

NEW ISSUE - Book-Entry Only

INTEREST ON THE 2003 SERIES A BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Sherman & Howard L.L.C., Bond Counsel, the 2003 Series A Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado law in effect on the date of delivery of the 2003 Series A Bonds. See "Part I – TAX MATTERS."

\$48,780,000



COLORADO HOUSING AND FINANCE AUTHORITY

Multi-Family/Project Bonds

\$37,415,000
Class I Taxable
Adjustable Rate Bonds
2003 Series A-1

\$11,365,000
Class II Taxable
Adjustable Rate Bonds
2003 Series A-2

Dated: Date of Delivery

Due: As shown below

The 2003 Series A Bonds are being issued by the Colorado Housing and Finance Authority in the series shown above as fully registered bonds pursuant to a Master Indenture of Trust dated as of March 1, 2000, as amended, and a 2003 Series A Indenture of Trust dated as of September 1, 2003, each between the Authority and Wells Fargo Bank West, National Association, as Trustee.

The 2003 Series A Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2003 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 2003 Series A Bonds will be registered in the name of Cede & Co. Individual purchases of 2003 Series A Bonds will be made in book-entry form only, and beneficial owners of the 2003 Series A Bonds will not receive physical delivery of bond certificates representing their interest in the 2003 Series A Bonds, except as described herein. Upon receipt of payments of principal and interest, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the 2003 Series A Bonds. Payments of principal of and interest on the 2003 Series A Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the sole registered owner. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners of the 2003 Series A Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

The proceeds of the 2003 Series A-1 Bonds are expected to be used to acquire and originate commercial and multi-family housing loans (or participation interests in such loans) previously made or to be made to Borrowers to assist them in financing or refinancing certain projects in Colorado. The proceeds of the 2003 Series A-2 Bonds, together with other legally available funds, are expected to be used to refund certain outstanding bonds of the Authority as described herein. Proceeds of the 2003 Series A Bonds will also be used to make deposits to certain funds and accounts in accordance with the 2003 Series A Indenture.

The 2003 Series A Bonds of each series initially will bear interest at a weekly rate (the "Weekly Rate") determined prior to the date of delivery of the 2003 Series A Bonds to be effective to and including the following Tuesday, and thereafter determined on each Tuesday by Lehman Brothers† in its capacity as the 2003A Remarketing Agent, to be effective from and including each Wednesday to and including the following Tuesday. Following the first Interest Period, the interest rate on either or both series of the 2003 Series A Bonds or any portion thereof may be adjusted to a Commercial Paper Rate, Daily Rate, Term Rate, Select Auction Variable Rate SecuritiesSM ("SAVRS") Rate or Fixed Rate as described herein. Interest on the 2003 Series A Bonds while in an Interest Period for a Mode other than a Daily Mode or SAVRS Rate Mode will be payable on each April 1 and October 1, commencing on April 1, 2004, on any redemption date and at maturity.

While any of the 2003 Series A Bonds are in an Interest Period other than a Fixed Rate Mode, Commercial Paper Mode or SAVRS Rate Mode, holders of any such 2003 Series A Bonds will have the right to tender their Bonds for purchase and will also be required to tender their Bonds for purchase at the times and subject to the conditions set forth in the Indenture. Payment of the purchase price for such 2003 Series A Bonds tendered for purchase and not remarketed or for which remarketing proceeds are not available will be supported by a standby bond purchase agreement (the "Initial 2003A Liquidity Facility") among the Authority, Federal Home Loan Bank of Topeka (the "2003A Liquidity Facility Provider") and Wells Fargo Bank West, National Association, as Paying Agent. Coverage under the Initial 2003A Liquidity Facility, unless extended or earlier terminated, is stated to expire on September 24, 2008.

Maturity Schedules

\$37,415,000 Class I Taxable Adjustable Rate Bonds, 2003 Series A-1 due October 1, 2033 - Price: 100% (CUSIP: 196479 HT9*)
\$11,365,000 Class II Taxable Adjustable Rate Bonds, 2003 Series A-2 due October 1, 2033 - Price: 100% (CUSIP: 196479 HU6*)

The 2003 Series A Bonds are subject to special redemption and optional redemption prior to maturity at par and as otherwise 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 2003 Series A-1 Bonds are being issued as Class I Bonds. The 2003 Series A-2 Bonds are being issued as Class II Bonds. The 2003 Series A-1 Bonds will be payable as general obligations of the Authority and are also payable from the revenues, assets and moneys pledged under the Indenture as described herein on an equal and ratable basis with all other Class I Obligations now or hereafter outstanding under the Master Indenture. The 2003 Series A-2 Bonds will be special, limited obligations of the Authority payable solely from the revenues, assets and moneys pledged under the Master Indenture on an equal and ratable basis with all other Class II Obligations now or hereafter outstanding under the Master Indenture, on a basis subordinate to the Class I Bonds. Additional Obligations may be issued by the Authority under the Master Indenture in each of the four Classes and as general obligations of the Authority upon delivery of a Cash Flow Statement and satisfaction of certain other conditions as set forth in the Master Indenture. **In no event shall the 2003 Series A Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any other political subdivision thereof (other than the general credit of the Authority).**

This cover page contains only a brief description of the Authority, the 2003 Series A Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2003 Series A Bonds. Potential investors should read this entire Official Statement to obtain information necessary to make an informed investment decision. Potential investors should pay particular attention to the discussion in "Part II – CERTAIN BONDOWNERS' RISKS."

The 2003 Series A Bonds are offered when, as and if issued and delivered to the Underwriters, subject to the approval of legality by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel and certain other conditions. Certain legal matters will be passed on for the Authority by James A. Roberts, Esq., its Director of Legal Operations, and by Hogan & Hartson L.L.P., Denver, Colorado, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the 2003A Liquidity Facility Provider by its general counsel, Richard L. Schaplowsky, Esq. The Underwriters are being represented in connection with their purchase of the 2003 Series A Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. It is expected that the 2003 Series A Bonds will be delivered (through DTC) in New York, New York on or about September 24, 2003.

LEHMAN BROTHERS[†]

Newman & Associates, Inc.
a Division of GMAC Commercial Holding Capital Markets Corp

George K. Baum & Company

RBC Dain Rauscher Inc.

Stifel, Nicolaus & Company Incorporated
Hanifen Imhoff Division

US Bancorp Piper Jaffray, Inc.

A.G. Edwards & Sons, Inc.

Harvestons Securities, Inc.

UBS Financial Services Inc.

This Official Statement is dated September 16, 2003.

† 2003A Remarketing Agent

SM Service Mark of Lehman Brothers, Inc.

*The Authority is not responsible for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the 2003 Series A Bonds.

No dealer, broker, salesman or other person has been authorized by the Colorado Housing and Finance Authority or by the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 2003 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement has been furnished by the Authority and obtained from other sources believed to be reliable. The following sentence has been provided by the Underwriters for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information, and it is not to be construed as the promise or guarantee of the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

While the Authority maintains an Internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information (except in the case of the limited information provided in the section entitled "Bond Disclosures") with respect to the Bonds (including the 2003 Series A Bonds), the Borrowers, the Projects, the Loans, the Initial 2003A Liquidity Facility, the 2003A Liquidity Facility Provider, or any other bonds or obligations of the Authority.

THE PRICES AT WHICH THE 2003 SERIES A BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE FRONT COVER HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2003 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 2003 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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OFFICIAL STATEMENT

\$48,780,000

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

\$37,415,000	\$11,365,000
Class I Taxable	Class II Taxable
Adjustable Rate Bonds	Adjustable Rate Bonds
2003 Series A-1	2003 Series A-2

PART I

INTRODUCTION

This Official Statement, which includes the front cover, this Part I, Part II and the Appendices hereto, provides certain information concerning the Colorado Housing and Finance Authority (the "**Authority**") and otherwise in connection with the offer and sale of the above-captioned Bonds (being collectively referred to herein as the "**2003 Series A Bonds**"). The 2003 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 2003 Series A Indenture dated as of September 1, 2003 (the "**2003 Series A Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank West, National Association, as Trustee (the "**Trustee**"). Capitalized terms used herein and not defined have the meanings specified in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE " in **Appendix 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 2003 Series A Bonds to potential investors is made only by means of the entire Official Statement. This Official Statement does not constitute a contract between the Authority or the Underwriters, and any one or more owners of the 2003 Series A Bonds.

Colorado Housing and Finance Authority

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

Authority for Issuance

The 2003 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 2003 Series A Bonds are being issued and secured under the Indenture.

Purpose of the 2003 Series A Bonds

Proceeds of the 2003 Series A-1 Bonds are expected to be used to acquire and originate certain commercial and multi-family housing loans (or participation interests in such loans) as described in **Appendix G-1** hereto made to Borrowers to assist them in financing or refinancing projects in Colorado which will be deposited to the credit of the 2003 Series A subaccount of the Acquisition Fund. See "Part I – PLAN OF FINANCE – Use of Proceeds for Loan Acquisition and Origination." Proceeds of the 2003 Series A-2 Bonds, together with other legally available funds, will be used on October 1, 2003 to redeem and pay the Authority's outstanding Multi-Family Housing Insured Mortgage Revenue Bonds, 1993 Series A (the "**1993 Series A Bonds**"), as described in "Part I – PLAN OF FINANCE – Redemption and Payment of the 1993 Series A Bonds." In connection with such redemption and payment of the 1993 Series A Bonds, the multi-family housing loans financed with proceeds of the 1993 Series A Bonds will be deposited to the credit of the 2003 Series A subaccount of the Acquisition Fund and pledged in the Trust Estate under the Indenture. The Loans to be so acquired, originated and deposited are referred to herein as the "**2003A Loans**." See "Part I – CERTAIN PROGRAM ASSUMPTIONS - The 2003A Loans." In addition, proceeds of the 2003 Series A Bonds will be used to make required deposits to certain funds and accounts, including the Debt Service Reserve Fund, as described in "Part I – PLAN OF FINANCE - Sources and Uses of Funds."

Description of the 2003 Series A Bonds

Interest Rates and Payments

The Authority's Multi-Family/Project Class I Taxable Adjustable Rate Bonds, 2003 Series A-1 (the "**2003 Series A-1 Bonds**") and the Authority's Multi-Family/Project Class II Taxable Adjustable Rate Bonds, 2003 Series A-2 (the "**2003 Series A-2 Bonds**" and, together with the 2003 Series A-1 Bonds, the "**2003 Series A Bonds**") initially will bear interest at a Weekly Rate. While in a Weekly Rate Mode, interest on the 2003 Series A Bonds will be determined and adjusted weekly and is payable semiannually on April 1 and October 1 of each year, commencing April 1, 2004, as described in "Part I – TERMS OF THE 2003 SERIES A BONDS – Interest Rates," and computed on the basis of a 365-day year or a 366-day year, as applicable for the number of days actually elapsed. The 2003 Series A Bonds are to be issued in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000 and will mature on the dates and in the amounts shown on the cover hereof (unless redeemed prior to maturity).

Redemption and Tender

The 2003 Series A Bonds are subject to special and optional redemption prior to maturity, as described under "Part I – TERMS OF THE 2003 SERIES A BONDS – Prior Redemption." The 2003 Series A Bonds are also subject to optional and mandatory tender for purchase as described under "Part I – TERMS OF THE 2003 SERIES A BONDS – Optional Tender and Purchase" and "– Mandatory Purchase." See also "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

For a more complete description of the 2003 Series A Bonds and the Indenture pursuant to which such 2003 Series A Bonds are being issued, see "Part I – TERMS OF THE 2003 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 and the Loans (collectively, the "**Trust Estate**"). See Part II – "SECURITY FOR THE OBLIGATIONS." In accordance with the Indenture, Obligations may also be designated as general obligations of the Authority. As of September 1, 2003, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$318,975,000 for the Class I Bonds, \$28,180,000 for the Class II Bonds and \$35,995,000 for the Class III Bonds. The Outstanding Class III Bonds have been designated as general obligations of the Authority. See **Appendix B – "OUTSTANDING MASTER INDENTURE OBLIGATIONS."**

The 2003 Series A Bonds are being issued as Class I Obligations and Class II Obligations pursuant to the Indenture and will be secured by and payable from the Trust Estate as described herein. See "Part I – CERTAIN PROGRAM ASSUMPTIONS." None of the 2003 Series A Bonds are being issued as Class III Obligations or Class IV Obligations. The 2003 Series A-1 Bonds are also being designated as general obligations of the Authority. In addition, the 2003 Series A Bonds are secured by the Debt Service Reserve Fund established under the Master Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS - Debt Service Reserve Fund" and "Part II - SECURITY FOR THE OBLIGATIONS." **In no event shall the 2003 Series A Bonds constitute an obligation or liability of the State or any political subdivision thereof. The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof other than the general credit of the Authority, which general credit is not pledged for payment of the 2003 Series A-2 Bonds.** Upon delivery of the 2003 Series A Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for the 2003 Series A Bonds (the "**Initial 2003A Liquidity Facility**") with Federal Home Loan Bank of Topeka as the initial standby bond purchaser (referred to herein as the "**2003A Liquidity Facility Provider**"). See **Appendix H – "CERTAIN TERMS OF THE INITIAL 2003A LIQUIDITY FACILITY"** and **Appendix I – "THE 2003A LIQUIDITY FACILITY PROVIDER."** UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE 2003A LIQUIDITY FACILITY PROVIDER TO PURCHASE 2003 SERIES A BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE TERMINATED OR SUSPENDED AND, IN SOME OF SUCH CIRCUMSTANCES, THE TERMINATION OR SUSPENSION OF SUCH OBLIGATION WILL BE IMMEDIATE AND WITHOUT NOTICE TO SUCH OWNERS. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE 2003 SERIES A BONDS TENDERED BY THE OWNERS OF THE 2003 SERIES A BONDS OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE INITIAL 2003A LIQUIDITY FACILITY DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2003 SERIES A BONDS.

Professionals Involved in the Offering

In connection with the issuance and sale of the 2003 Series A Bonds, Sherman & Howard L.L.C., as Bond Counsel, will deliver the opinion included as **Appendix E** hereto. Certain legal matters relating to the 2003 Series A Bonds will be passed upon for the Underwriters by their counsel, Bookhardt & O'Toole. Certain legal matters will be passed upon for the Authority by its Director of Legal Operations,

James A. Roberts, Esq. and its Disclosure Counsel, Hogan & Hartson, L.L.P., and for the 2003A Liquidity Facility Provider by its general counsel, Richard L. Schaplowsky, Esq.

Availability of Continuing Information

The Authority has not agreed to provide continuing financial or other information for the benefit of the owners of the 2003 Series A Bonds while in any Daily Mode or Weekly Mode, or a Term Mode or Commercial Paper Mode equal to or less than nine months. However, the Authority is obligated, in connection with certain other outstanding Bonds under the Master Indenture, to file certain financial information and operating data relating to the Trust Estate with the national repositories on an annual basis.

Investment Considerations

The purchase and ownership of the 2003 Series A Bonds involve investment risks. Prospective purchasers of the 2003 Series A Bonds are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2003 Series A Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."

TERMS OF THE 2003 SERIES A BONDS

General Terms

The 2003 Series A Bonds will be dated the date of delivery and will mature, subject to prior redemption or purchase as described below, in the amounts and on the dates set forth on the front cover page of this Official Statement. The principal or redemption price of the 2003 Series A Bonds is payable at the corporate trust office of Wells Fargo Bank West, National Association, the Paying Agent and the Trustee for the 2003 Series A Bonds. Interest on the 2003 Series A Bonds will be payable on the Interest Payment Dates to Cede & Co. The 2003 Series A Bonds are subject to redemption as described in "Prior Redemption" under this caption.

DTC will act as securities depository for the 2003 Series A Bonds. The ownership of one fully registered Bond for each maturity as set forth on the front cover page, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. Information concerning the book-entry system provided by DTC is set forth in **Appendix F – "BOOK-ENTRY SYSTEM."** **So long as the 2003 Series A Bonds are registered in the DTC book-entry form described in Appendix F, each Beneficial Owner of a 2003 Series A Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2003 Series A Bonds.**

The Indenture provides the Authority with the right to discharge the pledge and lien created by the Indenture with respect to any 2003 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 2003 Series A Bonds at the maturity or redemption thereof. See **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Defeasance."**

Interest Rates

Generally

The 2003 Series A Bonds initially will bear interest at respective Weekly Rates determined prior to the date of delivery by Lehman Brothers Inc. Thereafter, the interest rate on any of the 2003 Series A Bonds may be adjusted to a Commercial Paper Rate, Daily Rate, Term Rate, SAVRS Rate or Fixed Rate, as described herein. While the 2003 Series A Bonds are in an Interest Period for a Mode other than a Daily Mode or SAVRS Rate Mode, interest will be payable on each April 1 and October 1, commencing April 1, 2004, on any redemption date or Mode Change Date and on the Maturity Date.

While in an Interest Period for a Term Rate Mode shorter than one year, a Commercial Paper Mode, a Daily Mode or a Weekly Mode, interest on the 2003 Series A Bonds is to be calculated on the basis of the actual number of days in a year for the actual number of days elapsed. Interest on the 2003 Series A Bonds in a SAVRS Rate Mode, Fixed Rate Mode or a Term Rate Mode of one year or longer is to be computed on the basis of a 360-day year comprised of twelve 30-day months. The 2003 Series A Bonds in a Daily Mode, Weekly Mode, Commercial Paper Mode or SAVRS Rate Mode may be purchased in denominations of \$100,000, or any integral multiples of \$5,000 in excess of \$100,000. 2003 Series A Bonds in a Term Rate Mode or Fixed Rate Mode are issuable in denominations of \$5,000 or any integral multiple thereof.

Determination of Interest Rate

General. The 2003 Series A Bonds may bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Term Rate or a SAVRS Rate or a Fixed Rate. The Mode of the 2003 Series A Bonds from the delivery date, until further designation by the Authority, will be the Weekly Mode. Thereafter, the Authority may change any of the 2003 Series A Bonds from one Mode to another Mode as described in "Adjustment Between Modes" under this caption. The interest rate on the 2003 Series A Bonds (other than when in a SAVRS Rate Mode) is to be determined by the 2003A Remarketing Agent in accordance with the Indenture as described below. The interest on any 2003 Series A Bonds may also be changed to a SAVRS Rate. The SAVRS Rate for each respective SAVRS Mode Period will be determined pursuant to auctions conducted in accordance with procedures set forth in a Supplemental Indenture to be entered into in connection with the SAVRS Rate Conversion Date. *This Official Statement does not contain a detailed description of SAVRS Rate Bonds, auction procedures and other relevant information relating thereto.*

*Conversion of the interest rate on the 2003 Series A Bonds such that all of the 2003 Series A Bonds bear interest at a Fixed Interest Rate or the SAVRS Rate would result in a termination of the Initial 2003A Liquidity Facility. See **Appendix H** - "CERTAIN TERMS OF THE INITIAL 2003A LIQUIDITY FACILITY."*

Weekly Rate. During any Interest Period in which any 2003 Series A Bonds are in a Weekly Mode, the 2003A Remarketing Agent is to determine the Weekly Rate by 4:00 p.m., Eastern time, on Tuesday of each week or, if such Tuesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day next preceding such Tuesday. The Weekly Rate determined by the 2003A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2003A Remarketing Agent under then-existing market conditions, would result in the sale of the 2003 Series A Bonds on such date at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2003A Remarketing Agent fails to establish a Weekly Rate for any week (or if the method for determining the Weekly Rate shall be held to be unenforceable by a court of law of competent jurisdiction), then such 2003 Series A Bonds are to bear interest from the last date on which the Weekly Rate was determined by the 2003A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2003A Remarketing Agent determines the Weekly Rate (or until there is delivered an opinion of counsel to the effect that the method of

determining such interest was enforceable) at the One Month LIBOR Rate plus 0.20% as reported on the day such Weekly Rate would otherwise have been determined by the 2003A Remarketing Agent. The 2003A Remarketing Agent is to make the Weekly Rate available: (i) after 4:00 p.m., Eastern time, on the date of determination of such rate by telephone to any Owner, the Authority, the Trustee, the Paying Agent and the Liquidity Facility Provider; and (ii) by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or other transmission, to the Paying Agent, not later than 4:00 p.m., Eastern time, on the second Business Day after the date of such rate determination.

Daily Rate. During any Interest Period in which any 2003 Series A Bonds are in a Daily Mode, the 2003A Remarketing Agent is to determine the Daily Rate by 10:00 a.m., Eastern time, on each Business Day. The Daily Rate for any day during the Daily Rate Mode which is not a Business Day will be the Daily Rate established as of the immediately preceding Business Day. The Daily Rate determined by the 2003A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2003A Remarketing Agent under then-existing market conditions, would result in the sale of such 2003 Series A Bonds on the date of rate determination at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2003A Remarketing Agent fails to establish a Daily Rate for any day (or if the method for determining the Daily Rate shall be held to be unenforceable by a court of law of competent jurisdiction), then such 2003 Series A Bonds are to bear interest from the last date on which the Daily Rate was determined by the 2003A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2003A Remarketing Agent determines the Daily Rate (or until there is delivered an opinion of counsel to the effect that the method of determining such interest was enforceable) at the last lawful interest rate set by the 2003A Remarketing Agent.

Term Rates. During any Interest Period in which any 2003 Series A Bonds are in a Term Rate Mode, the 2003A Remarketing Agent is to determine the Term Rate by 4:00 p.m., Eastern time, on a Business Day no earlier than 30 Business Days and no later than the Business Day next preceding the first day of an Interest Period. The Term Rate determined by the 2003A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2003A Remarketing Agent, will result in the sale of such 2003 Series A Bonds at a price equal to the principal amount thereof. If, for any reason, a new Term Rate for a 2003 Series A Bond that has been in the Term Rate Mode and is to continue in the Term Rate Mode is not or cannot be established, then (i) if such 2003 Series A Bond is secured by a Liquidity Facility, it will be changed automatically to the Commercial Paper Mode with an Interest Period and Commercial Paper Rate to be determined by the 2003A Remarketing Agent in accordance with the Indenture or (ii) if such 2003 Series A Bond is not secured by a Liquidity Facility, then such Bond shall stay in the Term Rate Mode for an Interest Period ending on the next April 1 or October 1 and shall bear interest based on the One-Year LIBOR Rate in effect on such Rate Determination Date plus 0.20%. The bonds upon which the index is based shall include not less than five "high grade" component issuers selected by Kenny Information Systems which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by Kenny Information Systems in its discretion. The yield evaluation period for the index shall be a one year evaluation. The 2003A Remarketing Agent is to give written notice of the Term Rate to the Authority and the Paying Agent upon request. If a new Interest Period is not selected by the Authority prior to the Business Day next preceding the Purchase Date for the Interest Period then in effect, the new Interest Period will be the same length as the current Interest Period, or such lesser period necessary to prevent the Interest Period from extending beyond the date which is five Business Days prior to the stated term, expiration date or termination date of the Liquidity Facility, or such date as it may be extended, or any earlier date on which the Liquidity Facility is to terminate, expire or be cancelled. No Interest Period in the Term Rate Mode may extend beyond the applicable Maturity Date.

Fixed Rate. During each Fixed Rate Mode for any 2003 Series A Bonds, the 2003A Remarketing Agent is to determine the Fixed Rate by 4:00 p.m., Eastern time, no later than the Business Day prior to the

first day of the Fixed Rate Mode. The Fixed Rate determined by the 2003A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2003A Remarketing Agent would result in the sale of such 2003 Series A Bonds on the date of rate determination at a price equal to the principal amount thereof. Upon request of any Owner, the Authority, the Trustee, the Paying Agent or the Liquidity Facility Provider the 2003A Remarketing Agent is to make the Fixed Rate available by telephone and by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or other transmission.

Commercial Paper Rates. On the first day of each Interest Period for a 2003 Series A Bond in a Commercial Paper Mode, the 2003A Remarketing Agent is to select for such 2003 Series A Bond the Interest Period which would result in the 2003A Remarketing Agent being able to remarket such 2003 Series A Bond at par in the secondary market at the lowest interest rate then available and for the longest Interest Period available at such rate, provided that if on the first day of any Interest Period the 2003A Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Interest Period would result in a lower average interest cost on such 2003 Series A Bond, then the 2003A Remarketing Agent is to select the Interest Period which in the judgment of the 2003A Remarketing Agent would permit such 2003 Series A Bond to achieve such lower average interest cost; provided, however, that if the 2003A Remarketing Agent has received notice from the Authority that any 2003 Series A Bond is to be changed from the Commercial Paper Mode to any other Mode or is to be purchased in accordance with a mandatory purchase pursuant to the Indenture, the 2003A Remarketing Agent shall, with respect to such 2003 Series A Bond, select Interest Periods which do not extend beyond the Mandatory Purchase Date. On or after 4:00 p.m., Eastern time, on the Business Day next preceding the first day of each Interest Period for a 2003 Series A Bond in the Commercial Paper Mode, any Owner of such 2003 Series A Bond may telephone the 2003A Remarketing Agent and receive notice of the anticipated next Interest Period and the anticipated Commercial Paper Rate for such Interest Period for such 2003 Series A Bond. To receive payment of the Purchase Price, the Owner of any 2003 Series A Bond in the Commercial Paper Mode must present such Bond to the Paying Agent by 12:00 noon, Eastern time, on the first day of the Interest Period for a Commercial Paper Mode, in which case the Paying Agent shall pay the Purchase Price to such Owner by the close of business on the same day. By 12:30 p.m., Eastern time, on the first day of each Interest Period for a Commercial Paper Mode, the 2003A Remarketing Agent is to determine the Commercial Paper Rate for the Interest Period then selected for such 2003 Series A Bond and is to give notice to the Paying Agent by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission, of the new Owner, the Interest Period, the Purchase Date and the Commercial Paper Rate. By 1:00 p.m., Eastern time, on the first day of each Interest Period for a Commercial Paper Mode, the 2003A Remarketing Agent is to assign CUSIP numbers for each Commercial Paper Bond for which a Commercial Paper Rate and Interest Period have been determined on such date and notify the Paying Agent of such assignment by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

Adjustment Between Modes

Any change to a different Mode requires delivery to the Trustee, the Paying Agent and the 2003A Remarketing Agent of: (i) a notice from each Rating Agency confirming that the rating on the 2003 Series A Bonds will not be withdrawn (other than a withdrawal of a short term rating upon a change to the Term Rate Mode or Fixed Rate Mode) as a result of such change in Mode; (ii) if the change is from a Short-Term Mode to a Term Rate Mode, SAVRS Rate Mode or Fixed Rate Mode, or from a Term Rate Mode to a Short-Term Mode, a favorable opinion of bond counsel; and (iii) a Liquidity Facility (except if the change is to the Fixed Rate Mode or, in the case of a change to a Term Rate, the Authority elects not to have a Liquidity Facility with respect to such Bonds in a Term Rate Mode). The Authority may change a 2003 Series A Bond (other than a 2003 Series A Bond in the Fixed Rate Mode) from one Mode to another Mode by giving written notice

no later than the 45th day (or such shorter time as may be agreed upon by the Authority, the Trustee, the Paying Agent and the 2003A Remarketing Agent) preceding the proposed date of Mode change to the Trustee, the Paying Agent and the Liquidity Facility Provider. Such notice is to include: (i) the new Mode; (ii) the length of the initial Interest Period if the change is to a Term Rate Mode; and (iii) whether or not the 2003 Series A Bonds to be converted to a new Mode will be covered by the 2003A Liquidity Facility. The Trustee is to give notice to Owners of 2003 Series A Bonds by mail no less than 30 days prior to the proposed date of the Mode change stating that such Bonds are subject to mandatory purchase on such date. The 2003 Series A Bonds are subject to mandatory purchase on any day on which a different Mode for such Bonds begins. See "Mandatory Purchase - Mandatory Purchase on Mode Change Date" under this caption. **So long as the 2003 Series A Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

Optional Tender and Purchase

Optional Tender during a Weekly Mode or Daily Mode

During any Interest Period for a Weekly Mode or Daily Mode, any 2003 Series A Bond (other than a Bank Bond) is to be purchased in an Authorized Denomination from its Owner at the option of the Owner on any Business Day at a purchase price equal to the principal amount thereof tendered for purchase plus accrued interest to the Purchase Date defined below (the "**Purchase Price**"), payable by wire transfer in immediately available funds, upon delivery to the 2003A Remarketing Agent of an irrevocable telephonic notice in the case of 2003 Series A Bonds in the Daily Mode and an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed in writing to the Paying Agent, in the case of 2003 Series A Bonds in the Weekly Mode, which notice states the CUSIP number, the Bond number, the principal amount of such 2003 Series A Bond, the principal amount thereof to be purchased and the date on which the same is to be purchased (the "**Purchase Date**"), which date is to be a Business Day specified by the Owner. In the case of 2003 Series A Bonds tendered for purchase during the Daily Mode, such notice is to be delivered by the Owner by no later than 11:00 a.m., Eastern time on such Business Day. In the case of 2003 Series A Bonds tendered for purchase during the Weekly Mode, such notice is to be delivered by the Owner by no later than 4:00 p.m., Eastern time on a Business Day not less than seven days before the Purchase Date specified by the Owner in such notice. For payment of such Purchase Price, such 2003 Series A Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date. An Owner who gives the notice described above may repurchase the Bonds so tendered, if the 2003A Remarketing Agent agrees to sell the tendered Bonds to such Owner, in which case the delivery requirements set forth above will be waived.

Optional Purchase at End of Term Rate Period

Unless such 2003 Series A Bonds are being changed to a Mode other than another Term Rate Mode, the owner of 2003 Series A Bonds in a Term Rate Mode may act to have its Bond (or portions thereof in Authorized Denominations) purchased on the last day of any Interest Period for a Term Rate Mode (or the next Business Day if such last day is not a Business Day) (the "**Purchase Date**") at a purchase price equal to the principal amount thereof tendered for purchase (the "**Purchase Price**") upon delivery to the 2003A Remarketing Agent of an irrevocable written notice of tender or an irrevocable telephonic notice of tender, confirmed in writing to the Paying Agent, which notice states the CUSIP number, the Bond number and the principal amount of such 2003 Series A Bond to be purchased. Such notice is to be given not later than 10:00 a.m. on a Business Day not less than seven days before such last day of the Interest Period. For payment of such Purchase Price, such 2003 Series A Bonds are to be delivered (with all

necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date.

Mandatory Purchase

Mandatory Purchase at End of Commercial Rate Period

On the last day of any Interest Period for the Commercial Paper Mode, the 2003 Series A Bonds in such mode are subject to mandatory tender without notice at the Purchase Price. Owners are to deliver such Bonds to the office of the Paying Agent in Denver, Colorado, at or before 12:00 noon, Eastern time, on such date. Payment of the Purchase Price is to be made by wire transfer of immediately available funds by the close of business on such date.

Mandatory Purchase on Mode Change Date

2003 Series A Bonds to be changed from one Mode to another Mode will be subject to mandatory tender for purchase on each day on which a new Mode for such Bonds begins (the "**Mode Change Date**") at a purchase price equal to the Purchase Price. The Trustee is to give notice by first-class mail, or transmitted in such other matter (such as by electronic means) as may be customary for the industry as directed in writing by the Authority, to the Owners of such Bonds no less than 30 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, the numbers of the 2003 Series A Bonds to be purchased if less than all of the Bonds owned by such Owners are to be purchased and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2003 Series A Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which such notice was mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by the Owner. 2003 Series A Bonds subject to mandatory purchase on the Mandatory Purchase Date are to be delivered (with all necessary endorsements) to the office of the Paying Agent in Denver, Colorado at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the close of business on the Mandatory Purchase Date. **So long as the 2003 Series A Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

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

In the event that the Authority does not replace a Liquidity Facility with another Liquidity Facility prior to its expiration date in accordance with the Indenture, the 2003 Series A Bonds having the benefit of such Liquidity Facility will be subject to mandatory purchase on the earlier of the last Interest Payment Date before the then current Liquidity Facility expires (whether at the stated expiration date thereof or earlier termination date) or 45 days before such stated expiration date or earlier termination date. In addition, in the event that on or prior to the 45th day next preceding the date on which an Alternate Liquidity Facility is to be substituted for the current Liquidity Facility (the "**Substitution Date**") the Authority has failed to deliver to the Paying Agent a Rating Confirmation Notice in connection with such substitution, the 2003 Series A Bonds having the benefit of the Liquidity Facility will be subject to mandatory tender for purchase five Business Days prior to the Substitution Date. The Trustee is to give notice by first-class mail (or transmitted in such other manner, such as electronic means, as may be customary for the industry as directed in writing by the Authority) to the Owners of the 2003 Series A Bonds subject to mandatory purchase no less than 30 days prior to the Mandatory Purchase Date. Such notice is to state the Mandatory Purchase Date, the Purchase Price, and that interest on such

Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to transmit such notice with respect to any 2003 Series A Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which such notice was transmitted. Any notice transmitted as aforesaid will be conclusively presumed to have been given, whether or not actually received by the Owner. For payment of such Purchase Price, such 2003 Series A Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Mandatory Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Mandatory Purchase Date.

The obligation of the 2003A Liquidity Facility Provider to purchase 2003 Series A Bonds under the Initial 2003A Liquidity Facility is subject to the conditions that the long-term ratings of such 2003 Series A Bonds by Moody's and S&P are not lower than "Baa2" and "BBB," respectively. See Appendix H - "CERTAIN TERMS OF THE INITIAL 2003A LIQUIDITY FACILITY."

Mandatory Purchase Upon Termination of Initial 2003A Liquidity Facility

The 2003 Series A Bonds will be subject to mandatory purchase if the Trustee receives notice from the 2003A Liquidity Facility Provider that the Initial 2003A Liquidity Facility will be terminated in accordance with the provisions thereof because of the occurrence and continuance of certain specified events while any of the 2003 Series A Bonds are outstanding. Such 2003 Series A Bonds will be subject to mandatory tender for purchase on a Business Day which is at least ten days subsequent to such notice from the 2003A Liquidity Facility Provider and at least five Business Days prior to the termination of the Initial 2003A Liquidity Facility. The Trustee is to give notice by first-class mail (or transmittal in such other manner, such as by electronic means, as may be customary for the industry as directed in writing by the Authority) to the Owners of the 2003 Series A Bonds subject to such mandatory purchase within two Business Days after receipt of notice from the 2003A Liquidity Facility Provider. Such notice is to state the Mandatory Purchase Date, the Purchase Price, and that interest on such Bonds subject to mandatory purchase will cease to accrue from and after the Mandatory Purchase Date. The failure to transmit such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which such notice was transmitted. Any notice transmitted as aforesaid will be conclusively presumed to have been given, whether or not actually received by the Owner. For payment of such Purchase Price, such 2003 Series A Bonds are to be delivered (with all necessary endorsements) at or before 12:00 noon, Eastern time, on the Purchase Date at the office of the Paying Agent in Denver, Colorado. Payment of the Purchase Price is to be made by wire transfer in immediately available funds by the Paying Agent by the close of business on the Purchase Date.

Payment of Tender Price Upon Purchase

Any 2003 Series A Bonds required to be purchased in accordance with the Indenture as described above are to be purchased from the Owners thereof on the Purchase Date at the Purchase Price. The Indenture creates a separate fund (the "**Purchase Fund**") to be maintained by the Paying Agent, with separate accounts designated as the Remarketing Proceeds Account and the Standby Purchase Account. Funds for the payment of the Purchase Price are to be made solely from the following sources in the order of priority indicated:

- (1) proceeds of the sale of remarketed 2003 Series A Bonds (except proceeds of remarketed Bank Bonds to the extent applied to any amount owing to the 2003A Liquidity Facility Provider) pursuant to the Indenture and the Remarketing Agreement and furnished to the

Tender Agent by the 2003A Remarketing Agent for deposit into the Remarketing Proceeds Account; and

(2) money furnished by the 2003A Liquidity Facility Provider to the Trustee for deposit with the Paying Agent from requests under the Initial 2003A Liquidity Facility, if any, as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2003A LIQUIDITY FACILITY."

Moneys held in the Standby Purchase Account and the Remarketing Proceeds Account will be held by the Trustee uninvested and separate and apart from all other funds and accounts. **So long as the 2003 Series A Bonds are registered in the DTC book-entry system described in Appendix F, any notices will be sent only to DTC's nominee.**

Prior Redemption

Special Redemption

Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions. The 2003 Series A Bonds are subject to special redemption prior to maturity, in whole or in part at any time, upon notice as provided in the Master Indenture, at a Redemption Price equal to 100% of the Aggregate Principal Amount of the 2003 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 2003 Series A Subaccount of the Class I Special Redemption Account of the Redemption Fund and the 2003 Series A Subaccount of the Class II Special Redemption Account of the Redemption Fund, on the 45th day prior to the redemption date. Amounts on deposit in the Revenue Fund, including Loan Repayments and Prepayments and amounts in excess of applicable Debt Service Reserve Fund Requirements transferred to the Revenue Fund from the applicable account of the Debt Service Reserve Fund, are to be transferred to the applicable Special Redemption Accounts at the election of the Authority and as otherwise required in accordance with the provisions of the Master Indenture described in **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund."

It is anticipated that moneys will be available to redeem a substantial portion of the 2003 Series A Bonds without premium in accordance with the preceding paragraph. Such moneys may be directed to the Class I Special Redemption Account (with respect to the Class I Bonds) or the Class II Special Redemption Account (with respect to the Class II Bonds) of the Redemption Fund and available for this redemption as a result of excess revenues resulting from 2003A Loan payments, voluntary disposition of 2003A Loans, voluntary or involuntary prepayments of the 2003A Loans, proceeds received as a result of damage, destruction or condemnation of Authority Projects if financed or refinanced with proceeds of the 2003 Series A Bonds, and other such sources.

Cross-Calls and Recycling. Pursuant to the Master Indenture, the Authority may by delivery of an Authority Request to the Trustee, instruct the Trustee to transfer moneys on deposit in any Series subaccount of a Class Account of the Redemption Fund to any other Series subaccount of the same Class Account to be applied to the redemption of the same Class of Bonds of a different Series. Any such Authority Request is to (i) certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture, and (ii) be accompanied by evidence of satisfaction of all Asset Requirements for the 2003 Series A Bonds; subject to the restrictions on use of certain Loan Repayments and Prepayments as discussed above under "Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions." See "Notice of Redemption" under this caption. However, the 2003 Series A Indenture, the 2000 Series B Indenture and the 2001 Series A Indenture prohibit cross calls and other Series Indentures may in the future prohibit such cross calls, with respect to Related Series

of Bonds. In addition, the Master Indenture permits the Authority, by delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, to instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Revenue Fund to a Related subaccount of the Loan Recycling Account to be used to finance or refinance Loans or Authority Projects as permitted by the Master Indenture. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund." *The Authority may transfer Prepayments or Loan Repayments to the Loan Recycling Account of the Program Fund to finance Loans or transfer such Prepayments or Loan Repayments to the Special Redemption Accounts of the Redemption Fund at any time in accordance with the Master Indenture.* See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

Optional Redemption

2003 Series A Bonds – Weekly Mode, Daily Mode or Commercial Paper Mode. The 2003 Series A Bonds may be redeemed prior to maturity at the option of the Authority from any source, including without limitation unexpended proceeds of the 2003 Series A Bonds or the proceeds of refunding bonds or other financing provided by the Authority or from the sale or other voluntary disposition of Loans and Authority Projects, in whole or in part, in Authorized Denominations on any date during Interest Periods for a Weekly Mode or Daily Mode and on the last day of the Interest Period for such 2003 Series A Bonds during Interest Periods for a Commercial Paper Mode, at a redemption price equal to 100% of the Aggregate Principal Amount of 2003 Series A Bonds to be so redeemed.

2003 Series A Bonds – Term Rate Mode. During any Interest Period for a Term Rate Mode, the 2003 Series A Bonds may be redeemed in whole or in part on any date (and if in part, by lot or by such other method as the Paying Agent determines to be fair and reasonable and in Authorized Denominations) at the option of the Authority from any source, including without limitation unexpended proceeds of the 2003 Series A Bonds or proceeds of refunding bonds or other financing provided by the Authority or from the sale or other voluntary disposition of Loans and Authority Projects, at a redemption price equal to 100% of the principal amount of 2003 Series A Bonds to be so redeemed, plus accrued interest, if any, to the redemption date; provided that if on the day on which the Term Rate Mode begins, the length of the Interest Period: (i) is greater than 15 years, then such 2003 Series A Bonds will be subject to such optional redemption on any date on or after the first April 1 or October 1 following the tenth anniversary of the beginning of such Mode; and (ii) is equal to or less than 15 years, but greater than 10 years, then such 2003 Series A Bonds will be subject to such optional redemption on any date on or after the first April 1 or October 1 following the seventh anniversary of the beginning of such Mode. The 2003 Series A Bonds will not be subject to optional redemption during a particular Term Rate Mode if, on the day on which the Term Rate Mode begins, the length of the Interest Period is equal to or less than ten years. The Authority, in connection with a change to a Term Rate, may waive or otherwise alter its rights to direct the redemption of any such 2003 Series A Bonds so changed to a Term Rate Mode at any time without premium; provided that, notice describing the waiver or alteration must be submitted to the Paying Agent, the Trustee and the 2003A Remarketing Agent, together with a favorable opinion of bond counsel, addressed to them.

2003 Series A Bonds – Fixed Rate Mode or SAVRS Rate Mode. After a conversion, if any, to the Fixed Rate Mode or SAVRS Rate Mode, such 2003 Series A Bonds may be redeemed prior to maturity as provided in the Supplemental Indenture to be entered into in connection with such conversion.

Selection of Bonds for Redemption

If less than all of the 2003 Series A Bonds are to be redeemed, the Authority may, by Authority Request certifying that it is consistent with the most recently filed Related Cash Flow Statement, direct the redemption of 2003 Series A Bonds in any amounts and order of maturity of any Class, series, maturity or maturities, provided that Bank Bonds are to be redeemed prior to any other 2003 Series A Bonds and further provided that, except to the extent necessary to prevent an Event of Default or unless otherwise approved in an opinion of Bond Counsel, (a) moneys on deposit in the 2003 Series A subaccount of the Class I Special Redemption Account and in the 2003 Series A subaccount of the Class II Special Redemption Account shall be applied only to the redemption of the 2003 Series A-1 Bonds and the 2003 Series A-2 Bonds, respectively, and (b) no moneys Unrelated to the 2003 Series A Bonds shall be transferred to the 2003 Series A subaccounts of the Special Redemption Account. In the event that the Authority does not provide such direction, and if less than all of the 2003 Series A Bonds are to be redeemed, the Trustee is to select for redemption a pro rata amount of the 2003 Series A Bonds of each maturity of the 2003 Series A Bonds for redemption. If less than all 2003 Series A Bonds of like Class and maturity are to be redeemed, the particular 2003 Series A Bonds or portions of 2003 Series A Bonds to be redeemed are to be selected by lot as the Bond Registrar in its discretion may deem fair and appropriate.

Notice of Redemption

When any 2003 Series A Bonds are to be redeemed, the Bond Registrar is to cause notice of such redemption to be mailed by first class mail, or transmitted in such other manner (such as by readily available electronic means) as may be customary for the industry as directed in writing by the Authority, not more than 60 days nor less than 25 days prior to the redemption date, to the registered owner of each 2003 Series A Bond to be redeemed at such Owner's address as it appears in the registration records of the Bond Registrar or at such other address as is furnished in writing by such Owner to the Bond Registrar. However, failure to give any such notice to any Owner, or any defect therein, shall not affect the validity of the redemption proceedings for any 2003 Series A Bond with respect to which no such failure or defect has occurred. **So long as the 2003 Series A Bonds are registered in the DTC book-entry system described in Appendix F, such notices will be sent only to DTC's nominee.**

PLAN OF FINANCE

Sources and Uses of Funds

The following are the estimated sources and uses of funds relating to the 2003 Series A Bonds.

	<u>Estimated Amounts</u>
SOURCES OF FUNDS:	
Bond proceeds:	
2003 Series A-1 Bonds.....	\$37,415,000
2003 Series A-2 Bonds.....	11,365,000
Legally available funds of the Authority (1).....	<u>5,559,357</u>
TOTAL SOURCES OF FUNDS.....	<u>\$54,339,357</u>
USES OF FUNDS:	
For loan acquisition and origination (2).....	\$34,075,727
For redemption and payment of 1993 Series A Bonds (3)	15,922,005
Deposit to Debt Service Reserve Fund (4).....	3,600,000
For costs of issuance and Underwriters' compensation (5).....	<u>541,625</u>
TOTAL USES OF FUNDS.....	<u>\$54,339,357</u>

- (1) Such amounts represent funds legally available to the Authority to be used as described in "Redemption and Payment of the 1993 Series A Bonds" under this caption.
- (2) Proceeds of the 2003 Series A-1 Bonds will be deposited to the 2003 Series A subaccount of the Acquisition Account and used to acquire and originate certain multi-family and commercial loans of the Authority as described in "Use of Proceeds for Loan Acquisition and Origination" under this caption. See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2003A Investment Agreement."
- (3) Proceeds of the 2003 Series A-2 Bonds, together with other legally available funds, will be used on October 1, 2003 to redeem and pay the Authority's outstanding 1993 Series A Bonds, as described in "Redemption and Payment of the 1993 Series A Bonds" under this caption. Until October 1, 2003, such proceeds of the 2003 Series A-2 Bonds will be held under the Indenture in the 2003 Series A subaccount of the Acquisition Account.
- (4) See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund" and "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund." Such deposit will be invested in other permitted investments under the Indenture. Under the Indenture, the Authority may at any time replace such cash or deposit with a Qualified Surety Bond.
- (5) Such proceeds shall be deposited to the Costs of Issuance Account in the Program Fund and used to pay costs of issuance and Underwriters' compensation relating to the 2003 Series A Bonds. For information concerning the Underwriters' compensation, see "Part I – UNDERWRITING."

Use of Proceeds for Loan Acquisition and Origination

Certain proceeds of the 2003 Series A-1 Bonds will be deposited to the 2003 Series A subaccount of the Acquisition Account of the Program Fund and are expected to be applied to acquire and originate as 2003A Loans the multi-family and commercial loans described in **Appendix G-1** hereto. See also "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date."

Redemption and Payment of the 1993 Series A Bonds

Generally

The Authority has previously issued its 1993 Series A Bonds of which \$15,440,000 aggregate principal amount presently remains outstanding. The 1993 Series A Bonds in the aggregate principal amount of \$200,000 mature on October 1, 2003 and will be paid upon maturity using revenues available under the general resolution relating to the 1993 Series A Bonds (the "**General Resolution**"). The remaining 1993 Series A Bonds in the aggregate principal amount of \$15,240,000 mature on October 1, 2029 and will be redeemed on October 1, 2003 as follows. An aggregate principal amount of \$3,875,000 of the 1993 Series A Bonds will be redeemed under the special redemption provisions of the General Resolution at a redemption price of 100% using prepayments which have been made on the loans financed with proceeds of the 1993 Series A Bonds. An aggregate principal amount of \$11,365,000 of the 1993 Series A Bonds will be redeemed under the optional redemption provisions of the General Resolution at a redemption price of 102%, using proceeds of the 2003 Series A-2 Bonds deposited to the 2003 Series A subaccount of the Acquisition Account of the Program Fund and other legally available funds of the Authority. Until October 1, 2003, such proceeds of the 2003 Series A-2 Bonds will remain on deposit in the 2003 Series A subaccount and pledged as part of the Trust Estate.

Transfer of Existing Loans

Upon redemption and payment of the 2003 Series A Bonds in full on October 1, 2003 as discussed under this caption, the outstanding loans financed with proceeds of the 1993 Series A Bonds will be deposited to the credit of the 2003 Series A subaccount of the Acquisition Fund and pledged as part of the Trust Estate to secure Obligations under the Master Indenture, including the 2003 Series A Bonds. See "Part II – SECURITY FOR THE 2003 SERIES A BONDS – The Loans and Authority Projects" and **Appendix G-1**.

CERTAIN PROGRAM ASSUMPTIONS

The 2003A Loans

Generally

Certain proceeds of the 2003 Series A-1 Bonds are expected to be used to (i) acquire as 2003A Loans (a) existing uninsured loans (currently held by the Authority in its General Fund) made under the Authority's multi-family SMART loan program and various Authority commercial programs, and (b) federally guaranteed loan participation interests purchased by the Authority under its QIC, QAL and B&I II commercial programs; and (ii) originate as 2003A Loans uninsured loans made under the Authority's commercial programs. See "COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date" and **Appendix G-1** hereto. In connection with the redemption and payment of the 1993 Series A Bonds on October 1, 2003, as described in "Part I – PLAN OF FINANCE," the insured multi-family housing loans financed with proceeds of the 1993 Series A Bonds and described in **Appendix G-1** will be deposited to the credit of the 2003 Series A subaccount of the Acquisition Account and pledged in the Trust Estate under the Indenture as described in "Part I – PLAN OF FINANCE." The loans expected to be so acquired, originated and deposited are referred to herein as the "**2003A Loans**." Restrictions with respect to certain of the projects relating to the 2003A Loans will be imposed on the respective Borrowers. See "The Regulatory Agreements" under this caption. The Master Indenture

permits the Authority to recycle payments and repayments made on any Loans, including the 2003A Loans, to make new Loans, which may include insured, uninsured, first lien or subordinate lien Loans, or to finance Authority Projects, so long as the requirements of the Master Indenture are satisfied. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Program Fund; Loan Recycling Account."

Interest Rates

The existing loans to be acquired with proceeds of the 2003 Series A-1 Bonds deposited to the 2003 Series A subaccount of the Acquisition Account bear interest at the rates or range of rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2003A LOANS – Existing Loans To Be Acquired with the Proceeds of 2003 Series A-1 Bonds." The loans expected to be originated with proceeds of the 2003 Series A-1 Bonds will bear interest at the rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2003A LOANS – Loans to be Originated with the Proceeds of 2003 Series A-1 Bonds."

The outstanding loans securing the 1993 Series A Bonds which will be deposited to the credit of the 2003 Series A subaccount of the Acquisition Account and become 2003A Loans in the Trust Estate will bear interest at the rates shown on the table in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2003A LOANS – Outstanding Loans Financed with 1993 Series A Bonds."

The 2003A Borrowers

The loans expected to be acquired or originated by the Authority as 2003A Loans have been made to particular for-profit and non-profit private organizations as well as local housing authorities, referred to as the "Borrowers" and described in **Appendix G-1** hereto. In the case of certain multifamily loans, repayment of amounts due is a nonrecourse obligation of the respective Borrower, payable solely from revenues generated by the respective project. See "Part II – CERTAIN BONDHOLDERS' RISKS – Limited Security."

The Regulatory Agreements

Simultaneously with the closing of each 2003A Loan relating to a multi-family housing facility, each Borrower has entered into a regulatory agreement with the Authority (collectively, the "**CHFA Regulatory Agreements**") relating to the respective project. The CHFA Regulatory Agreements also contain provisions for verifying compliance with the terms thereof. Upon any breach by a Borrower of any provisions of its CHFA Regulatory Agreement, the Authority may, subject to HUD consent in certain circumstances, take such actions at law or in equity as deemed appropriate under the circumstances for the protection of the Bondholders, including an action for specific performance of the respective CHFA Regulatory Agreement.

Servicing by the Authority

The Authority will service a substantial portion of the 2003A Loans. The Home Finance Division of the Authority will handle the receipt and disbursement of funds related to the 2003A Loans which the Authority is servicing. This includes receiving payments, monitoring and disbursing escrowed funds for taxes and insurance and managing delinquencies and claims. The Asset Management Division of the Authority will oversee compliance by the Borrowers with requirements of the 2003A Loans, including occupancy and rental restrictions with respect to Loans for multi-family housing projects, and will review the financial status of the 2003A Projects. The Authority similarly oversees compliance for certain other Loans outstanding under the Indenture. The other Loans outstanding under the Indenture are

similarly serviced by the Authority or third-party contractors. As a part of a reorganization of the Authority implemented in late July 2003, Authority management has undertaken an assessment of certain organizational processes, primarily related to loan servicing and accounting, and the information technology which supports these processes. Management has identified needs for staff training, process improvements, better documentation of key processes and more effective use of available information technology systems, and intends to devote necessary resources to address these needs over the next several months. For more information concerning the Authority, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

Debt Service Reserve Fund

The Debt Service Reserve Fund Requirement for the 2003 Series A Bonds will be (a) initially, \$3,600,000, and (b) thereafter, as of any date of calculation, the sum of (i) two-thirds of the maximum principal and interest payment due for any period of twelve consecutive calendar months on the 2003A Loans that are insured or guaranteed by the United States of America and any agency or instrumentality thereof, and (ii) the maximum principal and interest payment due for any period of twelve consecutive calendar months on 2003A Loans that are not insured or guaranteed by the United States of America and any agency or instrumentality thereof. Certain proceeds of the 2003 Series A Bonds, together with other legally available funds, will be deposited to the Debt Service Reserve Fund to fund the Debt Service Reserve Fund Requirement for the 2003 Series A Bonds.

For further information with respect to the Debt Service Reserve Fund, see "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund" and **Appendix C** - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Debt Service Reserve Fund."

2003A Investment Agreement

Amounts in the 2003 Series A subaccount of the Acquisition Account will be invested in an investment agreement (the "**2003A Investment Agreement**") between the Trustee and Trinity Plus Funding Company, LLC, a New York limited liability company (the "**2003A Investment Provider**"), at 1.08% per annum, through April 15, 2004 or such earlier date on which the 2003 Series A Bonds are no longer outstanding or all amounts invested in such fund have been withdrawn. Amounts in the 2003 Series A subaccounts of the Debt Service Fund, the Revenue Fund, the Redemption Fund, the Costs of Issuance Account, and prepayments deposited in the Loan Recycling Account will be invested in the 2003A Investment Agreement, subject to certain limitations set forth in the 2003A Investment Agreement, at an annual interest rate equal to the One-Month LIBOR Rate plus 0.15% through April 1, 2005, or such earlier date on which the 2003 Series A Bonds are no longer outstanding or all amounts invested in these funds have been withdrawn. The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the 2003A Investment Agreement will be available as described. However, in the event that the 2003A Investment Agreement is terminated as a result of default by the 2003A Investment Provider or for any other reason, it may not be possible to reinvest such proceeds and deposits at these assumed rates and the cashflows may be adversely affected. *Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of the 2003A Investment Provider. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the 2003A Investment Provider.*

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

Outstanding Investment Agreements

<u>Series</u>	<u>Funds Invested (in related Series subaccounts)</u>	<u>Investment Provider*</u>	<u>Rate</u>	<u>Termination Date</u>
2000A	Revenue Fund, Redemption Fund	FGIC Capital Market Services, Inc.	6.00%	4/1/2030
2000B	Revenue Fund, Redemption Fund	CDC Funding Corp.	6.26%	4/1/2042
2001A	Program Fund	CDC Funding Corp.	2.20%	12/1/2004
2001A	Revenue Fund, Redemption Fund	CDC Funding Corp.	5.26%	4/1/2043
2002A	Program Fund	CDC Funding Corp.	2.51%	1/1/2004
2002A	Revenue Fund, Redemption Fund, Debt Service Reserve Fund	CDC Funding Corp.	5.50%	10/1/2042
2002C	Program Fund	CDC Funding Corp.	1.73%	2/1/2005
2002C	Debt Service Reserve Fund	CDC Funding Corp.	4.89%	10/1/2042
2002C	Debt Service Fund; Revenue Fund; Redemption Fund	CDC Funding Corp.	4.26%	10/1/2042

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

2003A Derivative Product

In connection with the issuance of the 2003 Series A Bonds, the Authority has entered into an interest rate swap agreement on a forward delivery basis (the "**2003A Derivative Product**") with Lehman Brothers Derivative Products Inc. (the "**2003A Counterparty**") with respect to the 2003 Series A-1 Bonds. The 2003A Derivative Product will become effective on October 1, 2003. See "Part I – CERTAIN RELATIONSHIPS OF PARTIES."

Pursuant to the 2003A Derivative Product, the Authority will pay interest to the 2003A Counterparty at a fixed rate and will receive interest from the 2003A Counterparty at a variable rate which will be based on a LIBOR Index. The Authority will assume the risk of a difference in the amount of its actual interest payments on the related 2003 Series A Bonds and the amount of such interest payments to be made by the 2003A Counterparty. The Authority's obligation to make interest payments to the 2003A Counterparty under the 2003A Derivative Product will constitute a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under the 2003A Derivative Product in the event of early termination is expected to be a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority." For information concerning the Derivative Products currently Outstanding under the Master Indenture, including certain Derivative Products entered into with the 2003A Counterparty, see **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS." See also "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products" and **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Derivative Products."

TAX MATTERS

IN THE OPINION OF BOND COUNSEL, THE INTEREST ON THE 2003 SERIES A BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TAX CODE. THE 2003 SERIES A BONDS AND THE INCOME THEREFROM ARE FREE FROM TAXATION BY THE STATE OF COLORADO UNDER COLORADO LAWS IN EFFECT AS OF THE DATE OF DELIVERY OF THE 2003 SERIES A BONDS.

Bond Counsel will express no other opinion as to any tax consequences regarding the 2003 Series A Bonds. Owners of the 2003 Series A Bonds should consult with their own tax advisors as to the tax consequences pertaining to the 2003 Series A Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the 2003 Series A Bonds prior to stated maturity, and as to other applications of federal, state, local or foreign tax laws.

UNDERWRITING

The 2003 Series A Bonds are to be purchased from the Authority by the underwriters listed on the front cover page of this Official Statement (collectively, the "**Underwriters**"). The Underwriters have agreed, subject to certain conditions, to purchase all but not less than all of the 2003 Series A Bonds at a price equal to \$48,780,000 (being the par amount of the 2003 Series A Bonds). The Underwriters will be paid a fee of \$234,612 (plus reimbursement of certain expenses). The initial public offering price may be changed from time to time by the Underwriters.

2003A REMARKETING AGENT

Lehman Brothers Inc. has initially been appointed to serve as 2003A Remarketing Agent for the 2003 Series A Bonds (the "**2003A Remarketing Agent**") pursuant to the Indenture and a Remarketing Agreement dated as of September 1, 2003 between the Authority and Lehman Brothers. If 2003 Series A Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2003 SERIES A BONDS – Optional Tender and Purchase" and "- Mandatory Purchase," the 2003A Remarketing Agent is required to use its best efforts to remarket such 2003 Series A Bonds in accordance with the terms of the Indenture and the Remarketing Agreement. The 2003A Remarketing Agent will also be responsible for determining the rates of interest for the 2003 Series A Bonds in accordance with the Indenture. The 2003A Remarketing Agent is to transfer any proceeds of remarketing of the 2003 Series A Bonds it receives to the Paying Agent for deposit to the Remarketing Proceeds Subaccount of the Purchase Fund in accordance with the Indenture.

The 2003A Remarketing Agent may at any time resign and be discharged of its duties and obligations under the Remarketing Agreement upon providing the Authority, the Trustee, the Paying Agent, and the Liquidity Facility Provider with thirty (30) days' prior written notice. The 2003A Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the 2003A Remarketing Agent, the Trustee, the Paying Agent, and the Liquidity Facility Provider and upon at least thirty (30) days' prior written notice to the 2003A Remarketing Agent. Any successor 2003A Remarketing Agent shall be selected by the Authority. The 2003A Remarketing Agent shall assign and deliver the 2003A Remarketing Agreement to its successor.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," "project," "intend," "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 2003 Series A Bonds, the Authority will deliver an opinion of its Director of Legal Operations, James A. Roberts, Esq., to the effect that no litigation before any court is pending or, to his knowledge, threatened against the Authority in any way affecting the existence of the Authority or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the 2003 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 2003 Series A Bonds, the Indenture or the contract for the purchase of the 2003 Series A Bonds.

RATINGS

Moody's Investors Service ("**Moody's**") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("**S&P**"), are expected to give the 2003 Series A-1 Bonds ratings of "Aaa/VMIG-1" and "AAA/A-1+," respectively, based (in the case of the short-term ratings) on the delivery of the Initial 2003A Liquidity Facility. Moody's and S&P are expected to give the 2003 Series A-2 Bonds ratings of "Aa2/VMIG-1" and "AA/A-1+," respectively, based (in the case of the short-term ratings) on the delivery of the Initial 2003A Liquidity Facility. Such ratings reflect only the views of Moody's and S&P, respectively. An explanation of the significance of the ratings given by Moody's and S&P, respectively, may be obtained from Moody's and S&P, respectively. Generally, a rating agency bases its rating on the information and materials furnished it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if circumstances so warrant. Neither the Authority nor the Remarketing Agent has undertaken to provide notice of any change in these ratings of the 2003 Series A Bonds. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the respective 2003 Series A Bonds.

CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as an Underwriter of the 2003 Series A Bonds and the initial 2003A Remarketing Agent of the 2003 Series A Bonds. Lehman Brothers Financial Products Inc., an affiliate of Lehman Brothers Inc., has acted as a counterparty to the Authority under certain of the Outstanding Master Indenture Derivative Products described in **Appendix B** and Lehman Brothers Derivative Products Inc., also an affiliate of Lehman Brothers Inc., will act as the 2003A Counterparty under the 2003A Derivative Product described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2003A Derivative Product." Federal Home Loan Bank of Topeka, which will act as the Initial 2003A Liquidity Facility Provider, is also one of the financial institutions which provides a line of credit to the Authority, as described in "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

(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 Multi-Family Housing Facility Loan Program, a Rental Acquisition Program and various commercial loan programs. The Authority previously operated a Loans to Mortgage Lenders Home Loan Program, a Multi-Family Housing Rehabilitation Program, a Multi-Family Loans to Mortgage Lenders Program, and a Construction Loan Program. See "Programs To Date" under this caption. The Act authorizes the Authority to issue its bonds, notes and other obligations in order to provide sufficient funds to achieve its purposes as set forth in the Act. Bonds or notes issued with respect to such programs are and will be separately secured from other bonds of the Authority, including the Bonds, except as described in "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS."

Board of Directors and Staff Officers

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

Present Board of Directors of the Authority

<u>Name</u>	<u>Affiliation</u>	<u>End of Term</u>
John R. Davidson, Chair (1)	Chairman of the Board and Chief Executive Officer, First American State Bank; Denver, Colorado	June 30, 2007
M. Michael Cooke, Chair, <u>pro tem</u> (1)	Executive Director, Colorado Department of Revenue; Denver, Colorado	At the pleasure of the Governor
Nancy J. McCallin, Secretary/Treasurer (1)	Director, Governor's Office of State Planning and Budgeting; Denver, Colorado	June 30, 2007
Joseph B. Blake	President and Chief Executive Officer, Denver Metro Chamber of Commerce; Denver, Colorado	June 30, 2005
Jo Ellen Davidson	Housing and Community Development Consultant and Executive Director, Community Housing Development Association; Denver, Colorado	June 30, 2005
Michelle Dressel	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	June 30, 2005
Joseph A. Garcia	President, Pikes Peak Community College; Colorado Springs, Colorado	June 30, 2005
Richard Grice	Director, Governor's Office of Energy Management and Conservation; Denver, Colorado	June 30, 2007
Dale K. Hall	State Representative; Weld County, Colorado	End of legislative biennium 2003-2004
Joanne Hill	Colorado State Auditor; Denver, Colorado	June 30, 2006
Jesse L. Thomas	Community Advocate for Health, Education and Housing; Denver, Colorado	June 30, 2005

(1) These Board members were elected to their respective offices effective March 27, 2003.

The principal staff officers of the Authority are as follows:

Milroy A. Alexander, the Executive Director, joined the staff in October 1988. Mr. Alexander is a graduate of Metropolitan State College, Denver, Colorado, with a Bachelor's Degree in Accounting. Prior to assuming the responsibilities of Executive Director on January 1, 2001, Mr. Alexander served as the Authority's Director of Finance. Mr. Alexander was previously a financial manager with a major

Colorado manufacturer and a senior manager with Touche Ross, a big eight international accounting and consulting firm. Mr. Alexander is a member of the Colorado Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Cris A. White, the Executive Vice President (formerly Deputy Executive Director) for Core Business Operations since February 2002, joined the staff in 1988 and served in various capacities until January 1996. He rejoined the staff in September of 1996 as the Director of Asset Management, after serving in the interim as a business development executive with an international equipment and real estate Mortgage Lender. On February 1, 2001, Mr. White was appointed Deputy Executive Director for Asset Management and Business Support Services and served until his present appointment. He also continued to serve as Director of Asset Management until December 10, 2001. Mr. White has a Bachelor's Degree in business administration from Regis College.

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

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

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

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

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

Michael Trofi, the Director of Information Technology, joined the staff in July 2003. Prior to joining the Authority, Mr. Trofi was President and CEO of Trofi System Solutions, LLC, a business system solutions, network architecture and security consulting firm, and previously had extensive experience with other companies directing similar activities. Mr. Trofi has a Bachelor's Degree in Digital

Electronic Engineering, with a minor in Computer Science, from the University of Rhode Island and did graduate studies in information and telecommunications systems at Northeastern University.

The positions of Director of Finance/Chief Financial Officer and Director of Asset Management are currently vacant. The Authority is in the process of filling these positions. During the interim while the positions remain vacant, the Executive Director and other Authority staff will carry out the duties of these positions.

Employees and Pension Information

As of September 1, 2003, the Authority had approximately 130 full-time employees, all of whom are members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute 9.19 percent of each participating employee's gross salary to PERA in 2002. In 2002, the Authority's PERA contribution totaled approximately \$755,000, compared to an Authority contribution in 2001 of \$715,000.

Insurance Coverage

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

The General Fund

Generally

CERTAIN OBLIGATIONS UNDER THE MASTER INDENTURE MAY BE DESIGNATED AS GENERAL OBLIGATIONS OF THE AUTHORITY. SEE "PART II – SECURITY FOR THE OBLIGATIONS" AND **APPENDIX B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS." THE FOLLOWING INFORMATION REGARDING THE AUTHORITY'S GENERAL FUND IS PROVIDED ONLY IN CONNECTION WITH OBLIGATIONS WHICH HAVE BEEN SO DESIGNATED.

The audited financial statements of the Authority included in **Appendix A** to this Official Statement provide certain financial information about the Authority on a fund accounting basis, including a description of its General Fund. The General Fund is funded principally from reimbursement of administrative expenses and other allowable transfers from other funds (including the transfer of assets in excess of specified parity levels from other bond issues); loan fees payable to the Authority by borrowers; servicing fees payable to the Authority in connection with outstanding loans, income from the Authority's Rental Acquisition Program; income on investments and mortgage loans held temporarily (for warehousing purposes) and permanently in the General Fund; and administrative fees payable by the federal government in connection with the Section 8 housing assistance payments program. Uses of amounts in the General Fund include payment of general and other administrative expenses and payment of costs relating to those activities deemed necessary to fulfill the Authority corporate purposes and not payable from other funds of the Authority. The General Fund itself is not subject to any pledge created under the Indenture. As discussed below, the Authority Board, in its discretion, has historically from time to time designated portions of the General Fund balance to particular purposes, and may do so in the future.

Financial Information for the General Fund

The following table sets forth historical selected financial information for the General Fund for the five years ended December 31, 2002, as provided by the Authority.

Colorado Housing and Finance Authority					
General Fund					
Selected Financial Information					
Years Ended December 31					
(000s)					
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Interest and investment revenue:					
Loans receivable	\$12,177	\$16,987	\$14,966	\$12,857	\$10,646
Marketable securities	3,084	3,135	3,252	3,557	3,739
Net increase (decrease) fair value of long-term marketable securities	<u>(10)</u>	<u>473</u>	<u>179</u>	<u>(884)</u>	<u>483</u>
Total interest and investment revenue	15,251	20,595	18,397	15,530	14,868
Interest expense - bonds and notes payable	<u>8,100</u>	<u>11,267</u>	<u>11,983</u>	<u>10,489</u>	<u>8,467</u>
Net interest and investment revenue	7,151	9,328	6,414	5,041	6,401
Other revenue (expense):					
Rental operations	10,569	10,373	9,858	9,587	9,321
Fees and miscellaneous income	12,461	11,679	11,413	9,080	8,612
Program fees	<u>4,705</u>	<u>5,539</u>	<u>4,024</u>	<u>3,426</u>	<u>3,523</u>
Total other revenue	<u>27,735</u>	<u>27,591</u>	<u>25,295</u>	<u>22,093</u>	<u>21,456</u>
Net revenue	34,886	36,919	31,709	27,134	27,857
Other expenses:					
Salaries and related benefits	10,869	9,892	9,356	8,387	7,445
General operating	9,725	10,280	8,503	9,015	8,279
Provision for losses	996	953	(438)	1,115	146
Other interest expense	1,274	1,332	1,346	1,415	2,162
Transfers	--	(1,059)	(2,058)	(1,833)	--
Depreciation	<u>2,246</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total other expense	<u>25,110</u>	<u>21,398</u>	<u>16,709</u>	<u>18,099</u>	<u>18,032</u>
Net income	<u>\$ 9,776</u>	<u>\$ 15,521</u>	<u>\$ 15,000</u>	<u>\$ 9,035</u>	<u>\$ 9,825</u>
Fund Balance, end of year	<u>\$122,975</u>	<u>\$112,179</u>	<u>\$96,658</u>	<u>\$81,658</u>	<u>\$72,623</u>
Bonds and Notes Payable	<u>\$202,012</u>	<u>\$224,414</u>	<u>\$213,588</u>	<u>\$178,329</u>	<u>\$161,043</u>
Total Assets	<u>\$336,322</u>	<u>\$353,547</u>	<u>\$326,427</u>	<u>\$280,203</u>	<u>\$250,640</u>

Source: Derived from the audited financial statements of the Authority for years ended December 31, 1998-2002

Set forth below is a summary of the revenues, expenses and changes in net assets for the Authority as a whole, set forth in accordance with new GASB requirements, for Fiscal Year 2002, which is the only year for which this presentation is available. See **Appendix A**.

Colorado Housing and Finance Authority
General Fund
Statement of Current Revenues, Expenditures and Other Charges
Year Ended December 31, 2002
(000s)

Revenues

Interest and investment revenue:	
Loans receivable	\$12,177
Marketable securities	\$ 3,084
Net increase (decrease) fair value of long-term marketable securities	\$ (10)
Other revenue:	
Rental operations	\$10,569
Fees and miscellaneous income	\$12,461
Program fees	\$ 4,705
Grant Income	\$ <u>222</u>
Total Revenues	\$43,208

Expenditures

Interest expense - bonds and notes payable	\$ 8,100
Other expenses:	
Salaries and related benefits	\$10,869
General operating	\$ 9,725
Provision for losses	\$ 996
Other interest expense	\$ 1,274
Depreciation	\$ <u>2,246</u>
Total Expenditures	\$33,210

Transfers (To) From Other Program \$ 798

Change in Net Assets \$10,796

Source: Audited financial statements for the year ended December 31, 2002

Appropriations, Reserves and Restrictions

The Authority Board, in its discretion and from time to time, designates portions of the fund balance of the General Fund for particular uses by means of annual appropriations to certain programs, the establishment of reserves in limited situations and the imposition of restrictions on the fund balance. Designations by the Authority's Board using each of these means may also be redesignated at any time in the Board's discretion. The Authority Board also annually restricts the fund balance of the General Fund (net of amounts previously appropriated or restricted for various funds, debt service reserves, or operating

reserves) for the benefit of the holders of certain bonds of the Authority in the event that no other moneys are legally available for debt service payments. As long as the Authority is not in default under the related indenture or resolution for such bonds, the Board may withdraw such restricted amounts at any time.

Programs to Date

The following is a brief summary of the programs currently operated by the Authority and the revenue and general obligation bonds, notes or other obligations which have been issued to date to provide funds for such programs. This summary has been included solely for purposes of providing information about the Authority's activities to assist a potential investor in evaluating the Authority, its programs and its financial status. **Except as otherwise described herein, the mortgage loans referred to below are not pledged in any way as security for the Bonds. See "Part II – SECURITY FOR THE BONDS AND AUXILIARY OBLIGATIONS."** See also footnote 4 to the financial statements of the Authority included in this Official Statement as **Appendix A**.

Multi-Family Loan Programs

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

The Insured Loans made by the Authority must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured Loans made to date have been insured by the Federal Housing Administration ("**FHA**") under Sections 221(d)(3), 221(d)(4) and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. In the case of a Section 542(c) claim, the Authority is responsible to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such claim. See "General Obligations of the Authority" under this caption. Many Insured Loans made by the Authority are Loans pledged under the Master Indenture, and two Insured Loans will be 2003A Loans, as described in **Appendices G-1** and **G-2** hereto.

The Authority has made Uninsured Loans to §501(c)(3) nonprofit corporations and public housing authorities as well as to for-profit developers. Such Uninsured Loans made as a part of the Authority's SMART (Small Affordable Rental Transactions) Program generally have been made in principal amounts under \$2 million. As of December 31, 2002, the Authority had outstanding \$15,340,000 aggregate principal amount of such Uninsured Loans made in connection with the SMART program and financed on an interim basis by the Authority from its General Fund. Certain of these Uninsured Loans will be acquired as 2003A Loans, as described in **Appendix G-1** hereto. The Authority has also made Uninsured Loans which have been financed by the proceeds of the Authority's (i) General Obligation Bonds, (ii) Multi-Family/Project Bonds, (iii) Mortgage Revenue Bonds, sold to institutional purchasers and secured solely by and payable solely from such Uninsured Loans and (iv) Multi-Family Housing Revenue Bonds issued by the Authority as a conduit issuer and supported by letters of credit or other credit facilities.

As of December 31, 2002, the Authority had the following bonds outstanding, proceeds of which have been used to finance Insured Loans and Uninsured Loans. Except for bonds

specifically identified in Appendix B-1 as Bonds under the Master Indenture, the bonds described below are secured separately from and are not on parity with the Bonds and are issued and secured under resolutions or indentures of the Authority other than the Master Indenture.

Bonds to Finance Multifamily Housing Facility Loan Program

<u>Name of Bonds</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding(1)</u>	<u>Loans Outstanding(2)</u>
Multifamily Housing Insured Mortgage Revenue Bonds (3)	\$754,380,000 (24 series)	\$341,190,000	\$292,541,735
Mortgage Revenue Bonds (4)	\$11,576,000 (4 series)	\$1,953,000	\$1,953,000
Multi-Family/Project Bonds (5)	\$421,830,000 (6 series)	\$391,320,000	\$246,612,655
General Obligation Bonds(6)	\$105,293,000 (11 series)	\$4,675,000	\$4,329,182
General Obligation Bonds (SMART Program) (7)	\$15,692,000 (2 series)	\$15,340,000	\$12,066,166

- (1) As of December 31, 2002.
- (2) Aggregate principal amount as of December 31, 2002.
- (3) Proceeds used to finance Insured Loans.
- (4) Proceeds used to finance Uninsured Loans.
- (5) Proceeds used to finance and refinance Insured Loans and Uninsured Loans.
- (6) Proceeds used to finance Uninsured Loans.
- (7) Proceeds used to finance and refinance Uninsured Loans under the SMART program.

Under its Multi-Family Housing Facility Loan Program, the Authority also makes Uninsured HOF Loans using funds from amounts in its General Fund designated as the Housing Opportunity Fund. The Housing Opportunity Fund was created by the Authority in 1989 to provide small loans at flexible interest rates, either with first mortgages or on a subordinate basis to other loans, and thereby supplement other available financing as needed for rental housing facility projects. As of December 31, 2002, the Authority had outstanding approximately \$14,504,000 aggregate principal amount of such Uninsured HOF Loans.

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

Commercial Programs

The Authority offers various programs under which it finances commercial and industrial loans (or participation interests therein) from moneys in the Authority's Economic Development Fund and by means of certain bonds and notes, outstanding as of December 31, 2002 as shown on the following table. All of these bonds and notes constitute general obligations of the Authority payable from the unencumbered assets and available income of the Authority. See "General Obligations of the Authority" under this caption.

Commercial Program Bonds/Notes

<u>Name of Bonds</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding (1)</u>
Guaranteed Loan Participation Purchase Bonds (2)	\$58,302,000	\$ 5,425,000
Project Loan Participation Purchase Bonds and Refunding Bonds (3)	\$68,108,000	\$12,160,000
Rural Business-Cooperative Service Notes (4)	\$ 2,050,000	\$ 1,511,075

(1) As of December 31, 2002.

(2) Proceeds are used to fund participation interests in commercial and industrial loans under three programs of the Authority – a Quality Investment Capital ("QIC") Program, a Quality Agricultural Loan ("QAL") Program and a Business & Industry II ("B&I II") Program. Certain of these participation interests are being acquired as 2003A Loans, as described in **Appendix G-1** hereto.

(3) Proceeds are used to finance commercial and industrial loans (or participation interests therein) under the Authority's SBA 504 Program and Direct Loan Program. Certain of these loans are being acquired as 2003A Loans, as described in **Appendix G-1** hereto.

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

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

Single-Family Mortgage Programs

Under its Single-Family Mortgage Programs, the Authority may make mortgage loans for single-family residential dwellings directly to individual borrowers or may purchase such mortgage loans from qualified originating Mortgage Lenders. The Authority presently purchases mortgage loans under its Qualified Single-Family Mortgage Program and its Non-Qualified Single-Family Mortgage Program.

Under its Qualified Single-Family Mortgage Program, the Authority may make mortgage loans to Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. In connection with this program, the Authority has previously issued numerous series of its single-family housing revenue bonds, the aggregate principal amount of which outstanding as of December 31, 2002 was \$1,080,890,425. The subordinate bonds for the various series of the Authority's single-family program senior and subordinate bonds are general obligations of the Authority. The Authority has used and expects to continue to use proceeds (and amounts exchanged therefor) of such bonds, as permitted by tax law, to finance its acquisition of Mortgage Loans under the Qualified Single-Family Mortgage Program. For information concerning the outstanding bonds of the Authority issued in connection with its Single-Family Mortgage Programs, see www.colohfa.org. **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.**

The Authority permits Eligible Borrowers under its Non-Qualified Single-Family Mortgage Program to meet certain income limits which are somewhat higher than the limits permitted for the Qualified Single-Family Mortgage Program. There is also no limit on prior home ownership or limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-Qualified Single-Family Mortgage Program. In many other respects, the requirements for the Non-Qualified Single-Family Mortgage Program are the same as the requirements for the Authority's Qualified Single-Family Mortgage Program.

General Obligations of the Authority

As explained in "Programs to Date" under this caption, many of the bonds and notes issued by the Authority to finance its programs are general obligations of the Authority, rather than payable from specific revenues or assets. The following is a list of the outstanding bonds/notes of the Authority as of December 31, 2002:

General Obligation Bonds/Notes

<u>Name of Bonds</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding (4)</u>
Subordinate Bonds – Qualified Single-Family Mortgage Program (1)	\$ 76,715,000	\$45,600,000
General Obligation Bonds – Multi-Family Housing Facility Loan Program (2)	\$105,293,000	\$ 4,675,000
Multi-Family/Project Class III Bonds (2)	\$ 36,385,000	\$36,015,000
General Obligation Bonds/ Notes – Commercial Programs (3)	\$142,102,000	\$32,925,000

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

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

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

(4) As of December 31, 2002.

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

- **Section 542(c) Risk Sharing.** The Authority has also assumed as a general obligation 50% risk of loss in the mortgage loans insured by the FHA under Section 542(c) in connection with its Multi-Family Housing Facility Loan Program, which as of December 31, 2002 equaled \$215,026,000. In the case of a §542(c) claim, the Authority is responsible, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after the final settlement of such claim. See "Programs to Date – Multi-Family Loan Programs" under this caption. The Authority has incurred risk-sharing liabilities of approximately \$4.8 million as a result of defaults on insured mortgage loans for the Marycrest and Allied Lowry projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with FHA. The Authority anticipates that it will incur risk-sharing liabilities on account of defaults of previously outstanding loans in the principal amounts of \$1.63 million (the "**Sterling Manor Loan**") and \$4.18 million (the "**Skyview Village Loan**"). In each case, the Authority has filed and received payment of its initial insurance claim, acquired title to the property by foreclosure or deed in lieu of foreclosure and is currently marketing the project for sale. At this time, the Authority believes that the risk sharing

liability with respect to the Sterling Manor Loan and the Skyview Village Loan will not substantially exceed the multifamily loan loss reserve that the Authority has established for such loans.

- Derivative Obligations. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under Derivative Obligations relating to the Multi-Family/Project Bonds and under the Interest Rate Contracts relating to the Bonds under the Indenture. SEE **APPENDIX B-1** – "THE OUTSTANDING BONDS AND AUXILIARY OBLIGATIONS – THE OUTSTANDING AUXILIARY OBLIGATIONS."

- Borrowings. The Authority has entered into agreements with the Federal Home Loan Bank of Topeka and a commercial bank for the borrowing from time to time of up to an aggregate amount of \$280,000,000. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of August 31, 2003, \$58,715,819 in borrowings were outstanding under those agreements.

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

SECURITY FOR THE OBLIGATIONS

Pledge of Trust Estate

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

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

- (i) the proceeds of Bonds issued under the Master Indenture;
- (ii) the Revenues (as described in "Revenues" under this caption) and all moneys and securities in the Funds and Accounts from time to time held by the Trustee under the terms of the Master Indenture (except moneys and securities in the Rebate Fund, the Excess Earnings Fund and a Bond Purchase Fund) and investments, if any, thereof (other than the Rebate Requirement which is to be deposited in the Rebate Fund and any Excess Earnings which are to be deposited in the Excess Earnings Fund);

(iii) the rights and interests of the Authority in the Loans and the Financing Documents (except for certain rights and interest expressly retained by the Authority therein) described in "The Loans and Authority Projects" under this caption;

(iv) the proceeds of mortgage insurance, guaranty benefits and other security related to Loans received by the Authority; and

(v) all right, title and interest of the Authority in any Credit Enhancement Facility, Liquidity Facility, Derivative Product and Reciprocal Payments.

In no event shall the 2003 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). Under the Master Indenture, "**Loan**" means a loan of money, including advances, in the form of a construction loan, a permanent loan or a combined construction and permanent loan made by the Authority to a Borrower with the proceeds of Bonds or obligations refunded by Bonds or with Prepayments for the financing of a portion of the costs of a Housing Facility or Project, which Loan is evidenced by a Note pursuant to a Loan Agreement. "**Housing Facility**" means a facility designed and financed for the primary purpose of providing dwelling accommodations in accordance with the Act. "**Project**" means a work or improvement located in the State designed to provide facilities for manufacturing, warehousing, commercial, recreational, hotel, office, research and development or other business purpose (not including a Housing Facility). "**Financing Documents**" include, with respect to any Loan, the Loan Agreement, the Note, the Mortgage and any insurance guaranties and other security for the repayment of the Loan. The Authority is permitted by the Master Indenture to apply the proceeds of Obligations issued under the Master Indenture to make or purchase (as Loans) mortgage loans which are insured or guaranteed by an agency or instrumentality of the United States under an insurance program such as the programs described in **Appendix J – "FEDERAL INSURANCE PROGRAMS."** The Authority is also permitted by the Master Indenture to apply the proceeds of Obligations issued under the Master Indenture to make or purchase (as Loans) uninsured mortgage loans made for housing facilities which are secured only by a mortgage on the related housing facilities or made for certain commercial projects (as defined above in "Generally" under this caption, "**Projects**").

Outstanding Loans and Authority Projects

For information concerning the Outstanding Loans and Authority Projects securing the Obligations issued now and hereafter under the Master Indenture and Unexpended Proceeds relating to Outstanding Obligations previously issued under the Master Indenture, see **Appendices G-2 and G-3**.

Debt Service Reserve Fund

Generally

Each Series Indenture establishes a subaccount of the Debt Service Reserve Fund for the related Series of Bonds. The Debt Service Reserve Fund Requirement for each Series of Bonds is established by the Related Series Indenture. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund." The Debt Service Reserve Fund Requirement for any Series of Bonds is based on the maximum principal and interest due for a particular period on Loans related to the 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

The Authority has entered, and will in the future enter, Liquidity Facilities in connection with Adjustable Rate Bonds issued under the Master Indenture. The Authority may elect to replace any Liquidity Facility (including but not limited to the Initial Liquidity Facility) with an Alternate Liquidity Facility. The Authority shall promptly notify the Trustee, the 2003A Remarketing Agent and the Paying Agent of the Authority's intention to deliver an Alternate Liquidity Facility at least 45 days prior to such delivery. Upon receipt of such notice, if the Alternate Liquidity Facility is to be provided by an entity other than the provider of the then current Liquidity Facility, the Trustee will promptly mail a notice of the anticipated delivery of an Alternate Liquidity Facility, including the name of the provider of such Alternate Liquidity Facility, by first-class mail (or transmitted in such other manner as may be customary for the industry as directed in writing by the Authority) to the 2003A 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.

Pursuant to the Indenture, the Trustee is to, without any further authorization or direction from the Authority, submit to the Liquidity Facility Provider not earlier than fifteen months before, and not later than six months before, the expiration date of any Liquidity Facility as from time to time in effect, on behalf of the Authority a request that the Liquidity Facility Provider renew the Liquidity Facility and extend the expiration date thereof for an additional three-year period (or such other period as may be specified by the Authority in writing) after the then effective expiration date thereof, unless the Trustee shall have received, not later than fifteen months before such expiration date, written direction from the Authority not to submit such request.

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

Derivative Products

In connection with the issuance of certain Adjustable Rate Bonds, the Authority has, and expects in the future, to enter into interest rate swap agreements (the "**Derivative Products**") with a counterparty with respect to such Adjustable Rate Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2003A Derivative Product." Any payments or receipts received by the Authority under the Derivative Products will be pledged as Revenues, as described in **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Derivative Products."** The Authority's obligation to make regular interest payments to the Counterparty under each of the Derivative Products has constituted, and is expected in the future to constitute, a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make

termination payments under each of the Derivative Products in the event of early termination, and in the future is expected to be, a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

Issuance of Additional Bonds

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

CERTAIN BONDOWNERS' RISKS

Limited Security

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

Origination of New Loans

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

Considerations Regarding Redemption at Par

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

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, THE BONDS MAY BE REDEEMED PRIOR TO THEIR STATED MATURITY FROM ANY MONEYS AND/OR INVESTMENT SECURITIES ON DEPOSIT IN THE RESPECTIVE ACCOUNTS OF THE REDEMPTION FUND, INCLUDING UNEXPENDED BOND PROCEEDS, EXCESS REVENUES FROM REGULAR LOAN PAYMENTS, VOLUNTARY OR INVOLUNTARY PREPAYMENTS AND AMOUNTS DEPOSITED AS A RESULT OF ANY OTHER EVENT AS DESCRIBED HEREIN. SEE PART I. 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 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.**

Conditions to Payment of FHA Insurance

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

Expiration of HAP Contracts

As indicated in **Appendix G-2** hereto, a significant portion of the 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 Loan. These contracts by their terms do not contemplate renewal nor did the parties otherwise provide for such renewal at the time the HAP contracts were originally granted. However, federal legislation enacted in October 1997, referred to as the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended ("**Title V**"), provides for the restructuring of mortgage financing and the renewal of HAP contracts for certain multifamily housing projects, including certain projects financed by the Loans. The Authority has not determined at this time the extent to which the owners of projects secured by insured Loans and which are the subject of expiring HAP contracts will seek renewals of those HAP contracts or which projects will be eligible for such renewals under Title V, with or without restructuring of the insured Loans. Thus, the Authority is unable at this time to predict the impact of expiration of these HAP contracts or the effect of this legislation on the sufficiency of Revenues and assets pledged under the Master Indenture for payment of the Bonds outstanding under the Master Indenture or on the level of prepayments which may result from such expirations. See "Considerations Regarding Redemption at Par" under this caption.

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."

NO IMPAIRMENT OF CONTRACT BY THE STATE

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

LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS

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

INDEPENDENT AUDITORS

The financial statements of the Authority as of and for the year ended December 31, 2002, included in this Official Statement as **Appendix A**, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report dated April 25, 2003 (which report expresses an unqualified opinion and includes an explanatory paragraph referring to the Authority's adoption of Governmental Accounting Standards Board Statements No. 34, 37, and 38).

MISCELLANEOUS

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

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

**COLORADO HOUSING AND FINANCE
AUTHORITY**

By: /s/ Milroy A. Alexander
Executive Director

APPENDIX A

**Financial Statements and Additional Information
of the Authority for the Fiscal Year
ended December 31, 2002**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Colorado Housing and Finance Authority (the "Authority") as of December 31, 2002 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. 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 financial statements of the Authority for the year ended December 31, 2001 were audited by other auditors who have ceased operations, whose report, dated February 22, 2002, expressed an unqualified opinion on those statements. We did not audit the financial statements of Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation, and Village of Yorkshire Corporation, which statements reflect total assets constituting 0.9% and 1.1%, respectively, of total assets at December 31, 2002 and 2001, and total revenues constituting 5.3% and 4.8%, respectively, of total revenues for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation, and Village of Yorkshire Corporation, are based solely on the reports of such other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, such financial statements present fairly, in all material respects, the financial position of the Authority, at December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1(c) to the financial statements, during the year ended December 31, 2002, the Authority adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

As discussed above, the financial statements of Colorado Housing and Finance Authority as of December 31, 2001, and for the year then ended were audited by other auditors who have ceased operations. As described in Note 1(c), such 2001 financial statements have been revised for the adoption of GASB Statements No. 34, 37, and 38. In our opinion, the reclassifications to the 2001 balance sheet, statement of revenue, expenses and changes in net assets, and statement of cash flows are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 financial statements of the Authority other than with respect to such reclassifications and, accordingly, we do not express an opinion or any other form of assurance on the 2001 financial statements taken as a whole.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the presentation of management's discussion and analysis. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying 2002 Supplemental Balance Sheet by Program as of December 31, 2002, Supplementary Schedule of Revenues, Expenses and Changes in Net Assets by Program for the year ended December 31, 2002, and Supplemental Statements of Cash Flows by Program for the year ended December 31, 2002 are presented for the purpose of additional analysis and are not a required part of the 2002 financial statements of the Authority. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2002, is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. These schedules are the responsibility of the Authority's management. Such schedules have been subjected to the auditing procedures applied in our audit of the 2002 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the 2002 financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2003, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

Denver, Colorado
April 25, 2003

Management's Discussion and Analysis

Year Ended December 31, 2002 (Unaudited)

Management of the Colorado Housing and Finance Authority (the "Authority") is providing this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2002. This overview and analysis is required by generally accepted accounting principles ("GAAP") in Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" ("GASB 34"). GASB 34 requires that this overview and analysis provide prior year comparative data except for the year of implementation of the provisions of the statement. Since the year ended December 31, 2002 is the Authority's year of implementation, we have provided prior year comparative data only when it was available and meaningful.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

- As a result of this year's operations, net assets increased to \$198.3 million, or 9.7% over year-end 2001.
- Profitability, as measured by return on average assets, was .8% for 2002. Liquidity, as measured by loans receivable as a percentage of total assets, was at 64.7% at year-end 2002. Leverage, as measured by total net assets as a percentage of total assets (excluding \$208.5 million of assets held to collateralize certain short-term borrowings), was 8.9% at year-end 2002.
- Change in net assets reached \$17.5 million for 2002, a 7.2% increase over 2001. This was primarily due to an increase in other revenues, a net increase in the fair market value of long-term marketable securities, offset by a reduction in investment income.
- New loan production, as measured by loans closed, totaled \$605.1 million for the year. All three production divisions reached record levels: single family loan production increased to \$415.7 million, multi-family loan production increased to \$139.7 million, and commercial business lending increased to \$49.7 million in 2002.
- The Authority increased the amount of taxable debt issued in conjunction with its single family qualified lending program to approximately 45% of the related debt, compared to approximately 34% in 2001. This resulted in \$176 million available to fund loans to low and moderate income borrowers without utilizing tax-exempt bond issuance capacity.
- The Authority provided funding for the acquisition and preservation of a portfolio of twenty multi-family properties, housing 1,407 very-low-income families and seniors.

OVERVIEW OF THE FINANCIAL STATEMENTS

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 consist of three sections: Management's discussion and analysis, the financial statements with notes, and supplementary schedules.

The financial statements report information for all Authority programs and operations. The Balance Sheets include all of the Authority's assets and liabilities. All of the revenues and expenses of the Authority are recorded in the Statements of Revenues, Expenses and Changes in Fund Net Assets. Financial statements by program are presented as supplementary information. These statements separate the financial statements into three segments: Single Family Bond Programs, Multi-Family Bond Programs, and the General Fund, which includes all other Authority activities.

Management's Discussion and Analysis

Year Ended December 31, 2002 (Unaudited)

FINANCIAL ANALYSIS OF THE AUTHORITY

Balance Sheets

The net assets of the Authority increased by \$17.5 million, or 9.7%, from the December 31, 2001 amount. The following tables summarize the changes in assets, liabilities and net assets between December 31, 2002 and 2001 (in thousands):

	2002	2001	Change	
Current Assets	\$ 708,512	\$ 495,854	\$ 212,658	42.9 %
Noncurrent assets:				
Long term marketable securities restricted	132,973	99,754	33,219	33.3
Long term marketable securities unrestricted	14,119	14,162	(43)	(0.3)
Loans receivable	1,531,076	1,358,850	172,226	12.7
Property and equipment, net	33,658	31,663	1,995	6.3
Other real estate owned, net	5,380	7,146	(1,766)	(24.7)
Deferred debt financing costs, net	13,699	16,674	(2,975)	(17.8)
Other assets	8,301	5,933	2,368	39.9
Total assets	\$ 2,447,718	\$ 2,030,036	\$ 417,682	20.6 %
Current liabilities	\$ 326,841	\$ 163,737	\$ 163,104	99.6 %
Noncurrent liabilities:				
Bonds payable, net	1,918,377	1,682,675	235,702	14.0
Notes payable, net	3,844	2,519	1,325	52.6
Deferred fee income	358	298	60	20.1
Total liabilities	\$ 2,249,420	\$ 1,849,229	\$ 400,191	21.6 %
Net assets:				
Invested in capital assets, net of related debt	\$ 5,327	\$ 2,759	\$ 2,568	93.1 %
Restricted	75,323	68,628	6,695	9.8
Unrestricted	117,648	109,420	8,228	7.5
Total Net Assets	\$ 198,298	\$ 180,807	\$ 17,491	9.7 %
Total Liabilities & Net Assets	\$ 2,447,718	\$ 2,030,036	\$ 417,682	20.6 %

The Authority's net assets increased primarily due to an increase in loan production levels in all three production areas – single family, multi-family, and commercial business lending.

Current assets and liabilities grew primarily due to an increase in debt refunding activity and the reinvestment of the proceeds for purposes of preserving tax-exempt bond issuance capacity. \$208.5 million of line-of-credit borrowings and short-term debt obligations were outstanding related to this preservation activity as of December 31, 2002.

Net assets of the single family and multi-family bond funds of \$75 million are classified as restricted. The uses of these funds are directed by the related bond resolutions and indentures of trust.

Management's Discussion and Analysis

Year Ended December 31, 2002 (Unaudited)

Statements of Revenues, Expenses and Changes in Net Assets

The following tables summarize the changes in revenues and expenses between 2002 and 2001 (in thousands):

	2002	2001	Change	
Operating revenues:				
Interest on loans	\$ 86,960	\$ 98,772	\$ (11,812)	(12) %
Investment income	23,521	28,754	(5,233)	(18.2)
Net increase (decrease) in the fair market value of long-term marketable securities	3,904	(230)	4,134	1,797.4
Rental operations	10,569	10,373	196	1.9
Other revenues	12,422	10,738	1,684	15.7
Total operating revenues	\$ 137,376	\$ 148,407	\$ (11,031)	(7.4) %
Nonoperating revenues	222	1,236	(1,014)	(82.0)
Total revenues	\$ 137,598	\$ 149,643	\$ (12,045)	(8.0) %
Operating expenses:				
Interest expense, bonds and notes	\$ 90,852	\$ 103,793	\$ (12,941)	(12.5) %
Salaries and related benefits	10,869	9,892	977	9.9
General operating	10,278	9,462	816	8.6
Other interest expense	1,715	1,822	(107)	(5.9)
Depreciation	2,246	1,693	553	32.7
Provision for losses	4,147	6,666	(2,519)	(37.8)
Total operating expenses	\$ 120,107	\$ 133,328	\$ (13,221)	(9.9) %
Change in net assets	\$ 17,491	\$ 16,315	\$ 1,176	7.2 %

Interest earned on loans of \$87 million and interest expense on bonds and notes of \$90.9 million are the primary components of total revenues and expenses, respectively, for the Authority.

Total operating revenues were \$137.4 million, which is \$11 million less than 2001. Interest on loans decreased \$11.8 million as a result of declining interest rates and high single family loan prepayments, and reflects increased amortization of capitalized fee and down payment assistance balances due to high prepayment speeds. A decrease in interest rates during 2002 also resulted in reduced investment income for the year and was responsible for the net increase in the fair market value of long-term marketable securities of \$3.9 million, compared to a \$230,000 net loss recorded in 2001. Additionally, other revenue grew to \$12.4 million, an increase of \$1.7 million over 2001 as a result of growth in loan servicing and HUD contract administration fees.

Rental operations income of \$10.6 million was generated primarily from rental income from the Authority's Rental Acquisition Program ("RAP"). Under this program, the Authority owns 14 below-market rent multi-family properties, which provide affordable housing to low and moderate-income families.

Management's Discussion and Analysis

Year Ended December 31, 2002 (Unaudited)

Total operating expenses of \$120.1 million decreased \$13.2 million from the \$133.3 million recorded in 2001. This decrease is due to lower interest expense and a decrease in the provision for losses, offset by higher salary and depreciation expense due to the Authority's growth in 2002. Interest expense declined by \$12.9 million as a result of declining interest rates, redemptions of high coupon debt from loan prepayments and reflects increased amortization of capitalized bond premiums due to the high level of bond redemptions.

Salaries and benefits of \$10.9 million include compensation and benefits for the Authority's 175 full-time equivalent (FTE) employees.

General operating expenses of \$10.3 million include all operating expenses of the Authority, including professional services, operating and facilities, trustee fees, and travel expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Authority acquired a new loan servicing system in 2002. The \$490,000 cost of this system is being depreciated over a three-year period.

The Authority purchased a multi-family property for \$1.5 million for inclusion in its Rental Acquisition Program. This property is currently undergoing a \$2 million renovation.

Bonds payable increased \$384 million, including a \$148 million increase in the current portion, to \$2.1 billion at December 31, 2002, compared to the prior year-end. The increase was primarily due to the issuance of three single family bond issues resulting in proceeds of \$496 million, and the issuance of four multi-family bond issues resulting in proceeds of \$331 million. In addition, \$15.0 million in private placement bonds were issued in 2002. This new issuance activity was offset by bond maturities and redemptions and scheduled payments totaling \$441 million. More detail on the Authority's debt is presented in detail in Note 4 to the financial statements.

OTHER FINANCIAL ANALYSIS

At the start of 2003, the Authority introduced a significant change to its single family loan programs. The existing grant of down payment assistance was replaced with a second mortgage loan program. This action will improve bond issue residuals under high prepayment scenarios and offers a lower first mortgage rate to the borrower.

There are no currently existing conditions that are expected to have a negative impact on the Authority's future operations.

BALANCE SHEETS

	Years ended December 31,	
	2002	(000's Omitted) 2001
ASSETS		
CURRENT ASSETS:		
Cash and interest bearing accounts	\$ 20,791	\$ 12,929
Short-term marketable securities (at amortized cost which approximates market)	606,803	411,581
Loans receivable - current portion	52,796	46,857
Accrued interest receivable	17,658	16,838
Deferred debt financing costs - current portion	761	1,234
Other assets - current portion	8,843	6,046
Federally assisted program advances	860	369
Total current assets	708,512	495,854
NONCURRENT ASSETS:		
Long-term marketable securities (at fair value) restricted	132,973	99,754
Long-term marketable securities (at fair value) unrestricted	14,119	14,162
Loans receivable, net	1,531,076	1,358,850
Property and equipment, net		
Corporate facilities	5,572	5,116
Rental operations	28,086	26,547
Other real estate owned, net	5,380	7,146
Deferred debt financing costs, net	13,699	16,674
Other assets	8,301	5,933
Total noncurrent assets	1,739,206	1,534,182
TOTAL ASSETS	\$ 2,447,718	\$ 2,030,036
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Bonds payable - current portion	176,126	28,297
Notes payable - current portion	113,378	101,981
Accrued interest payable	27,058	25,224
Accounts payable and other liabilities	7,721	7,529
Federally assisted program advances	860	369
Refundable deposits	1,698	337
Total current liabilities	326,841	163,737
NONCURRENT LIABILITIES:		
Bonds payable, net	1,918,377	1,682,675
Notes payable	3,844	2,519
Deferred fee income	358	298
Total noncurrent liabilities	1,922,579	1,685,492
TOTAL LIABILITIES	\$ 2,249,420	\$ 1,849,229
NET ASSETS		
Invested in capital assets, net of related debt	5,327	2,759
Restricted	75,323	68,628
Unrestricted	117,648	109,420
TOTAL NET ASSETS	198,298	180,807
TOTAL LIABILITIES AND NET ASSETS	\$ 2,447,718	\$ 2,030,036

The accompanying notes are an integral part of these statements.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

	Years Ended December 31,	
	2002	(000's Omitted) 2001
OPERATING REVENUES:		
Interest on loans	\$ 86,960	\$ 98,772
Investment income	23,521	28,754
Net increase (decrease) in fair value of long-term marketable securities	3,904	(230)
Rental operations	10,569	10,373
Other revenues	12,422	10,738
Total operating revenues	137,376	148,407
OPERATING EXPENSES:		
Interest expense, bonds and notes	90,852	103,793
Salaries and related benefits	10,869	9,892
General operating	10,278	9,462
Other interest expense	1,715	1,822
Depreciation	2,246	1,693
Provision for losses	4,147	6,666
Total operating expenses	120,107	133,328
OPERATING INCOME	17,269	15,079
NONOPERATING REVENUES:		
Grant income	222	1,236
Total nonoperating revenues	222	1,236
CHANGE IN NET ASSETS	17,491	16,315
NET ASSETS:		
Beginning of year	180,807	164,492
End of year	\$ 198,298	\$ 180,807

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2002	<i>(000's Omitted)</i>	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on loans receivable	\$ 98,697		\$ 98,946
Cash received from principal payments on loans	366,043		290,863
Interest received from marketable securities	24,395		29,535
Cash received from rental operations	10,546		10,352
Cash received from other revenues	12,400		9,735
Cash received from sales of other real estate owned	6,795		3,132
Fees received from loan fundings	2,456		1,296
Cash received from accounts payable, federally assisted programs, and escrow	2,095		258
Cash payments/received from other assets	(219)		2,402
Interest paid on bonds and notes	(102,716)		(104,995)
Cash payments for new loan fundings	(567,216)		(315,307)
Cash payments for salaries and related benefits	(10,559)		(10,001)
Cash payments for general operating expenses	(9,301)		(7,810)
Cash payments for other interest	(1,715)		(1,822)
Fees paid on loan fundings	(9,763)		(6,552)
Net cash provided by (used in) operating activities	(178,062)		32
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Proceeds from issuance of bonds payable	841,966		366,060
Proceeds from issuance of notes payable	1,832,955		393,807
Cash received from grants	222		1,236
Cash payments for debt financing costs	(4,437)		(3,732)
Repayment of bonds payable	(434,444)		(284,063)
Repayment of notes payable	(1,820,233)		(391,513)
Cash payments for bond call premiums	(1,549)		(997)
Net cash provided by (used in) noncapital financing activities	414,480		80,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of property and equipment - Corporate facilities	-		2
Proceeds from sale of property and equipment - Rental operations	-		519
Purchases of property and equipment - Corporate facilities	(1,002)		(2,256)
Purchases of property and equipment - Rental operations	(3,240)		(1,071)
Net cash provided by (used in) capital and related financing activities	(4,242)		(2,806)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and maturities of long-term marketable securities	65,850		20,096
Purchase of long-term marketable securities	(94,942)		(10,053)
Net cash provided by (used in) investing activities	(29,092)		10,043
Net increase (decrease) in cash and cash equivalents	203,084		88,067
Cash and cash equivalents - beginning of year	424,510		336,443
Cash and cash equivalents - end of year	\$ 627,594		\$ 424,510

The accompanying notes are an integral part of these statements.

(Continued)

STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2002	<i>(000's Omitted)</i>	2001
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income	\$	17,269	15,079
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
(Increase) decrease in fair value of investments		(3,904)	230
Depreciation expense		2,246	1,693
Loss on sale of property and equipment		2	(303)
Gain on sale of long-term marketable securities		(103)	-
Accretion of capital appreciation term bonds		644	1,547
Amortization of:			
Deferred debt financing costs		6,832	1,144
Premiums and discounts on bonds, net		(21,172)	(5,704)
Premiums and discounts on long-term marketable securities, net		(78)	(26)
Deferred fee income		(2,304)	(1,585)
Deferred cash assistance expense		15,937	2,611
Service release premium		1,550	603
Mortgage yield recoupment income		(22)	(62)
Provision for losses		4,147	6,666
Principal repayments on loans receivable		366,043	290,863
Sales of other real estate owned		6,795	3,132
New loan fundings		(567,216)	(315,307)
Deferred fee income		2,456	1,296
Deferred cash assistance expense		(9,763)	(6,552)
Gain on sale of OREO		-	(294)
Changes in assets and liabilities:			
Accrued interest receivable		(820)	17
Other assets		(478)	2,024
Accrued interest payable		1,834	1,811
Accounts payable, federally assisted program advances and escrow and refundable deposits		2,043	1,149
Net cash provided by (used in) operating activities	\$	(178,062)	32
Supplemental schedule of non-cash operating, non-capital financing, capital and related financing and investing activities:			
Transfer of mortgage loans to other real estate owned		7,716	9,166
Transfer of loans receivable to other assets		5,582	2,748
Transfer of allowance on loans receivable to allowance on other real estate owned		87	2,719
Transfer of allowance on OREO to allowance on accrued interest receivable		-	340
Offset of note payable to OREO due to risk sharing settlement		-	3,514
Transfer of deferred debt financing costs to defer red refunding (bonds and notes payable)		1,359	1,575
Transfer of deferred fee income to deferred refunding (loans receivable)		145	247
Transfer of other assets to defer red refunding		1,003	-
Transfer of other real estate owned to other assets		2,150	-

The accompanying notes are an integral part of these statements.

(Concluded)

(1) Organization and Summary of Significant Accounting Policies

(a) Authorizing Legislation

Colorado Housing and Finance Authority (the "Authority") is a corporate body and a political subdivision of the State of Colorado established pursuant to the Colorado Housing and Finance Authority Act, Title 29, Article 4, Part 7 of the Colorado Revised Statutes, as amended (the "Act"). 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 was created for the purpose of making funds available to assist private enterprise and governmental entities in providing housing facilities for low and moderate income families. Under the Act, the Authority is also authorized to finance project and working capital loans to industrial and commercial enterprises of small and moderate size.

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

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

(b) Reporting Entity

In accordance with governmental accounting standards applicable to the reporting entity, the Authority has included

related entities in its financial statements.

The reporting entity definition is based primarily on the concept of financial accountability. The Authority is financially accountable for those units that make up its legal entity as well as its legally separate organizations, because they have the same board of directors and management personnel, and their surplus assets are relinquished to the Authority.

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

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

(c) Fund Accounting

The Authority has adopted GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as amended by GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and 34", and GASB Statement No. 38, "Certain Financial

Statement Note Disclosures". The objectives of the statements are to establish a basic financial reporting model that will result in greater accountability by governments, while providing more useful information to a wider range of users. This conceptual basis has resulted in a new financial reporting model with several changes that have major implications on governments; however, as a public enterprise, the implications to the Authority are significant but not as broad as to a true governmental entity.

The effect on the financial statements of implementing GASB Statement No. 34, as amended, resulted in the presentation of classified Balance Sheets, reclassification of certain amounts on the Statements of Revenue, Expenses, and Changes in Net Assets, the change from the indirect to the direct method of presenting cash flows from operating activities, classification of net assets, reporting certain additional footnote disclosures, and the inclusion of Management's Discussion and Analysis as required supplemental information.

The financial activities of the Authority are recorded in the funds ("Bond Funds") established under various bond resolutions and in other funds established in connection with the administration of the Authority's programs. All activities of the Authority not performed pursuant to the Single Family and Multi-Family Funds are recorded in the General Fund. These funds are combined into a single column for financial reporting purposes.

The financial statements of the Authority are presented on the basis of the proprietary fund accounting concept.

NOTES TO FINANCIAL STATEMENTS

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

Years Ended December 31, 2002 and 2001

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

The Authority's Board of Directors (the "Board") has designated certain amounts of the unrestricted net assets of the General Fund as of December 31, 2002 and 2001 for various purposes as follows. These designations of net assets are not binding, and can be changed by the Board of Directors.

	2002	2001
Appropriations for loan funds:		
Housing fund	\$ 571	\$ 1,217
Business Finance Fund	29,092	15,577
Housing Opportunity Fund	26,094	19,390
	55,757	36,184
Designations:		
Debt service for General Obligation Bonds -		
Rental Housing and Commercial	18,468	12,159
General operating and working capital	15,084	12,374
Unrealized appreciation of investments	1,241	473
Single and multi-family bonds	27,098	48,230
	61,891	73,236
Total unrestricted net assets	\$ 117,648	\$ 109,420

(c) Fund Accounting (continued)

Revenue and expenses are recognized on an accrual basis. The Authority distinguishes operating revenues and expenses from non-operating 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 expenses, administrative expenses, depreciation, and the provision for losses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The restricted amounts are for the payment of principal, redemption premium, if any, or interest on all outstanding multi-family and single family bond issues, in the event that no other monies are legally available for such payments. The Board may

withdraw all or part of this designated balance only if (i) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (ii) no default exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

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

As permitted by GASB Statement 20, the Authority has elected not to adopt any Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, unless so directed by the GASB.

(d) Budget Policies and Procedures

The Authority's budget year is the calendar year. A budget committee consisting of Finance, the Executive Committee and

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

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

(e) Cash

Cash at December 31, 2002 and 2001, primarily includes market interest accounts of which approximately \$1,698,000 and \$1,438,000, respectively, is designated for various General Fund program purposes.

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

Years Ended December 31, 2002 and 2001

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

(f) Marketable Securities

The Authority accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement 31), which establishes accounting and financial reporting standards for investments held by governmental entities. Statement 31 requires most investments to be recorded at fair value and the recognition of unrealized gains and losses in the statement of revenue and expenses. Statement 31 allows money market investments and participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less to be recorded at amortized cost. The net increase (decrease) in the fair value of long-term marketable securities for 2002 and 2001 is reflected in the statements of revenues, expenses, and changes in net assets for the years presented.

The fair value of the Authority's investments is determined from quoted market prices. Long-term marketable securities are carried at fair value. However, the Authority's long-term marketable securities include investment contracts that have fixed maturities and fixed rates with flexible withdrawal provisions. These investment contracts are not transferable, are not affected by changes in market interest rates, and therefore are carried at current face value. Included in long-term marketable securities are \$132,973,000 and \$99,754,000 at December 31, 2002 and 2001, respectively, which are restricted for future debt service as required under the various bond resolutions. Short-term marketable securities are carried at amortized cost, which approximates market,

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

(g) Loans Receivable

Mortgage loans are carried net of deferred cash assistance expense, deferred fee income, deferred mortgage yield recoupment income and allowance for loan losses. Generally, single family mortgage loans bear interest at rates ranging from 5.00% to 10.00% per annum, payable monthly over 30 years. Multi-family and business loans bear interest at rates ranging from 1.00% to 12.00% per annum, payable over terms from 20 to 40 years. Servicing of mortgage loans is provided by the Authority and various approved and qualified private lending institutions, on behalf of the Authority. The Authority services approximately 92% of its loans directly.

(h) Fee Income and Expense

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

(i) Mortgage Yield Recoupment Income

Income in excess of arbitrage limits under the U.S. Treasury regulations is accounted for as an adjustment of the yield on the

respective mortgage loan portfolio to the yield permitted under the regulations. These amounts are classified as reductions of loans receivable, and deferred and amortized over the lives of the respective mortgage loans.

(j) Compensated Absences

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

(k) Allowance for Losses

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

NOTES TO FINANCIAL STATEMENTS

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

Years Ended December 31, 2002 and 2001

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

that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made in the amount quantifiable. Loans receivable, accrued interest receivable, other real estate owned and other assets are shown net of an allowance for losses of \$16,230,000, \$0, \$1,554,000, and \$104,000, respectively, for 2002, and \$13,259,000, \$340,000, \$2,447,000, and \$161,000, respectively, for 2001.

(I) Property, Equipment and Rental Real Estate Operations

The office buildings, furniture and equipment are carried at \$5,572,000 and \$5,116,000 at December 31, 2002 and 2001, respectively, representing cost, net of accumulated depreciation of \$4,299,000 and \$3,913,000, respectively. The Authority

purchased an adjacent office building and land in 2001, valued at \$532,000 and \$1,133,000, respectively. The Authority uses the straight-line method of depreciation with estimated useful lives of three to thirty years. The capitalization threshold for corporate and RAP capital assets is \$1,000 and \$500, respectively. Detailed information on capital assets and the related accumulated depreciation is displayed on page 13.

The Authority commenced its Rental Acquisition Program ("RAP") in 1988, when the Board authorized the acquisition, rehabilitation and operation of below-market priced multi-family properties to provide affordable housing to low and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (i) general

obligation and multi-family bond proceeds, (ii) seller-carry notes, and (iii) contributions from the General Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. Further, it is the policy of the Authority to distribute excess surplus equity from the component units semiannually. These distributions are reflected in each component unit's net assets.

As of December 31, 2002, the Authority owned a total of 14 RAP projects, including its three component units, containing 1,434 units. The Authority purchased one RAP property in 2002, with building and land valued at \$1,244,000 and \$292,000, respectively. Selected balance sheet items of the RAP are presented below:

	2002	2001
RAP combined, including component units:		
Property, net of accumulated depreciation of \$10,857,000 and \$9,157,000	\$ 28,086	\$ 26,547
Total assets	36,628	35,785
Total debt	23,522	23,983
Net assets	13,106	11,802
RAP component units only:		
Property, net of accumulated depreciation of \$6,449,000 and \$5,307,000	\$ 18,101	\$ 18,289
Total assets	21,897	21,908
Total debt	17,028	17,302
Net assets	4,868	4,606

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

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

summary of the operating results of the RAP properties on a stand-alone basis before elimination of intercompany transactions is displayed on page 14.

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

Years Ended December 31, 2002 and 2001

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

	Balance Dec. 31, 2001	Additions	Disposals	Transfers	Balance Dec. 31, 2002
CORPORATE					
Computer equip/software	\$ 160	755	-	50	965
Office equipment	2,429	44	(157)	(30)	2,286
Furniture & fixtures	1,577	20	(3)	10	1,604
Buildings	3,290	183	-	(30)	3,443
Land	1,573	-	-	-	1,573
Sub-total	9,029	1,002	(160)	-	9,871
Accumulated Depreciation	(3,913)	(544)	158	-	(4,299)
Net Book Value	\$ 5,116				5,572
RENTAL					
Computer equip/software	\$ 6	59	-	(4)	61
Office equipment	-	640	-	2,340	2,980
Furniture & fixtures	4,578	365	-	(2,089)	2,854
Buildings	26,955	1,884	-	(247)	28,592
Land	4,164	292	-	-	4,456
Sub-total	35,703	3,240	-	-	38,943
Accumulated Depreciation	(9,156)	(1,701)	-	-	(10,857)
Net Book Value	\$ 26,547				28,086
Consolidated Net Fixed Assets	\$ 31,663				33,658

	Balance Dec. 31, 2000	Additions	Disposals	Transfers	Balance Dec. 31, 2001
CORPORATE					
Computer equip/software	\$ 180	485	-	(505)	160
Office equipment	1,927	57	(7)	452	2,429
Furniture & fixtures	1,404	16	-	157	1,577
Buildings	2,829	565	-	(104)	3,290
Land	440	1,133	-	-	1,573
Sub-total	6,780	2,256	(7)	-	9,029
Accumulated Depreciation	(3,479)	(440)	6	-	(3,913)
Net Book Value	\$ 3,301				5,116
RENTAL					
Computer equip/software	\$ -	6	-	-	6
Office equipment	-	-	-	-	-
Furniture & fixtures	3,988	590	-	-	4,578
Buildings	26,625	475	(145)	-	26,955
Land	4,229	-	(65)	-	4,164
Sub-total	34,842	1,071	(210)	-	35,703
Accumulated Depreciation	(7,897)	(1,311)	52	-	(9,156)
Net Book Value	\$ 26,945				26,547
Consolidated Net Fixed Assets	\$ 30,246				31,663

NOTES TO FINANCIAL STATEMENTS

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

Years Ended December 31, 2002 and 2001

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

	2002	2001
RAP combined, including component units:		
Rental operations	\$ 10,569	\$ 10,373
Interest income	57	135
Other revenues	45	-
Gain on sale of property	-	303
General operating expenses	(4,015)	(4,019)
Depreciation expense	(1,700)	(1,562)
Interest expense	(1,715)	(1,822)
Net income	\$ 3,241	\$ 3,408
RAP component units only:		
Rental operations	\$ 7,174	\$ 7,112
Interest income	47	110
Other Revenues	16	-
General operating expenses	(2,519)	(2,878)
Depreciation expense	(1,142)	(798)
Interest expense	(1,246)	(1,264)
Net income	\$ 2,330	\$ 2,282

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

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

(n) Other Real Estate Owned

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

(o) Other Assets

Included in other assets are prepaid

expenses and unamortized costs of mortgage servicing rights.

(p) Federally Assisted Program Advances

In accordance with and pursuant to contracts between the Authority and the Department of Housing and Urban Development ("HUD"), the Authority administers the Section 8 Housing Assistance Payments ("HAP") Program, and in 2001, became a Performance-Based Contract Administrator ("PBCA"), in certain areas of the State of Colorado. Under these programs, housing assistance payments are made to the owners of rental housing developments on behalf of tenants of limited income who meet the eligibility requirements. HUD advances funds to the Authority for the housing assistance payments and, for certain developments, pays a monthly fee to the Authority for its

administration of the subsidy contracts. The advanced funds held by the Authority are \$860,000 and \$369,000 for 2002 and 2001 respectively. The administrative fees for HAP and PBCA are approximately \$1,342,000 and \$2,069,000 in 2002, respectively, and \$1,318,000 and \$1,114,000 in 2001, respectively, and are recognized as other revenue when earned.

(q) Interest Rate Swap Agreements

The Authority enters into interest rate swap agreements with rated swap counterparties in order to manage the interest rate risk associated with the issuance of certain variable rate bonds. The interest differentials to be paid or received under such swaps are recognized as an increase or decrease in interest expense of the related bond liability. Additional information about the swap agreements is described in Footnote 5.

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

Years Ended December 31, 2002 and 2001

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

(r) Other Revenues and Other Interest Expense

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

(s) Debt Refunding

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price

and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining estimated life of the old or new debt, whichever is shorter, using the effective interest method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

(t) Risk Management

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

self insurance. Commercial general liability, property losses, business automobile liability, worker's compensation and public officials liability are all managed through purchased insurance. For excess risk exposure, all employee medical claims in excess of \$30,000 per individual and \$896,000 aggregate per year are also covered by the purchase of stop-loss insurance. The Authority is partially self-insured to cover claims that fall within these limits. The claim liability for the years ended December 31, 2002 and December 31, 2001, which is included in Accounts payable and other liabilities, was as follows:

	2002	2001
Beginning Claims Liability	\$ 466,108	\$ 271,226
Period Claims	651,241	534,784
Estimate changes from prior periods	(309,475)	194,882
Claim Payments	(651,241)	(534,784)
Ending Claims Liability	\$ 156,633	\$ 466,108

(u) Use of Estimates

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

reflected as offsetting assets and liabilities but in 2002 the Authority, to conform to industry practice, has excluded such amounts from both the 2002 and 2001 balance sheets. The Authority is accountable for escrow funds and is contingently liable for them in the event of loss, but the funds are the assets of the parties that provided them.

(w) Reclassifications

Certain reclassifications have been made to the 2001 financial statements to conform to the 2002 presentation.

(v) Mortgage Escrows

Escrow funds held by the Authority on behalf of others of approximately \$9,942,000 and \$7,547,000 at December 31, 2002 and 2001, respectively, are not reflected in the accompanying balance sheets. These amounts had previously been

(2) Cash and Marketable Securities

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

State of Colorado.

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

The Authority categorizes its cash into three categories as to their risk. Category 1 includes federally insured deposits, or deposits fully collateralized with securities held in the Authority's name. Category 2 includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. Category 3 includes cash on hand, which is not insured.

NOTES TO FINANCIAL STATEMENTS

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

Years Ended December 31, 2002 and 2001

(2) Cash and Marketable Securities (continued)

At December 31, 2002 the Authority had cash deposits with a carrying value of \$20,791,000. These balances are categorized as follows:

Risk Category	2002	2001
1	\$ 466	585
2	20,324	12,344
3	1	-
TOTAL	\$ 20,791	\$ 12,929

All of the Authority's marketable

securities are also categorized into three categories as follows to provide an indication of the level of risk assumed as of December 31, 2002. Category 1 includes those investments, which are insured, or registered securities held by the Authority or its trustee in the Authority's name. Category 2 includes those investments which are uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the Authority's name. Category 3 includes those investments which

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

Investment Type	Risk Category	2002 Carrying Value	2001 Carrying Value
Categorized:			
U.S. Government & agency obligations	1	\$ 205,878	\$ 83,372
Collateralized investment agreements	2	42,271	214,891
Repurchase agreements	1	9,140	2,915
Uncategorized			
Treasury money market funds		76,362	83,914
Uncollateralized investment agreements		420,244	140,405
Total investments		\$ 753,895	\$ 525,497

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

rating agency downgrade of the institution below certain rating requirements.

From time to time, the Authority invests in repurchase agreements. Securities underlying repurchase agreements are limited to those government and agency obligations permitted by the Authority's investment guidelines and have a market value of at least 100% of the cost of the

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

The following schedule shows the Authority's net increase (decrease) in fair value of long-term marketable securities by program, for the years ended December 31, 2002 and 2001:

Description	2002	2001
General Fund	\$ (32)	\$ 462
Multi-family Housing Insured Mortgage Revenue	2,508	(105)
Multi-family/Project	319	(129)
Single Family Housing Revenue	245	(415)
Taxable Single-Family Mortgage Revenue	22	11
Single Family Revenue	151	(41)
Single Family Program Senior and Subordinate	54	(13)
Single Family Mortgage Bonds	637	-
TOTAL	\$ 3,904	\$ (230)

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

Years Ended December 31, 2002 and 2001

(3) Loans Receivable

Loans receivable at December 31, 2002 and 2001 consist of the following:

	2002	2001
General Fund	\$ 122,341	\$ 206,832
Multi-family bond programs:		
Housing Insured Mortgage Revenue	218,608	316,427
Mortgage Revenue	1,953	2,010
Project	214,580	115,350
Adjustable Rate Housing Insured Mortgage Revenue	46,102	-
Single Family bond programs:		
Taxable Revenue	5,768	8,089
Taxable Program Senior and Subordinate Revenue	2,131	2,630
Program	1,154	1,650
Program Senior and Subordinate	14,793	17,164
Revenue Refunding	493,632	623,173
Mortgage	314	468
	458,617	98,964
Total loans receivable	1,579,993	1,392,757
Deferred cash assistance expense	28,237	34,412
Deferred fee income	(8,128)	(8,181)
Deferred mortgage yield recoupment income	-	(22)
Allowance for loan losses	(16,230)	(13,259)
Total loans receivable, net	\$ 1,583,872	\$ 1,405,707

General Fund loans are made up of business, multi-family and single family loans acquired under various programs of the General Fund, loans held as investments, loans backed by bonds within the General Fund, and warehoused loans to be acquired by the Bond Funds. These loans are typically collateralized by mortgages on real property and improvements. At December 31, 2002 and 2001, \$10,600,000 and \$14,449,000 of these loans (ACCESS SBA 504 program), respectively, are secured by first liens ahead of second liens from the Small Business Administration. Additionally, at December 31, 2002 and 2001, \$23,170,000 and

\$17,490,000 of these loans (QIC/QAL program), respectively, are secured by a guarantee of the Small Business Administration or Rural Economic and Community Development Department, formerly Farmers Home Administration.

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

Single family bond program loans are collateralized by first mortgages on applicable real property, and in the case of loans with a loan-to-value ratio of 80% or

more, are either insured by private mortgage insurance or the Federal Housing Administration or guaranteed by the Veterans Administration or Rural Economic and Community Development Department.

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

NOTES TO FINANCIAL STATEMENTS

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

Years Ended December 31, 2002 and 2001

(3) Loans Receivable (continued)

At December 31, 2002 and 2001, the amounts available in the Bond Funds for additional investments in new loans, are as follows:

	2002	2001
Single family mortgage program*	\$ 122,851	\$ 143,650
Multi-family mortgages and projects	139,776	32,942
	\$ 262,627	\$ 176,592

* These amounts will be used to acquire single family mortgage loans warehoused in the Authority's General Fund of \$0 and \$92.8 million, at December 31, 2002 and 2001, respectively.

(4) Bonds and Notes Payable

The aggregate principal amounts of bonds and notes payable at December 31, 2002 and 2001 are shown below. Interest is payable semiannually unless otherwise noted.

Description and due date	Interest rate (%)	2002	2001
General Fund:			
General Obligation Bonds:			
1992 Series A	2003-2030	9.125	\$ 3,265
1998 Series A	2003-2017	4.40 to 5.25	\$ 3,285
		1,410	1,465
ACCESS Programs:			
1991 Series A	2003-2011	9.15	1,055
1991 Series B	2003-2011	8.50	6,890
1995 Series A	2003-2015	7.67	2,530
1997 Series A	2003-2018	7.22	2,517
1999 Series A	2003-2018	6.49	3,247
		2,894	5,533
QIC Program:			
1994 Series A		6.51	-
1995 Series A		7.60	96
1997 Series A	2003-2023	6.56	-
1999 Series A	2003-2024	5.71	868
2000 Series A	2003-2025	6.755	64
		4,927	1,043
		477	6,534
		8,355	7,048
SMART Program:			
2000 Series A	2003-2020	6.152	8,471
Taxable Mortgage Revenue: <i>(principal and interest payable monthly)</i>			
2000 Series A	2003-2020	6.914	4,158
2000 Series B	2003-2020	6.675	11,905
2001 Series AP	2003-2021	6.135	2,429
2001 Series AV	2003-2021	6.625	13,364
		4,189	23,175
		6,314	6,703
Single Family Taxable Mortgage Revenue: <i>(principal and interest payable monthly)</i>			
2002 Series AP	2003-2021	5.662	6,314
		6,314	-
Taxable Rental Project Revenue: <i>(principal and interest payable monthly)</i>			
2002 Series AV	2003-2022	5.550	6,985
		6,985	-

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001

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

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2002	2001
Multi-family Mortgage Revenue Bond:			
1994 Series A	7.25	\$ -	\$ 60
		68,180	103,086
Multi-family Housing Insured			
Mortgage Revenue Bonds:			
1982 Series A	9.00	-	18,550
1982 Series B	6.00	-	11,645
1991 Series A	2003-2026	2,470	2,485
1992 Series A	8.00 to 8.30	-	77,335
1993 Series A	2003-2029	16,105	16,305
1995 Series A	2003-2037	11,750	11,850
1995 Series B	2003-2037	14,040	14,135
1995 Series C	2003-2015	12,705	12,790
1996 Series A	2003-2037	27,885	35,540
1996 Series B	2003-2037	8,695	8,780
1996 Series C	2003-2038	15,000	15,100
1997 Series A	2003-2038	12,885	19,365
1997 Series B	2003-2038	23,115	23,410
1997 Series C	2003-2039	37,085	53,450
1998 Series A	2003-2039	20,310	20,465
1998 Series B	2003-2040	7,240	7,260
1999 Series A	2003-2041	34,185	34,705
1999 Series B	2003-2041	5,515	5,550
1999 Series C	2003-2041	16,485	18,115
		265,470	406,835
Multi-family Mortgage Revenue Bonds:			
(Principal and interest payable monthly):			
Series 1978-3	2003-2017	6.50	1,219
Series 1980-1	2003-2021	10.50	734
		1,953	2,010
Multi-family/Project Bonds:			
<i>*(Principal and interest payable quarterly on some of the bonds.)</i>			
2000 Series A	2003-2032	5.225 to 6.15	66,630
2000 Series B*	2003-2042	3.90 to 7.39	31,380
2001 Series A	2003-2043	2.75 to 5.65	37,985
2002 Series A	2003-2042	2.45 to 5.70	48,005
2002 Series B	2003-2032	Variable (weekly)	64,600
2002 Series C	2003-2042	2.55 to 5.30	142,720
		391,320	163,955
Adjustable Rate Multi-family Housing Insured Mortgage Revenue Bonds:			
2002 Series AA	2003-2030	Variable (weekly)	75,720
			-

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001

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

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2002	2001
Taxable Single Family Mortgage Revenue Bonds:			
1998 Issue I	2003-2018	6.65	
		\$ 5,105	\$ 8,670
Taxable Single Family Program Senior and Subordinate Bonds:			
1993 Issue A	2005-2011	7.625	
		815	1,600
Single Family Revenue Bonds:			
1985 Series A	2005-2009	11.125	
		697	760
1985 Series B	2017	8.75	
		885	1,475
1993 Refunding Series A	2005-2008	7.00	
		3,664	4,161
		5,246	6,396
Single Family Program Bonds:			
1998 Series C	2003-2029	4.50 to 5.625	
		15,006	17,082
Single Family Program Senior and Subordinate Bonds:			
1992 Series A		6.30 to 8.70	
			10,010
1994 Series B	2003-2024	5.75 to 7.50	
		1,260	2,250
1994 Series C	2003-2024	6.00 to 7.90	
		1,465	2,295
1994 Series D-I	2003-2024	5.70 to 8.00	
		1,400	1,955
1994 Series D-II	2003-2025	5.65 to 8.125	
		885	1,725
1994 Series E	2003-2024	5.95 to 8.125	
		1,065	2,255
1994 Series F	2003-2025	6.75 to 8.625	
		450	1,080
1995 Series A	2003-2025	5.80 to 8.00	
		3,490	5,520
1995 Series B	2003-2025	5.70 to 7.90	
		3,225	6,115
1995 Series C	2003-2025	5.20 to 7.65	
		5,265	8,685
1995 Series D	2003-2026	5.20 to 7.38	
		14,185	19,470
1996 Series A	2003-2027	5.00 to 7.40	
		11,630	18,895
1996 Series B	2003-2027	5.20 to 7.65	
		9,750	15,900
1996 Series C	2003-2027	5.15 to 7.55	
		9,995	17,840
1997 Series A	2003-2027	4.65 to 7.25	
		15,425	24,050
1997 Series B	2003-2028	4.90 to 7.00	
		14,435	23,425
1997 Series C	2003-2028	5.00 to 6.875	
		16,420	24,035
1998 Series A	2003-2029	4.75 to 6.60	
		25,315	35,885
1998 Series B	2003-2029	4.625 to 6.55	
		26,529	36,228
1998 Series D	2003-2029	4.25 to 6.35	
		36,540	47,655
1999 Series A	2003-2030	4.375 to 6.45	
		34,640	42,695
1999 Series B	2003-2030	4.875 to 6.80	
		37,670	52,485
1999 Series C	2003-2031	4.70 to 7.20	
		42,950	61,035

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001

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

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2002	2001	
Single Family Program Senior and Subordinate Bonds, continued:				
2000 Series A	2003-2031	5.75 to 7.54	\$ 24,005	\$ 41,000
2000 Series B	2003-2031	5.35 to 7.47	24,390	36,550
2000 Series C	2003-2031	5.70 to 8.40	33,225	49,550
2000 Series D	2003-2032	5.15 to 7.43	31,650	40,000
2000 Series E	2003-2032	5.15 to 7.10	31,400	35,000
2001 Series A	2003-2032	5.00 to 6.50	39,270	40,000
2001 Series B	2003-2033	5.00 to 6.77	52,275	55,490
2001 Series C	2003-2033	4.875 to 6.375	57,770	61,365
			607,974	820,443
Single Family Revenue Refunding Bonds:				
1994 Series A	2003-2011	5.00 to 5.30	195	420
Single Family Mortgage Bonds:				
2001 Series AA	2003-2041	5.25	131,840	131,840
2002 Series A	2003-2032	4.55 to 5.65	93,260	–
2002 Series B	2003-2032	1.60 to 5.40	179,340	–
2002 Series C	2003-2036	1.55 to 4.95	223,000	–
			627,440	131,840
Mortgage notes:				
September 12, 2007		6.50	1,679	–
September 4, 2020		1.00	796	837
June 22, 2025		1.00	715	742
July 1, 2004		4.50	713	732
April 1, 2002		11.47	–	49
March 31, 2003		–	43	85
November 30, 2005		–	40	70
Lines of credit:				
January 31, 2002		2.00	–	5,659
January 2, 2003		1.366 and 1.47	113,127	87,000
February 1, 2002		2.45	–	9,133

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

Years Ended December 31, 2002 and 2001

(4) Bonds and Notes Payable (continued)

Description and due date	Interest rate (%)	2002		2001	
Unsecured notes payable:					
June 30, 2003	Variable	\$	5	\$	89
December 31, 2003	Variable		104		104
			117,222		104,500
Total bonds and notes payable			2,181,646		1,766,837
Discounts/premiums, net					
			38,016		53,112
Deferred refunding amounts					
			(7,937)		(4,477)
Total bonds and notes payable, net		\$	2,211,725	\$	1,815,472

Included in several of the bond issues shown above are Capital Appreciation Term Bonds ("CATB"). The principal amounts of these bonds appreciate based on semiannual compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity and as reflected in the accompanying balance sheets at December 31, 2002 and 2001 are as follows:

Description, due date and type	Interest rate (%)	Maturity	Appreciated Balances		
			2002	2001	
Single Family Revenue Bonds:					
1985 Series A	2005-2009 CATB	11.125	\$ 2,465	\$ 697	\$ 760
1993 Refunding Series A	2005-2008 CATB	7.00	4,762	3,664	4,161
Single Family Senior and Subordinate Bonds:					
1998 Series B	2025-2029 CATB	5.5	6,053	1,618	1,533
Single Family Program Bonds:					
1998 Series C	2020- 2029 CATB	5.625	12,265	3,676	3,477

Also included in the Bonds and Notes Payable section above are both Single Family and Multi-Family Bonds which carry the Authority's General Obligation pledge. These bonds have been issued as subordinate debt or class III obligations and are broken out below:

Description	2002	2001
Single Family Program Subordinate Bonds	\$ 13,575	\$ 18,160
Single Family Mortgage Bonds, Class III	32,000	-
Multi-Family/Project Bonds, Class III	21,390	21,760
	\$ 66,965	\$ 39,920

Changes in Bonds and Notes Payable

Bonds and Notes Payable activity for the year ended December 31, 2002, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Bonds payable	\$ 1,662,337	\$ 842,610	\$ 440,523	\$ 2,064,424
Notes payable*	104,500	1,832,955	1,820,233	117,222
Unamortized premium	53,112	0	15,096	38,016
Deferred Refunding	(4,477)	(3,766)	(306)	(7,937)
	\$ 1,815,472	\$ 2,671,799	\$ 2,275,546	\$ 2,211,725

* Balance includes the Authority's three lines of credit.

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

Years Ended December 31, 2002 and 2001

(4) Bonds and Notes Payable (continued)

Bonds and notes payable sinking fund installments and maturities subsequent to December 31, 2002 are as follows:

	Single Family		Multi-Family		General Fund		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 142,815	\$ 66,998	\$ 8,393	\$ 34,807	\$ 24,918	\$ 3,630	\$ 113,378	\$ 156
2004	23,135	62,006	19,552	35,304	12,942	2,336	773	142
2005	34,064	60,608	12,008	34,517	4,952	1,826	91	123
2006	31,400	58,795	9,208	34,059	2,373	1,634	71	122
2007	30,877	57,156	9,719	33,616	1,395	1,521	1,751	121
2008-2012	143,587	261,165	58,862	159,730	5,498	6,277	371	51
2013-2017	159,200	217,643	81,751	140,569	3,190	4,729	390	32
2018-2022	207,412	164,759	104,950	115,416	10,907	3,021	295	12
2023-2027	189,809	106,257	99,980	86,369	895	747	102	2
2028-2032	172,876	51,232	229,830	55,439	1,110	220	-	-
2033-2037	142,495	17,341	62,250	21,984	-	-	-	-
2038-2042	-	-	37,960	5,073	-	-	-	-
Total	\$ 1,277,670*	\$ 1,123,960	\$ 734,463	\$ 756,883	\$ 68,180	\$ 25,941	\$ 117,222	\$ 761

* Reflects \$15.9 million of accretion of principal value on capital appreciation bonds.

Assets of the various Bond Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the various Bond Funds and are held in cash, marketable securities or investment agreements. At December 31, 2002 and 2001, these assets were at least equal to the amounts required to be restricted.

As of December 31, 2002 and 2001, the Authority had a \$0 and \$49,000, respectively, note payable to a bank under its Taxable Multi-family Rental Housing Rehabilitation Program. The note is secured by the pledge of, and is being repaid with the principal and interest payments on, the mortgage loan participations which were acquired with the note proceeds. In the event of default of any underlying mortgage loan, the Authority is obligated to the bank

for up to one-third of any deficiency of amounts due the bank upon foreclosure or other conversion of the defaulted loan. The Authority receives an ongoing fee representing .25% of the unpaid balance of its participation interest.

The Authority has an agreement with the Federal Home Loan Bank of Topeka (FHLB) for borrowings of up to \$150,000,000. Amounts drawn under the agreement bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investment securities. There are no commitment fees associated with this agreement. As of December 31, 2002 and 2001, the outstanding borrowings under this agreement were \$113,127,000 and \$87,000,000, respectively.

The Authority also has a revolving, unsecured, commercial bank line of credit for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest fixed at .62% per annum above the London Interbank Offered Rate (LIBOR).

This line of credit agreement terminates on July 25, 2003. The Authority agrees to pay an unused line usage fee at the rate of 0.15% per annum, payable in arrears on the last day of each calendar quarter until the Maturity Date, and on the Maturity Date. The fee is based upon the amount by which the daily average of the aggregate principal amount of the borrowings outstanding are less than the line of credit. As of December 31, 2002 and 2001, the outstanding borrowings under this agreement were \$0 and \$9,133,000.

The Authority has an agreement with another bank for a secured line of credit authorizing borrowings of up to \$6,000,000. The agreement provides for the Authority to borrow an amount based on the prior month's average daily balance of custodial funds held in a non-interest bearing account at the bank. Amounts drawn under the agreement bear interest fixed at 1% per annum, and are invested with the bank in a money market savings account. The line of credit agreement terminates on

NOTES TO FINANCIAL STATEMENTS

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

Years Ended December 31, 2002 and 2001

(4) Bonds and Notes Payable (continued)

July 1, 2003. There are no commitment fees associated with this agreement. As of December 31, 2002 and 2001, the outstanding borrowings under this agreement were \$0 and \$5,659,000.

The Authority has issued certain conduit Multi-family Housing Revenue Bonds and Industrial Development Bonds, the proceeds of which were made available to various developers and corporations for rental

housing and commercial purposes. As of December 31, 2002, \$186,993,000 and \$76,470,000, respectively, of these bonds were outstanding. The corresponding amounts outstanding as of December 31, 2001 were \$188,290,000 and \$54,350,000, respectively. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and

corresponding debt service payments are generally guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

(5) Interest Rate Swaps

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

receiving variable rate payments. The swap agreements are used to create synthetic fixed rates on the underlying variable rate bonds. The swap agreement notional amounts are amortized in accordance with

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

Associated Bond Issue	Swap Effective Date	Outstanding Notional Amount	Fixed Rate Paid by the Authority	Floating Rate Received from Counterparties	Termination Date
Multi-Family/Project Bonds:					
2000 Series A A-1, Class I	03/21/00	\$ 12,750	5.235%	VRDO's Rate ¹	10/01/20
2000 Series A A-1, Class III	03/21/00	18,500	5.225%	VRDO's Rate ¹	04/01/25
2000 Series A A-2, Class I	03/21/00	11,545	5.800%	VRDO's Rate ¹	04/01/15
2000 Series B B-1, Class I	10/19/00	7,655	7.390%	LIBOR ² , plus .25%	07/01/20
2002 Series A A-1, Class I	01/29/03	9,410	5.100%	VRDO's Rate ¹	10/01/22
2002 Series C C-1, Class I	04/01/03	10,920	6.129%	VRDO's Rate ¹	10/01/32
2002 Series C C-2, Class I	10/01/03	70,715	5.124%	VRDO's Rate ¹	10/01/32
2002 Series C C-4, Class I	10/01/03	31,960	5.044%	VRDO's Rate ¹	10/01/32
Multi-Family Housing Insured Mortgage Revenue Bonds:					
2002 Series AA AA	07/03/02	35,000	6.068%	VRDO's Rate ¹	10/01/23
Single Family Mortgage Bonds:					
2001 Series AA AA-1, Class I	10/04/01	50,000	5.290%	VRDO's Rate ¹	11/01/13
2001 Series AA AA-2, Class I	10/04/01	46,840	4.600%	VRDO's Rate ¹	05/01/31
2002 Series A A-1, Class I	04/25/02	41,000	5.499%	VRDO's Rate ¹	11/01/13
2002 Series A A-3, Class I	04/25/02	19,090	4.749%	VRDO's Rate ¹	11/01/21
2002 Series B B-1, Class I	10/24/02	15,000	5.529%	VRDO's Rate ¹	05/01/22
2002 Series B B-2, Class I	07/18/02	50,000	5.285%	VRDO's Rate ¹	11/01/13
2002 Series B B-3, Class I	07/18/02	40,000	4.506%	VRDO's Rate ¹	11/01/21
2002 Series C C-1, Class I	10/24/02	30,000	5.350%	VRDO's Rate ¹	11/01/32
2002 Series C C-2, Class I	10/24/02	60,000	4.362%	VRDO's Rate ¹	11/01/11
2002 Series C C-3, Class I	10/24/02	40,000	4.422%	VRDO's Rate ¹	05/01/22

¹ Variable rate demand obligation

² London inter-bank offered rates

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

Years Ended December 31, 2002 and 2001

(5) Interest Rate Swaps (continued)

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

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

to hold the swap agreements to the stated termination dates.

(6) Debt Refundings

On July 3, 2002, the Authority issued its Adjustable Rate Multi-Family Housing Insured Mortgage Revenue Bonds 2002 Series AA, in the aggregate principal amount of \$75,720,000. Proceeds of the bonds and other surpluses were used to refund its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds 1992 Series A in the amount of \$75,720,000. Included in the bond issue are variable rate bonds with interest rates within 2002 ranging from a weekly high of 1.85% which could result in a decrease in aggregate debt service requirements of \$33,857,000 and an approximate economic gain to the Authority of \$35,551,000, to a weekly low of 1.05%, which could result in a decrease in aggregate debt service requirements of \$41,219,000, and an approximate economic gain to the Authority of \$40,830,000.

On May 15, 2002, the Authority issued its Multi-Family/Project Bonds, 2002 Series A, in the aggregate principal amount of \$48,005,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Multi-Family/Project Bonds, 2000 Series A in the amount of \$19,450,000. The refunding resulted in effectively no change in the aggregate debt service requirements and no economic gain to the Authority because the refunded

obligations were variable rate debt, which had identical terms to the refunding debt. The purpose of this refunding was for tax compliance.

On April 25, 2002, the Authority issued its Single Family Mortgage Bonds 2002 Series A, in the aggregate principal amount of \$94,065,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1992 Series A in the amount of \$9,975,000. Included in the bond issue are variable rate bonds with interest rates within 2002 ranging from a weekly high of 1.95% which could result in a decrease in aggregate debt service requirements of \$5,510,000 and an approximate economic gain to the Authority of \$5,474,000, to a weekly low of 1.05% which could result in a decrease in aggregate debt service requirements of \$6,971,000 and an approximate economic gain to the Authority of \$6,832,000.

On October 4, 2001, the Authority issued its Single Family Mortgage Bonds 2001 Series AA, in the aggregate principal amount of \$131,840,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Housing Revenue Refunding Bonds, 1991 Series A, and 1996 Series AA in the amount of

\$81,840,000. The refunding resulted in an increase in the aggregate debt service requirement of \$9,447,000 and an approximate economic gain to the Authority of \$21,917,000.

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

On May 30, 2001, the Authority issued its Single Family Program Senior and Subordinate Bonds 2001 Series B, in the aggregate principal amount of \$55,840,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Program Senior and Subordinate Bonds, 1991 Series A and B in the amount of \$6,210,000. The refunding resulted in a decrease in the aggregate debt service requirement of \$1,243,000 and an approximate economic gain to the Authority of \$1,196,000.

NOTES TO FINANCIAL STATEMENTS

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

Years Ended December 31, 2002 and 2001

(6) Debt Refundings, continued

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

In accordance with Governmental Accounting Standards Board Statement No. 23, the following deferred amounts related to the 2002 and 2001 refunding transactions are being amortized over the

estimated remaining lives of the old debt, if shorter than the estimated lives of the refunding debt:

Description	2002	2001
Multi-Family Housing Insured Mortgage Revenue Bonds, 1992 Series A		
Deferred debt financing	\$ 1,044	\$ -
Call Premium	1,380	-
Multi-Family/Project Bonds, 2000 Series A		
Deferred debt financing	199	-
Single Family Program Senior and Subordinate Bonds, 1992 Series A		
Deferred fee income	(144)	-
Deferred debt financing	116	-
Call Premium	169	-
Single Family Housing Revenue Refunding Bonds, 1991 Series A, and 1996 Series AA:		
Deferred fee income	-	44
Deferred debt financing costs	-	1,345
Call premium	-	617
Single Family Program Senior and Subordinate Bonds, 1991 Series C and D:		
Deferred fee income	-	(205)
Deferred debt financing costs	-	155
Call premium	-	233
Single Family Program Senior and Subordinate Bonds, 1991 Series A and B:		
Deferred fee income	-	(86)
Deferred debt financing costs	-	76
Call premium	-	146
Total deferred amount	\$ 2,764	\$ 2,325

NOTES TO FINANCIAL STATEMENTS

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

Years Ended December 31, 2002 and 2001

(7) Retirement Plans

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

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

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

House Bill 00-1458, passed in the 2000 legislative session, changed the retirement eligibility for members who are 55 year of age or older and retiring June 1, 2000, or later, with age plus year of service totaling 80 or more. These members may retire without a reduction for early retirement. The

reduction for early retirement for some members with age plus years of service totaling less than 80 was also lowered. In addition, beginning March 1, 2000, the annual increase for PERA benefits was 3.5 percent compounded annually, and was no longer tied to the Consumer Price Index.

Under the plan, State statute requires the Authority and participating employees to contribute 9.19% and 8%, respectively for 2002, and 9.43% and 8%, respectively for 2001, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was \$8,221,000 and \$7,585,000 for 2002 and 2001, respectively. Contributions by the Authority and employees approximated \$755,000 and \$666,000, respectively, for 2002, while for 2001 the amounts were \$715,000 and \$605,000, respectively.

The pension benefit obligation, which is the actuarial measure of the present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users of the Authority's financial statements assess PERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERA and other pension programs and among employees. As of December 31, 2001, the date of the latest available audited information, the total accrued liability and total net assets available for benefits of the Municipal Division of PERA, in which the Authority's pension contributions and benefits are

included, were \$1,746,761,000 and \$1,601,852,000, respectively. There were no unfunded liabilities in the Municipal Division as of December 31, 2001.

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

Included in the Authority's general obligation debt are bonds payable to PERA of \$48,746,000 and \$78,713,000 at December 31, 2002 and 2001, respectively.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program ("VIP"), established under Section 401(k) of the Internal Revenue Code. Participants may invest a percentage of their annual gross salaries up to the annual IRS limit of their gross salaries. The Authority contributes 1% of each participating employee's salary and in addition, matches at the rate of 50% of the first 5% of the participating employee's contribution. In addition, the Authority participates in PERA's MatchMaker Program, which uses a portion of the employer's contributions as a dollar-for-dollar match to the 401(k) plan, not to exceed 3.5% of the employee's gross salary. Contributions to the matchmaker program were \$214,000 and \$138,000 for 2002 and 2001 respectively.

The Authority also offers a deferred compensation plan for the purpose of providing retirement income for employees. This defined contribution plan is qualified under Section 457 in the Internal Revenue Code. The Authority does not contribute to this plan. The plan is administered by an independent trustee.

Supplemental Information
BALANCE SHEETS BY PROGRAM

	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals	
					(000's Omitted) 2002	2001
ASSETS						
CURRENT ASSETS:						
Cash and interest-bearing accounts	\$ 20,749	\$ -	\$ 42	\$ -	\$ 20,791	\$ 12,929
Short-term marketable securities	163,962	255,927	186,914	-	606,803	411,581
Loans receivable - current portion	3,714	33,418	16,218	(554)	52,796	46,857
Accrued interest receivable	2,437	9,472	5,852	(103)	17,658	16,838
Deferred debt financing costs - current portion	24	579	158	-	761	1,234
Other assets - current portion	8,695	73	75	-	8,843	6,046
Federally assisted program advances	860	-	-	-	860	369
Due to (from) other programs	(31,300)	30,431	869	-	-	-
Total current assets	169,141	329,900	210,128	(657)	708,512	495,854
NONCURRENT ASSETS:						
Long-term marketable securities restricted	1,725	61,651	69,597	-	132,973	99,754
Long-term marketable securities unrestricted	14,119	-	-	-	14,119	14,162
Loans receivable, net	107,694	969,131	470,306	(16,055)	1,531,076	1,358,850
Property and equipment:						
Corporate facilities	5,572	-	-	-	5,572	5,116
Rental operations	28,086	-	-	-	28,086	26,547
Other real estate owned, net	1,243	1,070	3,067	-	5,380	7,146
Deferred debt financing costs, net	441	10,416	2,842	-	13,699	16,674
Other assets	8,301	-	-	-	8,301	5,933
Total noncurrent assets	167,181	1,042,268	545,812	(16,055)	1,739,206	1,534,182
TOTAL ASSETS	\$ 336,322	\$1,372,168	\$ 755,940	\$ (16,712)	\$ 2,447,718	\$ 2,030,036
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Bonds payable - current portion	\$ 24,918	\$ 142,815	\$ 8,393	\$ -	\$ 176,126	\$ 28,297
Notes payable - current portion	113,378	--	-	-	113,378	101,981
Accrued interest payable	1,342	17,286	8,533	(103)	27,058	25,224
Accounts payable and other liabilities	7,077	247	397	-	7,721	7,529
Federally assisted program advances	860	-	-	-	860	369
Refundable deposits	1,698	-	-	-	1,698	337
Total current liabilities	149,273	160,348	17,323	(103)	326,841	163,737
NONCURRENT LIABILITIES:						
Bonds payable, net	43,263	1,155,673	719,441	-	1,918,377	1,682,675
Notes payable, net	20,453	-	-	(16,609)	3,844	2,519
Deferred fee income	358	-	-	-	358	298
Total noncurrent liabilities	64,074	1,155,673	719,441	(16,609)	1,922,579	1,685,492
TOTAL LIABILITIES	213,347	1,316,021	736,764	(16,712)	2,249,420	1,849,229
NET ASSETS						
Invested in capital assets, net of related debt	5,327	-	-	-	5,327	2,759
Restricted	-	56,147	19,176	-	75,323	68,628
Unrestricted	117,648	-	-	-	117,648	109,420
TOTAL NET ASSETS	122,975	56,147	19,176	-	198,298	180,807
TOTAL LIABILITIES AND NET ASSETS	\$ 336,322	\$1,372,168	\$ 755,940	\$ (16,712)	\$ 2,447,718	\$ 2,030,036

The accompanying notes to the financial statements are an integral part of this statement.

Supplemental Information
 STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS BY PROGRAM

Years Ended December 31,

	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals	
					2002 <i>(000's Omitted)</i>	2001
OPERATING REVENUES:						
Interest on loans	\$ 12,177	\$ 42,016	\$ 34,013	\$ (1,246)	\$ 86,960	\$ 98,772
Investment income	3,084	12,348	8,089	-	23,521	28,754
Net increase (decrease) in FMV of securities	(10)	1,087	2,827	-	3,904	(230)
Rental operations	10,569	-	-	-	10,569	10,373
Other revenues	12,461	-	(39)	-	12,422	10,738
Program fees	4,705	(1,255)	(3,450)	-	-	-
Total operating revenues	42,986	54,196	41,440	(1,246)	137,376	148,407
OPERATING EXPENSES:						
Interest expense, bonds and notes	8,100	46,349	38,090	(1,687)	90,852	103,793
Salaries and related benefits	10,869	-	-	-	10,869	9,892
General operating	9,725	315	238	-	10,278	9,462
Other interest expense	1,274	-	-	441	1,715	1,822
Depreciation	2,246	-	-	-	2,246	1,693
Provision for losses	996	81	3,070	-	4,147	6,666
Total operating expenses	33,210	46,745	41,398	(1,246)	120,107	133,328
OPERATING INCOME	9,776	7,451	42	-	17,269	15,079
NONOPERATING REVENUES:						
Grant income	222	-	-	-	222	1,236
Total nonoperating revenues	222	-	-	-	222	1,236
INCOME BEFORE TRANSFERS	9,998	7,451	42	-	17,491	16,315
TRANSFERS (TO) FROM OTHER PROGRAMS	798	4	(802)	-	-	-
CHANGE IN NET ASSETS	10,796	7,455	(760)	-	17,491	16,315
NET ASSETS:						
Beginning of year	112,179	48,692	19,936	-	180,807	164,492
End of year	\$ 122,975	\$ 56,147	\$ 19,176	\$ -	\$ 198,298	\$ 180,807

The accompanying notes to the financial statements are an integral part of this statement.

Supplemental Information
STATEMENT OF CASH FLOWS BY PROGRAM

	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals	
					<i>(000's Omitted)</i>	
					2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:						
Interest received on loans receivable	\$ 10,262	56,127	33,554	(1,246)	98,697	98,946
Cash received from principal payments on loans	33,981	264,214	67,848	-	366,043	290,863
Interest received from marketable securities	2,986	13,655	7,754	-	24,395	29,535
Cash received from rental operations	10,546	-	-	-	10,546	10,352
Cash received from other revenues	12,439	-	(39)	-	12,400	9,735
Cash received from sales of other real estate owned	(1,557)	1,066	7,286	-	6,795	3,132
Fees received from loan fundings	2,444	-	12	-	2,456	1,296
Cash received from accounts payable, federally assisted programs, and escrow	2,535	243	(683)	-	2,095	258
Cash payments/received from other assets	(8,307)	5,183	2,905	-	(219)	2,402
Interest paid on bonds and notes	(8,120)	(60,882)	(35,401)	1,687	(102,716)	(104,995)
Cash payments for new loan fundings	(272,878)	(192,291)	(102,047)	-	(567,216)	(315,307)
Cash payments for salaries and related benefits	(10,559)	-	-	-	(10,559)	(10,001)
Cash payments for general operating expenses	(8,748)	(315)	(238)	-	(9,301)	(7,810)
Cash payments for other interest	(1,274)	-	-	(441)	(1,715)	(1,822)
Fees paid on loan fundings	(5,251)	(4,512)	-	-	(9,763)	(6,552)
Cash due to (from)	343,664	(315,368)	(28,296)	-	-	-
Net cash provided by (used in) operating activities	102,163	(232,880)	(47,345)	-	(178,062)	32
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Proceeds from issuance of bonds payable	14,516	496,405	331,045	-	841,966	366,060
Proceeds from issuance of notes payable	1,832,955	-	-	-	1,832,955	393,807
Cash received from grants	222	-	-	-	222	1,236
Equity transfers	798	4	(802)	-	-	-
Cash payments for debt financing costs	(9)	(3,176)	(1,252)	-	(4,437)	(3,732)
Repayment of bonds payable	(49,419)	(221,720)	(163,305)	-	(434,444)	(284,063)
Repayment of notes payable	(1,820,233)	-	-	-	(1,820,233)	(391,513)
Cash payments for bond call premiums	-	(169)	(1,380)	-	(1,549)	(997)
Net cash provided by (used in) noncapital financing activities	(21,170)	271,344	164,306	-	414,480	80,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Proceeds from sale of property and equipment -						
Corporate facilities	-	-	-	-	-	2
Rental operations	-	-	-	-	-	519
Purchases of property and equipment						
Corporate facilities	(1,002)	-	-	-	(1,002)	(2,256)
Rental operations	(3,240)	-	-	-	(3,240)	(1,071)
Net cash provided by (used in) capital and related financing activities	(4,242)	-	-	-	(4,242)	(2,806)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Proceeds from sales and maturities of						
long-term marketable securities	29,094	17,653	19,103	-	65,850	20,096
Purchase of long-term marketable securities	(28,311)	(30,359)	(36,272)	-	(94,942)	(10,053)
Net cash provided by (used in) investing activities	783	(12,706)	(17,169)	-	(29,092)	10,043
Net increase (decrease) in cash and cash equivalents						
	77,534	25,758	99,792	-	203,084	88,067
Cash and cash equivalents - beginning of year	107,177	230,169	87,164	-	424,510	336,443
Cash and cash equivalents - end of year	184,711	255,927	186,956	-	627,594	424,510

Supplemental Information
STATEMENT OF CASH FLOWS BY PROGRAM

	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals	
					<i>(000's Omitted)</i>	
					2002	2001
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income	9,776	7,451	42	-	17,269	15,079
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
(Increase) decrease in fair value of investments	10	(1,087)	(2,827)	-	(3,904)	230
Depreciation expense	2,246	-	-	-	2,246	1,693
Loss on sale of property and equipment	2	-	-	-	2	(303)
Gain on sale of long-term marketable securities	-	-	(103)	-	(103)	-
Accretion of capital appreciation term bonds	-	644	-	-	644	1,547
Amortization of:						
Deferred debt financing costs	594	5,716	522	-	6,832	1,144
Premiums and discounts on bonds, net	-	(22,893)	1,721	-	(21,172)	(5,704)
Premiums and discounts on long-term marketable securities, nets	(9)	7	(76)	-	(78)	(26)
Deferred fee income	(1,707)	(30)	(567)	-	(2,304)	(1,585)
Deferred cash assistance expense	549	15,388	-	-	15,937	2,611
Service release premium	1,550	-	-	-	1,550	603
Mortgage yield recoupment income	(22)	-	-	-	(22)	(62)
Provision for losses	996	81	3,070	-	4,147	6,666
Principal repayments on loans receivable	33,981	264,214	67,848	-	366,043	290,863
Sales of other real estate owned	(1,557)	1,066	7,286	-	6,795	3,132
New loan fundings	(272,878)	(192,291)	(102,047)	-	(567,216)	(315,307)
Deferred fee income	2,444	-	12	-	2,456	1,296
Deferred cash assistance expense	(5,251)	(4,512)	-	-	(9,763)	(6,552)
Gain on sale of OREO	-	-	-	-	-	(294)
Changes in assets and liabilities:						
Accrued interest receivable	(824)	51	(47)	-	(820)	17
Other assets	(8,566)	5,183	2,905	-	(478)	2,024
Accrued interest payable	(614)	2,002	446	-	1,834	1,811
Accounts payable, federally assisted program advances and escrow and refundable deposits	2,484	243	(684)	-	2,043	1,149
Cash due to (from)	338,959	(314,113)	(24,846)	-	-	-
Net cash provided by (used in) operating activities	102,163	(232,880)	(47,345)	-	(178,062)	32
Supplemental schedule of non-cash operating, non-capital financing, capital and related financing and investing activities:						
Transfer of mortgage loans to other real estate owned	304	1,206	6,206	-	7,716	9,166
Transfer of loans receivable to other assets	239	5,343	-	-	5,582	2,748
Transfer of allowance on loans receivable to allowance on other real estate owned	-	-	87	-	87	2,719
Transfer of allowance on OREO to allowance on accrued interest receivable	-	-	-	-	-	340
Offset of note payable to OREO due to risk sharing settlement	-	-	-	-	-	3,514
Transfer of deferred debt financing costs to deferred refunding (bonds and notes payable)	-	116	1,243	-	1,359	1,575
Transfer of deferred fee income to deferred refunding (loans receivable)	-	145	-	-	145	247
Transfer of other assets to deferred refunding	-	-	1,003	-	1,003	-
Transfer of other real estate owned to other assets	-	-	2,150	-	2,150	-

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APPENDIX B

Outstanding Master Indenture Obligations

Outstanding Master Indenture Bonds

The Authority has previously issued under the Master Indenture its Multi-Family/Project Bonds, 2000 Series A (the "**2000 Series A Bonds**") outstanding in the aggregate principal amount of \$64,530,000; its Multi-Family/Project Bonds, 2000 Series B (the "**2000 Series B Bonds**") outstanding in the aggregate principal amount of \$31,230,000; its Multi-Family/Project Bonds, 2001 Series A (the "**2001 Series A Bonds**") outstanding in the aggregate principal amount of \$37,950,000; its Multi-Family/Project Bonds, 2002 Series A (the "**2002 Series A Bonds**") outstanding in the aggregate principal amount of \$42,120,000; its Multi-Family/Project Bonds, 2002 Series B (the "**2002 Series B Bonds**") outstanding in the aggregate principal amount of \$64,600,000; and its Multi-Family/Project Bonds, 2002 Series C (the "**2002 Series C Bonds**") outstanding in the aggregate principal amount of \$142,720,000. Upon issuance of the 2003 Series A Bonds, the following Bonds will be outstanding under the Master Indenture in the Classes as indicated:

<u>Pro Forma Outstanding Series</u>	<u>Class I Bonds</u>	<u>Class II Bonds</u>	<u>Class III Bonds</u>	<u>Total</u>
2000 Series A Bonds:				
Adjustable Rate 2000 Series A-1	\$27,785,000			
Adjustable Rate 2000 Series A-1			\$18,500,000(1)	
Adjustable Rate 2000 Series A-2	11,545,000			
2000 Series A-3		\$ 6,700,000		
Taxable 2000 Series A-4				
Total 2000 Series A Bonds				<u>\$ 64,530,000</u>
2000 Series B Bonds:				
Taxable 2000 Series B-1	\$ 7,505,000			
2000 Series B-2	13,880,000			
Adjustable Rate 2000 Series B-3	5,000,000			
2000 Series B-4	4,845,000			
Total 2000 Series B Bonds				<u>\$ 31,230,000</u>
2001 Series A Bonds:				
2001 Series A-1	\$ 24,335,000			
2001 Series A-2		\$10,745,000		
2001 Series A-2			\$ 2,870,000(1)	
Total 2001 Series A Bonds				<u>\$ 37,950,000</u>
2002 Series A Bonds:				
Adjustable Rate 2002 Series A-1	\$ 9,410,000			
2002 Series A-2	3,590,000			
2002 Series A-3		\$ 5,735,000		
Adjustable Rate 2002 Series A-4	19,450,000			
2002 Series A-5	3,935,000			
Total 2002 Series A Bonds				<u>\$ 42,120,000</u>
2002 Series B Bonds:				
Adjustable Rate 2002 Series B-1	\$ 49,975,000			
Adjustable Rate 2002 Series B-2			\$14,625,000(1)	
Total 2002 Series B Bonds				<u>\$ 64,600,000(2)</u>
2002 Series C Bonds:				
Taxable Adjustable Rate 2002 Series C-1	\$ 10,920,000			
Adjustable Rate 2002 Series C-2	70,715,000			
2002 Series C-3	16,550,000			
Adjustable Rate 2002 Series C-4	31,960,000			
2002 Series C-5	7,575,000			
2002 Series C-6		\$ 5,000,000		
Total 2002 Series C Bonds				<u>\$142,720,000</u>
2003 Series A Bonds:				
Taxable Adjustable 2003 Series A-1	\$37,415,000(1)			
Taxable Adjustable 2003 Series A-2		\$11,365,000		
Total 2003 Series A Bonds				<u>\$ 48,780,000</u>
Total Outstanding Bonds	<u>\$356,390,000</u>	<u>\$39,545,000</u>	<u>\$35,995,000</u>	<u>\$431,930,000</u>

(1) Designated as general obligations of the Authority.

(2) It is anticipated that, in connection with refinancing of each AHPC Project by the Authority, the existing interim loan made by AHPC to the related AHPC Borrower will be prepaid and that AHPC will use such prepayments to prepay the 2002B Interim Loan funded with proceeds of the 2002 Series B Bonds. See **Appendix G-3** – "Unexpended Proceeds of Outstanding Obligations."

Outstanding Master Indenture Derivative Products

In connection with the issuance of certain Multi-Family/Project Bonds, the Authority has previously entered into interest rate swap agreements with Lehman Brothers Financial Products Inc. (the "2000A Counterparty," the "2002A Counterparty" and the "2002C Counterparty") and Morgan Stanley Derivative Products, Inc. (the "2000B-1 Counterparty") as follows:

<u>Outstanding Derivative Products</u>	<u>Class I Obligations</u>	<u>Class II Obligations</u>	<u>Class III Obligations</u>	<u>Total</u>
2000 Series A Derivative Products:				
Adjustable Rate 2000 Series A-1	\$12,750,000			
Adjustable Rate 2000 Series A-1			\$18,500,000	
Adjustable Rate 2000 Series A-2	\$11,545,000			
Total 2000 Series A Derivative Products				<u>\$42,795,000</u>
2000 Series B Derivative Products:				
Taxable 2000 Series B-1	\$ 7,505,000			
Total 2000 Series B Derivative Products				<u>\$ 7,505,000</u>
2002 Series A Derivative Products:				
Adjustable Rate 2002 Series A-1	\$ 9,410,000			
Total 2002 Series A Derivative Products				<u>\$ 9,410,000</u>
2002 Series C Derivative Products:				
Adjustable Rate 2002 Series C-1	\$10,920,000			
Adjustable Rate 2002 Series C-2 *	\$70,715,000			
Adjustable Rate 2002 Series C-4 *	\$31,960,000			
Total 2000 Series C Derivative Products				<u>\$113,595,000</u>
Total Outstanding Derivative Products	<u>\$154,805,000</u>	<u>\$ _____ 0</u>	<u>\$18,500,000</u>	<u>\$173,305,000</u>

*Delivered on a forward delivery basis to be effective October 1, 2003.

Pursuant to the 2000A Derivative Products, the Authority is to pay interest to the 2000A Counterparty at fixed rates and will receive interest in an amount equal to the actual interest payments by the Authority on the respective Bonds. Pursuant to the Taxable 2000B-1 Derivative Product, the Authority is to pay interest to the 2000B-1 Counterparty at a fixed rate and will receive interest from the 2000B-1 Counterparty at a variable rate which will be based on a LIBOR Index. Pursuant to the 2002A Derivative Products, the Authority is to pay interest to the 2002A Counterparty at a fixed rate and will receive interest from the 2002A Counterparty at a variable rate based on an amount equal to the actual interest payments by the Authority on the 2002 Series A-1 Bonds. Pursuant to the 2002C Derivative Products, the Authority is to pay interest to the 2002C Counterparty at fixed rates and will receive interest from the 2002C Counterparty at an amount equal to the actual interest payments by the Authority on the 2002 Series C Bonds. The Authority's obligation to make interest payments to the respective Counterparty under each of these Derivative Products constitutes a Class I Obligation under the Master Indenture, secured on parity with the lien on the Trust Estate of the other Class I Obligations. The Authority's obligation to make termination payments under each of these Derivative Products in the event of early termination is a general obligation of the Authority and not an Obligation under the Master Indenture. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority."

For a discussion of the Derivative Product expected to be entered in connection with the 2003 Series A Bonds, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2003A Derivative Product."

Outstanding Liquidity Facilities

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

Outstanding Liquidity Facilities

<u>Series of Bonds Covered</u>	<u>Expiration Date</u>
2000 Series A-1 and A-2	March 20, 2005
2000 Series B-3	October 19, 2005
2002 Series A-1 and A-4	May 15, 2007
2002 Series B-1	July 23, 2003
2002 Series C-1, C-2 and C-4	November 14, 2007

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

In connection with the issuance of the 2003 Series A Bonds, the Authority will enter into a Standby Bond Purchase Agreement with Federal Home Loan Bank of Topeka as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2003A LIQUIDITY FACILITY." See also **Appendix I** – "THE 2003A LIQUIDITY FACILITY PROVIDER."

APPENDIX C

Summary of Certain Provisions of the Indenture

The Master Indenture and the Series 2003A 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 Loan in connection with a Housing Facility or Project.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Interest Payment Date" means, 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.

"One-Month LIBOR Rate" "Three-Month LIBOR Rate" or "One-Year LIBOR Rate" means the rate per annum relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a one month period, a three month period or a one-year period, respectively, fixed by the British Bankers' Association at 11:00 a.m., London time, on the applicable Rate Determination Date, as displayed at the Internet site, <http://www.bba.org.uk>. If such Rate Determination Date is not a business day in London,

the most recently fixed London Interbank Offered Rates on U.S. dollar deposits for a one month period, a three month period or a one-year period, respectively, shall be used. If the rate is no longer available at <http://www.bba.org.uk>, the Trustee will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

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

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

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

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

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

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

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

"Prepayment" means, with respect to any Loan, any moneys received or recovered by the Authority from any payment of or with respect to the principal (including any applicable penalty, fee, premium or other additional charge for prepayment of principal, but excluding any Servicing Fees with respect to the collection of such moneys) under any Note prior to the scheduled payment of such principal as called for by such Note, whether (a) by voluntary prepayment made by the Borrower, (b) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof, (c) by the sale, assignment, endorsement or other disposition of such Loan or any part thereof by the Authority or (d) in the event of a default thereon by the Borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Loan by the Authority or by any other proceedings taken by the Authority.

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

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

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

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

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

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

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

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

"Record Date" means (i) with respect to 2003 Series A-1 Bonds or 2003 Series A-2 Bonds in a Commercial Paper Mode, a Weekly Mode or a SAVRS Rate Mode, the day (whether or not a Business Day) next preceding each Interest Payment Date, (ii) with respect to 2003 Series A-1 Bonds or 2003 Series A-2 Bonds in the Daily Rate Mode, the last day of each month (whether or not a Business Day) and (iii) with respect to 2003 Series A-1 Bonds or 2003 Series A-2 Bonds in a Term Rate Mode or a Fixed Rate Mode, the fifteenth day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

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

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

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

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

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

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

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

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

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

"State" means the State of Colorado.

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

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

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

Indenture Constitutes a Contract

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

Issuance of Additional Bonds

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

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

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

Issuance of Refunding Bonds

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

Derivative Products

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

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

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

Funds Established by the Master Indenture

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

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

(j) Excess Earnings Fund.

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

Allocation of Moneys, Investments and Loans Among Series

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

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

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

Program Fund; Acquisition Account

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

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

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

Program Fund; Cost of Issuance Account

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

Program Fund; Negative Arbitrage Account

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

Account shall be and remain the property of the Authority, and shall not be subject to the lien and pledge of the Indenture.

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

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

Program Fund; Loan Recycling Account

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

to be withdrawn by the Trustee on such date (or such earlier date or dates as may be specified by the Authority), and are to be transferred to the Revenue Fund.

Revenue Fund

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

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

Allocation of Moneys in the Revenue Fund

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

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

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

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

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

(e) Related Subaccounts of Loan Recycling Account (Upon Authority Elections) or Class I Special Redemption Account or any combination thereof. The amount, if any, needed to

ensure that the Class I Asset Requirement of the Related Series of Bonds will be met on such Bond Payment Date following such transfer, provided that any election by the Authority to make deposits into the Loan Recycling Account must be evidenced by an Authority Certificate filed with the Trustee;

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

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

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

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

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

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

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

(m) To the Authority. An amount of any reasonable and necessary Fiduciary Expenses with respect to the Related Series of Bonds previously incurred but not reimbursed to

the Authority or reasonably anticipated to be payable in the following six months; provided, however, that in no event shall the aggregate of all Fiduciary Expenses with respect to the Related Series of Bonds paid directly to Fiduciaries or to the Authority under this paragraph (m) exceed any limitation set forth in the Related Series Indenture for any period;

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

Debt Service Reserve Fund

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

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

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

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

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

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

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

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

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

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

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

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

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

Redemption Fund

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

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

Credit Against Sinking Fund Installments

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

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

Authority Payment Accounts

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

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

Investment of Funds

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

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

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

Creation of Liens

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

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

Covenants Relating to Loans

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

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

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

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

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

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

Certain Other Covenants

Creation and Use of Rebate Account

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

Creation and Use of Excess Earnings Fund

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

Tax Covenant

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

Events of Default under the Indenture and Remedies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General Obligation Bonds Events of Default and Remedies

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

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

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

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

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

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

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

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

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

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

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

Successors to Trustee

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

Modifications of Indenture and Outstanding Bonds

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

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

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

Defeasance

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

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

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

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

APPENDIX D

Class Asset Requirements

The Class Asset Requirements applicable to each Series of Bonds are set forth in each Related Series Indenture. Set forth below are the Class Asset Requirements applicable to each Series of Bonds to be Outstanding under the Master Indenture upon issuance of the 2003 Series A Bonds. The Loans and Authority Projects are currently in compliance with all applicable Class Asset Requirements.

Class Asset Requirements

Pursuant to the Related Series Indenture, the Class Asset Requirements for each Series of Bonds to be Outstanding under the Master Indenture upon issuance of the 2003 Series A Bonds (except as noted) require that, as of any date of calculation:

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

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

(c) with respect to the **Class III Asset Requirement**,⁽²⁾ the sum of (a) amounts held in the related subaccount of the Acquisition Account, the related subaccount of the Loan Recycling Account, the related subaccount of the Class I Debt Service Fund (to the extent such amounts are required to be used to pay principal of the Class I Bonds of such Series), [the related

⁽¹⁾ Not applicable to 2000 Series B Bonds or 2002 Series B Bonds.

⁽²⁾ Not applicable to 2002 Series A Bonds, 2002 Series C Bonds or 2003 Series A Bonds.

subaccount of the Class II Debt Service Fund (to the extent such amounts are required to be used to pay principal of Class II Bonds of such Series)],⁽³⁾ the related subaccount of the Class III Debt Service Fund (to the extent such amounts are required to be used to pay principal of Class III Bonds of such Series, the related subaccounts of the Redemption Fund and the related subaccount of the Debt Service Fund), and (b) the sum of the products of the aggregate unpaid principal balance of Loans and Authority Projects related to the Bonds for such Series, be at least equal to 102% of the aggregate principal amount of the Bonds of such Series then outstanding, or such lesser percentage as may be permitted by each Rating Agency, as evidenced by a Confirmation from each Rating Agency.

⁽³⁾ Not included in Class III Asset Requirement for 2000 Series B Bonds.

Asset Coverage Divisors

The following table sets forth the Asset Coverage Divisors for all Series of Bonds to be outstanding under the Master Indenture upon issuance of the 2003 Series A Bonds (except as noted):

Asset Coverage Divisors

<u>Loan Type</u>	<u>Asset Coverage Divisor</u>	
	<u>Class I</u>	<u>Class II</u>
Uninsured Loan	1.72	1.45
FHA-Insured Section 542(c) Loan (1)(2)	1.00	1.00
QIC, QAL or B&I II Loan	1.00	1.00
Other FHA-Insured Loan (1)	1.12	1.015
Authority Project (3)	1.30	1.18
Other Loans	(4)	(4)

- (1) The Series Indenture related to the 2000 Series A Bonds does not distinguish between Section 542(c) Loans and other FHA-Insured Loans. The Asset Coverage Divisor for all FHA-Insured Loans related to the 2000 Series A Bonds is 1.12 for the Class I Asset Requirement and 1.015 for the Class II Asset Requirement.
- (2) For purposes of determining the appropriate Asset Coverage Divisors for the AHPC Projects and satisfaction of the Class Asset Requirements for the 2002 Series C Bonds, it is assumed that any 2002C Loans for such AHPC Projects will be FHA-Insured Section 542(c) Loans.
- (3) The uninsured Loans expected to be acquired as described in **Appendix G-1** hereto will be included within this category for purposes of determining the applicable Asset Coverage Divisor because the 2003 Series A-1 Bonds financing these uninsured Loans will be backed by a general obligation of the Authority.
- (4) As may be specified by the Rating Agencies from time to time at the request of the Authority.

APPENDIX E

Form of Bond Counsel Opinion

September 24, 2003

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

Colorado Housing and Finance Authority
Taxable Multi-Family/Project Class I Adjustable Rate Bonds, 2003 Series A-1
and
Taxable Multi-Family/Project Class II Adjustable Rate Bonds, 2003 Series A-2

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance by the Authority of its Taxable Multi-Family/Project Class I Adjustable Rate Bonds, 2003 Series A-1 (the "2003 Series A-1 Bonds") and Taxable Multi-Family/Project Class II Adjustable Rate Bonds, 2003 Series A-2 (the "2003 Series A-2 Bonds" and, together with the 2003 Series A-1 Bonds, the "2003 Series A Bonds") in the aggregate principal amount of \$48,780,000. In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado (the "State") and of the United States of America as we have deemed necessary to render this opinion letter. The 2003 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 2003 Series A Indenture of Trust dated as of September 1, 2003 (together, the "Indenture") between the Authority and Wells Fargo Bank West, National Association (formerly, Norwest Bank Colorado, National Association), as trustee (the "Trustee"). The capitalized terms used herein, unless parenthetically defined herein, have the meanings ascribed to them in the Indenture.

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

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

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

2. The 2003 Series A Bonds have been duly authorized by the Authority, duly executed and delivered by authorized officials of the Authority and, assuming due authentication by the Trustee, constitute the legal and valid obligations of the Authority, enforceable in accordance with their terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and by the application of general principles of equity.

3. The Indenture has been duly authorized by the Authority, duly executed and delivered by authorized officials of the Authority, and, assuming due authorization, execution and delivery by the Trustee, constitutes the legal and valid obligation of the Authority enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws in effect from time to time affecting the rights of creditors generally and by the application of general principles of equity.

4. Interest on the 2003 Series A Bonds is not excluded from gross income for federal income tax purposes.

5. The 2003 Series A Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado laws in effect as of the date of delivery of the 2003 Series A Bonds.

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

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

We understand that the Federal Home Loan Bank of Topeka has delivered a Standby Bond Purchase Agreement with respect to the 2003 Series A Bonds. We express no opinion as to the validity or enforceability of such Standby Bond Purchase Agreement or the security afforded thereby.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not opining upon the accuracy or completeness of any statements made in connection with any sale of the 2003 Series A Bonds or upon any federal or Colorado tax consequences arising from the receipt or accrual of interest on or the ownership of the 2003 Series A Bonds, except those specifically addressed above.

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 Underwriters as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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

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

With respect to Bonds registered in the registration books kept by the Trustee, in the name of Cede & Co., as nominee of DTC, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than Cede & Co., as registered owner, as shown in the registration books kept by the Trustee as bond registrar, of any notice with respect to the Bonds, including any notice of redemption, (iii) the payment to any Participant or any other person, other than Cede & Co., as registered owner, as shown in the registration books kept by the Trustee, of any amount with respect to principal of or interest on the Bonds, (iv) the selection by DTC or any Participant of any person to receive payment in the event of partial redemption of Bonds, or (v) any consent given or other action taken by DTC. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. For the purposes of this Official Statement, the term "Beneficial Owner" shall hereinafter be defined to include the person for whom the Participant acquires an interest in the Bonds.

If any Beneficial Owner of Bonds wishes to receive a copy of any notices or other communications to the registered owner of Bonds held by DTC, such Beneficial Owner may file a request

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

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

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

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

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto, and any reasonable fees and expenses of the Trustee and costs incurred in preparing bond certificates.

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

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

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

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

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

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

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APPENDIX G-1

Certain Information about the 2003A Loans

Existing Loans to be Acquired with Proceeds of the 2003 Series A-1 Bonds

The Authority expects to acquire the Uninsured Loans and federally guaranteed loan participation interests described below using proceeds of the 2003 Series A-1 Bonds. The Indenture, however, permits the Authority at its option to purchase or originate Loans or acquire Projects other than those described below.

Uninsured Loans

The Authority expects to use certain proceeds of the 2003 Series A-1 Bonds to acquire as 2003A Loans existing Uninsured Loans (currently held by the Authority in its General Fund). Certain terms of such Uninsured Loans to be acquired and background about the related Authority programs are described below.

The Authority has originated Uninsured Loans as part of its multi-family SMART program. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Multi-Family Housing Programs." The Authority's SMART program was designed to provide a streamlined review, approval and closing process for small loans, typically less than \$2,000,000, that would create and/or preserve affordable housing throughout the State of Colorado. The program requires that the Borrower agree to restrict rent and occupancy on a portion of the units for households at or below specific income targets. The Borrower can elect one of the following set-asides: (1) 20% of the units at or below 50% AMI, or (2) 40% of the units at or below 60% of AMI. These Uninsured Loans are typically structured as permanent only loans for affordable multi-family housing, must meet specific underwriting criteria and are secured by a first lien on all assets financed. The existing Uninsured Loans under the SMART program expected to be acquired as 2003A Loans, all of which are current in repayment, are listed on the following table:

Existing Uninsured Loans (SMART program) to be Acquired

<u>Borrower/ Project</u>	<u>Location</u>	<u>Units</u>	<u>Original Loan Amount</u>	<u>Outstanding Principal Amount of Loan</u>	<u>Mortgage Rate</u>	<u>Loan Date</u>	<u>Maturity</u>
Chara Anam	Boulder	10 beds	\$178,500	\$166,103.93	7.10%	4/30/97	5/1/2027
Walnut Creek	Westminster	200	343,300	331,547.75	7.17	11/7/95	11/1/2036
Paris Street	Aurora	17	765,000	760,533.01	7.00	6/28/02	7/1/2022
Elati on the Park	Littleton	8	500,000	486,000.79	6.35	3/13/01	4/1/2021
Cedar Edge	Cedaredge	7	183,500	177,251.72	6.65	5/31/01	6/1/2021
Park Meadows	Colorado Springs	60	1,860,000	1,834,288.83	6.60	4/2/02	5/1/2032
Mazatlan	Colorado Springs	4	190,000	187,097.13	6.80	1/15/02	2/1/2022

The Authority has also originated Uninsured Loans as part of certain of its commercial programs, including the CHFA Direct Loan Program, the Non-Profit Real Estate Loan Program and the SBA 504 (ACCESS) Program. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Commercial Programs." The Authority's Direct Loan Program was created to provide fixed-interest rate, long-term financing to Colorado small businesses for real estate and/or equipment. The goal of the Program is to support the economic viability of small businesses statewide by providing

financing that will assist those businesses expanding their operations and creating or retaining jobs. Personal guarantees are required to be provided by all principals of the business having a 20% or greater ownership interest. The Authority also originates Uninsured Loans under its Non-Profit Real Estate Loan Program to fund real estate acquisition by non-profit organizations located in Colorado. The Uninsured Loans under both programs are secured by a first lien on all assets financed.

Another commercial program under which the Authority originates Uninsured Loans is its SBA 504 (ACCESS) Program. The SBA 504 (ACCESS) Program has been offered by the Authority to provide a fixed-interest rate, first mortgage to Colorado small businesses seeking financing through the U.S. Small Business Administration (SBA) 504 Loan Program. Funds from loans under this Program may be used 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) and a loan participation option (where the Authority purchases up to a 90% participation in a first mortgage loan). The first mortgage loan generally finances 50% of the total eligible project costs. A company approved by the SBA as a "Certified Development Company" provides a second mortgage for up to 40% of the total project costs, or \$1,300,000, whichever is less, with the Borrower providing the remaining 10% of the costs. Personal guarantees are acquired by all principals of the business having a 20% or greater ownership interest. These Uninsured Loans are also secured by a first lien on all assets financed.

The existing Uninsured Loans under these three commercial programs (CHFA Direct, Non-Profit Real Estate and SBA 504) expected to be acquired as 2003A Loans, all of which are current in repayment, are listed on the following table:

Existing Uninsured Loans (Commercial Programs) to be Acquired

<u>Type of Borrower</u>	<u>Project</u>	<u>Location</u>	<u>Original Loan Amount</u>	<u>Outstanding Principal Amount of Loan</u>	<u>Loan Interest Rate</u>	<u>Loan Date</u>	<u>Maturity</u>
Food Service	Real Estate	Pueblo	\$250,000	\$232,466.83	8.75%	6/30/2000	7/15/2020
Food Service	Real Estate	Pueblo West	\$519,750	\$492,968.45	9.25%	1/18/2001	4/1/2021
Construction	Real Estate	Pueblo	\$140,000	\$133,767.59	8.49%	4/18/2001	7/1/2021
Medical	Real Estate	Pueblo	\$259,000	\$253,839.10	8.49%	5/15/2002	8/1/2022
Medical	Real Estate	Pueblo	\$178,500	\$170,573.87	8.49%	6/13/2001	7/1/2021
Construction	Real Estate	Denver	\$100,000	\$ 96,186.72	8.00%	8/3/2001	11/1/2021
Automotive	Real Estate	Montrose	\$100,000	\$ 96,161.41	7.99%	7/26/2001	10/1/2021
Financial Services	Real Estate	Arvada	\$ 79,000	\$ 75,880.90	7.49%	10/11/2001	1/1/2022
Medical	Real Estate	Wheat Ridge	\$181,900	\$176,932.32	7.25%	5/28/2002	6/1/2022
Medical	Real Estate	Pueblo	\$ 99,450	\$ 94,044.33	7.25%	1/4/2002	2/1/2022

Federally Guaranteed Loan Participation Interests

The Authority also expects to use certain proceeds of the 2003 Series A-1 Bonds to acquire existing federally guaranteed loan participation interests (currently held by the Authority in its General Fund) made under the Authority's QIC, QAL and B&I II Programs described below.

Quality Investment Capital ("**QIC**") is a secondary market program whereby the Authority purchases the guaranteed portion of loans originated by local lenders and guaranteed by the United States Small Business Administration (the "**SBA**"). By purchasing the guaranteed portion of the loan (the "**participation interest**"), the Authority is 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, this secondary market program is a source of profit and liquidity for originating lenders. Typically, the Authority markets the QIC Program to local lenders and potential borrowers, purchases the participation interest

(which is 100% guaranteed by the SBA), and collects the payments from the Borrower. Proceeds of these participation interests may be used to fund real estate, equipment, machinery and working capital.

The Quality Agricultural Loan Program ("QAL") is a secondary market program whereby CHFA purchases the guaranteed portion of loans originated by local lenders, and guaranteed by the United States Farm Service Agency ("FSA"). The Borrowers are involved in the ranching and agricultural industry throughout Colorado. By purchasing the participation interest (which is 100% guaranteed by the FSA), CHFA is able to provide the Borrower with the security and predictability of a fixed rate throughout the term of the loan, at attractive interest rates. Additionally, this secondary market program is a source of profit and liquidity for originating lenders, who act as the servicer on the loans and receive a fee not to exceed one percent (1.00%) per annum of the outstanding principal balance of the participation interest. Proceeds of these loans may be used to finance real estate, equipment, and machinery used in farming and ranching operations.

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

The following table provides summary information regarding the participation interests under the Authority's QIC, QAL and B&I II programs expected to be acquired as 2003A Loans:

Participation Interests (QIC, QAL, B & I II) to be Acquired

<u>Program</u>	<u>Number of Participation Interests</u>	<u>Average Par Amount</u>	<u>Range of Interest Rates</u>	<u>Federal Guarantee</u>	<u>Average Maturity</u>
QIC	6	\$444,666.71	5.63% - 6.58%	SBA	2025
QAL	20	240,217.13	4.75% - 6.75%	FSA	2022
B&I II	3	634,368.53	5.20% - 5.40%	RBS	2028

Loans to be Originated with Proceeds of the 2003 Series A-1 Bonds

The Uninsured Loans expected to be designated by the Authority under the commercial programs using proceeds of the 2003 Series A-1 Bonds are listed on the following table:

Uninsured Loans (Commercial Programs) Expected to be Originated

<u>Type of Borrower</u>	<u>Project</u>	<u>Location</u>	<u>Original Loan Amount</u>	<u>Loan Interest Rate</u>
Private Secondary Education	Real Estate	Lakewood	\$6,900,000	7.35%
Manufacturer	Real Estate	Denver	4,361,000	6.50%

Outstanding Loans Financed with 1993 Series A Bonds

Using proceeds of the 1993 Series A Bonds, the Authority has previously made the following mortgage loans to borrowers for the described projects. These mortgage loans and certain revenues therefrom had been pledged to secure repayment of certain outstanding bonds of the Authority under a General Resolution for the Authority's Multi-Family Housing Insured Mortgage Loan Program as described in "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Multi-Family Loan Programs - Multi-Family Housing Facility Loan Program." Upon redemption and payment of the 1993 Series A Bonds as described in "Part I – PLAN OF FINANCE – Redemption and Payment of the 1993 Series A Bonds," these outstanding mortgage loans financed by the 1993 Series A Bonds will no longer remain pledged under the General Resolution, and such mortgage loans will be pledged under the Indenture to secure the 2003 Series A Bonds. Such outstanding mortgage loans are subject to prepayment by the related borrowers, and such prepayments may be used by the Authority, at its option, to redeem 2003 Series A-2 Bonds at par, as described in "Part II – CERTAIN BONDOWNERS' RISKS - Considerations Regarding Redemption at Par." Payments on the outstanding mortgage loan are presently current and have generally been current during the last five years.

Information Concerning Outstanding Loans Financed with 1993 Series A Bonds

<u>Borrower/Project</u>	<u># of Units</u>	<u>Family Elderly Both</u>	<u>Note Date</u>	<u>Original Loan Amount</u>	<u>Outstanding Principal Amount of Loan</u>	<u>Mortgage Rate</u>	<u>Maturity</u>	<u>Remaining Term (Months)</u>	<u>Next Due Date</u>	<u>HAP Expiration</u>	<u>FHA Insurance Program</u>
Hyland Park	492	Family	3/31/93	\$9,354,400	\$8,499,592.86	7.40%	4/1/28	299	7/1/2003	--	223(f)
Summit Apts.	256	Family	3/31/93	\$3,248,400	\$2,948,172.70	6.20%	4/1/28	299	7/1/2003	--	223(f)

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APPENDIX G-2

Certain Information about the Outstanding Loans and Authority Projects

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

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Colorado Housing and Finance Authority
Multifamily/Project Bonds
Series 00A, 00B, 01A, 02A, 02B and 02C
Loan Portfolio Information as of **June 30, 2003**

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	Next Due Date	HAP Expir. Date	FHA Ins. Program
Club 60	M00A		2	Elderly	2/19/1987	134,517.00	98,261.47	3/1/2017	8.00%		8/1/2003		501 (c) 3
Madison	M00A		36	Assisted Living	11/20/1991	621,000.00	96,137.26	12/1/2021	6.50%		7/1/2003		501 (c) 3
Camelot I	M00A		18	Family	3/15/1988	406,000.00	354,387.82	4/1/2024	6.50%		6/1/2003		501 (c) 3
CHICAGO CREE	M00A		18	Special Needs	4/22/1988	216,254.00	188,521.41	5/1/2024	6.50%		8/1/2003		501 (c) 3
Columb Ct	M00A		30	Elderly	1/3/1979	855,300.00	618,425.62	6/1/2020	7.00%		7/1/2003		221 (d) 3
Winddrift	M00A		48	Family	7/23/1979	1,544,600.00	1,160,381.59	12/1/2020	7.00%		7/1/2003		221 (d) 4
Allison	M00A		37	Family	7/5/1979	1,236,100.00	922,094.82	9/1/2020	7.00%		7/1/2003		221 (d) 4
San Juan	M00A		76	Elderly	4/24/1979	1,875,200.00	1,398,380.21	10/1/2020	7.00%		7/1/2003	5/31/2006	221 (d) 4
Zuni Apts	M00A	94.600%	5	Family	6/1/1988	182,861.80	140,315.84	4/1/2019	7.50%		7/1/2003		221 (d) 4
	M79A	5.400%											
Sunnyside	M00A		19	Family	5/1/1988	938,500.00	720,255.33	12/1/2018	7.50%		7/1/2003		221 (d) 4
La Morada	M00A		6	Family	4/1/1989	148,289.00	120,875.15	5/1/2019	6.50%		7/1/2003	8/9/2005	501 (c) 3
Redwood Vlg	M00A		50	Family	4/15/1992	211,404.00	180,819.36	4/1/2022	8.00%		7/1/2003		RAP
W.H.E.R.E.	M00A		56	Family	12/29/1989	700,000.00	611,831.64	1/1/2020	7.75%		8/1/2003		501 (c) 3
Aspen Ridge	M00A		105	Family	10/31/1991	1,556,700.00	672,441.61	10/1/2021	8.00%		7/4/2003		RAP
Mallard	M00A		54	Family	10/11/1990	784,638.00	636,915.71	10/1/2020	8.00%		7/1/2003		RAP
Mary Sandoe	M00A		24	Assisted Living	8/14/1987	250,000.00	113,255.72	11/1/2019	6.10%	Yes	7/1/2003		501 (c) 3
S. Meade	M00A		4	Family	11/18/1988	135,000.00	111,355.46	1/1/2020	9.25%		7/1/2003		501 (c) 3
Barth Hotel	M00A		62	Assisted Living	6/18/1993	525,000.00	459,672.08	7/1/2023	6.50%		7/1/2003		501 (c) 3
Louisiana	M00A		40	Family	5/30/1991	332,600.00	291,514.24	7/1/2023	7.88%		7/1/2003		501 (c) 3
New Heritge	M00A		34	Family	5/30/1991	177,100.00	155,222.57	7/1/2023	7.88%		7/1/2003		501 (c) 3
Della Villa	M00A		72	Family	10/31/1991	390,500.00	327,282.84	11/1/2021	6.50%		7/1/2003		501 (c) 3
Madison	M00A		36	Assisted Living	11/20/1991	114,842.00	425,046.33	12/1/2021	6.50%		7/1/2003		501 (c) 3
R.B. Ranch	M00A		10	Family	1/17/1992	150,000.00	126,307.57	2/1/2022	8.00%	Yes	7/1/2003		501 (c) 3
Arvada Plac	M00A		42	Family	3/31/1992	769,144.00	656,021.70	4/1/2022	7.88%		7/1/2003		501 (c) 3
Palo Verde	M00A		72	Family	10/12/1993	1,143,429.00	1,007,221.56	10/1/2023	7.88%		7/1/2003		RAP
Cinnamon Pk	M00A		48	Assisted Living	4/29/1992	2,153,185.00	1,663,030.32	5/1/2022	6.15%		7/1/2003		501 (c) 3
Zuni Plaza	M00A		84	Family	5/1/1992	1,406,600.00	1,190,367.16	5/1/2022	6.50%		7/1/2003		501 (c) 3
Saxony	M00A		29	Family	7/1/1992	272,735.00	227,914.02	7/1/2022	6.50%		8/1/2003		501 (c) 3
Courtyard	M00A		34	Family	8/5/1992	207,955.00	178,540.71	9/1/2022	7.75%		7/1/2003		501 (c) 3
Belmont	M00A		49	Elderly	8/31/1992	712,500.00	607,630.12	9/1/2022	6.50%		7/1/2003		501 (c) 3
Fount Mesa	M00A		64	Family	2/24/1993	1,077,751.00	936,420.63	3/1/2023	7.88%		8/1/2003		501 (c) 3
Townhouse	M00A		27	Family	9/29/1993	153,000.00	134,983.67	11/1/2023	8.00%		8/1/2003		501 (c) 3
Anam Chara	M00A	96.110%	8	Assisted Living	9/29/1993	94,948.03	83,459.95	10/1/2023	7.75%		7/1/2003		501 (c) 3
	Gen Fund	3.890%											
Jefferson	M00A		65	Special Needs	10/5/1993	3,287,357.00	2,898,920.41	11/1/2023	6.50%		7/1/2003		501 (c) 3
Aspen Ridge	M00A		105	Family	4/1/1994	1,542,396.00	1,341,346.29	3/1/2022	8.00%		7/1/2003		RAP
Maple Tree	M00A		32	Family	7/14/1992	734,970.00	203,968.26	7/1/2022	8.00%		7/1/2003		RAP
Cherry Tree	M00A		48	Family	11/10/1992	194,478.00	89,286.32	11/1/2022	8.00%		7/1/2003		RAP
Pinon Place	M00A		24	Family	12/10/1992	142,797.00	123,971.72	12/1/2022	8.00%		7/1/2003		RAP
Shadowwood	M00A		32	Family	7/22/1992	220,899.00	190,041.33	7/1/2022	8.00%		7/1/2003		RAP
Chestnut Gl	M00A		12	Family	5/30/1991	247,475.00	206,834.98	6/1/2021	7.88%		7/1/2003		RAP
Inn Between	M00A		31	Family	11/23/1994	203,000.00	182,925.45	12/1/2024	8.00%		8/1/2003		501 (c) 3
Mary Sandoe	M00A		24	Assisted Living	12/14/1994	90,000.00	81,336.55	1/1/2025	8.00%		7/1/2003		501 (c) 3

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate FAF	Next Due Date	HAP Expir. Date	FHA Ins. Program
Smokeytrail	M00A		38	Family	1/1/1995	900,000.00	834,719.08	2/1/2030	7.25%	7/1/2003		RAP
Mary Sandoe	M00A		24	Assisted Living	7/27/1995	407,776.00	371,015.99	8/1/2025	7.80%	7/1/2003		501 (c) 3
Las Animas	M00A		10	Special Needs	10/25/1995	159,000.00	147,743.02	4/1/2027	6.50%	7/1/2003		501 (c) 3
HOA City of	M00A		32	Family	8/14/1996	522,000.00	482,954.71	9/1/2026	7.75%	7/1/2003		501 (c) 3
Blake/Comput	M00A				1/1/1997	4,084,592.00	3,438,720.76	2/1/2017	8.00%	8/1/2003		CHFA NOTE
Tower 48	M00A	18.990%	140	Family	3/24/1998	1,844,688.60	1,804,198.08	12/1/2039	6.30%	7/1/2003		221 (d) 4
	M97B	1.630%										
	M97C	79.380%										
Fountain Rdg	M00A	19.140%	36	Family	4/14/1998	407,069.52	397,085.68	4/1/2039	6.40%	5/1/2003		221 (d) 4
	M97B	1.140%										
	M97C	79.720%										
Pinecrest	M00A	73.000%	71	Family	5/13/1998	1,341,375.00	1,263,210.22	6/1/2028	6.50%	7/1/2003		501 (c) 3
	Gen Fund	27.000%										
Urban Peak	M00A		30	Special Needs	2/12/1999	225,000.00	212,888.07	3/1/2029	7.00%	7/1/2003		SMART
Colo Bluesky	M00A		18	Special Needs	1/4/1999	190,000.00	149,723.61	2/1/2029	6.45%	11/1/2003		SMART
Blake St Bld	M00A				11/1/1991	400,000.00	338,454.90	11/1/2021	8.00%	11/1/2003		CHFA NOTE
Den Indian	M00A		46	SRO/Homeless	2/26/1999	652,000.00	635,923.01	3/1/2029	7.00%	6/1/2001		501 (c) 3
Caley Ridge	M00A	18.940%	100	Elderly	7/19/1999	1,344,740.00	1,317,444.19	8/1/2039	6.95%	7/1/2003		542 (c)
	M97B	1.200%										
	M97C	79.860%										
Mtn Terrace	M00A		152	Family	4/28/2000	2,719,937.00	2,626,482.10	5/1/2030	6.90%	7/1/2003		542 (c)
Uptown Partn	M00A		35	Family	5/3/2000	1,000,000.00	971,690.61	6/1/2030	6.70%	7/1/2003		SMART
Grand Manor	M00A		112	Family	6/7/2000	3,550,000.00	3,437,373.97	7/1/2030	7.00%	7/1/2003		542 (c)
Homestead at	M00A	18.350%	58	Assisted Living	2/28/2000	834,925.00	820,855.59	3/1/2040	6.95%	7/1/2003		542 (c)
	M97B	3.970%										
	M97C	77.680%										
Rural Area	M00A		20	Family	7/20/2000	434,000.00	420,042.10	8/1/2030	6.75%	7/1/2003		SMART
Energy Offic	M00A		12	Family	9/12/2000	175,000.00	169,733.42	10/1/2030	6.75%	7/1/2003		SMART
SW Neighborhood	M00A		4	Family	10/30/2002	175,000.00	173,968.13	11/1/2032	6.95%	7/1/2003		SMART
SPRINGFIELD	M00A		32	Elderly	6/27/2002	250,000.00	247,445.53	7/1/2032	6.50%	7/1/2003	(2)	SMART
Orchard III	M00B		140	Family	10/2/2002	11,330,000.00	11,299,675.81	11/1/2042	7.05%	7/1/2003		542 (c)
NIELSON GARD	M00B		44	Family	1/30/2001	2,420,000.00	2,363,244.09	3/1/2031	7.10%	7/1/2003		542 (c)
Fox Meadows (Collins)	M00B		138	Family	11/21/2000	10,008,500.00	9,996,832.01	11/1/2042	7.20%	7/1/2003		542 (c)
Columbine	M00B		149	Elderly	11/8/2000	4,313,000.00	4,199,581.38	12/1/2030	7.10%	7/1/2003		542 (c)
Martinique	M01A NAMT		20	Family	12/13/1995	460,000.00	422,475.94	5/1/2026	7.60%	7/1/2003		501 (c) 3
HEALTHY LIVI	M01A NAMT		20	Family	3/22/2001	352,000.00	344,575.03	4/1/2031	5.95%	4/1/2003		SMART
CLIFTON VILL	M01A NAMT		119	Family	5/21/2001	4,200,000.00	4,107,360.52	6/1/2031	6.75%	7/1/2003		542 (c)
Co Coalition	M01A NAMT				2/2/2001	1,294,650.00	1,247,993.07	3/1/2026	6.99%	7/1/2003		EDF
UPTOWN PARTN	M01A NAMT		15	Family	3/21/2001	700,000.00	681,892.14	4/1/2031	6.35%	7/1/2003		SMART
Spring Holl (Housing)	M01A NAMT		108	Family	2/28/2001	7,475,000.00	5,946,485.53	4/1/2043	7.13%	7/1/2003		542 (c)
CORONA	M01A NAMT		50	Elderly	6/29/2001	1,621,000.00	1,586,833.30	6/1/2031	6.75%	7/1/2003	7/28/2003	542 (c)
VOLUNTEERS O	M01A NAMT		47	Homeless	8/1/2001	660,000.00	633,008.22	9/1/2021	7.50%	7/1/2003		EDF
Sheridan (Townhomes)	M01A NAMT		65	Family	1/18/2002	6,750,000.00	6,355,530.49	10/1/2043	7.05%	8/1/2003		542 (c)
UPTOWN PARTN	M01A NAMT		36	Elderly	8/29/2001	924,000.00	906,484.44	9/1/2031	6.80%	7/1/2003		SMART
INNER PLACES	M01A NAMT				11/9/2001	543,000.00	530,554.84	12/1/2026	7.13%	7/1/2003		501 (c) 3
BLAKE STREET	M01A NAMT				11/7/2001	1,595,920.00	1,533,905.76	11/1/2022	6.50%	11/1/2003		CHFA NOTE
Belle Creek (MHA)	M01A NAMT??		156	Family	12/1/2001	10,071,100.00	10,015,085.91	3/1/2043	6.05%	4/1/2002		221 (d) 4
GVAH LIMITED	M02A AMT		91	Family	6/13/2002	2,112,800.00	2,090,478.33	7/1/2032	6.80%	8/1/2003	7/31/2004	542 (c)

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	Next Due Date	HAP Expir. Date	FHA Ins. Program
FOREST MANOR	M02A AMT		103	Family	5/30/2002	5,480,000.00	5,416,984.76	6/1/2032	6.35%		7/1/2003		542 (c)
GVAH LIMITED II	M02A AMT		91	Family	6/13/2002	360,000.00	336,586.96	4/1/2013	6.90%		8/1/2003	7/31/2004	SMART
Walnut Park	M02A AMT				5/20/2003	5,650,000.00	5,650,000.00	6/1/1943	6.50%		7/1/2003		
Corona I	M02A NAMT		78	Elderly	12/1/1976	1,576,300.00	1,125,695.81	6/1/1943	6.50%		7/1/2003		221 (d) 3
Marcella	M02A NAMT		56	Elderly	7/1/1976	1,225,300.00	825,722.39	6/1/2017	7.25%		7/1/2003		221 (d) 4
High Count	M02A NAMT		205	Elderly	3/1/1977	4,442,900.00	3,141,769.08	8/1/2019	7.25%		7/1/2003		221 (d) 4
Silverleaf	M02A NAMT		28	Family	8/1/1977	608,900.00	442,943.16	10/1/2019	7.50%		7/1/2003		221 (d) 4
Canyon Pnt	M02A NAMT		72	Elderly	6/1/1977	1,429,500.00	982,859.30	8/1/2018	7.25%		7/1/2003		221 (d) 3
Villa West	M02A NAMT	31.700%	81	Family	10/1/1978	2,800,700.00	2,078,071.95	7/1/2020	7.00%		7/1/2003		221 (d) 3
	M02AA	68.300%	60	Family	11/26/1984	333,325.50	280,375.17	5/1/2020	10.50%		7/1/2003		221 (d) 4
Camelot II	M02A NAMT		16	Special Needs	12/17/1985	504,900.00	412,513.80	8/1/2023	7.00%		7/1/2003		221 (d) 3
Niblock	M02A NAMT	64.200%	10	Family	12/24/1985	260,138.40	232,598.58	10/1/2026	6.75%		7/1/2003	7/14/2003	221 (d) 4
	M02AA	35.800%											
Hanigan	M02A NAMT		9	Family	3/13/1989	445,200.00	361,205.61	11/1/2019	8.25%		6/1/2003	12/28/2003	221 (d) 4
A.C.C.E.S.S	M02A NAMT	93.800%	6	Family	5/30/1989	222,962.60	172,831.22	11/1/2019	8.50%		7/1/2003		221 (d) 3
	M02AA	6.200%											
Emerson	M02A NAMT	93.300%	12	Family	1/27/1989	439,349.70	356,506.87	9/1/2019	8.50%		7/1/2003	10/1/2004	221 (d) 4
	M02AA	6.700%											
Boulder Hse	M02A NAMT		8	Family	7/20/1989	426,100.00	346,957.36	1/1/2020	8.50%		7/1/2003	10/15/2004	221 (d) 3
4th & Fox	M02A NAMT	94.300%	13	Family	7/10/1989	503,939.20	415,576.07	3/1/2020	8.50%		6/1/2003		221 (d) 4
	M02AA	5.700%											
Tanglewood	M02A NAMT	88.970%	201	Family	3/31/1993	3,024,980.00	2,765,972.33	4/1/2028	7.75%		7/1/2003		223 (F)
	M93A	11.030%											
Uptown Partners	M02A NAMT	74.900%	15	Elderly	4/9/1999	370,006.00	344,031.69	4/1/2019	4.57%		7/1/2003		SMART
	HOF/FAF	25.100%											
Colo Rural	M02A NAMT		28	Family	11/29/2000	286,000.00	277,977.40	12/1/2030	6.75%		7/1/2003		SMART
Associated (#316489)	M02A NAMT				4/24/2003	2,614,000.00	2,612,871.03	5/1/2043	6.55%		7/1/2003		542 (c)
HOA City of	M02A NAMT		54	Elderly	3/30/2001	893,000.00	869,899.65	4/1/2031	6.35%		7/1/2003		SMART
Restoration	M02A NAMT		16	Special Needs	7/26/2001	250,000.00	244,734.66	8/1/2031	6.50%		7/1/2003		SMART
Tri-County	M02A NAMT		33	Elderly	1/22/2002	256,300.00	252,365.18	2/1/2032	6.40%		7/1/2003	1/31/2004	SMART
Heritage Center (LLC)	M02A NAMT		160	Family	11/27/2002	4,750,000.00	4,723,352.79	12/1/2032	6.40%		7/1/2003		542 (c)
AHPC (Preservation)	M02B				7/29/2002	58,500,000.00	58,500,000.00	7/1/2003	8.00%		7/1/2003		Special Needs
(LLC)	M02C AMT		68	Family	12/27/2002	4,200,000.00	4,186,579.51	1/1/2038	6.45%		7/1/2003	10/31/2003	542 (c)
Maples (LLLP)	M02C AMT		300	Family	8/26/2002	16,210,000.00	16,083,980.89	9/1/2032	6.85%		7/1/2003		542 (c)
Fore Fountain (SPRINGS)	M02C AMT		228	Family	9/19/2002	15,587,500.00	9,193,637.00	2/1/2044	6.25%		6/1/2003		221 (d) 4
(PARTNERS)	M02C AMT		166	Family	12/26/2002	2,841,000.00	2,825,529.56	1/1/2033	6.55%		8/1/2003		542 (c)
FREMONT VETERINARY	M02C NAMT				6/27/2003	772,400.00	752,555.64	5/1/2022	7.49%		7/1/2003		
LLC	M02C NAMT				6/27/2003	571,500.00	566,933.09	2/1/2023	6.74%		7/1/2003		
LE VALLEY J DAN	M02C NAMT				6/27/2003	498,750.00	471,725.63	11/30/2031	7.15%		11/30/2003		
LOWER VALLEY HOSPITAL	M02C NAMT				6/27/2003	806,495.00	793,550.14	2/15/2027	7.00%		7/15/2003		
Olin Hotel (Apartments)	M02C NAMT		106	Elderly	11/22/2002	504,200.00	501,319.56	12/1/2032	6.30%		7/1/2003	11/30/2022	SMART
Totals:						\$256,234,744.35	\$235,003,806.23						

Unexpended Proceeds (1): \$91,771,851.10

(1) Represents the aggregate amount of unexpended proceeds held under the Master Indenture as of June 30, 2003, a substantial portion of which represents proceeds of construction loans not yet fully-drawn, and the remainder of which represents permanent loans expected to be funded in calendar year 2002 or 2003.

(2) - HAP Contract in renewal process.

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APPENDIX G-3

Unexpended Proceeds of Outstanding Obligations

As of September 1, 2003, proceeds of the 2002 Series C Bonds in the amount of \$66,210,134.84 remained on deposit in the 2002 Series C subaccount of the Acquisition Account. The following discussion is intended to provide information about the Authority's present expectations as to the use of such proceeds to acquire or originate Loans. There is no assurance, however, that such proceeds will be used to originate or acquire Loans as described below. Any proceeds which remain in the 2002 Series C subaccount of the Acquisition Account on October 1, 2005 are required by the 2002C Indenture to be used to redeem 2002 Series C Bonds. The Authority may also determine to transfer amounts from the 2002 Series C subaccount to the Redemption Fund prior to October 1, 2005 if the Authority no longer reasonably expects to use such amounts to finance the Loans described below or other Loans or Authority Projects as permitted by the Master Indenture. In no event will these unexpended proceeds of the 2002 Series C Bonds be used to redeem 2003 Series A Bonds.

Insured 2002C Loans

At the time of issuance of the 2002 Series C Bonds, the Authority had identified the following eight multi-family housing projects for which it expected to finance an insured 2002C Loan: Aurora Village, Fountain Springs, The Maples at Crestwood, Mountain View Place, Racquet Club, Sable Ridge, Southgate Commons and Woodside Village. As of September 1, 2003, insured 2002C Loans had been made to finance four of these projects (The Maples at Crestwood, Mountain View Place, Southgate Commons and Woodside Village). See **Appendix G-2** hereto. The remaining four of these projects are still expected by the Authority to be financed by 2002C Loans.

AHPC Projects

In July 2002, the Authority issued its 2002 Series B Bonds under the Master Indenture for the purpose of making an interim loan (the "**2002B Interim Loan**") to American Housing Preservation Corporation ("**AHPC**") having a term of one year with an option to renew for an additional year. The 2002B Interim Loan has been renewed for an additional year. AHPC used the proceeds of such 2002B Interim Loan to make uninsured mortgage loans to 20 single-asset entities (the "**AHPC Borrowers**") as a portion of the financing needed by such entities to acquire the twenty multi-family housing projects described below (the "**AHPC Projects**"). In connection with such interim financing, the AHPC Borrowers also received subordinate loans totaling approximately \$12 million from Boston Capital. The 2002B Interim Loan constitutes a Loan under the Indenture. Certain proceeds of the 2002 Series C Bonds were expected to be used by the Authority to make a permanent loan for each of the AHPC Projects, which loans were expected to be insured by the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, as amended. It has been anticipated that, in connection with the refinancing of each AHPC Project by the Authority using such proceeds of the 2002 Series C Bonds, the existing interim mortgage loan made by AHPC to the related AHPC Borrower would be prepaid and that AHPC will use such prepayments to prepay the 2002B Interim Loan.

The following tables provide selected information concerning the AHPC Projects.

Certain Information About the AHPC Projects

Project Name	Location	Estimated 2002C Mortgage Loan Amount *	Number of Units	Original Loan Date	HAP Contract Expiration Date (1)
Asbury Park	Aurora	\$2,415,000	44	7/82	2/03
Aspen Meadows	Aurora	4,510,000	100	7/83	10/03
Canon Club	Canon City	825,000 (3)	46	8/78	6/05 (2)
Clifton Townhouses	Clifton	2,140,000	51	7/82	2/03
Courthouse Square	Denver	10,535,000	157	6/82	5/07 (2)
Dawson Square	Thornton	2,205,000	36	1/81	9/03 (2)
Halcyon House	Denver	13,595,000	197	7/82	5/03 (2)
Helios Apartments	Lafayette	2,125,000	30	9/82	6/03
Hilltop Apartments	Denver	2,755,000	77	4/78	6/19
Kearney Plaza	Commerce City	1,780,000	51	2/79	9/05 (2)
Meadows Townhouses	Ft. Lupton	2,495,000	51	8/82	3/03
Park Terrace	Arvada	5,075,000	96	5/80	3/03 (2)
Park West	Denver	1,900,000	41	9/84	3/03 (2)
Pine Meadows	Greeley	4,425,000	111	6/84	9/03
Sheridan Gardens	Sheridan	2,385,000	48	3/80	11/02
Squire Village	Northglenn	2,115,000	51	7/82	2/03
Sunrise Manor	Buena Vista	305,000 (3)	40	12/82	8/03
Tamarin Square	Durango	3,650,000	68	11/81	11/02
Tiffany Square	Lakewood	2,345,000	52	11/79	8/05 (2)
Village Gardens	Aurora	2,590,000	60	4/84	8/03 (2)

-
- (1) As moderate rehabilitation properties, current HUD regulations provide that HAP Contracts for Park Terrace, Park West and Village Gardens may only be renewed for one year periods. In addition, payments due under any HAP Contract, including renewal contracts, are subject to annual appropriation and to adjustment as described in **Appendix I** hereto.
 - (2) The initial HAP Contracts for these AHPC Projects have expired and have been renewed with the new expiration dates shown.
 - (3) The Authority also expects to make uninsured 2002C Loans for the Canon Club and Sunrise Manor Projects in the estimated amounts of \$155,925 and \$321,725, respectively, which 2002C Loans will be secured by liens on the related projects on a basis subordinate to the lien thereon of the FHA-insured 2002C Loans.

*Preliminary, subject to change

As of September 1, 2003, 2002C Loans had been made to finance four AHPC Projects (Courthouse Square, Halcyon House, Kearney Plaza and Tiffany Square). The Authority currently expects that 13 of the remaining 16 AHPC Projects will be refinanced with 2002C Loans during calendar year 2003, although in some cases the 2002C Loan expected to be made will be less than the amount originally estimated could be made for such Project. However, three AHPC Projects originally expected to be refinanced with 2002C Loans (Park Terrace, Pine Meadows and Village Gardens) have been delayed and the Authority now expects that any financing of these projects will not be provided using proceeds of the 2002 Series C Bonds.

The proceeds expected to be used to refinance these three delayed AHPC Projects, together with proceeds available as a result of the "downsizing" which has occurred or is expected to occur for certain 2002C Loans relating to AHPC Projects and certain proceeds originally projected to make uninsured

2002C Loans which will not be needed, total approximately \$12.4 million. The Authority has tentatively identified two possible projects – Osito Ridge and Hampden Town Center – to be funded in whole or in part by 2002C Loans using these proceeds.

Osito Ridge is a 114-unit family project located in Bear Valley, CO. The 2002C Loan for this project is expected to be insured under the FHA 542(c) program with a 40-year term and amortization period. The aggregate principal amount currently expected for such 2002C Loan will be \$7.920 million, and such 2002C Loan will be secured with a First Deed of Trust on the land and improvements. A HOF loan in the amount of \$480,000 is expected to be placed in a second lien position on the property. Hampden Town Center is a 132-unit independent elderly project located in Aurora, CO. The 2002C Loan for this project is also expected to be insured under the FHA 542(c) program with a 40-year term and amortization period. The aggregate principal amount currently expected for such 2002C Loan will be \$9.539 million, and such 2002C Loan will be secured with a First Deed of Trust on the land and improvements. A HOF loan in the amount of \$375,000 is expected to be placed in a second lien position on the property. Both the Osito Ridge project and the Hampden Town Center project have received a firm financing commitment from the Authority and a firm approval from HUD for mortgage insurance. The Authority anticipates that permanent loans will be made as 2002C Loans for both projects in the spring of 2005. However, there is no assurance that such anticipated 2002C Loans will be originated at all or will be originated as expected at that time.

Uninsured 2002C Loans

At the time of issuance of the 2002 Series C Bonds, the Authority had identified the following seven multi-family housing projects for which it expected to finance an uninsured 2002C Loan: Centennial Village, Liberty House, Northern Hotel, Olin Hotel, Ridgeview, Sunset Meadows II and Woodside Village. As of September 1, 2003, uninsured 2002C Loans had been made to finance four of these projects (Centennial Village, Olin Hotel, Sunset Meadows II and Woodside Village). The Authority still expects to finance a 2002C Loan for Liberty House during calendar year 2003. The Ridgeview project has defaulted and the loan expected to be made to refinance that project in the amount of \$295,000 will not be made. The loan expected to fund the Northern Hotel project will not be financed using a 2002C Loan. The Authority has used the \$2,587,425 expected to make such a loan in connection with the Northern Hotel to fund four uninsured commercial loans as 2002C Loans with interest rates ranging from 6.74% to 7.49%.

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APPENDIX H

Certain Terms of the Initial 2003A Liquidity Facility

This Appendix contains a brief summary of certain provisions of the Initial 2003A Liquidity Facility to be entered with the 2003A Liquidity Facility Provider. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial 2003A Liquidity Facility are qualified by reference to such document. The Initial 2003A Liquidity Facility may be amended at anytime without the consent of or notice to Bondholders. Any Alternate Liquidity Facility may have terms substantially different from those of the Initial 2003A Liquidity Facility.

For information regarding the 2003A Liquidity Facility Provider, see Appendix D.

Pursuant to the Initial 2003A Liquidity Facility, the 2003A Liquidity Facility Provider agrees, subject to the terms and conditions therein, to purchase 2003 Series A Bonds in the Daily Rate, Weekly Rate or Term Rate Mode which are tendered by the owners thereof to the Paying Agent or are subject to mandatory purchase but are not remarketed by the 2003A Remarketing Agent. The Initial 2003A Liquidity Facility will expire September 24, 2008, unless extended or terminated as described herein.

Certain Definitions

"Commitment Period" means the period from the date of the Initial 2003A Liquidity Facility to and including the earliest of (i) September 24, 2008 (or to an extended date as may become effective under the Initial 2003A Liquidity Facility), (ii) the date on which no 2003 Series A Bonds are outstanding, (iii) the close of business on the date on which the 2003 Series A Bonds are converted to Fixed Rate Bonds, Commercial Paper Bonds or SAVRS Rate Bonds, (iv) the close of business on the 30th day (or, if such day is not a Business Day, the next succeeding Business Day) following receipt by the Authority and the Paying Agent of a written notice from the 2003A Liquidity Facility Provider of termination of the Initial 2003A Liquidity Facility, and (v) the date on which the aggregate principal amount of outstanding 2003 Series A Bonds (and interest thereon) has been reduced to zero due to the redemption, repayment or other payment of all of the principal amount of the 2003 Series A Bonds or due to the delivery of an Alternate Liquidity Facility.

"Purchase Date" means a Business Day on which 2003 Series A Bonds are subject to optional tender or mandatory purchase.

"Purchase Price" means, with respect to any 2003 Series A Bond, the unpaid principal amount thereof plus accrued interest thereon from and including the Interest Payment Date next preceding the Purchase Date thereof to but excluding the Purchase Date thereof, in each case without premium; provided that accrued interest will not be included in the Purchase Price if the applicable Purchase Date is an Interest Payment Date and, provided further that the aggregate amount of the Purchase Price comprising interest on any 2003 Series A Bonds purchased on any Purchase Date will not exceed the lesser of (a) the 2003A Liquidity Facility Provider's interest commitment for the 2003 Series A Bonds (which amount equals the interest on the 2003 Series A Bonds for a period of 187 days based upon an assumed rate of interest of 10% per annum and a 365/366 day year for the actual number of days elapsed, in any case as such amount shall be adjusted from time to time in accordance with the Initial 2003A Liquidity Facility), or (b) the actual aggregate amount of interest accrued on each such 2003 Series A Bond to but excluding such Purchase Date.

THE INITIAL 2003A LIQUIDITY FACILITY PROVIDES FUNDS ONLY FOR PAYMENT OF THE PURCHASE PRICE AS DESCRIBED ABOVE, DOES NOT SECURE PAYMENT OF THE

PRINCIPAL OF OR INTEREST ON THE 2003 SERIES A BONDS, AND MAY BE TERMINATED AS DESCRIBED BELOW.

Conditions Precedent to Obligations of 2003A Liquidity Facility Provider

The obligation of the 2003A Liquidity Facility Provider to purchase 2003 Series A Bonds on any particular Purchase Date under the Initial 2003A Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by the 2003A Liquidity Facility Provider: (i) the 2003A Liquidity Facility Provider shall have timely received the notices to purchase the unremarketed 2003 Series A Bonds as provided in the Initial 2003A Liquidity Facility, and (ii) a long-term rating of the 2003 Series A Bonds by Moody's or S&P of not lower than "Baa2" or "BBB," respectively, shall be in effect.

Termination by 2003A Liquidity Facility Provider

In the event that the Authority fails to pay to the 2003A Liquidity Facility Provider any commitment fee within five Business Days after the same becomes due, the 2003A Liquidity Facility Provider may terminate the Initial 2003A Liquidity Facility by giving written notice of such termination to the Trustee, the Paying Agent, the Authority, and the 2003A Remarketing Agent, such termination to become effective 30 days (or if such day is not a Business Day, the next following Business Day) after receipt by the Tender Agent of such notice; and on such date the 2003A Liquidity Facility Provider shall be under no obligation to purchase the 2003 Series A Bonds. Promptly upon receipt of such written notice of termination by the Trustee, the Trustee is to give notice to all Owners of the 2003 Series A Bonds that the 2003 Series A Bonds will be subject to mandatory tender for purchase, with no right to retain, not less than 20 days from the date of such notice to such Owners, at the Purchase Price (payable by the 2003A Liquidity Facility Provider) on the date set forth for purchase in such notice. Additionally, in the event of such termination, the Authority will use its best efforts to replace the Initial 2003A Liquidity Facility with an Alternate Liquidity Facility or cause the 2003 Series A Bonds to be Converted to Fixed Rate Bonds or to bear interest at an interest rate mode which does not require a Liquidity Facility. Other events of default are defined under the Initial 2003A Liquidity Facility; however, the 2003A Liquidity Facility Provider has agreed to purchase tendered 2003 Series A Bonds on the terms and conditions of the Initial 2003A Liquidity Facility notwithstanding the occurrence of such events of default. See "Conditions Precedent to Obligations of 2003A Liquidity Facility Provider" under this caption.

Termination by Authority

Upon (i) the withdrawal, suspension or reduction in the rating assigned to the 2003A Liquidity Facility Provider's senior unsecured short-term obligations by Moody's or S&P below "P-1" or "A1," respectively, or the default by the 2003A Liquidity Facility Provider in honoring its payment obligations under the Initial 2003A Liquidity Facility or the 2003A Liquidity Facility Provider seeking recovery of amounts described in the Initial 2003A Liquidity Facility, (ii) the payment to the 2003A Liquidity Facility Provider of all fees, expenses and other amounts payable under the Initial 2003A Liquidity Facility, and (iii) the payment to the 2003A Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate the Initial 2003A Liquidity Facility. In the event of such termination, the 2003 Series A Bonds will be subject to mandatory tender for purchase, the Authority will use its best efforts to replace the Initial 2003A Liquidity Facility with an Alternate Liquidity Facility or cause the 2003 Series A Bonds to be Converted to Fixed Rate Bonds or to bear interest at an interest rate mode which does not require a Liquidity Facility.

Alternate Liquidity Facility

The Authority may replace the Initial 2003A Liquidity Facility with a new Liquidity Facility (an "Alternate Liquidity Facility") in accordance with the procedures set forth in the Indenture. See "Part II – SECURITY FOR THE OBLIGATIONS – Liquidity Facilities."

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APPENDIX I

The 2003A Liquidity Facility Provider

The following information has been obtained from the 2003A Liquidity Facility Provider for inclusion herein. Such information is not guaranteed as to accuracy or completeness by the Authority or the Underwriters and is not to be construed as a representation by the Authority or the Underwriters. Neither the Authority nor the Underwriters have verified this information, and no representation is made by them as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to its date or the date hereof.

Federal Home Loan Bank of Topeka (the "**2003A Liquidity Facility Provider**") is a privately owned corporation organized under the laws of the United States and is located in Topeka, Kansas. The 2003A Liquidity Facility Provider provides wholesale funding, related services and technical expertise to help member financial institutions promote housing, economic development and general prosperity in their local communities. With over \$38 billion in assets and approximately \$1.7 billion in capital (based on unaudited financial statements), the 2003A Liquidity Facility Provider serves more than 850 member stockholders throughout Colorado, Kansas, Nebraska and Oklahoma. The 2003A Liquidity Facility Provider is one of 12 Federal Home Loan Banks established by Congress in 1932 to relieve financial strains on thrift institutions and to promote homeownership. The 12 Federal Home Loan Banks are regulated by the Federal Housing Finance Board in Washington, D.C.

Moody's Investors Service, Inc. ("**Moody's**") currently rates the 2003A Liquidity Facility Provider's long-term bank deposits as "Aaa" and short-term bank deposits as "P-1". Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**") rates the 2003A Liquidity Facility Provider's long-term counterparty credit as "AAA" and its short-term counterparty credit as "A-1+". Further information with respect to such ratings may be obtained from Moody's and Standard & Poor's, respectively. No assurances can be given that the current ratings of the 2003A Liquidity Facility Provider and its instruments will be maintained.

Copies of the 2003A Liquidity Facility Provider's most recent unaudited quarterly financial statements can be obtained by accessing the 2003A Liquidity Facility Provider's Web site at http://www.fhlbtopeka.com/quarterly_financials_for_fhlb_to.htm. Copies of the 2003A Liquidity Facility Provider's most recent Annual Report can be ordered, without charge, by accessing the 2003A Liquidity Facility Provider's Web site at http://www.fhlbtopeka.com/request_for_documents.htm.

The 2003A Liquidity Facility Provider will provide copies of its most recent Annual Report and unaudited quarterly financial statements, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Federal Home Loan Bank of Topeka
Attention: Ms. Gail Newell
P.O. Box 176
Topeka, KS 66601-0176

PAYMENTS OF THE PURCHASE PRICE OF THE 2003 SERIES A BONDS WILL BE MADE PURSUANT TO THE INITIAL 2003A LIQUIDITY FACILITY IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE STANDBY BOND PURCHASE AGREEMENT IS A BINDING OBLIGATION OF THE 2003A LIQUIDITY FACILITY PROVIDER, THE 2003A

ADJUSTABLE RATE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE FEDERAL HOME LOAN BANK OF TOPEKA AND ARE NOT GUARANTEED BY SUCH BANK. THE 2003A ADJUSTABLE RATE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The inclusion of this information shall not create any implication that there has been no change in the affairs of the 2003A Liquidity Facility Provider since the date hereof, or that the information contained or referred to in this Official Statement is correct as of any time subsequent to its date.

APPENDIX J

Federal Insurance Programs

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

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

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

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

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

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

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

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

Federal Assistance Programs. Housing Facilities are not required by the Master Indenture to be the subject of federal assistance payments. However, many of the Housing Facilities and Projects securing Obligations under the Master Indenture have been assisted by HUD under its Section 8 Subsidy Program for New Construction, Substantial Rehabilitation or Moderate Rehabilitation. See "CERTAIN INFORMATION ABOUT THE OUTSTANDING LOANS AND AUTHORITY PROJECTS" attached as **Appendix G-2** hereto. In October 1997, the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("**Title V**") was signed into law, as described in "Part II – CERTAIN BONDOWNERS' RISKS - Expiration of HAP Contracts." Title V as amended provides for restructuring of mortgage financing and provides for the renewal of HAP Contracts for certain multifamily housing projects, including certain projects financed by the Loans. **Implementation of this legislation and any future changes to the HUD Section 8 Subsidy Program could have an adverse impact on the Housing Facilities which are subsidized under the Section 8 Subsidy Program and were refinanced by the 2003 Series A Bonds.** See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

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APPENDIX K

Description of Section 8 Subsidy Program

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recent Developments – Mark-to-Market Program and Other Options for Expiring HAP Contracts. There have been numerous pronouncements over the past several years from HUD officials, the White House and members of Congress as to the future of HUD and the Section 8 subsidy program primarily focused on developments having FHA-insured mortgages with terms ranging from 30 to 40 years and HAP Contracts with substantially shorter terms. In 1997, Congress approved the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("**Title V**"). Amended by Public Law 106-74, enacted in October 1999, Title V provides certain options to owners seeking renewal of HAP Contracts, including a new program (the "**Mark-to-Market Program**"), beginning in fiscal year 1999, pursuant to which projects having FHA-insured mortgages, expiring HAP Contracts and above-market rents, including certain projects financed by the Mortgage Loans, are eligible for debt restructuring plans provided that rent levels are reduced to comparable market levels. Such restructuring may include refinancing and/or partial payment of mortgage debt necessary to permit the required reduction of rent levels. As part of the restructuring plan, HAP Contracts are to be renewed to provide either project-based assistance (in which case the payments would be reduced based on reduced rent levels) or tenant-based assistance, subject to the availability of funding. The Section 8 subsidy is required to remain project-based if (a) there is a market-wide vacancy rate of 6% or less; (b) at least 50% of the units in the project are occupied by elderly and/or disabled families; or (c) the project is held by a nonprofit cooperative ownership housing corporation or trust. Otherwise, the restructuring plan will also include an assessment, based on factors set forth in regulations promulgated under Title V, as to whether some or all of the assistance should be converted to tenant-based subsidy.

Alternatively, owners eligible for the Mark-to-Market Program may elect to apply for HAP Contract renewal under such program, assuming a reduction in rent levels to comparable market levels, without debt restructuring. Title V requires HUD to renew HAP Contracts for project-based assistance, upon request of the owner, but at reduced payment levels based on rents reduced to comparable market

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

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

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

For information on HAP Contracts applicable to the Projects, see **Appendix G-2 – "CERTAIN INFORMATION ABOUT THE OUTSTANDING LOANS."** The Authority has not determined at this time the extent to which the owners of projects secured by other Mortgage Loans and which are the subject of expiring HAP Contracts will seek renewals of those HAP Contracts or which projects will be eligible for such renewals under Title V, with or without restructuring of the respective Mortgage Loans. With respect to those projects eligible for contract renewal and/or restructuring, the revised HAP Contract rents may be significantly lower than the current HAP Contract rents, and the corresponding reduction in Section 8 subsidy payments for such projects could materially adversely affect the ability of owners of such projects to pay debt service on the Mortgage Loans. Any termination or expiration of the HAP Contracts, without renewal or replacement with other project-based assistance, could also have a material adverse impact on the ability of the related projects to generate revenues sufficient to pay debt service on the Mortgage Loans. Restructuring plans may involve the refinancing and/or partial payment of Mortgage Loans. Thus, the Authority is unable at this time to predict the impact of expiration of these HAP Contracts or the effect of this legislation on the sufficiency of Revenues and assets pledged under the Indenture for payment of the Bonds, including the 2003 Series A Bonds.

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