the "**Multi-Family/Project Bonds**") under the Master Indenture for the purpose, in part, of refinancing certain Insured Loans and Uninsured Loans as described in the next paragraph. As of March 31, 2001, the Multi-Family/Project Bonds were outstanding in the aggregate principal amount of \$127,750,000. See "SECURITY FOR THE 2001 SERIES A BONDS – Outstanding Master Indenture Obligations." Certain Insured Loans outstanding under the 1977 General Resolution were transferred to the Trust Estate under the Master Indenture in connection with the issuance of the 2000 Series A Multi-Family/Project Bonds. See **Appendix F-2** hereto. The Authority expects to finance Insured Loans (as well as Uninsured Loans) with proceeds of the 2001 Series A Bonds as described in "PLAN OF FINANCING" and "SECURITY FOR THE 2001 SERIES A BONDS – The Loans and Authority Projects – The 2001A Loans." The Authority also expects to finance Insured Loans (as well as Uninsured Loans) in the future with proceeds of Bonds issued under the Master Indenture.

Historically, the Authority has made Uninsured Loans to §501(c)(3) nonprofit corporations and public housing authorities. Such Uninsured Loans were in an outstanding aggregate principal amount as of March 31, 2001 of \$32.3 million, and had been funded with proceeds of the Authority's general obligation bonds, certain of which were outstanding as of March 31, 2001 in the aggregate principal amount of \$4,820,000 and the remainder of which have been refunded with certain proceeds of the 2000 Series A Multi-Family/Project Bonds. Proceeds of the 2000 Series A Multi-Family/Project Bonds are also being used to finance the acquisition of new Uninsured Loans to §501(c)(3) corporations and public housing authorities. See **Appendix F-2** hereto. More recently, the Authority has made (and in the future expects to make) such Uninsured Loans to §501(c)(3) nonprofit corporations and public housing authorities primarily as a part of its SMART (Small Affordable Rental Transactions) Program. The Authority has also in the past made, and expects in the future to make, Uninsured Loans to for-profit developers as a part of the SMART program. All such Uninsured Loans made under the SMART program generally have been made in principal amounts under \$1 million (increased to a \$2 million maximum amount as of August 23, 2001). As of March 31, 2001, the Authority had outstanding \$8,623,115 aggregate principal amount of such Uninsured Loans made in connection with the SMART program and financed on an interim basis by the Authority from its General Fund. The Authority expects to refinance certain of such Uninsured Loans made to §501(c)(3) nonprofit corporations and public housing corporations with proceeds of the 2001 Series A Bonds. In the case of the Uninsured Loans to for-profit borrowers under the SMART program, the Authority has in the past refinanced (and may in the future refinance) such Uninsured Loans by means of certain taxable bonds which constitute general obligations of the Authority, outstanding as of March 31, 2001 in the aggregate principal amount of \$8,591,000.

The Authority has also made Uninsured Loans which have been financed by the proceeds of (i) the Authority's Mortgage Revenue Bonds, sold to institutional purchasers and secured solely by and payable solely from such Uninsured Loans and (ii) Multi-Family Housing Revenue Bonds issued by the Authority as a conduit issuer and supported by letters of credit or other credit facilities.

Under its Multi-Family Housing Facility Loan Program, the Authority also makes Uninsured HOF Loans using funds from the Authority's Housing Opportunity Fund. The Housing Opportunity Fund was created by the Authority in 1989 to provide small loans at

flexible interest rates, either with first mortgages or on a subordinate basis to other loans, and thereby supplement other available financing as needed for rental housing facility projects. As of March 31, 2001, the Authority had outstanding approximately \$5 million aggregate principal amount of such Uninsured HOF Loans. The Authority has used amounts in its General Fund allocated to the Housing Opportunity Fund to fund such Uninsured HOF Loans.

Rental Acquisition Program. The Authority has also implemented a Rental Acquisition Program (the "**RAP Program**") under which the Authority acquires and rehabilitates apartment buildings located throughout Colorado for rental to persons and families of low and moderate income. The Authority contracts with private entities to manage such buildings. Projects in the RAP Program have been acquired using a combination of revenue bonds, the Authority's general fund monies, proceeds of general obligation bonds and non-recourse seller carryback financing secured solely by the acquired projects. The Authority expects in the future to finance the acquisition of facilities under the RAP Program as Authority Projects under the Master Indenture.

#### *Single-Family Mortgage Programs*

Generally. Under its Single-Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings (one to four units) directly to individual borrowers or may purchase such mortgage loans from qualified originating lenders. However, under the Authority's current Rules and Regulations and Procedural Guide for its Single-Family Mortgage Programs, the Authority generally does not make direct loans and its purchases are limited to mortgage loans on owner-occupied one- or two-unit residences. The Authority presently purchases mortgage loans under two programs – the Qualified Single-Family Mortgage Program and its Non-Qualified Single-Family Mortgage Program.

Qualified Single-Family Mortgage Program. Under its Qualified Single-Family Mortgage Program, the Authority may make mortgage loans for Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. In connection with its Qualified Single-Family Mortgage Program, the Authority has previously issued numerous series of its Single-Family Housing Revenue Bonds, the aggregate principal amount of which outstanding as of March 31, 2001 was \$980,366,354. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds are general obligations of the Authority. **All of these revenue bonds previously issued in connection with the Qualified Single-Family Mortgage Program of the Authority are secured separately from and, except in the case of the Subordinate Bonds and the 2001 Series A-2 Class III Bonds which are both general obligations of the Authority, are not on parity with the 2001 Series A Bonds and are issued and secured under resolutions or indentures of the Authority other than the Indenture.**

Non-Qualified Single-Family Mortgage Program. Eligible borrowers under the Authority's Non-Qualified Single-Family Mortgage Program must meet certain income limits established by the Authority, which limits are somewhat higher than the limits permitted for the Qualified Single-Family Mortgage Program. There is no limit on the purchase price of a

residence which may be acquired with the proceeds of a loan under the Non-Qualified Single-Family Mortgage Program. In many other respects, the requirements for the Non-Qualified Single-Family Mortgage Program are the same as the requirements for the Authority's Qualified Single-Family Mortgage Program. The Authority has used the proceeds of certain taxable bonds, issued from time to time and outstanding as of October 1, 2001 in the aggregate principal amount of \$49,336,000, to finance mortgage loans in the Authority's Non-Qualified Single Family Mortgage Program. On October 4, 2001, the Authority issued its Single Family Mortgage Bonds, 2001 Series AA (the "**2001 Series AA Bonds**") and expects to use certain proceeds of such 2001 Series AA Bonds to finance its acquisition of certain mortgage loans under the Non-Qualified Single-Family Mortgage Program.

#### *Commercial Programs*

The Authority offers an ACCESS Program under which it finances commercial and industrial loans (or participation interests therein) by means of certain bonds. The Project Loan Participation Purchase Bonds and Refunding Bonds, outstanding as of March 31, 2001 in the aggregate principal amount of \$31,059,000, constitute general obligations of the Authority payable from the unencumbered assets and available income of the Authority. See "General Obligations of the Authority" under this caption.

The Authority has also implemented three programs – a Quality Investment Capital ("**QIC**") Program, a Quality Agricultural Loan ("**QAL**") Program and a Business & Industry II ("**B&I II**") Program – under which it purchases participation interests in commercial and industrial loans from proceeds of Guaranteed Loan Participation Purchase Bonds. Interests in the QIC loans are guaranteed by the U.S. Small Business Administration, interests in the QAL loans are guaranteed by the Farm Services Agency and interests in B&I II Loans are guaranteed by Rural Business - Cooperative Service. As of March 31, 2001, \$26,712,000 of such Guaranteed Loan Participation Purchase Bonds were outstanding. These bonds constitute general obligations of the Authority payable from the unencumbered assets and available income of the Authority. See "General Obligations of the Authority" under this caption.

In addition, the Authority has implemented its Rural Development Loan Program, under which it finances project loans or participations therein for small businesses in rural areas from proceeds of borrowings from the Rural Business – Cooperative Service. As of March 31, 2001, the Authority had issued promissory notes payable to the Rural Business - Cooperative Service in the aggregate principal amount of \$2,801,100 (the "**RBCS Notes**"), and \$2,384,837 of loans were outstanding. The RBCS Notes constitute general obligations of the Authority payable from unencumbered assets and available income of the Authority. See "General Obligations of the Authority" under this caption.

In connection with its Special Projects financing program, the Authority has issued as a conduit issuer its industrial development revenue bonds to finance certain manufacturing facilities for corporations. Each such series of bonds previously issued by the Authority is supported by a letter of credit. In addition, under its Non-Profit Real Estate Program, the Authority has financed real estate projects for non-profit organizations certain of which have been financed through general obligation bonds of the Authority and two of which

are being refinanced with proceeds of the 2001 Series A Bonds. See "General Obligations of the Authority" under this caption.

The Authority implemented a loan program for businesses involved in the recycling and waste diversion industries ("**RENEW Program**"), with funding received from the Colorado Department of Local Affairs. As of March 31, 2001, such loans in the aggregate principal amount of \$5,330,470 were outstanding. On July 1, 2000, the funding source for the RENEW Program was discontinued.

The Authority introduced its Business and Industry Loan I ("**B&I I**") Program that provides funding to Colorado businesses located in rural areas, which loans are supported by an eighty percent guaranty of the Rural Business - Cooperative Service. The Authority originates and services these loans. As of March 31, 2001, loans in an aggregate amount of \$865,500 had been funded by the Authority under the B&I I Program.

### **General Obligations of the Authority**

The Authority has issued general obligations, payable from the unencumbered assets and available income of the Authority, in connection with the financing of its various programs. In connection with its Single-Family Mortgage Program, the Authority previously issued \$3,535,000 of its General Obligation Bonds (1986) Issue A, none of which was outstanding as of March 31, 2001. In addition, the Authority has pledged its general credit to secure various Subordinate Bonds supporting Senior Bonds issued in connection with its Qualified Single-Family Mortgage Program, outstanding as of March 31, 2001 in the aggregate principal amount of \$17,330,000 (as described in "Programs to Date – Single-Family Mortgage Programs" under this caption). The Authority has issued and anticipates issuing in the future additional general obligation bonds to finance mortgage loans made under its Non-Qualified Single-Family Mortgage Program as described in "Programs to Date - Single-Family Mortgage Programs" under this caption.

Under its Multi-Family Housing Facility Loan Program, in order to finance Uninsured Loans to §501(c)(3) non-profit corporations and public housing authorities, the Authority has issued eleven series of general obligation bonds, two series of which remained outstanding as of March 31, 2001 in the aggregate principal amount of \$4,820,000. Certain of these general obligation bonds previously outstanding were refunded with proceeds of the Series A 2000 Multi-Family/Project Bonds and the related Uninsured Loans were transferred to the Trust Estate under the Master Indenture. See **Appendix F-2**. The Authority also has issued and plans to issue in the future taxable general obligation bonds under its SMART program to finance Uninsured Loans to for-profit borrowers. See "Programs to Date – Multi-Family Housing Facility Loan Program" under this caption. The Authority has also assumed as a general obligation 50% risk of loss in the mortgage loans insured by the FHA under Section 542(c) in connection with its Multi-Family Housing Facility Loan Program, which as of March 31, 2001 equaled \$185,062,113. The 2001A Loans are expected to be both Uninsured Loans and insured Loans, as described in "SECURITY FOR THE 2001 SERIES A BONDS – The Loans and Authority Projects – The 2001A Loans."

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 "Multi-Family Loan Programs" under this caption. In connection with the Authority's mortgage loan previously outstanding in the aggregate principal amount of \$8.97 million (the "**Marycrest Loan**"), the Authority has incurred a risk sharing liability as a result of a default of the Marycrest Loan and the filing of a full insurance claim. In addition, a mortgage loan outstanding in the aggregate principal amount of \$8.38 million (the "**Allied Loan**") is presently in default. As a result, it is the Authority's present plan (which may change based on any change in information) to file a full insurance claim for the Allied Loan as soon as is permitted in accordance with the procedures and notice process required by FHA. It is likely that the Authority will also incur a risk sharing liability in connection with the Allied Loan. At this time, the Authority believes that such risk sharing liability with respect to the Allied Loan will not substantially exceed the multifamily loan loss reserve that the Authority has established.

In January of 1998, general obligation bonds in the aggregate principal amount of \$1,610,000 were issued to finance a loan to the Colorado Municipal League under the Authority's Special Projects financing program described in "Programs to Date - Commercial Program" under this caption. The Authority has also undertaken, as general obligations its Project Loan Participation Purchase Bonds and Refunding Bonds, Project Loan ACCESS Program Bonds, Guaranteed Loan Participation Purchase Bonds and the promissory notes to the Rural-Business Cooperative Service, described in "Programs to Date - Commercial Programs" under this caption.

The Authority has pledged its full faith and credit to secure certain of the Multi-Family/Project Bonds, its obligation to make termination payments under Derivative Obligations relating thereto and certain other obligations relating thereto. The Authority is also pledging its full faith and credit to secure the 2001 Series A-2 Class III Bonds. See "SECURITY FOR THE 2001 SERIES A BONDS."

The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for the borrowing from time to time of up to an aggregate amount of \$130,000,000. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of March 31, 2001, \$88,254,126 in borrowings were outstanding under those agreements.

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



## TAX MATTERS

### Tax Treatment of Interest

Sherman & Howard L.L.C., Bond Counsel, is of the opinion that (i) assuming continuous compliance with certain covenants and representations of the Authority, interest on the 2001 Series A Bonds (except for interest on any 2001 Series A Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2001 Series A 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 2001 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 2001 Series A-1 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 2001 Series A-2 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income applicable to corporations; and (ii) the 2001 Series A Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date of delivery of the 2001 Series A Bonds.

The Tax Code imposes several requirements which must be met with respect to the 2001 Series A 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 2001 Series A Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2001 Series A Bonds; (b) limitations on the extent to which proceeds of the 2001 Series A 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 2001 Series A Bonds above the yield on the 2001 Series A 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 2001 Series A Bonds from gross income and (in the case of the 2001 Series A-2 Bonds) alternative minimum taxable income under the Tax Code. Bond Counsel's opinion as to the exclusion of interest on the 2001 Series A Bonds from gross income and (in the case of the 2001 Series A-2 Bonds) alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Authority to comply with these requirements could cause the interest on the 2001 Series A Bonds to be included in gross income or (in the case of the 2001 Series A-2 Bonds) alternative minimum taxable income from the date of issuance.

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

alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" include interest on the 2001 Series A Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2001 Series A Bonds. Owners of the 2001 Series A 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 2001 Series A Bonds from gross income and (in the case of the 2001 Series A-2 Bonds) alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or State of Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the 2001 Series A Bonds. Owners of the 2001 Series A 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 2001 Series A 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 2001 Series A Bonds, the exclusion of interest on the 2001 Series A Bonds from gross income (in the case of the 2001 Series A-2 Bonds), alternative minimum taxable income, or any combination thereof from the date of issuance of the 2001 Series A 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 2001 Series A Bonds. If an audit is commenced, under current procedures the Service will treat the Authority as the taxpayer and the Bondowners may have no right to participate in such procedure. Neither the Underwriters nor Bond Counsel is obligated to defend the tax-exempt status of the 2001 Series A Bonds. The Authority has covenanted in the Indenture not to take any action that would cause the interest on the 2001 Series A 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 2001 Series A Bonds.

## **LITIGATION**

At the time of the delivery of and payment for the 2001 Series A Bonds, the Authority will deliver an opinion of its Director of Legal Operations and legal counsel, James A. Roberts, Esq., to the effect that no litigation before any court is pending or, to his knowledge, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the 2001 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 2001 Series A Bonds, the Indenture or the contract for the purchase of the 2001 Series A Bonds.

## **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 2001 Series A 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 2001 Series A 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 2001 Series A 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 2001 Series A 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.

## **RATINGS**

Moody's and S&P are expected to give the 2001 Series A-1 Bonds a rating of "Aaa" and "AAA," respectively. The 2001 Series A-2 Class II Bonds are expected to be rated "Aa2" and "AA" by Moody's and S&P, respectively. The 2001 Series A-2 Class III Bonds are expected to be rated "A1" and "A+" by Moody's and S&P, respectively. Such ratings reflect only the views of Moody's and S&P, respectively. An explanation of the significance of the ratings given by Moody's and S&P, respectively, may be obtained from Moody's and S&P, respectively.

There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the respective 2001 Series A Bonds.

### CONTINUING DISCLOSURE UNDERTAKINGS

In connection with its issuance of the 2001 Series A Bonds, the Authority will deliver a Continuing Disclosure Undertaking, a form of which is attached hereto in **Appendix E**, wherein the Authority will agree for the benefit of the Bondowners to provide certain annual financial information and to provide notices of occurrence of certain enumerated events relating to the 2001 Series A Bonds, if material. The Authority is currently in compliance with all continuing disclosure undertakings entered in connection with its outstanding bonds. In addition, certain Borrowers of 2001A Loans will agree to provide to the Authority, and the Authority will agree to file upon receipt, certain annual financial information relating to the respective 2001A Project of the type set forth in **Appendix F-1** hereto. See Form of Borrower Continuing Disclosure Undertaking attached hereto in **Appendix E**.

### UNDERWRITING AND PLACEMENT

The 2001 Series A Bonds are to be purchased from the Authority by Newman & Associates, Inc., Stifel, Nicolaus & Company, Inc., Hanifen, Imhoff Division, U.S. Bancorp Piper Jaffray Inc. and Harvestons Securities, Inc. (the "**Underwriters**"). The Underwriters have agreed, subject to certain conditions, to purchase all but not less than all of the 2001 Series A Bonds except the 2001 Series A-1 Bonds due October 1, 2023 and April 1, 2043 (collectively, the "**Underwritten Bonds**") at a price equal to the par amount of the 2001 Series A Bonds. The 2001 Series A-1 Bonds due October 1, 2023 and April 1, 2043 (collectively the "**Placed Bonds**") are being sold by the Authority directly to an institutional investor at a price equal to the principal amount thereof. The Underwriters will be paid a fee of \$370,988 (plus reimbursement of certain expenses). The initial public offering price may be changed from time to time by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

### FINANCIAL STATEMENTS OF THE AUTHORITY

The financial statements of the Authority as of and for the year ended December 31, 2000, included in this Official Statement as **Appendix A**, have been audited by

Arthur Andersen LLP, independent public accountants, as stated in their report dated February 6, 2001.

### **CERTAIN LEGAL MATTERS**

In connection with the issuance and sale of the 2001 Series A Bonds, Sherman & Howard L.L.C., Denver, Colorado, as Bond Counsel, will deliver the opinion included as **Appendix D** hereto. Certain legal matters relating to the 2001 Series A Bonds will be passed upon for the Authority by its Director of Legal Operations, James A. Roberts, Esq., and by its Disclosure Counsel, Hogan & Hartson, L.L.P., Denver, Colorado.

Certain legal matters relating to the 2001 Series A Bonds will be passed upon for the Underwriters by their counsel, Bookhardt & O'Toole, Denver, Colorado.

### **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 2001 Series A Bonds.

### **COLORADO HOUSING AND FINANCE AUTHORITY**

By: /s/ Milroy A. Alexander  
Executive Director

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**APPENDIX A**

**Financial Statements and Additional Information  
of the Authority for the Fiscal Year  
ended December 31, 2000**

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UNQUALIFIED OPINION ON GENERAL-PURPOSE  
FINANCIAL STATEMENTS AND SUPPLEMENTARY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -  
GOVERNMENTAL ENTITY

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

We have audited the accompanying general-purpose statements of financial condition of the Colorado Housing and Finance Authority (the "Authority") as of December 31, 2000 and 1999 and the related statements of revenue, expenses and changes in retained earnings and cash flows for the years then ended. These general-purpose financial statements and the accompanying supplemental financial information are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation and Village of Yorkshire Corporation, which statements reflect total assets of \$21,866,079 and \$21,576,247 as of December 31, 2000 and 1999, respectively, total revenue of \$6,771,536 and \$6,475,964 and net income of \$2,536,208 and \$1,966,022 for the years ended December 31, 2000 and 1999, respectively, of the related totals. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as 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 the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority at December 31, 2000 and 1999 and the results of its operations and changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2001, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying statements of financial condition and statements of revenue, expenses and changes in retained earnings by program; and schedule of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the Authority's general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, based on our audits and the reports of other auditors, are fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Arthur Andersen LLP". The signature is written in dark ink and is positioned to the right of the typed date.

Denver, Colorado,  
February 6, 2001.

## STATEMENTS OF FINANCIAL CONDITION

December 31,

	2000	(000's Omitted)	1999
<b>Assets</b>			
Cash and interest bearing accounts	\$ 7,315		\$ 5,211
Marketable securities:			
Short-term, at amortized cost which approximates market	329,128		342,406
Cash and cash equivalents	336,443		347,617
Marketable securities:			
Long-term, at fair value	124,162		126,185
Total cash and marketable securities	460,605		473,802
Loans receivable, net	1,392,805		1,166,355
Accrued interest receivable	17,535		15,244
Property and equipment, net:			
Corporate facilities	3,301		3,246
Rental operations	26,945		27,465
Deferred debt financing costs, net	16,962		15,809
Other real estate owned, net	5,822		795
Other assets	19,774		19,875
	<b>\$ 1,943,749</b>		<b>\$ 1,722,591</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Bonds payable, net	\$ 1,635,523		\$ 1,480,275
Notes payable	105,408		58,769
Accrued interest payable	23,413		22,079
Accounts payable and other liabilities	5,207		7,232
Federally assisted program advances	1,738		4,004
Deferred fee income	280		196
Escrow and refundable deposits	7,688		7,644
Total liabilities	1,779,257		1,580,199
Fund equity - retained earnings:			
Restricted	67,834		60,734
General Fund - Board designated	96,658		81,658
Total fund equity - retained earnings	164,492		142,392
	<b>\$ 1,943,749</b>		<b>\$ 1,722,591</b>

The accompanying notes are an integral part of these statements of financial condition.

## STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS

Year Ended December 31,

	2000	<i>(000)'s Omitted</i>	1999
<b>Interest and investment revenue:</b>			
Loans receivable	\$ 90,606		\$ 82,024
Marketable securities	31,689		29,899
Net increase (decrease) in fair value of long-term marketable securities	2,603		(5,121)
<b>Total interest and investment revenue</b>	<b>124,898</b>		<b>106,802</b>
Interest expense - bonds and notes payable	101,105		92,709
<b>Net interest and investment revenue</b>	<b>23,793</b>		<b>14,093</b>
<b>Other revenue:</b>			
Rental operations	9,858		9,587
Fees and miscellaneous income	11,413		9,080
<b>Total other revenue</b>	<b>21,271</b>		<b>18,667</b>
<b>Net revenue</b>	<b>45,064</b>		<b>32,760</b>
<b>Other expenses:</b>			
Salaries and related benefits	9,356		8,387
General operating	9,300		9,646
Provision for losses	2,059		7,505
Other interest expense	2,249		2,018
<b>Total other expenses</b>	<b>22,964</b>		<b>27,556</b>
<b>Net income</b>	<b>22,100</b>		<b>5,204</b>
Retained earnings, beginning of year	142,392		137,188
Retained earnings, end of year	\$ 164,492		\$ 142,392

The accompanying notes are an integral part of these statements

## STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2000	(000's Omitted)	1999
<b>Operating activities:</b>			
Net income	\$ 22,100		\$ 5,204
Adjustments to reconcile net income to net cash used by operating activities:			
(Increase) decrease in fair value of investments	(2,603)		5,121
Depreciation	1,545		1,635
Gain on sale of property and equipment	(1,476)		-
Accretion of capital appreciation term bonds	1,712		1,316
Amortization of:			
Deferred debt financing costs	1,420		1,758
Premiums and discounts on bonds, net	(4,675)		(3,600)
Premiums and discounts on long-term marketable securities, net	-		15
Deferred fee income	(2,328)		(2,369)
Deferred cash assistance expense	2,102		1,547
Mortgage yield recoupment income	(78)		(179)
Provision for losses	2,059		7,505
Principal repayments on loans receivable	138,942		163,664
Sales of other real estate owned	684		-
New loan fundings	(370,747)		(281,175)
Deferred fee income	1,949		1,624
Deferred cash assistance expense	(8,108)		(7,134)
Changes in assets and liabilities:			
Accrued interest receivable	(2,291)		(2,027)
Other assets	4,334		(2,564)
Accrued interest payable	1,783		1,446
Accounts payable, federally assisted program advances and escrow and refundable deposits	(4,247)		3,160
<b>Total adjustments</b>	<b>(240,023)</b>		<b>(110,257)</b>
<b>Net cash used by operating activities</b>	<b>\$ (217,923)</b>		<b>\$ (105,053)</b>

The accompanying notes are an integral part of these statements.

## STATEMENTS OF CASH FLOWS

Year Ended December 31,

	2000	(000's Omitted) 1999
Net cash used by operating activities	\$ (217,923)	\$ (105,053)
<b>Investing activities:</b>		
Sales and maturities of long-term marketable securities	12,019	11,320
Purchases of long-term marketable securities	(7,322)	(10,344)
Sales of property and equipment:		
Corporate facilities	37	-
Rental operations	2,173	-
Purchases of property and equipment:		
Corporate facilities	(480)	(422)
Rental operations	(1,334)	(912)
Net cash provided (used) by investing activities	5,093	(358)
<b>Noncapital financing activities:</b>		
Proceeds from issuance of bonds payable	400,107	268,433
Proceeds from issuance of notes payable	372,032	261,984
Debt financing costs	(4,076)	(2,410)
Repayments of bonds payable	(240,060)	(176,598)
Repayments of notes payable	(325,392)	(250,638)
Bond call premiums	(955)	(226)
Net cash provided by noncapital financing activities	201,656	100,545
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(11,174)</b>	<b>(4,866)</b>
Cash and cash equivalents, beginning of year	347,617	352,483
<b>Cash and cash equivalents, end of year</b>	<b>\$ 336,443</b>	<b>\$ 347,617</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for interest	\$ 103,694	\$ 92,755
<b>Supplemental schedule of non-cash operating, investing and financing activities:</b>		
Transfer of mortgage loans to real estate owned	10,125	217
Transfer of loans receivable to other assets	4,235	3,660
Transfer of allowance on loans receivable to allowance on other real estate owned	4,817	-
Transfer of deferred debt financing costs to deferred refunding (bonds and notes payable)	1,377	51
Transfer of deferred fee income to deferred refunding (loans receivable)	550	58
Transfer of accrued interest payable to allowance for losses	449	-
Charge-offs of other real estate owned, loans receivable and other assets	232	57

The accompanying notes are an integral part of these statements.

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

**(a) Authorizing Legislation**

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

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

At December 31, 2000, the Authority was authorized to have bonds, notes and other obligations outstanding in the aggregate amount up to \$2.4 billion, which do not constitute debt of the State of Colorado.

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

**(b) Reporting Entity**

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

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

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

**(c) Fund Accounting**

The financial activities of the Authority are recorded in funds ("Bond Funds") established under various bond resolutions and in other funds established in connection with the administration of the Authority's programs. All activities of the Authority not performed pursuant to the bond resolutions, excluding the Economic Development Fund ("EDF") and the Housing Opportunity Fund ("HOF"), are recorded in the Operating Fund. The Operating Fund, EDF, HOF, and those funds established under bond programs secured by the pledge of the Authority's general obligation constitute the General Fund.

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

The Authority's Board of Directors (the "Board") has designated certain amounts of the retained earnings of the General Fund as of December 31, 2000 and 1999 for various purposes as follows:

See notes to financial statements.

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

	2000	1999
Appropriations for loan funds:		
Housing fund	\$ 13,019	\$ 9,675
Business Finance Fund	10,498	8,287
Housing Opportunity Fund	19,412	14,154
	<b>42,929</b>	<b>32,116</b>
Reserves:		
Debt service:		
General Obligation Bonds -		
Rental Housing and Commercial	7,548	7,459
General operating and working capital reserve	11,425	10,200
Unrealized appreciation of investments	763	599
	<b>19,736</b>	<b>18,258</b>
Restrictions for single and multi-family bonds	<b>33,993</b>	<b>31,284</b>
Total designated retained earnings	\$ <b>96,658</b>	\$ <b>81,658</b>

**(c) Fund Accounting (continued)**

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

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

The Authority is planning for the implementation of GASB Statement no. 34,

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

implementation is planned to begin with financial statements for the year ended December 31, 2002.

As permitted by the GASB Statement, the Authority may adopt all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. As of December 31, 2000 no such FASB pronouncements have been adopted.

**(d) Budget Policies and Procedures**

The Authority's budget year is the calendar year. A budget committee consisting of Finance, Planning & Development and Human Resources staff reviews the initial drafts, makes necessary changes and presents the budget to the Executive Director for further review and approval. The Board is presented with a draft in November, and a public hearing is conducted. Modifications are made in an

See notes to financial statements



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

iterative process involving the Board, and the final version is adopted by the Board in December. The Board may modify the budget at any point during the fiscal year, but has chosen to do so only twice in its history; in 2000 and in 1992.

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

**(e) Cash**

Cash at December 31, 2000 and 1999, primarily includes market interest accounts of which approximately \$1,694,000 and \$1,802,000, respectively, is restricted for various General Fund program purposes.

**(f) Marketable Securities**

The Authority accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement 31), which establishes accounting and financial reporting standards for investments held by governmental entities. Statement 31 requires most investments to be recorded at fair value and the recognition of unrealized gains and losses in the statement of revenue and expenses. Statement 31 allows money market investments and participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less to be recorded at amortized cost. The net increase (decrease) in the fair value for 2000 and 1999 is reflected in the income statement for the years presented.

The fair value of the Authority's

investments is determined from quoted market prices. Long-term marketable securities are carried at fair value. However, the Authority's long-term marketable securities include investment contracts that have fixed maturities and fixed rates with flexible withdrawal provisions. These investment contracts are not transferable, are not affected by changes in market interest rates, and therefore are carried at current face value. Included in long-term marketable securities are \$112,867,000 and \$114,492,000 at December 31, 2000 and 1999, respectively, which are restricted for future debt service as required under the various bond resolutions. Short-term marketable securities are carried at amortized cost, which approximates market, and generally mature within 90 days. For purposes of the statements of cash flows, the Authority considers all short-term investments to be cash equivalents. The Authority must authorize all purchases and sales of investments in writing.

**(g) Loans Receivable**

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

**(h) Fee Income and Expense**

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

**(i) Mortgage Yield Recoupment Income**

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

**(j) Compensated Absences**

Full-time employees accrue vacation leave at the rate of between ten days and twenty days per year, depending on length of service. Partial full-time employees accrue vacation at 80% of full time employees, while part-time employees accrue vacation at 50%. Sick leave accrues to full-time employees at the rate of 9 days per year, and 7.2 days for partial full-time staff. Personal leave accrues to full-time employees at the rate of 2 days per calendar year and part-time employees accrue at 1.6 days. Both sick leave and personal leave

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

are non-vesting and cannot be carried over into the next calendar year. The liability for compensated absences is included in the financial statements.

**(k) Allowance for Losses**

The allowance for losses on loans, other real estate owned, and other assets is provided through charges against current operations based on management's periodic review of the loan and other real estate owned portfolios. This review considers such factors as the payment history of the loans, the projected cash flows of the borrowers, estimated value of the collateral, subsidies, historical loss experience for each type of insurance or guarantee (for losses particular to other real estate owned), additional guarantees provided by the borrowers and economic conditions. When this review determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made

in the amount quantifiable. Loans receivable, other real estate owned and other assets are shown net of an allowance for losses of \$9,387,000, \$4,406,000, and \$201,000, respectively, for 2000, and \$11,490,000, \$0, and \$229,000, respectively, for 1999.

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

The office building, furniture and equipment are carried at \$3,301,000 and \$3,246,000 at December 31, 2000 and 1999, respectively, representing cost, net of accumulated depreciation of \$3,479,000 and \$3,281,000, respectively. The Authority uses the straight-line method of depreciation with estimated useful lives of three to thirty-five years.

The Authority commenced its Rental Acquisition Program ("RAP") in 1988, when the Board authorized the acquisition, rehabilitation and operation of below-market

priced multi-family properties to provide affordable housing to low and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (i) general obligation and multi-family bond proceeds, (ii) seller-carry notes, and (iii) contributions from the Operating Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. Further, it is the policy of the Authority to distribute excess surplus equity from the component units semiannually. These distributions are reflected in the component unit's equity.

As of December 31, the Authority owned a total of 13 RAP projects, including its three component units, containing 1,362 units. Selected balance sheet items of the RAP are presented below:

	2000	1999
RAP combined, including component units:		
Property, net of accumulated depreciation of \$7,897,000 and \$7,288,000	\$ 26,945	\$ 27,465
Total assets	35,169	35,020
Total debt	25,922	27,343
Equity	9,247	7,677
RAP component units only:		
Property, net of accumulated depreciation of \$4,509,000 and \$3,799,000	\$ 18,505	\$ 18,334
Total assets	21,866	21,576
Total debt	17,465	17,695
Equity	4,401	3,881

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

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

recorded in other interest expense. A summary of the operating results of the RAP properties follows on a stand-alone basis before elimination of intercompany transactions.

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

**Property, Equipment and Rental Real Estate Operations**

	2000	1999
RAP combined, including component units:		
Rental operations	\$ 9,858	\$ 9,587
Interest income	190	157
Gain on sale of property	1,476	-
General operating expenses	(3,696)	(3,728)
Depreciation expense	(1,157)	(1,214)
Interest expense	(1,917)	(2,045)
<b>Net income</b>	<b>\$ 4,754</b>	<b>\$ 2,757</b>
RAP component units only:		
Rental operations	\$ 6,631	\$ 6,345
Interest income	140	131
General operating expenses	(2,174)	(2,329)
Depreciation expense	(710)	(744)
Interest expense	(1,351)	(1,437)
<b>Net income</b>	<b>\$ 2,536</b>	<b>\$ 1,966</b>

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

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

**(n) Other Real Estate Owned**

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

**(o) Other Assets**

Included in other assets are escrows

related to RAP and loans serviced by the Authority, unamortized costs of mortgage servicing rights, and investments in public/private partnerships and corporations designed to foster economic development. Where such investments represent a 20% to 50% ownership interest, the Authority uses the equity method of accounting. All other investments are recorded at cost. The carrying value of such investments is approximately \$92,000 and \$192,000 at December 31, 2000 and 1999, respectively.

**(p) Federally Assisted Program Advances**

In accordance with and pursuant to contracts between the Authority and the Department of Housing and Urban Development ("HUD"), the Authority administers the Section 8 Housing Assistance Payments ("HAP") Program in certain areas

of the State of Colorado. Under this program, housing assistance payments are made to the owners of rental housing developments on behalf of tenants of limited income who meet the eligibility requirements. HUD advances funds to the Authority for the housing assistance payments and, for certain developments, pays a monthly fee to the Authority for its administration of the subsidy contracts. These administrative fees, approximately \$1,276,000 and \$1,275,000 in 2000 and 1999, respectively, are recognized as other revenue when earned.

**(q) Interest Rate Swap Agreements**

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

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

**(q) Interest Rate Swap Agreements, (continued)**

of certain variable rate bonds. The interest differentials to be paid or received under such swaps are recognized as an increase or decrease in interest expense of the related bond liability.

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

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

**(s) Debt Refunding**

For current refundings and advance

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

**(t) Risk Management**

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

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

**(u) Use of Estimates**

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

**(2) Cash and Marketable Securities**

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

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

The Authority categorizes its cash into three categories as to their risk. Category 1 includes federally insured deposits, or deposits fully collateralized with securities held in the Authority's name. Category 2

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

At December 31, 2000 the Authority had cash deposits with a carrying value of \$7,315,000. These balances are categorized as follows:

Risk Category	Cash Balance December 31, 2000
1	\$ 703
2	6,610
3	2
<b>TOTAL</b>	<b>\$ 7,315</b>

All of the Authority's marketable securities are also categorized into three categories as follows to provide an indication of the level of risk assumed as of December 31, 2000. Short-term marketable securities are carried at amortized cost, which approximates market. Long-term marketable securities are carried at fair value. Category 1 includes those investments which are insured, or registered securities held by the Authority or its trustee in the Authority's name. Category 2 includes those investments which are uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the Authority's name. Category 3 includes those investments which are uninsured and unregistered, with

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

securities held by the counterparty or its agent, but not in the Authority's name. Amounts not subject to categorization include money market mutual funds and uncollateralized investment agreements because securities are not issued as evidence of these investments.

	Categories			Total
	1	2	3	
<b>Categorized:</b>				
U.S. government & agency obligations	\$ 62,837	\$ -	\$ -	\$ 62,837
Investment agreements	-	211,165	-	211,165
Repurchase agreements	7,348	-	-	7,348
	\$ 70,185	\$ 211,165	\$ -	\$ 281,350
<b>Uncategorized:</b>				
Treasury money market funds				36,908
Investment agreements				135,032
				\$ 453,290

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

rating agency downgrade of the institution below the related bond ratings.

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

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

The following schedule shows the Authority's net (decrease) increase in fair value of long-term marketable securities by fund, for the years ended December 31, 2000 and 1999:

Description	2000	1999
General Fund	\$ 167	\$ (884)
Multi-family Housing Insured Mortgage Revenue	1,593	(3,481)
Multi-family/Project	553	
Single Family Housing Revenue	27	(160)
Taxable Single-Family Mortgage Revenue	12	
Single Family Revenue	186	(513)
Single Family Program Senior and Subordinate	65	(83)
<b>TOTAL</b>	<b>\$ 2,603</b>	<b>\$ (5,121)</b>

**(3) Loans Receivable**

Loans receivable at December 31, 2000 and 1999 consist of the following:

	2000	1999
General Fund	\$ 222,389	\$ 179,461
Multi-family bond programs:		
Housing Insured Mortgage Revenue	417,736	351,244
Mortgage Revenue	4,151	4,218
Single Family bond programs:		
Housing Revenue	60,152	69,765
Taxable Revenue	11,005	13,259
Taxable Program Senior and Subordinate Revenue Bonds	3,539	4,408
Program Bonds	2,251	2,831
Program Senior and Subordinate Revenue Refunding	19,196	20,260
	639,524	517,085
	569	733
<b>Total loans receivable</b>	<b>1,380,512</b>	<b>1,163,264</b>
Deferred cash assistance expense	30,515	24,508
Deferred fee income	(8,752)	(9,765)
Deferred mortgage yield recoupment income	(83)	(162)
Allowance for loan losses	(9,387)	(11,490)
<b>Total loans receivable, net</b>	<b>\$ 1,392,805</b>	<b>\$ 1,166,355</b>

General Fund loans are generally collateralized by mortgages on real property and improvements. At December 31, 2000 and 1999, \$19,932,000 and \$23,386,000 of these loans (ACCESS program), respectively, are secured by first liens ahead of second liens from the Small Business Administration. Generally, the Authority's lien is secured at origination with collateral having a loan-to-value ratio of 45 to 50 percent. Additionally, at December 31, 2000 and 1999, \$29,926,000 and \$25,135,000 of these loans (QIC/QAL program), respectively, are secured by a guarantee of the Small Business Administration or Consolidated Farm Services, formerly

Farmers Home Administration.

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

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

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

**(3) Loans Receivable (continued)**

At December 31, 2000 and 1999, the amounts available in the Bond Funds for additional investments in new loans, are as follows:

	2000	1999
Recycled funds loans (single family mortgage prepayments)	\$ 32,139	\$ 29,096
Single family mortgage program	48,756	48,598
Multi-family mortgages and projects	40,195	66,188
	\$ 121,090	\$ 143,882

These amounts exclude single family mortgage loans warehoused in the Authority's General Fund of \$75.8 million and \$69.5 million, at December 31, 2000 and 1999, respectively.

**(4) Bonds and Notes Payable**

The aggregate principal amounts of bonds and notes payable at December 31, 2000 and 1999 are shown below. Interest is payable semiannually unless otherwise noted.

Description and due date	Interest rate (%)	2000	1999
<b>General Fund:</b>			
<b>General Obligation Bonds:</b>			
1986 Series A	7.25	-	2,530
1991 Series A	6.90 to 7.50	-	19,430
1992 Series A 2001-2030	9.125	3,305	3,325
1994 Series A	5.40 to 6.875	-	24,765
1998 Series A 2001-2017	4.25 to 5.25	1,515	1,565
<b>ACCESS Programs:</b>			
1991 Series A 2001-2011	8.90 to 9.15	6,890	7,560
1991 Series B 2001-2011	8.50 to 9.40	6,020	6,430
1995 Series A 2001-2015	7.67	5,505	5,699
1997 Series A 2001-2018	7.22	6,149	6,309
1999 Series A 2001-2019	6.49	6,832	6,900
<b>QIC Program:</b>			
1993 Series A 2001-2018	7.87	2	188
1994 Series A 2001-2019	6.51	799	867
1994 Series B 2001-2021	6.53	1,800	2,137
1995 Series A 2001-2020	7.60	2,549	2,873
1997 Series A 2001-2023	6.56	2,402	2,749
1999 Series A 2001-2024	5.71	9,926	9,954
2000 Series A 2001-2025	6.755	9,985	-
<b>SMART Program</b>			
2000 Series A 2001-2020	6.152	8,707	-
<b>Taxable Mortgage Revenue</b>			
2000 Series A 2001-2020	6.914	13,476	-
2000 Series R 2001-2020	6.675	5,154	-

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

Description and due date		Interest rate (%)	2000	1999
<b>Multi-family Mortgage Revenue Bond:</b>				
1994 Series A	2001-2002	7.25	\$ 127	\$ 194
			<b>91,143</b>	<b>103,475</b>
<b>Multi-family Housing Insured</b>				
<b>Mortgage Revenue Bonds:</b>				
1977 Series A		6.00	-	15,710
1977 Series B		6.00	-	33,370
1982 Series A	2023-2025	9.00	18,550	18,550
1982 Series B	2020-2025	6.00	11,645	11,645
1984 Series A	2013-2016	7.50	4,940	6,250
1991 Series A	2001-2026	7.35	2,495	2,505
1992 Series A	2001-2023	7.95 to 8.30	78,830	80,205
1993 Series A	2001-2029	5.125 to 5.90	16,490	16,665
1995 Series A	2001-2037	5.50 to 6.80	11,940	12,030
1995 Series B	2001-2037	5.35 to 6.75	14,220	14,300
1995 Series C	2001-2015	5.10 to 7.00	12,870	12,945
1996 Series A	2001-2037	4.65 to 7.20	36,620	37,475
1996 Series B	2001-2037	5.75 to 8.00	8,860	8,930
1996 Series C	2001-2038	5.00 to 8.10	15,195	24,255
1997 Series A	2001-2038	4.50 to 7.125	19,595	19,815
1997 Series B	2001-2038	4.40 to 7.25	23,615	29,595
1997 Series C	2001-2039	4.50 to 6.75	54,180	54,865
1998 Series A	2001-2039	5.35 to 6.70	20,605	20,730
1998 Series B	2001-2040	5.45 to 7.00	7,280	7,300
1999 Series A	2001-2041	4.65 to 6.65	34,865	34,915
1999 Series B	2001-2041	5.25 to 5.85	5,580	5,580
1999 Series C	2001-2041	4.55 to 7.93	18,140	18,140
			<b>416,515</b>	<b>485,775</b>
<b>Multi-family Mortgage Revenue Bonds</b>				
<b>(Principal and interest payable monthly):</b>				
Series 1978-3	2001-2017	6.50	1,297	1,333
Series 1980-1	2001-2021	10.50	757	766
Series 1981-1	2001-2022	11.00	2,097	2,119
			<b>4,151</b>	<b>4,218</b>
<b>Multi-family/Project Bonds</b>				
2000 Series A	2002-2032	Variable	95,875	-
2000 Series B	2002-2042	Variable	31,875	-
			<b>127,750</b>	-



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

Description and due date	Interest rate (%)	2000	1999	
<b>Single Family Housing Revenue Refunding Bonds:</b>				
1991 Refunding				
Series A	2001-2031	6.70 to 7.25	46,451	52,401
1995 Refunding				
Series A	2001-2013	4.60 to 5.65	7,910	9,535
1996 Refunding				
Series AA	2005-2023	4.80 to 5.625	\$ 34,495	\$ 34,495
		<b>88,856</b>	<b>96,431</b>	
<b>Taxable Single Family Mortgage Revenue Bonds:</b>				
1998 Issue I	2012-2018	6.10 to 6.65	11,440	15,200
<b>Taxable Single Family Program Senior and Subordinate Bonds:</b>				
1993 Issue A	2011	7.625	2,565	3,940
<b>Single Family Revenue Bonds:</b>				
1985 Series A	2014	11.125	797	1,170
1985 Series B	2017	8.75	2,085	3,525
1993 Refunding				
Series A	2005-2014	7.00	4,550	6,953
		<b>7,432</b>	<b>11,648</b>	
<b>Single Family Program Bonds:</b>				
1998 Series C	2001-2029	4.50 to 5.625	19,265	19,527
<b>Single Family Program Senior and Subordinate Bonds:</b>				
1990 Series A	-	7.55 to 9.375	-	3,005
1990 Series B	-	7.95 to 9.75	-	3,540
1990 Series C	-	6.85 to 9.20	-	6,420
1991 Series A	2001-2023	6.70 to 9.40	1,915	3,530
1991 Series B	2001-2023	6.70 to 9.00	5,195	6,995
1991 Series C	2001-2023	6.60 to 9.075	8,365	11,100
1991 Series D	2001-2023	6.30 to 8.65	6,770	8,860
1992 Series A	2001-2024	6.10 to 8.70	12,570	15,140
1994 Series B	2004-2024	5.75 to 7.50	3,025	3,725
1994 Series C	2004-2024	6.00 to 7.90	3,390	4,230
1994 Series D-I	2001-2024	5.40 to 8.00	2,950	3,790
1994 Series D-II	2001-2025	5.65 to 8.125	2,505	3,680
1994 Series E	2001-2024	5.60 to 8.125	3,375	4,750
1994 Series F	2001-2025	6.75 to 8.625	1,980	2,840
1995 Series A	2001-2025	5.50 to 8.00	8,670	10,220

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

Description and due date	Interest rate (%)	2000	1999	
<b>Single Family Program Senior and Subordinate Bonds, continued:</b>				
1995 Series B	2001-2025	5.40 to 7.90	\$ 8,835	\$ 10,795
1995 Series C	2001-2025	5.05 to 7.65	11,945	15,545
1995 Series D	2003-2026	5.20 to 7.38	23,750	27,835
1996 Series A	2001-2027	4.80 to 7.40	25,730	30,130
1996 Series B	2001-2027	5.00 to 7.65	24,190	28,815
1996 Series C	2001-2027	4.90 to 7.55	25,025	37,340
1997 Series A	2001-2027	4.45 to 7.25	32,590	41,160
1997 Series B	2001-2028	4.70 to 7.00	31,580	38,025
1997 Series C	2001-2028	5.00 to 6.875	34,415	40,765
1998 Series A	2001-2029	4.625 to 6.60	43,940	48,220
1998 Series B	2001-2029	4.50 to 6.55	44,782	48,915
1998 Series D	2001-2029	4.25 to 6.35	54,635	59,820
1999 Series A	2001-2030	4.25 to 6.45	48,450	50,000
1999 Series B	2001-2030	4.875 to 6.80	59,165	60,000
1999 Series C	2001-2031	4.70 to 7.20	69,140	70,720
2000 Series A	2001-2031	5.40 to 7.54	50,000	-
2000 Series B	2001-2031	5.10 to 7.47	40,000	-
2000 Series C	2001-2031	5.10 to 8.40	54,765	-
2000 Series D	2001-2032	5.15 to 7.43	40,000	-
2000 Series E	2002-2032	5.15 to 7.10	35,000	-
			<b>818,647</b>	<b>699,910</b>
<b>Single Family Revenue Refunding:</b>				
1994 Series A	2001-2011	5.00 to 5.30	515	705
<b>Mortgage notes:</b>				
September 4, 2020		1.00	878	918
June 22, 2025		1.00	770	797
July 1, 2004		4.50	750	768
March 1, 2001		5.00	-	65
June 30, 2001		5.37	1,224	1,250
March 1, 2001		6.00	-	100
April 1, 2001		11.47	50	52
March 31, 2003		-	128	170
November 1, 2005		-	70	70
January 31, 2001		2.00	4,070	2,490
January 16, 2001		6.44	87,860	45,460
May 1, 2005		7.25	9,282	-

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

Description and due date	Interest rate (%)	2000	1999
Unsecured notes payable:			
January 5, 2000	6.63 to 7.017	\$ -	\$ 6,330
August 23, 2003	Variable	-	84
August 23, 2003	Variable	76	215
October 28, 2002	Variable	250	-
		<b>105,408</b>	<b>58,769</b>
Total bonds and notes payable		<b>1,693,687</b>	<b>1,499,598</b>
Discounts/premiums, net		<b>49,329</b>	<b>39,569</b>
Deferred refunding amounts		<b>(2,085)</b>	<b>(123)</b>
Total bonds and notes payable, net		<b>\$ 1,740,931</b>	<b>\$ 1,539,044</b>

Included in several of the bond issues shown above are Capital Appreciation Bonds ("CAB") and Capital Appreciation Term Bonds ("CATB"). The principal amounts of

these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at

maturity and as reflected in the accompanying statements of financial condition at December 31, 2000 and 1999 are as follows:

Description, due date and type	Interest rate (%)	Appreciated Balances		
		Maturity	2000	1999
Single Family Revenue Bonds:				
1985 Series A 2014 CATB	11.125	\$ 3,500	\$ 797	\$ 1,170
1993 Refunding Series A 2014 CATB	7.00	11,650	4,550	6,953
Single Family Housing Revenue Bonds:				
1991 Refunding Series A 2001-2006 CAB	6.70 to 7.00	18,725	15,576	14,561
Single Family Senior and Subordinate Bonds:				
1998 Series B 2029 CATB	5.5	6,940	1,452	1,375
Single Family Program Bonds:				
1998 Series C 2029 CATB	5.625	16,285	3,290	3,112

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

Bonds and notes payable sinking fund installments and maturities during the five years subsequent to December 31, 1999 are as follows:

	2001	2002	2003	2004	2005
<b>Bonds:</b>					
<b>General Fund:</b>					
General Obligation	\$ 3,396	\$ 4,342	\$ 5,162	\$ 5,312	\$ 5,533
Multi-family Mortgage Revenue	67	66	-	-	-
<b>Multi-family:</b>					
Housing Insured Mortgage Revenue	4,570	5,025	5,375	5,755	6,145
Mortgage Revenue	72	79	87	96	105
Project	1,845	1,215	205	225	240
<b>Single Family:</b>					
Housing Revenue Refunding Program	2,753	2,630	2,490	2,295	2,089
Program Senior and Subordinate Revenue Refunding	460	485	510	535	565
Program Senior and Subordinate Revenue Refunding	10,350	11,115	11,575	12,060	16,645
Revenue Refunding	35	30	30	55	85
Notes Payable	93,331	131	457	763	9,422
<b>Total Bonds and Notes Payable</b>	<b>\$ 116,879</b>	<b>\$ 25,118</b>	<b>\$ 25,891</b>	<b>\$ 27,096</b>	<b>\$ 40,829</b>
Interest Due	90,814	89,745	88,675	87,408	85,074
<b>Total Annual Debt Service</b>	<b>\$ 207,693</b>	<b>\$ 114,863</b>	<b>\$ 114,566</b>	<b>\$ 114,504</b>	<b>\$ 125,903</b>

Aggregate maturities of bonds and notes payable subsequent to the year 2005 are approximately \$1,458,000.

Assets of the various Bond Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the various Bond Funds and are held in cash, marketable securities or investment agreements. At December 31, 2000 and 1999, these assets were at least equal to the amounts required to be restricted.

As of December 31, 2000 and 1999, the

Authority had a \$50,000 and \$52,000, respectively, note payable to a bank under its Taxable Multi-family Rental Housing Rehabilitation Program. The note is secured by the pledge of, and is being repaid with the principal and interest payments on, the mortgage loan participations, which were acquired with the note proceeds. In the event of default of any underlying mortgage loan, the Authority is obligated to the bank for up to one-third of any deficiency of amounts due the bank upon foreclosure or other conversion of the defaulted loan. The Authority receives an ongoing fee representing .25% of the unpaid balance of its participation interest.

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

for borrowings of up to \$100,000,000. Amounts drawn under the agreement bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investment securities. As of December 31, 2000 and 1999, the outstanding borrowings under this agreement were \$87,860,000 and \$45,460,000, respectively.

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

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

and 1999, the outstanding borrowings under this agreement were \$0 and \$6,330,000.

During 2000, the Authority secured an agreement with another bank for a secured line of credit authorizing borrowings of up to \$6,000,000. The agreement provides for the Authority to borrow an amount based on the prior month's average daily balance of custodial funds held in a non-interest bearing account at the bank. Amounts drawn under the agreement bear interest fixed at 2% per annum, and are invested with the bank in a money market savings account. The line of credit agreement terminates on

July 1, 2001. As of December 31, 2000, the outstanding borrowings under this agreement were \$4,070,000.

The Authority has issued certain conduit Multi-family Housing Revenue Bonds and Industrial Development Bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 2000, \$182,640,000 and \$59,625,000, respectively, of these bonds were outstanding. The corresponding amounts outstanding as of December 31, 1999 were \$152,660,000 and

\$38,380,000, respectively. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

**(5) Interest Rate Swaps**

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

agreements are used to stabilize the interest rates on certain bond obligations by applying fixed rates of interest on the underlying variable rate bonds. The swap agreement notional amounts are amortized in accordance with the scheduled and/or anticipated

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

Associated Bond Issue	Outstanding National Amount	Issue Date	Fixed Rate Paid by the Authority	Floating Rate Received from Counterparties	Termination Date
<b>Multi-Family/Project Bonds:</b>					
2000 Series A	\$ 12,750,000	03/21/00	5.235%	VRDO's Rate <sup>1</sup>	10/01/20
2000 Series A	18,500,000	03/21/00	5.225%	VRDO's Rate <sup>1</sup>	04/01/25
2000 Series B	7,780,000	10/19/00	7.390%	LIBOR <sup>2</sup> , plus .25%	07/01/20

<sup>1</sup> Variable rate demand obligation

<sup>2</sup> London inter-bank offered rates

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

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

to hold the swap agreements to the stated termination dates.

**(6) Debt Refundings**

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

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

its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds, 1977 Series A and B and General Obligation Bonds, 1986, 1991 and 1994 Series A in the amount of \$95,585,000. Included in the multi-family issue are variable rate bonds with interest ranging from a weekly high of 5.75% which could result in an increase in aggregate debt service requirements of \$4,514,000 and an approximate economic gain to the Authority of \$18,762,000, to a weekly low of 1.9% which could result in a substantial decrease in aggregate debt service requirements of \$41,929,000 and an approximate economic gain to the Authority of \$43,209,000.

On October 19, 1999, the Authority issued its Single Family Program Senior and Subordinate Bonds, 1999 Series C, in the

aggregate principal amount of \$70,720,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1989 Series A, B and C in the amount of \$11,295,000. The refunding resulted in a substantial decrease in aggregate debt service requirements of \$1,870,000 and an approximate economic gain to the Authority of \$389,000.

In accordance with Governmental Accounting Standards Board Statement No. 23, the following deferred amounts related to the 2000 and 1999 refunding transactions are being amortized over the estimated remaining lives of the old debt.

	2000	1999
Single Family Program Senior and Subordinate Bonds, 1990 Series A, B, and C:		
Deferred fee income	\$ (216)	\$ -
Deferred debt financing costs	210	-
Call premium	208	-
Multi-Family Housing Insured Mortgage Revenue Bonds, 1977 Series A and B:		
Gain on Sale of Investments	(71)	-
Deferred fee income	(334)	-
Deferred debt financing costs	681	-
General Obligation Bonds, 1986, 1991, and 1994:		
Series A		
Deferred debt issuance	519	-
Unamortized discount	93	-
Call premium	747	-
Single Family Program Senior and Subordinate Bonds, 1989 Series A, B, and C:		
Deferred fee income	-	(58)
Deferred debt financing costs	-	74
Call premium	-	226
<b>Total deferred amount</b>	<b>\$ 1,837</b>	<b>\$ 242</b>

**(7) Selected Financial and Operating Data**

Selected financial and operating data of the various program funds of the Authority as of December 31, 2000 are as follows:

	Total Assets	Bonds and Notes Payable	Fund Equity
General Fund	\$ 326,427	\$ 213,588	\$ 96,658
Multi-family:			
Housing Insured Mortgage Revenue	430,611	407,088	15,708
Mortgage Revenue	4,184	4,151	-
Project	130,890	125,105	4,193
Single Family:			
Housing Revenue	115,619	90,106	24,757
Taxable Revenue	13,651	11,440	1,957
Taxable Program Senior and Subordinate Revenue	3,883	2,687	1,180
Program Senior and Subordinate Revenue	13,407	7,433	5,914
Program Senior and Subordinate Program Bonds	901,013	876,537	12,918
Program Bonds	20,489	19,318	1,039
Revenue Refunding	718	515	168
Intercompany Eliminations	(17,143)	(17,037)	-
	\$ 1,943,749	\$ 1,740,931	\$ 164,492

  

	Total Revenue	Interest Expense	Net Income (Loss)
General Fund	\$ 39,668	\$ 11,983	\$ 15,000
Multi-family:			
Housing Insured Mortgage Revenue	34,325	28,849	621
Mortgage Revenue	397	397	-
Project	6,825	4,257	4,192
Single Family:			
Housing Revenue	8,590	5,855	120
Taxable Revenue	1,129	871	215
Taxable Program Senior and Subordinate Revenue	389	186	183
Program Senior and Subordinate Revenue	1,457	728	709
Program Senior and Subordinate Program Bonds	53,578	49,133	1,050
Program Bonds	1,033	990	(4)
Revenue Refunding	52	32	14
Intercompany Eliminations	(1,274)	(2,177)	-
	\$ 146,169	\$ 101,105	\$ 22,100

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

Authority's instrumentalities, whose assets and operations are accounted for within the General Fund. For financial statement

purposes, all transactions between the General Fund and the Bond Funds are eliminated.

**(8) Retirement Plans**

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

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

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

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

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

Under the plan, State statute requires the Authority and participating employees to contribute 10% and 8%, respectively, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was \$6,649,000 and \$6,201,000 for 2000 and 1999, respectively. Contributions by the Authority and employees approximated \$665,000 and \$534,000, respectively, for 2000, while for 1999 the amounts were \$620,000 and \$496,000, respectively.

The pension benefit obligation, which is the actuarial measure of the present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure is intended to help users of the Authority's financial statements assess PERA's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERA and other pension programs and among employees. As of December 31, 1999, the date of the latest available audited information, the total

actuarial accrued liability and total net assets available for benefits of the Municipal Division of PERA, in which the Authority's pension contributions and benefits are included, were \$1,413,208,000 and \$1,737,081,000, respectively. There were no unfunded liabilities in the Municipal Division as of December 31, 2000.

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

Included in the Authority's general obligation debt are bonds payable to PERA of \$73,286,000 and \$37,676,000 at December 31, 2000 and 1999, respectively.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program ("VIP"), established under Section 401(k) of the Internal Revenue Code. Participants may invest between 1% and 23% of their annual gross salaries up to the annual IRS limit. The Authority contributes 1% of each participating employee's salary and in addition, matches at the rate of 50% of the first 5% of the participating employee's contribution.

The Authority also offers a deferred compensation plan for the purpose of providing retirement income for eligible employees, defined as those who have completed three months of employment with the Authority. This defined contribution plan is qualified under Section 457 of the Internal Revenue Code. The plan is administered by an independent trustee.



## STATEMENTS OF FINANCIAL CONDITION BY PROGRAM

Year Ended December 31,

(000: Omitted)					Memorandum Totals	
	General Fund	Single Family	Multi-family	Eliminations	2000	1999
<b>ASSETS</b>						
Cash	\$ 7,202	\$ -	\$ 113	\$ -	\$ 7,315	\$ 5,211
Marketable securities:						
Short-term	39,279	212,991	76,858	-	329,128	342,406
Long-term, at fair value	13,506	61,016	49,640	-	124,162	126,185
Total cash and marketable securities						
	59,987	274,007	126,611	-	460,605	473,802
Loans receivable, net	215,692	761,407	432,743	(17,037)	1,392,805	1,166,355
Accrued interest receivable	2,201	9,547	5,893	(106)	17,535	15,244
Property and equipment, net:						
Corporate facilities	3,301	-	-	-	3,301	3,246
Rental operations	26,945	-	-	-	26,945	27,465
Deferred debt financing costs, net	1,105	12,962	2,895	-	16,962	15,809
Other real estate owned, net	4,868	612	342	-	5,822	795
Other assets	17,690	253	1,831	-	19,774	19,875
Due from (to) other funds	(5,362)	9,992	(4,630)	-	-	-
<b>Total Assets</b>	<b>\$ 326,427</b>	<b>\$ 1,068,780</b>	<b>\$ 565,685</b>	<b>\$ (17,143)</b>	<b>\$ 1,943,749</b>	<b>\$ 1,722,591</b>
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:						
Bonds and notes payable, net	\$ 213,588	\$ 1,008,036	\$ 536,344	\$ (17,037)	\$ 1,740,931	\$ 1,539,044
Accrued interest payable	2,292	12,775	8,452	(106)	23,413	22,079
Accounts payable and other liabilities	4,216	3	988	-	5,207	7,232
Federally assisted program advances						
	1,738	-	-	-	1,738	4,004
Deferred fee income	280	-	-	-	280	196
Escrow and refundable deposits	7,655	33	-	-	7,688	7,644
<b>Total liabilities</b>	<b>229,769</b>	<b>1,020,847</b>	<b>545,784</b>	<b>(17,143)</b>	<b>1,779,257</b>	<b>1,580,199</b>
Fund equity - retained earnings:						
Restricted	-	47,933	19,901	-	67,834	60,734
General Fund - Board designated	96,658	-	-	-	96,658	81,658
<b>Total fund equity - retained earnings</b>	<b>96,658</b>	<b>47,933</b>	<b>19,901</b>	<b>-</b>	<b>164,492</b>	<b>142,392</b>
	<b>\$ 326,427</b>	<b>\$ 1,068,780</b>	<b>\$ 565,685</b>	<b>\$ (17,143)</b>	<b>\$ 1,943,749</b>	<b>\$ 1,722,591</b>

See notes to financial statements

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

Year Ended December 31,

(000s Omitted)					Memorandum Totals	
	General Fund	Single Family	Multi-family	Eliminations	2000	1999
Interest and investment revenues						
Loans receivable	\$ 14,966	\$ 45,168	\$ 31,746	\$ (1,274)	\$ 90,606	\$ 82,024
Marketable securities	3,252	20,782	7,655	-	31,689	29,899
Net increase (decrease) in fair value of marketable securities	179	278	2,146	-	2,603	(5,121)
Total interest and investment revenue	18,397	66,228	41,547	(1,274)	124,898	106,802
Interest expense - bonds and notes payable	11,983	57,796	33,503	(2,177)	101,105	92,709
Net interest revenue	6,414	8,432	8,044	903	23,793	14,093
Other revenues (expenses):						
Rental operations	9,858	-	-	-	9,858	9,587
Fees and miscellaneous income	11,413	-	-	-	11,413	9,080
Program fees (expenses)	4,024	(3,448)	(576)	-	-	-
Total other revenue	25,295	(3,448)	(576)	-	21,271	18,667
Net revenue	31,709	4,984	7,468	903	45,064	32,760
Other expenses:						
Salaries and related benefits	9,356	-	-	-	9,356	8,387
General operating	8,503	337	460	-	9,300	9,646
Provision for losses	(438)	561	1,936	-	2,059	7,505
Other interest expense	1,346	-	-	903	2,249	2,018
Transfers	(2,058)	1,798	260	-	-	-
Total other expenses	16,709	2,696	2,656	903	22,964	27,556
Net income	15,000	2,288	4,812	-	22,100	5,204
Retained earnings, beginning of year	81,658	45,645	15,089	-	142,392	137,188
Retained earnings, end of year	\$ 96,658	\$ 47,933	\$ 19,901	\$ -	\$ 164,492	\$ 142,392

See notes to financial statements



REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Colorado Housing and Finance Authority (the "Authority") as of and for the year ended December 31, 2000, and have issued our report thereon dated February 6, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script, reading "Arthur Andersen" followed by a stylized flourish.

Denver, Colorado,  
February 6, 2001.

## APPENDIX B

### Summary of Certain Provisions of the Indenture

The Master Indenture and the Series 2001A 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 "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 2001 Series A subaccount of the Acquisition Account by the 2001 Series A 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 Loan in connection with a Housing Facility or Project.

"Business Day" means any day other than a Saturday or a Sunday, that in the city in which the corporate trust office of the Trustee designated for the purpose of presentation of and payment on the Bonds is located is neither a legal holiday nor a day on which banking institutions are authorized or obligated by law or executive order to be 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" means, with respect to the 2001 Series A Bonds, (a) initially, \$1,834,000, and (b) thereafter, as of any date of calculation, the sum of (i) the maximum principal and interest payment due for any period of eight consecutive calendar months on Loans Related to the 2001 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 2001 Series A Bonds that are not insured or guaranteed by the United States of America and any agency or instrumentality thereof. There shall be no Debt Service Reserve

Fund Requirement related to proceeds of the 2001 Series A Bonds used to finance Authority Projects or related to unexpended proceeds of the 2001 Series A Bonds.

"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 executed 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 April 1 and October 1, commencing April 1, 2002.

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

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

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

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

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

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

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

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

"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, with respect to each Bond Payment Date, the fifteenth day of the month (whether or not a Business Day) next preceding each Bond 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.

"Restricted Loan Subaccount" means the subaccount so designated, which is created and established in the 2001 Series A subaccount of the Acquisition Account by the 2001 Series A Indenture, and which shall consist of the 2001A AMT Loan Subaccount (which shall also include the Clifton Village/Fox Run Loan Subaccount) and the 2001A Non-AMT Loan Subaccount.

"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).

The 2001 Series A Subaccount of the Acquisition Account consists of the Restricted Loan Subaccount (consisting of the 2001A Taxable Loan Subaccount, the 2001A AMT Loan Subaccount [which shall also include the Clifton Village Loan Subaccount] and the 2001A Non-AMT Loan Subaccount) and the Authority Projects Subaccount. Proceeds of the 2001 Series A Bonds in the amount specified in the Series Indenture will be paid into the respective subaccounts of the Restricted Loan Subaccount and into the Authority Projects Subaccount. At the option of the Authority, additional moneys may be paid into the Restricted Loan Subaccount from various sources identified in the Series Indenture, including unexpended Bond proceeds transferred from the Authority Projects Subaccount. Amounts deposited in the Restricted Loan Subaccount are to be applied to make 2001A Loans and for other purposes authorized in the Series Indenture. The Trustee is authorized to withdraw moneys from the

Restricted Loan Subaccount to finance 2001A 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 2001A Loans to be financed and an Authority Request to finance such 2001A Loans. Any moneys credited to the Restricted Loan Subaccount that are not used to finance 2001A Loans or for the other purposes authorized by the Series 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 December 1, 2004, 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 2001 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 2001 Series A Bonds 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, additional moneys may be paid into the Authority Projects Subaccount from various sources identified in the Series Indenture, including unexpended Bond proceeds transferred from the Restricted Loan Subaccount. Amounts deposited in the Authority Projects Subaccount are to be applied to finance the 2001A Authority Projects and for the other purposes authorized in the Indenture. Any moneys credited to the Authority Projects Subaccount that are not used to finance the 2001A 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 the 2001A Authority Project or for the other purposes authorized in the Series Indenture. Such amount must be transferred not later than December 1, 2004, 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 2001 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 2001 Series A Bonds for federal income tax purposes, in which case such transfer will occur on the later specified date or dates.

#### **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 "Revenue Fund" below. 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.

### **Class Asset Requirements**

The Class Asset Requirements for 2001 Series A Bonds require that, as of any date of calculation:

(a) with respect to the **Class I Asset Requirement**, the sum of (a) amounts held in the 2001 Series A subaccount of the Acquisition Account, the 2001 Series A subaccount of the Loan Recycling Account, the 2001 Series A subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of 2001 Series A Class I Bonds), the 2001 Series A subaccounts of the Redemption Fund (to the extent such amounts are required to be used to redeem 2001 Series A Class I Bonds) and the 2001 Series A subaccount of the Debt Service Reserve Fund, and (b) the sum of the quotients of the aggregate unpaid principal balance of Loans (by Loan type) and Authority Projects related to the 2001 Series A Bonds divided by the related Class I Asset Coverage Divisors set forth on the schedule attached hereto as **Appendix C** (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 2001 Series A Bonds then outstanding;

(b) with respect to the **Class II Asset Requirement**, the sum of (a) amounts held in the 2001 Series A subaccount of the Acquisition Account, the 2001 Series A subaccount of the Loan Recycling Account, the 2001 Series A subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of 2001 Series A Class I Bonds), the 2001 Series A subaccount of the Class II Debt Service Fund (to the extent such amounts are required to be used to pay principal of 2001 Series A Class III Bonds), the 2001 Series A subaccounts of the Redemption Fund (to the extent such amounts are required to be used to redeem 2001 Series A Class I Bonds or 2001 Series A Class II Bonds) and the 2001 Series A subaccount of the Debt Service Reserve Fund, and (b) the sum of the products of the aggregate unpaid principal balance of Loans and Authority Projects related to the 2001 Series A Bonds divided by the related Class I Asset Coverage Divisors and Class II Asset Coverage Divisors, respectively set forth on the schedule attached hereto as **Appendix C** (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 2001 Series A Class I Bonds and 2001 Series A Class II Bonds, respectively, then Outstanding; and

(c) with respect to the **Class III Asset Requirement**, the sum of (a) amounts held in the 2001 Series A subaccount of the Acquisition Account, the 2001 Series A subaccount of the Loan Recycling Account, the 2001 Series A subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of 2001 Series A Class I Bonds), the 2001 Series A subaccount of the Class III Debt Service Fund (to the extent such amounts are required to be used to pay principal of 2001 Series A Class III Bonds), the 2001 Series A subaccounts of the Redemption Fund and the 2001

Series A subaccount of the Debt Service Reserve Fund, and (b) the sum of the products of the aggregate unpaid principal balance of Loans and Authority Projects related to the 2001 Series A Bonds, be at least equal to 102% of the aggregate principal amount of all 2001 Series A Bonds then outstanding, or such lesser percentage as may be permitted by each Rating Agency, as evidenced by a Confirmation from each Rating Agency.

### **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 (i) 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 or (ii) a Related or Unrelated subaccount of the Acquisition



Account to be applied as provided in the Indenture. 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 "TERMS OF THE 2001 SERIES A BONDS – Redemption of the 2001 Series A Bonds."

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.

### **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.

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

### **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.

### **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 2001 Series A Rebate Account*

There is created pursuant to the Series 2001A Indenture a special and a separate subaccount within the Rebate Fund to be held by the Authority for the 2001 Series A Bonds (the "2001 Series A Rebate Account"). There shall be transferred in accordance with the Indenture into the 2001 Series A 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 2001 Series A 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 2001 Series A 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, 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 covenants for the benefit of the owners of the 2001 Series A Bonds that it will not take any action or omit to take any action with respect to the 2001 Series A Bonds, the proceeds thereof, or any other funds of the Authority or any facilities financed with the proceeds of the 2001 Series A Bonds, if such action or omission would cause the interest on the 2001 Series A 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 the 2001 Series A 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 West, 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 C

### Table of Class Asset Requirements

<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	1.00	1.00
FHA-Insured non-Section 542(c) Loan	1.12	1.015
Authority Project	1.30	1.18
Other Loans	*	*

\*As may be specified by the Rating Agencies from time to time at the request of the Authority.

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## **APPENDIX D**

### **Form of Bond Counsel Opinion**

December 11, 2001

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

Colorado Housing and Finance Authority  
Multi-Family/Project Class I Bonds, 2001 Series A-1  
Multi-Family/Project Class II Bonds, 2001 Series A-2  
Multi-Family/Project Class III Bonds, 2001 Series A-2

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance by the Authority of its Multi-Family/Project Class I Bonds, 2001 Series A-1 (the "2001 Series A-1 Bonds"), Multi-Family/Project Class II Bonds, 2001 Series A-2 (the "2001 Series A-2 Class II Bonds") and Multi-Family/Project Class III Bonds, 2001 Series A-2 (the "2001 Series A-2 Class III Bonds" and together with the 2001 Series A-2 Class II Bonds, the "2001 Series A-2 Bonds"). The 2001 Series A-1 Bonds and the 2001 Series A-2 Bonds are collectively referred to herein as the "2001 Series A Bonds." In such capacity as bond counsel to the Authority, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado (the "State") and of the United States of America as we have deemed necessary to render this opinion letter. The 2001 Series A Bonds are authorized and issued pursuant to the Master Indenture of Trust, dated as of March 1, 2000, as amended by the First Supplemental Indenture of Trust dated as of December 1, 2001 and as supplemented by the 2001 Series A Indenture of Trust dated as of December 1, 2001 (collectively, the "Indenture") between the Authority and Wells Fargo Bank West, National Association (formerly, Norwest Bank Colorado, National Association), as trustee (the "Trustee"). The capitalized terms used herein, unless parenthetically defined herein, have the meanings ascribed to them in the Indenture.

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

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

1. The Authority has been duly created and is a body corporate and political subdivision, validly organized and existing under the Constitution and laws of the State.

2. The 2001 Series A Bonds have been duly authorized by the Authority, duly executed and delivered by authorized officials of the Authority and, assuming due authentication by the Trustee, constitute the legal and valid obligations of the Authority, enforceable in accordance with their terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and by the application of general principles of equity.

3. 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 the legal and valid obligation of the Authority enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and by the application of general principles of equity.

4. Interest on the 2001 Series A Bonds (except for interest on any 2001 Series A Bond for any period during which it is held by a "substantial user" of facilities financed with the 2001 Series A 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 2001 Series A-1 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 2001 Series A-2 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents or certain other certifications furnished to us.

5. The 2001 Series A Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date of delivery of the 2001 Series A Bonds.

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

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

We understand that MBIA Insurance Corporation has issued a reserve fund surety bond relating to the 2001 Series A Bonds. We express no opinion as to the validity or enforceability of such surety bond or the security afforded thereby.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not opining upon the accuracy or completeness of any statements made in connection with any sale of the 2001 Series A Bonds or upon any federal or Colorado tax consequences arising from the receipt or accrual of interest on or the ownership of the 2001 Series A Bonds, except those specifically addressed above.

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

Respectfully submitted,

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**APPENDIX E**

**Form of Continuing Disclosure Undertakings**

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## AUTHORITY CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Certificate") is executed and delivered by the COLORADO HOUSING AND FINANCE AUTHORITY, a body corporate and political subdivision of the State of Colorado (the "Authority"), in connection with the issuance of Colorado Housing and Finance Authority Multi-Family/Project Bonds, 2001 Series A (the "2001 Series A Bonds"). The 2001 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 2001 Series A Indenture dated as of December 1, 2001 (the "Series 2001A Indenture," and together with the Master Indenture, the "Indenture"), each between the Authority and Wells Fargo Bank West, National Association, as Trustee (the "Trustee").

### BACKGROUND

1. The 2001 Series A Bonds are being issued for the purpose of defraying, in part, the costs of acquiring certain mortgage loans in connection with the financing of certain projects located or to be located in the State, to pay certain costs of issuance of the 2001 Series A Bonds and to otherwise attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act.

2. In order to allow the Participating Underwriters (as defined in Rule 15c2-12 defined below) of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12) as amended to the date hereof ("Rule 15c2-12"), the Authority has agreed to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the 2001 Series A Bonds.

3. This Disclosure Certificate is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

### AUTHORITY COVENANTS AND AGREEMENTS

#### Section 1. Definitions.

(a) "Annual Financial Information" means the financial information or operating data with respect to the Authority or other obligated person described in Section 2(f) hereof, as applicable, delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, of the type set forth in the sections of the final Official Statement, included but not limited to such financial information and operating data set forth in "Colorado Housing and Finance Authority – Programs to Date," "Security for the 2001 Series A Bonds - Outstanding Master Indenture Obligations" and "Appendix F-2 – Certain Information about the Outstanding Loans and Authority Projects." Annual Financial Information shall include Audited Financed Statements.

(b) "Audited Financial Statements" means the annual financial statements for the Authority or other obligated person described in Section 2(f) hereof, as applicable, prepared

in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

(c) "Events" means any of the events listed in Section 2(d) hereof.

(d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-683-1930.

(e) "NRMSIR" means a nationally recognized municipal securities information repository recognized by the SEC from time to time pursuant to Rule 15c2-12. As of the date hereof, such NRMSIRs include Standard & Poor's J.J. Kenny Repository, 55 Water Street, 45<sup>th</sup> Floor, New York, New York 10041; FT Interactive Data, Attn: NRMSIR, 100 Williams Street, New York, New York 10038; Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the 2001 Series A Bonds.

(g) "Repository" means (i) each NRMSIR and (ii) any SID.

(h) "Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), as the same may be amended from time to time.

(i) "SEC" means the Securities and Exchange Commission.

(j) "Senior Manager" means Newman & Associates, Inc., 1801 California Street, Suite 3700, Denver, Colorado 80202.

(k) "SID" means any State Information Depository operated or designated by the State of Colorado that receives information from all issuers within the State. As of the date of this Disclosure Certificate, no SID exists for the State.

(l) "State" means the State of Colorado.

## Section 2. Provision of Annual Information and Reporting of Events.

(a) Commencing with the fiscal year ending December 31, 2002 and annually while the 2001 Series A Bonds remain outstanding, the Authority agrees to provide or cause to be provided annually to each Repository (with a copy, upon request, to the Senior Manager) the following information:

- i. Annual Financial Information; and
- ii. Audited Financial Statements, if prepared.

(b) Such Annual Financial Information shall be provided not later than 240 days after the end of each fiscal year for the Authority (i.e., each December 31). If not provided as a part of the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The Authority may provide Annual Financial Information and Audited Financial Statements by specific reference to other documents, including information reports and official statements relating to other debt issues of the Authority, which have been submitted to each Repository; provided, however, that if the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by cross-reference.

(d) At any time the 2001 Series A Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB and any SID, with a copy to the Senior Manager, notice of the occurrence of any of the following Events with respect to the 2001 Series A Bonds, if material (provided, that any event under clauses (ix) or (xi) will always be deemed to be material):

- i. Principal and interest payment delinquencies;
- ii. Non-payment related defaults;
- iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
- iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
- v. Substitution of credit or liquidity providers, or their failure to perform;
- vi. Any event adversely affecting the tax-exempt status;
- vii. Modifications to the rights of the owners of the 2001 Series A Bonds;
- viii. Bond calls or redemption;
- ix. Defeasance;
- x. Release, substitution or sale of property securing repayment; and
- xi. Rating changes.

(e) At any time the 2001 Series A Bonds are outstanding, the Authority shall provide, in a timely manner, to the MSRB and any SID, with a copy to the Senior Manager, notice of any failure of the Authority to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

(f) Other Obligated Persons. As of the date of issuance of the 2001 Series A Bonds, the Borrower for the Belle Creek Apartments Project will be an "obligated person" in respect of the 2001 Series A Bonds within the meaning of Rule 15c2-12. The Authority, prior to or in connection with the origination of the 2001A Loan (as defined in the Official Statement) to such Borrower for the Belle Creek Apartments, will confirm that such Borrower has separately agreed, for the benefit of the owners (including beneficial owners) of the 2001 Series A Bonds, to provide to the Authority Annual Financial Information and Audited Financial Statements with respect to itself not later than 120 days after the end of each fiscal year for such Borrower to the extent that such Borrower continues to constitute an "obligated person" in respect of the 2001 Series A Bonds within the meaning of Rule 15c2-12. The Authority has agreed to forward to each Repository such Annual Financial Information and Audited Financial Statements promptly upon receipt from such Borrowers. The Authority has no obligation to examine or review such Annual Financial Information or Audited Financial Statements or to verify the accuracy or completeness of such Annual Financial Information or Audited Financial Statements, and is not otherwise obligated to make such continuing disclosure undertakings on behalf of any of the Borrowers.

In addition, the Authority covenants to provide Annual Financial Information and Audited Financial Statements for any other Borrower or other person who shall constitute an "obligated person" with respect to the 2001 Series A Bonds, or to cause such obligated person to provide such Annual Financial Information and Audited Financial Statements, if the total amount of such person's annual obligations in respect of the 2001 Series A Bonds are equal to or greater than 20% of the average annual debt service requirements on the 2001 Series A Bonds.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law.

Section 4. Enforcement. The obligations of the Authority hereunder shall be for the benefit of the owners (including beneficial owners) of the 2001 Series A Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the Authority to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the 2001 Series A Bonds; provided, that, any owner or beneficial owner of Bonds seeking to require the Authority to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Authority of the Authority's failure, giving reasonable detail of such failure following which notice the Authority shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of Authority hereunder shall not constitute an Event of Default under the Indenture and none of the rights and remedies provided

by the Indenture shall be available to the owners of the 2001 Series A Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the Authority shall not be required to do so. If the Authority chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or Event filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the 2001 Series A Bonds and shall extend to the earliest of (i) the date all principal and interest on the 2001 Series A Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Indenture; (ii) the date that the Authority and each person named or described in Section 2(f) hereof shall no longer constitute an "obligated person" with respect to the 2001 Series A Bonds within the meaning of Rule 15c2-12; or (iii) the date on which those portions of Rule 15c2-12 which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the 2001 Series A Bonds, the determination of (i), (ii) or (iii) herein to be made in any manner deemed appropriate by the Authority, including by an opinion of counsel experienced in federal securities law selected by the Authority.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Authority may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, without the consent of the owners or beneficial owners of the 2001 Series A Bonds upon the Authority's receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with Rule 15c2-12. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Authority shall provide notice of such amendment or waiver to each Repository and the Senior Manager.

Section 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Participating Underwriters and the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as of December 1, 2001.

COLORADO HOUSING AND FINANCE  
AUTHORITY

By: \_\_\_\_\_  
Executive Director



## **BORROWER CONTINUING DISCLOSURE UNDERTAKING**

This Continuing Disclosure Undertaking (the "Disclosure Certificate") is executed and delivered by \_\_\_\_\_ (the "Borrower"), in connection with the issuance by the Colorado Housing and Finance Authority of its Colorado Housing and Finance Authority Multi-Family/Project Bonds, 2001 Series A (the "2001 Series A Bonds"). The 2001 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 2001 Series A Indenture dated as of December 1, 2001 (the "Series 2001A Indenture," and together with the Master Indenture, the "Indenture"), each between the Authority and Wells Fargo Bank West, National Association, as Trustee (the "Trustee").

### **BACKGROUND**

1. The 2001 Series A Bonds are being issued for the purpose of defraying, in part, the costs of acquiring certain mortgage loans in connection with the financing of certain projects located or to be located in the State, to pay certain costs of issuance of the 2001 Series A Bonds and to otherwise attain the goals of the Authority pursuant to the Colorado Housing and Finance Authority Act.

2. In order to allow the Participating Underwriters (as defined in Rule 15c2-12 defined below) of the 2001 Series A Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12) as amended to the date hereof ("Rule 15c2-12"), the Borrower has agreed to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the 2001 Series A Bonds.

3. This Disclosure Certificate is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

### **BORROWER COVENANTS AND AGREEMENTS**

#### **Section 1. Definitions.**

(a) "Annual Financial Information" means the financial information or operating data with respect to the Borrower, delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, of the type set forth with respect to such Borrower in "Appendix F-1 – Certain Information about the 2001A Projects" of the Official Statement. Annual Financial Information shall include Audited Financial Statements.

(b) "Audited Financial Statements" means the annual financial statements for the Borrower prepared in accordance with generally accepted accounting principles, audited by a firm of certified public accountants.

(c) "Authority" means the Colorado Housing and Finance Authority.

(d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-683-1930.

(e) "NRMSIR" means a nationally recognized municipal securities information repository recognized by the SEC from time to time pursuant to Rule 15c2-12. As of the date hereof, such NRMSIRs include Standard & Poor's J.J. Kenny Repository, 55 Water Street, 45<sup>th</sup> Floor, New York, New York 10041; FT Interactive Data, Attn: NRMSIR, 100 Williams Street, New York, New York 10038; Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the 2001 Series A Bonds.

(g) "Repository" means (i) each NRMSIR and (ii) any SID.

(h) "Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), as the same may be amended from time to time.

(i) "SEC" means the Securities and Exchange Commission.

(j) "Senior Manager" means Newman & Associates, Inc., 1801 California Street, Suite 3700, Denver, Colorado 80202.

(k) "SID" means any State Information Depository operated or designated by the State of Colorado that receives information from all issuers within the State. As of the date of this Disclosure Certificate, no SID exists for the State.

(l) "State" means the State of Colorado.

## Section 2. Provision of Annual Information.

(a) Commencing with the first fiscal year following the fiscal year in which this Agreement is executed and annually while the 2001 Series A Bonds remain outstanding, the Borrower agrees to provide or cause to be provided annually to each Repository (with a copy, upon request, to the Senior Manager) the following information:

- i. Annual Financial Information; and
- ii. Audited Financial Statements.

(b) Such Annual Financial Information shall be provided to the Authority not later than 120 days after the end of each fiscal year for the Borrower. If not provided as a part of the Annual Financial Information, the Audited Financial Statements will be provided to the Authority when available. The Authority shall forward the Annual Financial Information and the Audited Financial Statements so provided to each Repository promptly upon receipt from the Borrower. The Authority shall have no obligation to examine or review the Annual Financial Information or the Audited Financial Statements, and shall have no duty to verify the accuracy or completeness of the Annual Financial Information or the Audited Financial Statements.

(c) At any time the 2001 Series A Bonds are outstanding, the Borrower shall provide, in a timely manner, to the MSRB and any SID, with a copy to the Senior Manager, notice of any failure of the Borrower to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

Section 3. Method of Transmission. Subject to technical and economic feasibility, the Authority shall employ such methods of electronic or physical information transmission as is requested or recommended by the Repositories or the MSRB unless otherwise required by law. The Borrower shall provide to the Authority Annual Financial Information and Audited Financial Statements in such form and by such means as shall be requested by the Authority from time to time to enable the Authority to comply with the preceding sentence.

Section 4. Enforcement. The obligations of the Borrower hereunder shall be for the benefit of the owners (including beneficial owners) of the 2001 Series A Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the Borrower to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the 2001 Series A Bonds; provided, that, any owner or beneficial owner of Bonds seeking to require the Authority to comply with this Disclosure Certificate shall first provide at least 30 days' prior written notice to the Authority of the Authority's failure, giving reasonable detail of such failure following which notice the Authority shall have 30 days to comply. Any such action shall be brought only in a court of competent jurisdiction in the City and County of Denver, Colorado. Breach of the obligations of the Borrower hereunder shall not constitute an Event of Default under the Indenture and none of the rights and remedies provided by the Indenture shall be available to the owners of the 2001 Series A Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information, in addition to that which is required by this Disclosure Certificate; provided that the Borrower shall not be required to do so. If the Borrower chooses to include any annual information in addition to that which is specifically required by this Disclosure Certificate, the Borrower shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing.

Section 6. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the 2001 Series A Bonds and shall extend to the earliest of (i) the date all principal and interest on the 2001 Series A Bonds shall have been deemed paid or legally defeased pursuant to the terms of the Indenture; (ii) the date that the Borrower shall no longer constitute an "obligated person" with respect to the 2001 Series A Bonds within the meaning of Rule 15c2-12; or (iii) the date on which those portions of Rule 15c2-12 which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the 2001 Series A Bonds, the determination of (i), (ii) or (iii) herein to be made in any manner deemed

appropriate by the Authority by an opinion of counsel experienced in federal securities law selected by the Authority.

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Borrower may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, without the consent of the owners or beneficial owners of the 2001 Series A Bonds upon the Borrower's receipt of an opinion of counsel experienced in federal securities laws satisfactory to and approved by the Authority, to the effect that such amendment or waiver will not adversely affect compliance with Rule 15c2-12. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Borrower shall provide notice of such amendment or waiver to the Authority and the Senior Manager, and the Authority shall then forward such notice to each Repository.

Section 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Borrower, the Participating Underwriters, the Authority and the owners (including beneficial owners) from time to time of the 2001 Series A Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2001.

[Name of Borrower]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

AGREED to with regard to the Authority's  
duties under Sections 2(b), 3 and 7:

COLORADO HOUSING AND FINANCE AUTHORITY

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## APPENDIX F-1

### Certain Information about the 2001A Loans and Authority Project

The 2001A Loans are expected to be financed or refinanced in connection with the following fourteen projects described in this **Appendix F-1**. The 2001A Authority Project to be financed with proceeds of the 2001 Series A Bonds is also described in this **Appendix F-1**.

#### Clifton Village South Townhomes

One 2001A Project is expected to be the acquisition and renovation of Clifton Village South Townhomes by Rocky Mountain Mutual Housing Association, Inc. ("RMMHA"), a nonprofit corporation incorporated in 1982. The amount of the 2001A Mortgage Loan for the Clifton Village South Townhomes project is estimated to be \$4,177,996. Clifton Village South Townhomes was built in 1982 as a development of 119 townhome-style apartments located in 14 buildings on a 7.3 acre site in Clifton (Mesa County), Colorado. At the site, there is a small pool and office, and each unit has a patio and designated off-street parking.

The table below identifies the number and types of units at Clifton Village South Townhomes and their approximate size in square feet.

#### Clifton Village South Townhomes

<u>Number of Units(1)</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
25	2 bedroom/1 bath	800
<u>94</u>	3 bedroom/2 bath	1,122
119		

(1) Thirty-three of the units (eight two-bedroom and 25 three-bedroom) are currently receiving Section 8 project-based subsidy under a Housing Assistance Payment contract that will expire in May 2005.

The Borrower for Clifton Village South Townhomes will be Clifton Village Mutual Housing Association, Inc., a single-asset entity created by RMMHA to own Clifton Village South Townhomes. RMMHA will serve as the general contractor and will provide property management services for the development.

The following assumptions as to the economic feasibility of the 2001A Project relating to Clifton Village South Townhomes have been made in the application to the FHA for insurance.

**Assumptions as to Clifton Village South Townhomes**

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$869,597
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 93% .....	808,725
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service, Maintenance and Taxes) .....	404,672
Estimated Annual Net Income .....	404,053
Annual Mortgage Loan Payment .....	332,304

**Belle Creek Apartments**

Another 2001A Project is expected to be the new construction of Belle Creek Apartments by Rocky Mountain Mutual Housing Association, Inc. ("RMMHA"). The amount of the 2001A Loan for the Belle Creek Apartments project is estimated to be \$10,071,100. Belle Creek Apartments will be a 156-unit multi-family housing project consisting of four three-story buildings located in Commerce City (Adams County), Colorado. Belle Creek Apartments is being developed on an eight acre site that is part of a larger Planned Unit Development being constructed on a 170 acre parcel as a residential, retail and commercial project.

The table below identifies the number and types of units at Belle Creek Apartments and their approximate size in square feet.

<b>Belle Creek Apartments</b>		
<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
39	1 bedroom/1 bath	522
96	2 bedroom/1 bath	786
<u>21</u>	3 bedroom/2 bath	1,010
156		

The Borrower for Belle Creek Apartments will be a single-asset mortgagor created by RMMHA. Milender White Construction Co. has been selected to perform the construction services for the Belle Creek Apartments project. RMMHA will perform the property management activities for this development.

The following assumptions as to the economic feasibility of the 2001A Project relating to Belle Creek Apartments have been made in the application to the FHA for insurance.



**Assumptions as to Belle Creek Apartments**

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$1,509,303
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 93% .....	1,403,652
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service, Maintenance and Taxes) .....	624,224
Estimated Annual Net Income .....	779,428
Annual Mortgage Loan Payment .....	669,168

**Fox Run Apartments**

One 2001A Project is expected to be the new construction of Fox Run Apartments by the Housing Authority of Grand County (“HAGC”). A Loan in the amount of \$3,478,000 was previously made with certain proceeds of the 2000 Series B Bonds under the Master Indenture. The amount of the 2001A Loan for the Fox Run Apartments project is estimated to be \$133,000. Fox Run Apartments will be a 64-unit multi-family housing project consisting of six one- and two-story buildings located in Fraser, Colorado. Units will feature private entrances, off-street paved parking, central laundry, playground, efficient gas forced heat, dishwashers, disposals, and window coverings.

The table below identifies the number and types of units at Fox Run and their approximate size in square feet.

<b>Fox Run</b>		
<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
14	One Bedroom/One Bath	630
46	Two Bedroom/One Bath	780
<u>4</u>	Three Bedroom/One Bath	900
64		

The Borrower for Fox Run Apartments will be a single asset entity still to be formed by HAGC. HAGC received CHFA financing for the 20-unit Silver Spruce senior housing project in Kremmling. HAGC also owns the 24-unit Cliffview Assisted Living in Kremmling and the 24-unit Granby Senior Living facility. Jim Sheehan, Director of the HAGC, resides in the Fraser Valley and has twenty-six year’s experience in the development and administration of affordable housing in Missouri, Weld County, and Grand County. Mr. Sheehan also administers the Section 8 Program for Grand County.

Casson Building Corporation, located in Denver, has been selected as general contractor. Incorporated in 1912, Casson has had a broad range of experience in new construction and renovation of commercial, retail, and multifamily housing. Casson is also experienced with modular design and construction.

Aller-Lingle Architects P.C. will provide architectural services. Aller-Lingle was established in 1986 and has substantial multifamily experience working with non-profits and housing authorities on new-construction projects.

The following assumptions as to the economic feasibility of the 2001A Project relating to Fox Run Apartments have been made in the application to the FHA for insurance.

**Assumptions as to Fox Run**

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$469,356
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 93% .....	443,643
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service,	
Maintenance and Taxes) .....	141,396
Estimated Annual Net Income .....	302,248
Annual Mortgage Loan Payment .....	257,846

**Longs Peak Residence**

Another 2001A Project is expected to be the refinancing of an existing Authority loan provided in 1982 in connection with the construction of Longs Peak Residence by Longs Peak Residence, Ltd. (the "1982 Authority Loan"). The 1982 Authority Loan was made by the Authority with proceeds of its 1982 Series A Bonds. The amount of the 2001A Loan for the Longs Peak Residence project is estimated to be \$1,621,000. The Borrower will use proceeds of the 2001A Loan to prepay in part the 1982 Authority Loan. Such prepayment is expected to be directed by the Authority to redeem certain outstanding 1982 Series A Bonds.

Longs Peak Residence is a 50-unit two-story building located in Longmont (Boulder County), Colorado which provides affordable housing to low-income seniors. The property currently receives Section 8 Housing Assistance Payments under a contract which will expire in July 2003. The table below identifies the number and type of units at Longs Peak Residence and their approximate size in square feet.

### Longs Peak Residence

Number of Units(1)	Type of Unit	Approximate Size in Square Feet
50	1 bedroom/1 bath	540

(1) Five units are handicap accessible.

The Borrower for Longs Peak Residence is Longs Peak Residence, Ltd., a for-profit borrower. Corona Management Company provides property management services for the project.

The following assumptions as to the economic feasibility of the 2001A Project relating to Longs Peak Residence have been made in the application to the FHA for insurance.

#### Assumptions as to Longs Peak Residence

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$394,620
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 95% .....	374,889
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service, Maintenance and Taxes) .....	180,293
Estimated Annual Net Income .....	194,596
Annual Mortgage Loan Payment .....	129,415

#### Sheridan Ridge Townhomes

Another 2001A Project is expected to be the new construction of Sheridan Ridge Townhomes by Uptown/Peregrine LLC. The amount of the 2001A Loan for the Sheridan Ridge Townhomes project is estimated to be \$6,750,000. Sheridan Ridge Townhomes is designed to be a 65-unit multi-family housing project consisting of 48 townhomes and 17 flats in eight buildings of two and three stories located in Arvada, Colorado. The site, a mostly vacant and undeveloped 5.4 acre parcel, is located west of Sheridan Boulevard in Jefferson County, Colorado.

The table below identifies the number and types of units at Sheridan Ridge Townhomes and their approximate size in square feet.

### Sheridan Ridge Townhomes

Number of Units	Type of Unit	Approximate Size in Square Feet
3	1 bedroom/1 bath	672
14	2 bedroom/2 bath	990
15	2 bedroom/1½ bath	1,125
23	3 bedroom/2½ bath	1,358
<u>10</u>	4 bedroom/2½ bath	1,586
65		

The Borrower for Sheridan Ridge Townhomes will be Sheridan Ridge Townhomes LLC, a single-asset mortgagor created by Uptown/Peregrine LLC, a partnership between The Uptown Partnership, Inc. and Peregrine Property Trust. Shaw Construction has been selected as the general contractor of the project. Pillar Property Services, LLC will provide property management services for the development.

The following assumptions as to the economic feasibility of the 2001A Project relating to Sheridan Ridge Townhomes have been made in the application to the FHA for insurance.

#### Assumptions as to Sheridan Ridge Townhomes

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$799,824
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 93% .....	743,836
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service, Maintenance and Taxes) .....	187,099
Estimated Annual Net Income .....	556,737
Annual Mortgage Loan Payment .....	506,304

#### Spring Hollow Family Apartments

Another 2001A Project is expected to be the new construction of Spring Hollow Family Apartments by Spring Hollow Housing Partners, LLC. The amount of the 2001A Loan for the Spring Hollow Family Apartments project is estimated to be \$7,475,000. Spring Hollow Family Apartments is designed to be a 108-unit multi-family housing project consisting of six three-story buildings located in Brighton (Adams), Colorado. The project will also include a recreation building.

The table below identifies the number and types of units at Spring Hollow Family Apartments and their approximate size in square feet.

### Spring Hollow Family Apartments

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
24	1 bedroom/1 bath	606
48	2 bedroom/1 bath	833
<u>36</u>	3 bedroom/2 bath	1,030
108		

The Borrower for Spring Hollow Family Apartments will be Centennial East Housing Partners, LLC, a single-asset mortgagor created by Spring Hollow Housing Partners, LLC, a for-profit developer, for purposes of this project. Cassova Building Corporation has been selected as the general contractor and Pinnacle Realty Management Company will provide property management services for the development.

The following assumptions as to the economic feasibility of the 2001A Project relating to Spring Hollow Family Apartments have been made in the application to the FHA for insurance.

#### Assumptions as to Spring Hollow Family Apartments

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$1,007,262
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 93% .....	936,754
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service, Maintenance and Taxes) .....	312,674
Estimated Annual Net Income .....	624,080
Annual Mortgage Loan Payment .....	565,914

#### **Aristocrat Motel**

Another 2001A Project is expected to be the acquisition of the Aristocrat Motel by Volunteers of America ("VOA"). The amount of the uninsured 2001A Loan for the Aristocrat Motel project is estimated to be \$656,301. The Aristocrat Motel is a 47-unit motel located on West Colfax Avenue in Denver, Colorado. The motel will provide emergency housing through the Denver Department of Human Services as well as respite care to homeless individuals. The Borrower for the Aristocrat Motel will be VOA.

## Colorado Coalition for the Homeless

Another 2001A Project is expected to be the acquisition and rehabilitation of a 15,000 square foot building located at 2111 and 2115 Champa Street in Denver, Colorado. The building will house the administrative functions and family services functions for the Colorado Coalition for the Homeless ("CCH"), a nonprofit corporation established in 1984. The amount of the uninsured 2001A Loan for the CCH project is estimated to be \$1,279,903.

## Country Roads Housing

Another 2001A Project is expected to be the new construction of Country Roads Housing by Healthy Living Systems, Inc. a Colorado non-profit corporation. The amount of the uninsured 2001A Loan for the Country Roads Housing project is estimated to be \$349,120. The Borrower will also receive an Authority loan of approximately \$533,000 in connection with the project under the Authority's HOF program described in "COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Multi-Family Loan Programs." Country Roads Housing will be a 20-unit multi-family scattered-site development in Vona, Seibert, Flagler and Stratton, Colorado. The project will consist of four single-story buildings featuring two-plexes and eight-plexes.

The table below identifies the number and types of units at Country Roads Housing and their approximate size in square feet.

<b>Country Roads Housing</b>		
<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
12	2 bedroom/1 bath	792
<u>8</u>	3 bedroom/1 bath	984
20		

The Borrower for Country Roads Housing, Healthy Living Systems, Inc., will develop the project and provide property management services to the development.

## Garfield Apartments

Another 2001A Project is expected to be the acquisition and renovation of the Garfield Apartments by The Uptown Partnership, Inc., a non-profit corporation founded in 1980. The amount of the uninsured 2001A Loan for the Garfield Apartments project is estimated to be \$921,623. The Garfield Apartments are a 36-unit multi-family housing project consisting of two three-story walk-up brick buildings located in Denver, Colorado just north of the City Park Golf Course. The Garfield Apartments were constructed in 1962 and renovated in 1984 as subsidized apartments for independent seniors. The Section 8 Housing Assistance Payment contract on the Garfield Apartments expired on November 1, 2001.

The table below identifies the number and types of units at Garfield Apartments and their approximate size in square feet.

**Garfield Apartments**

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
2	studio/1 bath	342
34	1 bedroom/1 bath	507

The Borrower for Garfield Apartments will be The Uptown Partnership, Inc. Pillar Property Services, LLC will provide property management services for the development.

**Inner Places**

Another 2001A Project is expected to be the acquisition of a new 6,250 square foot facility, located at 2062 Stout Street in Denver, Colorado, and the refinancing of a note related to another related facility. The new facility will house the administrative offices, computer training areas and GED preparation courses for Inner Places, Inc. ("Inner Places"), a nonprofit corporation established in 1994 to provide a nighttime youth center for "at-risk" urban adolescents and young adults. The amount of the uninsured 2001A Loan which will finance the Inner Places project, in part, is estimated to be \$543,000.

**Martinique**

Another 2001A Project is expected to be the refinancing of an outstanding Authority loan to the Atlantis Community Foundation ("Atlantis") in connection with the Martinique project. The amount of the uninsured 2001A Loan for the Martinique project is estimated to be \$441,592. Martinique is a two and one-half story apartment building built in 1948 with 20 units located in Denver, Colorado. The building was moderately rehabilitated in 1995 when Atlantis took possession.

The table below identifies the number and types of units at Martinique and their approximate size in square feet.

**Martinique**

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
20	1 bedroom/1 bath	700

The Borrower for Martinique will be the Atlantis Community Foundation. Atlantis also provides property management services for the project.

## Ronald McDonald House

Another 2001A Project is expected to be the refinancing of an outstanding Authority loan to The Uptown Partnership, Inc. in connection with the Ronald McDonald House. The amount of the uninsured 2001A Loan for the Ronald McDonald House project is estimated to be \$694,691. Ronald McDonald House is a 16-unit special needs development which serves as a residence for single, minor mothers, located at 1000 E. 16<sup>th</sup> Avenue in Denver, Colorado. The building underwent significant renovation in 1978.

The table below identifies the number and types of units at Ronald McDonald House and their approximate size in square feet.

### Ronald McDonald House

<u>Number of Units</u>	<u>Type of Unit(1)</u>	<u>Approximate Size in Square Feet</u>
15	Studio	250
1	2 bedroom/1 bath (Mgr's. unit)	651

(1) 11 shared baths.

The Borrower for Ronald McDonald House will be The Uptown Partnership, Inc. Pillar Property Services, LLC provides property management services for the development.

## Victory House

Another 2001A Project is expected to be the new construction of the Victory House Assisted Living Facility ("Victory House") by the Washington County Healthcare Authority. The amount of the uninsured 2001A Loan for the Victory House project is estimated to be \$575,000. Victory House will be a 2-story 5,400 square foot Victorian style home with 13-units operating as an elderly assisted living facility in Akron, Colorado. The facility will feature 800 square feet of common space and will contain an elevator.

The table below identifies the number and types of units at Victory House and their approximate size in square feet.

### Victory House

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
13	sleeping room/bath	228

The Borrower for Victory House will be Washington County Healthcare Authority. Pinion Management, Inc. will provide development oversight for the project.



Landmark Construction Services, Inc. has been selected as the general contractor for the development. The Washington County Healthcare Authority will operate the facility.

### **2001A Authority Project**

The 2001A Authority Project will be the acquisition by the Authority of a site and two-story building located at 1939 Blake Street (the "Blake Street Building"). The acquisition price for the Blake Street Building is expected to be approximately \$1,596,000. The Blake Street Building contains approximately 9,400 square feet which the Authority will rehabilitate as additional offices and open space for community events and public hearings.

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## **APPENDIX F-2**

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

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

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**Colorado Housing and Finance Authority  
Multifamily/Project Bonds**

Loan Portfolio Information as of June 30, 2001

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF (1)	Next Due Date	HAP Expir. Date	FHA Ins. Program
Club 60	M00A		2	Elderly	2/19/87	134,517.00	105,601.37	3/1/17	8.00%		7/1/01		501 (c) 3
The Willows	M00A		24	Assisted Living	1/1/89	674,822.00	561,159.95	2/1/19	8.00%		7/1/01		501 (c) 3
Madison	M00A		36	Assisted Living	11/20/91	621,000.00	448,344.93	12/1/21	6.50%		7/1/01		501 (c) 3
Camelot I	M00A		18	Family	3/15/88	406,000.00	367,065.98	4/1/24	8.84%		7/1/01		501 (c) 3
CHICAGO CREE	M00A		18	Special Needs	4/22/88	216,254.00	196,331.13	5/1/24	9.00%		7/1/01		501 (c) 3
Family Tree Corporation	M00A	60.200%	25	Family	4/1/89	230,000.00	216,954.22	4/1/29	8.97%		7/1/01	5/1/20	501 (c) 3
	M00A		1	Family	6/18/90	15,742.30	13,594.29	7/1/20	8.25%		7/1/01		MINIRAP
Walnut Park	M79A	39.800%	78	Elderly	12/1/76	1,576,300.00	1,199,847.74	8/1/18	7.50%		7/1/01		221 (d) 3
Corona I	M00A		56	Elderly	7/1/76	1,225,300.00	889,197.87	6/1/17	7.25%		7/1/01		221 (d) 4
Marcella	M00A		205	Elderly	3/1/77	4,442,900.00	3,360,164.51	8/1/19	7.25%		7/1/01		221 (d) 4
High Count	M00A		28	Family	8/1/77	608,900.00	470,467.98	10/1/19	7.50%		7/1/01		221 (d) 4
Azteca 1	M00A		202	Elderly	12/15/77	4,540,900.00	3,527,573.79	2/1/20	7.00%		7/1/01		221 (d) 4
Silverleaf	M00A		72	Elderly	6/1/77	1,429,500.00	1,054,285.59	8/1/18	7.25%		7/1/01		221 (d) 3
Fletcher	M00A		94	Elderly	8/1/77	2,186,100.00	1,688,236.89	7/1/19	7.25%		7/1/01		221 (d) 3
Columb Ct	M00A		30	Elderly	1/3/79	855,300.00	653,831.18	6/1/20	7.00%		7/1/01		221 (d) 4
Kearney	M00A		50	Elderly	2/26/79	1,138,100.00	867,362.21	7/1/20	7.00%		7/1/01		221 (d) 3
Canyon Pnt	M00A		81	Family	10/1/78	2,800,700.00	2,196,053.65	7/1/20	7.00%		7/1/01		221 (d) 3
Westminster	M00A		130	Elderly	4/3/79	3,485,700.00	2,777,729.99	3/1/21	7.00%		7/1/01		221 (d) 3
Hilltop	M00A		77	Family	4/11/78	1,550,600.00	1,183,500.95	7/1/19	7.00%		7/1/01		221 (d) 4
Canon Club	M00A		46	Elderly	8/1/78	951,000.00	723,002.53	1/1/20	7.00%		7/1/01		221 (d) 4
Winddrift	M00A		48	Family	7/23/79	1,544,600.00	1,223,584.08	12/1/20	7.00%		7/1/01		221 (d) 4
Allison	M00A		37	Family	7/5/79	1,236,100.00	973,524.14	9/1/20	7.00%		7/1/01		221 (d) 4
San Juan	M00A		76	Elderly	4/24/79	1,875,200.00	1,476,460.65	10/1/20	7.00%		7/1/01		221 (d) 4
Villa West	M00A	31.700%	60	Family	11/26/84	333,325.50	291,254.76	5/1/20	10.50%		7/1/01	5/16/00	221 (d) 4
	M82B	68.300%	16	Special Needs	12/17/85	504,900.00	429,929.35	8/1/23	7.00%		7/1/01		221 (d) 3
Camelot II	M00A		10	Family	12/24/85	260,138.40	239,947.17	10/1/26	9.00%		7/1/01	10/30/01	221 (d) 4
Niblock	M82A	64.200%	5	Family	6/1/88	182,861.80	150,635.00	4/1/19	7.50%		7/1/01	12/28/03	221 (d) 4
Zuni Apts	M00A	35.800%	9	Family	3/13/89	445,200.00	380,202.41	11/1/19	8.25%		7/1/01		221 (d) 4
Hanigan	M00A	94.600%	19	Family	5/1/88	938,500.00	766,045.40	12/1/18	7.50%		7/1/01		221 (d) 4
Sunnyside	M00A		6	Family	5/30/89	222,962.60	181,758.15	11/1/19	8.50%		7/1/01	10/1/04	221 (d) 3
A.C.E.S.S	M82A	93.800%	12	Family	1/27/89	439,349.70	375,271.53	9/1/19	8.50%		7/1/01	10/15/04	221 (d) 4
Emerson	M00A	6.200%	8	Family	7/20/89	426,100.00	364,546.04	1/1/20	8.50%		7/1/01		221 (d) 3
Boulder Hse	M82A	93.300%											
	M00A	6.700%											

**Colorado Housing and Finance Authority  
Multifamily/Project Bonds**

Loan Portfolio Information as of June 30, 2001

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF (1)	Next Due Date	HAP Expir. Date	FHA Ins. Program
4th & Fox	M00A	94.300%	13	Family	7/10/89	503,939.20	435,275.65	3/1/20	8.50%		7/1/01	8/9/05	221 (d) 4
	M82A	5.700%											
La Morada	M00A		6	Family	4/1/89	148,289.00	129,097.87	5/1/19	6.50%		7/1/01		501 (c) 3
Redwood Vlg	M00A		50	Family	4/15/92	211,404.51	188,490.22	4/1/22	8.00%		7/1/01		RAP
W.H.E.R.E.	M00A		56	Family	12/29/89	700,000.00	636,391.54	1/1/20	7.75%		7/1/01		501 (c) 3
Alpha Centr	M00A		40	Special Needs	7/1/89	520,000.00	448,447.09	7/1/19	9.00%		7/1/01		501 (c) 3
Aspen Ridge	M00A		105	Family	10/31/91	0.00	702,417.73	10/1/21	8.00%		7/1/01		RAP
Mallard	M00A		54	Family	10/11/90	784,638.17	670,358.60	10/1/20	8.00%		7/1/01		RAP
Aur Housing	M00A		1	Family	4/13/90	38,873.00	33,459.66	5/1/20	8.25%		7/1/01		501 (c) 3
Azteca (2)	M00A		202	Elderly	3/1/82	497,600.00	462,849.86	2/1/20	14.00%		7/1/01		221 (d) 4
Mary Sandoe	M00A		24	Assisted Living	8/14/87	250,000.00	120,821.33	11/1/19	6.10%		7/1/01		501 (c) 3
Sign	M00A		4	Special Needs	4/7/88	44,000.00	36,914.39	9/1/19	7.50%		7/1/01		501 (c) 3
S. Meade	M00A		4	Family	11/18/88	135,000.00	116,547.77	1/1/20	9.25%		7/1/01		501 (c) 3
Barth Hotel	M00A		62	Assisted Living	6/18/93	525,000.00	480,403.11	8/1/23	6.50%		7/1/01		501 (c) 3
Louisiana	M00A		40	Family	5/30/91	332,600.00	302,550.65	7/1/23	7.88%		7/1/01		501 (c) 3
New Heritage	M00A		34	Family	5/30/91	177,100.00	161,099.25	7/1/23	7.88%		7/1/01		501 (c) 3
Della Villa	M00A		72	Family	10/31/91	390,500.00	344,587.49	11/1/21	6.50%		7/1/01		501 (c) 3
Madison	M00A		36	Assisted Living	11/20/91	114,842.87	101,399.11	12/1/21	6.50%		7/1/01		501 (c) 3
Kenton Apts	M00A		53	Family	12/5/91	1,871,788.00	1,670,247.16	6/1/22	7.88%		7/1/01		501 (c) 3
R.B. Ranch	M00A		10	Family	1/17/92	150,000.00	133,321.40	2/1/22	8.00%	Yes	7/1/01		501 (c) 3
Arvada Plac	M00A		42	Family	3/31/92	769,144.00	684,174.90	4/1/22	7.88%		7/1/01		501 (c) 3
Palo Verde	M00A		72	Family	10/12/93	1,143,429.65	1,044,461.47	10/1/23	7.88%		7/1/01		501 (c) 3
Cinnamon Pk	M00A		48	Assisted Living	4/29/92	2,153,185.00	1,750,657.82	5/1/22	6.15%		7/1/01		RAP
Valmont Sq	M00A		36	Family	4/30/92	1,479,395.00	1,314,945.27	5/1/22	7.75%		7/1/01		501 (c) 3
Zuni Plaza	M00A		84	Family	5/1/92	1,406,600.00	1,250,465.08	5/1/22	6.50%		7/1/01		501 (c) 3
Franklin	M00A		15	Family	7/1/92	215,967.00	192,569.79	7/1/22	7.75%		7/1/01		501 (c) 3
Saxony	M00A		29	Family	7/1/92	272,735.00	239,824.30	7/1/22	6.50%		7/1/01		501 (c) 3
Courtyard	M00A		34	Family	8/5/92	207,955.00	186,004.89	9/1/22	7.75%		7/1/01		501 (c) 3
Belmont	M00A		49	Elderly	8/31/92	712,500.00	637,387.49	9/1/22	6.50%		7/1/01		501 (c) 3
Fount Mesa	M00A		64	Family	2/24/93	1,077,751.00	974,802.35	3/1/23	7.88%		7/1/01		501 (c) 3
Townhouse	M00A		27	Family	9/29/93	153,000.00	139,995.82	11/1/23	8.00%		7/1/01		501 (c) 3
Anam Chara	M00A	96.106%	8	Assisted Living	9/29/93	94,944.71	86,592.14	10/1/23	7.75%		7/1/01		501 (c) 3
	Gen Fund	3.894%											
Jefferson	M00A		65	Special Needs	10/5/93	3,287,357.00	3,026,797.01	11/1/23	6.50%		7/1/01		501 (c) 3
Aspen Ridge	M00A		105	Family	4/1/94	1,542,396.41	1,398,499.86	3/1/22	8.00%		7/1/01		RAP
Tanglewood	M00A	88.970%	201	Family	3/31/93	3,025,000.06	2,834,144.14	4/1/28	7.75%		7/1/01		223 (F)
	M93A	11.029%											

**Colorado Housing and Finance Authority  
Multifamily/Project Bonds**

Loan Portfolio Information as of June 30, 2001

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate (1)	Next Due Date	HAP Expir. Date	FHA Ins. Program
Maple Tree Cherry Tree Pinon Place Shadowwood Chestnut Gl Inn Between Mary Sandoe Smokeytrail Fox Street Mary Sandoe Las Animas HOA City of Blake/Comput Tower 48	M00A		32	Family	7/14/92	734,970.12	658,337.86	7/1/22	8.00%	7/1/01		RAP
	M00A		48	Family	11/10/92	194,478.48	107,677.17	11/1/22	8.00%	7/1/01		RAP
	M00A		24	Family	12/10/92	142,797.95	128,865.25	12/1/22	8.00%	7/1/01		RAP
	M00A		32	Family	7/22/92	220,899.23	197,867.06	7/1/22	8.00%	7/1/01		RAP
	M00A		12	Family	5/30/91	247,475.00	216,515.66	6/1/21	7.88%	7/1/01		RAP
	M00A		31	Family	11/23/94	203,000.00	189,124.80	12/1/24	8.00%	7/1/01		501 (c) 3
	M00A		24	Assisted Living	12/14/94	90,000.00	83,948.83	1/1/25	8.00%	7/1/01		501 (c) 3
	M00A		38	Family	1/1/95	900,000.00	853,992.68	2/1/30	7.25%	7/1/01		RAP
	M00A		60	Special Needs	2/15/95	1,400,000.00	1,308,977.11	3/1/25	8.00%	7/1/01		501 (c) 3
	M00A		24	Assisted Living	7/27/95	407,776.00	382,622.11	8/1/25	7.80%	7/1/01		501 (c) 3
	M00A		10	Special Needs	10/25/95	159,000.00	152,399.41	4/1/27	7.75%	7/1/01		501 (c) 3
	M00A		32	Family	8/14/96	522,000.00	496,710.91	9/1/26	7.75%	7/1/01		501 (c) 3
	M00A				1/1/97	4,084,592.46	3,688,526.64	2/1/17	8.00%	8/1/01		CHFA NOTE
	M00A		140	Family	3/24/98	1,844,688.60	1,828,178.58	12/1/39	6.30%	7/1/01		221 (d) 4
Fountain Ridge	M97B	1.630%										
	M97C	79.380%										
	M00A	19.140%	36	Family	4/14/98	407,069.52	401,982.44	4/1/39	6.40%	7/1/01		221 (d) 4
Pinecrest	M97B	1.140%										
	M97C	79.720%										
	M00A	73.000%	71	Family	5/13/98	1,341,375.00	1,299,434.84	6/1/28	7.25%	7/1/01		501 (c) 3
Urban Peak Colo Bluesky 1st Christian Blake St Bid Neighbor To Den Indian Caley Ridge	Gen Fund	27.000%										
	M00A		30	Special Needs	2/12/99	225,000.00	218,585.37	3/1/29	7.00%	7/1/01		SMART
	M00A		18	Special Needs	1/4/99	190,000.00	179,285.10	2/1/29	6.45%	7/1/01		SMART
	M00A		56	Assisted Living	9/25/00	3,830,000.00	3,803,352.81	10/1/30	6.80%	7/1/01		501 (c) 3
	M00A				11/1/91	400,000.00	356,896.77	11/1/21	8.00%	7/1/01		CHFA NOTE
	M00A		3	Special Needs	2/25/99	240,000.00	233,111.85	3/1/29	6.00%	7/1/01		SMART
	M00A		46	SRO/Homeless	2/26/99	652,000.00	635,923.01	3/1/29	7.00%	6/1/01		501 (c) 3
	M00A	18.940%	100	Elderly	7/19/99	1,344,740.00	1,332,587.09	8/1/39	6.95%	7/1/01		542 (c)
	M97B	1.200%		Assisted Living								
	M97C	79.860%										
Mtn Terrace Uptown Partn Grand Manor Lakewood Hom	M00A		152	Family	4/28/00	2,719,937.00	2,689,335.01	5/1/30	6.90%	7/1/01		542 (c)
	M00A		35	Family	5/3/00	1,000,000.00	994,709.96	6/1/30	6.70%	7/1/01		SMART
	M00A		112	Family	6/7/00	3,550,000.00	3,517,040.88	7/1/30	7.00%	7/1/01		542 (c)
	M00A	18.350%	58	Assisted Living	2/28/00	834,925.00	829,885.07	3/1/40	6.95%	7/1/01		542 (c)
	M97B	3.970%										
Rural Area	M97C	77.680%										
	M00A		20	Family	7/20/00	434,000.00	430,167.28	8/1/30	6.75%	7/1/01		SMART

**Colorado Housing and Finance Authority  
Multifamily/Project Bonds**

Loan Portfolio Information as of June 30, 2001

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF (1)	Next Due Date	HAP Expir. Date	FHA Ins. Program
Energy Offic	M00A		12	Family	9/12/00	175,000.00	173,770.62	10/1/30	6.75%		7/1/01		SMART
Orchard III	M00B		140	Family	10/26/00	11,330,000.00	5,947,829.66	3/1/02	7.30%		7/1/01		542 (c)
NIELSON GARD	M00B		44	Family	1/30/01	2,420,000.00	2,414,130.90	3/1/31	7.10%		7/1/01		542 (c)
Fox Meadows	M00B		138	Family	11/8/00	10,008,500.00	5,275,577.54	1/1/02	7.20%		7/1/01		542 (c)
Columbine	M00B		149	Elderly	11/8/00	4,313,000.00	4,291,893.01	12/1/30	7.10%		7/1/01		542 (c)

Totals: 119,003,032.24 97,608,710.92



## APPENDIX G

### 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. Borrowers of Projects financed by Loans which are insured under a federal insurance program ("Insured Loans") will be required to enter into a CHFA Regulatory Agreement with respect to the Projects as required by regulations of the Authority and the FHA. See "SECURITY FOR THE 2001 SERIES A BONDS – The Loans and Authority Projects."

The Section 542(c) program was instituted in 1995 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" under the program. 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. 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"), 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 Authority is required to share with HUD in any loss arising as a consequence of the loan default. Under the CHFA Risk-Sharing Agreement, the Authority has assumed broad responsibility for the administration of the Section 542(c) program and has assumed 50% of the risk associated with the Mortgage Loans insured under that program. 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. To date, 40 of the mortgage loans made under the existing general resolution (in an approximate aggregate principal amount of \$154,708,291, outstanding as of December 31, 1999 in the aggregate principal amount of \$126,214,069, and accounting for 3,494 units) have been insured under the Section 542(c) program. See "COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority" for a description of Section 542(c) claims which may be filed in connection with 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 mortgagee (i.e., the Authority so long as it is the mortgagee under the mortgage loan) 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 "**TERMS OF THE 2001 SERIES A BONDS – Redemption of the 2001 Series A Bonds.**" 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 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 and water rates) 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 notice of default is given 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 an event of default occurs, 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 "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS - Conditions to Payment of FHA Insurance."

Federal Assistance Programs. Housing Facilities are not required by the Master Indenture to be the subject of federal assistance payments and only one of the new Housing Facilities financed by the 2001 Series A Bonds is anticipated to be the subject of any federal assistance programs. However, many of the Housing Facilities and Projects securing Obligations under the Master Indenture have been assisted by HUD under its Section 8 Subsidy Program for New Construction, Substantial Rehabilitation or Moderate Rehabilitation, and the average expiration date of the housing assistance payment contracts relating to such subsidized Housing Facilities is in the year 2006. See "CERTAIN INFORMATION ABOUT THE OUTSTANDING LOANS AND AUTHORITY PROJECTS" attached as **Appendix F-2** hereto. In October 1997, the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("**Title V**") was signed into law, as described in "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS - Expiration of HAP Contracts." HUD has provided preliminary guidance by interim rule and notices related to its implementation. As amended by Public Law 106-74, enacted in October 1999, Title V provided for restructuring of mortgage financing and provides the renewal of HAP Contracts for certain multifamily housing projects, including certain projects financed by the Loans. The provisions of Title V relating to restructuring terminated October 1, 2001 but have been extended by continuing resolutions pending enactment of legislation which, in the form enacted by each house of Congress as of the date hereof, provides for the extension of such provisions through the federal fiscal year 2006. **Implementation of this new legislation and any future changes to the HUD Section 8 Subsidy Program could have an adverse impact on the Housing Facilities which are subsidized under the Section 8 Subsidy Program and were refinanced by the 2001 Series A Bonds.** See "CERTAIN ASSUMPTIONS AND BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

## APPENDIX H

### Book-Entry System

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

DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its Participants (the "Participants") and to facilitate the clearance and settlement of securities transactions among Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need of physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly.

Ownership interests in the 2001 Series A Bonds may be purchased by or through Participants. Such Participants and the persons for whom they acquire interests in the 2001 Series A Bonds as nominees will not receive certificate Bonds, but each such Participant is to receive a credit balance in the records of DTC in the amount of such Participant's interest in the 2001 Series A Bonds, which is to be confirmed in accordance with DTC's standard procedures. Each such person for which a Participant has an interest in the 2001 Series A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of the Authority or the Trustee to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments.

With respect to 2001 Series A Bonds registered in the registration books kept by the Trustee, in the name of Cede & Co., as nominee of DTC, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the 2001 Series A Bonds with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the 2001 Series A Bonds, (ii) the delivery to any Participant or any other person, other than Cede & Co., as registered owner, as shown in the registration books kept by the Trustee as bond registrar, of any notice with respect to the 2001 Series A Bonds, including any notice of redemption, (iii) the payment to any Participant or any other person, other than Cede & Co., as registered owner, as shown in the registration books kept by the Trustee, of any amount with respect to principal or interest on the 2001 Series A Bonds, (iv) the selection by DTC or any Participant of any person to receive payment in the event of partial redemption of 2001 Series A Bonds, or (v) any consent

given or other action taken by DTC. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such 2001 Series A Bond for the purpose of payment of principal, premium and interest with respect to such 2001 Series A Bond, for the purpose of giving notices of redemption and other matters with respect to such 2001 Series A Bond, for the purpose of registering transfers with respect to such 2001 Series A Bond, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" shall hereinafter be defined to include the person for whom the Participant acquires an interest in the 2001 Series A Bonds.

If any Beneficial Owner of 2001 Series A Bonds wishes to receive a copy of any notices or other communications to the registered owner of 2001 Series A Bonds held by DTC, such Beneficial Owner may file a request with the Trustee asking that the Beneficial Owner be put on a list to receive copies of all notices and other communications sent to the registered owner of the 2001 Series A Bonds for the ensuing 12-month period. The Authority will use its best efforts to cause copies of such notices and other communications to be forwarded to any Beneficial Owner who has made such request within the 12-month period preceding the date of mailing of the notice or other communication. However, failure to give any such notice or other communication to any Beneficial Owner, any defect in any such notice or other communication, or the failure of any Beneficial Owner who has requested such notices and other communications to receive any such notice or other communication is in no way to affect the matter to which the notice or other communication pertains. Full legal notice shall have been given if mailed to the registered owner of the 2001 Series A Bonds; copies of notices or other communications provided to Beneficial Owners will be provided as a courtesy only.

DTC is to receive payments from the Trustee, acting as paying agent and bond registrar, to be remitted by DTC to the Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the 2001 Series A Bonds is to be recorded on the records of the Participants, whose ownership interests is to be recorded on a computerized book-entry system operated by DTC.

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

Beneficial Owners are to receive from the Participants a written confirmation of their purchase detailing the terms of the 2001 Series A Bonds acquired. Transfers of ownership interests in the 2001 Series A Bonds are to be accomplished by book entries made by DTC and the Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2001 Series A Bonds, except as specifically provided in the Indenture.

*For every transfer and exchange of the 2001 Series A Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that*

*may be imposed in relation thereto, and any reasonable fees and expenses of the Trustee and costs incurred in preparing bond certificates.*

Neither the Authority nor the Trustee shall be required to transfer or exchange 2001 Series A Bonds from the Record Date (as defined below) applicable to the 2001 Series A Bonds through and including the next succeeding interest or principal payment date for the 2001 Series A Bonds or from the Record Date next preceding any selection of 2001 Series A Bonds to be redeemed or thereafter until after the first mailing of any notice of redemption; or to transfer or exchange any 2001 Series A Bonds called for redemption. For purposes hereof, Record Date will mean in the case of each interest or principal payment date, the Trustee's close of business on the fifteenth day of the month immediately preceding such interest or principal payment date, and in the case of each redemption, such Record Date shall be specified by the Trustee in the notice of redemption, provided that such Record Date shall be fifteen calendar days before the mailing of such notice of redemption.

DTC's services with respect to the 2001 Series A Bonds may be discontinued or terminated at any time under the following circumstances:

(a) DTC may determine to discontinue providing its services with respect to the 2001 Series A Bonds at any time by giving notice to the Authority and discharging its responsibilities with respect thereto under applicable law.

(b) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2001 Series A Bonds if the Authority determines that DTC is unable to discharge its responsibilities with respect to the 2001 Series A Bonds or that a continuation of the requirement that all of the Outstanding 2001 Series A Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., or any other nominee of DTC, is not in the best interests of the Beneficial Owners of the 2001 Series A Bonds.

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

**NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY LIABILITY FOR THE FAILURE OF DTC TO PERFORM ITS OBLIGATIONS TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY 2001 SERIES A BONDS.**

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