

## 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 2012 Series A Bonds (except for interest on any 2012 Series A Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2012 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 2012 Series A Bonds (the "Tax Code")) is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; further, interest on the 2012 Series A Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. In addition, in the opinion of Bond Counsel, the 2012 Series A Bonds, their transfer 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 2012 Series A Bonds. See "Part I – TAX MATTERS."



# \$10,500,000

## COLORADO HOUSING AND FINANCE AUTHORITY

### Multi-Family/Project Class I Bonds, 2012 Series A (non-AMT)

**Dated:** Date of Delivery

**Due:** As shown below

The 2012 Series A Bonds shown above are being issued by the Colorado Housing and Finance Authority as fully registered bonds pursuant to a Master Indenture of Trust dated as of March 1, 2000, as amended, and a 2012 Series A Indenture of Trust dated as of July 1, 2012, each between the Authority and Wells Fargo Bank, National Association, as Trustee. Proceeds of the 2012 Series A Bonds are expected to be used to fund a long-term loan for a multifamily rental housing project as described herein, in accordance with the 2012 Series A Indenture.

The 2012 Series A Bonds will bear interest at the fixed interest rates shown below. Interest on the 2012 Series A Bonds will be payable on each April 1 and October 1, commencing on October 1, 2012, on any redemption date and at maturity.

The 2012 Series A Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2012 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 2012 Series A Bonds will be registered in the name of Cede & Co. Individual purchases of 2012 Series A Bonds will be made in book-entry form only, and beneficial owners of the 2012 Series A Bonds will not receive physical delivery of bond certificates representing their interest in the 2012 Series A Bonds, except as described herein. Payments of principal of and interest on the 2012 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. 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 2012 Series A Bonds. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners of the 2012 Series A Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

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### MATURITY SCHEDULE

#### 2012 Series A Class I Bonds (CUSIP 6-digit issuer no. 196479†)

|   |
|---|
| \$1,240,000 of 2.75% Term Bonds due October 1, 2022 – Price: 100% (CUSIP: UV9†) |
| \$2,055,000 of 3.90% Term Bonds due October 1, 2032 – Price: 100% (CUSIP: UW7†) |
| \$3,065,000 of 4.20% Term Bonds due October 1, 2042 – Price: 100% (CUSIP: UX5†) |
| \$4,140,000 of 4.50% Term Bonds due October 1, 2051 – Price: 100% (CUSIP: UY3†) |

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*The 2012 Series A Bonds are subject to redemption at par prior to maturity, including special redemption, optional redemption, extraordinary special redemption, and mandatory sinking fund redemption 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 2012 Series A Bonds are Class I Obligations, payable from the revenues, assets and moneys pledged under the Indenture as described herein on an equal and ratable basis with all other Class I Obligations now or hereafter outstanding under the Master Indenture. 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 2012 Series A Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any other political subdivision thereof (other than the general credit of the Authority, which general credit is not being pledged for the payment of the 2012 Series A Bonds).**

*This cover page contains only a brief description of the Authority, the 2012 Series A Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2012 Series A Bonds. Potential investors should read this entire Official Statement to obtain information necessary to make an informed investment decision and should pay particular attention to the discussion in "Part II – CERTAIN BONDOWNERS' RISKS."*

The 2012 Series A Bonds are offered when, as and if issued and delivered to the Underwriter, subject to approval by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Authority by Charles L. Borgman, Esq., its General Counsel, and by Hogan Lovells US LLP, Denver, Colorado, Disclosure Counsel to the Authority. The Underwriter is being represented in connection with its purchase of the 2012 Series A Bonds by its counsel, Kutak Rock LLP, Denver, Colorado. CSG Advisors Incorporated is serving as financial advisor to the Authority in connection with the issuance of the 2012 Series A Bonds. It is expected that the 2012 Series A Bonds will be delivered (through DTC) in New York, New York on or about July 19, 2012.



RBC Capital Markets®

Dated: July 2, 2012

† The Authority takes no responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the 2012 Series A Bonds.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder, under any circumstance, creates any implication that there has been no change in the affairs of the Authority or otherwise since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2012 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement has been furnished by the Authority and obtained from other sources believed to be reliable. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized. All information regarding the Authority and the 2012 Series A Bonds is contained in this Official Statement. While the Authority maintains an Internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information (except in the case of the limited information provided in the section entitled "Bond Disclosures") with respect to the Bonds (including the 2012 Series A Bonds), the Borrowers, the Authority Projects, the Loans, or any other bonds or obligations of the Authority.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of the information.

**THE PRICES AT WHICH THE 2012 SERIES A BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE FRONT COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2012 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

The 2012 Series A Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Commission or any state securities commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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

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

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## OFFICIAL STATEMENT

\$10,500,000

### COLORADO HOUSING AND FINANCE AUTHORITY Multi-Family/Project Class I Bonds, 2012 Series A

#### PART I

#### INTRODUCTION

This Official Statement, which includes the front cover page, this Part I, Part II and the Appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "**Authority**") and otherwise in connection with the offer and sale of the above-captioned Bonds (being referred to herein as the "**2012 Series A Bonds**"). The 2012 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 2012 Series A Indenture dated as of July 1, 2012 (the "**2012 Series A Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, Denver, Colorado, as Trustee (the "**Trustee**"). Capitalized terms used herein and not defined have the meanings specified in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" in **Appendix C** to this Official Statement.

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by the information contained in, the entire Official Statement, including the front cover page, this Part I, Part II hereof and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of 2012 Series A Bonds to potential investors is made only by means of the entire Official Statement. This Official Statement does not constitute a contract between the Authority or the Underwriter, and any one or more owners of the 2012 Series A Bonds.*

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

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

#### **Authority for Issuance**

The 2012 Series A Bonds are authorized to be issued pursuant to the Colorado Housing and Finance Authority Act, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes, as amended (the "**Act**") and the Supplemental Public Securities Act, being Part 2 of Article 57 of Title 11 of the Colorado Revised Statutes. The 2012 Series A Bonds are being issued and secured under the Indenture.

## **Purposes of the 2012 Series A Bonds**

Proceeds of the 2012 Series A Bonds will be used to fund a loan (the "**2012A Loan**") to Mountain View Redevelopment LLLP (the "**2012A Borrower**"). Amounts held in the Debt Service Reserve Fund under the Master Indenture will be allocated to satisfy the debt service reserve fund requirement for the 2012 Series A Bonds in accordance with the 2012 Series A Indenture. See "Part I – PLAN OF FINANCE – Use of Proceeds." Proceeds of the 2012A Loan will be used by the 2012A Borrower to finance, together with other funds available to the 2012A Borrower, the acquisition and rehabilitation of a multi-family housing facility known as Mountain View Towers and Eliot Cottages (the "**Mountain View/Eliot Housing Facility**"), as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2012A Loan" and in **Appendix G-1** – "CERTAIN INFORMATION REGARDING THE 2012A LOAN AND THE PROJECT."

## **Description of the 2012 Series A Bonds**

### *Interest Rates and Payments*

Interest on the 2012 Series A Bonds is payable at the rates shown on the front cover page hereof on October 1, 2012 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. See "Part I – TERMS OF THE 2012 SERIES A BONDS – General Terms – Principal Payment; Maturity." The 2012 Series A Bonds are to be issued in denominations of \$5,000 and any integral multiple thereof. Principal of the 2012 Series A Bonds is payable in the amounts and on the dates shown on the front cover page hereof, subject to prior redemption.

### *Redemption*

The 2012 Series A Bonds are subject to redemption at par prior to maturity, including special, optional, extraordinary special, and mandatory sinking fund redemption, as described under "Part I – TERMS OF THE 2012 SERIES A BONDS – Prior Redemption." See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption."

**For a more complete description of the 2012 Series A Bonds and the Indenture pursuant to which such 2012 Series A Bonds are being issued, see "Part I – TERMS OF THE 2012 SERIES A BONDS" and Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."**

## **Security and Sources of Payment**

All Obligations under the Master Indenture (which may be Bonds or Derivative Products and may be outstanding as Class I, Class II, Class III or Class IV Obligations) will be secured by and payable from all of the Authority's rights and interests in and to the revenues, assets and moneys pledged under the Master Indenture, in particular the Revenues, the Loans and the moneys held in the Debt Service Reserve Fund and the other funds and accounts under the Master Indenture (collectively, the "**Trust Estate**"). See "Part II – SECURITY FOR THE OBLIGATIONS" and **Appendix G-2** – "CERTAIN INFORMATION ABOUT THE MASTER INDENTURE LOAN PORTFOLIO, AUTHORITY PROJECTS AND FUND BALANCES." In accordance with the Indenture, Obligations may also be designated as General Obligations of the Authority. As of April 1, 2012, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$782,520,000, with \$531,000,000 outstanding as Class I Bonds, \$249,855,000 outstanding as Class II Bonds, and \$1,665,000 outstanding as Class III Bonds. The Outstanding Class III Bonds and certain Outstanding Class I Bonds have been designated as General Obligations of the Authority. There are no Class IV Obligations outstanding under the Master Indenture.

See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – Summary of Certain Authority Obligations" and **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS."

The 2012 Series A Bonds as described on the front cover page hereof are being issued as Class I Obligations pursuant to the Indenture and will be secured by and payable from the Trust Estate as described herein. The Trust Estate is pledged under the Indenture to secure the Class I Obligations as a first priority lien, as described in "Part II – SECURITY FOR THE OBLIGATIONS – Pledge of Trust Estate." None of the 2012 Series A Bonds are being issued as Class II Obligations, Class III Obligations or Class IV Obligations, which are secured by a second, third, and fourth priority lien, respectively, on the Trust Estate. The 2012 Series A Bonds are not being designated as General Obligations of the Authority. As part of the Trust Estate, the 2012 Series A Bonds are secured by the Debt Service Reserve Fund established under the Master Indenture. The Debt Service Reserve Fund Requirement for the 2012 Series A Bonds will be satisfied as described in "Part I – PLAN OF FINANCE – Use of Proceeds." See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund" and "Part II – SECURITY FOR THE OBLIGATIONS." **In no event shall the 2012 Series A Bonds constitute an obligation or liability of the State or any political subdivision thereof. The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof (other than the general credit of the Authority, which general credit is not being pledged for payment of the 2012 Series A Bonds).**

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

In connection with the issuance and sale of the 2012 Series A Bonds, Sherman & Howard L.L.C., as Bond Counsel to the Authority, will deliver an opinion in the form included as **Appendix E** hereto. Certain legal matters relating to the 2012 Series A Bonds will be passed upon for the Authority by its General Counsel, Charles L. Borgman, Esq., and by its Disclosure Counsel, Hogan Lovells US LLP. The Underwriter is being represented in connection with its purchase of the 2012 Series A Bonds by its counsel, Kutak Rock LLP. See "Part I – LEGAL MATTERS." CSG Advisors Incorporated is serving as financial advisor to the Authority in connection with the issuance of the 2012 Series A Bonds. See "Part I – FINANCIAL ADVISOR."

### **Continuing Disclosure Undertakings**

#### *The Authority*

In connection with the issuance of the 2012 Series A Bonds, the Authority will deliver a Continuing Disclosure Undertaking, in the form attached as **Appendix J-1** hereto, by which the Authority will agree to make available by filing with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("**EMMA**"), in compliance with Rule 15c2-12 of the Securities Exchange Act of 1934 ("**Rule 15c2-12**"), certain Annual Financial Information (as defined in the Continuing Disclosure Undertaking) and Audited Financial Statements relating to the Authority, commencing with the fiscal year ending December 31, 2012, and notice of certain events. The Authority will also agree to file with EMMA certain audited financial statements of the 2012A Borrower promptly upon receipt thereof from the 2012A Borrower. See "The 2012A Borrower" under this caption.

For the fiscal years ended as of and prior to December 31, 2009, the Authority had filed quarterly reports including all components of the annual financial information and operating data with respect to certain of its outstanding bonds under the related continuing disclosure undertakings of the Authority. However, this information had been reported as of dates other than December 31, which is technically required by the Authority's continuing disclosure undertakings. So, while such financial information and

operating data of the nature required to be provided annually had been provided as of quarterly dates (April 1, July 1, October 1 and January 1 for information relating to its multi-family bonds and February 1, May 1, August 1 and November 1 for information relating to its single-family mortgage bonds) to the market by posting on the Authority's website and, in many cases, by filing with the national repositories, there had been a technical non-compliance by the Authority with its continuing disclosure obligations in that the information was not provided as of December 31.

The Authority has filed with EMMA Annual Financial Information and operating data as of December 31 for the fiscal years ended as of December 31, 2009, 2010 and 2011, and has implemented measures to ensure that Annual Financial Information for future fiscal years will be provided as of December 31 and will be timely filed with EMMA in accordance with the requirements of the related Continuing Disclosure Undertakings.

#### *The 2012A Borrower*

The 2012A Borrower will constitute an "obligated person" in respect of the 2012 Series A Bonds within the meaning of Rule 15c2-12. The Authority, in connection with the origination of the 2012A Loan, will confirm that the 2012A Borrower has separately agreed, for the benefit of the owners (including beneficial owners) of the 2012 Series A Bonds, to provide to the Authority Audited Financial Statements (as defined in the 2012A Borrower's Continuing Disclosure Undertaking) not later than 180 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 2012 Series A Bonds within the meaning of Rule 15c2-12. A form of the Borrower Continuing Disclosure Undertaking to be executed and delivered by the 2012A Borrower is attached hereto as **Appendix J-2**.

#### **Investment Considerations**

*The purchase and ownership of the 2012 Series A Bonds involve investment risks. Prospective purchasers of the 2012 Series A Bonds being offered by this Official Statement are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2012 Series A Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."*

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## TERMS OF THE 2012 SERIES A BONDS

### General Terms

#### *Principal Payment; Maturity*

The 2012 Series A Bonds, to be dated the date of delivery thereof, will mature, subject to prior redemption as described in "Prior Redemption" under this caption, in the amounts and on the dates as shown on the front cover page of this Official Statement. The principal or redemption price of the 2012 Series A Bonds is payable to Cede & Co. as long as it is the registered owner of each of the 2012 Series A Bonds.

#### *Interest Rates; Payment of Interest*

The 2012 Series A Bonds will bear interest at the rates per annum shown on the front cover page of this Official Statement. Interest on the 2012 Series A Bonds will be payable on each Interest Payment Date to Cede & Co. as long as it is the registered owner of each of the 2012 Series A Bonds, commencing on October 1, 2012, and at maturity. Interest on the 2012 Series A Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

#### *Authorized Denominations*

The 2012 Series A Bonds are issuable in denominations of \$5,000 and any integral multiple thereof.

#### *Book-Entry System*

The Depository Trust Company, New York, New York ("**DTC**") will act as securities depository for the 2012 Series A Bonds. The ownership of one fully registered Bond for each maturity as set forth on the front cover page of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. Information concerning the book-entry system provided by DTC is set forth in **Appendix F – "BOOK-ENTRY SYSTEM."** **So long as the 2012 Series A Bonds are registered in the DTC book-entry form described in Appendix F, each Beneficial Owner of a 2012 Series A Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2012 Series A Bonds.**

#### *Defeasance and Discharge*

The Indenture provides the Authority with the right to discharge the pledge and lien created by the Indenture with respect to any 2012 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 2012 Series A Bonds at the maturity or redemption thereof. See **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Defeasance."**

## Prior Redemption

### *Special Redemption*

The 2012 Series A Bonds are subject to special redemption prior to maturity, in whole or in part at any time upon notice as provided in the Indenture, at a Redemption Price equal to 100% of the Aggregate Principal Amount of the 2012 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 2012 Series A subaccount of the Class I Special Redemption Account on the 30th day prior to the redemption date from Prepayments received (i) as a consequence of the damage, destruction or condemnation of part or all of the Mountain View/Eliot Housing Facility, to the extent that such amounts are required to be used to prepay the 2012A Loan pursuant to the Loan and Reimbursement Agreement entered among the Authority, JPMorgan Chase Bank, N.A. ("**JPMorgan**") and the 2012A Borrower (the "**Construction Phase Credit Agreement**"), (ii) in the event of a default on the Mountain View/Eliot Loan by the 2012A Borrower, by the acceleration, sale, assignment, endorsement or other disposition thereof by the Authority or by any other proceedings taken by the Authority, including an insurance claim to the Federal Housing Administration ("**FHA**"), or (iii) from a mandatory prepayment required by the FHA or the United States Department of Housing and Urban Development in order to avoid such a default.

Loan Repayments and Prepayments (which includes the payment of an insurance claim by the FHA) of the 2012A Loan financed with the proceeds of the 2012 Series A Bonds are to be used to pay at maturity or redeem prior to maturity 2012 Series A Bonds.

### *Optional Redemption*

The 2012 Series A Bonds maturing on or after October 1, 2032 are subject to redemption at the option of the Authority, on or after October 1, 2022, in whole or in part at any time, at a Redemption Price equal to 100% of the principal amount thereof plus the accrued interest thereon to the date of redemption, from any source, including without limitation the proceeds of refunding bonds or other financing provided by the Authority.

### *Extraordinary Special Redemption*

JPMorgan, as provider of the Construction Phase Credit Agreement, is issuing an Irrevocable, Unconditional Standby Letter of Credit dated July 19, 2012 (the "**JPMorgan Chase Letter of Credit**") issued in favor of the Trustee relating to the 2012A Loan, to be in effect during the construction phase of the Project (as hereafter defined). The 2012 Series A Bonds are subject to extraordinary special redemption prior to maturity in whole, at a Redemption Price equal to 100% of the Aggregate Principal Amount of the 2012 Series A Bonds, together with accrued interest to the date of redemption, if the 2012A Loan has not been finally endorsed for insurance by the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, as amended, by the Required Date. The "**Required Date**" shall be (i) if the JPMorgan Chase Letter of Credit is in effect on such date, the date that is five Business Days prior to the then stated expiration date of the JPMorgan Chase Letter of Credit, as it may be extended from time to time, or (ii) if there has been a draw on the JPMorgan Chase Letter of Credit pursuant to the 2012 Series A Indenture as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Construction Phase Security," the later of January 19, 2014 or the date to which the Required Date has been extended in accordance with the terms of the Construction Phase Credit Agreement. If such endorsement of the 2012A Loan has not occurred by the Required Date, the 2012 Series A Bonds shall be redeemed on the date that is 30 days following the Required Date.

### *Mandatory Sinking Fund Redemption*

The 2012 Series A Bonds maturing on October 1, 2022 (the "**2022 Term Bonds**") shall be redeemed prior to their maturity, in part, by payment of 2012 Series A Class I Sinking Fund Installments, upon notice as provided in the Indenture and described in "Notice of Redemption" under this caption, 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 2022 Term Bonds or portions thereof to be so redeemed, plus accrued interest to the redemption date as follows:

#### **2022 Term Bonds**

| <u>Date</u><br><u>(April 1)</u> | <u>Class I</u><br><u>Sinking Fund</u><br><u>Installments</u> | <u>Date</u><br><u>(October 1)</u> | <u>Class I</u><br><u>Sinking Fund</u><br><u>Installments</u> |
|---------------------------------|--|-----------------------------------|--|
| --                              | \$ --  | 2014                              | \$30,000   |
| 2015                            | 70,000   | 2015                              | 70,000   |
| 2016                            | 70,000   | 2016                              | 70,000   |
| 2017                            | 70,000   | 2017                              | 75,000   |
| 2018                            | 75,000   | 2018                              | 75,000   |
| 2019                            | 75,000   | 2019                              | 75,000   |
| 2020                            | 80,000   | 2020                              | 80,000   |
| 2021                            | 80,000   | 2021                              | 80,000   |
| 2022                            | 80,000   | 2022 <sup>(1)</sup>               | 85,000   |

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<sup>(1)</sup> Final maturity

The 2012 Series A Bonds maturing on October 1, 2032 (the "**2032 Term Bonds**") shall be redeemed prior to their maturity, in part, by payment of 2012 Series A Class I Sinking Fund Installments, upon notice as provided in the Indenture and described in "Notice of Redemption" under this caption, 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 2032 Term Bonds or portions thereof to be so redeemed, plus accrued interest to the redemption date as follows:

#### **2032 Term Bonds**

| <u>Date</u><br><u>(April 1)</u> | <u>Class I</u><br><u>Sinking Fund</u><br><u>Installments</u> | <u>Date</u><br><u>(October 1)</u> | <u>Class I</u><br><u>Sinking Fund</u><br><u>Installments</u> |
|---------------------------------|--|-----------------------------------|--|
| 2023                            | \$85,000   | 2023                              | \$85,000   |
| 2024                            | 90,000   | 2024                              | 90,000   |
| 2025                            | 90,000   | 2025                              | 95,000   |
| 2026                            | 95,000   | 2026                              | 95,000   |
| 2027                            | 100,000  | 2027                              | 100,000  |
| 2028                            | 105,000  | 2028                              | 105,000  |
| 2029                            | 105,000  | 2029                              | 110,000  |
| 2030                            | 110,000  | 2030                              | 115,000  |
| 2031                            | 115,000  | 2031                              | 120,000  |
| 2032                            | 120,000  | 2032 <sup>(1)</sup>               | 125,000  |

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<sup>(1)</sup> Final maturity

The 2012 Series A Bonds maturing on October 1, 2042 (the "**2042 Term Bonds**") shall be redeemed prior to their maturity, in part, by payment of 2012 Series A Class I Sinking Fund Installments, upon notice as provided in the Indenture and described in "Notice of Redemption" under this caption, 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 2042 Term Bonds or portions thereof to be so redeemed, plus accrued interest to the redemption date as follows:

### 2042 Term Bonds

| <u>Date</u><br><u>(April 1)</u> | Class I<br>Sinking Fund<br><u>Installments</u> | <u>Date</u><br><u>(October 1)</u> | Class I<br>Sinking Fund<br><u>Installments</u> |
|---------------------------------|--|-----------------------------------|--|
| 2033                            | \$120,000                                      | 2033                              | \$130,000                                      |
| 2034                            | 130,000  | 2034                              | 135,000  |
| 2035                            | 135,000  | 2035                              | 140,000  |
| 2036                            | 140,000  | 2036                              | 145,000  |
| 2037                            | 150,000  | 2037                              | 150,000  |
| 2038                            | 155,000  | 2038                              | 155,000  |
| 2039                            | 160,000  | 2039                              | 165,000  |
| 2040                            | 165,000  | 2040                              | 170,000  |
| 2041                            | 175,000  | 2041                              | 180,000  |
| 2042                            | 180,000  | 2042 <sup>(1)</sup>               | 185,000  |

<sup>(1)</sup> Final maturity

The 2012 Series A Bonds maturing on October 1, 2051 (the "**2051 Term Bonds**") shall be redeemed prior to their maturity, in part, by payment of 2012 Series A Class I Sinking Fund Installments, upon notice as provided in the Indenture and described in "Notice of Redemption" under this caption, 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 2051 Term Bonds or portions thereof to be so redeemed, plus accrued interest to the redemption date as follows:

### 2051 Term Bonds

| <u>Date</u><br><u>(April 1)</u> | Class I<br>Sinking Fund<br><u>Installments</u> | <u>Date</u><br><u>(October 1)</u> | Class I<br>Sinking Fund<br><u>Installments</u> |
|---------------------------------|--|-----------------------------------|--|
| 2043                            | \$190,000                                      | 2043                              | \$195,000                                      |
| 2044                            | 200,000  | 2044                              | 205,000  |
| 2045                            | 205,000  | 2045                              | 210,000  |
| 2046                            | 215,000  | 2046                              | 220,000  |
| 2047                            | 225,000  | 2047                              | 230,000  |
| 2048                            | 235,000  | 2048                              | 240,000  |
| 2049                            | 245,000  | 2049                              | 255,000  |
| 2050                            | 260,000  | 2050                              | 265,000  |
| 2051                            | 270,000  | 2051 <sup>(1)</sup>               | 275,000  |

<sup>(1)</sup> Final maturity

Upon any purchase pursuant to the Indenture or redemption (other than mandatory sinking fund redemption) of the 2012 Series A Bonds for which 2012 Series A Class I Sinking Fund Installments have been established, there shall be credited toward each 2012 Series A Class I Sinking Fund Installment thereafter to become due an amount bearing the same ratio to such 2012 Series A Class I Sinking Fund Installment as (i) the total principal amount of such 2012 Series A Bonds so purchased or redeemed bears to (ii) the total amount of all such Class I Sinking Fund Installments to be credited. If, however, there shall be filed with the Trustee an Authority Request specifying a different method for crediting 2012 Series A Class I Sinking Fund Installments upon any such purchase or redemption of 2012 Series A Bonds and certifying that such request is consistent with the most recently filed Cash Flow Statement Related to the 2012 Series A Bonds, then such 2012 Series A Class I Sinking Fund Installments shall be so credited as shall be provided in such Authority Request.

#### *Selection of 2012 Series A Bonds for Partial Redemption*

Other than with respect to redemptions from 2012 Series A Class I Sinking Fund Installments, if less than all of the 2012 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 Cash Flow Statement, the Bond Registrar shall select a pro rata amount of the 2012 Series A Bonds of each maturity for redemption. If less than all the 2012 Series A Bonds of like maturity are to be redeemed, the particular 2012 Series A Bonds or the respective portions thereof to be redeemed shall be selected randomly by lot by the Bond Registrar in such manner as the Bond Registrar in its discretion deems fair and appropriate.

#### *Notice of Redemption*

When any 2012 Series A Bonds are to be redeemed, the Bond Registrar is to cause notice of such redemption to be mailed by first class mail, or transmitted in such other manner (such as by readily available electronic means) as may be customary for the industry as directed in writing by the Authority, not more than 60 days nor less than 25 days prior to the redemption date with respect to the 2012 Series A Bonds, to the registered owner of each 2012 Series A Bond to be redeemed at such Owner's address as it appears in the registration records of the Bond Registrar or at such other address as is furnished in writing by such Owner to the Bond Registrar and to EMMA. 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 2012 Series A Bond with respect to which no such failure or defect has occurred.

**If DTC or its nominee is the registered owner of any 2012 Series A Bonds to be redeemed, notice of redemption will only be given to DTC or its nominee as the registered owner of such 2012 Series A Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any 2012 Series A Bond to be redeemed shall not affect the validity of the redemption of such 2012 Series A Bond. See Appendix F – "BOOK-ENTRY SYSTEM."**

#### **Purchase in Lieu of Redemption**

If Bonds of any particular Series, Class and maturity are called for redemption, upon Authority Request the Bonds so called shall be purchased in lieu of such redemption by the Trustee or Paying Agent for the account of the Authority on the date upon which such Bonds were to have been redeemed, at a purchase price not to exceed the applicable Redemption Price thereof, plus accrued interest, if any, thereon to, but not including, such date, or at any higher purchase price consistent with the most recent Cash Flow Statement. At the election of the Authority, but not otherwise, such Bonds shall be canceled by the Trustee upon such purchase in lieu of redemption. The Authority shall deliver any such Authority

Request not later than the Business Day preceding the date upon which such Bonds were to have been redeemed, which Authority Request shall state the aggregate principal amount of each Series, Class and maturity of Bonds for which an election to purchase in lieu of redemption pursuant to this Master Indenture is being made, and the source of payment for such purchase in lieu of redemption. Any such purchase in lieu of redemption may be made from any moneys designated by the Authority, and, upon receipt thereof if such moneys are not already held in the Trust Estate, the Trustee shall use such moneys for such purpose. The Authority is expressly authorized to tender, and to direct the Trustee and the Paying Agent to purchase from the Authority, any Bonds for cancellation in lieu of redemption. Neither the Trustee nor the Paying Agent shall be required to advance any of their own money to make any such purchase or purchases.

Unless the Authority shall designate a different source, the Trustee shall apply, or cause the Paying Agent to apply, available moneys in the Redemption Fund in lieu of redemption to pay the purchase price (exclusive of accrued interest) of Bonds purchased in lieu of redemption pursuant to the Master Indenture. Unless the Authority shall designate a different source, the Trustee shall apply, or cause the Paying Agent to apply, available moneys from the Revenue Fund in accordance with the Master Indenture, from the Class I Debt Service Fund in accordance with the Master Indenture, from the Class II Debt Service Fund in accordance with the Master Indenture, from the Class III Debt Service Fund in accordance with the Master Indenture, or from the Class IV Debt Service Fund in accordance with the Master Indenture to pay accrued interest on such Bonds purchased pursuant to the Master Indenture.

## **PLAN OF FINANCE**

### **Use of Proceeds**

The proceeds of the 2012 Series A Bonds in the amount of \$10,500,000 will be used to fund the 2012A Loan as described in "Funding of the 2012A Loan" under this caption. Certain moneys currently on deposit in the Debt Service Reserve Fund under the Master Indenture will be allocated to satisfy the Debt Service Reserve Fund Requirement with respect to the 2012 Series A Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund Requirement" and "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund." Certain funds contributed by the 2012A Borrower from other sources will be used to pay costs of issuance and Underwriter's compensation relating to the 2012 Series A Bonds. For information concerning the Underwriter's compensation, see "Part I – UNDERWRITING."

### **Funding of the 2012A Loan**

The proceeds of the 2012 Series A Bonds will be deposited to the Restricted Loan Subaccount of the Acquisition Account of the Program Fund. The deposit to such Restricted Loan Subaccount will be applied to fund the 2012A Loan and thereby finance a portion of the Project described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2012A Loan" and **Appendix G-1** – "CERTAIN INFORMATION REGARDING THE 2012A LOAN AND THE PROJECT" concurrently with delivery of the 2012 Series A Bonds. Amounts on deposit in the Restricted Loan Subaccount shall be disbursed from time to time by the Trustee to pay costs of the Project that are first approved by JPMorgan pursuant to the terms and conditions of the Construction Phase Credit Agreement. The 2012A Loan shall be considered to be fully disbursed upon deposit of the proceeds into the Restricted Loan Subaccount for the purposes of computing the amount of interest due each month on the 2012A Borrower's note to the Authority. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2012A Loan – Funding Process."

## CERTAIN PROGRAM ASSUMPTIONS

### The 2012A Loan

#### *Generally*

Proceeds of the 2012 Series A Bonds are expected to be used to fund the 2012A Loan by the Authority to the 2012A Borrower concurrently with the delivery of the 2012 Series A Bonds. The 2012A Borrower is to use proceeds of the 2012A Loan, together with certain other moneys available to the 2012A Borrower, to finance the acquisition and rehabilitation of the Mountain View/Eliot Housing Facility (the "**Project**") as described in further detail in **Appendix G-1** hereto. The 2012A Loan will be secured by Leasehold Deed of Trust, Security Agreement, Financing Statement and Assignment of Rents and Leases delivered by the 2012A Borrower in favor of the Authority (the "**Deed of Trust**"), encumbering the Project. Certain restrictions on the rental and occupancy of the Mountain View/Eliot Housing Facility will be imposed on the 2012A Borrower, as described in "The Regulatory Agreement" under this caption.

#### *Interest Rates*

The 2012A Loan will bear interest at the rates shown in **Appendix G-1** – "CERTAIN INFORMATION REGARDING THE 2012A LOAN AND THE PROJECT – 2012A Loan."

#### *Funding Process*

Except as provided in the next two sentences, upon the receipt by the Trustee of a Requisition signed by the authorized representative of the 2012A Borrower (except in the case of a default as provided in the Indenture) and countersigned by an authorized officer of JPMorgan, the requested disbursement shall be paid by the Trustee from the Restricted Loan Subaccount as soon as practicable for deposit into a designated account established by the title agent for the Project, but in no event later than five Business Days following receipt of the applicable Requisition by the Trustee. The amount of \$785,925 shall be retained in the Restricted Loan Subaccount and used only for the purpose of paying interest due on the note on behalf of the 2012A Borrower without any requirement for a Requisition. If the Required Date is extended as provided in the 2012 Series A Indenture and in the Construction Phase Credit Agreement, the Trustee shall deposit into the Restricted Loan Subaccount additional moneys received from the 2012A Borrower for the payment of interest on the note for the period of such extension, which additional amount shall be retained in the Restricted Loan Subaccount and used only for the purpose of paying interest due on the note on behalf of the 2012A Borrower without any requirement for a Requisition. Upon endorsement of the 2012A Loan for insurance by the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, as amended, any funds remaining in the Restricted Loan Subaccount shall be used to pay or reimburse costs related to the Mountain View/Eliot Housing Facility or otherwise as directed by the Authority.

#### *Construction Phase Security*

During the Construction Phase (as defined in **Appendix G-1** hereto), the 2012A Loan will be secured by the Deed of Trust and by the JPMorgan Chase Letter of Credit, which will be issued in favor of the Trustee. The Trustee is required to draw amounts under the JPMorgan Chase Letter of Credit in accordance with the terms thereof, as soon as practicable after receiving written direction to do so from the Authority:

(i) to pay the Redemption Price of the 2012 Series A Bonds on the redemption date set forth in the 2012 Series A Indenture if the 2012 Series A Bonds are called for special extraordinary redemption pursuant to the 2012 Series A Indenture, as described in "Part I – TERMS OF THE 2012 SERIES A BONDS – Prior Redemption – Extraordinary Special Redemption;" or

(ii) if the rating assigned to the senior unsecured short-term obligations of JPMorgan has been withdrawn, suspended or reduced below "P-1" by Moody's or "A-1" by S&P, unless the JPMorgan Chase Letter of Credit has been collateralized, replaced or guaranteed within 30 days following such downgrade as provided in the Construction Phase Credit Agreement.

The Trustee is to apply the proceeds a draw as described in (i) above to the payment of the Redemption Price of the 2012 Series A Bonds called for special extraordinary redemption pursuant to the 2012 Series A Indenture. The Trustee is to deposit the proceeds a draw as described in (ii) above in a separate subaccount within the 2012 Series A subaccount of the Class I Debt Service Fund. Moneys in such separate subaccount are to be invested, at the written direction of the Authority, only in money-market funds described in clause (i) of the definition of "Investment Securities" in the Master Indenture or in obligations described in clauses (a) or (b) of such definition which have a maturity date not later than the Required Date. The amount in such separate subaccount (x) shall be paid to JPMorgan, together with any earnings thereon, upon the final endorsement, not later than the Required Date, of the 2012A Loan by the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, as amended, or (y) if such final endorsement has not occurred by the Required Date, shall be used to pay the Redemption Price of the 2012 Series A Bonds pursuant to the 2012 Series A Indenture.

#### *Post-Conversion Security*

On or prior to the Required Date, it is expected that construction of the Project will be completed by the 2012A Borrower and the 2012A Loan will be endorsed for insurance by the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, as amended, following compliance with the requirements of the U.S. Department of Housing and Urban Development ("**HUD**"). See **Appendix H – "FEDERAL INSURANCE PROGRAMS"** for a discussion of the Section 542(c) program. Following the conversion of the 2012A Loan to a 542(c) insured loan, the 2012A Loan will continue to be secured by the Deed of Trust. If such final endorsement has not occurred by the Required Date, the 2012 Series A Bonds shall be subject to extraordinary special redemption as described in "Part I – TERMS OF THE 2012 SERIES A BONDS – Prior Redemption – Extraordinary Special Redemption." See also "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption – Loan Conversion Redemption Considerations."

#### *The Regulatory Agreement*

Simultaneously with the closing of the 2012A Loan, the 2012A Borrower will enter into a regulatory agreement with the Authority (the "**CHFA Regulatory Agreement**") relating to the 2012A Bonds and the Mountain View/Eliot Housing Facility. Pursuant to the provisions of the CHFA Regulatory Agreement, the 2012A Borrower will agree, among other things, to rent the units in the Mountain View/Eliot Housing Facility so as to comply with applicable provisions of the Tax Code, State and federal law, and CHFA regulatory requirements. In particular, the 2012A Borrower will agree (i) that each individual rental unit (except for management units) in the Mountain View/Eliot Housing Facility will be rented or held for rental to the general public on a continuous basis and (ii) not to discriminate against tenants receiving Housing Assistance Payments Program under Section 8 of the United States Housing Act of 1937, as amended, or discriminate on the basis of race, creed, color, sex, sexual preference, source of income, physical disability, religion, national origin, marital status, familial status or political opinion or affiliation in the rental, lease, use or occupancy of the Mountain View/Eliot Housing



Facility or in connection with the employment or application for employment of persons for the operation and management of the Mountain View/Eliot Housing Facility. In addition, the 2012A Borrower will agree to certain occupancy requirements based on state law income limits and certain federal limitations, where applicable, and to certain rental restrictions. As a condition to occupancy, each person who is intended to be a qualified tenant with respect to the Mountain View/Eliot Housing Facility is required to execute and deliver a Certificate of Resident Eligibility and supporting documentation with respect to household composition, adjusted gross income and other sources of income.

The CHFA Regulatory Agreement also contains provisions for verifying compliance with the terms thereof. The provisions of the CHFA Regulatory Agreement 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 2012 Series A Bonds from gross income for federal income tax purposes. If any violation by the 2012A Borrower of the CHFA Regulatory Agreement is not corrected to the satisfaction of the Authority within the period of time specified by the Authority (which shall be at least 60 days after the date any notice to or by the 2012A Borrower and the 2012A Borrower's partners is mailed, or within such further time (as may be approved in an opinion of Bond Counsel addressed to the 2012A Borrower and the Authority) as is necessary to correct the violation without loss of the exclusion from gross income for federal income tax purposes of interest on the 2012 Series A Bonds, not to exceed any limitations set by applicable Treasury Regulations), without further notice, the Authority shall declare a default under the CHFA Regulatory Agreement effective on the date of such declaration of default, and upon such default, the Authority shall apply to any court, state or federal, for specific performance of the CHFA Regulatory Agreement or an injunction against any violation of the CHFA Regulatory Agreement. *Such a breach by the 2012A Borrower may result in interest on the 2012 Series A Bonds being included in gross income of the Owners of such 2012 Series A Bonds for purposes of federal income taxation and will not result in a mandatory redemption of such 2012 Series A Bonds under the Indenture as described in "Part II – CERTAIN BONDOWNERS' RISKS – Enforcement of Regulatory Agreements."*

#### *Servicing by the Authority*

The Authority will service the 2012A Loan, handling the receipt and disbursement of funds related to the 2012A Loan. This includes receiving payments, monitoring and disbursing escrowed funds for taxes and insurance and managing delinquencies and claims. The Authority will oversee compliance by the 2012A Borrower with requirements of the 2012A Loan, including occupancy and rental restrictions with respect to such 2012A Loan and the Mountain View/Eliot Housing Facility, and will review the financial status of the Project. The Authority similarly oversees compliance for certain other Loans outstanding under the Indenture. The other Loans outstanding under the Indenture are similarly serviced by the Authority or third-party contractors. The Authority believes that, through its in-house servicing operations, the Authority is servicing the Loans in accordance with servicing practices or standards as required to maintain any applicable insurance with respect to such Loans. For more information concerning the Authority, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

#### *Modification of Loan Terms*

In the Master Indenture, the Authority has agreed that it shall not consent or agree to permit any amendment or modification of the financial terms of any Loan or any security thereof in any manner materially adverse to the interests of the Owners of the Bonds, as determined in good faith by the Authority. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenants Relating to Loans."

## Debt Service Reserve Fund Requirement

The Debt Service Reserve Fund Requirement for the 2012 Series A Bonds will be, as of any date of calculation, an amount equal to two-thirds of the maximum principal and interest payment due for any current or future period of twelve consecutive calendar months on the 2012A Loan (which amount at closing will be \$428,748), less the aggregate amount in the subaccounts of the Debt Service Reserve Fund for all other Series of Bonds in excess of the aggregate Debt Service Reserve Fund Requirements for all such other Series of Bonds, but only to the extent such excess has not been taken into account in the calculation of the debt service reserve fund requirement for any other Series of Bonds. Certain moneys currently on deposit in the Debt Service Reserve Fund under the Master Indenture will be allocated to satisfy the Debt Service Reserve Fund Requirement with respect to the 2012 Series A Bonds. See "Part I – PLAN OF FINANCE – Uses of Proceeds."

## Investments

Amounts in the Debt Service Fund, the Debt Service Reserve Fund, the Revenue Fund and prepayments deposited in the Loan Recycling Account will be invested by the Trustee at the direction of the Authority in certain permitted Investment Securities (the "**2012A Investments**") pursuant to the terms of the Master Indenture. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Certain Definitions – Investment Securities" for a description of the permitted Investment Securities in which such amounts may be invested.

In connection with the prior issuance of certain Multi-Family/Project Bonds outstanding under the Master Indenture, the Authority has invested certain amounts in Series subaccounts of Funds related to such Obligations in investment agreements with the investment providers and at the rates set forth in the table below. As of April 1, 2012, the total amounts in Funds held under the Master Indenture invested with respective investment providers were as follows: \$8,245,688 with GE Funding Capital Market Services, Inc.; \$22,191,951 with CDC Funding Corp.; and \$22,294,486 with Natixis Funding Corp.

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**Outstanding Investment Agreements  
(April 1, 2012)**

| <u>Series</u> | <u>Funds Invested<br/>(in related Series subaccounts)</u>   | <u>Investment Provider (1)</u>               | <u>Amounts<br/>Invested</u> | <u>Rate</u>                                     | <u>Termination<br/>Date</u> |
|---------------|---|--|-----------------------------|---|-----------------------------|
| 2000A         | Revenue Fund; Redemption Fund                               | GE Funding Capital Market Services, Inc. (2) | \$8,245,688                 | 6.00%   | 10/1/2032                   |
| 2000B         | Revenue Fund; Redemption Fund                               | CDC Funding Corp.                            | 2,874,968                   | 6.26%   | 4/1/2042                    |
| 2001A         | Revenue Fund; Redemption Fund                               | CDC Funding Corp.                            | 2,201,788                   | 5.26%   | 4/1/2043                    |
| 2002A         | Revenue Fund; Redemption Fund;<br>Debt Service Reserve Fund | CDC Funding Corp.                            | 5,186,725                   | 5.50%   | 10/1/2042                   |
| 2002C         | Debt Service Reserve Fund                                   | CDC Funding Corp.                            | 6,919,005                   | 4.89%   | 10/1/2042                   |
| 2002C         | Revenue Fund; Redemption Fund                               | CDC Funding Corp.                            | 5,009,465                   | 4.26%   | 10/1/2042                   |
| 2007B         | Revenue Fund; Redemption Fund;<br>Loan Recycling (3)        | Natixis Funding Corp.                        | 7,273,748                   | 4.46%/<br>one month<br>LIBOR minus<br>10 bps    | 10/1/2038                   |
| 2007B         | Debt Service Reserve Fund (3)                               | Natixis Funding Corp.                        | 6,875,000                   | 5.27%   | 10/1/2038                   |
| 2008A         | Revenue Fund; Redemption Fund                               | Natixis Funding Corp.                        | 3,460,921                   | 3.61%/<br>one month<br>LIBOR<br>minus 10<br>bps | 4/1/2043                    |
| 2008A         | Debt Service Reserve Fund                                   | Natixis Funding Corp.                        | 2,671,881                   | 4.33%   | 4/1/2043                    |
| 2008B         | Revenue Fund; Redemption Fund                               | Natixis Funding Corp.                        | 2,011,936                   | 4.71%   | 5/1/2052                    |

- (1) Neither the Authority nor the Underwriter make any representation about the financial condition or creditworthiness of the investment providers listed in this chart. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the Investment Providers. See "Part II – SECURITY FOR THE OBLIGATIONS."
- (2) GE Funding Capital Market Services, Inc. was originally known as FGIC Capital Market Services, Inc. The name of FGIC Capital Market Services, Inc. was changed to GE Funding Capital Market Services, Inc. after General Electric Corporation sold its interests in Financial Guaranty Insurance Company to outside investors in 2003. The obligations of GE Funding Capital Market Services, Inc. under the applicable investment agreements are unconditionally guaranteed by General Electric Capital Corporation.
- (3) These funds are invested under a master repurchase agreement entered with Natixis Funding Corp. on January 29, 2010 (the "**Master Repurchase Agreement**"). The Master Repurchase Agreement replaced the investment agreements previously in effect, and provides for the delivery of securities to the Trustee at a collateralization level of 105%.

In accordance with the terms of the Master Indenture, the Authority has also from time to time instructed the Trustee to invest certain moneys held by the Trustee in Funds and Accounts relating to prior Obligations in permitted Investment Securities. Information about such investments is available in filings with EMMA that the Authority makes quarterly and annually in connection with certain outstanding Bonds under the Master Indenture.

The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the 2012A Investments and by the investment agreements on the preceding table will be available as described. However, in the event that the 2012A Investments or any investment agreement shown on the preceding table is terminated as a result of default by the respective investment provider or for any other reason, it may not be possible to reinvest such proceeds and deposits at these assumed rates and the cashflows may be adversely affected. *Neither the Authority nor the Underwriter*

*makes any representation about the financial condition or creditworthiness of any of the investment providers shown on the preceding table. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the investment providers shown in the preceding table.*

## **TAX MATTERS**

### **Federal Tax Treatment of Interest on 2012 Series A Bonds**

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the 2012 Series A Bonds (except for interest on any 2012 Series A Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2012 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 2012 Series A Bonds (the "**Tax Code**")) is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; further, interest on the 2012 Series A Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code.

The Tax Code imposes several requirements which must be met with respect to the 2012 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 2012 Series A Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2012 Series A Bonds; (b) limitations on the extent to which proceeds of the 2012 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 2012 Series A Bonds above the yield on the 2012 Series A Bonds to be paid to the United States Treasury.

The Authority will covenant and represent in the Indenture that it will not take any action or omit to take any action with respect to the 2012 Series A Bonds, the proceeds thereof, any other funds of the Authority or any facilities financed with the proceeds of the 2012 Series A Bonds if such action or omission would cause the interest on the 2012 Series A Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code. The 2012A Borrower will make similar covenants and representations in the 2012A Borrower's loan documents. Bond Counsel's opinion as to the exclusion of interest on the 2012 Series A Bonds from gross income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Authority or the 2012A Borrower to comply with these requirements could cause the interest on the 2012 Series A Bonds to be included in gross income from the date of issuance. Bond Counsel's opinion also is rendered in reliance upon certifications of the Authority and other certifications and representations furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications or representations by independent investigation.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2012 Series A Bonds. Owners of the 2012 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. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the 2012 Series A Bonds made to any Owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to

collect such information pursuant to the Tax Code. Backup withholding may also be applied if the Owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the Owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code.

### **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 2012 Series A Bonds. If an audit is commenced, the market value of the 2012 Series A Bonds may be adversely affected. Under current audit procedures, the Service will treat the Authority as the taxpayer and the Bondowners may have no right to participate in such procedures. The Authority has covenanted in the Indenture not to take any action or omit to take any action that would cause the interest on the 2012 Series A Bonds to lose its exclusion from gross income under the Tax Code. None of the Authority, the Underwriter or Bond Counsel is responsible for paying or reimbursing any Registered Owner or Beneficial Owner for any audit or litigation costs relating to the 2012 Series A Bonds.

### **Colorado Tax Treatment of 2012 Series A Bonds**

In the opinion of Bond Counsel, the 2012 Series A Bonds, their transfer and the income therefrom is free from taxation by the State of Colorado under Colorado law in effect as of the date of delivery of the 2012 Series A Bonds.

### **Other**

Bond Counsel's opinion relates only to the exclusion of interest on the 2012 Series A Bonds to the extent described above from gross income and from alternative minimum taxable income under federal income tax laws, and the exclusion of the 2012 Series A Bonds from certain State of Colorado taxation as described above, and will state that no opinion is expressed regarding other federal or state tax consequences arising from the receipt or accrual of interest on or ownership or disposition of 2012 Series A Bonds. Owners of the 2012 Series A Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the 2012 Series A Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal and state 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 2012 Series A Bonds, the exclusion of interest on the 2012 Series A Bonds from gross income or from alternative minimum taxable income under federal income tax laws and the exclusion of the 2012 Series A Bonds from certain Colorado taxation as described above, or any combination thereof from the date of issuance of the 2012 Series A Bonds or any other date, or which could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the market value of the 2012 Series A Bonds. Bond Owners are advised to consult with their own advisors with respect to such matters.

## **UNDERWRITING**

The 2012 Series A Bonds are to be purchased from the Authority by RBC Capital Markets, LLC (the "**Underwriter**"). The Underwriter has agreed, subject to certain conditions, to purchase all but not less than all of the 2012 Series A Bonds at a price equal to \$10,500,000 (being the par amount of the 2012 Series A Bonds). The Authority shall pay the Underwriter an underwriting fee of \$105,000. The initial public offering price may be changed from time to time by the Underwriter.

## **FORWARD-LOOKING STATEMENTS**

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

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

## **LITIGATION**

At the time of the delivery of and payment for the 2012 Series A Bonds, the Authority will deliver an opinion of its General Counsel, Charles L. Borgman, Esq., to the effect that no litigation before any court is pending or, to his knowledge, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the 2012 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 2012 Series A Bonds, the Indenture or the contract for the purchase of the 2012 Series A Bonds.

## **RATINGS**

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("**S&P**") and Moody's Investors Service ("**Moody's**") have given the 2012 Series A Bonds ratings of "AAA" and "Aaa," respectively, both with a stable outlook. The outstanding Class I Bonds under the Master Indenture are so rated at the present time. Such ratings reflect only the views of Moody's and S&P, respectively, at the time such ratings are given, and are not a recommendation to buy, sell or hold the 2012 Series A Bonds. The Authority makes no representation as to the appropriateness of such ratings. An explanation of the significance of and the methodology with respect to the ratings given by Moody's and S&P, respectively, may be obtained from Moody's and S&P, respectively. Generally, a rating agency bases its rating on the information and materials furnished it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if, in the judgment of the issuing rating agency, circumstances so warrant. Therefore, after

the date hereof, investors should not assume that such ratings are still in effect. Any such downward revision or withdrawal of any such rating may have an adverse effect on the marketability or market price of the 2012 Series A Bonds. The Authority has no obligation to oppose, or to provide Owners of the 2012 Series A Bonds with notice of, any such revision or withdrawal of a rating, except in connection with the reporting of events as provided in the Continuing Disclosure Undertaking (see **Appendix J-1** to this Official Statement).

## LEGAL MATTERS

In connection with the issuance and sale of the 2012 Series A Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion included as **Appendix E** hereto. Hogan Lovells US LLP will pass upon certain legal matters relating to the 2012 Series A Bonds as Disclosure Counsel to the Authority. Certain legal matters relating to the 2012 Series A Bonds will be passed upon for the Authority by Charles L. Borgman, Esq., its General Counsel. Kutak Rock LLP will pass upon certain matters for the Underwriter.

Neither Sherman & Howard L.L.C., Hogan Lovells US LLP nor Kutak Rock LLP have participated in any independent verification of the information concerning the financial condition or capabilities of the Authority contained in this Official Statement.

## FINANCIAL ADVISOR

The Authority has retained CSG Advisors Incorporated as its financial advisor (the "**Financial Advisor**") in connection with the issuance of the 2012 Series A Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor will act as an independent advisory firm and will not be engaged in the business of underwriting, trading or distributing the 2012 Series A Bonds.

## CERTAIN RELATIONSHIPS OF PARTIES

RBC Capital Markets, LLC is acting as the Underwriter of the 2012 Series A Bonds. Royal Bank of Canada, the parent company of RBC Capital Markets, LLC is currently acting as a counterparty to the Authority under certain Derivative Products and as the provider of certain standby bond purchase agreements currently outstanding under the Master Indenture and under the master indenture for certain single family mortgage bonds issued by the Authority. See **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Derivative Products" and footnote (8) of the audited 2011 financial statements of the Authority attached hereto as **Appendix A**. RBC Capital Markets, LLC is also the Remarketing Agent for certain other Bonds as described in **Appendix K** and for certain single family mortgage bonds issued by the Authority. Affiliates of RBC Capital Markets, LLC are the initial investor in the tax credits applicable to the Project and a special limited partner of the 2012A Borrower.

(End of Part I)

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## **PART II**

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

#### **Background**

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

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

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

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

**Present Board of Directors of the Authority**

| <u>Name</u>   | <u>Affiliation</u>   | <u>End of Term</u>                       |
|---|--|--|
| James M. Hahn,<br>Chair <sup>(1)</sup>                | Principal, JMH Consulting, LLC;<br>Denver, Colorado                                  | July 1, 2013                             |
| Dianne Ray,<br>Chair, <u>pro tem</u> <sup>(2)</sup>   | Colorado State Auditor; Denver, Colorado   | Standing                                 |
| Charles Knight,<br>Secretary/Treasurer <sup>(3)</sup> | Founding Partner, Venture Law Advisors;<br>Denver, Colorado                          | July 1, 2015                             |
| Sam Betters   | Executive Director; Housing Authority of<br>the City of Loveland; Loveland, Colorado | July 1, 2013                             |
| John A. Blumberg                                      | Co-Founder and Principal, Black Creek<br>Capital LLC; Denver, Colorado               | July 1, 2013                             |
| Reeves Brown  | Executive Director, Colorado Department<br>of Local Affairs; Denver, Colorado        | At the pleasure of the<br>Governor       |
| Jennifer Lopez  | Executive Director, Regional Housing<br>Alliance; Durango, Colorado                  | July 1, 2015                             |
| David J. Myler, Esq.                                  | Partner, The Myler Law Firm, P.C.;<br>Basalt, Colorado                               | July 1, 2013                             |
| Cecilia Sanchez de Ortiz                              | Retired; Denver, Colorado  | July 1, 2015                             |
| Joel S. Rosenstein, Esq.                              | Attorney; Denver, Colorado   | July 1, 2013                             |
| Keith Swerdfeger                                      | State Representative; Pueblo, Colorado   | End of legislative<br>biennium 2011-2012 |

<sup>(1)</sup> This Board member was elected as Chair of the Board effective March 22, 2012.

<sup>(2)</sup> This Board member was elected as Chair, pro tem, of the Board effective March 22, 2012.

<sup>(3)</sup> This Board member was appointed as Secretary/Treasurer of the Board effective March 22, 2012.

The principal staff officers of the Authority are as follows:

*Cris A. White*, **Executive Director**, was appointed as Executive Director in March 2010, after serving as Chief Operating Officer since February 2002. Mr. White joined the staff in 1988 and served in various capacities until January 1996. He rejoined the staff in September of 1996 as the Director of Asset Management, after serving in the interim as a business development executive with an international equipment and real estate mortgage lender. On February 1, 2001, Mr. White was appointed Deputy Executive Director for Asset Management and Business Support Services and served until his present appointment. He also continued to serve as Director of Asset Management until December 10, 2001. Mr. White has a Bachelor's Degree in Business Administration from Regis College.

*Jaime Gomez*, **Chief Operating Officer**, joined the staff in August 1999. Prior to appointment to his current position in March 2010, Mr. Gomez served as the Director of Commercial Lending following a corporate reorganization in July 2006 which merged the Authority's Business Finance and Rental Finance Divisions, forming the Commercial Lending Division. Prior to that position, Mr. Gomez served as the Director of Business Finance. 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.

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

*Patricia Hippe*, **Chief Financial Officer**, joined the staff in October 2011. Prior to joining the Authority, Ms. Hippe spent 16 years as the Deputy Commissioner and Chief Financial Officer of the Minnesota Housing Finance Agency. Prior to her work with the Minnesota Housing Finance Agency, Ms. Hippe was the manager of secondary market programs for Higher Education Management and Resources (HEMAR) Management Corporation. In this capacity, she oversaw the daily finance and accounting operations of HEMAR's seven affiliate companies which specialized in providing student loan secondary market programs. Following her work with HEMAR, Ms. Hippe was the assistant vice president and corporate trust officer for Wells Fargo Bank, formerly known as Norwest Bank. Ms. Hippe received her Bachelor's Degree in Business Administration from the University of Minnesota, and earned her Master of Business Administration Degree from the University of St. Thomas in St. Paul, Minnesota.

*Margaret Danuser* was appointed as **Director of Corporate Debt and Investment Management** in July 2010. Prior to joining the Authority, Mrs. Danuser served as the debt administrator for the City and County of Denver, and as a fixed income investment manager for the Dreyfus Founders Funds. She graduated from the University of Colorado at Boulder with a Bachelor of Arts degree in International Affairs.

*Mariam J. Masid*, **Director of Legal Services**, was appointed in October 2010. Prior to her current position, beginning in December 2005, Ms. Masid served the Authority as an in-house Senior Attorney. Ms. Masid is a graduate of the University of Nebraska College of Law and also earned a Ph.D. from Colorado State University in Earth Sciences, Water Resource Management. She has over 30 years experience in private practice and as in-house counsel in the areas of real estate, mortgage finance, municipal law, litigation, and general civil matters. Prior to joining the Authority, Ms. Masid was an adjunct professor at Colorado State University teaching real estate law, real estate principles and business law.

*Karen Harkin*, CMB, CML, 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, Dubuque, Iowa. Ms. Harkin has more than twenty years experience in various capacities in public, private and non-profit real estate lending and development.

*Mark A. MacNicholas*, **Controller**, joined the staff in October 2008. Prior to joining the Authority, Mr. MacNicholas served as Controller for SunCorp Corporate Credit Union. During his career, Mr. MacNicholas has served in various accounting roles within the financial services industry. Mr. MacNicholas has a Bachelor's Degree in Business Administration from the University of Iowa, a Masters Degree in Accountancy from DePaul University and is a Certified Public Accountant.

*Steve Johnson* was appointed as **Director of Commercial Lending** in July 2010. Mr. Johnson began working for the Authority in 1996 as a Business Finance Loan Officer. In 1999, he was promoted to Manager of Business Lending Production. Most recently, Mr. Johnson has led the Authority's small

business team's efforts to diversify and expand the products available to help small businesses access capital. Mr. Johnson is the vice chair of the Colorado Enterprise Fund, and a board member of the Council of Development Finance Agencies (CDFA). He graduated from Hillsdale College in Michigan with a Bachelor of Arts degree in marketing and finance.

*D. Brian Miller* was appointed as **Director of Asset Management** in October 2006. Prior to his current position, Mr. Miller served as the Manager of Multifamily Loan Compliance Department, as well as various other positions within the Asset Management Division since joining the Authority in November 1998. Mr. Miller has over fifteen years experience in financial services and asset management. Mr. Miller is a graduate of the University of Northern Colorado with a Bachelor's Degree in Finance.

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

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

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

## **Employees and Pension Information**

As of December 31, 2011, the Authority had approximately 194 full-time employees, all of whom were members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute 13.70% of each participating employee's gross salary to PERA in 2011. In 2011, the Authority's PERA contribution totaled approximately \$1,869,000, compared to an Authority contribution in 2010 of \$1,665,000. See footnote (11) of the audited 2011 financial statements of the Authority, included in **Appendix A** to this Official Statement, for further information.

## **Insurance Coverage**

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

## **Selected Financial Information**

The following is a brief summary of historical selected financial information for the Authority. The audited 2011 financial statements of the Authority included in **Appendix A** to this Official Statement also provide certain financial information about the Authority on a fund accounting basis, including a

description of its General Fund. This information has been included solely for purposes of providing a general overview for potential purchasers of the financial status of the Authority given that the Authority operates the programs which result in the Loans securing Bonds and Derivative Products under the Master Indenture and also services such Loans. The Bonds and Derivative Products are limited obligations of the Authority secured by and payable from the Trust Estate, except in the limited case of those Bonds and Derivative Products designated as general obligations of the Authority. See "Obligations of the Authority – General Obligations" and "The General Fund" under this caption. For specific information about the Trust Estate, see "Part I – CERTAIN PROGRAM ASSUMPTIONS" and "Part II – SECURITY FOR THE OBLIGATIONS" in the Official Statement and **Appendices B** and **G-2** of this Official Statement. *The overall financial status of the Authority does not indicate and will not necessarily affect whether amounts will be available in the Trust Estate to pay principal and interest on Bonds when due.*

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**Colorado Housing and Finance Authority**  
**Combining Schedule - Statement of Net Position**

December 31, 2011

(with summarized financial information for December 31, 2010)

(in thousands of dollars)

|   | General Programs  | Single Family    | Multi-Family/<br>Business | Eliminations    | 2011              | Summarized<br>2010 |
|---|-------------------|------------------|---------------------------|-----------------|-------------------|--------------------|
| <b>Assets</b>   |                   |                  |                           |                 |                   |                    |
| Current assets:   |                   |                  |                           |                 |                   |                    |
| Cash (Note 2)   |                   |                  |                           |                 |                   |                    |
| Restricted  | \$ 56,011         | \$ -             | \$ -                      | \$ -            | \$ 56,011         | \$ 75,483          |
| Unrestricted  | 33,281            | -                | -                         | -               | 33,281            | 16,498             |
| Investments (Note 2)                                      | 9,058             | 530,373          | 106,801                   | -               | 646,232           | 652,878            |
| Loans receivable (Note 3)                                 | 43,986            | 44,709           | 25,568                    | (562)           | 113,701           | 134,211            |
| Loans receivable held for sale (Note 3)                   | 38,206            | -                | -                         | -               | 38,206            | 47,478             |
| Accrued interest receivable                               | 3,339             | 8,865            | 4,865                     | (160)           | 16,909            | 20,075             |
| Deferred debt financing costs, net                        | 15                | 478              | 174                       | -               | 667               | 778                |
| Other assets  | 6,977             | 378              | 118                       | -               | 7,473             | 9,541              |
| Due (to) from other programs                              | (27,174)          | 20,345           | 6,829                     | -               | -                 | -                  |
| <b>Total current assets</b>                               | <b>163,699</b>    | <b>605,148</b>   | <b>144,355</b>            | <b>(722)</b>    | <b>912,480</b>    | <b>956,942</b>     |
| Noncurrent assets:  |                   |                  |                           |                 |                   |                    |
| Investments (Note 2)                                      | 658               | 154,576          | 83,204                    | -               | 238,438           | 219,983            |
| Loans receivable, net (Note 3)                            | 129,417           | 1,296,553        | 741,465                   | (16,290)        | 2,151,145         | 2,467,772          |
| Capital assets - non-depreciable (Note 4)                 | 5,026             | -                | -                         | -               | 5,026             | 5,547              |
| Capital assets - depreciable, net (Note 4)                | 19,134            | -                | -                         | -               | 19,134            | 21,194             |
| Other real estate owned, net                              | 3,515             | 4,448            | 2,656                     | -               | 10,619            | 12,505             |
| Deferred debt financing costs, net                        | 263               | 8,605            | 3,138                     | -               | 12,006            | 13,998             |
| Other assets  | 22,691            | -                | -                         | -               | 22,691            | 22,164             |
| <b>Total noncurrent assets</b>                            | <b>180,704</b>    | <b>1,464,182</b> | <b>830,463</b>            | <b>(16,290)</b> | <b>2,459,059</b>  | <b>2,763,163</b>   |
| <b>Total assets</b>                                       | <b>344,403</b>    | <b>2,069,330</b> | <b>974,818</b>            | <b>(17,012)</b> | <b>3,371,539</b>  | <b>3,720,105</b>   |
| <b>Total Deferred Outflows - Hedging</b>                  |                   |                  |                           |                 |                   |                    |
| Accumulated decrease in fair value of hedging derivatives | -                 | 135,763          | 131,647                   | -               | 267,410           | 180,245            |
| <b>Liabilities</b>  |                   |                  |                           |                 |                   |                    |
| Current liabilities:                                      |                   |                  |                           |                 |                   |                    |
| Short-term debt (Note 5)                                  | 46,100            | -                | -                         | -               | 46,100            | 87,900             |
| Bonds payable (Note 6)                                    | -                 | 311,847          | 9,665                     | -               | 321,512           | 299,187            |
| Notes payable (Note 6)                                    | 104               | -                | -                         | -               | 104               | 79                 |
| Accrued interest payable                                  | 1,178             | 14,433           | 10,093                    | (160)           | 25,544            | 25,641             |
| Federally assisted program advances                       | 458               | -                | -                         | -               | 458               | 60                 |
| Accounts payable and other liabilities                    | 45,605            | 1,071            | 743                       | -               | 47,419            | 65,063             |
| <b>Total current liabilities</b>                          | <b>93,445</b>     | <b>327,351</b>   | <b>20,501</b>             | <b>(160)</b>    | <b>441,137</b>    | <b>477,930</b>     |
| Noncurrent liabilities:                                   |                   |                  |                           |                 |                   |                    |
| Bonds payable, net (Note 6)                               | 70,285            | 1,629,772        | 860,303                   | -               | 2,560,360         | 2,910,329          |
| Derivative instruments                                    | 727               | 149,577          | 131,647                   | -               | 281,951           | 183,600            |
| Derivatives related borrowing                             | -                 | 27,253           | 26,354                    | -               | 53,607            | 59,972             |
| Notes payable (Note 6)                                    | 24,283            | -                | -                         | (16,852)        | 7,431             | 6,173              |
| Other liabilities (Note 6)                                | 22,237            | 872              | 832                       | -               | 23,941            | 8,767              |
| <b>Total noncurrent liabilities</b>                       | <b>117,532</b>    | <b>1,807,474</b> | <b>1,019,136</b>          | <b>(16,852)</b> | <b>2,927,290</b>  | <b>3,168,841</b>   |
| <b>Total liabilities</b>                                  | <b>210,977</b>    | <b>2,134,825</b> | <b>1,039,637</b>          | <b>(17,012)</b> | <b>3,368,427</b>  | <b>3,646,771</b>   |
| <b>Net position</b>                                       |                   |                  |                           |                 |                   |                    |
| Invested in capital assets, net of related debt           | 7,308             | -                | -                         | 16,852          | 24,160            | 26,741             |
| Restricted by bond indentures                             | -                 | 70,268           | 66,828                    | -               | 137,096           | 113,252            |
| Unrestricted (Note 10)                                    | 126,118           | -                | -                         | (16,852)        | 109,266           | 113,586            |
| <b>Total net position</b>                                 | <b>\$ 133,426</b> | <b>\$ 70,268</b> | <b>\$ 66,828</b>          | <b>\$ -</b>     | <b>\$ 270,522</b> | <b>\$ 253,579</b>  |

**Colorado Housing and Finance Authority**  
**Combining Schedule - Statement of Revenues, Expenses and Changes in Net Position**

For the year ended December 31, 2011

(with summarized financial information for the year ended December 31, 2010)

(in thousands of dollars)

|   | General<br>Program | Single<br>Family | Multi-Family/<br>Business | Eliminations | 2011          | Summarized<br>2010 |
|---|--------------------|------------------|---------------------------|--------------|---------------|--------------------|
| <b>Interest income and expense:</b>                         |                    |                  |                           |              |               |                    |
| Interest on loans receivable                                | \$ 12,719          | \$ 75,599        | \$ 47,564                 | \$ (1,285)   | \$ 134,597    | \$ 151,319         |
| Interest on investments                                     | 735                | 15,154           | 7,534                     | -            | 23,423        | 18,094             |
| Interest on debt  | (6,765)            | (89,676)         | (43,389)                  | 1,285        | (138,545)     | (141,458)          |
| Net interest income   | 6,689              | 1,077            | 11,709                    | -            | 19,475        | 27,955             |
| <b>Other operating income:</b>                              |                    |                  |                           |              |               |                    |
| Rental income   | 8,804              | -                | -                         | -            | 8,804         | 9,306              |
| Loan servicing income                                       | 13,633             | -                | (3)                       | -            | 13,630        | 13,058             |
| Section 8 administration fees                               | 5,052              | -                | -                         | -            | 5,052         | 4,629              |
| Gain on sale of loans                                       | 16,792             | -                | -                         | -            | 16,792        | 19,817             |
| Investment derivative activity loss                         | (527)              | (1,188)          | -                         | -            | (1,715)       | (473)              |
| Net increase (decrease) in the<br>fair value of investments | 74                 | 21,264           | 4,549                     | -            | 25,887        | 7,324              |
| Other revenues (losses)                                     | 255                | 506              | -                         | -            | 761           | 1,713              |
| Total other operating income                                | 44,083             | 20,582           | 4,546                     | -            | 69,211        | 55,374             |
| Total operating income                                      | 50,772             | 21,659           | 16,255                    | -            | 88,686        | 83,329             |
| <b>Operating expenses:</b>                                  |                    |                  |                           |              |               |                    |
| Salaries and related benefits                               | 18,210             | -                | -                         | -            | 18,210        | 17,808             |
| General operating   | 38,963             | 1,319            | 501                       | -            | 40,783        | 55,636             |
| Depreciation  | 3,684              | -                | -                         | -            | 3,684         | 3,773              |
| Provision for losses  | 3,791              | 4,746            | 499                       | -            | 9,036         | 6,521              |
| Total operating expenses                                    | 64,648             | 6,065            | 1,000                     | -            | 71,713        | 83,738             |
| <b>Net operating income (loss)</b>                          | <b>(13,876)</b>    | <b>15,594</b>    | <b>15,255</b>             | <b>-</b>     | <b>16,973</b> | <b>(409)</b>       |
| <b>Nonoperating revenues and expenses:</b>                  |                    |                  |                           |              |               |                    |
| Federal grant receipts                                      | 134,491            | -                | -                         | -            | 134,491       | 134,613            |
| Federal grant payments                                      | (134,491)          | -                | -                         | -            | (134,491)     | (134,613)          |
| Gains on sales of capital assets                            | (30)               | -                | -                         | -            | (30)          | 128                |
| Total nonoperating revenues, net                            | (30)               | -                | -                         | -            | (30)          | 128                |
| <b>Income before transfers</b>                              | <b>(13,906)</b>    | <b>15,594</b>    | <b>15,255</b>             | <b>-</b>     | <b>16,943</b> | <b>(281)</b>       |
| <b>Transfers from (to) other programs</b>                   | <b>7,005</b>       | <b>4,049</b>     | <b>(11,054)</b>           | <b>-</b>     | <b>-</b>      | <b>-</b>           |
| <b>Change in net position</b>                               | <b>(6,901)</b>     | <b>19,643</b>    | <b>4,201</b>              | <b>-</b>     | <b>16,943</b> | <b>(281)</b>       |
| <b>Net position:</b>  |                    |                  |                           |              |               |                    |
| Beginning of year   | 140,327            | 50,625           | 62,627                    | -            | 253,579       | 253,860            |
| End of year   | \$ 133,426         | \$ 70,268        | \$ 66,828                 | \$ -         | \$ 270,522    | \$ 253,579         |

## The General Fund

### *Generally*

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

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

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



*Financial Information for the General Fund*

The following table sets forth historical selected financial information for the General Fund for the five years ended December 31, 2011 as provided by the Authority.

**Colorado Housing and Finance Authority  
General Fund  
Selected Financial Information  
Years Ended December 31  
(in thousands of dollars)**

|  | <u>FY</u><br><u>2011</u> | <u>FY</u><br><u>2010</u> | <u>FY</u><br><u>2009*</u> | <u>FY</u><br><u>2008</u> | <u>FY</u><br><u>2007</u> |
|--|--------------------------|--------------------------|---------------------------|--------------------------|--------------------------|
| Interest and investment revenue:                               |                          |                          |                           |                          |                          |
| Loans receivable   | \$12,719                 | \$13,302                 | \$17,979                  | \$15,635                 | \$12,900                 |
| Investments  | 730                      | 426                      | 337                       | 1,807                    | 3,420                    |
| Net increase (decrease) fair value of<br>long-term investments | <u>74</u>                | <u>47</u>                | <u>(185)</u>              | <u>41</u>                | <u>(66)</u>              |
| Total interest and<br>investment revenue                       | 13,523                   | 13,775                   | 18,131                    | 17,483                   | 16,254                   |
| <br>Interest expense - bonds and notes<br>payable              | <br><u>5,722</u>         | <br><u>5,603</u>         | <br><u>6,457</u>          | <br><u>8,989</u>         | <br><u>9,718</u>         |
| Net interest and investment revenue                            | 7,801                    | 8,127                    | 11,674                    | 8,494                    | 6,536                    |
| <br>Other revenue (expense):                                   |                          |                          |                           |                          |                          |
| Rental operations  | 8,804                    | 9,306                    | 7,460                     | 8,424                    | 10,882                   |
| Fees and miscellaneous income                                  | 35,731                   | 39,219                   | 27,106                    | 17,592                   | 17,432                   |
| Hedging activity loss  | (527)                    | (200)                    | --                        | --                       | --                       |
| Gain on sales of capital assets                                | <u>(30)</u>              | <u>128</u>               | <u>2</u>                  | <u>6,091</u>             | <u>6,650</u>             |
| Total other revenue  | <u>43,978</u>            | <u>48,453</u>            | <u>34,568</u>             | <u>32,107</u>            | <u>34,964</u>            |
| Net revenue  | 51,779                   | 56,625                   | 46,242                    | 40,601                   | 41,500                   |
| <br>Other expenses:  |                          |                          |                           |                          |                          |
| Salaries and related benefits                                  | 18,210                   | 17,808                   | 16,180                    | 14,935                   | 14,341                   |
| General operating  | 38,962                   | 54,306                   | 16,334                    | 14,160                   | 15,626                   |
| Provision for losses   | 3,791                    | 2,917                    | 3,662                     | 2,985                    | (300)                    |
| Other interest expense   | 1,038                    | 1,068                    | 1,099                     | 1,137                    | 1,465                    |
| Transfers  | (7,005)                  | (2,236)                  | (4,078)                   | 10,663                   | (3,644)                  |
| Depreciation   | <u>3,684</u>             | <u>3,773</u>             | <u>3,159</u>              | <u>2,685</u>             | <u>2,722</u>             |
| Total other expense  | <u>58,680</u>            | <u>77,636</u>            | <u>36,356</u>             | <u>46,565</u>            | <u>30,210</u>            |
| Change in net assets   | <u>\$(6,901)</u>         | <u>\$(21,011)</u>        | <u>\$ 9,886</u>           | <u>\$(5,964)</u>         | <u>\$ 11,290</u>         |
| Net Assets, end of year  | <u>\$133,426</u>         | <u>\$140,326</u>         | <u>\$161,337</u>          | <u>\$151,451</u>         | <u>\$157,415</u>         |
| Bonds and Notes Payable  | <u>\$140,773</u>         | <u>\$190,178</u>         | <u>\$203,041</u>          | <u>\$287,704</u>         | <u>\$203,029</u>         |
| Total Assets   | <u>\$344,403</u>         | <u>\$420,491</u>         | <u>\$400,426</u>          | <u>\$471,057</u>         | <u>\$392,943</u>         |

\* As restated in the audited financial statements of the Authority for the year ended December 31, 2010.

Sources: Derived based on the audited financial statements of the Authority for years ended December 31, 2007-2011. See the audited 2011 financial statements of the Authority, included in this Official Statement as **Appendix A**.

## Financial Statements of the Authority

The most recent audited financial statements of the Authority are included as **Appendix A** to this Official Statement.

## Authority Policy Regarding Swaps

The Master Indenture permits the Authority to enter into "Derivative Products," which include interest rate exchange or swap contracts, cash flow exchange contracts, forward swaps, interest rate floors, caps or collars and other derivative products which qualify as "Derivative Contracts" under the Indenture. See **Appendix B** and "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products." Under the master indenture relating to its Single-Family Program Bonds and under the general resolution relating to its Multifamily Housing Insured Mortgage Revenue Bonds, the Authority is also permitted to, and has entered into, certain derivative products which are described in footnote (8) of the audited 2011 financial statements of the Authority, included as **Appendix A** to this Official Statement.

## Programs to Date

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

### *Commercial Loan Programs*

Rental Finance Programs. The Commercial Lending Division of the Authority encompasses the business finance programs (described below) as well as the rental finance programs under which the Authority makes mortgage loans to qualified sponsors of low and moderate income multi-family housing within Colorado. As part of its rental finance activities, the Authority makes mortgage loans insured by an agency or instrumentality of the United States. The insured rental loans made by the Authority must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured rental loans made to date have been insured by the Federal Housing Administration ("**FHA**") under Sections 221(d)(3), 221(d)(4) and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. These insured rental loans have been funded by the Authority as described in "Obligations of the Authority – Commercial Loan Programs" under this caption. In the case of a Section 542(c) claim, the Authority is responsible to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such claim. See "Obligations of the Authority – General Obligations – Loans Backed by Authority General Obligation" under this caption. For certain information regarding the Authority's outstanding insured rental loans, see footnote (3) to the audited 2011 financial statements of the Authority included in this Official Statement as **Appendix A**.

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

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

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

Under its *Rental Acquisition Program* (the "**RAP Program**"), the Authority acquires and rehabilitates apartment buildings located throughout Colorado for rental to persons and families of low and moderate income. The Authority contracts with private entities to manage such buildings. For certain information concerning the RAP Program and facilities acquired, rehabilitated and operated by the Authority, see footnotes (1) and (4) to the audited 2011 financial statements of the Authority, included as **Appendix A** to this Official Statement. During 2006, the Authority made the decision to sell a majority of the facilities it then owned under the RAP Program. The facilities were offered for sale to local housing authorities where the facilities are located, and, if those parties were not interested in the purchase, the Authority offered such facilities to for-profit and nonprofit corporations interested in the purchase. As of this date, the Authority has completed the sale of all of the facilities owned under the RAP Program. By its sale of these facilities, the Authority has offered valuable assets at a reasonable price to organizations whose mission is the development and preservation of affordable rental housing in Colorado. In all of such sales, the purchasing parties either agreed to maintain the existing number of units with affordability requirements or increase the number of units with affordability requirements. The sale of these properties does not imply that the Authority is discontinuing or closing the RAP program. The Authority intends to seek opportunities to acquire other rental properties in underserved areas within the State of Colorado at such time as such transactions support the goals of the Authority with respect to affordable rental housing in Colorado.

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

business having a twenty percent or greater ownership interest. A guaranty is also required from the operating company if different from the Borrower.

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

In connection with its *Special Projects financing program*, the Authority has financed business loans to corporations for certain manufacturing and solid waste disposal facility projects. The Authority has also made an uninsured business loan to a for-profit borrower to finance a project at the United States Air Force Academy in Colorado Springs, Colorado. The Authority also makes loans under its Rural Development Loan Program (the "**RDLP**"), financed through the Intermediary Relending Program offered by the U.S. Department of Agriculture. For the RDLP, the Authority targets Colorado businesses in select rural communities with populations of less than 25,000. Loans can be used to purchase owner-occupied commercial real estate and equipment, and the maximum loan size is \$500,000.

The business loan programs of the Authority also include the SBA 7a, FSA and RD Programs described below. Under these programs, the Authority purchases the guaranteed portion of a business loan (the "**participation interest**"), and is thereby able to provide the borrower with the safety and predictability of a fixed-rate throughout the term of the loan at an attractive interest rate. Additionally, each of these secondary market programs is a source of profit and liquidity for originating lenders.

The *SBA 7a Guaranty Purchase Program ("SBA 7a Program")* is a secondary market program whereby the Authority purchases the guaranteed portion of loans originated by local lenders and guaranteed by the SBA. Typically, the Authority markets the SBA 7a Program to local lenders and potential borrowers and purchases the participation interest (which is 100% guaranteed by the SBA). Proceeds of these participation interests may be used to fund real estate, equipment, machinery and working capital.

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

The *Rural Development Guaranty Purchase Program ("RD Program")* creates a secondary market for the purchase of the United States Rural Business Service ("**RBS**") guaranteed portion of qualified loans with funds provided by the Authority. Participating lenders originate loans according to their own credit criteria and RBS requirements. The RD Program provides fixed-rate financing on the guaranteed portion of RBS loans made to borrowers located in a rural community serviced by RBS guaranteed lenders.

#### *Single Family Mortgage Programs*

Under its Single Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings directly to individual borrowers or may purchase such mortgage loans from qualified originating Mortgage Lenders. The Authority presently acquires mortgage loans under its *Qualified Single Family Mortgage Program* and its *Non-Qualified Single Family Mortgage Program*. Under its Qualified Single Family Mortgage Program, the Authority may make mortgage loans to Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. The Authority permits Eligible Borrowers under its Non-Qualified Single Family Mortgage Program to meet certain income limits which are somewhat higher than the limits permitted for the Qualified Single Family Mortgage Program. There is also no limit on prior home ownership or limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-Qualified Single Family Mortgage Program, although the Authority does not exceed the Fannie Mae conforming loan limits. Proceeds of a mortgage loan under the Non-Qualified Single Family Mortgage Program may also be used under the Authority's refinancing program to refinance existing Mortgage Loans. In many other respects, the requirements for the Non-Qualified Single Family Mortgage Program are the same as the requirements for the Authority's Qualified Single Family Mortgage Program. The Authority is in the process of revising all of its procedures in order to accommodate a broader range of programs involving the purchase and sale of single family mortgage loans. For certain information regarding the outstanding mortgage loans acquired under the Single Family Mortgage Programs, see footnote (3) to the audited 2011 financial statements of the Authority included in this Official Statement as **Appendix A**.

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

The following is a summary of certain obligations incurred by the Authority to provide funds for and otherwise operate the Authority and the programs described in "Programs to Date" under this caption. This summary has been included solely for purposes of providing information to assist a potential investor in evaluating the Authority's financial status. See also footnote (6) to the audited 2011 financial statements of the Authority included in this Official Statement as **Appendix A**.

#### *Commercial Loan Programs*

The Authority has financed rental loans with proceeds of its Multifamily Housing Insured Mortgage Revenue Bonds (outstanding as of April 1, 2012 in an aggregate principal amount of \$76,215,000) and, since 2000, has financed rental and business loans and certain guaranteed participation interests with proceeds of its Multi-Family/Project Bonds (referred to as "**Bonds**" in this Official Statement) under the Master Indenture, which were outstanding as of April 1, 2012 in an aggregate

principal amount of \$782,520,000. This outstanding amount does not include the 2012 Series A Bonds described in this Official Statement. See **Appendix B** for further detail about the Bonds. Certain of the Multi-Family/Project Bonds are secured by the full faith and credit of the Authority, as described in "General Obligations – Multi-Family/Project Bonds" under this caption.

Bonds secured by a pledge of loan revenues as well as bonds secured by loan revenues and the general obligation of the Authority have also been privately placed to institutional purchasers by the Authority in order to finance rental loans. See "General Obligations – Privately Placed Bonds" under this caption. Projects in the RAP Program have been acquired using a combination of revenue bonds, the Authority's general fund monies, proceeds of general obligation bonds and non-recourse seller carryback financing. See footnote (6) of the audited 2011 financial statements of the Authority included in **Appendix A** for more information regarding these outstanding bonds and notes. The Authority has also acted as a conduit issuer of bonds supported by letters of credit or other credit facilities. These conduit bonds are payable only with amounts received from the conduit borrower, and are therefore not reported as obligations of the Authority on its financial statements. See footnote (7) of the audited financial statements of the Authority, included as **Appendix A** to this Official Statement.

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

#### *Single Family Mortgage Programs*

In connection with its Single Family Mortgage Programs, the Authority has issued its Single Family Mortgage Bonds under a master indenture, payable from the revenues of mortgage loans held under the master indenture, outstanding as of April 1, 2012 in the aggregate principal amount of \$1,594,340,000. In addition, prior to 2000, the Authority issued numerous series of its Single Family Program Bonds as senior and subordinate bonds under separate indentures of trust, payable from the revenues of pledged mortgage loans pledged under such respective indentures, which bonds were outstanding as of April 1, 2012 in the aggregate principal amount of \$37,319,102. Among these outstanding bonds are Class III Single Family Mortgage Bonds outstanding under the master indenture and Subordinate bonds issued by the Authority as part of the outstanding Single Family Program Bonds under separate indentures which are general obligations of the Authority, as described in "General Obligations – Single Family Bonds – Class III Bonds and Subordinate Bonds" under this caption.

For more detailed information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see [www.chfainfo.com](http://www.chfainfo.com) and footnote (6) of the audited 2011 financial statements of the Authority attached in **Appendix A**. The Authority has also issued general obligation bonds through private placement in order to finance single family mortgage loans. See "General Obligations – Privately Placed Bonds" under this caption.

The Authority previously issued its 2009AA Program Bonds, under a Master Indenture dated as of December 1, 2009 (the "**NIBP Master Indenture**"), payable from amounts on deposit in an escrow fund until converted and thereafter payable from the revenues of mortgage loans and mortgage-backed securities held thereunder. In May, 2011, the Authority converted \$58,800,000 aggregate principal amount of its 2009AA Program Bonds and issued its Single Family Program Class I Bonds, Series

2011AA (Mortgage-Backed Securities Program) in the aggregate principal amount of \$39,200,000 under the NIBP Master Indenture, the proceeds of which were used to finance Mortgage Loans through the purchase of mortgage-backed securities guaranteed by Ginnie Mae ("**Ginnie Mae Certificates**"). The bonds secured by Ginnie Mae Certificates under the NIBP Master Indenture were outstanding as of April 1, 2012 in the aggregate principal amount of \$96,415,000. In March 2012, \$106,325,000 aggregate principal amount of 2009AA Program Bonds under the NIBP Master Indenture which remained unconverted as of December 31, 2011 were redeemed with escrowed amounts. Bonds secured by escrowed amounts in the aggregate principal amount of \$110,085,000 remained outstanding under the NIBP Master Indenture as of April 1, 2012.

The Authority's financing activities in connection with the Single Family Mortgage Programs also include the sale of certain single family mortgage loans to Fannie Mae and the issuance and sale of Ginnie Mae Certificates in order to finance first mortgage loans as part of the Non-Qualified Single Family Mortgage Programs.

For more detailed information concerning the outstanding bonds of the Authority issued in connection with its Single Family Mortgage Programs, see footnote (6) of the audited 2011 financial statements of the Authority, included as **Appendix A** to this Official Statement. The Authority has also issued general obligation bonds through private placement in order to finance single family mortgage loans. See "General Obligations – Privately Placed Bonds" under this caption.

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

#### *General Obligations*

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

Multi-Family/Project Bonds. The Authority has issued Class I Bonds (outstanding as of April 1, 2012 in an aggregate principal amount of \$261,765,000) in order to finance business loans which Class I Bonds are payable not only from a senior lien on loan revenues but also as general obligations of the Authority. The Authority has also issued Class II Bonds (outstanding as of April 1, 2012 in the aggregate principal amount of \$21,820,000) and Class III Bonds (outstanding as of April 1, 2012 in an aggregate principal amount of \$1,665,000) in order to finance certain rental and business loans. These Class II Bonds and Class III Bonds are payable from loan revenues on a subordinate lien basis to the Class I Bonds and also as general obligations of the Authority. See **Appendix B** for more information about these Bonds.

Single Family Bonds – Class III Bonds and Subordinate Bonds. The Authority has issued Class III Single Family Mortgage Bonds, the proceeds of which have been used to finance mortgage loans for the Single Family Mortgage Programs. These Class III Bonds, outstanding in the aggregate principal amount of \$53,480,000 as of April 1, 2012, are payable from mortgage loan revenues under the Master Indenture and are also general obligations of the Authority. The Subordinate Bonds for the various series of the Authority's Single-Family Program Senior and Subordinate Bonds are payable from mortgage loan

revenues on a subordinate lien basis and are also general obligations of the Authority. The aggregate principal amount of such Subordinate Bonds as of April 1, 2012 was \$210,000.

Privately Placed Bonds. The Authority has issued general obligation bonds through private placement in order to finance rental loans. As of April 1, 2012, such privately placed bonds were outstanding in an aggregate principal amount of \$21,377,000. The Authority has also funded participation interests and business loans using proceeds of its privately placed bonds, outstanding as of April 1, 2012 in the aggregate principal amount of \$17,362,255. In addition, the Authority has issued general obligation bonds through private placement in order to finance single family mortgage loans. As of April 1, 2012, such privately placed bonds were outstanding in an aggregate principal amount of \$24,483,001.

Loans Backed by Authority General Obligation. The Authority has acquired or originated certain uninsured rental and business loans using proceeds of, and pledged to the repayment of, the Bonds, outstanding as of April 1, 2012 in the aggregate principal amount of \$313,398,742. See **Appendix G-2**. The Authority has pledged its full faith and credit to the payment of a substantial portion of such loans to the extent necessary to prevent a default on the Bonds. The Authority has also assumed as a general obligation 50% risk of loss in the mortgage loans acquired by the Authority and insured by the FHA under Section 542(c) of the Housing and Community Development Act of 1992, as amended. As of April 1, 2012, such 542(c) mortgage loans were outstanding in the amount of \$230,234,926 (\$32,743,152 held under the General Resolution and securing the Multifamily Housing Insured Mortgage Revenue Bonds and \$197,491,774 held under the Master Indenture and securing the Bonds). In the case of a §542(c) claim, the Authority is responsible, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after the final settlement of such claim. The Trust Estate securing the Bonds is not pledged or obligated to the payment of such reimbursement to FHA. See "Programs to Date – Commercial Loan Programs – Rental Finance Programs" under this caption. To date, the Authority has incurred risk-sharing losses of approximately \$11.8 million following the defaults on insured mortgage loans for certain projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with FHA. In addition, the mortgage loans for the Platte Valley Village II project in the approximate aggregate principal amount of \$1.781 million, for the Fox Run Apartments project in the approximate aggregate principal amount of \$3.455 million and for the Gold Camp Apartments project in the approximate aggregate principal amount of \$1.195 million have also defaulted. The Authority has filed insurance claims and received insurance proceeds from HUD with respect to these loans. It is likely that the Authority will incur a risk-sharing liability with respect to these loans, for which the Authority believes it is adequately reserved.

Derivative Products: Interest Rate Contracts. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under the Derivative Products relating to the Bonds under the Single Family Master Indenture and under the interest rate contracts relating to the Single Family Mortgage Bonds under the related master indenture. See **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Derivative Products." See also "Authority Policy Regarding Swaps" under this caption and footnote (8) to the audited 2011 financial statements of the Authority included in this Official Statement as **Appendix A**.

Other Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for borrowings from time to time. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of April 1, 2012, borrowings in the aggregate principal amount of \$47,050,000 were outstanding under those agreements. See footnote (5) to the audited 2011 financial statements of the Authority included in this Official Statement as **Appendix A**. The Authority has also borrowed amounts evidenced by Rural Business Cooperative Service Notes (outstanding as of April 1,



2012 in the aggregate principal amount of \$1,800,370), which have been used to finance project or working capital loans or participations therein for small businesses in rural areas. The Authority has pledged its full faith and credit to the payment of such notes.

General Obligation Ratings. Moody's has assigned an "A2" rating and S&P has assigned an "A" rating, both with stable outlook, to the Authority's ability to repay its general obligation liabilities. The ratings have been assigned based on the Authority's management, financial performance and overall program performance. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if, in the judgment of the issuing rating agency, circumstances so warrant.

*Summary of Certain Authority Obligations*

The following is a table which lists certain obligations of the Authority and sets forth the respective outstanding amount for such obligations as of April 1, 2012. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

**Summary of Certain Authority Obligations as of April 1, 2012**

| <u>Certain Authority Obligations</u>                                    | <u>Outstanding Amount<br/>(April 1, 2012)</u> |
|---|---|
| Multifamily Housing Insured Mortgage Revenue Bonds (General Resolution) | \$76,215,000                                  |
| Multi-Family/Project Bonds (Master Indenture) (1)                       | 782,520,000                                   |
| Single Family Mortgage Bonds (2001 Master Indenture)                    | 1,594,340,000                                 |
| Single Family Program Senior/Subordinate Bonds (Separate Indentures)    | 37,319,102                                    |
| Single Family Bonds (NIBP Master Indenture)                             | 206,500,000                                   |
| Privately Placed Bonds:   |   |
| Rental Finance  | 21,377,000                                    |
| Business Finance  | 17,362,255                                    |
| Single Family   | 24,483,001                                    |

(1) These are the Bonds issued and outstanding under the Master Indenture. See **Appendix B** for more information about the Bonds. This outstanding amount does not include the 2012 Series A Bonds described in this Official Statement, which will constitute Bonds under the Master Indenture.

The following table identifies the specific components of the Authority Obligations listed on the preceding table which are general obligations of the Authority as well as other general obligations of the Authority as of April 1, 2012. Further detail regarding these items is provided under the other subcaptions of "Obligations of the Authority."

### General Obligations of the Authority as of April 1, 2012

| General Obligations                      | Outstanding Amount<br>(April 1, 2012) |
|--|---------------------------------------|
| Multi-Family/Project Bonds:              |                                       |
| Class I                                  | \$261,765,000                         |
| Class II                                 | 21,820,000                            |
| Class III                                | 1,665,000                             |
| Single Family Mortgage Bonds, Class III  | 53,480,000                            |
| Single-Family Program Subordinate Bonds  | 210,000                               |
| Privately Placed Bonds:                  |                                       |
| Rental Finance                           | 21,377,000                            |
| Business Finance                         | 17,362,255                            |
| Single Family                            | 24,483,001                            |
| Other Borrowings:                        |                                       |
| Lines of Credit                          | 47,050,000                            |
| Rural Business Cooperative Service Notes | 1,800,370                             |

## SECURITY FOR THE OBLIGATIONS

### Pledge of Trust Estate

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

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

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

**In no event shall the 2012 Series A Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof (other than the general credit of the Authority, which general credit is not pledged for the payment of the Bonds except in the case of Bonds specifically designated as general obligations of the Authority).**

## **Revenues**

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

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

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

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

## **The Loans and Authority Projects**

### *Master Indenture Requirements*

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

### *Outstanding Loans, Authority Projects and Fund Balances*

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

## **Debt Service Reserve Fund**

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

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

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

### **Liquidity Facilities**

Pursuant to the respective Series Indenture, the Authority has entered into, and expects in the future to enter into, Liquidity Facilities in connection with Adjustable Rate Bonds issued under the Master Indenture. See **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Liquidity Facilities" for a description of the outstanding Liquidity Facilities under the Master Indenture. **There will be no Liquidity Facility entered into in connection with the 2012 Series A Bonds.** The Authority may elect to replace any Liquidity Facility with an Alternate Liquidity Facility. The Authority shall promptly notify the Trustee, the Remarketing Agent with respect to the applicable series of the Adjustable Rate Bonds and the Paying Agent of the Authority's intention to deliver an Alternate Liquidity Facility at least 45 days prior to such delivery. Upon receipt of such notice, if the Alternate Liquidity Facility is to be provided by an entity other than the provider of the then current Liquidity Facility, the Trustee will promptly mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of such Alternate Liquidity Facility, by first-class mail (or transmitted in such other manner as may be customary for the industry as directed in writing by the Authority) to the related Remarketing Agent, and to each Owner of the Adjustable Rate Bonds at such Owner's registered address, at least 30 days prior to delivery of the Alternate Liquidity Facility.

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

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

### **Derivative Products**

In connection with the issuance of certain Adjustable Rate Bonds, the Authority has entered, and expects in the future to enter, into interest rate swap agreements (the "**Derivative Products**") with a counterparty with respect to such Adjustable Rate Bonds. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations – Derivative Products; Interest Rate Contracts," "Part II – CERTAIN BONDOWNERS' RISKS – Risks Related to Derivative Products" and **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Derivative Products." **There will be no Derivative Product entered into in connection**

**with the 2012 Series A Bonds.** Any payments or receipts received by the Authority under the Derivative Products will be pledged as Revenues, as described in **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Derivative Products." The Authority's obligation to make regular interest payments to the Counterparty under each of the Derivative Products has constituted, and is expected in the future to constitute, a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations, other than as indicated in **Appendix B**. The Authority's obligation to make termination payments under each of the Derivative Products in the event of early termination, and in the future is expected to be, a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS – Risks Related to Derivative Products" and "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations."

### **Issuance of Additional Bonds**

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

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## **CERTAIN BONDOWNERS' RISKS**

### **Limited Security**

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

### **Origination of New Loans**

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

### **Considerations Regarding Redemption**

#### *Generally*

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

Current adverse economic conditions in the State and high vacancy rates in most rental housing markets have contributed to shortfalls in projected cashflows for a number of rental projects financed by the Authority. The Authority is actively monitoring its portfolio and undertaking workouts with borrowers as appropriate.

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, EXCEPT AS OTHERWISE PROVIDED IN THE RELATED SERIES INDENTURE, THE BONDS MAY BE REDEEMED PRIOR TO THEIR STATED MATURITY FROM ANY MONEYS AND/OR INVESTMENT SECURITIES ON DEPOSIT IN THE RESPECTIVE ACCOUNTS OF THE REDEMPTION FUND, INCLUDING UNEXPENDED BOND PROCEEDS, EXCESS REVENUES FROM REGULAR LOAN PAYMENTS, VOLUNTARY OR INVOLUNTARY PREPAYMENTS AND AMOUNTS DEPOSITED AS A RESULT OF ANY OTHER EVENT AS DESCRIBED HEREIN. SEE "PART I – TERMS OF THE 2012 SERIES A BONDS – PRIOR REDEMPTION." THE TIME OR RATE OF SUCH PREPAYMENTS OR DEPOSITS CANNOT BE PREDICTED. **However, it is assumed that a substantial portion of each Series of Bonds subject to such special redemption under**

**the Indenture will be redeemed prior to their respective stated maturities at a redemption price equal to the principal amount of such Series of Bonds to be redeemed, without premium (except in limited circumstances). The 2012 Series A Bonds are subject to redemption as described in "Part I – TERMS OF THE 2012 SERIES A BONDS – Prior Redemption" of this Official Statement.**

#### *Loan Conversion Redemption Considerations*

For the 2012A Loan to be insured under the Section 542(c) program, the Authority must, in accordance with FHA and HUD regulations, submit a closing docket with required documentation, including certain representations and certificates, to HUD for approval. After review of the closing docket and other materials and provided that all required documentation has been submitted and approved, HUD must endorse the 2012A Loan for insurance ("**Risk-Share Insurance**") to be provided by HUD, acting through the FHA, pursuant to the provisions of Section 542(c) of the Housing and Community Development Act of 1992, as amended. If the Project is not completed or the closing docket does not otherwise comply with HUD's requirements for endorsement, the 2012A Loan will not be endorsed by HUD for Risk-Share Insurance. If such HUD endorsement is not obtained by the Required Date, the 2012 Series A Bonds will become subject to extraordinary special redemption as described in "Part I – TERMS OF THE 2012 SERIES A BONDS – Prior Redemption – Extraordinary Special Redemption" and "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2012A Loan." See also **Appendix G-1** – "CERTAIN INFORMATION REGARDING THE 2012A LOAN AND THE PROJECT – Security for the 2012A Loan – Post-Conversion Security."

#### **Tax Exempt Status of Tax-Exempt Bonds**

The opinion to be delivered by Bond Counsel concurrently with delivery of any tax-exempt Bonds as described in "Part I – TAX MATTERS" will assume compliance by the Authority and the 2012A Borrower with certain requirements of the Tax Code that must be met subsequent to the issuance of such Bonds. The Authority and the 2012A Borrower will certify, represent and covenant to comply with such requirements. Failure to comply with such requirements could cause the interest on the tax-exempt Bonds to be included in gross income, or could otherwise adversely affect such opinions, retroactive to the date of issuance of such Bonds. Furthermore, the opinion of Bond Counsel is rendered as of the date of delivery of the particular Series of Bonds and speaks only to laws in effect as of such date. Amendments to federal and state tax laws are proposed from time to time and could be enacted in the future. There can be no assurance that any such future amendments will not adversely affect the value of such Series of Bonds, the exclusion of interest on the tax-exempt Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the particular Series of Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

#### **Conditions to Payment of FHA Insurance**

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



## Risks Related to Derivative Products

Each of the Derivative Products exposes the Authority to certain risks including, but not limited to, the risk that payments received by the Authority from the applicable Counterparty could be substantially less than the floating rate interest payments due on the related Series of Bonds. Pursuant to each of the Derivative Products, the Authority will pay interest to the Counterparty at a fixed rate and will receive interest from the Counterparty at a variable rate which will be based on a LIBOR or SIFMA Index. To the extent Counterparty payments are based on a LIBOR or SIFMA Index, the amount of actual interest payments due on the respective Adjustable Rate Bonds may differ from the amount of such interest payments to be made by the Counterparty and the Trust Estate may not be sufficient to pay interest as due.

The payment obligations of the Authority under the Derivative Products do not remove the obligations of the Authority to pay interest on the related Series of Bonds from the Trust Estate. A negative change to the financial position of any of the Counterparties (including bankruptcy or insolvency) at any time may negatively impact payments to the Authority pursuant to the applicable Interest Rate Contract to an extent that cannot be determined. In addition, each Interest Rate Contract is subject to termination upon the occurrence of certain events, and no assurance can be given that the Derivative Products, or any of them, will continue to be in effect. None of the Derivative Products provide a source of credit or security for the Bonds. The Owners of the Bonds do not have any rights under any Interest Rate Contract or against any Counterparty. See "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products" and **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Derivative Products." See also footnote (8) to the audited 2011 financial statements of the Authority for a description of certain further risks associated with the Derivative Products

## Risks Related to Liquidity Providers and Liquidity Facilities

### *Creditworthiness of the Liquidity Providers*

The short-term credit ratings of the Adjustable Rate Bonds under the Master Indenture are based on the issuance of the respective Liquidity Facilities relating to such Adjustable Rate Bonds. Such ratings are based solely on the general credit of the respective Liquidity Provider. Any downgrade in the ratings of the related Liquidity Provider may impact the interest rate of the related Adjustable Rate Bonds.

Each Liquidity Facility provides the Trustee with the liquidity support necessary to purchase the applicable Adjustable Rate Bonds deemed tendered for purchase as described in the related Series Indenture. If remarketing proceeds are not sufficient to provide funds sufficient to pay the purchase price of tendered Adjustable Rate Bonds, the Trustee is required to draw funds under the applicable Liquidity Facility. The ability of the respective Liquidity Provider to honor such drawings may be adversely affected by its financial condition at the time of such draws. No assurance is given as to the current or future financial condition of any Liquidity Provider or the financial condition of any entity with which any Liquidity Provider may merge or by which it may be acquired. For more information about the Liquidity Providers and Outstanding Liquidity Facilities, see **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS – Outstanding Liquidity Facilities." If a Liquidity Provider becomes insolvent or otherwise becomes a debtor in bankruptcy, timely payment of the purchase price of related Adjustable Rate Bonds subject to tender for purchase might depend entirely on the sufficiency of the Trust Estate to pay such amounts.

### *Inability to Obtain Substitute Liquidity Facility*

Each Liquidity Facility expires on a particular date which is much earlier than the maturity dates of the related Adjustable Rate Bonds. See **Appendix B**. No assurances can be given that the Authority will be able to extend any of the Liquidity Facilities or obtain a Substitute Liquidity Facility with respect to any series of Adjustable Rate Bonds upon the terms required by the respective Series Indenture until and including the final maturity dates of such Adjustable Rate Bonds or until the interest rate on such Adjustable Rate Bonds is converted to a Fixed Rate. Failure to extend a Liquidity Facility or obtain a Substitute Liquidity Facility will result in a mandatory purchase of the related Adjustable Rate Bonds prior to maturity at a price of par. The mandatory purchase of such Adjustable Rate Bonds on such a mandatory bond purchase date may not be waived. As a result, related Adjustable Rate Bonds subject to such mandatory purchase will become Bank Bonds under the Master Indenture. See "Interest Costs Associated with Bank Bonds" under this caption.

### *Increased Costs Associated with Bank Bonds*

Pursuant to the Liquidity Facilities, certain unpaid fees will bear interest at the "Default Rate" and Bank Bonds will bear interest at a rate as set forth in the related Liquidity Facilities. Those interest rates can be substantially higher than the variable rate that otherwise would apply to the calculation of interest on the Adjustable Rate Bonds; any increase in those interest rates increases the amount of interest payable by the Trust Estate under the Master Indenture and may affect its sufficiency to pay the Bonds. These outstanding Bank Bonds bear interest at rates substantially higher than the variable rate that would otherwise apply and, in connection with several Series, principal and interest on such Bank Bonds will be payable under the accelerated amortization provisions of the related Liquidity Facility. Payments of interest and regularly scheduled principal, as such principal may be redeemed prior to regularly scheduled payment dates, on such Bank Bonds are on parity with the lien of the related Adjustable Rate Bonds which have been purchased. Principal payments due on the Bank Bonds following any acceleration by the Liquidity Facility Provider will be Class III Obligations and constitute general obligations of the Authority. See "Inability to Obtain Substitute Liquidity Facility" under this caption.

### **Expiration of HAP Contracts**

A portion of the insured and uninsured rental loans pledged to secure Obligations under the Master Indenture are secured in part by housing assistance payments ("**HAP**") contracts with terms expiring prior to expiration of the related insured and uninsured rental loan. Generally, these HAP contracts are renewals of previous HAP contracts, in some cases after "mark-to-market" mortgage restructurings, pursuant to the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. The insured and uninsured rental loans typically require borrowers to renew the respective HAP contract for the longer of the minimum period that the related project is subject to low-income occupancy and rent restrictions under the CHFA Regulatory Agreement (15 or 20 years) or the period the insured or uninsured rental loan is outstanding. There is no assurance that such renewals will be provided by HUD, as they are subject, among other things, to the availability of Congressional appropriations. The failure or inability to renew the HAP contracts could adversely affect the sufficiency of Revenues and assets pledged under the Master Indenture for payment of the Bonds outstanding thereunder or increase the level of prepayments. See "Considerations Regarding Redemption" under this caption. For more information regarding the Section 8 Subsidy Program as it applies to the Loans securing the Bonds, see **Appendix I** hereto. For information about the Section 8 contracts relating to the Project, see **Appendix G-1** hereto.

## **Enforcement of Regulatory Agreements**

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

*There is no provision in the Bonds or the Indenture for an acceleration of the indebtedness evidenced by the Bonds or payment of additional interest in the event interest on the Bonds were declared taxable, and the Authority will not be liable under the Bonds or the Indenture for any such payment on the Bonds whatsoever. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2012A Loan."*

## **NO IMPAIRMENT OF CONTRACT BY THE STATE**

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

## **LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS**

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

## **INDEPENDENT AUDITORS**

The financial statements of the Authority for the year ended December 31, 2011 (with comparative financial information for 2010), included in this Official Statement as **Appendix A**, have been audited by KPMG LLP, independent auditors, as stated in their report appearing therein. Such financial statements represent the most current audited financial information available for the Authority. KPMG LLP has not performed any procedures related to this Official Statement.

## MISCELLANEOUS

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All quotations from, and summaries and explanations of the statutes, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents, including the Indenture, 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 2012 Series A Bonds.

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

By: /s/ Cris A. White  
Executive Director

**APPENDIX A**

**Annual Financial Report  
(With Independent Auditor's Report Thereon)  
For the Year Ended December 31, 2011  
(With comparative financial information for 2010)**

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**COLORADO HOUSING AND FINANCE AUTHORITY**  
**ANNUAL FINANCIAL REPORT**  
**(With Independent Auditors' Report Thereon)**  
**For the Year Ended December 31, 2011**  
**(With comparative financial information for 2010)**



*Prepared by:*  
*Accounting Division*

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# COLORADO HOUSING AND FINANCE AUTHORITY – Annual Financial Report

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**EXECUTIVE LETTER**

**Message from Cris White,  
Executive Director and CEO  
March, 2012**

Since the economic decline of 2008, Colorado's community and business leaders have been focused on restoring economic stability through job creation, collaboration, and innovation. These efforts have begun to show results. By year end, Colorado's unemployment was 7.9 percent, down one percent from the previous year. And while the median single family home sales price decreased by 2 percent; the number of units sold increased by 2 percent. CHFA has worked to assist these efforts by furthering our mission of affordable housing and economic development finance.

In 2011, CHFA's Home Finance Division delivered over \$394 million in loan production serving 2,609 households. Nearly one-fourth of our home finance customers purchased foreclosed or abandoned properties, helping restore stability to Colorado neighborhoods. Additionally, CHFA continued its tradition of supporting home buyer education by providing free in-person and online classes to 7,100 Colorado households. We updated our homebuyer education course curriculum to address legal and process changes facing today's first time buyers. Greater emphasis has been placed on helping prospective buyers understand the Good Faith Estimate and Truth in Lending forms. Additionally, the course now provides proactive information about the availability of free-HUD approved foreclosure prevention counseling should payment difficulties arise. The new curriculum was launched with a promotional Tool Kit that includes marketing and teaching resources to help our 27 housing counseling partner agencies promote classes in their communities, and ensure course consistency between providers.

CHFA's Commercial Lending Division also experienced significant activity over the past year. Requests for Low Income Housing Tax Credits (LIHTC) outpaced credit availability by 5 to 1. The growing demand for 9 percent LIHTCs has placed greater emphasis on CHFA's commitment to transparency and predictability in the allocation process. As we developed the 2012 Qualified Allocation Plan (QAP), CHFA added more opportunities for stakeholder input through surveys and public hearings. Based on feedback received, we expanded our LIHTC Allocation Committee membership to include two members of the public. Additionally, we've noted several housing and market priorities in the QAP to assist the development community in better understating our areas of emphasis.

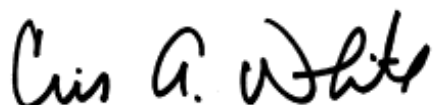
Likewise, CHFA's Business Finance team expanded existing partnerships to make new resources available to Colorado's lending and business communities. In conjunction with the Colorado Office of Economic Development and International Trade (OEDIT), CHFA launched the Colorado Capital Access and the Cash Collateral Support programs utilizing \$17.2 million in funding authorized through the Small Business Jobs Act of 2010. These programs will help Colorado's small and medium sized businesses access capital by providing incentives designed to leverage private bank financing. Colorado Capital Access was modeled after our existing Colorado Credit Reserve program, which utilizes funds provided by the Colorado General Assembly in 2009. Through 2011, Colorado Credit Reserve has assisted 433 businesses obtain \$16.82 million in financing and supported nearly 3,000 new and existing jobs. Eleven percent of Colorado Credit Reserve customers are minority owned businesses, and 42 percent are women-owned businesses.

Last year, I also was pleased to welcome CHFA's new Chief Financial Officer Patricia Hippe. Patricia joins us from the Minnesota Housing Finance Agency where she raised over \$5.4 billion in capital to support their single family and multifamily finance programs. She is a strong addition to our team, and brings a wealth of experience in for-profit, nonprofit, and government finance. In 2011, CHFA also continued to implement our Diversity and Inclusion Initiative. This effort is designed to create a more inclusive environment at CHFA by breaking down

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departmental silos, and creating a culture where we embrace the contributions of diverse perspectives. When we operate with an emphasis on inclusion, we enrich the dialogue and ensure cross-collaborative decision making occurs. I believe that cross-collaborative decision making, when done correctly, results in better decisions, is more efficient, and actually saves time in the long run. This approach has assisted us not only as we work internally, but as we look externally at how we can best achieve our mission. As the year ahead continues, we will keep looking at new opportunities for the organization. Whether we can achieve success by expanding partnerships, refining programs, or launching new initiatives - CHFA remains dedicated to financing the places where Coloradans live and work.

Sincerely,

A handwritten signature in black ink that reads "Cris A. White". The signature is written in a cursive, flowing style.

Cris A. White  
Executive Director and CEO



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**



This section of the Colorado Housing and Finance Authority's (the Authority) annual financial report presents management's discussion and analysis of the financial position and results of operations at and for the fiscal years ended December 31, 2011 and 2010. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34).

The Authority is a public enterprise that finances affordable housing, business and economic growth opportunities for residents and businesses of Colorado. Its dual mission is to increase the availability of affordable, decent and accessible housing for lower- and moderate-income Coloradans, and to strengthen the state's development by providing financial assistance to business.

Established by the Colorado General Assembly in 1973, the Authority raises funds through the public and private sale of bonds and notes, which are not obligations of the State of Colorado. The proceeds are loaned to eligible borrowers, primarily through private lending institutions across the state under sound fiscal practices established by the Authority. As a self-sustaining organization, the Authority's operating revenues come from loan and investment income, program administration fees, loan servicing and gains on sales of loans. The Authority receives no tax appropriations, and its net revenues are reinvested in its programs.

In addition, the Authority participates in the Government National Mortgage Association (Ginnie Mae or GNMA) Mortgage-Backed Securities (MBS) Programs. Through the MBS Programs, Ginnie Mae guarantees securities that are issued by the Authority and backed by pools of mortgage loans. Holders of the securities receive a "pass-through" of the principal and interest payments on a pool of mortgage loans, less amounts required to cover servicing costs and Ginnie Mae guaranty fees. The Ginnie Mae guaranty ensures that the holder of the security issued by the Authority receives the timely payment of scheduled monthly principal and any unscheduled recoveries of principal on the underlying mortgage loans, plus interest at the rate provided for in the securities. All loans pooled under the Ginnie Mae MBS Programs are either insured by the Federal Housing Administration or United States Department of Agriculture Rural Development, or are guaranteed by the Veterans Administration.

### **Overview of the Financial Statements**

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

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

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

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



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

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

### **Debt Activity**

CHFA issued \$39.2 million in Single Family Series 2011AA market bonds, and \$58.8 million of converted Series 2009AA NIBP program bonds in April, 2011. The \$98 million in bond proceeds were used to provide permanent financing for loans originated under the Authority's qualified single family loan programs and securitized into Ginnie Mae mortgage backed securities. The Authority does not plan to issue more NIBP bonds in 2012, favoring the funding of loan purchases through the securitization and MBS sale process. In July, 2011, CHFA restructured mandatory sinking fund payments in the Single Family Series 2006B-2 bonds in order to provide more flexibility and also realize savings to the indenture.

During 2011, CHFA renewed \$129 million in expiring liquidity agreements with Barclays Capital and \$56 million with FHLBank Topeka. The Authority put in place a new \$200 million liquidity facility with the Royal Bank of Canada in November, 2011 as a replacement bank for facilities provided by Dexia. In an effort to reduce liquidity facility needs, the Authority refunded just over \$227 million in outstanding single family variable rate demand obligations (VRDOs) into floating rate notes (FRNs). The November, 2011 refunding consisted of two direct placement transactions and one public market sale and resulted in a direct reduction of liquidity facilities related to VRDOs. In 2012, CHFA plans to continue pursuing liquidity facility replacements and renewals as well as FRN transactions which eliminate the overall need for such facilities.

CHFA novated (transferred) an \$80 million swap agreement from Citibank NA to BNY Mellon in December, 2011. The novated swap retained the same terms as the original agreement and was undertaken to eliminate the weaker credit counterparty, Citibank, in favor of a stronger one, BNY Mellon. The Authority will evaluate additional novation and replacement opportunities that may arise in 2012.

**Programs** – The financial statements present the activities of the Authority's housing and lending programs. Combining schedules for these programs are provided in the supplemental schedules.

### **Financial Highlights**

- Total net loans receivable as of December 31, 2011 were \$2.3 billion, a decrease of \$346.4 million, or 13.1%, compared to the amount outstanding as of December 31, 2010. Loan repayments occurred without a corresponding increase in new loans retained as the Authority continued to issue Ginnie Mae securities during the year. During 2011, \$404.2 million in loans were sold through the issuance of Ginnie Mae securities.
- Total investments as of December 31, 2011 were \$884.7 million, an increase of \$11.8 million, or 1.4%, compared to the amount outstanding as of December 31, 2010. Offsetting the reduction of investments was a significant increase to the fair value of investments due to declining interest rates.
- Total deferred outflows as of December 31, 2011 was \$267.4 million, an increase of \$87.2 million, or 48.4%, compared to the amount outstanding as of December 31, 2010, which reflects a decline in market expectations of future interest rates (decline in forward yield curve).
- As of December 31, 2011, total debt outstanding was \$2.9 billion, a decrease of \$368.2 million, or 11.1%, compared to the balance at December 31, 2010. Payments of loans have been used to reduce bond balances rather than recycled into new loans.



- Net position as of December 31, 2011, was \$270.5 million, an increase of \$16.9 million, or 6.7%, compared to net position of \$253.6 million as of December 31, 2010, increasing the Authority's capital position. Net position as a percent of total assets increased from 6.8% as of December 31, 2010 to 8.0% as of December 31, 2011.
  
- As reflected in the Statement of Revenues, Expenses and Changes in Net Position, net position increased by \$16.9 million for 2011 as compared to a \$281 thousand decrease during 2010. The \$16.9 million, or 6.7%, increase was primarily composed of the following:
  - An \$8.5 million decrease in net interest income as a result of lower investment rates and higher bond expenses.
  - A \$13.8 million increase in other operating revenues is a result of the following:
    - \$502 thousand decrease in real estate owned (REO) rental income.
    - \$3.0 million decrease in gain/sale of loans.
    - \$1.2 million increase in investment derivative activity loss.
    - \$18.6 million increase in fair value of investments.
    - \$43 thousand decrease in loan servicing and other revenues.
  - A \$12.0 million decrease in operating expense primarily as a result of an increase in salaries and related benefits due to increased staffing and benefit costs, a decrease in general operating expenses due to reduced Lehman swap termination costs and an increase in provision for loan losses due to increased delinquencies and foreclosures.



## Analysis of Financial Activities

## Condensed Summary of Net Position

(in thousands of dollars)

| For the years ended December 31,                          | 2011              | 2010 Restated     | 2009 Restated     |
|---|-------------------|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |                   |
| Cash  | \$ 89,292         | \$ 91,981         | \$ 35,900         |
| Investments   | 884,670           | 872,861           | 575,994           |
| Loans receivable  | 2,264,846         | 2,601,982         | 2,880,823         |
| Loans receivable held for sale                            | 38,206            | 47,478            | 67,356            |
| Capital assets, net                                       | 24,160            | 26,741            | 28,586            |
| Other assets  | 70,365            | 79,061            | 76,619            |
| <b>Total assets</b>                                       | <b>3,371,539</b>  | <b>3,720,104</b>  | <b>3,665,278</b>  |
| <b>Deferred Outflows</b>                                  |                   |                   |                   |
| Accumulated decrease in fair value of hedging derivatives | 267,410           | 180,245           | 137,632           |
| <b>Liabilities</b>  |                   |                   |                   |
| Bonds and notes payable, net                              | 2,935,507         | 3,303,668         | 3,278,881         |
| Derivative instruments and related borrowings             | 335,558           | 243,572           | 204,498           |
| Other liabilities   | 97,362            | 99,531            | 63,213            |
| <b>Total liabilities</b>                                  | <b>3,368,427</b>  | <b>3,646,771</b>  | <b>3,546,592</b>  |
| <b>Deferred Inflows</b>                                   |                   |                   |                   |
| Accumulated increase in fair value of hedging derivatives | -                 | -                 | 2,458             |
| <b>Net position:</b>                                      |                   |                   |                   |
| Invested in capital assets                                | 24,160            | 26,741            | 28,586            |
| Restricted by bond indentures                             | 137,096           | 113,252           | 163,809           |
| Unrestricted  | 109,266           | 113,586           | 61,465            |
| <b>Total net position</b>                                 | <b>\$ 270,522</b> | <b>\$ 253,579</b> | <b>\$ 253,860</b> |

The deferred outflows, deferred inflows and net position for December 31, 2010 and 2009 were adjusted due to the early adoption of GASB No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (GASB No. 64), which designates specific circumstances where hedge accounting may continue after the termination of the hedging derivative instrument. The early adoption of GASB No. 64 resulted in the following adjustments to the Statement of Net Position as of December 31, 2010; deferred outflows increased by \$36,462,000, deferred inflows decreased by \$6,168,000, beginning net position increased by \$44,778,000, and ending net position decreased by \$42,630,000. The early adoption of GASB No. 64 resulted in the following adjustments to the Statement of Net Position as of December 31, 2009 deferred outflows increased by \$24,873,000, deferred inflows decreased by \$19,905,000, beginning net position increased by \$46,865,000, and ending net position decreased by \$44,778,000.

## Comparison of Years Ended December 31, 2011 and 2010

Total assets decreased \$348.6 million, or 9.4%, from the prior year. Cash and cash equivalents, and investments, combined, increased \$9.1 million thousand, or 1.0%. Mortgage and other loans receivable decreased by \$346.4 million, or 13.1%, as a result of loan repayments occurring without a corresponding increase in new loans retained as the Authority continued to issue Ginnie Mae securities during the year. Total deferred outflows increased \$87.2 million, or 48.4%, from the prior year, due to a decline in market expectations of future interest rates (decline in the forward yield curve).





Total liabilities decreased \$278.3 million, or 7.6% from the prior. Notes and bond payable decreased \$368.2 million, or 11.1%, primarily due to scheduled bond payments and additional unscheduled redemptions. Derivative instruments and related borrowings fair value increased \$92.0 million, or 37.8% from prior year due to declining market interest rates.

**Comparison of Years Ended December 31, 2010 and 2009:**

Total assets increased \$54.8 million, or 1.5% from the prior year. Cash and cash equivalents, and investments, combined, increased \$352.9 million, or 57.7%. Mortgage and other loans receivable decreased by \$298.7 million, or 10.1%, as a result of loan repayments occurring without a corresponding increase in new loans retained, as the Authority continued to issue Ginnie Mae securities during the year. Total deferred outflows increased \$42.6 million, or 31.0% from the prior year, due to declining interest rates.

Total liabilities increased \$100.2 million, or 2.8% from the prior year. Notes and bond payable increased \$24.8 million, or 0.8% primarily due to the reduction of bonds payable from the collection of mortgage payments. Derivative instruments and related borrowings increased \$39.1 million, or 19.1% from prior year.

**Subsequent Events:**

In March of 2012, the Authority completed the sale of the real estate for all Blended Component Units, which encompass the Rental Assistance Program ("RAP") - Hyland Park Centre Corporation ("Hyland Park"), Tanglewood Oaks Apartments Corporation ("Tanglewood"), and Village of Yorkshire Corporation ("Yorkshire"). In addition, the Authority completed the sale of real estate for Maple Tree Settlement, which is not a Blended Component Unit, but is part of RAP. Each of these properties was sold at a gain. These properties contributed a total increase to net operating income in 2011 and 2010 of \$1.5 million and \$498 thousand respectively.

The Authority paid in full the outstanding Lehman swap termination settlement as of March 2012.

Also in March, the Authority redeemed \$106,325,000 of NIPB bonds.

**Condensed Summary of Revenues, Expenses and Changes in Net Position***(in thousands of dollars)*

| <b>For the years ended December 31,</b>        | <b>2011</b>   | <b>2010 Restated</b> | <b>2009 Restated</b> |
|--|---------------|----------------------|----------------------|
| <b>Interest income and expense:</b>            |               |                      |                      |
| Interest on loans receivable                   | \$ 134,597    | \$ 151,319           | \$ 173,009           |
| Interest on investments                        | 23,423        | 18,094               | 15,053               |
| Interest on debt                               | (138,545)     | (141,458)            | (173,971)            |
| Net interest income                            | 19,475        | 27,955               | 14,091               |
| <b>Other operating income:</b>                 |               |                      |                      |
| Rental income                                  | 8,804         | 9,306                | 7,460                |
| Gain on sale of loans                          | 16,792        | 19,817               | 8,528                |
| Investment derivative activity loss            | (1,715)       | (473)                | (2,882)              |
| Net increase in the fair value of investments  | 25,887        | 7,324                | (10,396)             |
| Other revenues                                 | 19,443        | 19,400               | 18,430               |
| Total other operating income                   | 69,211        | 55,374               | 21,140               |
| Total operating income                         | 88,686        | 83,329               | 35,231               |
| <b>Operating expenses:</b>                     |               |                      |                      |
| Salaries and related benefits                  | 18,210        | 17,808               | 16,180               |
| General operating                              | 40,783        | 55,636               | 17,815               |
| Depreciation                                   | 3,684         | 3,773                | 3,159                |
| Provision for loan losses                      | 9,036         | 6,521                | 14,404               |
| Total operating expenses                       | 71,713        | 83,738               | 51,558               |
| <b>Net operating income (loss)</b>             | <b>16,973</b> | <b>(409)</b>         | <b>(16,327)</b>      |
| Federal grant receipts                         | 134,491       | 134,613              | 112,458              |
| Federal grant payments                         | (134,491)     | (134,613)            | (112,458)            |
| Gain (loss) on sale of capital assets          | (30)          | 128                  | -                    |
| <b>Nonoperating revenues and expenses, net</b> | <b>(30)</b>   | <b>128</b>           | <b>-</b>             |
| <b>Change in net position</b>                  | <b>16,943</b> | <b>(281)</b>         | <b>(16,327)</b>      |
| <b>Net position:</b>                           |               |                      |                      |
| Beginning of year                              | 253,579       | 253,860              | 270,187              |
| End of year                                    | \$ 270,522    | \$ 253,579           | \$ 253,860           |

**Comparison of Years Ended December 31, 2011 and 2010**

Total operating income increased by \$5.4 million in 2011 to \$88.7 million, an increase of 6.4%, compared to 2010. The following contributed to the increase:

- Interest income decreased by \$11.4 million in 2011 as a result of higher prepayments without a corresponding new loan investment.
- Interest expense related to debt decreased by \$2.9 million due to lower outstanding balances.
- Gain on sale of loans decreased by \$3.0 million in 2011 related primarily to the reduced amount of issuance of GNMA securities.



- The fair value of investments increased by \$18.6 million due primarily to a decrease in market interest rates during 2011.

Total operating expenses decreased \$12.0 million in 2011 to \$71.7 million, a decrease of 14.4%, compared to 2010. The decrease was primarily due to an increase in salaries and related benefits due to increased staffing, merit increases and health insurance costs, a decrease in general operating costs related to Lehman swap termination settlements, a decrease in depreciation expense due to assets becoming fully depreciated and an increase in provision for loan losses due to increasing delinquencies and foreclosures.

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

### **Comparison of Years Ended December 31, 2010 and 2009**

Total operating income increased by \$49.3 million in 2010 to \$83.3 million, an increase of 144.8%, compared to 2009. The following contributed to the increase:

- Interest income decreased by \$18.6 million in 2010 as a result of reduced loans receivable balances.
- Interest expense related to debt decreased by \$33.7 million due to the normalization of interest rates and lower outstanding debt.
- Gain on sale of loans increased by \$11.3 million in 2010 due primarily to gains on the sale of GNMA securities.
- The fair value of investments increased by \$17.7 million due primarily to a decrease in market rates in 2010.

Total operating expenses increased \$33.4 million in 2010 to \$83.7 million, an increase of 66.2%, compared to 2009. The following contributed to the decrease:

- Salaries and related benefits increased by \$1.6 million, or 10.1%, due to increased staffing, merit increases and health insurance costs.
- General operating costs increased by \$39.0, million or 234.6%, due to expenses related to the Lehman swap termination settlements and costs associated with the Rental Acquisition Program and Other Real Estate Owned including management fees, repairs and maintenance, utilities, personal and administrative costs.
- Depreciation expense increased \$614 thousand, or 19.4%, due to purchase, implementation, and development and computer software.
- Offsetting these increases is a \$7.9 million decrease to the provision for loan losses due to a change in accounting estimate for reserves related to government-insured loans to better reflect credit risk considering economic programs, borrower factors, and collateral values.



AUDITORS' REPORT



**KPMG LLP**  
Suite 2700  
707 Seventeenth Street  
Denver, CO 80202-3499

## **Independent Auditors' Report**

Board of Directors  
Colorado Housing and Finance Authority  
Denver, Colorado:

We have audited the accompanying financial statements of the Colorado Housing and Finance Authority (the Authority), as of and for the year ended December 31, 2011, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying basic financial statements of the Authority as of December 31, 2010, were audited by other auditors whose report thereon dated June 27, 2011, expressed an unqualified opinion on those statements, before the restatement to reflect the retroactive application of an accounting principle and change in accounting described in note 1(c) to the basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2011, and the respective changes in financial position, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

We also audited the adjustments described in note 1(c) that were applied to restate the 2010 basic financial statements to reflect the retroactive application of an accounting principle and change in accounting. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2010 basic financial statements of the Authority other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2010 basic financial statements taken as a whole.



U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in note 1(c) to the financial statements, during 2011, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The adoption required retroactive application to prior periods.

KPMG LLP

March 29, 2012



**BASIC FINANCIAL STATEMENTS**

**Colorado Housing and Finance Authority**  
**Statements of Net Position**

For the years ended December 2011 and 2010

(in thousands of dollars)

|   | 2011              | 2010<br>Restated, note 1 |
|---|-------------------|--------------------------|
| <b>Assets</b>   |                   |                          |
| Current assets:   |                   |                          |
| Cash  |                   |                          |
| Restricted  | \$ 56,011         | \$ 75,483                |
| Unrestricted  | 33,281            | 16,498                   |
| Investments (partially restricted, see note 2)            | 646,232           | 652,878                  |
| Loans receivable (partially restricted, see note 3)       | 113,701           | 134,211                  |
| Loans receivable held for sale                            | 38,206            | 47,478                   |
| Other current assets                                      | 25,049            | 30,394                   |
| Current assets  | 912,480           | 956,942                  |
| Noncurrent assets:  |                   |                          |
| Investments (partially restricted, see note 2)            | 238,438           | 219,983                  |
| Loans receivable, net (partially restricted, see note 3)  | 2,151,145         | 2,467,772                |
| Capital assets, net                                       | 24,160            | 26,741                   |
| Other assets  | 45,316            | 48,667                   |
| Total noncurrent assets                                   | 2,459,059         | 2,763,163                |
| <b>Total assets</b>                                       | <b>3,371,539</b>  | <b>3,720,105</b>         |
| <b>Deferred Outflows</b>                                  |                   |                          |
| Accumulated decrease in fair value of hedging derivatives | 267,410           | 180,245                  |
| <b>Liabilities</b>  |                   |                          |
| Current liabilities:                                      |                   |                          |
| Short-term debt   | 46,100            | 87,900                   |
| Bonds payable   | 321,512           | 299,187                  |
| Notes payable   | 104               | 79                       |
| Other current liabilities                                 | 73,421            | 90,764                   |
| Current liabilities                                       | 441,137           | 477,930                  |
| Noncurrent liabilities:                                   |                   |                          |
| Bonds and notes payable, net                              | 2,567,791         | 2,916,502                |
| Derivative instruments                                    | 281,951           | 183,600                  |
| Hybrid instrument borrowing                               | 53,607            | 59,972                   |
| Other liabilities   | 23,941            | 8,767                    |
| Total noncurrent liabilities                              | 2,927,290         | 3,168,841                |
| <b>Total liabilities</b>                                  | <b>3,368,427</b>  | <b>3,646,771</b>         |
| <b>Net position</b>                                       |                   |                          |
| Invested in capital assets                                | 24,160            | 26,741                   |
| Restricted by bond indentures                             | 137,096           | 113,252                  |
| Unrestricted  | 109,266           | 113,586                  |
| <b>Total net position</b>                                 | <b>\$ 270,522</b> | <b>\$ 253,579</b>        |

See accompanying notes to basic financial statements.



**Colorado Housing and Finance Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
For the years ended December 2011 and 2010  
*(in thousands of dollars)*

|  | 2011          | 2010<br>Restated, note 1 |
|--|---------------|--------------------------|
| <b>Interest income and expense:</b>            |               |                          |
| Interest on loans receivable                   | \$ 134,597    | \$ 151,319               |
| Interest on investments                        | 23,423        | 18,094                   |
| Interest on debt                               | (138,545)     | (141,458)                |
| Net interest income                            | 19,475        | 27,955                   |
| <b>Other operating revenue:</b>                |               |                          |
| Rental income                                  | 8,804         | 9,306                    |
| Gain on sale of loans                          | 16,792        | 19,817                   |
| Investment derivative activity loss            | (1,715)       | (473)                    |
| Net increase in the fair value of investments  | 25,887        | 7,324                    |
| Other revenues                                 | 19,443        | 19,400                   |
| Total other operating income                   | 69,211        | 55,374                   |
| Total operating income                         | 88,686        | 83,329                   |
| <b>Operating expenses:</b>                     |               |                          |
| Salaries and related benefits                  | 18,210        | 17,808                   |
| General operating                              | 40,783        | 55,636                   |
| Depreciation                                   | 3,684         | 3,773                    |
| Provision for loan losses                      | 9,036         | 6,521                    |
| Total operating expenses                       | 71,713        | 83,738                   |
| <b>Net operating income (loss)</b>             | <b>16,973</b> | <b>(409)</b>             |
| Federal grant receipts                         | 134,491       | 134,613                  |
| Federal grant payments                         | (134,491)     | (134,613)                |
| Gain (loss) on sale of capital assets          | (30)          | 128                      |
| <b>Nonoperating revenues and expenses, net</b> | <b>(30)</b>   | <b>128</b>               |
| <b>Change in net position</b>                  | <b>16,943</b> | <b>(281)</b>             |
| <b>Net position:</b>                           |               |                          |
| Beginning of year                              | 253,579       | 253,860                  |
| End of year                                    | \$ 270,522    | \$ 253,579               |

See accompanying notes to basic financial statements.

# Colorado Housing and Finance Authority

## Statements of Cash Flows

For the years ended December 2011 and 2010

(in thousands of dollars)

|  | 2011           | 2010             |
|--|----------------|------------------|
|  |                | Restated, note 1 |
| <b>Cash flows from operating activities:</b>                     |                |                  |
| Principal payments received on loans receivable                  |                |                  |
| and receipts from dispositions of other real estate owned        | \$ 303,302     | \$ 320,375       |
| Interest payments received on loans receivable                   | 138,083        | 154,818          |
| Payments for loans receivable                                    | (367,983)      | (428,218)        |
| Receipts from sales of Ginnie Mae securities                     | 420,989        | 417,478          |
| Receipts from rental operations                                  | 8,748          | 9,346            |
| Receipts from other revenues                                     | 19,391         | 19,173           |
| Payments for salaries and related benefits                       | (18,775)       | (17,109)         |
| Payments for goods and services                                  | (41,362)       | (19,213)         |
| All other, net   | 1,503          | (1,185)          |
| Net cash provided by operating activities                        | 463,896        | 455,465          |
| <b>Cash flows from noncapital financing activities:</b>          |                |                  |
| Net increase (decrease) in short-term debt                       | (41,800)       | 14,650           |
| Proceeds from issuance of bonds                                  | 266,435        | 275,210          |
| Proceeds from issuance of notes payable                          | 1,388          | 125              |
| Receipts from federal grant programs                             | 135,352        | 134,308          |
| Payments for federal grant programs                              | (134,491)      | (134,613)        |
| Principal paid on bonds  | (583,898)      | (247,064)        |
| Principal paid on notes payable                                  | (105)          | (17,415)         |
| Interest paid on short-term debt                                 | (271)          | (226)            |
| Interest rate swap settlements                                   | (92,102)       | (95,330)         |
| Interest paid on bonds   | (49,000)       | (52,336)         |
| Interest paid on notes payable                                   | (756)          | (1,004)          |
| Bond issuance costs paid   | (1,728)        | (1,365)          |
| Net cash used by noncapital financing activities                 | (500,976)      | (125,060)        |
| <b>Cash flows from capital and related financing activities:</b> |                |                  |
| Purchase of capital assets                                       | (1,133)        | (2,148)          |
| Proceeds from the disposal of capital assets                     | -              | 347              |
| Net cash used by capital and related financing activities        | (1,133)        | (1,801)          |
| <b>Cash flows from investing activities:</b>                     |                |                  |
| Proceeds from maturities and sales of investments                | 3,089,608      | 2,897,006        |
| Purchase of investments  | (3,075,530)    | (3,186,689)      |
| Income received from investments                                 | 21,446         | 17,160           |
| Net cash provided (used) by investing activities                 | 35,524         | (272,523)        |
| <b>Net increase (decrease) in cash</b>                           | <b>(2,689)</b> | <b>56,081</b>    |
| Cash at beginning of year  | 91,981         | 35,900           |
| Cash at end of year  | \$ 89,292      | \$ 91,981        |
| Restricted   | 56,011         | 75,483           |
| Unrestricted   | 33,281         | 16,498           |
| Cash, end of year  | \$ 89,292      | \$ 91,981        |

See accompanying notes to basic financial statements.

Continued on the next page

## Colorado Housing and Finance Authority

### Statements of Cash Flows *(continued)*

For the years ended December 2011 and 2010

*(in thousands of dollars)*

|   | 2011       | 2010             |
|---|------------|------------------|
|   |            | Restated, note 1 |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |            |                  |
| Net operating income (loss)   | \$ 16,973  | \$ (409)         |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities:            |            |                  |
| Depreciation expense  | 3,684      | 3,773            |
| Amortization of service release premiums  | 3,538      | 2,946            |
| Amortization of deferred loan fees/costs, net   | 65         | 115              |
| Amortization of derivatives related borrowings  | (6,364)    | (6,469)          |
| Provision for loan losses   | 9,036      | 6,521            |
| Gain on sale of capital assets  | 30         | -                |
| Interest on investments   | (23,418)   | (18,087)         |
| Interest on debt  | 144,909    | 147,927          |
| Unrealized loss on investment derivatives   | 1,715      | 473              |
| Unrealized gain on investments  | (25,887)   | (7,324)          |
| Loss on sale of REO   | 1,631      | 413              |
| Gain on sale of loans receivable held for sale  | (16,792)   | (19,817)         |
| Changes in assets and liabilities:  |            |                  |
| Loans receivable and other real estate owned  | 350,818    | 306,083          |
| Accrued interest receivable on loans and investments  | 3,742      | 3,505            |
| Other assets  | 1,446      | (3,983)          |
| Accounts payable and other liabilities  | (1,230)    | 39,798           |
| Net cash provided by operating activities   | \$ 463,896 | \$ 455,465       |

See accompanying notes to basic financial statements.



**NOTES TO BASIC FINANCIAL STATEMENTS**



## 1) Organization and Summary of Significant Accounting Policies

### (a) Authorizing Legislation and Reporting Entity

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

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

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.

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

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

**Lending and Housing Programs** – The Authority accounts for its lending and operating activities in the following groups:

**General Program** – The General Program is the Authority's primary operating program. It accounts for assets, liabilities, revenues and expenses not directly attributable to a bond program. Most of the bond resolutions of the programs permit the Authority to make cash transfers to the general accounts after establishing reserves required by the bond resolutions. The general accounts financially support the bond programs when necessary. The general accounts include proprietary loan programs developed by the Authority to meet the needs of low- and moderate-income borrowers not served by traditional lending programs. The general accounts also include administrative activities related to the federal government's Section 8 housing assistance payments program.

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

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



### **(b) Basis of Accounting**

The Authority presents its financial statements in accordance with U.S generally accepted accounting standards as established by the Governmental Accounting Standards Board (GASB). For financial purposes, the Authority is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

### **(c) Summary of Significant Accounting Policies**

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Significant estimates to the Authority's financial statements include the allowance for loan losses and fair value estimates. Actual results could differ from those estimates.

**Cash and Restricted Cash** – The Authority's cash and cash equivalents are considered to be cash on hand and demand deposits held in banks.

**Restricted Assets** – Essentially all investments and loans receivable are restricted assets. Restricted assets are held for the benefit of respective bond holders and accounted for by program. Certain other assets are held on behalf of various governmental housing initiatives or regulations.

**Investments** – Investments of the Authority, with the exception of nonparticipating investment agreements, which are reported at cost, are reported at fair value based on values obtained from third-party pricing services. The values are based on quoted market prices when available or on adjusted value in relation to observable prices on similar investments. Investments with an initial maturity of one year or less are valued at amortized cost, which approximates fair value. Virtually all investments are restricted.

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

**Loans Receivable Held for Sale** – Loans originated or acquired and intended for sale in the secondary market are carried at the lower of cost or fair value. Gains and losses on loan sales (sales proceeds minus carrying value) are reported in noninterest income.

**Allowance for Loan Losses** – The allowance for loan losses is a reserve against current operations based on management's estimate of expected loan losses. Management's estimate considers such factors as the payment history of the loans, the projected cash flows of the borrowers, estimated value of the collateral, subsidies, guarantees, mortgage insurance, historical loss experience for each loan type, additional guarantees provided by the borrowers and economic conditions. Based on the review of these factors, a total reserve amount is calculated and a provision is made against current operations to reflect the estimated balance.

**Troubled Debt Restructuring** – A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not



**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

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otherwise consider. Whatever the form of concession granted by the creditor to the debtor in a troubled debt restructuring, the creditor's objective is to make the best of a difficult situation. That is, the creditor expects to obtain more cash or other value from the debtor, or to increase the probability of receipt, by granting the concession than by not granting it.

Interest income is recognized using the new interest rate after restructuring, which approximates the effective interest rate. Additional information is disclosed in the loans receivable see note 3.

**Capital Assets** – The Authority's capital assets consist of two groups. Corporate capital assets include those capital assets other than those used in its RAP activities. The Authority commenced its RAP operations in 1988 when the Board authorized the acquisition, rehabilitation and operation of multi-family properties to provide affordable housing to lower- and moderate-income families. The Authority has acquired and rehabilitated these properties with a combination of sources of funds, including (1) general obligation and multi-family bond proceeds, (2) seller-carry notes, and (3) contributions from the Authority's general operating account. As of December 31, 2011, the Authority owned a total of four RAP projects, including its three component units, containing 917 units. These properties were sold subsequent to year-end, see note 15.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$2,500 in the case of corporate capital assets and \$1,500 in the case of RAP capital assets. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives, which are 30 years for buildings and from 3 to 10 years for furniture and equipment.

**Other Assets** – The major other assets are:

- *Mortgage servicing rights (servicing release premiums)*: amortized over the life of the related loans using the effective interest method. Unamortized costs totaling \$21,520,000 and \$21,705,000 were outstanding at December 31, 2011 and 2010, respectively. Included in these amounts are mortgage servicing rights of \$9,502,000 and \$6,765,000, as of December 31, 2011 and 2010, respectively, related to loans sold by the Authority for which the Authority retained the mortgage servicing rights. These mortgage servicing rights are reported at the lower of cost or fair value. In 2011, the Authority recognized an impairment loss of \$635,000. The impairment loss is reported in general operating expense on the Statement of Revenues, Expenses and Changes in Net Position. No impairment was recognized in 2010.
- *Other real estate owned (REO)*: represents real estate acquired through foreclosure and in-substance foreclosures. Other real estate owned is recorded at the lower of the investment in the loan or the estimated net realizable value, which equals estimated fair value minus closing costs.
- *Bond and note issuance costs*: costs of debt issuance are deferred and amortized to interest expense over the lives of the bond issues using the effective interest method.

**Bonds** – Bonds payable are limited obligations of the Authority, and are not a debt or liability of the State or any subdivisions thereof. Each bond issue is secured, as described in the applicable trust indenture, by all revenues, moneys, investments, mortgage loans, and other assets in the accounts of the program. Substantially all of the Authority's loans and investments are pledged as security for the bonds. The provisions of the applicable trust indentures require or allow for redemption of bonds through the use of unexpended bond proceeds and excess funds accumulated primarily through prepayment of mortgage loans and program certificates. All outstanding bonds are subject to redemption at the option of the Authority, in whole or in part at any time after certain dates, as specified in the respective series indentures.

The Authority issues fixed rate and variable rate bonds. The rate on the fixed rate bonds is set at bond closing. The variable rate bonds bear interest at either a monthly or a weekly rate until maturity or earlier redemption. For bonds that pay weekly rates, the remarketing agent for each bond issue establishes the weekly rate according to each indenture's remarketing agreement. The weekly rates are communicated to the various bond trustees for preparation of debt service payments. The weekly rate, as set by the remarketing agent, allows the bonds to trade in the secondary market at a price



**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

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equal to 100% of the principal amount of the bonds outstanding, with each rate not exceeding maximum rates permitted by law. The variable rate bonds that bear interest monthly are based on the 1-month London Interbank Offered Rate (LIBOR).

Variable rate bonds have an assumed Stand-by Purchase Agreement (SBPA), which states that the issuer of the SBPA will purchase the bonds in the event the remarketing agent is unsuccessful in marketing the bonds. In this event, the interest rate paid by the Authority will be calculated using a defined rate from the SBPA. If the bonds remain unsold for a period of 90 days, they are deemed to be "bank bonds" and the Authority is required to repurchase the bonds from the SBPA issuer. The timing of this repurchase, or term out, will vary by issuer from two years to ten years.

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

**Debt Refundings** – For current refundings and advance refundings resulting in defeasance of debt, 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, with the exception of the amount relating to deferred loss on interest rate swap hedging relationship termination, which are amortized on a straight-line basis. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

**Derivative Instruments** – Derivative instruments, as defined in GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, are measured on the Statement of Net Position at fair value. Changes in fair value for those derivative instruments that meet the criteria for hedging instruments under GASB No. 53 are reported as deferred inflows and outflows. Changes in fair value of investment derivative instruments, which are ineffective derivative instruments, are reported within investment derivative activity loss in the period of change.

**Derivative Instruments - Interest Rate Swap Agreements** – The Authority enters into interest rate swap agreements ("Swap") with rated swap counterparties in order to (1) provide lower cost fixed rate financing for its loan production needs through synthetic fixed rate structures; and (2) utilize synthetic fixed rate structures with refunding bonds in order to generate cash flow savings. The interest differentials to be paid or received under such swaps are recognized as an increase or decrease in interest expense of the related bond liability. The Authority enters into fixed payor swaps, where it pays a fixed interest rate in exchange for receiving a variable interest rate from the counterparty. The variable interest rate may be based on either a taxable or tax-exempt index. By entering into a swap agreement, the Authority hedges its interest rate exposure on the associated variable rate bonds. With the exception of one swap, all of the swaps are considered hedging derivatives. Additional information about the swap agreements is provided in note 8.

**Derivative Instruments - Forward Sales Contracts** – Forward sales securities commitments and private investor sales commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At December 31, 2011, the Authority had executed 34 forward sales transactions with an \$82,392,000 notional amount with three counterparties with concentrations and ratings (Standard and Poor's / Moody's Investors Service) as shown in note 8. The forward sales will all settle by March 19, 2012. These contracts are considered investment derivative instruments.

**Hybrid Instrument Borrowings** – Hybrid instrument borrowings represent cash premiums received on interest rate swaps that had a fair value other than zero at the date of execution, generally because the fixed rates were different than market rates at that date. Interest expense is imputed on these borrowings, which is reported at amortized cost.

**Other Liabilities** – The major other liabilities are:

- *Servicing escrow*: the net amount of collected escrow funds currently being held to pay future obligations of property taxes and insurance premiums due on real properties. The Authority has a corresponding asset that is recorded in restricted cash.





**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

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- *Alternative Dispute Resolution*: amounts due to Lehman Brothers Financial Products, Inc. and Lehman Brothers Special Financing, Inc. (the "Lehman Debtors") to resolve a dispute relating to the termination value of certain derivative contracts between the Authority and the Lehman Debtors. It is anticipated that the amounts will be paid in full during 2012.
- *Deferred Low Income Housing Tax Credit (LIHTC) Income*: compliance monitoring fees collected in advance on multi-family properties that have been awarded low-income housing tax credits to be used over a 15-year period. These fees cover the ongoing cost the Authority incurs to certify that these properties remain low-income compliant during the 15-year period and continue to be eligible to use the tax credits awarded.
- *Compensated Absences*: employees accrue paid time off at a rate based on length of service. Employees may accrue and carry over a maximum of 150% of their annual paid time off benefit. The liability for compensated absences is based on current salary rates and is reported in the Statement of Net Position.

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

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

In addition, under the federal government's American Recovery and Reinvestment Act (ARRA), passed in February 2009, the Authority became the allocator of the Tax Credit Assistance Program (TCAP) and the Tax Credit Exchange Program (TCEP). The two programs were created to assist developers holding allocations of federal LIHTC. In 2009, the Authority received an allocation of over \$60 million in federal funds to distribute to projects already underway across the State. As of December 31, 2011, all TCEP and TCAP funds have been distributed, and the Authority has no remaining obligations under the program.

**New Accounting Principles** - The Authority has evaluated the financial statement impact and adopted several new Statements issued by the Governmental Accounting Standards Board (GASB) in its current fiscal year ended December 31, 2011.

GASB issued GASB Statement No. 62, which improves financial reporting by incorporating into GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and the American Institute of Certified Public Accountants ("AICPA") pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB No. 62 will supersede Statement No. 20. The requirements of GASB No. 62 are effective for financial statements for periods beginning after December 15, 2011, although earlier application is encouraged. There was no material impact to the Authority's financial statements from the early adoption of this standard in 2011.

GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB No. 63"), which provides guidance for reporting deferred outflows of resources and deferred inflows of resources within the financial statements of governmental entities. These elements were previously identified and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. They are required to be reported in the statement of financial position in a separate section following assets. Similarly,



**Notes to Basic Financial Statements**  
**(tabular dollar amounts are in thousands)**

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deferred inflows of resources are defined as an acquisition of net assets by a government that is applicable to a future reporting period. They should be reported in the statement of financial position in a separate section following liabilities. Additionally, GASB No. 63 renames the statement of net assets as the statement of net position. The statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. There was no material impact to the Authority's financial statements from the early adoption of this standard in 2011.

GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* ("GASB No. 64"), which designates specific circumstances where hedge accounting may continue after the termination of the hedging derivative instrument. Under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB No. 53), a government is to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows or inflows of resources as a component of investment income. However, in many instances, governments have managed to replace their swap counterparty or swap counterparty's credit support providers by amending existing swap agreements or by entering into new swap agreements. Therefore, GASB No. 64 was issued to clarify the circumstances in which an effective hedging relationship continues after these events occur.

Under GASB No. 64, a hedging derivative instrument is considered terminated unless an effective hedging relationship continues when all of the following criteria are met: 1) collectability of swap payments is considered to be probable, 2) the swap counterparty of the interest rate swap or commodity swap, or the swap counterparty's credit support provider, is replaced with an assignment or in-substance assignment, and 3) the government enters into the assignment or in-substance assignment in response to the swap counterparty, or the swap counterparty's credit support provider, either committing or experiencing an act of default or a termination event as both are described in the swap agreement. The early adoption of this statement in 2011 required adjustment to prior periods.

The early adoption of GASB No. 64, in 2011 allowed the Authority to continue hedge accounting on certain interest rate swaps that were replaced in prior years. Prior to the adoption of GASB No. 64, the hedging associations for these interest rate swaps were considered terminated. Upon adoption of GASB No. 64, the Statement of Net Position as of December 31, 2010 was retroactively restated as follows: deferred outflows increased by \$36,462,000, deferred inflows decreased by \$6,168,000, beginning net position increased by \$44,778,000, and ending net position increased by a net \$42,630,000. Hybrid instrument borrowing amortization, which is reported in interest on debt on the 2010 Statement of Revenues, Expenses and Changes in Net Position, decreased by \$2,148,000.

**Change in Accounting** – Prior to the year ended December 31, 2011, the Authority presented three separate funds along with the combined total thereof in its basic financial statements. In the current year, the Authority has changed the presentation to include only the combined total of its programs, along with comparative prior year information. The total amounts are otherwise unchanged, from the prior year presentation as a result of this accounting change.

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

## **(2) Cash and Investments**

The Authority is authorized by means of a Board-approved investment policy to invest in notes, bonds and other obligations issued or guaranteed by the U.S. government and certain governmental agencies. Additionally, the Authority is permitted to invest, with certain restrictions as to concentration of risk, collateralization levels, maximum periods to maturity, and/or underlying rating levels applied, in revenue or general obligations of states and their agencies, certificates of deposits, U.S. dollar denominated corporate or bank debt, commercial paper, repurchase agreements backed by U.S. government or agency securities, money market mutual funds and investment agreements. The Authority is also subject to permissible investments as authorized by Title 24, Article 75, Part 6 of the Colorado Revised Statutes (CRS). Permissible investments pursuant to the CRS are either identical to or less restrictive than the Authority's investment policy. In addition, each of the trust indentures established under the Authority's bond programs contain requirements as to permitted investments of bond



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fund proceeds, which may be more or less restrictive than the Authority's investment policy. These investments are included in the disclosures below under State and political subdivision obligations.

**Interest Rate Risk**

As of December 31, 2011, the Authority had the following investment maturities:

| Investment Type                             | Investment Maturities (In Years) |                  |                  |                   | Total             |
|---|----------------------------------|------------------|------------------|-------------------|-------------------|
|   | Less Than 1                      | 1-5              | 6-10             | More Than 10      |                   |
| Certificates of Deposits                    | \$ 2,700                         | \$ -             | \$ -             | \$ -              | \$ 2,700          |
| External investment pool (COLOTRUST)        | 100,336                          | -                | -                | -                 | 100,336           |
| Investment agreements - uncollateralized    | 105,364                          | -                | -                | 33,481            | 138,845           |
| Money market mutual fund                    | 275,372                          | -                | -                | -                 | 275,372           |
| Repurchase agreements                       | 52,369                           | -                | -                | 15,107            | 67,476            |
| State and political subdivision obligations | -                                | -                | -                | 2,587             | 2,587             |
| U.S. government agencies                    | 110,091                          | 13,852           | 56,212           | 116,541           | 296,696           |
| U.S. Treasury                               | -                                | -                | -                | 658               | 658               |
| <b>Total</b>                                | <b>\$ 646,232</b>                | <b>\$ 13,852</b> | <b>\$ 56,212</b> | <b>\$ 168,374</b> | <b>\$ 884,670</b> |

As of December 31, 2010, the Authority had the following investment maturities:

| Investment Type                             | Investment Maturities (In Years) |                 |                  |                   | Total             |
|---|----------------------------------|-----------------|------------------|-------------------|-------------------|
|   | Less Than 1                      | 1-5             | 6-10             | More Than 10      |                   |
| Certificate of Deposit                      | \$ 47,200                        | \$ -            | \$ -             | \$ -              | \$ 47,200         |
| External investment pool (COLOTRUST)        | 105,079                          | 16              | -                | -                 | 105,095           |
| Investment agreements - collateralized      | 23,967                           | -               | -                | 6,875             | 30,842            |
| Investment agreements - uncollateralized    | 121,991                          | -               | -                | 40,277            | 162,268           |
| Money market mutual fund                    | 318,150                          | 507             | -                | -                 | 318,657           |
| Repurchase agreements                       | 2,162                            | -               | -                | 2,151             | 4,313             |
| State and political subdivision obligations | -                                | -               | -                | 3,038             | 3,038             |
| U.S. government agencies                    | 22,561                           | 6,897           | 65,961           | 105,441           | 200,860           |
| U.S. Treasury                               | -                                | -               | -                | 588               | 588               |
| <b>Total</b>                                | <b>\$ 641,110</b>                | <b>\$ 7,420</b> | <b>\$ 65,961</b> | <b>\$ 158,370</b> | <b>\$ 872,861</b> |

General Program investments of \$9,716,000 include investments pledged as of December 31, 2011 as follows: a \$2,700,000 certificate of deposit pledged to the FHLB line of credit and COLOTRUST investments of RDLP, RDLP II & RDLP V in the amounts of \$152,000, \$511,000 and \$18,000, respectively; each pledged as collateral for the Rural Development Loan Program (RDLP) notes payable.



**Notes to Basic Financial Statements**  
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General Program investments of \$75,900,000 include investments pledged as of December 31, 2010 as follows: a \$47,200,000 certificate of deposit pledged to the FHLB line of credit, \$3,581,000 GNMA security, COLOTRUST investments of RDLP, RDLP II & RDLP V in the amounts of \$247,000, \$482,000 and \$5,325, respectively; each pledged as collateral for the of Rural Development Loan Program (RDLP) notes payable.

All Single-Family and Multi-Family/Business Program investments, which total \$874,954,000, are restricted under bond indentures or other debt agreements, or otherwise pledged as collateral for borrowings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy requires 1) staggered maturities to avoid undue concentrations of assets in a specific maturity sector, 2) stable income, 3) adequate liquidity to meet operations and debt service obligations, and 4) diversification to avoid overweighting in any one type of security.

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

| Investment Type                             | 2011                 |                   | 2010              |                   |
|---|----------------------|-------------------|-------------------|-------------------|
|   | Rating               | Total             | Rating            | Total             |
| Certificate of Deposit                      | Not Rated            | \$ 2,700          | Not Rated         | \$ 47,200         |
| External investment pool                    | AAA                  | 100,336           | AAA/Aaa           | 105,095           |
| Investment agreements - collateralized      | -                    | -                 | Not Rated         | 30,842            |
| Investment agreements - uncollateralized    | AA/Aa                | 49,840            | N/A               | -                 |
| Investment agreements - uncollateralized    | A/Aa                 | 45,533            | N/A               | -                 |
| Investment agreements - uncollateralized    | AAA/Aaa              | 27,970            | N/A               | -                 |
| Investment agreements - uncollateralized    | AA/Aaa/Aa/Baa/NR     | 15,502            | Not Rated         | 162,268           |
| Money market mutual fund                    | AAA/Aaa/NR           | 275,372           | AAA/Aaa/Aa/NR     | 318,657           |
| Repurchase agreements                       | Not Rated            | 67,476            | Not Rated         | 4,313             |
| State and political subdivision obligations | AAA/Aaa/AA           | 2,587             | AAA/Aaa/AA/Baa/Aa | 3,038             |
| U.S. government agencies                    | AA/Aaa/U.S. Treasury | 296,696           | AAA/Aaa           | 200,860           |
| U.S. Treasury                               | AA/Aaa               | 658               | AAA/Aaa           | 588               |
| <b>Total</b>                                |                      | <b>\$ 884,670</b> |                   | <b>\$ 872,861</b> |

Of the investments in securities issued by state and political subdivisions, 47% are rated AAA. Investment agreements meet the requirements of the rating agency providing the rating on the related debt issue and of the Board's investment policy.

As of December 31, 2011 and 2010, the Authority had invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local governmental entities in Colorado to pool funds available for investment. COLOTRUST is reflected in the above tables as an external investment pool. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST operates similarly to a money market fund and each share's fair value is \$1.00.



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**Concentration of Credit Risk** – The Authority has various maximum investment limits both by type of investment and by issuer to prevent inappropriate concentration of credit risk. The following table provides information on issuers in which the Authority has investments representing more than 5% of its total investments or of the respective funds, as of December 31, 2011 and 2010.

| <b>Issuer</b>                                      | <b>2011</b> | <b>2010</b> |
|--|-------------|-------------|
| Certificate of deposit - FHLB                      | 2.79%       | 7.82%       |
| U.S. government agencies - FHLMC                   | 6.76%       | 5.94%       |
| U.S. government agencies - FNMA                    | 5.93%       | 5.50%       |
| Investment agreements - uncollateralized - IXIS    | 14.01%      | 10.83%      |
| Investment agreements - uncollateralized - Trinity | 4.74%       | 6.30%       |

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

**Custodial Credit Risk – Cash Deposits** – In the case of cash deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. All deposit accounts were either covered by the Federal Deposit Insurance Corporation or collateralized in accordance with the State of Colorado's Division of Banking's Public Deposit Protection Act.

Included in cash deposits are escrow deposits in the amount of \$24,652,000 and \$25,586,000 held in a fiduciary capacity as of December 31, 2011 and 2010, respectively. These escrow deposits are primarily held for the payment of property taxes and insurance on behalf of the mortgagors whose loans are owned or serviced by the Authority.



**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

**(3) Loans Receivable, Related Allowances and Troubled Debt Restructuring**

Loans receivable and loans receivable held for sale at December 31, 2011 and 2010 consist of the following:

|   | 2011         | 2010         |
|---|--------------|--------------|
| General Programs  | \$ 222,249   | \$ 233,313   |
| Single Family Programs:   |              |              |
| Program Senior and Subordinate                                  | 54,300       | 63,267       |
| Mortgage  | 1,285,980    | 1,569,295    |
| Total Single Family Program loans                               | 1,340,280    | 1,632,562    |
| Multi-Family/Business Programs:                                 |              |              |
| Insured Mortgage Revenue  | 49,697       | 74,039       |
| Multi-Family/Project  | 727,057      | 751,656      |
| Total Multi-Family/Business Program loans                       | 776,754      | 825,695      |
| Less intercompany loans, included in Multi-Family/Project above | (16,852)     | (17,640)     |
| Total   | 2,322,431    | 2,673,930    |
| Payments in process   | 111          | (2,407)      |
| Deferred cash assistance expense                                | 6,082        | 6,635        |
| Deferred fee income   | (8,150)      | (8,960)      |
| Allowance for loan losses                                       | (17,423)     | (19,737)     |
| Total loans receivable, net and loans receivable held for sale  | \$ 2,303,051 | \$ 2,649,461 |

Substantially all loans are restricted by bond indentures or other debt agreements.

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

During 2011, the Authority securitized and sold \$46.6 million single family loans for a gain. The gain is reported in gain on sale of loans in the accompanying statement of revenue, expense and changes in net position.

General Program loans include single-family, multi-family and business finance loans acquired under various programs of the General Program, loans to be sold through the issuance of GNMA securities, loans held as investments, and loans backed by bonds within the General Program. These loans are typically collateralized by mortgages on real property and improvements. Certain of these loans are also guaranteed by agencies of the U.S. government.

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

The single-family loan portfolio included in the general and single-family programs as of December 31, 2011 comprised of \$926 million of FHA insured loans, \$84 million of VA guaranteed loans, \$39 million of RD loans, \$249 million of conventional insured loans with the balance of \$168 million made up of uninsured conventional and second mortgage loans. The single-



**Notes to Basic Financial Statements**  
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family loan portfolio included in the general and single-family programs as of December 31, 2010 comprised of \$1.1 billion of FHA insured loans, \$110 million of VA guaranteed loans, \$46 million of RD loans and \$292 million of conventional insured loans with the balance of \$202 million made up of uninsured conventional and second mortgage loans. The Authority is exposed to operational risk, which makes it subject to loss or repurchase of insured FHA loans if specific guidelines are not met. In 2011, the Authority recorded a reserve of \$458 thousand for claim refunds to be paid to the U.S. Department of Housing and Urban Development ("HUD"). No reserve was recorded in 2010.

As of December 31, 2011 and 2010, single-family mortgage loans with pending foreclosure actions have aggregate principal balances of approximately \$96.6 million and \$61.7 million, respectively. As of December 31, 2011 and 2010, the aggregate principal balance of single-family mortgage loans delinquent 60 days or greater, excluding REOs, was approximately \$136.6 million and \$137.3 million, respectively.

The Multi-family/Business Program loans and a portion of General Program loans are commercial loans. Commercial loans are collateralized by mortgages on applicable real estate and, in some cases, are insured by an agency of the U.S. government, which reduces the credit risk exposure for that type of insured loan.

As of December 31, 2011, approximately \$530 million, or 75%, of the commercial loan balances are not covered by insurance. As of December 31, 2011, the insured loans comprised of \$240 million of Section 542(c) risk share loans, which are 50% insured, and \$40 million of Sections 221(d) and 223(f) new construction and rehabilitation loans, which are 99% insured.

As of December 31, 2010, the insured loans are comprised of \$253 million of Section 542(c) risk share loans, which are 50% insured, and \$58 million of Sections 221(d) and 223(f) new construction and rehabilitation loans, which are 99% insured. The remaining balances were uninsured.

As of December 31, 2011 and 2010, commercial loans with pending foreclosure actions have aggregate principal balances of approximately \$0.0 million and \$4.5 million, respectively. As of December 31, 2011 and 2010, commercial loans delinquent 60 days or greater aggregate principal balances were approximately \$4.1 million and \$6.1 million, respectively.

Activity in the allowance for loan loss for the years ended December 31, 2011 and 2010 was as follows:

|                       | <u>2011</u>      | <u>2010</u>      |
|-----------------------|------------------|------------------|
| Beginning balance     | \$ 19,737        | \$ 20,759        |
| Provision             | 9,036            | 6,521            |
| Net charge-offs       |                  |                  |
| Single-family         | (8,568)          | (3,840)          |
| Multi-family/Business | (2,782)          | (3,703)          |
| Ending balance        | <u>\$ 17,423</u> | <u>\$ 19,737</u> |

The Authority services loans on the behalf of others, primarily for Ginnie Mae, which are not reported on the Statement of Net Position. As of December 31, 2011 and 2010, these outstanding loan balances were \$1.0 billion and \$695.3 million, respectively.



**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

The Authority has granted terms and interest rate concessions to Debtors, which are considered troubled debt restructuring, as of December 31, 2011 and 2010, as summarized below:

| <b>Single Family Program Loans:</b>                       | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
| Aggregate Recorded Balance - TDRs                         | \$51,775    | \$15,368    |
| Number of TDR Loans                                       | 347         | 116         |
| Gross Interest Revenue<br>if Receivables had been current | \$3,124     | \$957       |
| Interest Revenue included in<br>Changes in Net Position   | \$1,936     | \$855       |

Single Family Program TDRs increased due to continuing difficult economic conditions for borrowers.

| <b>Multi-Family/Business Program Loans:</b>               | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
| Aggregate Recorded Balance - TDRs                         | \$29,008    | \$42,711    |
| Number of TDR Loans                                       | 35          | 37          |
| Gross Interest Revenue<br>if Receivables had been current | \$1,803     | \$2,922     |
| Interest Revenue included in<br>Changes in Net Position   | \$1,748     | \$2,681     |

Multi-Family/Business Program TDRs decreased primarily due to loan payoffs.





Notes to Basic Financial Statements  
(tabular dollar amounts are in thousands)

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

Capital asset activity for the year ended December 31, 2011 was as follows:

|  | Beginning<br>Balance | Additions  | Reductions | Ending<br>Balance |
|--|----------------------|------------|------------|-------------------|
| <b>Non-depreciable capital assets:</b> |                      |            |            |                   |
| Land                                   | \$ 4,785             | \$ -       | \$ -       | \$ 4,785          |
| Construction in progress               | 762                  | 619        | (1,140)    | 241               |
| Total non-depreciable capital assets   | 5,547                | 619        | (1,140)    | 5,026             |
| <b>Depreciable capital assets:</b>     |                      |            |            |                   |
| Computer equipment/software            | 12,416               | 1,107      | -          | 13,523            |
| Furniture and equipment                | 995                  | 72         | -          | 1,067             |
| Rental property - non-building related | 2,021                | 421        | (271)      | 2,171             |
| Buildings and related improvements     | 27,718               | 54         | -          | 27,772            |
| Total depreciable capital assets       | 43,150               | 1,654      | (271)      | 44,533            |
| Less accumulated depreciation:         |                      |            |            |                   |
| Computer equipment/software            | (7,571)              | (2,226)    | -          | (9,797)           |
| Furniture and equipment                | (398)                | (115)      | -          | (513)             |
| Rental property - non-building related | (816)                | (242)      | 241        | (817)             |
| Buildings and related improvements     | (13,171)             | (1,101)    | -          | (14,272)          |
| Total accumulated depreciation         | (21,956)             | (3,684)    | 241        | (25,399)          |
| Total depreciable capital assets, net  | 21,194               | (2,030)    | (30)       | 19,134            |
| Total capital assets, net              | \$ 26,741            | \$ (1,411) | \$ (1,170) | \$ 24,160         |



*Notes to Basic Financial Statements*  
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Capital asset activity for the year ended December 31, 2010 was as follows:

|  | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|------------------|-------------------|---------------------------|
| <b>Non-depreciable capital assets:</b> |                              |                  |                   |                           |
| Land                                   | \$ 4,785                     | \$ -             | \$ -              | \$ 4,785                  |
| Construction in progress               | 196                          | 1,250            | (684)             | 762                       |
| Total non-depreciable capital assets   | 4,981                        | 1,250            | (684)             | 5,547                     |
| <b>Depreciable capital assets:</b>     |                              |                  |                   |                           |
| Computer equipment/software            | 11,694                       | 722              | -                 | 12,416                    |
| Furniture and equipment                | 1,091                        | 53               | (149)             | 995                       |
| Rental property - non-building related | 2,087                        | 173              | (239)             | 2,021                     |
| Buildings and related improvements     | 27,568                       | 634              | (484)             | 27,718                    |
| Total depreciable capital assets       | 42,440                       | 1,582            | (872)             | 43,150                    |
| Less accumulated depreciation:         |                              |                  |                   |                           |
| Computer equipment/software            | (5,367)                      | (2,204)          | -                 | (7,571)                   |
| Furniture and equipment                | (408)                        | (139)            | 149               | (398)                     |
| Rental property - non-building related | (790)                        | (265)            | 239               | (816)                     |
| Buildings and related improvements     | (12,270)                     | (1,165)          | 264               | (13,171)                  |
| Total accumulated depreciation         | (18,835)                     | (3,773)          | 652               | (21,956)                  |
| Total depreciable capital assets, net  | 23,605                       | (2,191)          | (220)             | 21,194                    |
| Total capital assets, net              | \$ 28,586                    | \$ (941)         | \$ (904)          | \$ 26,741                 |



**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

As discussed in note 1(c), the Authority's capital assets consist of two groups; corporate capital assets and RAP capital assets. Summary of capital asset activity for these two groups for the year ended December 31, 2011 was as follows:

|                              | Beginning<br>Balance | Additions  | Reductions | Ending<br>Balance |
|------------------------------|----------------------|------------|------------|-------------------|
| <b>Corporate activities:</b> |                      |            |            |                   |
| Cost                         | \$ 23,501            | \$ 1,834   | \$ (1,140) | \$ 24,195         |
| Accumulated depreciation     | (11,216)             | (2,745)    | -          | (13,961)          |
| Net                          | 12,285               | (911)      | (1,140)    | 10,234            |
| <b>RAP activities:</b>       |                      |            |            |                   |
| Cost                         | 25,196               | 439        | (271)      | 25,364            |
| Accumulated depreciation     | (10,740)             | (939)      | 241        | (11,438)          |
| Net                          | 14,456               | (500)      | (30)       | 13,926            |
| Total capital assets, net    | \$ 26,741            | \$ (1,411) | \$ (1,170) | \$ 24,160         |

Summary of capital asset activity for these two components for the year ended December 31, 2010 was as follows:

|                              | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance |
|------------------------------|----------------------|-----------|------------|-------------------|
| <b>Corporate activities:</b> |                      |           |            |                   |
| Cost                         | \$ 22,344            | \$ 2,072  | \$ (915)   | \$ 23,501         |
| Accumulated depreciation     | (8,696)              | (2,749)   | 229        | (11,216)          |
| Net                          | 13,648               | (677)     | (686)      | 12,285            |
| <b>RAP activities:</b>       |                      |           |            |                   |
| Cost                         | 25,077               | 760       | (641)      | 25,196            |
| Accumulated depreciation     | (10,139)             | (1,024)   | 423        | (10,740)          |
| Net                          | 14,938               | (264)     | (218)      | 14,456            |
| Total capital assets, net    | \$ 28,586            | \$ (941)  | \$ (904)   | \$ 26,741         |



**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

Summary of financial information for the Authority's RAP activities as of December 31, 2011 and 2010 was as follows:

| <b>For the years ended December 31,</b>   | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
| Property, net of accumulated depreciation | \$ 13,926   | \$ 14,456   |
| Total assets                              | 19,334      | 18,210      |
| Total liabilities                         | 14,348      | 14,754      |
| Net position                              | 4,986       | 3,456       |

| <b>For the years ended December 31,</b> | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
| Rental income                           | \$ 8,096    | \$ 7,656    |
| Gain (loss) on sale of capital assets   | (30)        | 128         |
| Interest income                         | 7           | 7           |
| General operating expenses              | (4,544)     | (5,176)     |
| Depreciation expense                    | (939)       | (1,024)     |
| Interest expense                        | (1,060)     | (1,093)     |
| Operating income                        | \$ 1,530    | \$ 498      |

#### **(5) Short-Term Debt**

The Authority has agreements with the Federal Home Loan Bank of Topeka (FHLB) for collateralized borrowings in an amount not to exceed the lending limit internally established by the FHLB, which is 40% of the Authority's total assets, or \$1.3 billion. As of December 31, 2011 and 2010, the Authority had \$46.1 million and \$87.9 million of short-term debt outstanding with the FHLB, respectively. Borrowings under these agreements are used to support the Authority's various lending programs, to purchase loans to be sold through the issuance of GNMA securities and activities related to the Authority's private activity bond volume cap preservation program. Amounts drawn under the agreements bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and investments. There are no commitment fees associated with these agreements.

The Authority also has a revolving, unsecured, commercial bank line of credit agreement for borrowings of up to \$30.0 million. Amounts drawn under the agreement bear interest fixed at 1.95% per annum above the daily One-Month LIBOR. This line of credit agreement terminates on September 30, 2012. The Authority pays an unused line fee at the rate of 0.25% per annum, payable in arrears on the first business day after each calendar quarter. The fee is based upon the amount by which the daily average of the aggregate principal amount of the borrowings outstanding is less than the line of credit.



**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

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Short-term debt activity for the years ended December 31, 2011, and 2010 was as follows:

|                   | <u>2011</u>        | <u>2010</u>        |
|-------------------|--------------------|--------------------|
| Beginning Balance | \$ 87,900          | \$ 73,250          |
| Additions         | 5,228,735          | 4,467,100          |
| Repayments        | <u>(5,270,535)</u> | <u>(4,452,450)</u> |
| Ending Balance    | <u>\$ 46,100</u>   | <u>\$ 87,900</u>   |

**(6) Bonds, Notes Payable and Other Liabilities**

The Authority issues bonds and notes payable to finance its lending programs. Proceeds from long-term debt of the Single Family and Multi-Family/Business bonds are used for funding of single-family, multi-family and business loans. Long-term debt of the General Programs (including notes payable) is used to finance single-family and business loans related to various private placements, the Authority's RAP activities and general corporate purposes. The aggregate principal amounts of bonds and notes payable outstanding as of December 31, 2011 and 2010, are shown in the table on the following pages. Interest is payable semi-annually unless otherwise noted. Interest rates on most of the variable rate debt reset on a weekly basis by the remarketing agents. At December 31, 2011 these rates ranged from 0.08% to 1.85%. At December 31, 2010 these rates ranged from 0.27% to 0.54%. Three of the bond series reset on a monthly basis based on LIBOR, and one bond sub-series resets monthly based on the Securities Industry Financial Markets Association Municipal Swap Index (SIFMA).



**Notes to Basic Financial Statements**  
(tabular dollar amounts are in thousands)

| Description and Maturity Date  | Interest rate (%) | 2011          | 2010          |
|--|-------------------|---------------|---------------|
| <b>Bonds payable:</b>  |                   |               |               |
| <b>General Programs - All General Program bonds carry the Authority's general obligation pledge:</b> |                   |               |               |
| Single Family:   |                   |               |               |
| Taxable Mortgage Revenue Bonds: (* principal and interest payable monthly)                           |                   |               |               |
| 2000 Series A* 2012 - 2020   | 6.91              | \$ 358        | \$ 384        |
| 2001 Series AP* 2012 - 2021  | 6.14              | 1,220         | 1,287         |
| 2004 Series A* 2012 - 2024   | 4.95              | 815           | 1,043         |
| 2004 Series B* 2012 - 2035   | 4.98              | 2,075         | 2,337         |
| 2004 Series CV* 2012 - 2035  | 5.14              | 1,146         | 1,494         |
| 2005 Series A* 2012 - 2035   | 5.17              | 5,135         | 6,252         |
| 2005 Series B* 2012 - 2036   | 5.32              | 4,651         | 5,353         |
| 2006 Series A* 2012 - 2036   | 5.92              | 5,774         | 6,786         |
| 2007 Series A* 2012 - 2037   | 5.50              | 4,672         | 5,704         |
| 2011 Series A* 2012 - 2031   | 2.92              | 4,678         | -             |
| <b>Total Single Family</b>   |                   | <b>30,524</b> | <b>30,640</b> |
| Multi-Family/Business Finance:   |                   |               |               |
| Guaranteed Loan Participation Purchase Bonds: (* principal and interest payable monthly)             |                   |               |               |
| 1999 Series A 2012-2024  | 5.71              | 491           | 521           |
| 2003 Series A* 2012-2023   | 5.00              | 193           | 1,539         |
| 2004 Series A* 2012-2024   | 4.62              | 935           | 1,995         |
| 2004 Series B* 2012-2024   | 4.88              | 4,652         | 5,991         |
| 2005 Series A* 2012-2025   | 4.81              | 2,241         | 2,524         |
| 2006 Series A* 2012-2026   | 5.98              | 2,366         | 3,158         |
| 2007 Series A* 2012-2027   | 5.89              | 1,933         | 3,290         |
| <b>Total Guaranteed Loan Participation Purchase Bonds</b>  |                   | <b>12,811</b> | <b>19,018</b> |
| Project Loan Participation Purchase Bonds: (* principal and interest payable monthly)                |                   |               |               |
| 2004 Series AP* 2012-2024  | 4.90              | 3,556         | 4,497         |
| Taxable Rental Project Revenue Bonds: (* principal and interest payable monthly)                     |                   |               |               |
| 2000 Series A 2012-2020  | 6.15              | 3,799         | 3,844         |
| 2002 Series AV* 2012-2022  | 5.55              | 5,176         | 5,476         |
| 2003 Series AV* 2012-2024  | 5.19              | 3,332         | 3,428         |
| 2004 Series A* 2012-2024   | 4.90              | 11,087        | 11,483        |
| <b>Total Taxable Rental Project Revenue Bonds</b>  |                   | <b>23,394</b> | <b>24,231</b> |
| <b>Total Multi-Family/Business Finance</b>   |                   | <b>39,761</b> | <b>47,746</b> |
| <b>Total General Programs</b>  |                   | <b>70,285</b> | <b>78,386</b> |

Table continued on following page.



**Notes to Basic Financial Statements**  
(tabular dollar amounts are in thousands)

| Description and Maturity Date  | Interest rate (%)                          | 2011             | 2010             |
|--|--|------------------|------------------|
| <b>Single Family Program:</b>  |  |                  |                  |
| Single Family Program Senior and Subordinate Bonds:  |  |                  |                  |
| 1998 Series A 2012 - 2029  | 6.50 - 6.60                                | 1,820            | 2,365            |
| 1998 Series B 2012 - 2029  | 5.50                                       | 2,198            | 2,748            |
| 1998 Series C 2012 - 2029  | 5.63                                       | 3,698            | 3,900            |
| 1998 Series D 2012 - 2029  | 6.13 - 6.35                                | 2,935            | 3,815            |
| 1999 Series A 2012 - 2030  | 6.05 - 6.45                                | 3,340            | 4,300            |
| 1999 Series B 2012 - 2030  | 6.50 - 6.80                                | 1,075            | 1,660            |
| 1999 Series C 2012 - 2031  | 6.75 - 7.05                                | 2,810            | 3,715            |
| 2000 Series A 2012 - 2031  | 7.35 - 7.50                                | 1,480            | 1,730            |
| 2000 Series B 2012 - 2031  | 6.70 - 7.25                                | 1,630            | 1,905            |
| 2000 Series C 2012 - 2031  | 5.70 - 8.40                                | 1,040            | 1,355            |
| 2000 Series D 2012 - 2032  | 5.40 - 6.90                                | 1,905            | 2,620            |
| 2000 Series E 2012 - 2032  | 5.38 - 7.00                                | 1,780            | 1,980            |
| 2001 Series A 2012 - 2032  | 5.00 - 6.50                                | 4,345            | 4,715            |
| 2001 Series B 2012 - 2033  | 5.00 - 6.80                                | 5,160            | 5,870            |
| 2001 Series C 2012 - 2033  | 4.88 - 6.60                                | 6,505            | 7,610            |
| Total Single Family Program Senior and Subordinate Bonds   |  | 41,721           | 50,288           |
| Single Family Mortgage Bonds: (* rates on the 2011 Series D bonds increase if the bond rating is downgraded) |  |                  |                  |
| 2001 Series AA 2012 - 2041   | Variable & 5.25                            | 111,840          | 111,840          |
| 2002 Series A 2012 - 2032  | Variable & 5.00 - 5.65                     | 33,895           | 36,190           |
| 2002 Series B 2012 - 2032  | Variable & 4.80 - 5.40                     | 31,765           | 58,400           |
| 2002 Series C 2012 - 2036  | Variable & 4.40 - 4.95                     | 39,485           | 67,550           |
| 2003 Series A 2012 - 2032  | Variable & 4.75 - 5.15                     | 29,065           | 33,170           |
| 2003 Series B 2012 - 2033  | Variable & 5.00                            | 102,845          | 120,385          |
| 2003 Series C 2012 - 2032  | Variable & 5.00                            | 43,125           | 62,765           |
| 2004 Series A 2012 - 2034  | Variable & 5.25                            | 42,190           | 72,900           |
| 2004 Series B 2012 - 2034  | Variable & 5.25                            | 34,585           | 64,615           |
| 2005 Series A 2012 - 2035  | Variable & 5.25                            | 38,095           | 64,890           |
| 2005 Series B 2012 - 2036  | Variable & 4.98 - 5.22                     | 68,490           | 124,770          |
| 2006 Series A 2012 - 2036  | Variable & 5.00                            | 77,350           | 82,600           |
| 2006 Series B 2012 - 2036  | Variable & 5.10                            | 115,520          | 145,495          |
| 2006 Series C 2012 - 2036  | Variable & 4.63                            | 97,830           | 125,125          |
| 2007 Series A 2012 - 2037  | Variable & 4.80                            | 100,295          | 145,115          |
| 2007 Series B 2012 - 2038  | Variable                                   | 136,370          | 174,780          |
| 2008 Series A 2012 - 2038  | Variable & 5.00 - 5.75                     | 194,790          | 302,420          |
| 2009 Series A 2012 - 2029  | 2.95 - 5.50                                | 69,570           | 78,900           |
| 2011 Series AA 2012 - 2041   | 0.60 - 5.00                                | 96,415           | -                |
| 2011 Series B 2012 - 2014  | Variable = 1 month LIBOR + (0.70 - 0.90)   | 64,180           | -                |
| 2011 Series C 2012 - 2013  | Variable = 1 month LIBOR + 0.60            | 108,970          | -                |
| 2011 Series D 2012 - 2016  | Variable & SIFMA + 0.70, 75% LIBOR + 0.80* | 54,085           | -                |
| Total Single Family Mortgage Bonds   |  | 1,690,755        | 1,871,910        |
| Single Family Program Bonds:   |  |                  |                  |
| 2009 Series AA 2015  | Variable - NIBP                            | 216,410          | 275,210          |
| <b>Total Single Family Program</b>   |  | <b>1,948,886</b> | <b>2,197,408</b> |

Table continued on following page.



**Notes to Basic Financial Statements**  
(tabular dollar amounts are in thousands)

| Description and Maturity Date   | Interest rate (%)      | 2011                | 2010                |
|---|------------------------|---------------------|---------------------|
| <b>Multi-Family/Business Program:</b>   |                        |                     |                     |
| Multi-Family Housing Insured - Mortgage Revenue Bonds:  |                        |                     |                     |
| 1997 Series A 2012-2038   | 5.75 - 7.13            | -                   | 1,540               |
| 1997 Series B 2012-2038   | 5.70 - 5.90            | 3,915               | 10,220              |
| 1997 Series C 2012-2039   | 5.60 - 5.75            | 8,715               | 20,965              |
| 1998 Series A 2012-2039   | 5.35 - 6.70            | 9,220               | 15,050              |
| 1998 Series B 2012-2040   | 5.45 - 7.00            | 1,525               | 6,750               |
| 1999 Series A 2012-2041   | 4.55 - 6.65            | 17,920              | 18,130              |
| 1999 Series B 2012-2041   | 5.25 - 5.85            | 5,075               | 5,135               |
| 1999 Series C 2012-2041   | 6.05 - 6.20            | 5,565               | 5,610               |
| 2002 Series AA 2012-2030  | Variable               | 25,420              | 26,820              |
| Total Multi-Family Housing Insured - Mortgage Revenue Bonds                                   |                        | 77,355              | 110,220             |
| Multi-Family/Project Bonds: (* principal and interest payable quarterly on some of the bonds) |                        |                     |                     |
| 2000 Series A 2012 - 2030   | Variable               | 18,110              | 21,715              |
| 2000 Series B* 2012 - 2042  | Variable & 5.90 - 6.10 | 25,410              | 25,790              |
| 2001 Series A 2012 - 2043   | 5.30 - 5.65            | 22,710              | 24,560              |
| 2002 Series A 2012 - 2042   | Variable & 5.70        | 22,150              | 22,585              |
| 2002 Series C 2012 - 2042   | Variable & 4.20 - 5.30 | 108,660             | 111,575             |
| 2003 Series A 2012 - 2033   | Variable               | 37,210              | 38,235              |
| 2004 Series A 2012 - 2045   | Variable & 3.60 - 4.80 | 73,255              | 76,470              |
| 2005 Series A 2012 - 2040   | Variable               | 63,730              | 65,390              |
| 2005 Series B 2012 - 2040   | Variable               | 25,065              | 25,650              |
| 2006 Series A 2012 - 2036   | Variable               | 51,815              | 53,305              |
| 2007 Series B 2012 - 2038   | Variable               | 78,545              | 84,000              |
| 2008 Series A 2012 - 2043   | Variable               | 30,775              | 31,470              |
| 2008 Series B 2012 - 2052   | Variable               | 163,505             | 164,905             |
| 2008 Series C 2012 - 2038   | Variable               | 34,650              | 34,940              |
| 2009 Series A 2012 - 2041   | Variable & 1.30 - 5.40 | 41,630              | 44,605              |
| Total Multi-Family/Project Bonds  |                        | 797,220             | 825,195             |
| <b>Total Multi-Family/Business Program</b>  |                        | <b>874,575</b>      | <b>935,415</b>      |
| <b>Total bonds payable</b>  |                        | <b>2,893,746</b>    | <b>3,211,209</b>    |
| <b>Premiums and losses classified as bonds payable</b>  |                        |                     |                     |
| Deferred premiums   |                        | 3,273               | 3,311               |
| Deferred losses on refunding  |                        | (15,147)            | (5,004)             |
| <b>Bonds payable, net</b>   |                        | <b>2,881,872</b>    | <b>3,209,516</b>    |
| <b>Notes payable</b>  |                        | <b>7,535</b>        | <b>6,252</b>        |
| <b>Bonds and notes payable, net</b>   |                        | <b>\$ 2,889,407</b> | <b>\$ 3,215,768</b> |
| <b>Statement of Net Position Summary</b>  |                        |                     |                     |
| <b>Current:</b>   |                        |                     |                     |
| Bonds payable   |                        | 321,512             | 299,187             |
| Notes payable   |                        | 104                 | 79                  |
| <b>Noncurrent:</b>  |                        |                     |                     |
| Bonds and notes payable, net  |                        | 2,567,791           | 2,916,502           |
| <b>Total</b>  |                        | <b>\$ 2,889,407</b> | <b>\$ 3,215,768</b> |





**Notes to Basic Financial Statements**  
(tabular dollar amounts are in thousands)

A breakdown of bonds payable as of December 31, 2011 and 2010, by fixed and variable interest rates, follows in the table below. Certain of the Authority's variable rate debt has been hedged by entering into pay fixed/receive variable rate interest rate swap agreements as further described in note 8. Such debt is referred to in the table as synthetic fixed rate debt.

| Description                                 | 2011         | 2010         |
|---|--------------|--------------|
| Fixed rate debt                             | \$ 552,332   | \$ 555,879   |
| Hedged variable rate (synthetic fixed) debt | 1,944,459    | 2,088,735    |
| Unhedged variable rate debt                 | 396,955      | 566,595      |
| Total                                       | \$ 2,893,746 | \$ 3,211,209 |

Included in certain of the bond issues shown in the previous table are capital appreciation term bonds. The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity, and as reflected in the accompanying Statement of Net Position at December 31, 2011, are as follows:

| Description and due date                            | Interest Rate (%) | Appreciated Balances |                 |
|---|-------------------|----------------------|-----------------|
|   |                   | Maturity             | 2011            |
| Single Family Program Senior and Subordinate Bonds: |                   |                      |                 |
| 1998 Series B - 2025-2029                           | 5.50              | \$ 5,046             | \$ 2,198        |
| 1998 Series C - 2020-2029                           | 5.63              | 7,459                | 3,698           |
|   |                   |                      | <u>\$ 5,896</u> |

The appreciated balances of these bonds at maturity, and as reflected in the accompanying Statement of Net Position at December 31, 2010, are as follows:

| Description and due date                            | Interest Rate (%) | Appreciated Balances |                 |
|---|-------------------|----------------------|-----------------|
|   |                   | Maturity             | 2010            |
| Single Family Program Senior and Subordinate Bonds: |                   |                      |                 |
| 1998 Series B - 2025-2029                           | 5.50              | \$ 6,053             | \$ 2,498        |
| 1998 Series C - 2020-2029                           | 5.63              | 8,313                | 3,900           |
|   |                   |                      | <u>\$ 6,398</u> |



**Notes to Basic Financial Statements**  
(tabular dollar amounts are in thousands)

Also included in the table of bonds and notes payable outstanding are certain Single-Family and Multi-Family/Project bonds, which carry the Authority's general obligation pledge. These general obligation bonds are presented in the following table as of December 31, 2011 and 2010:

| Description                             | 2011              | 2010              |
|---|-------------------|-------------------|
| General Fund Program Bonds              | \$ 70,285         | \$ 78,386         |
| Single Family Program Subordinate Bonds | 310               | 505               |
| Single Family Mortgage Bonds, Class III | 53,480            | 63,525            |
| Multi-Family/Project Bonds, Class I     | 265,430           | 272,145           |
| Multi-Family/Project Bonds, Class II    | 22,095            | 22,625            |
| Multi-Family/Project Bonds, Class III   | 1,700             | 2,040             |
| <b>Total</b>                            | <b>\$ 413,300</b> | <b>\$ 439,226</b> |

Standby Purchase Agreements provide liquidity support on variable rate bonds that are remarketed weekly. The liquidity/commitment fees vary by agreement and are based on a percentage of the outstanding bond balance, payable semi-annually. Liquidity fees for the years ended December 31, 2011 and 2010 were \$10.2 and \$8.5 million, respectively. A schedule of providers and maturities is presented below, as of December 31, 2011:

| Liquidity Expiration | Barclays Bank PLC. (1) | Credit Agricole - CIB (2) | FHLB (3)          | KBC Bank N.V. (4) | Royal Bank of Canada (5) | TCLP (6)          | Grand Total         |
|----------------------|------------------------|---------------------------|-------------------|-------------------|--------------------------|-------------------|---------------------|
| 04/12                | \$ -                   | \$ -                      | \$ 29,950         | \$ -              | \$ -                     | \$ -              | \$ 29,950           |
| 08/12                | -                      | 78,545                    | -                 | -                 | -                        | -                 | 78,545              |
| 09/12                | 106,320                | -                         | -                 | -                 | -                        | -                 | 106,320             |
| 09/12                | -                      | -                         | 64,925            | -                 | -                        | -                 | 64,925              |
| 10/12                | -                      | -                         | -                 | 50,000            | -                        | -                 | 50,000              |
| 04/13                | -                      | -                         | 45,875            | -                 | -                        | -                 | 45,875              |
| 04/13                | -                      | -                         | 30,775            | -                 | -                        | -                 | 30,775              |
| 05/13                | -                      | -                         | 16,425            | -                 | -                        | -                 | 16,425              |
| 06/13                | -                      | -                         | 163,505           | -                 | -                        | -                 | 163,505             |
| 09/13                | -                      | -                         | 37,210            | -                 | -                        | -                 | 37,210              |
| 10/13                | -                      | -                         | 1,720             | -                 | -                        | -                 | 1,720               |
| 11/13                | -                      | -                         | 100,640           | -                 | -                        | -                 | 100,640             |
| 12/13                | -                      | -                         | 25,065            | -                 | -                        | -                 | 25,065              |
| 12/13                | -                      | -                         | 94,650            | -                 | -                        | -                 | 94,650              |
| 03/14                | -                      | -                         | 18,110            | -                 | -                        | -                 | 18,110              |
| 05/14                | -                      | -                         | 62,140            | -                 | -                        | -                 | 62,140              |
| 06/14                | -                      | -                         | 112,270           | -                 | -                        | -                 | 112,270             |
| 06/14                | -                      | -                         | 171,315           | -                 | -                        | -                 | 171,315             |
| 10/14                | -                      | -                         | -                 | -                 | 190,930                  | -                 | 190,930             |
| 12/15                | -                      | -                         | -                 | -                 | -                        | 492,305           | 492,305             |
| <b>Total</b>         | <b>\$ 106,320</b>      | <b>\$ 78,545</b>          | <b>\$ 974,575</b> | <b>\$ 50,000</b>  | <b>\$ 190,930</b>        | <b>\$ 492,305</b> | <b>\$ 1,892,675</b> |

The following provides the terms of the debt service requirements that would result if the SBPA commitments were to be exercised (bank bond rate, accelerated payment schedule, and lien):

- (1) (a) Bank Rate: for the first 30 days following the purchase date, the "Base Rate" which equals the highest of the Fed funds plus 5%, prime rate plus 5% and Three-Month LIBOR plus 5%; then for the period 31-90 days following the purchase date, the Base Rate plus 2.00%; then for the period 91 days and higher following the purchase date, 12%.
  - (b) Term out provisions: accelerated principal payment due in full on the date which is three years following the purchase date. Class III lien/General Obligation.
- (2) (a) Bank Rate: the higher of (a) prime rate or (b) Fed funds rate plus 1%.
  - (b) Term out provisions: repayments due 90 days following purchase date in equal semiannual installments until fifth anniversary of the purchase date. Class I lien.



**Notes to Basic Financial Statements**  
(tabular dollar amounts are in thousands)

- (3) (a) Bank Rate: One-Month LIBOR plus 2.00% (1.50% for 2003 Series B-3 Bonds).  
 (b) Term out provisions: repayments due 90 days following purchase date in equal semiannual installments until fifth anniversary of the purchase date. Class III lien/General Obligation.
- (4) (a) Bank Rate: the higher of (a) prime rate or (b) Fed funds rate plus 1%.  
 (b) Term out provisions: 10 equal semiannual installments following the purchase date. Class III lien/General Obligation.
- (5) (a) Bank Rate: for the first 90 days following the purchase date, the "Base Rate" which equals the highest of (i) the prime rate plus 2.50%, (ii) the Fed funds rate plus 3.00% and (iii) 8.00%; then for the period 91-180 days following the purchase date, the Base Rate plus 1.00%; then for the period 181 days and higher following the purchase date, the Base Rate plus 2.00%.  
 (b) Term out provisions: repayments due on the first business day of February, May, August or November on or following 90 days following purchase date and thereafter quarterly on each such dates in equal installments to the third anniversary of such purchase date. Class I lien.
- (6) (a) Bank Rate: prime rate (based on JPMorgan Prime Rate) plus 1.00%.  
 (b) Term out provisions: accelerated principal payment due in full on tenth anniversary of the purchase date. Class I lien.

Bonds, notes payable and other noncurrent liability activity for the year ended December 31, 2011 was as follows:

| Description                  | Beginning<br>Balance | Additions  | Reductions   | Ending<br>Balance | Due Within<br>One Year |
|------------------------------|----------------------|------------|--------------|-------------------|------------------------|
| Bonds payable                | \$ 2,911,864         | \$ 266,435 | \$ (606,758) | \$ 2,571,541      | \$ 322,205             |
| Deferred premiums            | 3,002                | -          | (95)         | 2,907             | 366                    |
| Deferred losses on refunding | (4,537)              | (11,450)   | 1,899        | (14,088)          | (1,059)                |
| Net bonds payable            | 2,910,329            | 254,985    | (604,954)    | 2,560,360         | 321,512                |
| Notes payable                | 6,173                | 1,388      | (130)        | 7,431             | 104                    |
| Arbitrage rebate payable     | 2,942                | 1,006      | (2,469)      | 1,479             | -                      |
| Deferred income              | 3,041                | 12         | (331)        | 2,722             | 195                    |
| Other liabilities            | 2,784                | 19,006     | (2,050)      | 19,740            | 17,009                 |
|                              | 8,767                | 20,024     | (4,850)      | 23,941            | 17,204                 |
|                              | \$ 2,925,269         | \$ 276,397 | \$ (609,934) | \$ 2,591,732      | \$ 338,820             |



**Notes to Basic Financial Statements**  
(tabular dollar amounts are in thousands)

Bonds, notes payable and other noncurrent liability activity for the year ended December 31, 2010 was as follows:

| Description                  | Beginning Balance | Additions  | Reductions   | Ending Balance | Due Within One Year |
|------------------------------|-------------------|------------|--------------|----------------|---------------------|
| Bonds payable                | \$ 3,164,517      | \$ 275,210 | \$ (527,863) | \$ 2,911,864   | \$ 299,345          |
| Deferred premiums            | 4,458             | -          | (1,456)      | 3,002          | 309                 |
| Deferred losses on refunding | (5,425)           | -          | 888          | (4,537)        | (467)               |
| Net bonds payable            | 3,163,550         | 275,210    | (528,431)    | 2,910,329      | 299,187             |
| Notes payable                | 20,968            | 125        | (14,920)     | 6,173          | 79                  |
| Arbitrage rebate payable     | 3,731             | (757)      | (32)         | 2,942          | -                   |
| Deferred income              | 3,176             | 228        | (363)        | 3,041          | 217                 |
| Other liabilities            | 2,996             | -          | (212)        | 2,784          | 35,009              |
|                              | 9,903             | (529)      | (607)        | 8,767          | 36,258              |
|                              | \$ 3,194,421      | \$ 274,806 | \$ (543,958) | \$ 2,925,269   | \$ 335,524          |

Bonds and notes payable sinking fund installments and contractual maturities subsequent to December 31, 2011, using rates in effect as of December 31, 2011, are as follows:

| Years Ending December 31, | General Program |           | Single Family |            | Multi-Family |            | Notes Payable |          |
|---------------------------|-----------------|-----------|---------------|------------|--------------|------------|---------------|----------|
|                           | Principal       | Interest  | Principal *   | Interest   | Principal    | Interest   | Principal     | Interest |
| 2012                      | \$ -            | \$ 3,633  | \$ 312,540    | \$ 20,389  | \$ 9,665     | \$ 9,068   | \$ 104        | \$ 11    |
| 2013                      | -               | 3,633     | 100,655       | 19,407     | 10,175       | 8,867      | 104           | 10       |
| 2014                      | 90              | 3,633     | 72,125        | 18,347     | 11,385       | 8,680      | 5,342         | 9        |
| 2015                      | 179             | 3,625     | 55,005        | 17,754     | 11,895       | 8,553      | 106           | 8        |
| 2016                      | 186             | 3,614     | 85,625        | 17,312     | 12,620       | 8,426      | 1,302         | 7        |
| 2017-2021                 | 4,922           | 17,543    | 296,232       | 77,397     | 87,335       | 39,670     | 442           | 18       |
| 2022-2026                 | 34,844          | 11,868    | 179,679       | 63,427     | 74,965       | 34,132     | 135           | 3        |
| 2027-2031                 | 6,611           | 7,129     | 251,228       | 43,324     | 126,030      | 27,519     | -             | -        |
| 2032-2036                 | 18,781          | 5,386     | 350,970       | 20,142     | 235,365      | 20,136     | -             | -        |
| 2037-2041                 | 4,672           | 236       | 251,435       | 10,991     | 125,205      | 8,516      | -             | -        |
| 2042-2046                 | -               | -         | -             | -          | 6,430        | 1,438      | -             | -        |
| 2047-2051                 | -               | -         | -             | -          | -            | 1,308      | -             | -        |
| 2052                      | -               | -         | -             | -          | 163,505      | 152        | -             | -        |
| T total                   | \$ 70,285       | \$ 60,300 | \$ 1,955,494  | \$ 308,490 | \$ 874,575   | \$ 176,465 | \$ 7,535      | \$ 66    |

\* Includes \$6.6 million of future accretion of principal value on capital appreciation bonds.

In response to capital market disruptions nationally, in late 2009 the U.S. Department of the Treasury announced a plan to assist Housing and Finance Authorities (HFAs) through a two-part initiative: a new bond purchase program called the New



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Issue Bond Program ("NIBP") to support new lending by HFAs and a temporary credit and liquidity program ("TCLP") to improve the access of HFAs to liquidity for outstanding HFA bonds.

The NIBP provided financing for HFAs to issue new mortgage revenue bonds no later than December 31, 2011. Pursuant to the NIBP, the Authority issued its Single Family Program Class I Bonds in the amount of \$275,210,000 on January 12, 2010. Using authority under the Housing and Economic Recovery Act of 2008 ("HERA"), Treasury purchased securities of Fannie Mae and Freddie Mac backed by these mortgage revenue bonds. The bonds initially carry variable interest rates that approximate the investment interest rates earned from the investment of bond proceeds. The bonds must be converted to fixed rate debt, concurrent with the issuance of other mortgage revenue bonds by the Authority or redeemed no later than December 31, 2015. As of December 31, 2011, \$216,410,000 NIBP bonds had not been converted.

The TCLP allows Fannie Mae and Freddie Mac to provide replacement credit and liquidity facilities to HFAs. The Treasury will backstop the replacement credit and liquidity facilities for the HFAs by purchasing an interest in them using HERA authority. The TCLP was set to expire December 31, 2012 but was extended to December 31, 2015 subject to submission and acceptance of a plan to extinguish TCLP facilities by the new expiration date. Plans are due in 2012 and CHFA is in the process of submitting its plan to the sponsoring entities. Pursuant to the TCLP, the Authority utilized \$903,685,000 to replace Standby Purchase Agreements on its variable rate bonds that are remarketed weekly, of which \$492,305,000 and \$814,085,000 was outstanding as of December 31, 2011 and 2010, respectively. The Authority plans to replace the TCLP facility with liquidity facilities provided by other banks or convert the underlying variable rate bonds to fixed rate bonds or to variable-rate debt that does not require standby liquidity.

#### **(7) Conduit Debt Obligation**

The Authority has issued certain conduit bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are generally guaranteed by third-party 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.

As of December 31, 2011, there were 68 series of bonds outstanding, with an aggregate principal amount outstanding of \$407,326,000. As of December 31, 2010, there were 67 series of bonds outstanding, with an aggregate principal amount outstanding of \$412,413,000.

#### **(8) Derivative Instruments**

The Authority reports derivative instruments at fair value. The fair value of all derivatives is reported on the Statement of Net Position as a derivative instrument at the end of the year. If the interest rate hedge is considered ineffective, an investment derivative, the change in fair value is reported on the Statement of Revenues, Expenses and Changes in Net Position as investment derivative activity loss. The annual changes in the fair value of effective hedging derivative instruments are reported as deferred inflows and outflows, as appropriate, on the Statement of Net Position.

**Swaps Transactions** - The Authority has entered into pay fixed, receive variable interest rate swaps in order to (1) provide lower cost fixed rate financing for its production needs through synthetic fixed rate structures and (2) utilize synthetic fixed rate structures with refunding bonds in order to generate cash flow savings. The objective of the swaps is to hedge interest rate risk.

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best



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estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon rate bonds due on the date of each future net settlement payment on the swaps.

- (a) The Authority's interest rate swaps, which were used to hedge interest rate risk, are considered to be hedging derivative instruments under GASB No. 53, with the exception of Single Family Swap 2001-AA which is considered to be an investment derivative instrument.
- (b) In 2011, the Authority early adopted GASB No. 64, which designates specific circumstances where hedge accounting may continue after the termination of the hedging derivative instrument. As a result, the 2010 financial statements were restated; see New Accounting Principles in note 1.
- (c) On November 10, 2011, the Authority partially refunded certain single family bonds that were subject to existing interest rate swap agreements that were considered effective interest rate hedges. As a result of the partial refunding, deferred outflows related to those hedges in the amount of \$10.3 million has been reclassified to deferred refunding loss, which is presented as part of bonds and notes payable in the basic financial statements. The deferred refunding loss is amortized to interest expense over the life of the new debt using the straight line method. The interest expense is offset by an equal amount that is accreted to deferred outflows over the remaining life of the respective swap.

A summary of interest rate swaps for the years ended December 31, 2011, and 2010, was as follows:

| <b>Summary of Interest Rate Swaps</b>       | <b>12/31/2011</b> | <b>12/31/2010</b> |
|---|-------------------|-------------------|
|   | <b>Fair Value</b> | <b>Fair Value</b> |
| Par optional termination right with trigger | \$ 99,781         | \$ 76,429         |
| Par optional termination right              | 68,925            | 47,295            |
| Trigger                                     | 20,665            | 8,770             |
| Plain                                       | 91,853            | 50,906            |
| <b>Total fair value</b>                     | <b>\$ 281,224</b> | <b>\$ 183,400</b> |

*Trigger:* The variable rate received on these swaps is 68% of the one month LIBOR, if LIBOR is equal to or greater than 3.5%. The variable rate received on these swaps is SIFMA plus a spread if the one month LIBOR is less than 3.5%. See further discussion in the basis risk section below.

*Par optional termination right:* Certain swaps contain a cancellation clause that provides the Authority the option to cancel a certain amount of the swaps on certain dates. The Authority may cancel the optional termination amount for no payment (callable at par). The optional termination dates coincide with the debt service dates on the associated hedged bonds payable. These dates and amounts are provided in the table below.

**Detail of Outstanding Interest Rate Swaps** - The key terms, including the fair values and counterparty credit ratings of the outstanding swaps as of December 31, 2011, are shown in the table below. The notional amounts of the swaps approximate the principal amounts of the associated debt. Except as discussed under amortization risk below, the authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable. Based on the standard swap agreement, payments are settled on a net basis.

The Authority enters into master netting arrangements with each of its swap counterparties. All of the agreements provide for the netting of the value of assets and liability positions of all transactions with the respective counterparty. There are no



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other significant transactions with these counterparties outside of these swap agreements, such that the aggregate amount of liabilities included in the master netting arrangements is equal to the net fair value of the swaps.

**Outstanding Swaps at December 31, 2011:**

| Associated Bond Issue         | Current Notional Amount | Effective Date | Termination Date | Fixed Rate Paid | Variable Rate Received *           | Embedded Options | Optional Termination Date, at Par                            | Optional Termination Amount                                       | Counterparty Rating S&P/Moody's | 2010 Fair Value ** | Change in Fair Value | 2011 Fair Value ** |
|-------------------------------|-------------------------|----------------|------------------|-----------------|------------------------------------|------------------|--|---|---------------------------------|--------------------|----------------------|--------------------|
| <b>Single Family:</b>         |                         |                |                  |                 |                                    |                  |  |   |                                 |                    |                      |                    |
| <b>Investment derivative:</b> |                         |                |                  |                 |                                    |                  |  |   |                                 |                    |                      |                    |
| 2001-AA ****                  | \$ 30,000               | 12/1/2009      | 11/1/2038        | 4.4850%         | Trigger, SIFMA + .05% or 68% LIBOR | ***              | 1) 11/1/2015<br>2) 11/1/2017<br>3) 11/1/2019                 | Up to:<br>1) 7,500<br>2) 15,000<br>3) all remaining               | A+/Aa3                          | \$ (359)           | \$ (1,311)           | \$ (1,670)         |
| <b>Hedging derivatives:</b>   |                         |                |                  |                 |                                    |                  |  |   |                                 |                    |                      |                    |
| 2001-AA2 ****                 | 46,840                  | 12/4/2008      | 5/1/2031         | 4.6000%         | Trigger, SIFMA + .05% or 68% LIBOR |                  |  |   | A+/Aa3                          | (1,620)            | (5,425)              | (7,045)            |
| 2001-AA1                      | 15,340                  | 12/2/2008      | 5/1/2018         | 5.5260%         | Trigger, SIFMA + .05% or 68% LIBOR |                  |  |   | A+/Aa3                          | (1,753)            | (441)                | (2,194)            |
| 2002-A3 ****                  | 17,815                  | 12/4/2008      | 11/1/2021        | 4.7490%         | Trigger, SIFMA + .05% or 68% LIBOR |                  |  |   | A+/Aa3                          | (895)              | (726)                | (1,621)            |
| 2002-B3 ****                  | 38,125                  | 12/4/2008      | 11/1/2021        | 4.5060%         | Trigger, SIFMA + .05% or 68% LIBOR |                  |  |   | A+/Aa3                          | (1,824)            | (1,850)              | (3,674)            |
| 2002-C3 ****                  | 40,000                  | 12/4/2008      | 5/1/2022         | 4.4220%         | Trigger, SIFMA + .15% or 68% LIBOR |                  |  |   | A+/Aa3                          | (1,791)            | (2,371)              | (4,162)            |
| 2003-A2 ****                  | 19,455                  | 12/2/2008      | 11/1/2021        | 4.1600%         | Trigger, SIFMA + .05% or 68% LIBOR |                  |  |   | A+/Aa3                          | (887)              | (1,082)              | (1,969)            |
| 2003-B1 ****                  | 32,760                  | 12/2/2008      | 11/1/2026        | 4.8510%         | LIBOR + .05%                       | ***              | 5/1/2015   | 27,305  | A+/Aa3                          | (2,703)            | (939)                | (3,642)            |
| 2003-B-2                      | 20,915                  | 10/29/2008     | 5/1/2028         | 4.9380%         | LIBOR + .05%                       | ***              | 11/1/2018  | all remaining   | AA-/Aa1                         | (2,171)            | (587)                | (2,758)            |
| 2003-B3 ****                  | 60,000                  | 12/2/2008      | 11/1/2026        | 4.3840%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 5/1/2015   | 43,170  | A+/Aa3                          | (2,019)            | (383)                | (2,402)            |
| 2003-C1                       | 3,585                   | 12/3/2003      | 5/1/2012         | 4.0330%         | Bayerische + .05%                  |                  |  |   | NR/Baa1                         | (308)              | 263                  | (45)               |
| 2003-C2 ****                  | 40,000                  | 12/2/2008      | 11/1/2026        | 4.5950%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 5/1/2015   | 28,780  | A+/Aa3                          | (1,359)            | (187)                | (1,546)            |
| 2004-A1                       | 2,820                   | 9/1/2004       | 5/1/2012         | 4.4600%         | Bayerische + .05%                  |                  |  |   | NR/Baa1                         | (273)              | 234                  | (39)               |
| 2004-A2                       | 50,000                  | 7/28/2004      | 11/1/2026        | 4.3685%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 5/1/2015   | 35,970  | A-/WR                           | (4,869)            | 162                  | (4,707)            |
| 2004-B1                       | 2,170                   | 12/1/2004      | 5/1/2012         | 4.0520%         | LIBOR + .05%                       |                  |  |   | A/Aa3                           | (197)              | 170                  | (27)               |
| 2004-B2                       | 40,000                  | 11/1/2004      | 11/1/2026        | 4.1220%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 5/1/2015   | 28,780  | A-/WR                           | (3,388)            | (75)                 | (3,463)            |
| 2005-A1                       | 6,710                   | 5/1/2005       | 5/1/2013         | 4.3555%         | LIBOR + .05%                       |                  |  |   | A/Aa3                           | (548)              | 335                  | (213)              |
| 2005-A2                       | 40,000                  | 3/16/2005      | 11/1/2027        | 4.0710%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 5/1/2015   | 32,290  | A-/WR                           | (3,320)            | (255)                | (3,575)            |
| 2005-B2                       | 75,850                  | 7/20/2005      | 5/1/2034         | 4.1693%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 5/1/2015   | 48,650  | A-/WR                           | (6,743)            | 130                  | (6,613)            |
| 2006-A1                       | 4,550                   | 3/1/2006       | 11/1/2013        | 5.1610%         | LIBOR + .05%                       |                  |  |   | A+/Aa1                          | (467)              | 244                  | (223)              |
| 2006-A3                       | 40,000                  | 1/18/2006      | 11/1/2036        | 4.3129%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 5/1/2019   | 37,810  | A/A2                            | (4,634)            | (2,148)              | (6,782)            |
| 2006-B1                       | 21,440                  | 11/1/2006      | 11/1/2014        | 5.6685%         | LIBOR + .05%                       |                  |  |   | A+/Aa1                          | (2,664)            | 1,025                | (1,639)            |
| 2006-B2                       | 49,325                  | 7/26/2006      | 11/1/2034        | 4.1951%         | Trigger, SIFMA + .05% or 68% LIBOR | ***              | 5/1/2019   | 16,700  | A/A2                            | (5,827)            | (1,718)              | (7,545)            |
| 2006-B3                       | 62,945                  | 7/26/2006      | 11/1/2036        | 4.5445%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 5/1/2019   | 59,190  | A/A2                            | (8,656)            | (3,247)              | (11,903)           |
| 2006-C1                       | 21,420                  | 1/2/2007       | 11/1/2014        | 5.3143%         | LIBOR + .05%                       |                  |  |   | A+/Aa1                          | (2,455)            | 933                  | (1,522)            |
| 2006-C2                       | 14,140                  | 12/20/2006     | 5/1/2016         | 4.2884%         | Trigger, SIFMA + .05% or 68% LIBOR | ***              | 5/1/2012   | 7,050   | A/A2                            | (1,134)            | 81                   | (1,053)            |
| 2006-C2                       | 10,605                  | 12/20/2006     | 11/1/2016        | 4.2884%         | Trigger, SIFMA + .05% or 68% LIBOR | ***              | 11/1/2012  | 5,300   | A/A2                            | (949)              | (1)                  | (950)              |
| 2006-C2                       | 10,605                  | 12/20/2006     | 11/1/2017        | 4.2884%         | Trigger, SIFMA + .05% or 68% LIBOR | ***              | 11/1/2013  | 5,300   | A/A2                            | (1,116)            | (134)                | (1,250)            |
| 2006-C2                       | 35,350                  | 12/20/2006     | 11/1/2034        | 4.2884%         | Trigger, SIFMA + .05% or 68% LIBOR | ***              | 11/1/2019  | 21,210  | A/A2                            | (4,217)            | (1,592)              | (5,809)            |
| 2007A-1                       | 30,045                  | 6/1/2007       | 5/1/2015         | 5.1911%         | LIBOR + .05%                       |                  |  |   | A+/Aa1                          | (3,444)            | 1,099                | (2,345)            |
| 2007A-2                       | 70,000                  | 5/9/2007       | 11/1/2037        | 4.1530%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 5/1/2019   | 62,910  | A/A2                            | (7,072)            | (3,773)              | (10,845)           |
| 2007B-1                       | 58,985                  | 11/1/2007      | 11/1/2026        | 5.5800%         | LIBOR + 0.05%                      | ***              | 11/1/2017  | 24,610  | A+/Aa1                          | (8,152)            | (628)                | (8,780)            |
| 2007B-2                       | 50,000                  | 10/18/2007     | 5/1/2038         | 4.5075%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 5/1/2019   | 46,545  | A/A2                            | (6,453)            | (2,511)              | (8,964)            |
| 2007B-3 ****                  | 50,000                  | 12/2/2008      | 5/1/2038         | 4.4050%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 1) 11/1/2013<br>2) 11/1/2015<br>3) 11/1/2017                 | Up to:<br>1) 12,500<br>2) 25,000<br>3) 50,000                     | A+/Aa3                          | (3,734)            | (823)                | (4,557)            |
| 2008A-3                       | 42,800                  | 6/4/2008       | 5/1/2038         | 4.4140%         | Trigger, SIFMA + .05% or 68% LIBOR | ***              | 1) 5/1/2014<br>2) 5/1/2016<br>3) 5/1/2018                    | Up to:<br>1) 20,000<br>2) 40,000<br>3) 80,000                     | A+/Aa1                          | (4,990)            | (1,346)              | (6,336)            |
| 2008A-1                       | 80,000                  | 6/4/2008       | 5/1/2038         | 5.4450%         | LIBOR +.05%                        | ***              | 1) 11/1/2011<br>2) 11/1/2013<br>3) 11/1/2016<br>4) 11/1/2018 | Up to:<br>1) 14,260<br>2) 27,440<br>3) 38,340<br>4) all remaining | A-/WR                           | (6,601)            | (1,810)              | (8,411)            |
| 2008A-2                       | 80,100                  | 6/4/2008       | 11/1/2027        | 4.5960%         | LIBOR +.05%                        | ***              | 5/1/2018   | all remaining   | AA-/Aaa                         | (6,943)            | (2,356)              | (9,299)            |

Table continued on following page.



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*(tabular dollar amounts are in thousands)*

| Associated Bond Issue         | Current Notional Amount | Effective Date | Termination Date | Fixed Rate Paid | Variable Rate Received *           | Embedded Options | Optional Termination Date, at Par | Optional Termination Amount | Counterparty Rating S&P/Moody's | 2010 Fair Value ** | Change in Fair Value | 2011 Fair Value ** |
|-------------------------------|-------------------------|----------------|------------------|-----------------|------------------------------------|------------------|-----------------------------------|-----------------------------|---------------------------------|--------------------|----------------------|--------------------|
| <b>Multi-Family/Business:</b> |                         |                |                  |                 |                                    |                  |                                   |                             |                                 |                    |                      |                    |
| 2000-A1 ****                  | 12,750                  | 11/21/2008     | 10/1/2020        | 5.2350%         | SIFMA + .05                        |                  |                                   |                             | A+/Aa3                          | (1,803)            | (562)                | (2,365)            |
| 2000-A2 ****                  | 7,080                   | 11/21/2008     | 4/1/2015         | 5.8000%         | SIFMA + .05                        |                  |                                   |                             | A+/Aa3                          | (570)              | 147                  | (423)              |
| 2000-B1 (SPV)                 | 5,095                   | 10/19/2000     | 7/1/2020         | 7.3900%         | Citigroup 3 month + .25%           |                  |                                   |                             | A-/A2                           | (1,262)            | (102)                | (1,364)            |
| 2002-A1 ****                  | 9,410                   | 11/21/2008     | 10/1/2022        | 5.1000%         | SIFMA + .15                        |                  |                                   |                             | A+/Aa3                          | (1,244)            | (461)                | (1,705)            |
| 2002AA ****                   | 25,420                  | 11/21/2008     | 10/1/2023        | 6.0350%         | SIFMA + .05                        |                  |                                   |                             | A+/Aa3                          | (3,651)            | (1,412)              | (5,063)            |
| 2002-C2 ****                  | 70,715                  | 11/21/2008     | 10/1/2032        | 5.1240%         | Trigger, SIFMA + .15% or 68% LIBOR | ***              | 4/1/2018                          | 59,340                      | A+/Aa3                          | (3,783)            | (2,843)              | (6,626)            |
| 2002-C4 ****                  | 31,960                  | 11/21/2008     | 10/1/2032        | 5.0440%         | Trigger, SIFMA + .05% or 68% LIBOR | ***              | 4/1/2018                          | 26,785                      | A+/Aa3                          | (1,807)            | (1,378)              | (3,185)            |
| 2003-A1 ****                  | 2,124                   | 12/3/2008      | 10/1/2013        | 4.5550%         | LIBOR + .05%                       | ***              | 10/1/2009                         | 16,576                      | A+/Aa3                          | (296)              | 226                  | (70)               |
| 2004-A1                       | 40,675                  | 11/1/2004      | 10/1/2025        | 5.5281%         | LIBOR + .05%                       | ***              | 10/1/2014                         | all remaining               | A-/WR                           | (4,552)            | (170)                | (4,722)            |
| 2004-A1 ****                  | 10,000                  | 5/29/2009      | 5/1/2013         | 5.3640%         | LIBOR                              |                  |                                   |                             | AA-/Aa1                         | (590)              | 194                  | (396)              |
| 2004-A2                       | 10,785                  | 9/22/2004      | 4/1/1945         | 4.8840%         | SIFMA + .15%                       | ***              | 10/1/2019                         | all remaining               | A-/WR                           | (1,138)            | (817)                | (1,955)            |
| 2005-A1 (A)                   | 4,755                   | 8/1/2005       | 10/1/2035        | 5.8200%         | LIBOR + .05%                       | ***              | 4/1/2015                          | all remaining               | A-/WR                           | (561)              | (111)                | (672)              |
| 2005-A1 (B)                   | 3,005                   | 8/1/2005       | 10/1/2020        | 5.2050%         | LIBOR + .05%                       |                  |                                   |                             | A-/WR                           | (469)              | (274)                | (743)              |
| 2005-A1 (C)                   | 9,925                   | 8/1/2005       | 10/1/2025        | 5.7120%         | LIBOR + .05%                       | ***              | 4/1/2015                          | all remaining               | A-/WR                           | (1,100)            | (238)                | (1,338)            |
| 2005-A1 (D)                   | -                       | 8/1/2005       | 10/1/2025        | 5.5730%         | LIBOR + .05%                       | ***              | 10/1/2011                         | all remaining               | A-/WR                           | (129)              | 129                  | -                  |
| 2005-A2                       | 17,855                  | 7/1/2005       | 4/1/2036         | 4.2850%         | SIFMA + .05%                       | ***              | 4/1/2015                          | all remaining               | A-/WR                           | (1,322)            | (311)                | (1,633)            |
| 2005-A3 (A)                   | 6,280                   | 4/13/2005      | 4/1/2040         | 4.6560%         | SIFMA + .15%                       | ***              | 10/1/2020                         | all remaining               | A-/WR                           | (694)              | (464)                | (1,158)            |
| 2005-A3 (B)                   | 6,120                   | 10/1/2005      | 4/1/2032         | 4.4800%         | SIFMA + .15%                       | ***              | 4/1/2015                          | all remaining               | A-/WR                           | (429)              | (140)                | (569)              |
| 2005-B1                       | 13,180                  | 3/1/2006       | 4/1/2036         | 5.2350%         | LIBOR + .05%                       | ***              | 10/1/2015                         | 11,125                      | A/A2                            | (1,453)            | (369)                | (1,822)            |
| 2005-B2 (A)                   | 3,495                   | 1/2/2006       | 10/1/2040        | 4.7350%         | SIFMA + .15%                       | ***              | 10/1/2015                         | 3,305                       | A/A2                            | (227)              | (121)                | (348)              |
| 2005-B2 (B)                   | 5,845                   | 9/1/2006       | 10/1/2038        | 4.5270%         | SIFMA + .15%                       | ***              | 10/1/2021                         | 4,520                       | A/A2                            | (569)              | (490)                | (1,059)            |
|                               |                         |                |                  |                 |                                    |                  |                                   | Up to:                      |                                 |                    |                      |                    |
|                               |                         |                |                  |                 |                                    |                  |                                   | 1) 10/1/2011                |                                 | 2,840              |                      |                    |
| 2006A-1 ****                  | 30,350                  | 12/3/2008      | 4/1/2027         | 5.7100%         | LIBOR + .05%                       | ***              | 2) 10/1/2016                      | 2) 12,305                   | A+/Aa3                          | (676)              | (2,021)              | (2,697)            |
| 2006A-1                       | 11,200                  | 12/1/2006      | 10/1/2036        | 5.3420%         | LIBOR + .05%                       | ***              | 4/1/2021                          | 8,040                       | A/A2                            | (1,583)            | (1,153)              | (2,736)            |
|                               |                         |                |                  |                 |                                    |                  |                                   | Up to:                      |                                 |                    |                      |                    |
|                               |                         |                |                  |                 |                                    |                  |                                   | 1) 10/1/2012                |                                 | 6,920              |                      |                    |
|                               |                         |                |                  |                 |                                    |                  |                                   | 2) 10/1/2017                |                                 | 19,460             |                      |                    |
| 2007B-1 ****                  | 36,135                  | 12/3/2008      | 4/1/2038         | 5.6400%         | LIBOR + .05%                       | ***              | 3) 4/1/2022                       | 3) 16,925                   | A+/Aa3                          | (412)              | (2,573)              | (2,985)            |
| 2007B-1                       | 7,525                   | 10/1/2007      | 4/1/2028         | 5.2200%         | LIBOR + .05%                       | ***              | 4/1/2028                          | 6,190                       | A/A2                            | (927)              | (1,006)              | (1,933)            |
| 2007B-2 ****                  | 2,660                   | 12/3/2008      | 10/1/2036        | 4.2870%         | SIFMA + .15%                       | ***              | 10/1/2017                         | 2,040                       | A+/Aa3                          | (112)              | (130)                | (242)              |
| 2007B-2 ****                  | 2,040                   | 12/3/2008      | 4/1/2038         | 4.5350%         | SIFMA + .15%                       | ***              | 10/2/2017                         | 1,780                       | A+/Aa3                          | (89)               | (108)                | (197)              |
| 2007B-2 ****                  | 4,760                   | 12/3/2008      | 4/1/2038         | 4.4700%         | SIFMA + .15%                       | ***              | 10/2/2017                         | 4,395                       | A+/Aa3                          | (366)              | (255)                | (621)              |
| 2007B-2 ****                  | 4,730                   | 12/3/2008      | 4/1/2028         | 4.6510%         | SIFMA + .15%                       | ***              | 4/1/2023                          | 3,835                       | A+/Aa3                          | (538)              | (475)                | (1,013)            |
| 2007B-3 ****                  | 2,480                   | 12/3/2008      | 10/1/2037        | 4.2970%         | SIFMA + .05%                       | ***              | 10/1/2017                         | 2,065                       | A+/Aa3                          | (106)              | (129)                | (235)              |
| 2007B-3 ****                  | 4,695                   | 12/3/2008      | 10/1/2019        | 4.0967%         | SIFMA + .05%                       | ***              | 10/1/2014                         | 4,430                       | A+/Aa3                          | (274)              | (75)                 | (349)              |
| 2007B-3 ****                  | 2,285                   | 12/3/2008      | 4/1/2038         | 4.8805%         | SIFMA + .05%                       | ***              | 10/1/2017                         | 2,205                       | A+/Aa3                          | (212)              | (120)                | (332)              |
|                               |                         |                |                  |                 |                                    |                  |                                   | Up to:                      |                                 |                    |                      |                    |
|                               |                         |                |                  |                 |                                    |                  |                                   | 1) 4/1/2018                 |                                 | 3,070              |                      |                    |
| 2008A1 ****                   | 15,200                  | 12/3/2008      | 4/1/2029         | 5.1300%         | LIBOR + .05%                       | ***              | 2) 4/1/2019                       | 2) all remaining            | A+/Aa3                          | (160)              | (1,206)              | (1,366)            |
| 2008A2 ****                   | 7,630                   | 12/3/2008      | 4/1/2043         | 4.5400%         | SIFMA + .15%                       | ***              | 4/1/2019                          | 6,340                       | A+/Aa3                          | (468)              | (513)                | (981)              |
| 2008B (a) ****                | 116,080                 | 12/3/2008      | 10/1/2044        | 5.1722%         | LIBOR                              |                  |                                   |                             | AA-/Aa1                         | (21,605)           | (29,176)             | (50,781)           |
| 2008B (b) ****                | 46,605                  | 12/3/2008      | 3/1/1947         | 5.2071%         | LIBOR                              |                  |                                   |                             | AA-/Aa1                         | (9,356)            | (13,604)             | (22,960)           |
| 2008C3 ****                   | 7,700                   | 12/3/2008      | 10/1/2038        | 4.3400%         | SIFMA + .05%                       | ***              | 4/1/2019                          | 6,500                       | A+/Aa3                          | (585)              | (503)                | (1,088)            |
|                               |                         |                |                  |                 |                                    |                  |                                   | Up to:                      |                                 |                    |                      |                    |
|                               |                         |                |                  |                 |                                    |                  |                                   | 1) 10/1/2014                |                                 | 13,580             |                      |                    |
| 2009A1 ****                   | 31,215                  | 6/24/2009      | 10/1/2041        | 4.7900%         | SIFMA + .05%                       | ***              | 2) 4/1/2024                       | 2) all remaining            | A+/Aa3                          | (1,747)            | (2,167)              | (3,914)            |
| Total                         | 629,764                 |                |                  |                 |                                    |                  |                                   |                             |                                 | (66,865)           | (64,781)             | (131,646)          |
| Total                         | \$ 1,944,459            |                |                  |                 |                                    |                  |                                   |                             |                                 | \$ (183,400)       | \$ (97,824)          | \$ (281,224)       |

(\*) SIFMA is the Securities Industry Financial Markets Association Municipal Swap Index. LIBOR is the London Interbank Offered Rate.

(\*\*) All fair values include the effect of any related embedded option.

(\*\*\*) Par optional termination right.

(\*\*\*\*) Swaps for which cash premiums were received in 2008. The outstanding unamortized balance of the premium is reported on the Statement of Net Position as hybrid instrument borrowings.

(SPV) Counterparty operates as a special purpose vehicle

**Risk Disclosure**

**Credit Risk:** All of the Authority's swaps rely upon the performance of the third parties who serve as swap counterparties, and as a result, the Authority is exposed to credit risk - i.e., the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the column labeled "Fair Value" in the outstanding swaps table above. The Authority is exposed to credit risk in the amount of any positive net fair value exposure to each counterparty. As of December 31, 2011, the Authority was





**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

exposed to minimal credit risk to any of its counterparties. To mitigate credit risk, the Authority maintains strict credit standards for swap counterparties. All swap counterparties must be rated in the AA/Aa or higher category by either Standard & Poor's (S&P) or Moody's Investors Service (Moody's), respectively, at the time the contract is executed.

At December 31, 2011, the Authority had executed 74 swap transactions with nine counterparties with concentrations and ratings (Standard and Poor's/ Moody's Investors Service) as shown in the following table:

| <b>Swap Count</b> | <b>Notional Amount</b> | <b>Concentration</b> | <b>Counterparty Rating (S&amp;P / Moody's)</b> |
|-------------------|------------------------|----------------------|--|
| 14                | \$ 384,215             | 19.8%                | A / A2   |
| 2                 | 8,880                  | 0.5%                 | A / Aa3  |
| 13                | 385,250                | 19.8%                | A- / WR  |
| 6                 | 179,240                | 9.2%                 | A+ / Aa1                                       |
| 31                | 701,674                | 36.0%                | A+ / Aa3                                       |
| 4                 | 193,600                | 10.0%                | AA- / Aa1                                      |
| 1                 | 80,100                 | 4.1%                 | AA- / Aaa                                      |
| 1                 | 5,095                  | 0.3%                 | AAA /  |
| 2                 | 6,405                  | 0.3%                 | NR / Baa1                                      |
| <b>74</b>         | <b>\$ 1,944,459</b>    | <b>100%</b>          |  |

At December 31, 2010, the Authority had executed 75 swap transactions with nine counterparties with concentrations and ratings (Standard and Poor's/ Moody's Investors Service) as shown in the following table:

| <b>Swap Count</b> | <b>Notional Amount</b> | <b>Concentration</b> | <b>Counterparty Rating (S&amp;P / Moody's)</b> |
|-------------------|------------------------|----------------------|--|
| 1                 | \$ 94,815              | 4.5%                 | A+/A1  |
| 2                 | 18,385                 | 0.9%                 | NR/A1  |
| 1                 | 5,475                  | 0.3%                 | A/A2   |
| 10                | 436,695                | 20.9%                | AA-/Aa1  |
| 16                | 403,405                | 19.3%                | A+/Aa3   |
| 31                | 733,495                | 35.1%                | AA-/Aa3  |
| 14                | 396,465                | 19.0%                | A-/A3  |
| <b>75</b>         | <b>\$ 2,088,735</b>    | <b>100%</b>          |  |

*Interest Rate Risk:* The Authority is exposed to interest rate risk in that as the variable rates on the swaps agreements decrease the Authority's net payment on the swap agreement could increase.

*Basis Risk:* The Authority is exposed to basis risk when the variable interest rate paid to the holders of its variable rate demand obligations (VRDO's) is not equivalent to the variable interest rate received from its counterparties on the related swap agreements. When exposed to basis risk, the net interest expense incurred on the combination of the swap agreement and the associated variable rate debt may be higher or lower than anticipated.

The Authority's tax-exempt variable-rate bond interest payments are substantially equivalent to the SIFMA rate (plus a trading spread). Certain tax-exempt swaps, as indicated in the table above, contain a trigger feature in which the Authority



**Notes to Basic Financial Statements**  
**(tabular dollar amounts are in thousands)**

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receives a rate indexed on SIFMA should LIBOR be less than a predetermined level (the trigger level, 3.5%), or a rate pegged at a percentage of LIBOR should LIBOR be equal to or greater than the predetermined trigger level. For these swaps, the Authority would be negatively exposed to basis risk during the time period it is receiving the rate based on a percentage of LIBOR should the relationship between LIBOR and SIFMA converge.

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

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

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

*Rollover Risk:* The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of December 31, 2011 and 2010, the Authority was not exposed to rollover risk.

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

*Collateral Requirements:* The Authority is subject to a contingency feature that would require the Authority to post collateral on swap agreements if the Class I obligations credit rating falls to a Moody's A1, or equivalent ratings by S&P, and Fitch and is greater than the established thresholds. As of December 31, 2011, all agreements were rated higher than the Moody's A1 and did not require collateral.

The majority of the class 1 bonds are rated AAA by both rating agencies. The bond indentures for these swaps are over collateralized and the underlying assets are insured. The likelihood that the bonds would be downgraded by four categories is considered remote, but if it were to occur it would require the Authority to post collateral approximately equal to the fair value of the interest rate swap.

**Swap Payments** - Using interest rates as of December 31, 2011, debt service requirements of the Authority's outstanding variable-rate debt and net swap payments were as follows. As rates vary, variable rate interest rate payments on the bonds and net swap payments will change.



Notes to Basic Financial Statements  
(tabular dollar amounts are in thousands)

| Year Ending<br>December 31, | Principal    | Interest  | Swaps, Net | Total        |
|-----------------------------|--------------|-----------|------------|--------------|
| 2012                        | \$ 104,355   | \$ 5,707  | \$ 81,973  | \$ 192,035   |
| 2013                        | 113,619      | 5,197     | 76,967     | 195,783      |
| 2014                        | 106,740      | 4,763     | 71,878     | 183,381      |
| 2015                        | 93,610       | 4,380     | 67,150     | 165,140      |
| 2016                        | 120,640      | 4,156     | 62,974     | 187,770      |
| 2017-2021                   | 429,715      | 17,603    | 251,605    | 698,923      |
| 2022-2026                   | 315,705      | 12,983    | 175,168    | 503,856      |
| 2027-2031                   | 261,880      | 8,044     | 115,594    | 385,518      |
| 2032-2036                   | 266,500      | 3,841     | 60,822     | 331,163      |
| 2037-2041                   | 88,665       | 703       | 19,038     | 108,406      |
| 2042-2046                   | 34,830       | 181       | 5,609      | 40,620       |
| 2047                        | 8,200        | 5         | 168        | 8,373        |
| Total                       | \$ 1,944,459 | \$ 67,563 | \$ 988,946 | \$ 3,000,968 |

**Hybrid instrument borrowings** - Certain interest rate swaps, as identified on the detailed swap table above, include fixed rates that were off-market at the execution of the interest rate swaps. For financial reporting purposes these interest rate swaps are considered hybrid instruments and are bifurcated between borrowings, with an aggregate original amount of \$73.4 million reflecting the fair value of the instrument at its execution, and an interest rate swap with a fixed rate that was considered at-the market at execution. Activity for the hybrid instrument borrowings for the year ended December 31, 2011 was as follows:

|                   | 2011      | 2010      |
|-------------------|-----------|-----------|
| Beginning balance | \$ 59,972 | \$ 66,441 |
| Additions         | -         | -         |
| Reductions        | (6,365)   | (6,469)   |
| Ending balance    | \$ 53,607 | \$ 59,972 |



**Notes to Basic Financial Statements**  
(tabular dollar amounts are in thousands)

The following table sets for as of December 31, 2011, payments of principal and interest on the hybrid instrument borrowings for the next five years and thereafter. The total payments generally reflect the difference between the stated fixed rate of the hybrid instrument and the at-the-market fixed rate at the execution of the instrument.

| <b>Year Ending<br/>December 31,</b> | <b>Principal<br/>and Interest</b> |
|-------------------------------------|-----------------------------------|
| 2012                                | \$ 4,468                          |
| 2013                                | 4,468                             |
| 2014                                | 4,424                             |
| 2015                                | 4,241                             |
| 2016                                | 4,051                             |
| 2017-2021                           | 17,125                            |
| 2022-2026                           | 11,090                            |
| 2027-2031                           | 3,740                             |
| <b>Total</b>                        | <b>\$ 53,607</b>                  |

**Forward Sales Contracts** - The Authority has entered into forward sales contracts for the delivery of Ginnie Mae securities in order to lock in the sales price for the securitization of certain taxable single-family loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into Ginnie Mae securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative activity losses on the Statement of Revenues, Expenses and Changes in Net Position.

The outstanding forward contracts, summarized by counterparty as of December 31, 2011, were as follows:

| Count | Par       | Concentration | Original    | 12/31/11    | Fair Value | Counterparty<br>Rating |
|-------|-----------|---------------|-------------|-------------|------------|------------------------|
|       |           |               | Sales Price | Sales Price |            |                        |
| 5     | \$ 20,500 | 26.4%         | \$ 21,698   | \$ 21,916   | \$ 218     | A/A1                   |
| 17    | 35,000    | 45.2%         | 37,346      | 37,654      | 308        | A/Aa3                  |
| 12    | 22,000    | 28.4%         | 23,348      | 23,549      | 201        | AA-/Aa3                |
| 34    | \$ 77,500 | 100.0%        | \$ 82,392   | \$ 83,119   | \$ 727     |                        |

The outstanding forward contracts, summarized by counterparty as of December 31, 2010, were as follows:

| Count | Par       | Concentration | Original    | 12/31/10    | Fair Value | Counterparty<br>Rating |
|-------|-----------|---------------|-------------|-------------|------------|------------------------|
|       |           |               | Sales Price | Sales Price |            |                        |
| 8     | \$ 5,500  | 33.4%         | \$ 5,806    | \$ 5,706    | \$ (100)   | A/NR                   |
| 2     | 1,500     | 9.1%          | 1,581       | 1,574       | (7)        | A+/Aa3                 |
| 13    | 9,000     | 54.5%         | 9,479       | 9,383       | (96)       | AA/Aa2                 |
| 1     | 500       | 3.0%          | 524         | 527         | 3          | NR                     |
| 24    | \$ 16,500 | 100.0%        | \$ 17,390   | \$ 17,190   | \$ (200)   |                        |



**Notes to Basic Financial Statements**  
(tabular dollar amounts are in thousands)

**Summary**

A summary of derivative instruments activity for the years ended December 31, 2011 and 2010 is as follows:

|                       | 2011       |             |          |            | 2010       |             |          |            |
|-----------------------|------------|-------------|----------|------------|------------|-------------|----------|------------|
|                       | Hedging    | Investments |          | Total      | Hedging    | Investments |          | Total      |
|                       | Swaps      | Swaps       | Forwards |            | Swaps      | Swaps       | Forwards |            |
| Fair value, beginning | \$ 183,441 | \$ 359      | \$ (200) | \$ 183,600 | \$ 138,095 | \$ (38)     | \$ -     | \$ 138,057 |
| Settlements           | (87,108)   | (1,146)     | 200      | (88,054)   | (89,679)   | (1,222)     | -        | (90,901)   |
| Change in fair value  | 183,221    | 2,457       | 727      | 186,405    | 135,025    | 1,619       | (200)    | 136,444    |
| Fair value, ending    | \$ 279,554 | \$ 1,670    | \$ 727   | \$ 281,951 | \$ 183,441 | \$ 359      | \$ (200) | \$ 183,600 |

**(9) Debt Refundings**

On November 10, 2011, the Authority issued its Single Family Bonds 2011 Series B, C and D, in the aggregate principal amount of \$227,235,000. The entire proceeds of the bonds were used to refund a portion of various single family mortgage bonds. The refunding resulted in a decrease in the aggregate future debt service requirement of approximately \$1,376,000, based on the change in variable interest rates at the time of refunding and an approximate economic gain to the Authority of \$468,000. In accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, \$11,450,000 was deferred and is being amortized over the contractual life of the new debt.

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

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. On December 31, 2011, \$58.9 million of bonds outstanding are considered defeased.

**(10) Restricted and Unrestricted Net Position**

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

Assets of the Single-Family and Multi-Family/Business bond programs 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 funds are insufficient. Such assets are segregated within the Single-Family and Multi-Family/Business Programs and are held in cash, loans receivable or investments. At December 31, 2011 and 2010, these assets were at least equal to the amounts required to be restricted.



**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

The Board has designated certain amounts of the unrestricted net position of the General Programs as of December 31, 2011 and 2010, for various purposes, as indicated in the following table. These designations of net position are not binding, and can be changed by the Board.

**Unrestricted Net Position as December 31, 2011 and 2010:**

|                                       | 2011       | 2010       |
|---------------------------------------|------------|------------|
| Designations:                         |            |            |
| Housing program                       | \$ 37,717  | \$ 36,874  |
| Commercial program                    | 18,396     | 24,616     |
| General operating and working capital | 25,025     | 26,475     |
| General obligation bonds              | 28,128     | 25,621     |
| Total unrestricted net position       | \$ 109,266 | \$ 113,586 |

**(11) Retirement Plans**

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

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

Colorado Revised Statutes assign the authority to establish Trust and Health Fund benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Trust and the Health Fund. That report may be obtained by writing to PERA at P.O. Box 5800 Denver, Colorado 80217-5800, by calling PERA at 303-832-9550 or 1-800-759-PERA (7372) or from PERA's website at [www.copera.org](http://www.copera.org).

Plan members and the Authority are required to contribute to the Trust at rates set by Colorado Statutes. A portion of the Authority's contribution is allocated for the Health Fund. Member contributions to the Health Fund are not required.



**Notes to Basic Financial Statements**  
*(tabular dollar amounts are in thousands)*

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

|   | 2011     | 2010     |
|---|----------|----------|
| <b>Contribution rate of covered salary:</b> |          |          |
| Members                                     | 8.00%    | 8.00%    |
| Authority:                                  |          |          |
| Trust                                       | 12.68%   | 12.68%   |
| Health Fund                                 | 1.02%    | 1.02%    |
| Total Authority contribution rate           | 13.70%   | 13.70%   |
| <b>Contributions by the Authority:</b>      |          |          |
| Trust                                       | \$ 1,730 | \$ 1,548 |
| Health Fund                                 | 139      | 117      |
| Total Authority contributions               | \$ 1,869 | \$ 1,665 |

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program, established under Section 401(k) of the Internal Revenue Code. Participants invest a percentage of their annual gross salaries up to the annual Internal Revenue Service limit of their gross salaries. The Authority contributes 1% of each participating employee's salary as part of the 401(k) match, and in addition to the 1% contribution, the Authority matches half of the employee's 401(k) contribution up to 5% of the participating employee's gross salary. The Authority's match is a maximum of 3.5%, which includes the 1% contribution. Contributions by the Authority for the years ended December 31, 2011 and 2010 were \$396,000 and \$370,000, respectively. Contributions by participating employees for the years ended December 31, 2011 and 2010 were \$902,000 and \$860,000, respectively. All required contributions are paid in full annually.

### **(12) Risk Management**

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

### **(13) Related-Party Transactions**

In 2011, the Authority did not enter into any related-party transactions. In 2010, the Authority entered into a transaction with Warren Village Inc., Colorado, the Chairman of the Board of Directors of which is a member of the Authority's Executive Team. Using funds granted under the Tax Credit Exchange Program of the AARA, the Authority made a \$1.1 million grant to the Warren Village. This transaction was made in the normal course of business under terms and conditions similar to other transactions with unrelated parties.

### **(14) Commitments and Contingencies**

The Authority had outstanding commitments to make or acquire single-family and multi-family/business loans of \$62,050,000 and \$2,964,000, respectively, as of December 31, 2011. The Authority had outstanding commitments to make



*Notes to Basic Financial Statements  
(tabular dollar amounts are in thousands)*

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or acquire single-family and multi-family/business loans of \$62,725,000 and \$15,819,000, respectively, as of December 31, 2010.

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

The Authority participates in the Ginnie Mae Mortgage-Backed Securities (MBS) Programs. Through the MBS Programs, Ginnie Mae guarantees securities that are issued by the Authority and backed by pools of mortgage loans. If a borrower fails to make a timely payment on a mortgage loan, the Authority must use its own funds to ensure that the security holders receive timely payment. All loans pooled under the Ginnie Mae MBS Program are either insured by the Federal Housing Authority or United States Department of Agriculture Rural Development, or are guaranteed by the VA. The Authority assesses the overall risk of loss on loans that it may be required to repurchase and repurchases the loans as necessary. The Authority repurchased \$21.3 million and \$3.3 million of these loans in 2011 and 2010, respectively.

### **15) Subsequent Events**

In March 2012, the Authority completed the sale of the real estate for all Blended Component Units, which encompass the Rental Assistance Program (RAP) - Hyland Park Centre Corporation ("Hyland Park"), Tanglewood Oaks Apartments Corporation ("Tanglewood"), and Village of Yorkshire Corporation ("Yorkshire"). In addition, the Authority completed the sale of real estate for Maple Tree Settlement, which is not a Blended Component Unit, but is part of RAP. Each of these properties was sold at a gain. These properties had net income in 2011 and 2010 of \$1.5 million and \$498 thousand, respectively.

The Authority paid in full the outstanding Lehman swap termination settlement as of March 2012.

Also in March, the Authority redeemed \$106,325,000 of NIPB bonds.





**SUPPLEMENTAL INFORMATION**

# colorado housing and finance authority



## Colorado Housing and Finance Authority Combining Schedule - Statement of Net Position

December 31, 2011

(with summarized financial information for December 31, 2010)

(in thousands of dollars)

|   | General<br>Programs | Single<br>Family | Multi-Family/<br>Business | Eliminations    | 2011              | Summarized<br>2010 |
|---|---------------------|------------------|---------------------------|-----------------|-------------------|--------------------|
| <b>Assets</b>   |                     |                  |                           |                 |                   |                    |
| Current assets:   |                     |                  |                           |                 |                   |                    |
| Cash (Note 2)   |                     |                  |                           |                 |                   |                    |
| Restricted  | \$ 56,011           | \$ -             | \$ -                      | \$ -            | \$ 56,011         | \$ 75,483          |
| Unrestricted  | 33,281              | -                | -                         | -               | 33,281            | 16,498             |
| Investments (Note 2)                                      | 9,058               | 530,373          | 106,801                   | -               | 646,232           | 652,878            |
| Loans receivable (Note 3)                                 | 43,986              | 44,709           | 25,568                    | (562)           | 113,701           | 134,211            |
| Loans receivable held for sale (Note 3)                   | 38,206              | -                | -                         | -               | 38,206            | 47,478             |
| Accrued interest receivable                               | 3,339               | 8,865            | 4,865                     | (160)           | 16,909            | 20,075             |
| Deferred debt financing costs, net                        | 15                  | 478              | 174                       | -               | 667               | 778                |
| Other assets  | 6,977               | 378              | 118                       | -               | 7,473             | 9,541              |
| Due (to) from other programs                              | (27,174)            | 20,345           | 6,829                     | -               | -                 | -                  |
| <b>Total current assets</b>                               | <b>163,699</b>      | <b>605,148</b>   | <b>144,355</b>            | <b>(722)</b>    | <b>912,480</b>    | <b>956,942</b>     |
| Noncurrent assets:  |                     |                  |                           |                 |                   |                    |
| Investments (Note 2)                                      | 658                 | 154,576          | 83,204                    | -               | 238,438           | 219,983            |
| Loans receivable, net (Note 3)                            | 129,417             | 1,296,553        | 741,465                   | (16,290)        | 2,151,145         | 2,467,772          |
| Capital assets - non-depreciable (Note 4)                 | 5,026               | -                | -                         | -               | 5,026             | 5,547              |
| Capital assets - depreciable, net (Note 4)                | 19,134              | -                | -                         | -               | 19,134            | 21,194             |
| Other real estate owned, net                              | 3,515               | 4,448            | 2,656                     | -               | 10,619            | 12,505             |
| Deferred debt financing costs, net                        | 263                 | 8,605            | 3,138                     | -               | 12,006            | 13,998             |
| Other assets  | 22,691              | -                | -                         | -               | 22,691            | 22,164             |
| <b>Total noncurrent assets</b>                            | <b>180,704</b>      | <b>1,464,182</b> | <b>830,463</b>            | <b>(16,290)</b> | <b>2,459,059</b>  | <b>2,763,163</b>   |
| <b>Total assets</b>                                       | <b>344,403</b>      | <b>2,069,330</b> | <b>974,818</b>            | <b>(17,012)</b> | <b>3,371,539</b>  | <b>3,720,105</b>   |
| <b>Total Deferred Outflows - Hedging</b>                  |                     |                  |                           |                 |                   |                    |
| Accumulated decrease in fair value of hedging derivatives | -                   | 135,763          | 131,647                   | -               | 267,410           | 180,245            |
| <b>Liabilities</b>  |                     |                  |                           |                 |                   |                    |
| Current liabilities:                                      |                     |                  |                           |                 |                   |                    |
| Short-term debt (Note 5)                                  | 46,100              | -                | -                         | -               | 46,100            | 87,900             |
| Bonds payable (Note 6)                                    | -                   | 311,847          | 9,665                     | -               | 321,512           | 299,187            |
| Notes payable (Note 6)                                    | 104                 | -                | -                         | -               | 104               | 79                 |
| Accrued interest payable                                  | 1,178               | 14,433           | 10,093                    | (160)           | 25,544            | 25,641             |
| Federally assisted program advances                       | 458                 | -                | -                         | -               | 458               | 60                 |
| Accounts payable and other liabilities                    | 45,605              | 1,071            | 743                       | -               | 47,419            | 65,063             |
| <b>Total current liabilities</b>                          | <b>93,445</b>       | <b>327,351</b>   | <b>20,501</b>             | <b>(160)</b>    | <b>441,137</b>    | <b>477,930</b>     |
| Noncurrent liabilities:                                   |                     |                  |                           |                 |                   |                    |
| Bonds payable, net (Note 6)                               | 70,285              | 1,629,772        | 860,303                   | -               | 2,560,360         | 2,910,329          |
| Derivative instruments                                    | 727                 | 149,577          | 131,647                   | -               | 281,951           | 183,600            |
| Derivatives related borrowing                             | -                   | 27,253           | 26,354                    | -               | 53,607            | 59,972             |
| Notes payable (Note 6)                                    | 24,283              | -                | -                         | (16,852)        | 7,431             | 6,173              |
| Other liabilities (Note 6)                                | 22,237              | 872              | 832                       | -               | 23,941            | 8,767              |
| <b>Total noncurrent liabilities</b>                       | <b>117,532</b>      | <b>1,807,474</b> | <b>1,019,136</b>          | <b>(16,852)</b> | <b>2,927,290</b>  | <b>3,168,841</b>   |
| <b>Total liabilities</b>                                  | <b>210,977</b>      | <b>2,134,825</b> | <b>1,039,637</b>          | <b>(17,012)</b> | <b>3,368,427</b>  | <b>3,646,771</b>   |
| <b>Net position</b>                                       |                     |                  |                           |                 |                   |                    |
| Invested in capital assets, net of related debt           | 7,308               | -                | -                         | 16,852          | 24,160            | 26,741             |
| Restricted by bond indentures                             | -                   | 70,268           | 66,828                    | -               | 137,096           | 113,252            |
| Unrestricted (Note 10)                                    | 126,118             | -                | -                         | (16,852)        | 109,266           | 113,586            |
| <b>Total net position</b>                                 | <b>\$ 133,426</b>   | <b>\$ 70,268</b> | <b>\$ 66,828</b>          | <b>\$ -</b>     | <b>\$ 270,522</b> | <b>\$ 253,579</b>  |

See accompanying independent auditors' report.

# colorado housing and finance authority



## Colorado Housing and Finance Authority

### Combining Schedule - Statement of Revenues, Expenses and Changes in Net Position

For the year ended December 31, 2011

(with summarized financial information for the year ended December 31, 2010)

(in thousands of dollars)

|   | General<br>Program | Single<br>Family | Multi-Family/<br>Business | Eliminations | 2011          | Summarized<br>2010 |
|---|--------------------|------------------|---------------------------|--------------|---------------|--------------------|
| <b>Interest income and expense:</b>                         |                    |                  |                           |              |               |                    |
| Interest on loans receivable                                | \$ 12,719          | \$ 75,599        | \$ 47,564                 | \$ (1,285)   | \$ 134,597    | \$ 151,319         |
| Interest on investments                                     | 735                | 15,154           | 7,534                     | -            | 23,423        | 18,094             |
| Interest on debt  | (6,765)            | (89,676)         | (43,389)                  | 1,285        | (138,545)     | (141,458)          |
| Net interest income   | 6,689              | 1,077            | 11,709                    | -            | 19,475        | 27,955             |
| <b>Other operating income:</b>                              |                    |                  |                           |              |               |                    |
| Rental income   | 8,804              | -                | -                         | -            | 8,804         | 9,306              |
| Loan servicing income                                       | 13,633             | -                | (3)                       | -            | 13,630        | 13,058             |
| Section 8 administration fees                               | 5,052              | -                | -                         | -            | 5,052         | 4,629              |
| Gain on sale of loans                                       | 16,792             | -                | -                         | -            | 16,792        | 19,817             |
| Investment derivative activity loss                         | (527)              | (1,188)          | -                         | -            | (1,715)       | (473)              |
| Net increase (decrease) in the<br>fair value of investments | 74                 | 21,264           | 4,549                     | -            | 25,887        | 7,324              |
| Other revenues (losses)                                     | 255                | 506              | -                         | -            | 761           | 1,713              |
| Total other operating income                                | 44,083             | 20,582           | 4,546                     | -            | 69,211        | 55,374             |
| Total operating income                                      | 50,772             | 21,659           | 16,255                    | -            | 88,686        | 83,329             |
| <b>Operating expenses:</b>                                  |                    |                  |                           |              |               |                    |
| Salaries and related benefits                               | 18,210             | -                | -                         | -            | 18,210        | 17,808             |
| General operating   | 38,963             | 1,319            | 501                       | -            | 40,783        | 55,636             |
| Depreciation  | 3,684              | -                | -                         | -            | 3,684         | 3,773              |
| Provision for losses  | 3,791              | 4,746            | 499                       | -            | 9,036         | 6,521              |
| Total operating expenses                                    | 64,648             | 6,065            | 1,000                     | -            | 71,713        | 83,738             |
| <b>Net operating income (loss)</b>                          | <b>(13,876)</b>    | <b>15,594</b>    | <b>15,255</b>             | <b>-</b>     | <b>16,973</b> | <b>(409)</b>       |
| <b>Nonoperating revenues and expenses:</b>                  |                    |                  |                           |              |               |                    |
| Federal grant receipts                                      | 134,491            | -                | -                         | -            | 134,491       | 134,613            |
| Federal grant payments                                      | (134,491)          | -                | -                         | -            | (134,491)     | (134,613)          |
| Gains on sales of capital assets                            | (30)               | -                | -                         | -            | (30)          | 128                |
| Total nonoperating revenues, net                            | (30)               | -                | -                         | -            | (30)          | 128                |
| <b>Income before transfers</b>                              | <b>(13,906)</b>    | <b>15,594</b>    | <b>15,255</b>             | <b>-</b>     | <b>16,943</b> | <b>(281)</b>       |
| <b>Transfers from (to) other programs</b>                   | <b>7,005</b>       | <b>4,049</b>     | <b>(11,054)</b>           | <b>-</b>     | <b>-</b>      | <b>-</b>           |
| <b>Change in net position</b>                               | <b>(6,901)</b>     | <b>19,643</b>    | <b>4,201</b>              | <b>-</b>     | <b>16,943</b> | <b>(281)</b>       |
| <b>Net position:</b>  |                    |                  |                           |              |               |                    |
| Beginning of year   | 140,327            | 50,625           | 62,627                    | -            | 253,579       | 253,860            |
| End of year   | \$ 133,426         | \$ 70,268        | \$ 66,828                 | \$ -         | \$ 270,522    | \$ 253,579         |

See accompanying independent auditors' report.

# colorado housing and finance authority



## Colorado Housing and Finance Authority Combining Schedule - Statement of Cash Flows

For the year ended December 31, 2011

(with summarized financial information for the year ended December 31, 2010)

(in thousands of dollars)

|  | General<br>Program | Single<br>Family | Multi-Family/<br>Business | Eliminations | 2011        | Summarized<br>2010 |
|--|--------------------|------------------|---------------------------|--------------|-------------|--------------------|
| <b>Cash flows from operating activities:</b>   |                    |                  |                           |              |             |                    |
| Principal payments received on loans receivable<br>& receipts from dispositions of other real estate owned | \$ 23,786          | \$ 220,862       | \$ 58,654                 | \$ -         | \$ 303,302  | \$ 320,375         |
| Interest payments received on loans receivable   | 12,288             | 79,450           | 47,642                    | (1,297)      | 138,083     | 154,818            |
| Payments for loans receivable  | (365,925)          | -                | (1,270)                   | (788)        | (367,983)   | (428,218)          |
| Receipts from sales of Ginnie Mae securities   | 420,989            | -                | -                         | -            | 420,989     | 417,478            |
| Receipts (payments) for loan transfers between programs  | (53,809)           | 64,712           | (10,903)                  | -            | -           | -                  |
| Receipts from rental operations  | 8,748              | -                | -                         | -            | 8,748       | 9,346              |
| Receipts from other revenues   | 18,888             | 506              | (3)                       | -            | 19,391      | 19,173             |
| Payments for salaries and related benefits   | (18,775)           | -                | -                         | -            | (18,775)    | (17,109)           |
| Payments for goods and services  | (39,543)           | (1,318)          | (501)                     | -            | (41,362)    | (19,213)           |
| All other, net   | 1,046              | 457              | -                         | -            | 1,503       | (1,185)            |
| Net cash provided (used) by operating activities   | 7,693              | 364,669          | 93,619                    | (2,085)      | 463,896     | 455,465            |
| <b>Cash flows from noncapital financing activities:</b>  |                    |                  |                           |              |             |                    |
| Net increase (decrease) in short-term debt   | (41,800)           | -                | -                         | -            | (41,800)    | 14,650             |
| Proceeds from issuance of bonds  | -                  | 266,435          | -                         | -            | 266,435     | 275,210            |
| Proceeds from issuance of notes payable  | 1,388              | -                | -                         | -            | 1,388       | 125                |
| Receipts from federal grant programs   | 135,352            | -                | -                         | -            | 135,352     | 134,308            |
| Payments for federal grant programs  | (134,491)          | -                | -                         | -            | (134,491)   | (134,613)          |
| Principal paid on bonds  | (8,101)            | (514,957)        | (60,840)                  | -            | (583,898)   | (247,064)          |
| Principal paid on notes payable  | (105)              | -                | -                         | -            | (105)       | (17,415)           |
| Interest paid on short-term debt   | (271)              | -                | -                         | -            | (271)       | (226)              |
| Interest rate swap settlements   | -                  | (59,832)         | (32,270)                  | -            | (92,102)    | (95,330)           |
| Interest paid on bonds   | (3,984)            | (31,028)         | (13,988)                  | -            | (49,000)    | (52,336)           |
| Interest paid on notes payable   | (756)              | -                | -                         | -            | (756)       | (1,004)            |
| Bond issuance costs paid   | -                  | (1,728)          | -                         | -            | (1,728)     | (1,365)            |
| Transfers (to) from other programs   | (9,609)            | 12,858           | (3,249)                   | -            | -           | -                  |
| Net cash used by noncapital financing activities   | (62,377)           | (328,252)        | (110,347)                 | -            | (500,976)   | (125,060)          |
| <b>Cash flows from capital and related financing activities:</b>   |                    |                  |                           |              |             |                    |
| Purchase of capital assets   | (1,133)            | -                | -                         | -            | (1,133)     | (2,148)            |
| Proceeds from the disposal of capital assets   | -                  | -                | -                         | -            | -           | 347                |
| Principal paid on capital-related debt   | (788)              | -                | -                         | 788          | -           | -                  |
| Interest paid on capital-related debt  | (1,297)            | -                | -                         | 1,297        | -           | -                  |
| Net cash provided (used) by capital and related financing activities                                       | (3,218)            | -                | -                         | 2,085        | (1,133)     | (1,801)            |
| <b>Cash flows from investing activities:</b>   |                    |                  |                           |              |             |                    |
| Proceeds from maturities and sales of investments  | 1,696,617          | 1,098,355        | 294,369                   | 267          | 3,089,608   | 2,897,006          |
| Purchase of investments  | (1,642,128)        | (1,147,867)      | (285,268)                 | (267)        | (3,075,530) | (3,186,689)        |
| Income received from investments   | 731                | 13,095           | 7,620                     | -            | 21,446      | 17,160             |
| Net cash provided (used) by investing activities   | 55,220             | (36,417)         | 16,721                    | -            | 35,524      | (272,523)          |
| <b>Net increase (decrease) in cash</b>   | (2,682)            | -                | (7)                       | -            | (2,689)     | 56,081             |
| Cash at beginning of year  | 91,974             | -                | 7                         | -            | 91,981      | 35,900             |
| Cash at end of year  | \$ 89,292          | \$ -             | \$ -                      | \$ -         | \$ 89,292   | \$ 91,981          |
| Restricted   | 56,011             | -                | -                         | -            | 56,011      | 75,483             |
| Unrestricted   | 33,281             | -                | -                         | -            | 33,281      | 16,498             |
| Cash and cash equivalents, end of year   | \$ 89,292          | \$ -             | \$ -                      | \$ -         | \$ 89,292   | \$ 91,981          |

Continued on the next page

# colorado housing and finance authority



**Colorado Housing and Finance Authority**  
**Combining Schedule - Statement of Cash Flows** *(continued)*  
**For the year ended December 31, 2011**  
*(with summarized financial information for the year ended December 31, 2010)*  
*(in thousands of dollars)*

|   | General<br>Program | Single<br>Family  | Multi-Family/<br>Business | Eliminations      | 2011              | Summarized<br>2010 |
|---|--------------------|-------------------|---------------------------|-------------------|-------------------|--------------------|
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                    |                   |                           |                   |                   |                    |
| Net operating income (loss)   | \$ (13,876)        | \$ 15,594         | \$ 15,255                 | \$ -              | \$ 16,973         | \$ (409)           |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                    |                   |                           |                   |                   |                    |
| Depreciation expense  | 3,684              | -                 | -                         | -                 | 3,684             | 3,773              |
| Amortization of service release premiums  | 3,538              | -                 | -                         | -                 | 3,538             | 2,946              |
| Amortization of deferred loan fees/costs, net   | (720)              | 856               | (71)                      | -                 | 65                | 115                |
| Amortization of imputed debt associated with swaps  | -                  | (3,524)           | (2,840)                   | -                 | (6,364)           | (6,469)            |
| Provision for losses  | 3,791              | 4,746             | 499                       | -                 | 9,036             | 6,521              |
| Gain on sale of capital assets  | 30                 | -                 | -                         | -                 | 30                | -                  |
| Interest on investments   | (730)              | (15,154)          | (7,534)                   | -                 | (23,418)          | (18,087)           |
| Interest on debt  | 6,765              | 93,201            | 46,228                    | (1,285)           | 144,909           | 147,927            |
| Unrealized loss on derivatives  | 527                | 1,188             | -                         | -                 | 1,715             | 473                |
| Unrealized gain on investments  | (74)               | (21,264)          | (4,549)                   | -                 | (25,887)          | (7,324)            |
| (Gain) loss on sale of REO  | 2,137              | (506)             | -                         | -                 | 1,631             | 413                |
| Gain on sale of loans   | (16,792)           | -                 | -                         | -                 | (16,792)          | (19,817)           |
| Changes in assets and liabilities:  |                    |                   |                           |                   |                   |                    |
| Loans receivable and other real estate owned  | 19,046             | 286,079           | 46,481                    | (788)             | 350,818           | 306,083            |
| Accrued interest receivable on loans and investments  | 610                | 2,995             | 149                       | (12)              | 3,742             | 3,505              |
| Other assets  | 987                | 458               | 1                         | -                 | 1,446             | (3,983)            |
| Accounts payable and other liabilities  | (1,230)            | -                 | -                         | -                 | (1,230)           | 39,798             |
| <b>Net cash provided (used) by operating activities</b>   | <b>\$ 7,693</b>    | <b>\$ 364,669</b> | <b>\$ 93,619</b>          | <b>\$ (2,085)</b> | <b>\$ 463,896</b> | <b>\$ 455,465</b>  |

See accompanying independent auditors' report.

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## APPENDIX B

### Outstanding Master Indenture Obligations

#### Outstanding Bonds

As of April 1, 2012, the Authority had issued and had Outstanding the following Series of Bonds under the Master Indenture in the Classes as indicated:

| <u>Title of Bonds</u>                         | <u>Principal<br/>Amount Issued</u> | <u>Outstanding<br/>Principal Amount<br/>(April 1, 2012)</u> |
|---|------------------------------------|---|
| <b>2000 Series A:</b>                         |                                    |   |
| Adjustable 2000 Series A-1 (Class I)          | \$56,195,000                       | \$11,030,000  |
| Adjustable 2000 Series A-2 (Class I)          | 11,545,000                         | 7,080,000   |
| <b>2000 Series B:</b>                         |                                    |   |
| Taxable Floating 2000 Series B-1 (Class I)    | \$ 7,780,000                       | \$ 4,895,000  |
| 2000 Series B-2 (Class I)                     | 13,880,000                         | 13,880,000  |
| Adjustable 2000 Series B-3 (Class I)          | 5,000,000                          | 1,720,000   |
| 2000 Series B-4 (Class I)                     | 4,845,000                          | 4,715,000   |
| <b>2001 Series A:</b>                         |                                    |   |
| 2001 Series A-1 (Class I)                     | \$24,350,000                       | \$14,840,000  |
| 2001 Series A-2 (Class II)                    | 10,810,000                         | 5,965,000   |
| 2001 Series A-2 (Class III)                   | 2,890,000 (1)                      | 1,665,000   |
| <b>2002 Series A:</b>                         |                                    |   |
| Adjustable 2002 Series A-1 (Class I)          | \$ 9,410,000                       | \$9,180,000   |
| 2002 Series A-3 (Class II)                    | 5,735,000                          | 5,725,000   |
| Adjustable 2002 Series A-4 (Class I)          | 19,450,000                         | 7,025,000   |
| <b>2002 Series C:</b>                         |                                    |   |
| Taxable Adjustable 2002 Series C-1 (Class I)  | \$10,920,000                       | \$ 9,420,000  |
| Adjustable 2002 Series C-2 (Class I)          | 70,715,000                         | 59,510,000  |
| Adjustable 2002 Series C-4 (Class I)          | 31,960,000                         | 31,595,000  |
| 2002 Series C-6 (Class II)                    | 5,000,000                          | 3,225,000   |
| <b>2003 Series A:</b>                         |                                    |   |
| Taxable Adjustable 2003 Series A-1 (Class I)  | \$37,415,000 (1)                   | \$27,410,000  |
| Taxable Adjustable 2003 Series A-2 (Class II) | 11,365,000                         | 9,800,000   |
| <b>2004 Series A:</b>                         |                                    |   |
| Taxable Adjustable 2004 Series A-1 (Class I)  | \$66,280,000 (1)                   | \$53,175,000  |
| Adjustable 2004 Series A-2 (Class I)          | 10,785,000                         | 10,785,000  |
| 2004 Series A-3 (Class II)                    | 12,050,000                         | 5,665,000   |
| <b>2005 Series A:</b>                         |                                    |   |
| Taxable Adjustable 2005 Series A-1 (Class I)  | \$33,740,000 (1)                   | \$29,755,000  |
| Adjustable 2005 Series A-2 (Class I)          | 22,235,000                         | 17,440,000  |
| Adjustable 2005 Series A-3 (Class II)         | 40,275,000                         | 15,680,000  |

| <u>Title of Bonds</u>                         | <u>Principal<br/>Amount Issued</u> | <u>Outstanding<br/>Principal Amount<br/>(April 1, 2012)</u> |
|---|------------------------------------|---|
| <b>2005 Series B:</b>                         |                                    |   |
| Taxable Adjustable 2005 Series B-1 (Class I)  | \$16,550,000 (1)                   | \$14,625,000  |
| Adjustable 2005 Series B-2 (Class I)          | 10,820,000                         | 10,135,000  |
| <b>2006 Series A:</b>                         |                                    |   |
| Taxable Adjustable 2006 Series A-1 (Class I)  | \$57,130,000 (1)                   | \$51,105,000  |
| <b>2007 Series B:</b>                         |                                    |   |
| Taxable Adjustable 2007 Series B-1 (Class I)  | \$55,710,000                       | \$51,960,000  |
| Adjustable 2007 Series B-2 (Class I)          | 31,170,000                         | 14,260,000  |
| Adjustable 2007 Series B-3 (Class I)          | 16,865,000                         | 11,585,000  |
| <b>2008 Series A:</b>                         |                                    |   |
| Taxable Adjustable 2008 Series A-1 (Class II) | \$23,090,000 (1)                   | \$21,820,000  |
| Adjustable 2008 Series A-2 (Class II)         | 9,645,000                          | 8,595,000   |
| <b>2008 Series B:</b>                         |                                    |   |
| Taxable Adjustable 2008 Series B (Class II)   | \$165,565,000                      | \$162,375,000   |
| <b>2008 Series C:</b>                         |                                    |   |
| Taxable Adjustable 2008 Series C-1 (Class I)  | \$13,000,000                       | \$12,915,000  |
| Adjustable 2008 Series C-2 (Class I)          | 5,725,000                          | 5,585,000   |
| Adjustable 2008 Series C-3 (Class I)          | 12,055,000                         | 11,240,000  |
| Adjustable 2008 Series C-4 (Class I)          | 10,780,000                         | 3,995,000   |
| <b>2009 Series A:</b>                         |                                    |   |
| Adjustable 2009 Series A-1 (Class I)          | \$33,210,000                       | \$30,140,000  |
| 2009 Series A-2 (Class II)                    | <u>14,225,000</u>                  | <u>11,005,000</u>   |
| <b>Total</b>                                  | <b><u>\$992,390,000</u></b>        | <b><u>\$782,520,000 (2)</u></b>                             |
| Total Class I Bonds                           | \$691,740,000                      | \$531,000,000 (2)   |
| Total Class II Bonds                          | \$297,760,000                      | \$249,855,000   |
| Total Class III Bonds                         | \$2,890,000                        | \$1,665,000   |
| Total Class IV Bonds                          | None                               | None  |

(1) Designated as general obligations of the Authority.

(2) Does not include the 2012 Series A Bonds.



## **Outstanding Derivative Products**

In connection with the issuance of certain Bonds under the Master Indenture, the Authority has previously entered into the interest rate swap agreements listed on the following table ("**Derivative Products**") which were outstanding as of April 1, 2012. As of April 1, 2012, the total notional amount of Derivative Products provided by Barclays Bank PLC was \$285,919,000; by Royal Bank of Canada, was \$172,685,000; by AIG Financial Products Corp. was \$99,400,000; by Bank of America, N.A., was \$41,245,000; and by Morgan Stanley Derivative Products Inc. was \$4,995,000.

Except as noted in the table below, the Authority's obligation to make interest payments to the respective Counterparty under each of these Derivative Products constitutes a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of these Derivative Products in the event of early termination is a general obligation of the Authority and not secured as an Obligation under the Master Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS – Risks Related to Derivative Products" and "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Obligations of the Authority – General Obligations."

**See also footnote (8) to the audited 2011 financial statements of the Authority, included as Appendix A to this Official Statement, for a description of the key terms of the outstanding Derivative Products, including the fair values and the counterparty credit ratings, as of December 31, 2011.**

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| <b><u>Outstanding Derivative Products</u></b>          | <b><u>Amount (1)</u></b>    | <b><u>Counterparty</u></b>              |
|--|-----------------------------|---|
| <b>2000 Series A Derivative Products:</b>              |                             |   |
| Adjustable 2000 Series A-1 (Class I)                   | \$12,750,000                | Barclays Bank PLC                       |
| Adjustable 2000 Series A-2 (Class I)                   | 7,080,000                   | Barclays Bank PLC                       |
| <b>2000 Series B Derivative Product:</b>               |                             |   |
| Taxable Floating 2000 Series B-1 (Class I)             | 4,995,000                   | Morgan Stanley Derivative Products Inc. |
| <b>2002 Series A Derivative Products:</b>              |                             |   |
| Adjustable 2002 Series A-1 (Class I)                   | 9,410,000                   | Barclays Bank PLC                       |
| <b>2002 Series C Derivative Products:</b>              |                             |   |
| Adjustable 2002 Series C-2 (Class I)                   | 59,510,000                  | Barclays Bank PLC                       |
| Adjustable 2002 Series C-4 (Class I)                   | 31,960,000                  | Barclays Bank PLC                       |
| <b>2003 Series A Derivative Products</b>               |                             |   |
| Taxable Adjustable 2003 Series A-1 (Class I)           | 2,124,000                   | Barclays Bank PLC                       |
| <b>2004 Series A Derivative Products:</b>              |                             |   |
| Taxable Adjustable 2004 Series A-1 (Class I)           | 10,000,000                  | Royal Bank of Canada                    |
| Taxable Adjustable 2004 Series A-1 (Class I)           | 40,675,000                  | AIG Financial Products Corp.            |
| Adjustable 2004 Series A-2 (Class I)                   | 10,785,000                  | AIG Financial Products Corp.            |
| <b>2005 Series A Derivative Products:</b>              |                             |   |
| Taxable Adjustable 2005 Series A-1 (Class I)           | 17,685,000                  | AIG Financial Products Corp.            |
| Adjustable 2005 Series A-2 (Class I)                   | 17,855,000                  | AIG Financial Products Corp.            |
| Adjustable 2005 Series A-3 (Class II)                  | 12,400,000                  | AIG Financial Products Corp.            |
| <b>2005 Series B Derivative Products:</b>              |                             |   |
| Taxable Adjustable 2005 Series B-1 (Class I)           | 13,180,000                  | Bank of America, N.A.                   |
| Adjustable 2005 Series B-2 (Class I)                   | 9,340,000                   | Bank of America, N.A.                   |
| <b>2006 Series A Derivative Products:</b>              |                             |   |
| Taxable Adjustable 2006 Series A-1 (Class I)           | 30,350,000                  | Barclays Bank PLC                       |
| Taxable Adjustable 2006 Series A-1 (Class I)           | 11,200,000                  | Bank of America, N.A.                   |
| <b>2007 Series B Derivative Products:</b>              |                             |   |
| Taxable Adjustable 2007 Series B-1 (Class I)           | 36,135,000                  | Barclays Bank PLC                       |
| Taxable Adjustable 2007 Series B-1 (Class I)           | 7,525,000                   | Bank of America, N.A.                   |
| Taxable Adjustable 2007 Series B-2 (Class I)           | 14,190,000                  | Barclays Bank PLC                       |
| Taxable Adjustable 2007 Series B-3 (Class I)           | 9,460,000                   | Barclays Bank PLC                       |
| <b>2008 Series A Derivative Products:</b>              |                             |   |
| Taxable Adjustable 2008 Series A-1 (Class II)          | 15,200,000                  | Barclays Bank PLC                       |
| Adjustable 2008 Series A-2 (Class II)                  | 7,630,000                   | Barclays Bank PLC                       |
| <b>2008 Series B Derivative Products:</b>              |                             |   |
| Taxable Adjustable 2008 Series B (Class II)            | 162,685,000                 | Royal Bank of Canada                    |
| <b>2008 Series C Derivative Products:</b>              |                             |   |
| Adjustable 2008 Series C-1 (Class I)                   | 11,205,000                  | Barclays Bank PLC                       |
| Adjustable 2008 Series C-3 (Class I)                   | 7,700,000                   | Barclays Bank PLC                       |
| <b>2009 Series A Derivative Products:</b>              |                             |   |
| Adjustable 2009 Series A-1 (Class I)                   | 31,215,000                  | Barclays Bank PLC                       |
| <b>Total Outstanding Derivative Products</b>           | <b><u>\$604,244,000</u></b> |   |
| <b>Total Outstanding Class I Derivative Products</b>   | <b><u>\$406,329,000</u></b> |   |
| <b>Total Outstanding Class II Derivative Products</b>  | <b><u>\$197,915,000</u></b> |   |
| <b>Total Outstanding Class III Derivative Products</b> | <b><u>None</u></b>          |   |

(1) As of April 1, 2012.

## **Outstanding Liquidity Facilities**

The Authority has previously entered into Standby Bond Purchase Agreements (constituting Liquidity Facilities under the Master Indenture) among the Authority, the Paying Agent and respective Liquidity Facility Providers. The following table describes the Liquidity Facilities currently in effect as of April 1, 2012 except as noted with respect to the outstanding Series of Adjustable Rate Bonds under the Master Indenture, the name of the respective Liquidity Facility Providers, the applicable expiration dates (unless extended or earlier terminated), the Bank Bond rates, terms for accelerated payments and liens. As of April 1, 2012, the aggregate principal amount of Bonds for which Federal Home Loan Bank of Topeka provided Liquidity Facilities was \$564,590,000; and for which Barclays Bank PLC provided Liquidity Facilities was \$68,545,000. Since the effectiveness of a replacement liquidity facility for the 2007 Series B Bonds which occurred on June 27, 2012, the aggregate principal amount of Bonds for which JPMorgan Chase Bank, N.A., provides a Liquidity Facility has been \$77,805,000.

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

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## Outstanding Liquidity Facilities and Providers (1)

| <u>Series of Adjustable Rate Bonds</u> | <u>Related Liquidity Facility Provider</u> | <u>Expiration Date of Liquidity Facility</u> | <u>Bank Bond Rate/ Accelerated Payments/Lien</u> |
|--|--|--|--|
| 2000 Series A-1 and A-2                | Federal Home Loan Bank of Topeka           | March 21, 2014                               | (3)  |
| 2000 Series B-3                        | Federal Home Loan Bank of Topeka           | October 19, 2013                             | (3)  |
| 2002 Series A-1 and A-4                | Federal Home Loan Bank of Topeka           | May 14, 2013                                 | (3)  |
| 2002 Series C-1, C-2 and C-4           | Federal Home Loan Bank of Topeka           | November 14, 2013                            | (3)  |
| 2003 Series A-1                        | Federal Home Loan Bank of Topeka           | September 23, 2013                           | (3)  |
| 2003 Series A-2                        | Federal Home Loan Bank of Topeka           | September 23, 2013                           | (4)  |
| 2004 Series A-1 and A-2                | Federal Home Loan Bank of Topeka           | September 21, 2012                           | (3)  |
| 2005 Series A-1 and A-3                | Federal Home Loan Bank of Topeka           | April 12, 2013                               | (3)  |
| 2005 Series A-2                        | Barclays Bank PLC                          | September 6, 2012                            | (5)  |
| 2005 Series B-1 and B-2                | Federal Home Loan Bank of Topeka           | December 13, 2013                            | (3)  |
| 2006 Series A-1                        | Barclays Bank PLC                          | September 6, 2012                            | (5)  |
| 2007 Series B-1, B-2 and B-3           | JPMorgan Chase Bank, N.A. (2)              | June 27, 2014 (2)                            | (2) (6)  |
| 2008 Series A-1 and A-2                | Federal Home Loan Bank of Topeka           | April 22, 2013                               | (7)  |
| 2008 Series B                          | Federal Home Loan Bank of Topeka           | June 25, 2013                                | (8)  |
| 2008 Series C-1, C-2, C-3 and C-4      | Federal Home Loan Bank of Topeka           | December 16, 2013                            | (3)  |
| 2009 Series A-1                        | Federal Home Loan Bank of Topeka           | June 24, 2014                                | (3)  |

(1) As of April 1, 2012 (except as noted).

(2) Effective in connection with the remarketing of these Bonds, which occurred on June 27, 2012.

(3) Bank Rate: One-Month LIBOR Rate from time to time in effect plus 2.00%  
Term out provisions: 10 semi-annual payments (5 years). Class III lien/General Obligation.

(4) Bank Rate: One-Month LIBOR Rate from time to time in effect plus 3.00%  
Term out provisions: 10 semi-annual payments (5 years). Class III lien/General Obligation.

(5) Bank Rate: 0-60 days: Base Rate  
61 - 120 days: Base Rate plus 2%  
121+ days: higher of (a) Base Rate plus 2% and (b) Maximum Bank Bond Rate  
But not less than rate on non-Bank Bonds.  
"Base Rate" is the highest of (a) Fed Funds Rate plus 2.5%, (b) Prime Rate plus 2.5%, (c) 150% of yield on 30-year U.S. Treasury Bonds, and (d) 8% per annum.  
"Maximum Bank Bond Rate" is highest of (a) 12% per annum, (b) 150% of 3-Month LIBOR, and (c) 150% of yield on 30-year U.S. Treasury Bonds.

Term out provisions: 3 years from Purchase Date. Class III lien/General Obligation.

(6) Bank Rate: Base Rate plus 3% (not exceeding the Maximum Interest Rate).  
"Base Rate" is the higher of (a) Prime Rate plus 1.50%, (b) Fed Funds Rate plus 2.0% and (c) 7.50% per annum.

Term out provisions: 10 semi-annual payments (5 years). Class III lien/General Obligation.

(7) Bank Rate: One-Month LIBOR Rate from time to time in effect plus 1.00%  
Term out provisions: 10 semi-annual payments (5 years). Class III lien/General Obligation.

(8) Bank Rate: One-Month LIBOR Rate from time to time in effect plus 1.25%  
Term out provisions: 10 semi-annual payments (5 years). Class III lien/General Obligation.

## APPENDIX C

### Summary of Certain Provisions of the Indenture

The Master Indenture and the 2012 Series A Indenture (collectively, the "**Indenture**") contain various provisions and covenants, some of which are summarized below. Reference is made to the Indenture for a full and complete statement of its provisions. Copies of the Indenture are available as provided in "Part II - MISCELLANEOUS."

#### Certain Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Any Investment Agreement;

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

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

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

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

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

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

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

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

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

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

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

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

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

"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 2012 Series A Bonds, the fifteenth day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

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

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

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

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

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

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

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

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

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

"State" means the State of Colorado.

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

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

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

### **Indenture Constitutes a Contract**

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

### **Issuance of Additional Bonds**

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

- (a) an original executed copy of the Series Indenture authorizing such Bonds and specifying certain information as set forth in the Master Indenture;

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

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

### **Issuance of Refunding Bonds**

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

### **Derivative Products**

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

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



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

### **Funds Established by the Master Indenture**

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

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

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

### **Allocation of Moneys, Investments and Loans Among Series**

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

(a) if and to the extent required by the Master Indenture (including meeting certain requirements with respect to the Revenue Fund and the Debt Service Reserve Fund and in the case of an Event of Default);

(b) if and to the extent necessary to enable the Authority to deliver a Cash Flow Statement with respect to one or more Series;

(c) in connection with an Authority Request, pursuant to the Indenture, directing the Trustee to transfer moneys to the Redemption Fund to redeem certain Bonds;

(d) if and to the extent that the aggregate amount of moneys, investments and Loans allocated to any particular Series exceeds the aggregate amount of Outstanding Bonds of such Series.

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

#### **Program Fund; Acquisition Account**

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

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

Loans made by the Authority must meet the following requirements: (i) such Loan complies with, and is in fulfillment of the purposes of, the Act; and (ii) at the time the Authority makes the Loan, (A) the Authority reasonably believes that such Loan meets applicable requirements under the Code as in effect or as otherwise applicable with respect to such Loan; (B) the Authority has determined that the facility being financed or refinanced as completed constitutes a Housing Facility or a Project, as the case may be, for purposes of the Act; and (C) except to the extent, if any, that a variance is required as a

condition to any insurance on, guaranty of or other security for such Loan, such Loan shall bear interest at the rate or rates and shall be payable as to both principal and interest at the time or times which shall be reasonably estimated to be sufficient to assure the timely payment of (1) the allocable portion of scheduled Fiduciary Expenses (as reasonably estimated by the Authority and not otherwise provided for), and (2) all Debt Service Payments on the portion of the Outstanding Bonds used or to be used to make Loans (assuming the receipt of scheduled Loan Repayments on other Loans and scheduled Revenues on moneys not yet used to finance or refinance Loans or held in any Fund or Account held by the Trustee other than the Rebate Fund or the Excess Earnings Fund).

### **Program Fund; Cost of Issuance Account**

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

### **Program Fund; Negative Arbitrage Account**

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

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

The amount in any subaccount of the Negative Arbitrage Account with respect to a defaulted Loan is to be transferred to the related subaccount of the Redemption Fund at the time that the Authority receives or recovers any Prepayment of such Mortgage Loan, upon Authority Request. If a Loan is not closed on account of any failure to meet the conditions of the Authority's written commitment to provide the Loan or for any other reason (e.g., failure to meet the conditions of the firm commitment of a governmental insurer or guarantor to insure or guarantee such Loan), provided that the Authority has issued such written commitment with respect to such Loan and is ready and willing to close, and the Authority does not finance or refinance a substitute Housing Facility or Project, the amount in the related subaccount of the Negative Arbitrage Account is to be transferred, upon Authority Request, to the Revenue Fund. Upon the completion of a Housing Facility or Project, the date that another Housing Facility or Project is substituted for such Housing Facility Project or the date that amounts in the related subaccount of the Acquisition Account or the Loan Recycling Account, as the case may be, allocable to such Housing Facility or Project are transferred to the Redemption Fund or the Revenue Fund pursuant to the Indenture, any amounts in the related subaccount of the Negative Arbitrage Account that have not

been transferred to the Revenue Fund or to the Redemption Fund pursuant to the Indenture are to be paid by the Authority to the related Borrower to the extent and under the circumstances provided in any Agreement with such Borrower. Each subaccount of the Negative Arbitrage Account is to be terminated upon the earliest of the completion of the related Housing Facility or Project, the date that another Housing Facility or Project is substituted for the related Housing Facility or Project, the date that amounts in the related subaccount or the Loan Recycling Account, as the case may be, allocable to the related Housing Facility or Project are transferred to the Redemption Fund or the Revenue Fund pursuant to the Indenture or the date on which there is no remaining balance in such subaccount of the Negative Arbitrage Account.

### **Program Fund; Loan Recycling Account**

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

### **Revenue Fund**

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

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

### **Allocation of Moneys in the Revenue Fund**

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

- (a) Related Subaccounts of Rebate Fund. On each December 31, 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 December 31, an amount to be calculated by the Authority which, together with the amount therein, will equal the amount determined by the Authority to be required to be on deposit therein;

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

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

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

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

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

(h) Unrelated Subaccounts of Class II Debt Service Fund. Any deficiency in such subaccount(s) of the Class II Debt Service Fund, after making any requisite transfers from the

Related Debt Service Reserve Fund, resulting from the lack of moneys sufficient to make the deposit described in (g) above as of such date, on a proportionate basis with all other Unrelated such subaccounts or as otherwise directed by Authority Request;

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

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

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

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

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

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

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

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

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

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

(s) Related Subaccount of Loan Recycling Account (Upon Authority Election) or Redemption Fund or any combination thereof. An amount, if any, necessary to satisfy the Class III Asset Requirement of the Related Series of Bonds, calculated as of such next succeeding Bond Payment Date and giving effect to such transfer, which amount shall be allocated to the Related subaccounts of the Class I Special Redemption Account, the Class II Special Redemption Account and the Class III Special Redemption Account on the basis of the relative ratios represented by the Aggregate Principal Amounts Outstanding of the Related Class I Bonds, Class II Bonds and Class III Bonds, respectively, to the Aggregate Principal Amount of all Related Class I, Class II and Class III Bonds Outstanding, provided that any election by the Authority to make deposits into the Loan Recycling Account must be evidenced by an Authority Certificate filed with the Trustee;

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

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

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

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

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

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

### **Debt Service Funds**

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

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

### **Debt Service Reserve Fund**

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



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

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

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

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

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

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

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

provided, however, that no such transfer may result in (A) the amount on deposit in a subaccount of the Debt Service Reserve Fund being reduced to an amount less than any minimum deposit specified in the Related Series Indenture or (B) a failure to meet the Related Class II Asset Requirement.

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

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

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

## **Redemption Fund**

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

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

### **Credit Against Sinking Fund Installments**

Upon any redemption (other than by Class I Sinking Fund Installment, Class II Sinking Fund Installment, Class III Sinking Fund Installment or Class IV Sinking Fund Installment) of Bonds for which Class I Sinking Fund Installments, Class II Sinking Fund Installments, Class III Sinking Fund Installments or Class IV Sinking Fund Installments have been established, or any purchase in lieu thereof, there is to be credited by the Trustee and the Bond Registrar toward the Class I Sinking Fund Installments, Class II Sinking Fund Installment, Class III Sinking Fund Installments or Class IV Sinking Fund Installments thereafter to become due with respect thereto, on a proportionate basis and in increments of the applicable minimum denomination, an amount bearing the same ratio to each such Class I Sinking Fund Installment, Class II Sinking Fund Installment, Class III Sinking Fund Installment or Class IV Sinking Fund Installment as the total principal amount of such Class and maturity of Bonds so purchased or redeemed bears to the total amount of all such Class I Sinking Fund Installments, Class II Sinking Fund Installments, Class III Sinking Fund Installments or Class IV Sinking Fund Installments to be credited; provided, however, that, if there shall be filed with the Trustee and the Bond Registrar an Authority Request specifying a different method for crediting Class I Sinking Fund Installments, Class II Sinking Fund Installments, Class III Sinking Fund Installments or Class IV Sinking Fund Installments upon any such purchase or redemption of Bonds and certifying that such Authority Request is consistent with the most recently filed Related Cash Flow Statement and the Related Series Indenture, then such Sinking Fund Installments shall be so credited as shall be provided in such Authority Request. The portion of any such Class I Sinking Fund Installment, Class II Sinking Fund Installment, Class III Sinking Fund Installment or Class IV Sinking Fund Installment remaining after the deduction of any such amounts credited towards the same (or the original amount of any such Class I Sinking Fund Installment, Class II Sinking Fund Installment, Class III Sinking Fund Installment or Class IV Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Class I Sinking Fund Installment, Class II Sinking Fund Installment, Class III Sinking Fund Installment or Class IV Sinking Fund Installment for the purpose of calculation of Class I Sinking Fund Installments, Class II Sinking Fund Installments, Class III Sinking Fund Installments and Class IV Sinking Fund Installments due on or scheduled for a future date.

### **Authority Payment Accounts**

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

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

## **Investment of Funds**

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

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

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

## **Creation of Liens**

The Authority shall not issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of the Revenues or of the moneys, securities, rights or interests pledged or held or set aside by the Authority or by any Fiduciary under the Indenture, except that the Authority may issue (i) evidences of indebtedness secured by a pledge of the Revenues to be derived after the pledge of the Revenues provided in the Indenture has been discharged and satisfied; or (ii) notes or bonds of the Authority not secured under the Indenture; or (iii) notes or bonds which are general obligations of the Authority under the Act.

## **Covenants Relating to Loans**

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

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

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

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

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

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

### **Certain Other Covenants**

#### *Creation and Use of Rebate Account*

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

#### *Creation and Use of Excess Earnings Fund*

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

## **Tax Covenant**

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

## **Events of Default under the Indenture and Remedies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **General Obligation Bonds Events of Default and Remedies**

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

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

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

Upon the occurrence and continuance of a General Obligation Bond Default, the Trustee may, and upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of the General Obligation Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce the rights of the Owners of General Obligation Bonds under the Act, the General Obligation Bonds and the Indenture by such suits, actions or



proceedings as the Trustee, being advised by counsel, shall deem expedient and consistent with the limitations specified in the Indenture, including but not limited to:

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

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

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

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

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

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

(iv) the Trustee shall have failed or refused to exercise the powers in the Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

### **Successors to Trustee**

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

### **Modifications of Indenture and Outstanding Bonds**

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

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

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

### **Defeasance**

All outstanding Bonds will prior to the maturity or redemption date thereof be deemed to have been paid and will cease to be entitled to the pledge of the Trust Estate under the Indenture and all covenants, agreements and other obligations of the Authority to the Bondowners will cease if the following conditions are met: (i) in case any Bonds are to be redeemed on any date prior to their maturity, the Authority has given to the Bond Registrar irrevocable instructions to transmit notice of redemption therefor, (ii) there have been deposited with the Trustee either moneys in an amount which are sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys, which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or redemption price, if applicable, of and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Bonds are not subject to redemption within the next succeeding 60 days, the Authority has given the Bond Registrar irrevocable instructions to transmit, as soon as practicable, a notice to the owners of such Bonds that the above deposit has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the

payment of the principal or redemption price, if applicable, of and interest on such Bonds, and (iv) except in the event of a full cash defeasance or a current refunding of less than ninety days to maturity or redemption date, the sufficiency of such moneys or Defeasance Securities shall have been confirmed to the Authority in an opinion signed by a certified public accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of the State, selected by the Authority.

Neither Defeasance Securities nor moneys deposited with the Trustee for the purpose of defeasing the Bonds nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds and any bonds or other obligations issued by the Authority the proceeds of which were used to acquire such Defeasance Securities, in whole or in part; provided that no such principal of or interest on such Defeasance Securities shall be applied to the payment of the principal or redemption price of or interest on such bonds or other obligations unless (x) the Trustee shall have received a schedule showing, for each year from the date of deposit of such Defeasance Securities until the redemption date or maturity date of said Bonds, as the case may be, the amount of principal of and interest on such Defeasance Securities and moneys, if any, deposited with the Trustee at the same time that will be available to pay the principal or Redemption Price of and interest due on said Bonds in each such year, plus the amount of any excess in each such year, and (y) the amount of such principal of or interest on such Defeasance Securities to be so applied to the payment of such bonds or other obligations does not exceed in any year the amount of such excess for, or accumulated and unexpended to, such year. Any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, to the extent practicable and, in accordance with an opinion of Bond Counsel filed with the Trustee, permitted by Section 103 of the Code, shall be reinvested in Defeasance Securities maturing in times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be.

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

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## APPENDIX D

### Class Asset Requirements

Set forth below are the Class Asset Requirements applicable to the Outstanding Bonds pursuant to the Master Indenture. These Class Asset Requirements for the Outstanding Bonds are calculated based on applicable **Parity Ratios** which have the values set forth in the Series Indentures related to the most recently issued Series of Bonds, or any other value permitted or required by each Rating Agency as evidenced by Confirmations delivered by each Rating Agency after the date of issuance of such Series of Bonds.

Under the Master Indenture:

(I) the **Class I Asset Requirement** means the requirement that, as of any date of calculation, the Accrued Assets shall be at least equal to the product of (x) the Aggregate Principal Amount of Class I Bonds then Outstanding multiplied by (y) the Class I Parity Ratio.

(II) the **Class II Asset Requirement** means the requirement that, as of any date of calculation, the Accrued Assets shall be at least equal to the product of (x) the Aggregate Principal Amount of Class I Bonds and Class II Bonds then Outstanding multiplied by (y) the Class II Parity Ratio.

(III) the **Class III Asset Requirement** means the requirement that, as of any date of calculation, the Accrued Assets shall be at least equal to the product of (x) the Aggregate Principal Amount of Class I Bonds, Class II Bonds and Class III Bonds then Outstanding multiplied by (y) the Class III Parity Ratio.

The Master Indenture defines **Accrued Assets** to mean the sum of (i) amounts held in the Acquisition Account, the Loan Recycling Account, the Debt Service Fund, the Redemption Fund, the Debt Service Reserve Fund and the Revenue Fund, and (ii) the aggregate unpaid principal balances of all Loans and Authority Projects.

The 2012 Series A Indenture provides that the **Class I Parity Ratio** shall be no less than 130%. As of the date of delivery of the 2012 Series A Bonds, it is expected that the Accrued Assets will be equal to 160.2% of the Aggregate Principal Amount of Class I Bonds, 109.0% of the Aggregate Principal Amount of Class I Bonds and Class II Bonds, and 108.8% of the Aggregate Principal Amount of Class I Bonds, Class II Bonds and Class III Bonds.

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## APPENDIX E

### Form of Bond Counsel Opinion

July 19, 2012

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

Colorado Housing and Finance Authority  
Multi-Family/Project Class I Bonds, 2012 Series A

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance of its Multi-Family/Project Class I Bonds, 2012 Series A (the "2012 Series A Bonds") in the aggregate principal amount of \$10,500,000. In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter. The 2012 Series A Bonds are authorized and issued pursuant to the Master Indenture of Trust, dated as of March 1, 2000, as amended, and as supplemented by the 2012 Series A Indenture of Trust dated as of July 1, 2012 (together, the "Indenture") between the Authority and Wells Fargo Bank, National Association (formerly, Norwest Bank Colorado, National Association), as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

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

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

1. The 2012 Series A Bonds constitute valid and binding special, limited obligations of the Authority, payable solely from the Revenues and other assets pledged thereto under the Indenture.

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

Interest on the 2012 Series A Bonds (except for interest on any 2012 Series A Bond for any period during which it is held by a "substantial user" of facilities financed with 2012 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; further, interest on the 2012 Series A Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. 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 and certifications furnished to us.

The 2012 Series A Bonds, their transfer and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date hereof.

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

The obligations of the Authority pursuant to the 2012 Series A Bonds and the Indenture are subject to the application of equitable principles, to the reasonable exercise in the future by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

We understand that the JPMorgan Chase Bank, National Association has delivered a Letter of Credit securing the redemption price of the 2012 Series A Bonds under certain circumstances. We express no opinion as to the validity or enforceability of the Letter of Credit or the security afforded thereby.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not opining upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the 2012 Series A Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the 2012 Series A Bonds, except those specifically addressed herein.

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

Respectfully submitted,



## APPENDIX F

### Book-Entry System

*The following information in this section regarding DTC and the book entry system is based solely on information provided by DTC. No representation is made by the Authority or the Underwriter 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. The Beneficial Owners of the 2012 Series A Bonds should confirm the following information with DTC or the DTC Participants.*

The Depository Trust Company ("**DTC**"), New York, NY, will act as securities depository for the 2012 Series A Bonds. The 2012 Series A Bonds will be issued as fully-registered securities, registered in the name of Cede & Co., DTC's partnership nominee ("**Cede**") or such other name as may be requested by an authorized representative of DTC. One fully-registered 2012 Series A Bond certificate will be issued for each maturity of the 2012 Series A Bonds, in the aggregate principal amount of each such maturity of the 2012 Series A Bonds, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). *The Authority, the Trustee, and the Underwriter undertake no responsibility for and make no representation as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.*

Purchases of 2012 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2012 Series A Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2012 Series A Bonds are to be accomplished by entries made on

the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2012 Series A Bonds, except in the event that use of the book-entry system for the 2012 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2012 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2012 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2012 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2012 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012 Series A Bonds, such as redemptions, defaults, and proposed amendments to the 2012 Series A Bond documents. For example, Beneficial Owners of 2012 Series A Bonds may wish to ascertain that the nominee holding the 2012 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

While the 2012 Series A Bonds are in the book-entry system, redemption notices will be sent to DTC. If less than all of the 2012 Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2012 Series A Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2012 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2012 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC, the Trustee, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

**THE AUTHORITY, THE TRUSTEE, AND THE PAYING AGENT SHALL HAVE NO RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE ACCURACY OF THE RECORDS**

OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE 2012 SERIES A BONDS, THE DELIVERY TO ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY NOTICE WITH RESPECT TO THE 2012 SERIES A BONDS, INCLUDING ANY NOTICE OF REDEMPTION, THE PAYMENT TO ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OR ANY OTHER PERSON, OTHER THAN CEDE & CO., AS NOMINEE OF DTC, AS SHOWN ON THE BOND REGISTER, OF ANY AMOUNT WITH RESPECT TO PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON, THE 2012 SERIES A BONDS OR ANY CONSENT GIVEN BY CEDE & CO., AS NOMINEE OF DTC. SO LONG AS CERTIFICATES FOR THE 2012 SERIES A BONDS ARE NOT ISSUED PURSUANT TO THE INDENTURE AND THE 2012 SERIES A BONDS ARE REGISTERED TO DTC, THE AUTHORITY, THE PAYING AGENT, AND THE TRUSTEE SHALL TREAT DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY AS, AND DEEM DTC OR ANY SUCCESSOR SECURITIES DEPOSITORY TO BE, THE ABSOLUTE OWNER OF THE 2012 SERIES A BONDS FOR ALL PURPOSES WHATSOEVER, INCLUDING WITHOUT LIMITATION (1) THE PAYMENT OF PRINCIPAL AND INTEREST ON THE 2012 SERIES A BONDS, (2) GIVING NOTICE OF REDEMPTION AND OTHER MATTERS WITH RESPECT TO THE 2012 SERIES A BONDS, (3) REGISTERING TRANSFERS WITH RESPECT TO THE 2012 SERIES A BONDS AND (4) THE SELECTION OF 2012 SERIES A BONDS FOR REDEMPTION.

DTC may discontinue providing its services as depository with respect to the 2012 Series A Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2012 Series A Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfer through DTC (or a successor securities depository). In that event, 2012 Series A Bond certificates will be printed and delivered to DTC.

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

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriter take any responsibility for the accuracy thereof.*

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## APPENDIX G-1

### Certain Information Regarding the 2012A Loan and the Project

#### 2012A Loan

##### *Generally*

Mountain View Redevelopment LLLP (the "**2012A Borrower**") is entering into the Loan Agreement with the Authority pursuant to which the Authority will fund the 2012A Loan to the 2012A Borrower. Proceeds of the 2012A Loan, together with other moneys available to the 2012A Borrower as described in "The Project and Plan of Finance" under this caption, are to be used to finance the acquisition and renovation of the Mountain View/Eliot Housing Facility (referred to herein as the "**Project**").

##### *Terms of the 2012A Loan*

The 2012A Loan will bear interest during the Construction Phase (defined below) at a rate of 4.99% and during the amortization period at a rate of 5.24%. Interest on the 2012A Loan will be computed on the basis of a 360-day year of twelve 30-day months. During the Construction Phase, which may be up to 24 months, interest-only will be payable on a monthly basis, and during the amortization period equal payments of principal and interest will be payable on a monthly basis over a term of 37 years. Any outstanding principal and interest will be payable at maturity.

##### *Security for the 2012A Loan*

Construction Phase Security. During the renovation period commencing on the date of the closing of the 2012A Loan and ending on or before the Required Date (the "**Construction Phase**"), the 2012A Loan will be secured by the Deed of Trust and by the JPMorgan Chase Letter of Credit or, in the event of a draw in connection with a downgrade of JPMorgan, by moneys drawn thereunder which are deposited with the Trustee as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2012A Loan – Construction Phase Security." See also "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption – Construction Phase Redemption Considerations."

Post-Conversion Security. A firm approval letter for insurance of the 2012A Loan will be issued by HUD on or before delivery of the 2012 Series A Bonds. The 2012A Loan is expected to be finally endorsed for insurance by the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, as amended, by the Required Date. Following the conversion of the 2012A Loan to a loan so endorsed, the JPMorgan Chase Letter of Credit will be released and the 2012A Loan will continue to be secured by the Deed of Trust, assignments of the HAP Contracts and other customary real estate loan security. If the 2012A Loan has not been finally endorsed for insurance by the Required Date, then the 2012 Series A Bonds will be subject to extraordinary special redemption as described in "Part I – TERMS OF THE 2012 SERIES A BONDS – Prior Redemption – Extraordinary Special Redemption." For a discussion of certain conditions to be met in order to obtain such insurance endorsement for the 2012A Loan, see "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption – Loan Conversion Redemption Considerations."

## 2012A Borrower

The 2012A Borrower is a Colorado limited liability limited partnership. Its general partner, holding a 0.009% partnership interest, is MVEC Housing Inc., a single purpose entity the sole member of which is the Housing Authority of the City and County of Denver, Colorado ("**DHA**"). The limited partners of the 2012A Borrower are RBC Tax Credit Equity, LLC, holding a 99.99% partnership interest, and RBC Tax Credit Manager II, Inc., holding a 0.001% partnership interest. DHA also will provide development services to the 2012A Borrower in connection with the acquisition, development, rehabilitation and initial operating phases of the Project, and will provide management agent services to the 2012A Borrower during the Project's rent up period and following completion of construction.

## The Project and Plan of Finance

The "**Project**" consists of the acquisition and rehabilitation of two existing rental housing projects, Mountain View Tower and Eliot Cottages, which are adjacent to each other and were constructed in 1978 by Denver Housing Corporation ("**DHC**"), an instrumentality of DHA. Together they contain 254 dwelling units, of which 253 are supported by two project-based Section 8 Housing Assistance Payment Contracts and currently serve eligible families under the Section 8 program. DHC will assign the existing Section 8 Contracts to the 2012A Borrower. The Section 8 contracts are Housing Assistance Payment Contracts numbered CO99-0036-008 (the "**Eliot HAP Contract**") and CO99-8023-007 (the "**Mountain View HAP Contract**"). The Eliot HAP Contract was renewed as of August 25, 2010 for a 20-year term which expires on August 24, 2030. The maximum term of the Mountain View HAP Contract expires on September 1, 2019. Upon the expiration of each existing HAP Contract in 2019 and 2030, respectively, the 2012A Borrower will be obligated under the CHFA Regulatory Agreement to renew the applicable HAP Contract for as long as a HAP Contract is made available to the Project. Renewals of expiring HAP contracts are not assured, and are described generally in "Part II – CERTAIN BONDOWNERS' RISKS – Expiration of HAP Contracts." See **Appendix I** to this Official Statement for a general description of the Section 8 program as applicable to the Loans securing the Bonds under the Master Indenture. It is anticipated the 2012A Borrower will acquire the Project upon closing of the 2012A Loan and will commence rehabilitation of the Project promptly after that. The general contractor for the rehabilitation of the Project will be I-KOTA, Inc., which will enter into a fixed price contract for the work to be performed. It is estimated that rehabilitation of the Project will be completed in approximately 12 months. If the Project is not completed in the projected timeframe and in a manner which satisfies the conditions necessary to obtain endorsement by FHA of the 2012A Loan for 542(c) insurance by the Required Date, the 2012 Series A Bonds will be subject to extraordinary special redemption as described in "Part I – TERMS OF THE 2012 SERIES A BONDS – Prior Redemption – Extraordinary Special Redemption."

The Project is expected to be financed with a combination of (i) proceeds of the 2012A Loan in an amount of \$10,500,000, (ii) proceeds of the Bridge Loan in the amount of \$7,000,000 described in "Bridge Loan" under this caption, (iii) tax credit investment proceeds in the amount of approximately \$9,242,698, payable in varying amounts during and after the course of construction, and (iv) a loan from DHA (the "**DHA Loan**") in the amount of approximately \$7,802,519, and such other sources as described in the following table. There is no certainty that the funds from these various sources will be available in such amounts or on a time schedule as necessary to complete the Project in the projected timeframe, although the initial disbursements of the Bridge Loan and the DHA Loan, and the initial contribution of tax credit proceeds in the amount of approximately \$924,270, will be funded concurrently with the issuance of the 2012 Series A Bonds.

The following table sets forth the estimated permanent sources and uses of funds for the Project.

**Estimated Permanent Sources and Uses of Funds**

SOURCES OF FUNDS<sup>(1)</sup>:

|   |                         |
|---|-------------------------|
| 2012A Loan Proceeds .....                         | \$10,500,000            |
| 2012A Borrower Contribution .....                 | 100                     |
| Tax Credit Equity .....                           | 9,242,698               |
| Denver Housing Authority Program Funds Loan ..... | 7,802,519               |
| Deferred Developer Fees.....                      | <u>940,000</u>          |
| <br>TOTAL SOURCES OF FUNDS .....                  | <br><u>\$28,485,317</u> |

USES OF FUNDS<sup>(1)</sup>:

|   |                         |
|---|-------------------------|
| Land & Buildings.....                     | \$10,453,953            |
| Construction/Rehabilitation .....         | 12,051,903              |
| Construction Period Interest.....         | 883,918                 |
| Construction and Permanent Loan Fees..... | 940,225                 |
| Soft Costs .....                          | 1,587,011               |
| Syndication Costs.....                    | 55,000                  |
| Developer Fees.....                       | 1,885,642               |
| Operating Reserves .....                  | <u>627,665</u>          |
| <br>TOTAL USES OF FUNDS.....              | <br><u>\$28,485,317</u> |

(1) The Bridge Loan described below in the approximate amount of \$7 million is only a temporary source of funds for the Project and is therefore not shown in this table. It will be fully repaid upon the completion of rehabilitation from tax credit proceeds and DHA Loan proceeds, and so will not be a permanent source of funds for the Project.

Source: The 2012A Borrower

**Bridge Loan**

*Generally*

Concurrently with delivery of the 2012A Bonds and funding of the 2012A Loan, the Authority intends to issue the Multi-Family Housing Revenue Draw Down Bond (Mountain View/Eliot Project), Series 2012 in the original principal amount of \$7,000,000 (the "**Bridge Bond**"), pursuant to a Bond Issuance and Financing Agreement dated July 19, 2012 (the "**Financing Agreement**") among the Authority, JPMorgan, as purchaser of the Bridge Bond, and the 2012A Borrower. Proceeds of the Bridge Bond will be loaned by the Authority (the "**Bridge Loan**") to the 2012A Borrower under a Loan and Reimbursement Agreement dated July 19, 2012 (the "**Bridge Loan Agreement**") to fund a portion of the Project. Under the Bridge Loan Agreement, proceeds of the Bridge Bond will be deposited with the Title Agent and disbursed in accordance with the Financing Agreement and a Construction Escrow Agreement. The Bridge Bond shall bear interest generally at the LIBO Rate for a one-month period multiplied by seventy and 88/100 percent (70.88%) plus 1.88%.

### *Terms of the Bridge Loan*

Under the Bridge Loan Agreement, the 2012A Borrower will agree to make monthly payments of interest computed on the outstanding amount of the Bridge Loan through maturity of the Bridge Loan on October 19, 2013 (which maturity may be extended for up to six calendar months through April 19, 2014 provided that certain conditions shall have been met relating to the Project). The 2012A Borrower shall have the right at any time and from time to time to prepay the Bridge Loan in whole or in part upon prior notice to JPMorgan. The Bridge Loan shall bear interest at the same rate per annum as provided with respect to the Bridge Bond.

### *Redemption*

The Bridge Bond is subject to mandatory redemption at par in whole upon receipt of a Notice of Loan Acceleration Default under the Financing Agreement or in whole or in part if all or a part of any insurance or condemnation proceeds will not be used to repair or replace the facilities. The Bridge Bond is subject to optional redemption, in whole or in part, upon and in the amount of the prepayment of the Bridge Loan as provided in the Bridge Loan Agreement.

### *Security for the Bridge Bond*

The payment of the 2012 Bridge Bond will be secured by an assignment of a Note evidencing the Bridge Loan and the Leasehold Construction Deed of Trust, Absolute Assignment of Rents, Security Agreement and Financing Statement delivered by the 2012A Borrower in favor of the Authority, as the conduit issuer of the Bridge Bond (the "**Deed of Trust**") and assigned by the Authority to JPMorgan. DHA will execute and deliver a Payment and Performance Guaranty to the Authority relating to completion of the improvements in accordance with the Bridge Loan Agreement and prompt payment of the Bridge Loan.



## APPENDIX G-2

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

The chart included in this Appendix G-2 has been prepared by the Authority to provide, as of April 1, 2012, certain information about the Master Indenture Loan Portfolio and Authority Projects. Information is also provided about the Fund Balances existing under the Master Indenture as of April 1, 2012. In summary, as of April 1, 2012, the Trust Estate included the following:

|                              | <u>Principal<br/>Amount</u> | <u>No. of Loans/<br/>Interests/Projects</u> | <u>Total %<br/>of Portfolio (2)</u> |
|------------------------------|-----------------------------|---|-------------------------------------|
| Insured Rental Loans         | \$221,761,343               | 67  | 31.57%                              |
| Military Housing             | 162,981,900                 | 6   | 23.21                               |
| Uninsured Business Loans (1) | 159,957,388                 | 257   | 22.77                               |
| Uninsured Rental Loans (1)   | 131,967,446                 | 110   | 18.79                               |
| Participation Interests      | 22,724,868                  | 22  | 3.24                                |
| Authority Projects           | <u>2,958,927</u>            | <u>3</u>                                    | <u>0.42</u>                         |
| <b>Total</b>                 | <b>\$702,351,872</b>        | <b>465</b>                                  | <b>100.00%</b>                      |

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

(2) Percentage is based on principal amount.

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

|                        |                          |
|------------------------|--------------------------|
| 221 (D) 3              | Insured Rental           |
| 221 (D) 4              | Insured Rental           |
| 223 (F)                | Insured Rental           |
| 542 (C)                | Insured Rental           |
| BF B&I I               | Participation Interests  |
| BF B&I I BUSINESS      | Uninsured Business       |
| BF B&I II              | Participation Interests  |
| BF CHFA DIRECT         | Uninsured Business       |
| BF CHFA RURAL          | Uninsured Business       |
| BF EDF                 | Uninsured Business       |
| BF NON PROFIT          | Uninsured Business       |
| BF QAL                 | Participation Interests  |
| BF QIC                 | Participation Interests  |
| BF SBA 504             | Uninsured Business       |
| CHFA NOTE              | Authority Owned Projects |
| DIRECT BOND            | Military Housing         |
| HOF CHFA               | Uninsured Rental         |
| HOF FAF                | Uninsured Rental         |
| IRP                    | Uninsured Business       |
| MF 501(C)3             | Uninsured Rental         |
| SMART T-E (TAX EXEMPT) | Uninsured Rental         |
| SMART TAXABLE          | Uninsured Rental         |
| SPEC NEED              | Uninsured Rental         |

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

**Colorado Housing and Finance Authority**

**Loan Portfolio Report**

**As of April 1, 2012**

**Multi-Family/Project Bonds**

**2000A, 2000B, 2001A, 2002A, 2002C, 2003A, 2004A, 2005A, 2005B, 2006A, 2007B, 2008A, 2008B, 2008C and 2009A**

| Bond Issue        | Borrower                       | Note Amount | Maturity |           | PI Amount  | Loan Program Type | Next Due |                   | Current Balance |
|-------------------|--------------------------------|-------------|----------|-----------|------------|-------------------|----------|-------------------|-----------------|
|                   |                                |             | Date     | Note Date |            |                   | Date     | Date              |                 |
| M00A              | CHFA                           | 4,084,592   | 02/01/17 | 01/01/97  | 206,367.86 | CHFA NOTE         | 08/01/12 | 1,673,828         |                 |
| M00A              | CHFA                           | 400,000     | 11/01/21 | 11/01/91  | 17,680.74  | CHFA NOTE         | 05/01/12 | 240,287           |                 |
| M00A              | SENIOR HOUSING OPTIONS         | 621,000     | 12/01/21 | 11/20/91  | 3,340.20   | MF 501(C)3        | 04/01/12 | 278,784           |                 |
| M00A              | SENIOR HOUSING OPTIONS         | 525,000     | 09/01/34 | 06/18/93  | 2,580.62   | MF 501(C)3        | 04/01/12 | 365,619           |                 |
| M00A              | SENIOR HOUSING OPTIONS         | 114,842     | 12/01/21 | 11/20/91  | 755.14     | MF 501(C)3        | 04/01/12 | 63,105            |                 |
| M00A              | SENIOR HOUSING OPTIONS         | 2,153,185   | 05/01/22 | 04/29/92  | 12,412.66  | MF 501(C)3        | 04/01/12 | 1,123,840         |                 |
| M00A              | SAXONY APARTMENTS              | 272,735     | 07/01/22 | 07/01/92  | 1,764.74   | MF 501(C)3        | 04/01/12 | 140,196           |                 |
| M00A              | JEFFERSON HILLS                | 3,287,357   | 11/01/23 | 10/05/93  | 21,398.91  | MF 501(C)3        | 04/01/12 | 2,096,146         |                 |
| M00A              | HOUSING AUTHORITY              | 159,000     | 04/01/27 | 10/25/95  | 1,017.28   | MF 501(C)3        | 04/01/12 | 117,342           |                 |
| M00A              | HOA CITY OF STERLING           | 522,000     | 08/01/31 | 08/14/96  | 3,036.76   | MF 501(C)3        | 04/01/12 | 421,914           |                 |
| M00A              | FOUNTAIN RIDGE ASSOCIATES, LLC | 407,070     | 04/01/39 | 04/14/98  | 12,300.29  | 221 (D) 4         | 04/01/12 | 362,883           |                 |
| M00A              | COLO BLUESKY ENTERPRISES       | 190,000     | 02/01/29 | 01/04/99  | 1,194.69   | SMART T-E         | 05/01/12 | 83,382            |                 |
| M00A              | THE ENERGY OFFICE              | 175,000     | 10/01/30 | 09/12/00  | 1,135.05   | SMART T-E         | 04/01/12 | 144,023           |                 |
| M00A              | CORPORATION                    | 175,000     | 11/01/32 | 10/30/02  | 1,158.41   | SMART TAXABLE     | 04/01/12 | 152,253           |                 |
| M00A              | OF SPRINGFIELD                 | 250,000     | 07/01/32 | 06/27/02  | 1,580.17   | SMART TAXABLE     | 05/01/12 | 212,897           |                 |
| M00A              | BELMONT SENIOR CARE            | 479,955     | 09/01/22 | 08/31/92  | 5,046.80   | MF 501(C)3        | 04/01/12 | 460,004           |                 |
| M00A              | LAKEWOOD HOMESTEAD LTD         | 773,894     | 03/01/40 | 01/06/98  | 28,334.80  | 542 (C)           | 04/01/12 | 768,785           |                 |
| <b>M00A Total</b> |                                |             |          |           |            |                   |          | <b>8,705,287</b>  |                 |
| M00B              | DOMINIUM MANAGEMENT SERVICES   | 11,330,000  | 11/01/42 | 10/02/02  | 74,232.08  | 542 (C)           | 04/01/12 | 10,373,177        |                 |
| M00B              | NIELSON GARDENS LLC            | 2,420,000   | 03/01/31 | 01/30/01  | 15,253.55  | 542 (C)           | 04/01/12 | 2,041,206         |                 |
| M00B              | FM FORT COLLINS LP             | 10,008,500  | 03/01/43 | 11/21/00  | 61,832.80  | 542 (C)           | 04/01/12 | 9,427,699         |                 |
| M00B              | COLUMBINE                      | 4,313,000   | 12/01/30 | 11/08/00  | 28,984.74  | 542 (C)           | 04/01/12 | 3,599,732         |                 |
| <b>M00B Total</b> |                                |             |          |           |            |                   |          | <b>25,441,814</b> |                 |
| M01A              | HOMELESS                       | 1,294,650   | 03/01/26 | 02/02/01  | 9,142.06   | BF EDF            | 04/01/12 | 977,917           |                 |
| M01A              | VOLUNTEERS OF AMERICA          | 660,000     | 09/01/21 | 08/01/01  | 5,316.92   | BF EDF            | 04/01/12 | 431,938           |                 |
| M01A              | CHFA                           | 1,595,920   | 11/01/22 | 11/07/01  | 71,861.01  | CHFA NOTE         | 05/01/12 | 1,044,812         |                 |
| M01A              | FOUNDATION                     | 460,000     | 05/01/26 | 12/13/95  | 3,247.94   | MF 501(C)3        | 04/01/12 | 336,581           |                 |
| M01A              | PARTNERS LLC                   | 7,475,000   | 01/01/44 | 02/28/02  | 45,801.89  | 542 (C)           | 04/01/12 | 7,089,142         |                 |
| M01A              | SHERIDAN RIDGE TOWNHOMES LLC   | 6,750,000   | 01/01/44 | 01/18/02  | 40,969.67  | 542 (C)           | 04/01/12 | 6,394,111         |                 |
| M01A              | BROTHERS REDEVELOPMENT INC     | 924,000     | 09/01/31 | 08/29/01  | 6,023.79   | SMART TAXABLE     | 04/01/12 | 779,285           |                 |
| M01A              | CLIFTON VILLAGE MHA LTD        | 3,624,109   | 06/01/31 | 05/21/01  | 27,241.12  | 542 (C)           | 04/01/12 | 3,517,127         |                 |
| <b>M01A Total</b> |                                |             |          |           |            |                   |          | <b>20,570,913</b> |                 |
| M02A              | ASPEN MEADOWS ASSOCIATED       | 2,614,000   | 05/01/43 | 04/24/03  | 15,397.05  | 542 (C)           | 04/01/12 | 2,452,524         |                 |
| M02A              | GVAH LIMITED PARTNERSHIP       | 2,112,800   | 07/01/32 | 06/13/02  | 13,773.88  | 542 (C)           | 05/01/12 | 1,814,883         |                 |
| M02A              | GVAH LIMITED PARTNERSHIP       | 360,000     | 04/13/13 | 06/13/02  | 3,960.15   | SMART T-E         | 04/01/12 | 53,122            |                 |
| M02A              | TRUSCOTT PHASE II              | 5,650,000   | 06/01/43 | 05/20/03  | 33,078.31  | 542 (C)           | 05/01/12 | 5,295,711         |                 |
| M02A              | FOUNTAIN RIDGE SOUTH APTS LLP  | 4,126,000   | 08/01/44 | 04/01/03  | 23,716.41  | 221 (D) 4         | 04/01/12 | 3,906,448         |                 |
| M02A              | FOREST MANOR LLP               | 4,828,840   | 06/01/32 | 05/30/02  | 33,931.88  | 542 (C)           | 04/01/12 | 4,633,883         |                 |
| M02A              | HOA CITY OF STERLING           | 893,000     | 04/01/31 | 03/30/01  | 5,556.56   | SMART T-E         | 04/01/12 | 736,496           |                 |
| M02A              | THE EMPOWERMENT PROGRAM        | 250,000     | 08/01/31 | 07/26/01  | 1,580.17   | SMART T-E         | 05/01/12 | 211,841           |                 |
| M02A              | HOUSING INC                    | 256,300     | 02/01/32 | 01/22/02  | 1,603.17   | SMART T-E         | 05/01/12 | 215,725           |                 |
| M02A              | REDI CORPORATION               | 278,284     | 04/01/19 | 04/09/99  | 2,523.61   | SMART T-E         | 04/01/12 | 268,967           |                 |
| <b>M02A Total</b> |                                |             |          |           |            |                   |          | <b>19,589,599</b> |                 |
| M02C              | INVESTMENT INC                 | 772,400     | 05/01/22 | 01/24/02  | 6,217.68   | BF SBA 504        | 05/01/12 | 482,768           |                 |
| M02C              | MOUNTAINVIEW APARTMENTS LLC    | 4,200,000   | 01/01/38 | 12/27/02  | 25,230.40  | 542 (C)           | 04/01/12 | 3,803,098         |                 |
| M02C              | MOFFAT COUNTY HOUSING          | 218,100     | 09/01/33 | 08/31/03  | 1,378.54   | SMART T-E         | 05/01/12 | 190,558           |                 |
| M02C              | RACQUET CLUB APARTMENTS LTD    | 4,903,825   | 01/01/35 | 11/30/04  | 33,452.73  | 542 (C)           | 04/01/12 | 4,474,086         |                 |
| M02C              | FORE FOUNTAIN SPRINGS LP       | 15,587,500  | 02/01/44 | 09/19/02  | 88,496.41  | 221 (D) 4         | 04/01/12 | 14,655,665        |                 |
| M02C              | 6440 COMPANY                   | 581,100     | 12/01/32 | 11/26/02  | 3,769.00   | SMART TAXABLE     | 05/01/12 | 503,201           |                 |
| M02C              | ASSOCIATES, LTD                | 504,200     | 12/01/32 | 11/22/02  | 3,120.86   | SMART T-E         | 04/01/12 | 433,059           |                 |
| M02C              | ACHT ZETA                      | 5,650,000   | 05/01/34 | 04/18/03  | 34,421.39  | 542 (C)           | 04/01/12 | 5,053,717         |                 |
| M02C              | ACHT ZETA                      | 1,249,000   | 04/01/19 | 04/30/03  | 10,546.00  | IRP               | 04/01/12 | 715,706           |                 |
| M02C              | HAMPSTEAD SOUTHGATE PARTNERS   | 2,841,000   | 01/01/33 | 12/26/02  | 18,050.57  | 542 (C)           | 04/01/12 | 2,458,945         |                 |
| M02C              | AURORA VILLAGE ASSOCIATES L    | 4,700,000   | 10/01/33 | 09/29/03  | 29,398.78  | 542 (C)           | 04/01/12 | 4,122,256         |                 |
| M02C              | FOUNDATION                     | 1,310,000   | 06/01/39 | 05/13/04  | 7,469.49   | SMART T-E         | 04/01/12 | 1,210,090         |                 |
| M02C              | AP HOUSING LP                  | 2,475,000   | 01/01/34 | 12/09/03  | 14,838.88  | 542 (C)           | 04/01/12 | 2,164,391         |                 |
| M02C              | AM HOUSING LP                  | 3,050,000   | 01/01/34 | 12/29/03  | 18,286.29  | 542 (C)           | 04/01/12 | 2,667,230         |                 |
| M02C              | CC HOUSING LP                  | 815,000     | 01/01/34 | 12/18/03  | 4,886.34   | 542 (C)           | 04/01/12 | 712,718           |                 |
| M02C              | CLIFTON TOWNHOMES LP           | 2,200,000   | 12/01/33 | 11/21/03  | 13,190.11  | 542 (C)           | 04/01/12 | 1,920,333         |                 |
| M02C              | CS HOUSING LP                  | 10,200,000  | 07/01/33 | 06/30/03  | 61,154.15  | 542 (C)           | 04/01/12 | 8,819,341         |                 |
| M02C              | DS HOUSING LP                  | 1,860,000   | 10/01/33 | 09/16/03  | 11,151.64  | 542 (C)           | 04/01/12 | 1,617,472         |                 |

**Colorado Housing and Finance Authority**

**Loan Portfolio Report**

**As of April 1, 2012**

**Multi-Family/Project Bonds**

**2000A, 2000B, 2001A, 2002A, 2002C, 2003A, 2004A, 2005A, 2005B, 2006A, 2007B, 2008A, 2008B, 2008C and 2009A**

| Bond Issue        | Borrower                      | Note Amount | Maturity |           | PI Amount | Loan Program Type | Next Due |                    | Current Balance |
|-------------------|-------------------------------|-------------|----------|-----------|-----------|-------------------|----------|--------------------|-----------------|
|                   |                               |             | Date     | Note Date |           |                   | Date     | Date               |                 |
| M02C              | HALCYON HOUSE                 | 12,691,300  | 09/01/33 | 08/26/03  | 76,090.76 | 542 (C)           | 04/01/12 | 11,015,552         |                 |
| M02C              | HS HOUSING LP                 | 2,606,000   | 01/01/34 | 12/09/03  | 15,624.29 | 542 (C)           | 04/01/12 | 2,278,951          |                 |
| M02C              | HA HOUSING LP                 | 3,175,000   | 10/01/33 | 09/16/03  | 19,035.73 | 542 (C)           | 04/01/12 | 2,761,006          |                 |
| M02C              | KEARNEY HOUSING A MAINE LTD   | 1,596,100   | 07/01/33 | 07/31/03  | 9,569.43  | 542 (C)           | 04/01/12 | 1,380,053          |                 |
| M02C              | MT HOUSING LP                 | 2,700,000   | 11/01/33 | 10/30/03  | 16,187.86 | 542 (C)           | 04/01/12 | 2,352,369          |                 |
| M02C              | SG HOUSING LP                 | 2,070,000   | 10/01/33 | 09/23/03  | 12,410.70 | 542 (C)           | 04/01/12 | 1,803,482          |                 |
| M02C              | SV HOUSING LP                 | 2,036,000   | 12/01/33 | 11/21/03  | 12,206.85 | 542 (C)           | 04/01/12 | 1,777,181          |                 |
| M02C              | SM HOUSING LP                 | 1,140,000   | 01/01/34 | 12/29/03  | 6,834.88  | 542 (C)           | 04/01/12 | 996,931            |                 |
| M02C              | TDS HOUSING LP                | 3,408,000   | 10/01/33 | 09/23/03  | 20,432.68 | 542 (C)           | 04/01/12 | 2,963,626          |                 |
| M02C              | TS HOUSING LTD                | 2,040,000   | 09/01/33 | 08/31/03  | 12,230.83 | 542 (C)           | 04/01/12 | 1,770,520          |                 |
| M02C              | HAMPDEN SENIOR I LP           | 3,701,159   | 06/01/45 | 05/31/05  | 54,815.78 | 542 (C)           | 04/01/12 | 3,532,919          |                 |
| M02C              | LLL                           | 2,300,000   | 01/01/34 | 12/22/03  | 13,789.66 | 542 (C)           | 04/01/12 | 2,011,334          |                 |
| M02C              | SABLE RIDGE PARTNERS LLC      | 3,942,000   | 04/01/44 | 03/31/04  | 22,658.77 | 542 (C)           | 04/01/12 | 3,720,677          |                 |
| M02C              | BEAR VALLEY LLLP              | 4,260,960   | 10/01/45 | 09/30/05  | 45,524.48 | 542 (C)           | 04/01/12 | 4,076,691          |                 |
| M02C              | PT HOUSING LP                 | 3,052,859   | 01/01/34 | 12/18/03  | 20,384.72 | 542 (C)           | 04/01/12 | 2,973,306          |                 |
| <b>M02C Total</b> |                               |             |          |           |           |                   |          | <b>101,419,235</b> |                 |
| M03A              | COMMITTEE INC                 | 257,000     | 09/01/21 | 08/23/96  | 1,731.68  | BF EDF            | 05/01/12 | 147,291            |                 |
| M03A              | THE EMPOWERMENT PROGRAM       | 272,500     | 08/01/19 | 07/21/99  | 2,195.24  | BF EDF            | 05/01/12 | 146,643            |                 |
| M03A              | BEYE-LOTZ                     | 392,000     | 09/01/20 | 08/08/00  | 2,989.62  | BF EDF            | 05/01/12 | 194,723            |                 |
| M03A              | JONES                         | 100,000     | 10/01/21 | 07/26/01  | 835.82    | BF SBA 504        | 04/01/12 | 63,790             |                 |
| M03A              | ASSOCIATION INC               | 410,500     | 09/01/26 | 08/13/01  | 3,033.56  | BF EDF            | 05/01/12 | 319,875            |                 |
| M03A              | HOTCHKISS INN MOTEL           | 617,320     | 08/07/26 | 10/11/01  | 6,116.00  | BF QIC            | 04/07/12 | 484,606            |                 |
| M03A              | GARD                          | 99,450      | 02/01/22 | 01/04/02  | 786.03    | BF SBA 504        | 04/01/12 | 57,465             |                 |
| M03A              | BOOKCLIFF AUTO PARTS INC      | 524,089     | 03/05/27 | 03/01/02  | 3,673.52  | BF QIC            | 04/05/12 | 437,909            |                 |
| M03A              | ROARING FORK COMPUTER SOCIETY | 225,225     | 03/01/23 | 02/20/03  | 1,744.82  | BF EDF            | 04/01/12 | 160,385            |                 |
| M03A              | BRIELS                        | 13,865      | 01/01/23 | 12/09/02  | 838.22    | BF CHFA DIRECT    | 05/01/12 | 9,426              |                 |
| M03A              | RAYMOND D GRIFFIN             | 175,500     | 01/15/23 | 01/09/03  | 19,225.40 | BF QAL            | 04/15/12 | 136,473            |                 |
| M03A              | BAYAUD INDUSTRIES INC         | 1,000,000   | 06/01/33 | 05/20/03  | 5,995.51  | BF EDF            | 04/01/12 | 861,702            |                 |
| M03A              | EMRY ENTERPRISES LLC          | 584,551     | 12/05/31 | 07/10/03  | 3,662.86  | BF B&I II         | 04/05/12 | 498,195            |                 |
| M03A              | HARRIS PARK COURT LLC         | 315,000     | 07/01/23 | 06/25/03  | 2,346.70  | BF EDF            | 04/01/12 | 225,369            |                 |
| M03A              | DONALD W SIRCY                | 225,000     | 01/15/24 | 06/17/03  | 24,274.80 | BF QAL            | 01/15/13 | 50,201             |                 |
| M03A              | WILZCOCH HOLDINGS LLC         | 3,535,000   | 12/01/23 | 11/12/03  | 26,356.01 | BF SBA 504        | 04/01/12 | 2,591,937          |                 |
| M03A              | WILZCOCH HOLDINGS LLC         | 826,000     | 04/01/24 | 02/04/04  | 6,158.43  | BF SBA 504        | 04/01/12 | 617,463            |                 |
| M03A              | MARTHUR                       | 540,000     | 03/15/28 | 07/24/03  | 43,686.00 | BF QAL            | 03/15/12 | 423,995            |                 |
| M03A              | DOUBLE B LLC                  | 283,918     | 03/01/25 | 02/03/05  | 1,993.34  | BF CHFA RURAL     | 04/01/12 | 218,653            |                 |
| M03A              | BACKBONE MEDIA HOLDING        | 459,000     | 08/01/25 | 07/15/05  | 3,222.56  | BF CHFA DIRECT    | 04/01/12 | 321,582            |                 |
| M03A              | RAGAZZI LLC                   | 475,000     | 06/01/25 | 05/18/05  | 3,334.90  | BF CHFA RURAL     | 04/01/12 | 370,510            |                 |
| M03A              | STRIDE                        | 245,000     | 06/01/25 | 05/26/05  | 1,741.15  | BF NON PROFIT     | 04/01/12 | 190,100            |                 |
| M03A              | BIG BUILDINGS LLC             | 437,500     | 12/01/25 | 09/30/05  | 3,172.36  | BF SBA 504        | 04/01/12 | 352,695            |                 |
| M03A              | BIG BUILDINGS LLC             | 332,500     | 12/01/25 | 09/30/05  | 2,411.00  | BF SBA 504        | 04/01/12 | 268,047            |                 |
| M03A              | COLLINS LAND ACQUISITIONS LLC | 538,114     | 01/01/27 | 12/13/06  | 3,870.75  | BF SBA 504        | 04/01/12 | 454,094            |                 |
| M03A              | DUCKELS                       | 439,220     | 05/01/26 | 04/12/06  | 3,058.67  | BF SBA 504        | 04/01/12 | 373,331            |                 |
| M03A              | HAERTLING.COM LLC             | 166,504     | 01/01/26 | 12/16/05  | 1,207.34  | BF SBA 504        | 04/01/12 | 134,745            |                 |
| M03A              | FORD                          | 124,000     | 03/01/26 | 02/28/06  | 884.80    | BF CHFA RURAL     | 05/01/12 | 100,323            |                 |
| M03A              | MAHRE FAMILY PROPERTIES LLC   | 191,700     | 01/01/26 | 12/22/05  | 1,367.87  | BF CHFA RURAL     | 04/01/12 | 154,498            |                 |
| M03A              | TABER                         | 215,000     | 06/01/26 | 05/11/06  | 1,534.13  | BF CHFA RURAL     | 04/01/12 | 168,239            |                 |
| M03A              | BLUE WATER INVESTMENTS INC    | 114,390     | 05/01/26 | 04/27/06  | 816.23    | BF CHFA RURAL     | 05/01/12 | 83,427             |                 |
| M03A              | FOUNDATION INC                | 202,500     | 04/01/26 | 03/30/06  | 1,456.62  | BF NON PROFIT     | 04/01/12 | 165,417            |                 |
| M03A              | CASBER LARSEN LLC             | 142,000     | 05/01/26 | 04/18/06  | 1,013.24  | BF CHFA RURAL     | 04/01/12 | 116,204            |                 |
| M03A              | JESCO LLC                     | 483,750     | 06/01/26 | 05/04/06  | 3,521.78  | BF CHFA RURAL     | 05/01/12 | 397,792            |                 |
| M03A              | MCKINLEY                      | 150,000     | 07/01/26 | 06/13/06  | 1,070.32  | BF CHFA RURAL     | 04/01/12 | 123,521            |                 |
| M03A              | KROSKOB                       | 141,300     | 09/01/26 | 08/30/06  | 1,028.69  | BF CHFA RURAL     | 05/01/12 | 88,873             |                 |
| M03A              | MCNAMEE                       | 160,000     | 11/01/26 | 10/11/06  | 1,164.83  | BF CHFA RURAL     | 04/01/12 | 134,428            |                 |
| M03A              | DIANE HARTY SCHLAEFER LLC     | 112,329     | 07/01/27 | 06/21/07  | 867.52    | BF CHFA RURAL     | 05/01/12 | 96,132             |                 |
| M03A              | PINKHAM                       | 163,000     | 12/01/27 | 11/09/07  | 1,167.78  | BF CHFA RURAL     | 04/01/12 | 142,554            |                 |
| M03A              | WILLIAMS                      | 250,000     | 04/01/28 | 03/28/08  | 1,849.00  | BF CHFA DIRECT    | 04/01/12 | 222,538            |                 |
| M03A              | FOR REBUILDING LIVES          | 621,000     | 08/01/38 | 07/15/08  | 3,896.60  | BF CHFA DIRECT    | 04/01/12 | 593,563            |                 |
| M03A              | KMR LLC                       | 221,000     | 08/01/28 | 07/25/08  | 1,654.23  | BF CHFA RURAL     | 04/01/12 | 199,356            |                 |
| M03A              | LLC                           | 370,011     | 07/01/30 | 06/08/10  | 6,227.93  | BF CHFA DIRECT    | 05/01/12 | 352,296            |                 |
| M03A              | CARA 3 PROPERTIES LLC         | 296,755     | 11/01/28 | 10/30/08  | 2,447.10  | BF CHFA DIRECT    | 04/01/12 | 285,405            |                 |
| M03A              | PARKWOOD LLC                  | 122,961     | 07/01/21 | 06/13/01  | 1,422.88  | BF CHFA DIRECT    | 04/01/12 | 107,119            |                 |

**Colorado Housing and Finance Authority**

**Loan Portfolio Report**

**As of April 1, 2012**

**Multi-Family/Project Bonds**

**2000A, 2000B, 2001A, 2002A, 2002C, 2003A, 2004A, 2005A, 2005B, 2006A, 2007B, 2008A, 2008B, 2008C and 2009A**

| Bond Issue        | Borrower                       | Note Amount | Maturity |           | PI Amount  | Loan Program Type | Next Due |                   | Current Balance |
|-------------------|--------------------------------|-------------|----------|-----------|------------|-------------------|----------|-------------------|-----------------|
|                   |                                |             | Date     | Note Date |            |                   | Date     | Date              |                 |
| M03A              | MCGUIRE                        | 260,000     | 09/01/31 | 08/23/11  | 1,953.83   | BF B&I I          | 05/01/12 | 255,662           |                 |
| M03A              | DUKE LLC                       | 217,500     | 09/01/31 | 08/23/11  | 1,634.45   | BF SBA 504        | 04/01/12 | 214,834           |                 |
| M03A              | HARTMANN RAC INC               | 190,813     | 11/01/26 | 12/01/11  | 2,634.79   | BF CHFA RURAL     | 04/01/12 | 190,813           |                 |
| M03A              | HOSS KIMBLE LLC                | 344,048     | 04/01/21 | 01/18/01  | 5,851.74   | BF SBA 504        | 04/01/12 | 344,048           |                 |
| M03A              | SIRCY                          | 103,491     | 01/15/23 | 03/06/03  | 12,616.65  | BF QAL            | 01/15/13 | 103,491           |                 |
| M03A              | SUMMIT APARTMENTS              | 3,248,400   | 04/01/28 | 03/31/93  | 18,328.08  | 223 (F)           | 04/01/12 | 2,481,253         |                 |
| M03A              | PARK HILL RESIDENCE, INC       | 841,166     | 11/01/26 | 10/02/96  | 5,557.95   | 542 (C)           | 04/01/12 | 618,009           |                 |
| M03A              | PAUL DEVLIN                    | 183,500     | 06/01/21 | 05/31/01  | 1,178.01   | SMART TAXABLE     | 04/01/12 | 144,433           |                 |
| M03A              | HOUSING LLC                    | 1,860,000   | 05/01/32 | 04/02/02  | 11,879.05  | SMART TAXABLE     | 04/01/12 | 1,593,205         |                 |
| M03A              | HINKLE                         | 190,000     | 02/01/22 | 01/15/02  | 1,238.66   | SMART TAXABLE     | 04/01/12 | 162,231           |                 |
| M03A              | ALLISON CAMPUS III LP          | 128,500     | 08/01/23 | 07/02/03  | 770.42     | HOF CHFA          | 04/01/12 | 111,320           |                 |
| M03A              | 6339 COMPANY LP                | 684,000     | 08/01/33 | 07/31/03  | 4,122.94   | SMART TAXABLE     | 04/01/12 | 593,194           |                 |
| M03A              | HAMPDEN SENIOR I LP            | 850,000     | 06/01/45 | 05/31/05  | 3,552.48   | HOF CHFA          | 04/01/12 | 783,254           |                 |
| M03A              | COUNTY OF GRAND, COLORADO      | 278,700     | 09/01/34 | 08/23/04  | 1,670.95   | HOF CHFA          | 04/01/12 | 247,262           |                 |
| M03A              | HOUSING AUTHORITY LEADVILLE    | 164,700     | 11/01/34 | 10/25/04  | 987.46     | HOF CHFA          | 04/01/12 | 146,567           |                 |
| M03A              | PARTNERSHIP VII, LTD           | 108,900     | 12/01/34 | 11/09/04  | 652.91     | HOF CHFA          | 04/01/12 | 96,632            |                 |
| M03A              | VISTOSO COMMUNITY LLLP         | 600,000     | 04/01/25 | 03/18/05  | 3,459.56   | HOF CHFA          | 04/01/12 | 545,473           |                 |
| M03A              | LLLP                           | 280,200     | 11/01/35 | 10/11/05  | 1,679.94   | HOF CHFA          | 04/01/12 | 254,487           |                 |
| M03A              | FLORENCE SQUARE OWNERSHIP      | 2,050,000   | 02/01/26 | 01/09/06  | 10,120.80  | HOF CHFA          | 04/01/12 | 1,816,234         |                 |
| M03A              | LLLP                           | 550,000     | 02/01/16 | 01/23/06  | 3,358.11   | HOF CHFA          | 04/01/12 | 533,362           |                 |
| M03A              | BOULDER COUNTY HOUSING         | 700,000     | 06/01/46 | 06/01/06  | 2,119.78   | HOF CHFA          | 04/01/12 | 630,366           |                 |
| M03A              | APARTMENTS                     | 425,000     | 03/01/36 | 05/12/06  | 2,488.01   | HOF CHFA          | 04/01/12 | 388,178           |                 |
| M03A              | PINECREST AT COMMERCE CITY LLL | 585,000     | 02/01/27 | 01/30/07  | 2,545.96   | HOF CHFA          | 04/01/12 | 521,313           |                 |
| M03A              | GRAND MESA APTS OF FRUITA, LLC | 524,500     | 05/01/37 | 04/06/07  | 2,211.31   | HOF FAF           | 05/01/12 | 467,357           |                 |
| M03A              | LLC                            | 1,000,000   | 08/01/19 | 07/12/07  | 4,216.04   | HOF CHFA          | 04/01/12 | 898,956           |                 |
| M03A              | HC BRIGHTON SENIOR I, LP       | 600,000     | 07/01/27 | 06/12/07  | 2,694.27   | HOF CHFA          | 04/01/12 | 542,648           |                 |
| M03A              | 12TH & ELATI RESIDENCES LLC    | 500,900     | 10/01/28 | 09/24/08  | 2,111.81   | HOF CHFA          | 04/01/12 | 463,837           |                 |
| M03A              | MAPLEWOOD APARTMENTS           | 4,050,000   | 06/01/27 | 05/10/10  | 25,026.96  | SMART TAXABLE     | 05/01/12 | 3,993,649         |                 |
| M03A              | CASA DE ROSAL                  | 869,100     | 03/01/51 | 03/01/11  | 10,646.47  | SMART TAXABLE     | 04/01/12 | 869,100           |                 |
| <b>M03A Total</b> |                                |             |          |           |            |                   |          | <b>33,654,064</b> |                 |
| M04A              | NEUGER PHD                     | 99,000      | 11/01/16 | 10/31/96  | 859.15     | BF EDF            | 04/01/12 | 39,593            |                 |
| M04A              | MOTHER & CHILD REUNION LLC     | 95,670      | 12/01/17 | 11/12/97  | 721.42     | BF SBA 504        | 04/01/12 | 29,728            |                 |
| M04A              | DR STEVEN J ZAPIEN DDS INC     | 181,900     | 06/01/22 | 05/28/02  | 1,443.62   | BF CHFA DIRECT    | 05/01/12 | 122,949           |                 |
| M04A              | O'TOOLE                        | 1,190,000   | 02/01/22 | 01/25/02  | 9,477.71   | BF CHFA DIRECT    | 04/01/12 | 439,531           |                 |
| M04A              | DENNIS ANDERSON                | 700,000     | 05/01/22 | 04/09/02  | 5,532.63   | BF CHFA DIRECT    | 04/01/12 | 557,910           |                 |
| M04A              | MI CASA RESOURCE CENTER        | 1,207,500   | 12/01/22 | 11/27/02  | 9,460.56   | BF EDF            | 04/01/12 | 843,091           |                 |
| M04A              | S A L HOLDINGS LLC             | 2,976,546   | 06/01/24 | 03/25/04  | 23,059.27  | BF SBA 504        | 04/01/12 | 2,273,078         |                 |
| M04A              | ELEC TRI CITY ETC LLC          | 2,879,500   | 10/01/24 | 07/27/04  | 21,980.36  | BF SBA 504        | 04/01/12 | 2,223,649         |                 |
| M04A              | LLC                            | 396,000     | 03/01/24 | 02/26/04  | 2,894.48   | BF CHFA DIRECT    | 04/01/12 | 292,715           |                 |
| M04A              | SHERMAN MD                     | 450,000     | 10/01/23 | 09/04/03  | 3,141.42   | BF EDF            | 04/01/12 | 318,700           |                 |
| M04A              | GOLDEN PEARL LLC               | 182,695     | 02/01/24 | 01/26/04  | 1,429.62   | BF CHFA DIRECT    | 04/01/12 | 133,277           |                 |
| M04A              | JEJK INC DBA MERRY MAIDS       | 199,295     | 03/01/24 | 02/18/04  | 1,522.48   | BF CHFA DIRECT    | 05/01/12 | 148,842           |                 |
| M04A              | JEWISH COMMUNITY CENTERS       | 6,200,000   | 12/01/23 | 01/29/04  | 45,137.05  | BF NON PROFIT     | 04/01/12 | 4,555,228         |                 |
| M04A              | MIHAICH PROPERTIES LLC         | 375,000     | 06/01/24 | 03/30/04  | 2,842.45   | BF SBA 504        | 04/01/12 | 283,805           |                 |
| M04A              | GAUGE RAIL ROAD                | 16,500,000  | 12/01/24 | 11/30/04  | 129,414.16 | BF B&I I          | 04/01/12 | 12,966,923        |                 |
| M04A              | KELLEGHAN LLC                  | 476,000     | 06/01/24 | 05/18/04  | 3,639.17   | BF CHFA DIRECT    | 04/01/12 | 356,797           |                 |
| M04A              | LOWTHER SITES HOLDINGS LLC     | 902,140     | 03/01/25 | 02/24/05  | 6,620.31   | BF CHFA DIRECT    | 04/01/12 | 701,559           |                 |
| M04A              | ELLIOTT                        | 313,580     | 02/01/26 | 07/30/04  | 22,789.05  | BF QAL            | 03/01/12 | 225,725           |                 |
| M04A              | NONNAG LLC                     | 147,050     | 12/01/24 | 11/02/04  | 1,088.59   | BF CHFA DIRECT    | 05/01/12 | 113,112           |                 |
| M04A              | TKS HOLDINGS OF STEAMBOAT LLC  | 394,000     | 12/01/24 | 11/03/04  | 2,872.97   | BF CHFA DIRECT    | 04/01/12 | 302,970           |                 |
| M04A              | GREENWOOD ENTERPRISES LLC      | 500,000     | 07/01/25 | 06/29/05  | 3,654.64   | BF CHFA DIRECT    | 05/01/12 | 390,464           |                 |
| M04A              | 1233 SOUTH COLO BLVD LLC       | 2,167,500   | 10/01/25 | 09/14/05  | 16,545.38  | BF CHFA DIRECT    | 04/01/12 | 1,757,421         |                 |
| M04A              | ALBION LLC                     | 315,000     | 11/01/25 | 10/05/05  | 2,284.10   | BF CHFA DIRECT    | 05/01/12 | 251,970           |                 |
| M04A              | BROWNLAND LLC                  | 150,000     | 12/01/26 | 11/03/06  | 1,201.98   | BF SBA 504        | 04/01/12 | 129,025           |                 |
| M04A              | BRIELS                         | 175,000     | 11/01/26 | 10/20/06  | 1,388.46   | BF CHFA RURAL     | 05/01/12 | 149,273           |                 |
| M04A              | LEWIS & CO PROPERTIES LLC      | 250,000     | 06/01/27 | 05/15/07  | 2,015.51   | BF CHFA RURAL     | 04/01/12 | 205,867           |                 |
| M04A              | ELIZABETH C BLOODWORTH         | 160,000     | 06/01/27 | 05/22/07  | 1,259.76   | BF CHFA RURAL     | 04/01/12 | 139,700           |                 |
| M04A              | CURTICE CENTER LLC             | 195,000     | 05/01/27 | 04/05/07  | 1,504.00   | BF SBA 504        | 05/01/12 | 169,391           |                 |
| M04A              | KOSTA, SUSAN R.                | 219,150     | 05/01/27 | 04/27/07  | 1,679.39   | BF CHFA RURAL     | 04/01/12 | 189,793           |                 |
| M04A              | CODY WILDER LLC                | 224,000     | 07/01/27 | 06/01/07  | 1,689.92   | BF CHFA RURAL     | 04/01/12 | 195,852           |                 |
| M04A              | JK WALL DESIGNERS LTD          | 110,000     | 05/01/27 | 04/23/07  | 859.44     | BF CHFA RURAL     | 04/01/12 | 91,839            |                 |

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**Multi-Family/Project Bonds**

**2000A, 2000B, 2001A, 2002A, 2002C, 2003A, 2004A, 2005A, 2005B, 2006A, 2007B, 2008A, 2008B, 2008C and 2009A**

| Bond Issue        | Borrower                      | Note Amount | Maturity |           | PI Amount  | Loan Program Type | Next Due |                   | Current Balance |
|-------------------|-------------------------------|-------------|----------|-----------|------------|-------------------|----------|-------------------|-----------------|
|                   |                               |             | Date     | Note Date |            |                   | Date     | Date              |                 |
| M04A              | AGENCY LLC                    | 191,250     | 12/01/27 | 11/29/07  | 1,506.00   | BF CHFA DIRECT    | 04/01/12 | 169,710           |                 |
| M04A              | D & F LLC                     | 240,750     | 02/01/28 | 01/28/08  | 1,896.00   | BF CHFA RURAL     | 04/01/12 | 215,118           |                 |
| M04A              | CHILDREN'S ARK INC            | 2,830,338   | 10/01/29 | 09/28/04  | 22,724.20  | BF B&I I          | 04/01/12 | 2,802,894         |                 |
| M04A              | M&L INVESTMENTS, LLC          | 90,900      | 03/01/31 | 02/16/11  | 677.73     | BF SBA 504        | 04/01/12 | 88,608            |                 |
| M04A              | HARTMANN RAC INC              | 216,259     | 01/01/28 | 12/01/11  | 3,182.93   | BF CHFA RURAL     | 04/01/12 | 216,259           |                 |
| M04A              | PAGOSA SPRINGS INN & SUITES   | 1,024,731   | 05/20/28 | 05/20/03  | 7,798.22   | BF B&I II         | 04/20/12 | 1,023,233         |                 |
| M04A              | HOMELESS                      | 248,016     | 05/01/23 | 04/21/93  | 1,907.03   | MF 501(C)3        | 04/01/12 | 164,504           |                 |
| M04A              | PRAIRIE CREEKS RESIDENCES LLC | 935,000     | 01/01/35 | 12/10/04  | 5,909.84   | SMART T-E         | 04/01/12 | 846,715           |                 |
| M04A              | GUNNISON HOUSING AUTHORITY    | 528,100     | 11/01/33 | 10/29/03  | 3,081.85   | SMART T-E         | 05/01/12 | 456,231           |                 |
| M04A              | GROUP LLLP                    | 1,170,000   | 11/01/34 | 10/12/04  | 7,165.89   | 542 (C)           | 04/01/12 | 1,045,345         |                 |
| M04A              | FOUNT MESA                    | 452,800     | 12/01/33 | 11/24/03  | 2,642.42   | SMART T-E         | 05/01/12 | 392,332           |                 |
| M04A              | HAMPDEN SENIOR I LP           | 5,776,841   | 06/01/45 | 05/31/05  | 54,815.78  | 542 (C)           | 04/01/12 | 5,514,249         |                 |
| M04A              | SLEEPING UTE APTS LLLP        | 651,600     | 03/01/34 | 02/25/04  | 4,054.49   | SMART TAXABLE     | 04/01/12 | 575,675           |                 |
| M04A              | TRINIDAD HOUSING AUTHORITY    | 676,700     | 03/01/34 | 02/18/04  | 3,949.04   | SMART T-E         | 04/01/12 | 590,805           |                 |
| M04A              | II                            | 1,264,000   | 10/01/24 | 09/30/04  | 7,906.39   | SMART TAXABLE     | 05/01/12 | 1,129,870         |                 |
| M04A              | LLL                           | 2,173,000   | 10/01/24 | 09/30/04  | 13,592.24  | SMART TAXABLE     | 05/01/12 | 1,942,410         |                 |
| M04A              | TRINITY HOUSING CORP          | 1,229,900   | 05/01/34 | 04/08/04  | 7,413.45   | SMART T-E         | 04/01/12 | 1,084,529         |                 |
| M04A              | ARVADA HOUSE PRESERVATION LP  | 4,000,000   | 11/01/44 | 10/29/04  | 23,418.27  | 542 (C)           | 04/01/12 | 3,803,187         |                 |
| M04A              | LP                            | 1,100,000   | 04/01/21 | 03/08/05  | 7,010.72   | SMART TAXABLE     | 04/01/12 | 994,718           |                 |
| M04A              | BLOCK 4B                      | 3,750,000   | 12/01/50 | 11/08/10  | 22,222.33  | SMART TAXABLE     | 04/01/12 | 3,725,095         |                 |
| <b>M04A Total</b> |                               |             |          |           |            |                   |          | <b>57,381,262</b> |                 |
| M05A              | RENAISSANCE PRESCHOOL INC     | 1,400,000   | 08/01/35 | 07/13/05  | 8,711.30   | BF NON PROFIT     | 04/01/12 | 1,271,972         |                 |
| M05A              | YAMPA VALLEY WOMEN'S CENTER   | 556,204     | 02/01/25 | 01/20/05  | 4,305.57   | BF CHFA DIRECT    | 05/01/12 | 437,046           |                 |
| M05A              | TIF LLC                       | 250,000     | 05/01/25 | 04/27/05  | 1,927.76   | BF CHFA DIRECT    | 04/01/12 | 199,420           |                 |
| M05A              | AMBUUL                        | 1,112,000   | 06/01/26 | 05/03/06  | 8,548.05   | BF CHFA DIRECT    | 05/01/12 | 926,261           |                 |
| M05A              | THE WILDLIFE EXPERIENCE INC   | 19,075,000  | 05/01/25 | 04/13/05  | 136,659.22 | BF NON PROFIT     | 04/01/12 | 14,902,975        |                 |
| M05A              | R DIAMOND LLC                 | 1,000,000   | 05/01/26 | 04/25/06  | 7,723.01   | BF CHFA DIRECT    | 04/01/12 | 833,874           |                 |
| M05A              | COMPANY LLC                   | 419,000     | 03/01/26 | 02/23/06  | 3,099.33   | BF CHFA DIRECT    | 05/01/12 | 342,077           |                 |
| M05A              | CIRALDO-FREESE                | 354,843     | 08/01/26 | 07/12/06  | 2,471.08   | BF SBA 504        | 04/01/12 | 291,969           |                 |
| M05A              | ST CHARLES TOWN CO LLC        | 441,000     | 01/01/26 | 12/02/05  | 3,159.46   | BF CHFA DIRECT    | 04/01/12 | 355,075           |                 |
| M05A              | VAN ARK ENTERPRISES LLC       | 1,566,000   | 07/01/26 | 06/29/06  | 11,823.65  | BF CHFA DIRECT    | 04/01/12 | 1,308,094         |                 |
| M05A              | TELTECH INVESTMENTS LLC       | 750,000     | 08/01/26 | 07/31/06  | 5,460.13   | BF CHFA RURAL     | 04/01/12 | 623,482           |                 |
| M05A              | VAN ARK ENTERPRISES LLC       | 207,000     | 07/01/26 | 06/29/06  | 1,562.90   | BF CHFA DIRECT    | 04/01/12 | 172,909           |                 |
| M05A              | & NICKOLAS J. KATZER          | 380,000     | 05/01/27 | 04/23/07  | 2,968.99   | BF CHFA DIRECT    | 04/01/12 | 328,137           |                 |
| M05A              | SMITH AGENCY                  | 679,500     | 01/01/30 | 12/09/09  | 5,453.25   | BF NON PROFIT     | 04/01/12 | 644,779           |                 |
| M05A              | HILDEBRAND ENTERPRISES LLC    | 335,000     | 01/01/30 | 12/11/09  | 2,497.67   | BF CHFA DIRECT    | 04/01/12 | 315,983           |                 |
| M05A              | CURRENT SOLUTIONS LLC         | 207,000     | 01/01/30 | 12/17/09  | 1,604.87   | BF CHFA RURAL     | 04/01/12 | 195,879           |                 |
| M05A              | FISHDECOY LLC                 | 191,250     | 04/01/30 | 03/24/10  | 1,482.76   | BF CHFA RURAL     | 05/01/12 | 181,379           |                 |
| M05A              | CRAIG                         | 150,020     | 06/01/30 | 05/27/10  | 4,653.05   | BF CHFA DIRECT    | 05/01/12 | 142,462           |                 |
| M05A              | THE TELLURIDE FOUNDATION      | 300,000     | 08/01/30 | 07/27/10  | 2,281.09   | BF NON PROFIT     | 04/01/12 | 261,241           |                 |
| M05A              | PRINCE CREEK INVESTMENTS      | 379,906     | 08/01/25 | 05/26/05  | 3,264.72   | BF SBA 504        | 04/01/12 | 359,253           |                 |
| M05A              | HUB 2D LLC                    | 1,543,377   | 05/01/25 | 04/14/05  | 8,750.58   | BF CHFA DIRECT    | 04/01/12 | 1,569,957         |                 |
| M05A              | MOSHER                        | 185,749     | 12/31/21 | 01/31/07  | 25,416.98  | BF QAL            | 12/31/12 | 185,749           |                 |
| M05A              | EDWARD M EHMANN               | 128,365     | 12/31/26 | 05/25/07  | 13,368.34  | BF QAL            | 12/31/12 | 128,365           |                 |
| M05A              | BCORP RIO GRANDE LLC          | 4,475,000   | 11/01/26 | 10/01/96  | 27,470.99  | 542 (C)           | 04/01/12 | 3,210,295         |                 |
| M05A              | LLC                           | 6,629,200   | 11/01/36 | 10/30/96  | 37,230.22  | 542 (C)           | 04/01/12 | 5,736,277         |                 |
| M05A              | COMMERCE CITY SENIOR HOUSING  | 2,900,000   | 01/01/25 | 12/17/04  | 18,044.84  | SMART TAXABLE     | 04/01/12 | 2,607,021         |                 |
| M05A              | COFFMAN COURT ASSOCIATES      | 800,000     | 02/01/35 | 01/19/05  | 5,162.22   | SMART TAXABLE     | 04/01/12 | 756,687           |                 |
| M05A              | MERCY HOUSING COLORADO VIII   | 700,000     | 04/01/25 | 03/23/05  | 4,633.64   | SMART TAXABLE     | 04/01/12 | 638,016           |                 |
| M05A              | 51 VILLAGE AT PUEBLO LP       | 1,200,000   | 06/01/25 | 05/17/05  | 7,983.63   | SMART TAXABLE     | 04/01/12 | 1,098,523         |                 |
| M05A              | HILLSIDE POINTE LLLP          | 2,000,000   | 04/01/21 | 03/25/05  | 12,879.04  | SMART TAXABLE     | 04/01/12 | 1,816,461         |                 |
| M05A              | BEAR VALLEY LLLP              | 3,659,040   | 10/01/45 | 09/30/05  | 45,524.48  | 542 (C)           | 04/01/12 | 3,500,802         |                 |
| M05A              | KITTYHAWK LLC                 | 2,896,000   | 08/01/26 | 11/01/05  | 17,473.21  | SMART TAXABLE     | 04/01/12 | 2,801,028         |                 |
| M05A              | LLL                           | 1,400,000   | 02/01/23 | 01/23/06  | 8,547.93   | SMART TAXABLE     | 04/01/12 | 1,349,799         |                 |
| M05A              | BROOMFIELD GREENS ASSOC       | 1,700,000   | 12/01/23 | 11/30/05  | 10,445.09  | SMART TAXABLE     | 04/01/12 | 1,551,983         |                 |
| M05A              | FLORENCE SQUARE OWNERSHIP     | 2,850,000   | 02/01/26 | 01/09/06  | 18,961.12  | SMART TAXABLE     | 04/01/12 | 2,638,158         |                 |
| M05A              | PUEBLO VILLAGE APARTMENTS LLC | 1,600,000   | 04/01/23 | 03/31/06  | 9,083.83   | SMART TAXABLE     | 04/01/12 | 1,535,727         |                 |
| <b>M05A Total</b> |                               |             |          |           |            |                   |          | <b>55,219,113</b> |                 |
| M05B              | BBG HOLDING CORP              | 750,000     | 03/01/26 | 02/21/06  | 5,451.41   | BF CHFA DIRECT    | 04/01/12 | 612,003           |                 |
| M05B              | DE LA CRUZ ASSOCIATES LLC     | 2,449,000   | 10/01/25 | 09/28/05  | 17,800.66  | BF CHFA DIRECT    | 04/01/12 | 1,960,216         |                 |
| M05B              | COMPANY LLC                   | 1,000,000   | 03/01/26 | 02/23/06  | 7,396.98   | BF CHFA DIRECT    | 05/01/12 | 816,411           |                 |

**Colorado Housing and Finance Authority**

**Loan Portfolio Report**

**As of April 1, 2012**

**Multi-Family/Project Bonds**

**2000A, 2000B, 2001A, 2002A, 2002C, 2003A, 2004A, 2005A, 2005B, 2006A, 2007B, 2008A, 2008B, 2008C and 2009A**

| Bond Issue        | Borrower                         | Note Amount | Maturity |           | PI Amount | Loan Program Type | Next Due |                   | Current Balance |
|-------------------|----------------------------------|-------------|----------|-----------|-----------|-------------------|----------|-------------------|-----------------|
|                   |                                  |             | Date     | Note Date |           |                   | Date     | Date              |                 |
| M05B              | NEXT CHAPTER LLC                 | 1,040,000   | 11/01/25 | 10/27/05  | 8,000.80  | BF CHFA DIRECT    | 04/01/12 | 848,070           |                 |
| M05B              | COMMERCE INVESTMENTS LLC         | 750,000     | 11/01/25 | 10/14/05  | 5,516.99  | BF CHFA DIRECT    | 04/01/12 | 551,010           |                 |
| M05B              | SIMBA PROPERTIES LLC             | 750,000     | 12/01/25 | 11/15/05  | 5,547.73  | BF CHFA DIRECT    | 04/01/12 | 607,733           |                 |
| M05B              | J D EAGLE LLP                    | 727,912     | 10/01/26 | 09/28/06  | 5,448.56  | BF CHFA DIRECT    | 04/01/12 | 612,784           |                 |
| M05B              | CASS MANSION LLC                 | 1,105,000   | 11/01/25 | 10/31/05  | 8,336.45  | BF CHFA DIRECT    | 04/01/12 | 896,567           |                 |
| M05B              | COVENANTS LLC                    | 1,500,000   | 04/01/26 | 03/31/06  | 11,405.46 | BF CHFA DIRECT    | 04/01/12 | 1,267,662         |                 |
| M05B              | MAMBO LLC                        | 1,147,500   | 03/01/26 | 02/16/06  | 8,951.74  | BF CHFA DIRECT    | 04/01/12 | 968,922           |                 |
| M05B              | WALTON ENTERPRISES LLC           | 540,000     | 01/01/27 | 12/11/06  | 4,202.84  | BF CHFA RURAL     | 04/01/12 | 463,169           |                 |
| M05B              | VOLK VENTURES LLC                | 1,353,503   | 01/01/37 | 12/28/06  | 9,218.96  | BF B&I            | 04/01/12 | 1,320,052         |                 |
| M05B              | LP                               | 3,700,000   | 10/01/40 | 10/06/05  | 21,346.08 | 542 (C)           | 04/01/12 | 3,465,295         |                 |
| M05B              | LP                               | 599,800     | 10/01/40 | 10/06/05  | 3,706.46  | HOF CHFA          | 04/01/12 | 566,064           |                 |
| M05B              | UPTOWN BROADWAY LLLP             | 1,110,000   | 09/01/25 | 08/25/05  | 7,089.11  | SMART TAXABLE     | 04/01/12 | 1,014,391         |                 |
| M05B              | LINDEN POINTE LLLP               | 1,673,077   | 02/01/22 | 01/23/06  | 10,095.57 | SMART TAXABLE     | 05/01/12 | 1,525,791         |                 |
| M05B              | PARKSIDE INVESTMENT GROUP LLL    | 2,450,000   | 05/01/36 | 04/28/06  | 15,085.07 | SMART TAXABLE     | 04/01/12 | 2,254,260         |                 |
| M05B              | INVESTMENT GROUP, LLLP           | 2,570,000   | 05/01/36 | 04/28/06  | 15,823.93 | SMART TAXABLE     | 04/01/12 | 2,364,672         |                 |
| M05B              | RLLLP                            | 1,029,500   | 06/01/37 | 02/11/08  | 5,780.96  | SMART TAXABLE     | 04/01/12 | 969,552           |                 |
| <b>M05B Total</b> |                                  |             |          |           |           |                   |          | <b>23,084,623</b> |                 |
| M06A              | WOW! CHILDREN'S MUSEUM           | 400,000     | 08/01/24 | 07/28/04  | 2,979.94  | BF NON PROFIT     | 04/01/12 | 304,321           |                 |
| M06A              | POWER ASSIST COMPANY INC         | 1,242,223   | 08/01/26 | 07/12/06  | 10,007.26 | BF SBA 504        | 04/01/12 | 1,089,178         |                 |
| M06A              | EJ LANDHOLDINGS LLC              | 386,500     | 10/01/24 | 09/20/04  | 2,769.01  | BF CHFA RURAL     | 05/01/12 | 285,013           |                 |
| M06A              | TO-MI LLC                        | 397,000     | 12/01/25 | 11/30/05  | 2,878.69  | BF CHFA DIRECT    | 04/01/12 | 271,128           |                 |
| M06A              | PREFERRED LENDING                | 250,000     | 07/01/25 | 06/30/05  | 1,863.93  | BF NON PROFIT     | 04/01/12 | 199,125           |                 |
| M06A              | COALITION FOR THE UPPER SOUTH    | 120,000     | 03/01/25 | 02/24/05  | 894.69    | BF NON PROFIT     | 05/01/12 | 90,453            |                 |
| M06A              | DEKKER PROPERTY MGMT             | 170,000     | 05/01/25 | 04/01/05  | 1,292.62  | BF CHFA DIRECT    | 04/01/12 | 135,611           |                 |
| M06A              | INTEGRITY PROPERTIES LLC         | 308,000     | 07/01/25 | 06/30/05  | 2,206.61  | BF CHFA DIRECT    | 04/01/12 | 198,587           |                 |
| M06A              | PRICE                            | 458,000     | 07/01/25 | 06/09/05  | 3,321.01  | BF CHFA DIRECT    | 05/01/12 | 360,440           |                 |
| M06A              | MASON ENTERPRISES LLC            | 324,285     | 12/01/26 | 11/15/06  | 2,417.78  | BF SBA 504        | 04/01/12 | 274,773           |                 |
| M06A              | FUND, LLC.                       | 406,373     | 07/01/26 | 06/14/06  | 2,946.66  | BF SBA 504        | 04/01/12 | 318,158           |                 |
| M06A              | RAIL YARD INDUSTRIES LLC         | 637,500     | 06/01/26 | 05/17/06  | 1,770.96  | BF SBA 504        | 04/01/12 | 157,586           |                 |
| M06A              | KANG                             | 312,000     | 10/01/25 | 09/29/05  | 2,235.26  | BF CHFA DIRECT    | 05/01/12 | 247,777           |                 |
| M06A              | PAR 4 PROPERTIES LLC             | 490,000     | 11/01/26 | 10/11/06  | 3,638.90  | BF SBA 504        | 04/01/12 | 413,463           |                 |
| M06A              | WEST/HULTSCH LLC                 | 500,000     | 03/01/26 | 02/16/06  | 3,625.56  | BF CHFA DIRECT    | 04/01/12 | 407,711           |                 |
| M06A              | BASELINE OFFICES LLC             | 495,000     | 02/01/26 | 01/19/06  | 3,589.30  | BF CHFA DIRECT    | 04/01/12 | 402,113           |                 |
| M06A              | THE SCOTT GROUP LLC              | 4,335,000   | 06/01/27 | 05/15/07  | 33,271.77 | BF CHFA DIRECT    | 04/01/12 | 3,853,777         |                 |
| M06A              | CAV'S LLC                        | 685,000     | 01/01/26 | 12/21/05  | 4,887.81  | BF CHFA RURAL     | 04/01/12 | 552,066           |                 |
| M06A              | WAMBOLT PROPERTIES LLC           | 690,000     | 06/01/26 | 05/31/06  | 5,124.16  | BF CHFA DIRECT    | 04/01/12 | 572,142           |                 |
| M06A              | THE LU LLC                       | 750,000     | 03/01/26 | 02/16/06  | 5,351.62  | BF CHFA RURAL     | 04/01/12 | 609,126           |                 |
| M06A              | PTRT PARTNERSHIP                 | 385,000     | 04/01/26 | 03/16/06  | 2,747.17  | BF CHFA RURAL     | 04/01/12 | 313,875           |                 |
| M06A              | PM REAL ESTATE LLC               | 697,000     | 07/01/26 | 06/12/06  | 4,973.44  | BF CHFA RURAL     | 05/01/12 | 572,517           |                 |
| M06A              | T.O. LLC                         | 265,500     | 03/01/26 | 02/03/06  | 1,894.47  | BF CHFA RURAL     | 05/01/12 | 214,805           |                 |
| M06A              | VIGIL HOLDINGS LLC               | 248,500     | 03/01/26 | 02/27/06  | 1,845.44  | BF CHFA DIRECT    | 04/01/12 | 203,829           |                 |
| M06A              | LUTHER PROPERTY LLC              | 694,529     | 08/01/26 | 07/31/06  | 4,955.81  | BF CHFA RURAL     | 04/01/12 | 574,626           |                 |
| M06A              | SPIEKER INVESTMENTS INC          | 741,000     | 12/01/26 | 11/21/06  | 5,502.91  | BF CHFA DIRECT    | 04/01/12 | 627,388           |                 |
| M06A              | STAHLECKER                       | 238,500     | 07/01/26 | 06/22/06  | 1,701.82  | BF CHFA RURAL     | 04/01/12 | 196,538           |                 |
| M06A              | POST OFFICE CROSSING LLC         | 363,600     | 06/01/26 | 05/04/06  | 2,594.47  | BF CHFA RURAL     | 04/01/12 | 298,661           |                 |
| M06A              | CHARLES R PRESBY INC             | 722,500     | 06/01/26 | 05/04/06  | 5,155.40  | BF CHFA RURAL     | 04/01/12 | 605,282           |                 |
| M06A              | ALPINE VIEW LLC                  | 595,000     | 06/01/26 | 05/04/06  | 4,245.62  | BF CHFA RURAL     | 04/01/12 | 488,458           |                 |
| M06A              | WATERVAL 200 LLC                 | 1,700,000   | 07/01/26 | 06/14/06  | 13,037.60 | BF CHFA DIRECT    | 04/01/12 | 1,452,102         |                 |
| M06A              | HANSEN                           | 434,000     | 10/01/26 | 09/08/06  | 3,159.59  | BF CHFA RURAL     | 04/01/12 | 363,360           |                 |
| M06A              | WIGGINS II LLC                   | 750,000     | 06/01/26 | 05/18/06  | 5,351.62  | BF CHFA RURAL     | 05/01/12 | 613,754           |                 |
| M06A              | BIG ENERGY HOLDINGS LLC          | 498,000     | 07/01/26 | 06/21/06  | 3,625.52  | BF CHFA RURAL     | 04/01/12 | 412,506           |                 |
| M06A              | I3MG LLC                         | 657,000     | 01/01/27 | 12/19/06  | 4,821.36  | BF CHFA RURAL     | 04/01/12 | 615,730           |                 |
| M06A              | INDWELL LLC                      | 701,000     | 11/01/26 | 10/11/06  | 5,536.29  | BF SBA 504        | 04/01/12 | 606,923           |                 |
| M06A              | LLC                              | 360,209     | 12/01/26 | 11/08/06  | 2,823.05  | BF SBA 504        | 04/01/12 | 303,623           |                 |
| M06A              | THE LEARNING FOUNDATION          | 315,000     | 08/01/26 | 07/31/06  | 2,503.06  | BF NON PROFIT     | 04/01/12 | 267,046           |                 |
| M06A              | VCC ENTERPRISES LLC & BOISEN LLC | 425,000     | 01/01/27 | 12/01/06  | 3,094.07  | BF CHFA RURAL     | 05/01/12 | 358,317           |                 |
| M06A              | EMJB 3RD ST. LLC                 | 721,250     | 08/01/26 | 07/31/06  | 5,636.35  | BF CHFA RURAL     | 04/01/12 | 621,319           |                 |
| M06A              | ROCHESTER PARTNERS LLC           | 431,660     | 09/01/26 | 08/16/06  | 3,445.82  | BF CHFA RURAL     | 04/01/12 | 367,498           |                 |
| M06A              | CODY WILDER LLC                  | 235,000     | 01/01/27 | 12/14/06  | 1,847.43  | BF CHFA RURAL     | 04/01/12 | 203,255           |                 |
| M06A              | KTB HOLDINGS LLC                 | 256,000     | 09/01/26 | 08/28/06  | 2,051.38  | BF CHFA DIRECT    | 04/01/12 | 218,126           |                 |
| M06A              | WACKER HOLDINGS LLC              | 176,800     | 09/01/26 | 08/03/06  | 1,411.34  | BF CHFA DIRECT    | 04/01/12 | 143,430           |                 |

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**Multi-Family/Project Bonds**

**2000A, 2000B, 2001A, 2002A, 2002C, 2003A, 2004A, 2005A, 2005B, 2006A, 2007B, 2008A, 2008B, 2008C and 2009A**

| Bond Issue        | Borrower                       | Note Amount | Maturity |           | PI Amount | Loan Program Type | Next Due |                   | Current Balance |
|-------------------|--------------------------------|-------------|----------|-----------|-----------|-------------------|----------|-------------------|-----------------|
|                   |                                |             | Date     | Note Date |           |                   | Date     | Date              |                 |
| M06A              | MARSH                          | 262,000     | 10/01/26 | 09/20/06  | 2,094.66  | BF CHFA RURAL     | 04/01/12 | 223,844           |                 |
| M06A              | CAMELOT WEST LLC               | 530,059     | 09/01/26 | 08/30/06  | 4,237.77  | BF CHFA RURAL     | 05/01/12 | 448,712           |                 |
| M06A              | BLACK DOG ENTERPRISE LLC       | 360,000     | 10/01/27 | 09/06/07  | 2,884.75  | BF CHFA RURAL     | 04/01/12 | 319,013           |                 |
| M06A              | SIXTH & INCA LLC               | 225,250     | 11/01/26 | 10/12/06  | 1,800.85  | BF CHFA DIRECT    | 04/01/12 | 193,056           |                 |
| M06A              | VVOMS EVC CONDO LLC            | 495,000     | 09/01/26 | 08/31/06  | 3,603.68  | BF CHFA RURAL     | 05/01/12 | 411,499           |                 |
| M06A              | RES IPSA LLC                   | 391,000     | 12/01/26 | 11/14/06  | 3,164.23  | BF CHFA RURAL     | 04/01/12 | 337,000           |                 |
| M06A              | ELMS BLESSING LLC              | 571,200     | 11/01/26 | 10/26/06  | 4,566.68  | BF SBA 504        | 04/01/12 | 489,561           |                 |
| M06A              | ARCHITAXI LLC                  | 1,400,000   | 08/01/27 | 07/20/07  | 11,278.30 | BF SBA 504        | 04/01/12 | 1,236,729         |                 |
| M06A              | TRIPLE J INVESTMENTS LLC       | 397,500     | 07/01/27 | 04/24/07  | 3,153.80  | BF SBA 504        | 05/01/12 | 352,998           |                 |
| M06A              | XIANG                          | 263,000     | 11/01/26 | 10/31/06  | 2,070.73  | BF CHFA RURAL     | 05/01/12 | 221,196           |                 |
| M06A              | WILLIAM J RANGITSCH            | 511,000     | 07/01/27 | 06/13/07  | 4,054.32  | BF CHFA RURAL     | 04/01/12 | 389,858           |                 |
| M06A              | UNION & CEDAR LLC              | 585,345     | 11/01/27 | 10/22/07  | 4,433.00  | BF SBA 504        | 04/01/12 | 513,894           |                 |
| M06A              | MANUFACTURING INC              | 710,000     | 11/01/27 | 10/30/07  | 5,419.71  | BF CHFA DIRECT    | 04/01/12 | 624,144           |                 |
| M06A              | OBP LLC                        | 587,916     | 12/01/27 | 11/28/07  | 4,708.00  | BF CHFA RURAL     | 04/01/12 | 517,941           |                 |
| M06A              | WEST END GROUP LLC             | 215,611     | 07/01/28 | 06/27/08  | 1,743.55  | BF SBA 504        | 04/01/12 | 196,063           |                 |
| M06A              | THE MAKEN DO LLC               | 201,000     | 03/01/30 | 01/28/10  | 1,558.35  | BF SBA 504        | 04/01/12 | 190,705           |                 |
| M06A              | EDUCATION                      | 205,000     | 03/01/30 | 02/18/10  | 1,528.42  | BF NON PROFIT     | 05/01/12 | 193,842           |                 |
| M06A              | AUTISM                         | 265,000     | 06/01/30 | 05/27/10  | 1,822.90  | BF NON PROFIT     | 04/01/12 | 251,622           |                 |
| M06A              | QUAIN                          | 215,972     | 07/01/24 | 06/23/06  | 1,964.31  | BF CHFA RURAL     | 04/01/12 | 204,685           |                 |
| M06A              | VOA SUNSET HOUSING LP          | 5,376,100   | 07/01/36 | 06/07/06  | 35,586.98 | SMART TAXABLE     | 04/01/12 | 5,006,516         |                 |
| M06A              | RESERVE AT THORNTON II         | 3,500,000   | 08/01/38 | 07/19/06  | 22,390.15 | SMART TAXABLE     | 04/01/12 | 3,283,817         |                 |
| M06A              | CASA DORADA LLC                | 2,000,000   | 09/01/24 | 08/25/06  | 13,306.05 | SMART TAXABLE     | 04/01/12 | 1,868,483         |                 |
| M06A              | PINECREST AT COMMERCE CITY LLL | 3,315,000   | 02/01/27 | 01/30/07  | 22,054.78 | SMART TAXABLE     | 04/01/12 | 3,116,610         |                 |
| M06A              | CORONA RESIDENCE               | 2,365,000   | 05/01/39 | 04/02/09  | 31,276.74 | MF 501(C)3        | 04/01/12 | 2,365,000         |                 |
| M06A              | A.T. LEWIS BUILDING LLC        | 564,925     | 12/01/27 | 11/19/97  | 34,933.99 | 542 (C)           | 04/01/12 | 516,549           |                 |
| M06A              | WESTWOOD APARTMENTS            | 287,962     | 10/01/38 | 09/15/98  | 14,458.88 | 542 (C)           | 04/01/12 | 277,535           |                 |
| <b>M06A Total</b> |                                |             |          |           |           |                   |          | <b>45,136,935</b> |                 |
| M07B              | DESERT SPRING REAL ESTATE      | 243,900     | 05/01/24 | 04/01/04  | 1,643.51  | BF CHFA RURAL     | 04/01/12 | 176,163           |                 |
| M07B              | MILES EYE LLC                  | 348,300     | 06/01/26 | 05/16/06  | 2,455.31  | BF CHFA RURAL     | 05/01/12 | 282,091           |                 |
| M07B              | LONG                           | 266,203     | 12/04/25 | 12/04/00  | 20,312.52 | BF QAL            | 12/04/12 | 216,745           |                 |
| M07B              | ZETOR LLC                      | 1,143,644   | 10/01/27 | 09/27/07  | 9,185.17  | BF SBA 504        | 04/01/12 | 1,013,827         |                 |
| M07B              | AMEN                           | 229,048     | 06/08/36 | 06/08/06  | 17,831.79 | BF QAL            | 06/08/12 | 204,545           |                 |
| M07B              | E 49TH AVE LLC                 | 838,000     | 07/01/27 | 05/07/07  | 6,895.07  | BF SBA 504        | 04/01/12 | 739,668           |                 |
| M07B              | KINDER-ASKEW PROPERTIES LLC    | 440,000     | 12/01/26 | 11/01/06  | 3,464.34  | BF CHFA RURAL     | 04/01/12 | 377,114           |                 |
| M07B              | SMILEY AVIATION LLC            | 285,180     | 10/01/27 | 09/27/07  | 2,271.31  | BF CHFA RURAL     | 05/01/12 | 251,726           |                 |
| M07B              | JACB LLC                       | 621,000     | 01/01/27 | 12/14/06  | 4,777.40  | BF CHFA RURAL     | 04/01/12 | 565,388           |                 |
| M07B              | TUSCANA LLC                    | 448,752     | 10/01/27 | 09/07/07  | 3,452.28  | BF SBA 504        | 04/01/12 | 394,686           |                 |
| M07B              | GOAT LLC                       | 256,500     | 07/01/27 | 05/08/07  | 1,965.61  | BF SBA 504        | 04/01/12 | 223,523           |                 |
| M07B              | BOQ LLC                        | 438,750     | 10/01/27 | 09/05/07  | 3,362.23  | BF CHFA RURAL     | 05/01/12 | 384,681           |                 |
| M07B              | MALLYMOO LLC                   | 574,000     | 06/01/27 | 05/14/07  | 4,398.68  | BF CHFA DIRECT    | 04/01/12 | 505,997           |                 |
| M07B              | SPEER & LAWRENCE LLC           | 602,000     | 08/01/27 | 07/02/07  | 4,541.67  | BF CHFA DIRECT    | 04/01/12 | 524,726           |                 |
| M07B              | JENNIFER E BRAND               | 450,000     | 05/01/27 | 04/25/07  | 3,448.44  | BF CHFA RURAL     | 04/01/12 | 389,695           |                 |
| M07B              | HIGHWAY 82 INVESTORS LLC       | 595,000     | 06/01/27 | 05/01/07  | 3,456.60  | BF CHFA RURAL     | 04/01/12 | 396,861           |                 |
| M07B              | DMS REAL ESTATE LLC            | 595,000     | 07/01/27 | 06/26/07  | 4,595.19  | BF CHFA DIRECT    | 04/01/12 | 519,243           |                 |
| M07B              | RENAISSANCE PRESCHOOL INC      | 275,000     | 10/01/27 | 09/27/07  | 2,140.33  | BF NON PROFIT     | 04/01/12 | 242,485           |                 |
| M07B              | PC HOLDINGS LLC                | 348,000     | 06/01/27 | 05/18/07  | 2,737.87  | BF CHFA RURAL     | 05/01/12 | 302,885           |                 |
| M07B              | DOYLE LEE SMELKER              | 614,662     | 02/01/32 | 05/01/07  | 26,797.16 | BF QAL            | 11/01/12 | 513,837           |                 |
| M07B              | HORNUNG                        | 428,149     | 03/04/25 | 03/04/05  | 21,493.46 | BF QAL            | 03/04/13 | 348,481           |                 |
| M07B              | HEIDI M FAY                    | 360,000     | 07/01/27 | 06/20/07  | 2,832.28  | BF CHFA RURAL     | 04/01/12 | 325,323           |                 |
| M07B              | PROPERTIES LLC                 | 719,500     | 08/01/27 | 07/03/07  | 5,660.63  | BF SBA 504        | 04/01/12 | 631,886           |                 |
| M07B              | THE MAKEN DO LLC               | 297,000     | 09/01/27 | 08/13/07  | 2,374.48  | BF CHFA RURAL     | 04/01/12 | 262,170           |                 |
| M07B              | FALL LINE VENTURES LLC         | 369,000     | 10/01/27 | 09/05/07  | 3,052.11  | BF CHFA RURAL     | 04/01/12 | 328,725           |                 |
| M07B              | CHRISTOPHER R BURNER           | 355,000     | 10/01/27 | 09/28/07  | 2,914.37  | BF CHFA RURAL     | 04/01/12 | 343,868           |                 |
| M07B              | HAMILTON LEASING LLC           | 484,000     | 11/01/27 | 10/23/07  | 3,808.00  | BF CHFA RURAL     | 04/01/12 | 428,792           |                 |
| M07B              | TUTTLE INVESTMENTS LLLP        | 346,500     | 11/01/27 | 10/31/07  | 2,718.00  | BF CHFA RURAL     | 11/01/27 | 311,396           |                 |
| M07B              | LOSIA LLC                      | 318,750     | 12/01/27 | 11/07/07  | 2,529.00  | BF CHFA DIRECT    | 04/01/12 | 283,598           |                 |
| M07B              | OSTER                          | 314,586     | 12/01/27 | 11/06/07  | 2,506.00  | BF CHFA RURAL     | 04/01/12 | 280,038           |                 |
| M07B              | OBP LLC                        | 42,084      | 12/01/27 | 11/28/07  | 4,708.00  | BF CHFA RURAL     | 04/01/12 | 37,068            |                 |
| M07B              | ELMS BLESSING LLC              | 410,000     | 12/01/27 | 11/27/07  | 3,346.00  | BF CHFA DIRECT    | 04/01/12 | 366,425           |                 |
| M07B              | SBSSTEAMBOAT LLC               | 409,500     | 01/01/28 | 12/07/07  | 3,324.00  | BF CHFA RURAL     | 04/01/12 | 366,009           |                 |
| M07B              | VOYICH                         | 450,000     | 01/01/28 | 12/10/07  | 3,584.00  | BF CHFA RURAL     | 05/01/12 | 400,623           |                 |

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**Loan Portfolio Report**

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**Multi-Family/Project Bonds**

**2000A, 2000B, 2001A, 2002A, 2002C, 2003A, 2004A, 2005A, 2005B, 2006A, 2007B, 2008A, 2008B, 2008C and 2009A**

| Bond Issue        | Borrower                       | Note Amount | Maturity |           | PI Amount | Loan Program Type | Next Due |                   | Current Balance |
|-------------------|--------------------------------|-------------|----------|-----------|-----------|-------------------|----------|-------------------|-----------------|
|                   |                                |             | Date     | Note Date |           |                   | Date     | Date              |                 |
| M07B              | ADVOCACY CENTER INC            | 427,500     | 02/01/38 | 01/31/08  | 2,646.00  | BF NON PROFIT     | 05/01/12 | 404,605           |                 |
| M07B              | CLEAN DIRT GRAINS & SEEDS LLC  | 629,000     | 03/01/28 | 02/26/08  | 4,858.00  | BF CHFA RURAL     | 04/01/12 | 561,987           |                 |
| M07B              | FORDYCE                        | 950,000     | 03/01/28 | 02/28/08  | 7,741.00  | BF CHFA DIRECT    | 05/01/12 | 853,457           |                 |
| M07B              | CHILDREN                       | 1,791,000   | 03/01/38 | 02/29/08  | 11,285.00 | BF NON PROFIT     | 04/01/12 | 1,701,348         |                 |
| M07B              | CITY BARK 8TH AVENUE LLC       | 850,000     | 05/01/28 | 04/23/08  | 6,770.00  | BF SBA 504        | 04/01/12 | 767,202           |                 |
| M07B              | AGD PROPERTIES LLC             | 1,200,000   | 05/01/28 | 04/25/08  | 9,484.51  | BF CHFA DIRECT    | 04/01/12 | 1,081,917         |                 |
| M07B              | FOR REBUILDING LIVES           | 2,500,000   | 08/01/38 | 07/15/08  | 15,604.92 | BF NON PROFIT     | 04/01/12 | 2,388,573         |                 |
| M07B              | 801E8THAVE LLC                 | 512,125     | 08/01/28 | 07/31/08  | 3,863.63  | BF CHFA DIRECT    | 04/01/12 | 462,469           |                 |
| M07B              | RCR ENTERPRISES LLC            | 505,750     | 08/01/28 | 07/29/08  | 3,951.49  | BF CHFA RURAL     | 04/01/12 | 458,943           |                 |
| M07B              | RADER                          | 200,000     | 09/01/28 | 08/07/08  | 1,532.64  | BF CHFA RURAL     | 05/01/12 | 181,006           |                 |
| M07B              | KCI WAREHOUSE LLC              | 324,000     | 11/01/28 | 10/08/08  | 2,521.70  | BF CHFA RURAL     | 04/01/12 | 296,216           |                 |
| M07B              | PC                             | 291,000     | 12/01/28 | 11/05/08  | 2,308.82  | BF CHFA RURAL     | 05/01/12 | 266,693           |                 |
| M07B              | GARCIA                         | 595,546     | 03/01/29 | 02/26/09  | 4,815.90  | BF SBA 504        | 04/01/12 | 552,509           |                 |
| M07B              | BRAVO ENTERPRISES LLC          | 1,211,477   | 04/01/28 | 03/26/08  | 9,835.48  | BF CHFA DIRECT    | 04/01/12 | 1,211,477         |                 |
| M07B              | FITZGIBBONS                    | 408,561     | 08/01/28 | 07/09/08  | 3,289.32  | BF CHFA RURAL     | 04/01/12 | 391,458           |                 |
| M07B              | 1597 CIPOLLA, LLC              | 3,600,000   | 07/01/33 | 06/30/11  | 48,515.39 | BF CHFA DIRECT    | 04/01/12 | 3,600,000         |                 |
| M07B              | ANDERSON                       | 416,894     | 03/01/28 | 02/22/08  | 3,591.84  | BF SBA 504        | 04/01/12 | 410,147           |                 |
| M07B              | SWANSON FAMILY ENTERPRISES LLC | 427,246     | 10/01/27 | 09/20/07  | 6,380.06  | BF SBA 504        | 04/01/12 | 427,246           |                 |
| M07B              | BLUE SKY LIQUORS INC           | 223,046     | 07/01/26 | 09/15/06  | 1,894.77  | BF B&I II         | 04/01/12 | 220,109           |                 |
| M07B              | DIDONATO ENTERPRISES, LLC      | 240,000     | 02/01/27 | 12/15/11  | 2,177.40  | BF CHFA RURAL     | 04/01/12 | 238,521           |                 |
| M07B              | WEISENHORN                     | 68,407      | 12/31/25 | 11/03/06  | 7,540.60  | BF QAL            | 12/31/12 | 68,407            |                 |
| M07B              | REHFELD                        | 109,271     | 12/31/25 | 06/15/06  | 12,750.23 | BF QAL            | 12/31/12 | 109,271           |                 |
| M07B              | PRAIRIE CREEKS RESIDENCES LLC  | 1,015,000   | 07/01/37 | 06/20/97  | 5,776.63  | 542 (C)           | 04/01/12 | 888,872           |                 |
| M07B              | VILLA TOWNHOMES LTD            | 830,000     | 12/01/37 | 11/21/97  | 4,732.72  | 542 (C)           | 04/01/12 | 729,658           |                 |
| M07B              | LLL                            | 2,475,000   | 05/01/29 | 04/28/99  | 15,494.81 | 542 (C)           | 04/01/12 | 1,947,779         |                 |
| M07B              | LA FAMILY                      | 466,000     | 12/01/36 | 11/29/06  | 3,163.15  | SMART TAXABLE     | 04/01/12 | 437,992           |                 |
| M07B              | LLC                            | 5,000,000   | 08/01/19 | 07/12/07  | 28,861.79 | SMART T-E         | 04/01/12 | 4,666,903         |                 |
| M07B              | HC BRIGHTON SENIOR I, LP       | 1,750,000   | 07/01/27 | 06/12/07  | 11,513.80 | SMART TAXABLE     | 04/01/12 | 1,643,629         |                 |
| M07B              | PARTNERSHIP LLLP               | 1,230,000   | 01/01/38 | 12/14/07  | 8,235.46  | SMART TAXABLE     | 04/01/12 | 1,106,597         |                 |
| M07B              | PARTNERS (BLOCK 1B) LLLP       | 5,000,000   | 03/01/28 | 02/07/08  | 30,897.48 | SMART TAXABLE     | 04/01/12 | 4,835,521         |                 |
| M07B              | FAIRWAYS I LLLP                | 2,675,000   | 04/01/23 | 07/05/07  | 14,347.00 | SMART T-E         | 04/01/12 | 2,581,974         |                 |
| M07B              | SIERRA VISTA                   | 400,000     | 05/01/43 | 04/09/08  | 2,527.44  | SMART T-E         | 04/01/12 | 388,063           |                 |
| M07B              | 42 VILLAGE AT PUEBLO LP        | 1,000,000   | 07/01/26 | 06/24/08  | 6,353.54  | SMART TAXABLE     | 04/01/12 | 971,933           |                 |
| M07B              | CENTRAL PARK AT STAPLETON      | 470,000     | 10/01/28 | 09/16/08  | 6,826.79  | SMART TAXABLE     | 04/01/12 | 470,000           |                 |
| M07B              | 12TH & ELATI RESIDENCES LLC    | 2,450,000   | 10/01/28 | 09/24/08  | 16,464.78 | SMART TAXABLE     | 04/01/12 | 2,358,943         |                 |
| M07B              | MOLINE                         | 500,000     | 11/01/25 | 10/24/08  | 5,791.66  | SMART TAXABLE     | 04/01/12 | 500,000           |                 |
| M07B              | G.A.O. HOMES PARTNERS, RLLLP   | 2,240,000   | 12/01/28 | 11/25/08  | 13,429.93 | SMART T-E         | 04/01/12 | 2,144,238         |                 |
| M07B              | COTTONWOOD APARTMENTS          | 619,000     | 02/01/27 | 12/04/07  | 3,405.82  | SMART T-E         | 05/01/12 | 606,439           |                 |
| M07B              | VILLAS AT SLOANS LAKE          | 1,805,290   | 04/01/28 | 03/10/08  | 12,218.88 | SMART TAXABLE     | 05/01/12 | 1,773,948         |                 |
| <b>M07B Total</b> |                                |             |          |           |           |                   |          | <b>57,646,339</b> |                 |
| M08A              | CONTI                          | 184,000     | 09/01/26 | 08/03/06  | 1,339.55  | BF CHFA RURAL     | 04/01/12 | 150,722           |                 |
| M08A              | PRIMA MEADOW MOUNTAIN LLC      | 301,500     | 03/01/28 | 02/22/08  | 2,284.00  | BF CHFA RURAL     | 04/01/12 | 268,542           |                 |
| M08A              | 13TH STREET ADVENTURE LLC      | 754,000     | 05/01/28 | 04/16/08  | 5,688.00  | BF CHFA DIRECT    | 05/01/12 | 673,205           |                 |
| M08A              | LLC                            | 400,000     | 05/01/28 | 04/17/08  | 3,186.00  | BF CHFA DIRECT    | 04/01/12 | 361,030           |                 |
| M08A              | INC                            | 559,938     | 06/01/28 | 05/06/08  | 4,391.75  | BF CHFA RURAL     | 04/01/12 | 505,650           |                 |
| M08A              | SUPERIOR ONE LLC               | 935,000     | 06/01/28 | 05/14/08  | 7,082.00  | BF CHFA DIRECT    | 04/01/12 | 840,065           |                 |
| M08A              | HOLMBERG                       | 375,000     | 06/01/28 | 05/20/08  | 2,851.00  | BF CHFA RURAL     | 04/01/12 | 337,143           |                 |
| M08A              | CAPITOL HILL MANSION INC       | 727,800     | 07/01/28 | 06/26/08  | 5,774.43  | BF CHFA DIRECT    | 04/01/12 | 660,078           |                 |
| M08A              | FINANCIAL SERVICES LLC         | 900,000     | 08/01/28 | 07/03/08  | 6,789.87  | BF CHFA DIRECT    | 04/01/12 | 812,756           |                 |
| M08A              | SPS REAL ESTATE HOLDINGS LLC   | 1,555,500   | 08/01/28 | 07/03/08  | 11,735.16 | BF CHFA DIRECT    | 04/01/12 | 1,404,714         |                 |
| M08A              | THE PROPERTIES OF HEALING LLC  | 378,480     | 08/01/28 | 07/25/08  | 2,998.30  | BF CHFA DIRECT    | 04/01/12 | 344,098           |                 |
| M08A              | ESG LLC                        | 331,009     | 09/01/28 | 08/06/08  | 2,536.59  | BF CHFA DIRECT    | 04/01/12 | 299,303           |                 |
| M08A              | SUPRISE VENTURES LLC           | 477,000     | 08/01/28 | 07/30/08  | 3,669.60  | BF SBA 504        | 04/01/12 | 431,933           |                 |
| M08A              | STIMSON WAREHOUSE LLC          | 495,000     | 11/01/28 | 10/08/08  | 3,912.36  | BF CHFA RURAL     | 04/01/12 | 453,435           |                 |
| M08A              | KOSLA                          | 1,955,000   | 01/01/29 | 12/23/08  | 14,749.11 | BF CHFA DIRECT    | 04/01/12 | 1,789,906         |                 |
| M08A              | PARTNERS LLC                   | 2,465,000   | 02/01/29 | 01/08/09  | 19,408.16 | BF CHFA DIRECT    | 04/01/12 | 2,274,314         |                 |
| M08A              | ASCENT SOLAR TECHNOLOGIES INC  | 7,499,806   | 02/01/28 | 02/08/08  | 57,800.89 | BF CHFA DIRECT    | 05/01/12 | 6,802,636         |                 |
| M08A              | HAERTER HOLDINGS LLC           | 739,500     | 03/01/29 | 02/27/09  | 5,979.99  | BF CHFA DIRECT    | 04/01/12 | 686,061           |                 |
| M08A              | BETHLEHEM SQUARE APARTMENTS    | 892,195     | 08/01/18 | 01/24/08  | 9,308.35  | IRP               | 04/01/12 | 604,537           |                 |
| M08A              | VILLAGE ON ELIZABETH LLLP      | 900,000     | 06/01/26 | 05/20/08  | 5,876.39  | SMART TAXABLE     | 04/01/12 | 875,473           |                 |
| M08A              | LIGGINS TOWER APARTMENTS       | 1,500,000   | 01/01/39 | 02/25/08  | 9,284.59  | SMART T-E         | 04/01/12 | 1,440,890         |                 |



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| Bond Issue         | Borrower                       | Note Amount | Maturity |           | PI Amount  | Loan Program Type | Next Due |             | Current Balance |
|--------------------|--------------------------------|-------------|----------|-----------|------------|-------------------|----------|-------------|-----------------|
|                    |                                |             | Date     | Note Date |            |                   | Date     | Date        |                 |
| M08A               | BETHLEHEM SQUARE APARTMENTS    | 4,413,000   | 06/01/49 | 01/24/08  | 24,743.95  | SMART T-E         | 04/01/12 | 4,336,725   |                 |
| <b>M08A Total</b>  |                                |             |          |           |            |                   |          |             |                 |
| M08B               | AIR FORCE ACADEMY              | 21,665,000  | 04/10/52 | 05/01/07  | 98,306.42  | DIRECT BOND       | 04/01/12 | 21,665,000  |                 |
| M08B               | FORCE ACADEMY AIR              | 11,350,000  | 04/10/52 | 05/01/07  | 53,121.72  | DIRECT BOND       | 04/01/12 | 11,350,000  |                 |
| M08B               | FORT CARSON FAMILY HOUSIN      | 107,249,516 | 09/15/44 | 11/29/06  | 573,233.24 | DIRECT BOND       | 04/29/12 | 105,113,336 |                 |
| M08B               | FORT CARSON FAMILY HOUSIN      | 11,074,136  | 09/15/44 | 11/29/06  | 57,617.32  | DIRECT BOND       | 04/15/12 | 10,853,564  |                 |
| M08B               | FORCE ACADEMY AIR              | 1,670,000   | 04/10/52 | 05/01/07  | 7,946.42   | DIRECT BOND       | 04/01/12 | 1,670,000   |                 |
| M08B               | FORCE ACADEMY AIR              | 12,330,000  | 04/10/52 | 11/10/11  | 124,476.05 | DIRECT BOND       | 04/10/12 | 12,330,000  |                 |
| <b>M08B Total</b>  |                                |             |          |           |            |                   |          |             |                 |
| M08C               | CENTER INC                     | 6,046,000   | 03/01/28 | 02/12/08  | 35,475.00  | BF NON PROFIT     | 04/01/12 | 5,709,113   |                 |
| M08C               | CONKLIN                        | 315,000     | 03/01/28 | 02/28/08  | 2,386.00   | BF CHFA RURAL     | 04/01/12 | 280,581     |                 |
| M08C               | CURIOUS THEATRE COMPANY        | 500,000     | 05/01/38 | 04/03/08  | 3,046.00   | BF NON PROFIT     | 04/01/12 | 474,455     |                 |
| M08C               | HEET LLC                       | 497,250     | 06/01/28 | 05/21/08  | 3,811.00   | BF CHFA DIRECT    | 04/01/12 | 447,512     |                 |
| M08C               | BJG LLC                        | 350,000     | 06/01/28 | 05/29/08  | 2,682.12   | BF CHFA RURAL     | 04/01/12 | 315,011     |                 |
| M08C               | HOMELESS                       | 1,230,000   | 07/01/33 | 06/03/08  | 8,045.64   | BF NON PROFIT     | 04/01/12 | 1,144,751   |                 |
| M08C               | GREEN LEVEL REALTY LLC         | 3,004,750   | 07/01/28 | 06/19/08  | 23,567.00  | BF CHFA DIRECT    | 04/01/12 | 2,720,790   |                 |
| M08C               | 1965 PROPERTIES LLC            | 342,000     | 09/01/28 | 08/28/08  | 2,682.40   | BF CHFA RURAL     | 05/01/12 | 310,512     |                 |
| M08C               | RANTA SHOP COMMERCIAL LLC      | 498,800     | 10/01/28 | 09/11/08  | 3,852.23   | BF CHFA RURAL     | 04/01/12 | 466,438     |                 |
| M08C               | LOZYNIAC                       | 470,991     | 10/01/28 | 09/25/08  | 3,708.34   | BF CHFA RURAL     | 04/01/12 | 430,113     |                 |
| M08C               | OFFICE DIGS LLC                | 612,000     | 11/01/28 | 10/08/08  | 4,744.83   | BF CHFA RURAL     | 04/01/12 | 559,244     |                 |
| M08C               | ROUNDUP FOUNDATION INC         | 1,150,000   | 11/01/38 | 10/28/08  | 7,118.19   | BF NON PROFIT     | 05/01/12 | 1,100,705   |                 |
| M08C               | VERTICAL ARTS STUDIO LLC       | 750,000     | 12/01/28 | 11/24/08  | 5,680.46   | BF CHFA RURAL     | 04/01/12 | 695,304     |                 |
| M08C               | SCUDDER LLC                    | 405,230     | 02/01/29 | 01/21/09  | 3,057.18   | BF CHFA DIRECT    | 05/01/12 | 371,040     |                 |
| M08C               | HUGHES STATION LLLP            | 5,725,000   | 11/01/21 | 10/27/08  | 29,918.37  | SMART T-E         | 04/01/12 | 5,584,558   |                 |
| M08C               | PALOMA VILLAS III              | 1,417,000   | 01/01/29 | 12/22/08  | 9,285.02   | SMART TAXABLE     | 05/01/12 | 1,364,908   |                 |
| M08C               | GRACE APARTMENTS               | 400,000     | 05/01/21 | 04/09/09  | 2,625.87   | SMART TAXABLE     | 04/01/12 | 392,130     |                 |
| M08C               | PAYNE CHAPEL HOUSING           | 1,929,500   | 06/30/12 | 07/21/09  |            | SMART T-E         | 04/01/12 | 1,929,500   |                 |
| M08C               | ARCHDIOCESAN FAMILY HOUSING    | 227,400     | 03/01/31 | 03/04/10  | 19,327.13  | SMART T-E         | 05/01/12 | 3,445,342   |                 |
| M08C               | VILLAS AT THE BLUFF            | 1,500,000   | 05/01/30 | 04/15/10  | 9,629.47   | SMART TAXABLE     | 04/01/12 | 1,469,277   |                 |
| M08C               | BROADWAY JUNCTION              | 480,000     | 09/01/30 | 08/05/10  | 3,070.43   | SMART TAXABLE     | 05/01/12 | 476,580     |                 |
| M08C               | ARBOR VISTA APARTMENTS         | 1,726,930   | 09/01/29 | 08/18/09  | 11,467.04  | SMART TAXABLE     | 05/01/12 | 1,700,052   |                 |
| <b>M08C Total</b>  |                                |             |          |           |            |                   |          |             |                 |
| M09A               | TIARA APARTMENTS LTD           | 1,430,700   | 12/01/14 | 07/01/84  | 10,730.86  | 221 (D) 4         | 04/01/12 | 312,354     |                 |
| M09A               | W.H.E.R.E.                     | 700,000     | 01/01/20 | 12/29/89  | 5,014.89   | MF 501(C)3        | 05/01/12 | 452,460     |                 |
| M09A               | FOUNDATION                     | 177,100     | 07/01/23 | 05/30/91  | 1,284.10   | MF 501(C)3        | 04/01/12 | 115,284     |                 |
| M09A               | ARVADA PLACE                   | 769,144     | 04/01/22 | 03/31/92  | 5,576.83   | MF 501(C)3        | 04/01/12 | 464,688     |                 |
| M09A               | FOUNT MESA                     | 1,077,751   | 03/01/23 | 02/24/93  | 7,814.44   | MF 501(C)3        | 05/01/12 | 685,117     |                 |
| M09A               | TOWNHOUSE PARK APARTMENTS      | 153,000     | 11/01/23 | 09/29/93  | 1,122.66   | MF 501(C)3        | 05/01/12 | 98,964      |                 |
| M09A               | APARTMENTS                     | 5,010,200   | 03/01/36 | 06/26/96  | 27,747.23  | 542 (C)           | 04/01/12 | 4,329,093   |                 |
| M09A               | FORUM BUILDING HOUSING LLLP    | 465,000     | 06/01/27 | 05/23/97  | 2,941.18   | 542 (C)           | 04/01/12 | 355,553     |                 |
| M09A               | WOODLANDS APARTMENTS           | 5,506,800   | 02/01/38 | 01/23/98  | 30,865.74  | 542 (C)           | 04/01/12 | 4,864,383   |                 |
| M09A               | URBAN PEAK                     | 225,000     | 03/01/29 | 02/12/99  | 1,496.93   | SMART T-E         | 04/01/12 | 176,079     |                 |
| M09A               | VILLAGE PLACE ASSOCIATES LLL   | 3,100,000   | 01/01/27 | 12/07/06  | 17,818.92  | SMART T-E         | 04/01/12 | 3,040,312   |                 |
| M09A               | RENAISSANCE 88 APARTMENTS LLLP | 8,952,748   | 03/01/49 | 02/28/07  | 50,828.29  | 542 (C)           | 04/01/12 | 8,783,645   |                 |
| M09A               | A.T. LEWIS BUILDING LLC        | 4,142,782   | 12/01/27 | 11/19/97  | 34,933.99  | 542 (C)           | 04/01/12 | 3,788,025   |                 |
| M09A               | WESTWOOD APARTMENTS            | 2,111,722   | 10/01/38 | 09/15/98  | 14,458.88  | 542 (C)           | 04/01/12 | 2,035,259   |                 |
| M09A               | LEGACY CENTER INC              | 1,477,885   | 05/01/36 | 04/04/96  | 9,454.83   | 542 (C)           | 04/01/12 | 1,445,796   |                 |
| M09A               | RENAISSANCE 88 APARTMENTS LLLP | 372,264     | 04/01/14 | 02/28/07  | 9,754.04   | IRP               | 04/01/12 | 281,681     |                 |
| M09A               | COLUMBINE CT                   | 406,845     | 06/01/20 | 01/03/79  | 5,192.68   | 221 (D) 3         | 04/01/12 | 389,680     |                 |
| M09A               | HANIGAN                        | 225,142     | 11/01/19 | 03/13/89  | 2,938.80   | 221 (D) 4         | 04/01/12 | 214,405     |                 |
| M09A               | MARCELLA                       | 1,867,872   | 08/01/19 | 03/01/77  | 28,419.99  | 221 (D) 4         | 04/01/12 | 1,763,497   |                 |
| M09A               | NIBLOCK                        | 186,441     | 10/01/26 | 12/24/85  | 2,575.54   | 221 (D) 4         | 04/01/12 | 183,383     |                 |
| <b>M09A Total</b>  |                                |             |          |           |            |                   |          |             |                 |
| <b>Grand Total</b> |                                |             |          |           |            |                   |          |             |                 |

As of April 1, 2012, the total Fund Balances held in the various Funds and Accounts under the Master Indenture were \$154,003,509. As of the same date, the moneys in these Funds and Accounts were invested in the following types of Investment Securities:

| <u>Investment Type</u>                 | <u>Amount</u>     |
|--|-------------------|
| Federal Home Loan Bank                 | \$ 7,640,864      |
| Federal Home Loan Mortgage Corporation | 3,518,710         |
| Federal National Mortgage Association  | 8,615,819         |
| GNMA MBS                               | 16,073,716        |
| Investment Agreements                  | 38,740,410        |
| Money Market Funds                     | 65,265,240        |
| Repurchase Agreement                   | <u>14,148,748</u> |
|  | \$154,003,509     |

## APPENDIX H

### Federal Insurance Programs

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

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

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

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

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

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

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

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

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## APPENDIX I

### Description of Section 8 Subsidy Program

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## APPENDIX J-1

### Form of Authority Continuing Disclosure Undertaking

#### CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "**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 Class I Bonds, 2012 Series A (the "**Series Bonds**"). The Series Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**") and the 2012 Series A Indenture dated as of July 1, 2012 (the "**Series Indenture**" and, together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**").

#### BACKGROUND

1. The Series Bonds are being issued to provide funds expected to be used to fund a loan, to make deposits to certain funds and accounts, to pay certain costs of issuance of the Series 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 Underwriter (as defined in Rule 15c2-12 defined below) of the Series 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 Series 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(g) 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, including, but not limited to, such financial information and operating data set forth in "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date," **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS," and **Appendix G-2** – "CERTAIN INFORMATION ABOUT THE MASTER INDENTURE LOAN PORTFOLIO, AUTHORITY PROJECTS AND FUND BALANCES."

(b) "Audited Financial Statements" means the annual financial statements for the Authority or other obligated person described in Section 2(g) 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) EMMA" means the MSRB's Electronic Municipal Market Access System, with a portal at <http://emma.msrb.org>.

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

(e) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-797-6700.

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

(g) "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.

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

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

(j) "Underwriter" means RBC Capital Markets, LLC, 60 South Sixth Street, P-15, Minneapolis, Minnesota 55402, which is the Participating Underwriter.

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

(a) Commencing with the fiscal year ending December 31, 2012 and annually while the Series Bonds remain outstanding, the Authority agrees to provide or cause to be provided annually to EMMA (with a copy, upon request, to the Underwriter) 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 at the same time as 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 EMMA or other repositories as required by Rule 15c2-12; 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)(1) At any time the Series Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an Event, the Authority shall provide to EMMA notice of the occurrence of any of the following Events with respect to the Series Bonds:

- (A) principal and interest payment delinquencies;
- (B) unscheduled draws on debt service reserves reflecting financial difficulties;
- (C) unscheduled draws on credit enhancements reflecting financial difficulties;
- (D) substitution of credit or liquidity providers, or their failure to perform;
- (E) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series Bonds, or other material events affecting the tax status of the Series Bonds;
- (F) defeasances;
- (G) rating changes;
- (H) tender offers; and
- (I) bankruptcy, insolvency, receivership, or similar event of any obligated person.

For the purposes of the Event identified in paragraph (2)(e)(1)(I) hereof, the Event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(2) At any time the Series Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an Event, the Authority shall provide to EMMA notice of the occurrence of any of the following Events with respect to the Series Bonds, if material:

- (A) non-payment related defaults;
- (B) modifications to the rights of the beneficial owners of the Series Bonds;
- (C) bond calls;
- (D) release, substitution or sale of property securing repayment of the Series Bonds;
- (E) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the

obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

(F) appointment of a successor or additional trustee or a change in the name of a trustee.

(e) At any time the Series Bonds are outstanding, the Authority shall provide, in a timely manner, to EMMA, with a copy to the Underwriter, 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) Obligated Persons. As of the date of issuance of the Series Bonds, the Borrower for the 2012A Project will be an "obligated person" in respect of the Series Bonds within the meaning of Rule 15c2-12. The Authority, prior to or in connection with the origination of the 2012A Loan (as defined in the Official Statement) to such Borrower for the 2012A Project, will confirm that such Borrower has separately agreed, for the benefit of the owners (including beneficial owners) of the Series Bonds, to provide to the Authority Audited Financial Statements with respect to itself not later than 180 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 Series Bonds within the meaning of Rule 15c2-12. The Authority has agreed to forward to EMMA such Audited Financial Statements promptly upon receipt from such Borrower. The Authority has no obligation to examine or review such Audited Financial Statements to verify the accuracy or completeness of such Audited Financial Statements, and is not otherwise obligated to make such continuing disclosure undertakings on behalf of the Borrower.

In addition, the Authority covenants to provide Audited Financial Statements for any other Borrower or other person who shall constitute an "obligated person" with respect to the Series Bonds, or to cause such obligated person to provide such Audited Financial Statements, if the total amount of such person's annual obligations in respect of the Series Bonds are equal to or greater than 20% of the average annual debt service requirements on the Series 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 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 Series Bonds. The owner or beneficial owner of any Series 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 Series Bonds; provided, that any owner or beneficial owner of Series 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 Series Bonds or the Trustee therein appointed.

Section 5. Additional Information. Nothing in this 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 issuance and delivery of the Series Bonds and shall extend to the earliest of (i) the date all principal and interest on the Series 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 Series 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 Series 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 this 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 Series 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 EMMA as required by Rule 15c2-12 and the Underwriter.

Section 8. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Underwriter 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 July 19, 2012.

COLORADO HOUSING AND FINANCE  
AUTHORITY

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

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## APPENDIX J-2

### Form of Borrower Continuing Disclosure Undertaking

#### BORROWER CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by Mountain View Redevelopment LLLP (the "**Borrower**"), in connection with the issuance by the Colorado Housing and Finance Authority of its Colorado Housing and Finance Authority Multi-Family/Project Class I Bonds, 2012 Series A (the "**Series Bonds**"). The Series Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**") and the 2012 Series A Indenture dated as of July 1, 2012 (the "**Series Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**").

#### BACKGROUND

1. The Series Bonds are being issued to provide funds expected to be used to fund a loan, to make deposits to certain funds and accounts, to pay certain costs of issuance of the Series 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 Underwriter (as defined in Rule 15c2-12 defined below) of the Series 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 Series 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) "Audited Financial Statements" means the annual financial statements for the Borrower 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.
- (b) "Authority" means the Colorado Housing and Finance Authority.
- (c) "EMMA" means the MSRB's Electronic Municipal Market Access System, with a portal at <http://emma.msrb.org>.
- (d) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, #600, Alexandria, Virginia 22314; fax: 703-797-6700.
- (e) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Series Bonds.

(f) "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.

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

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

(i) "Underwriter" means RBC Capital Markets, LLC, 60 South Sixth Street, P-15, Minneapolis, Minnesota 55402, which is the Participating Underwriter.

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 Series Bonds remain outstanding, the Borrower agrees to provide or cause to be provided annually to the Authority (with a copy, upon request, to the Underwriter) its Audited Financial Statements.

(b) Such Audited Financial Statements shall be provided to the Authority not later than 180 days after the end of each fiscal year for the Borrower. The Authority shall forward the Audited Financial Statements so provided to EMMA promptly upon receipt from the Borrower. The Authority shall have no obligation to examine or review the Audited Financial Statements, and shall have no duty to verify the accuracy or completeness of the Audited Financial Statements.

(c) At any time the Series Bonds are outstanding, the Borrower shall provide, in a timely manner, to EMMA, with a copy to the Underwriter and the Authority, notice of any failure of the Borrower to timely provide the Audited Financial Statements 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 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 Series Bonds. The owner or beneficial owner of any Series 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 Series Bonds; provided, that, any owner or beneficial owner of Series 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 Series 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 Series Bonds and shall extend to the earliest of (i) the date all principal and interest on the Series 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 Series 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 Series 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 Series 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. The Borrower shall provide notice of such amendment or waiver to the Authority and the Underwriter, and the Authority shall then forward such notice to EMMA.

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

Date: July 19, 2012.

MOUNTAIN VIEW REDEVELOPMENT LLLP

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: \_\_\_\_\_

## APPENDIX K

### Remarketing Agents under Master Indenture

#### Remarketing Agents for Adjustable Rate Bonds

In connection with the Adjustable Rate Bonds outstanding under the Master Indenture, the Authority has entered into remarketing agreements (the "**Remarketing Agreements**") with the respective remarketing agents set forth in the following table (the "**Remarketing Agents**").

#### Outstanding Remarketing Agents under Master Indenture as of April 1, 2012

| <u>Series of Bonds</u> | <u>Remarketing Agent</u>   |
|------------------------|----------------------------|
| 2000 Series A-1        | Barclays Capital Inc.      |
| 2000 Series A-2        | Barclays Capital Inc.      |
| 2000 Series B-3        | Loop Capital Markets, LLC  |
| 2002 Series A-1        | D.A. Davidson & Co.        |
| 2002 Series A-4        | D.A. Davidson & Co.        |
| 2002 Series C-1        | J.P. Morgan Securities LLC |
| 2002 Series C-2        | Barclays Capital Inc.      |
| 2002 Series C-4        | Barclays Capital Inc.      |
| 2003 Series A-1        | George K. Baum & Company   |
| 2003 Series A-2        | George K. Baum & Company   |
| 2004 Series A-1        | J.P. Morgan Securities LLC |
| 2004 Series A-2        | Loop Capital Markets, LLC  |
| 2005 Series A-1        | J.P. Morgan Securities LLC |
| 2005 Series A-2        | Barclays Capital Inc.      |
| 2005 Series A-3        | Barclays Capital Inc.      |
| 2005 Series B-1        | RBC Capital Markets, LLC   |
| 2005 Series B-2        | RBC Capital Markets, LLC   |
| 2006 Series A-1        | Barclays Capital Inc.      |
| 2007 Series B-1        | J.P. Morgan Securities LLC |
| 2007 Series B-2        | J.P. Morgan Securities LLC |
| 2007 Series B-3        | J.P. Morgan Securities LLC |
| 2008 Series A-1        | RBC Capital Markets, LLC   |
| 2008 Series A-2        | RBC Capital Markets, LLC   |
| 2008 Series B          | RBC Capital Markets, LLC   |
| 2008 Series C-1        | Loop Capital Markets, LLC  |
| 2008 Series C-2        | D.A. Davidson & Co.        |
| 2008 Series C-3        | D.A. Davidson & Co.        |
| 2008 Series C-4        | D.A. Davidson & Co.        |
| 2009 Series A-1        | Barclays Capital Inc.      |

#### The Remarketing Agents are Paid by the Authority

The Remarketing Agents' responsibilities include determining the interest rate from time to time and remarketing the respective Adjustable Rate Bonds that are optionally tendered by the owners. The Remarketing Agents are appointed by the Authority and are paid by the Authority for their respective services. As a result, the interests of the Remarketing Agents may differ from those of existing holders and potential purchasers of Adjustable Rate Bonds.

### **The Remarketing Agents May Purchase Adjustable Rate Bonds for their Own Account**

The Remarketing Agents are permitted, but not obligated, to purchase the tendered Adjustable Rate Bonds for their own account. The Remarketing Agents, in their sole discretion, may acquire tendered Adjustable Rate Bonds for their own inventory in order to achieve a successful remarketing of the Adjustable Rate Bonds (*i.e.*, because there otherwise are not enough buyers to purchase the Adjustable Rate Bonds) or for other reasons. However, the Remarketing Agents are not obligated to purchase Adjustable Rate Bonds, and may cease doing so at any time without notice. The Remarketing Agents may also make a market in the Adjustable Rate Bonds by purchasing and selling such Adjustable Rate Bonds other than in connection with an optional tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agents are not required to make a market in the Adjustable Rate Bonds. If the Remarketing Agents purchase Adjustable Rate Bonds for their own account, they may offer those Adjustable Rate Bonds at a discount to par to some investors. The Remarketing Agents may also sell any Adjustable Rate Bonds they have purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Adjustable Rate Bonds. The purchase of Adjustable Rate Bonds by the Remarketing Agents may create the appearance that there is greater third party demand for the Adjustable Rate Bonds in the market than is actually the case. The practices described above also may reduce the supply of Adjustable Rate Bonds that may be tendered in a remarketing.

### **Adjustable Rate Bonds may be Offered at Different Prices on any Date**

The Remarketing Agents are required to determine on the rate determination date the applicable rate of interest that, in their judgment, is the lowest rate that would permit the sale of the respective Adjustable Rate Bonds at par plus accrued interest, if any, on the date the rate becomes effective (the "**Effective Date**"). The interest rate will reflect, among other factors, the level of market demand for such Adjustable Rate Bonds (including whether the Remarketing Agents are willing to purchase such remarketed Bonds for their own account). The Remarketing Agreements require that the Remarketing Agents use their best efforts to sell respective tendered Adjustable Rate Bonds at par, plus accrued interest. There may or may not be Adjustable Rate Bonds tendered and remarketed on a rate determination date or an Effective Date, the Remarketing Agents may or may not be able to remarket any respective Adjustable Rate Bonds tendered for purchase on such date at par and the Remarketing Agents may sell such Bonds at varying prices to different investors on such date or any other date. The Remarketing Agents are not obligated to advise purchasers in a remarketing if they do not have third party buyers for all of the Adjustable Rate Bonds at the remarketing price.

### **The Ability to Sell the Adjustable Rate Bonds other than through Tender Process may be Limited**

While the Remarketing Agents may buy and sell the Adjustable Rate Bonds, they are not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Adjustable Rate Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Adjustable Rate Bonds other than by tendering the Adjustable Rate Bonds in accordance with the tender process.