

NEW ISSUE - Book-Entry Only

INTEREST ON THE 2004 SERIES A-1 BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, interest on the 2004 Series A-2 Bonds and the 2004 Series A-3 Bonds (except for interest on any 2004 Series A-2 Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2004 Series A-2 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2004 Series A Bonds (the "Tax Code")) is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; however, (a) interest on the 2004 Series A-2 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under federal income tax laws, and (b) interest on the 2004 Series A-3 Bonds is excluded from alternative minimum taxable income as defined in section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described herein. In addition, in the opinion of Bond Counsel, the 2004 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 2004 Series A Bonds. See "Part I – TAX MATTERS."



\$89,115,000

COLORADO HOUSING AND FINANCE AUTHORITY

Multi-Family/Project Bonds

\$66,280,000
Class I Taxable
Adjustable Rate Bonds
2004 Series A-1

\$10,785,000
Class I
Adjustable Rate Bonds
2004 Series A-2
(AMT)

\$12,050,000
Class II Bonds
2004 Series A-3
(non-AMT)

Dated: Date of Delivery

Due: As shown on inside front cover

The 2004 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 2004 Series A Indenture of Trust dated as of September 1, 2004, each between the Authority and Wells Fargo Bank, National Association, as Trustee.

The 2004 Series A Bonds, when issued, will be registered in the name of Cede & Co., as holder of the 2004 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 2004 Series A Bonds will be registered in the name of Cede & Co. Individual purchases of 2004 Series A Bonds will be made in book-entry form only, and beneficial owners of the 2004 Series A Bonds will not receive physical delivery of bond certificates representing their interest in the 2004 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 2004 Series A Bonds. Payments of principal and interest on the 2004 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 2004 Series A Bonds is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

Proceeds of the 2004 Series A Bonds are expected to be used to acquire and originate certain insured and uninsured business and rental 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. Proceeds of the 2004 Series A Bonds will also be used to refund certain outstanding bonds of the Authority and to make deposits to certain funds and accounts in accordance with the 2004 Series A Indenture. In connection with the issuance of the 2004 Series A Bonds (other than the 2004A Adjustable Rate Bonds while in an Interest Rate Period for a Term Mode or Commercial Paper Mode equal to or less than nine months, a Daily Mode or a Weekly Mode), the Authority will undertake to provide certain continuing disclosure concerning the Authority, the 2004 Series A Bonds and the 2004A Projects, as described in "Part I – INTRODUCTION – Availability of Continuing Disclosure."

The 2004A Adjustable Rate Bonds initially will bear interest at a weekly rate (the "**Weekly Rate**") determined prior to the date of delivery of the 2004A Adjustable Rate Bonds to be effective to and including the following Tuesday, and thereafter determined on each Tuesday by Lehman Brothers[†] in its capacity as the 2004A 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 2004A Adjustable Rate 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 2004A Adjustable Rate Bonds (while in an Interest Period for a Mode other than a Daily Mode, SAVRS Rate Mode or Commercial Paper Mode) and on the 2004 Series A-3 Bonds will be payable on each April 1 and October 1, commencing on April 1, 2005, on any redemption date and at maturity.

While any of the 2004A Adjustable Rate Bonds are in an Interest Period other than a Fixed Rate Mode, Commercial Paper Mode or SAVRS Rate Mode, holders of any such 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Liquidity Facility**") among the Authority, Federal Home Loan Bank of Topeka (the "**2004A Liquidity Facility Provider**") and Wells Fargo Bank, National Association, as Paying Agent. Coverage under the Initial 2004A Liquidity Facility, unless extended or earlier terminated, is stated to expire on September 21, 2009.

Maturity Schedules on Inside Front Cover

Certain of the 2004 Series A Bonds are subject to special redemption, optional redemption and mandatory or cumulative sinking fund 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 Taxable Adjustable 2004 Series A-1 Bonds and the Adjustable 2004 Series A-2 Bonds are being issued as Class I Bonds, payable from the revenues, assets and moneys pledged under the Indenture as described herein on an equal and ratable basis with all other Class I Obligations now or hereafter outstanding under the Master Indenture. The Adjustable 2004 Series A-2 Bonds will be special limited obligations of the Authority, and the Taxable Adjustable 2004 Series A-1 Bonds will also be payable as general obligations of the Authority. The 2004 Series A-3 Bonds will be special, limited obligations of the Authority payable solely from the revenues, assets and money 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 2004 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 2004 Series A Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2004 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 2004 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 2004A Liquidity Facility Provider by its assistant general counsel, Tad M. Kramar, Esq. The Underwriters are being represented in connection with their purchase of the 2004 Series A Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. It is expected that the 2004 Series A Bonds will be delivered (through DTC) in New York, New York on or about September 22, 2004.

LEHMAN BROTHERS[†]

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

George K. Baum & Company

RBC Dain Rauscher Inc.

Stifel, Nicolaus & Company Incorporated
Hanifen Imhoff Division

Piper Jaffray & Co.

A.G. Edwards & Sons, Inc.

Harvestons Securities, Inc.

UBS Financial Services Inc.

This Official Statement is dated September 13, 2004.

[†] 2004A Remarketing Agent
SM Service Mark of Lehman Brothers, Inc.

MATURITY SCHEDULE

\$66,280,000

**Taxable Adjustable 2004 Series A-1 Bonds
(CUSIP No. 196479 JL4†)**

\$66,280,000 Class I Adjustable Rate Bonds, 2004 Series A-1 due October 1, 2034 - Price: 100%

\$10,785,000

**Adjustable 2004 Series A-2 Bonds (AMT)
(CUSIP No. 196479 JM2†)**

\$10,785,000 Class I Adjustable Rate Bonds, 2004 Series A-2 due April 1, 2045 - Price: 100%

\$12,050,000

**2004 Series A-3 Bonds (non-AMT)
(CUSIP No. 196479†)**

<u>Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP†</u>	<u>Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP†</u>
2005	\$355,000	1.70%	100%	JN0	2010	\$420,000	3.15%	100%	JT7
2006	380,000	1.95	100	JP5	2011	435,000	3.40	100	JU4
2007	390,000	2.30	100	JQ3	2012	445,000	3.60	100	JV2
2008	395,000	2.60	100	JR1	2013	465,000	3.75	100	JW0
2009	405,000	2.95	100	JS9	2014	480,000	3.90	100	JX8

\$1,575,000 of 4.25% Class II Bonds, 2004 Series A-3 due October 1, 2017 - Price: 100.812%; CUSIP No. JY6†
\$3,760,000* of 4.60% Class II Bonds, 2004 Series A-3 due October 1, 2024 - Price: 100%; CUSIP No. JZ3†
\$2,545,000* of 4.80% Class II Bonds, 2004 Series A-3 due October 1, 2034 - Price: 100%; CUSIP No. KA6†

*\$1,000,000 of the 2004 Series A-3 Bonds due October 1, 2024 and the 2004 Series A-3 Bonds due October 1, 2034 are being purchased directly from the Authority by an institutional investor.

† The Authority takes no responsibility for the accuracy of the CUSIP numbers, which are being provided solely for the convenience of the owners of the 2004 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 2004 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth in this Official Statement has been furnished by the Authority and obtained from other sources believed to be reliable. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

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 2004 Series A Bonds), the Borrowers, the Projects, the Loans, the Initial 2004A Liquidity Facility, the 2004A Liquidity Facility Provider, or any other bonds or obligations of the Authority.

THE PRICES AT WHICH THE 2004 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 2004 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 2004 Series A Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the commission or any state securities commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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

**PART I
TABLE OF CONTENTS**

	<u>Page</u>
INTRODUCTION.....	1
TERMS OF THE 2004 SERIES A BONDS	4
General Terms.....	4
2004A Fixed Rate Bonds.....	5
2004A Adjustable Rate Bonds.....	5
Prior Redemption.....	12
PLAN OF FINANCE	18
Sources and Uses of Funds	18
Refunding of 1997A Bonds	18
Use of Amounts in Acquisition Account	19
CERTAIN PROGRAM ASSUMPTIONS	20
The 2004A Loans	20
Debt Service Reserve Fund.....	22
General Obligation Pledge for Taxable Adjustable 2004 Series A-1 Bonds	23
2004A Investment Agreements.....	23
2004A Derivative Product	24
TAX MATTERS	25
Tax-Exempt Bonds	25
IRS Audit Program	26
Taxable Adjustable 2004 Series A-1 Bonds	27
UNDERWRITING	27
2004A REMARKETING AGENT.....	27
FORWARD-LOOKING STATEMENTS.....	28
LITIGATION	28
RATINGS.....	28
CERTAIN RELATIONSHIPS OF PARTIES	29

**PART II
TABLE OF CONTENTS**

	<u>Page</u>
AUTHORITY	1
Background.....	1
Board of Directors and Staff Officers.....	1
Employees and Pension Information	4
Insurance Coverage	4
The General Fund	4
Authority Policy Regarding Swaps.....	7
Programs to Date	7
General Obligations of the Authority	12
SECURITY FOR THE OBLIGATIONS	13
Pledge of Trust Estate	13
Revenues.....	14
The Loans and Authority Projects	15
Debt Service Reserve Fund.....	16
Liquidity Facilities.....	16
Derivative Products	17
Issuance of Additional Bonds.....	17
CERTAIN BONDOWNERS' RISKS.....	18
Limited Security	18
Origination of New Loans	18
Considerations Regarding Redemption at Par	18
Conditions to Payment of FHA Insurance	19
Expiration of HAP Contracts.....	19
Enforcement of Regulatory Agreements.....	19
NO IMPAIRMENT OF CONTRACT BY THE STATE	19
LEGALITY FOR INVESTMENT AND SECURITY FOR DEPOSITS	20
INDEPENDENT AUDITORS	20
MISCELLANEOUS.....	20

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

APPENDICES

Appendix A - Financial Statements and Additional Information of the Authority for the Fiscal Years ended December 31, 2003 and 2002.....	A-1	Appendix G-1 - Certain Information About the 2004A Loans.....	G-1-1
Appendix B - Outstanding Master Indenture Obligations	B-1	Appendix G-2 - Certain Information About the Outstanding Loans and Authority Projects	G-2-1
Appendix C - Summary of Certain Provisions of the Indenture.....	C-1	Appendix H - Certain Terms of the Initial 2004A Liquidity Facility	H-1
Appendix D - Class Asset Requirements	D-1	Appendix I - The 2004A Liquidity Facility Provider.....	I-1
Appendix E - Form of Bond Counsel Opinion.....	E-1	Appendix J - Federal Insurance Programs	J-1
Appendix F - Book-Entry System	F-1	Appendix K - Description of Section 8 Subsidy Program.....	K-1
		Appendix L - Form of Continuing Disclosure Undertaking	L-1

OFFICIAL STATEMENT

\$89,115,000

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

\$66,280,000 Class I Taxable Adjustable Rate Bonds 2004 Series A-1	\$10,785,000 Class I Adjustable Rate Bonds 2004 Series A-2 (AMT)	\$12,050,000 Class II Bonds 2004 Series A-3 (non-AMT)
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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 "**2004 Series A Bonds**"). The 2004 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 2004 Series A Indenture dated as of September 1, 2004 (the "**2004 Series A Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**"). Capitalized terms used herein and not defined have the meanings specified in the Indenture. See "SUMMARY OF CERTAIN PROVISIONS OF THE 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 2004 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 2004 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 2004 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 2004 Series A Bonds are being issued and secured under the Indenture.

Purposes of the 2004 Series A Bonds

Proceeds of the 2004 Series A Bonds which will be deposited to the credit of the 2004 Series A subaccounts of the Acquisition Account are expected to be used to acquire and originate certain insured and uninsured business and rental 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. See "Part I – PLAN OF FINANCE – Use of Amounts in Acquisition Account." The Loans to be so acquired and originated collectively are referred to herein as the "**2004A Loans**." See "Part I – CERTAIN PROGRAM ASSUMPTIONS - The 2004A Loans." In addition, proceeds of the 2004 Series A Bonds will be used to refund certain outstanding bonds of the Authority, as described in "Part I – PLAN OF FINANCE – Refunding of 1997A Bonds," and 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 2004 Series A Bonds

Interest Rates and Payments

The Authority's Multi-Family/Project Class I Taxable Adjustable Rate Bonds, 2004 Series A-1 (the "**Taxable Adjustable 2004 Series A-1 Bonds**") and the Authority's Multi-Family/Project Class I Adjustable Rate Bonds, 2004 Series A-2 (the "**Adjustable 2004 Series A-2 Bonds**" and, together with the Taxable Adjustable 2004 Series A-1 Bonds, the "**2004A Adjustable Rate Bonds**") initially will bear interest at a Weekly Rate. While in a Weekly Rate Mode, interest on the 2004 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, 2005, as described in "Part I – TERMS OF THE 2004 SERIES A BONDS – 2004A Adjustable Rate Bonds," and computed on the basis of a 365-day year or a 366-day year, as applicable for the number of days actually elapsed. The 2004A Adjustable Rate 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 inside front cover hereof (unless redeemed prior to maturity).

The Authority's Multi-Family/Project Class II Bonds, 2004 Series A-3 (the "**2004 Series A-3 Bonds**" or the "**2004A Fixed Rate Bonds**") will bear interest at the rates shown on the inside front cover hereof payable on April 1, 2005 and thereafter semiannually on October 1 and April 1 of each year, to be computed on the basis of a 360-day year of twelve 30-day months. The 2004 Series A-3 Bonds are to be issued in denominations of \$5,000 or any integral multiple thereof. Principal of the 2004A Fixed Rate Bonds is payable at the times and in the amounts and on the dates as shown on the inside cover page hereof. See "Part I – TERMS OF THE 2004 SERIES A BONDS – 2004A Fixed Rate Bonds."

Redemption and Tender

Certain of the 2004 Series A Bonds are subject to special, optional and mandatory or cumulative sinking fund redemption prior to maturity, as described under "Part I – TERMS OF THE 2004 SERIES A BONDS – Prior Redemption." The 2004A Adjustable Rate Bonds are also subject to optional and mandatory tender for purchase as described under "Part I – TERMS OF THE 2004 SERIES A BONDS –

2004A Adjustable Rate Bonds." See also "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

For a more complete description of the 2004 Series A Bonds and the Indenture pursuant to which such 2004 Series A Bonds are being issued, see "Part I – TERMS OF THE 2004 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 March 31, 2004, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$402,310,000, with \$333,495,000 outstanding as Class I Bonds, \$39,380,000 outstanding as Class II Bonds and \$29,435,000 outstanding as Class III Bonds. The Outstanding Class III Bonds and certain Outstanding Class I Bonds have been designated as general obligations of the Authority. See **Appendix B – "OUTSTANDING MASTER INDENTURE OBLIGATIONS."**

The 2004 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 2004 Series A Bonds are being issued as Class III Obligations or Class IV Obligations. The Taxable Adjustable 2004 Series A-1 Bonds are also being designated as general obligations of the Authority. In addition, the 2004 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 2004 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 2004 Series A Bonds other than the Taxable Adjustable 2004 Series A-1 Bonds.** Upon delivery of the 2004 Series A Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for the 2004A Adjustable Rate Bonds (the "**Initial 2004A Liquidity Facility**") with Federal Home Loan Bank of Topeka as the initial standby bond purchaser (referred to herein as the "**2004A Liquidity Facility Provider**"). See **Appendix H – "CERTAIN TERMS OF THE INITIAL 2004A LIQUIDITY FACILITY"** and **Appendix I – "THE 2004A LIQUIDITY FACILITY PROVIDER."** UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF THE 2004A LIQUIDITY FACILITY PROVIDER TO PURCHASE 2004A ADJUSTABLE RATE 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 2004A ADJUSTABLE RATE BONDS TENDERED BY THE OWNERS OF THE 2004A ADJUSTABLE RATE BONDS OR SUBJECT TO MANDATORY PURCHASE. IN ADDITION, THE INITIAL 2004A LIQUIDITY FACILITY DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE 2004A ADJUSTABLE RATE BONDS.

Professionals Involved in the Offering

In connection with the issuance and sale of the 2004 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 2004 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 2004A Liquidity Facility Provider by its assistant general counsel, Tad M. Kramar, Esq.

Availability of Continuing Information

In connection with issuance of the 2004A Fixed Rate Bonds, the Authority will deliver a Continuing Disclosure Undertaking in the form attached in **Appendix L** hereto, by which the Authority will agree to provide certain annual financial information and audited financial statements commencing with the fiscal year ending December 31, 2004. The Authority previously failed to comply with the disclosure agreements relating to certain of its outstanding multi-family revenue bonds by not satisfying its agreement to forward to each National Repository then designated by the Securities and Exchange Commission audited financials provided to the Authority by certain of the borrowers relating to such bonds. All such financial statements were immediately forwarded. The Authority is currently in compliance with all continuing disclosure undertakings entered in connection with its outstanding bonds and has established procedures to assure future compliance. **Although the Authority has not entered an undertaking to provide continuing financial or other information for the benefit of the owners of the 2004A Adjustable Rate Bonds while in any Daily Mode or Weekly Mode, or a Term Mode or Commercial Paper Mode equal to or less than nine months, the annual financial information to be filed under the Continuing Disclosure Undertaking will be available to such owners.**

Investment Considerations

The purchase and ownership of the 2004 Series A Bonds involve investment risks. Prospective purchasers of the 2004 Series A Bonds are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2004 Series A Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."

TERMS OF THE 2004 SERIES A BONDS

General Terms

The 2004 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 inside front cover page of this Official Statement. The principal or redemption price of the 2004 Series A Bonds is payable at the corporate trust office of Wells Fargo Bank, National Association, the Paying Agent and the Trustee for the 2004 Series A Bonds. Interest on the 2004 Series A Bonds will be payable on the Interest Payment Dates to Cede & Co. The 2004 Series A Bonds are subject to redemption as described in "Prior Redemption" under this caption.

DTC will act as securities depository for the 2004 Series A Bonds. The ownership of one fully registered Bond for each maturity as set forth on the inside front cover page, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. Information concerning the book-entry system provided by DTC is set forth in **Appendix F – "BOOK-**

ENTRY SYSTEM." So long as the 2004 Series A Bonds are registered in the DTC book-entry form described in Appendix F, each Beneficial Owner of a 2004 Series A Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2004 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 2004 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 2004 Series A Bonds at the maturity or redemption thereof. See **Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Defeasance."**

2004A Fixed Rate Bonds

The 2004A Fixed Rate Bonds, to be dated the date of initial issuance and delivery thereof, will bear interest at the rates, and will mature, subject to prior redemption as described below, in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on the 2004A Fixed Rate Bonds will be computed on the basis of a 360-day year of twelve 30-day months and will be payable each April 1 and October 1, commencing April 1, 2005, and at Maturity. The 2004A Fixed Rate Bonds will be issued as fully registered bonds without coupons. Purchases of the 2004A Fixed Rate Bonds are to be made in denominations of \$5,000 or any integral multiple thereof. The 2004A Fixed Rate Bonds are redeemable as described in "Prior Redemption" under this caption.

2004A Adjustable Rate Bonds

Generally

Both series of the 2004A Adjustable Rate Bonds initially will bear interest at a respective Weekly Rate determined prior to the date of delivery by Lehman Brothers Inc. Thereafter, the interest rate on any of the 2004A Adjustable Rate Bonds may be adjusted to a Commercial Paper Rate, Daily Rate, Term Rate, SAVRS Rate or Fixed Rate, as described herein. While the 2004A Adjustable Rate Bonds are in an Interest Period for a Mode other than a Daily Mode, SAVRS Rate Mode or Commercial Paper Mode, interest will be payable on each April 1 and October 1, commencing April 1, 2005, 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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. 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate Bonds from the delivery date, until further designation by the Authority, will be the Weekly Mode. Thereafter, the Authority may change any of the 2004A Adjustable Rate Bonds from one Mode to another

Mode as described in "Adjustment Between Modes" under this caption. The interest rate on the 2004A Adjustable Rate Bonds (other than when in a SAVRS Rate Mode) is to be determined by the 2004A Remarketing Agent in accordance with the Indenture as described below. The interest on any 2004A Adjustable Rate 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 2004A Adjustable Rate Bonds such that all of the 2004A Adjustable Rate Bonds bear interest at a Fixed Interest Rate or the SAVRS Rate would result in a termination of the Initial 2004A Liquidity Facility. See Appendix H - "CERTAIN TERMS OF THE INITIAL 2004A LIQUIDITY FACILITY."

Weekly Rate. During any Interest Period in which any 2004A Adjustable Rate Bonds are in a Weekly Mode, the 2004A 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 2004A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2004A Remarketing Agent under then-existing market conditions, would result in the sale of the 2004A Adjustable Rate Bonds on such date at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2004A 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 2004A Adjustable Rate Bonds are to bear interest from the last date on which the Weekly Rate was determined by the 2004A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2004A Remarketing Agent determines the Weekly Rate (or until there is delivered an opinion of counsel to the effect that the method of determining such interest was enforceable) at (i) in the case of the Taxable Adjustable 2004 Series A-1 Bonds, the One Month LIBOR Rate plus 0.20%, or (ii) in the case of the Adjustable 2004 Series A-2 Bonds, the BMA Municipal Swap Index plus 0.20% (or, in the event the Indexing Agent no longer publishes an index satisfying the requirements of the definition of BMA Municipal SWAP Index, the J.J. Kenny Index plus 0.20%; provided, however, that if the J.J. Kenny Index also ceases to be published, an alternative index shall be calculated by an entity selected in good faith by the Authority, and shall be determined using the criteria for the BMA Municipal Swap Index), as such rates are reported on the day such Weekly Rate would otherwise have been determined by the 2004A Remarketing Agent. The 2004A 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 2004A Adjustable Rate Bonds are in a Daily Mode, the 2004A 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 2004A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2004A Remarketing Agent under then-existing market conditions, would result in the sale of such 2004A Adjustable Rate 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 2004A 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 2004A Adjustable Rate Bonds are to bear interest from the last date on which the Daily Rate was

determined by the 2004A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2004A 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 2004A Remarketing Agent.

Term Rates. During any Interest Period in which any 2004A Adjustable Rate Bonds are in a Term Rate Mode, the 2004A 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 2004A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2004A Remarketing Agent, will result in the sale of such 2004A Adjustable Rate Bonds at a price equal to the principal amount thereof. If, for any reason, a new Term Rate for a 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Remarketing Agent in accordance with the Indenture or (ii) if such 2004A Adjustable Rate 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 (A) in the case of the Taxable Adjustable 2004 Series A-1 Bonds, shall bear interest based on the One-Year LIBOR Rate in effect on such Rate Determination Date plus 0.20%, or (B) in the case of the Adjustable 2004 Series A-2 Bonds, shall bear interest based on an index published by Kenny Information Systems plus 0.20%, which index is based on yield evaluations at par of non-AMT tax-exempt bonds. The 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 2004A 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 2004A Adjustable Rate Bonds, the 2004A 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 2004A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2004A Remarketing Agent would result in the sale of such 2004A Adjustable Rate 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 2004A 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 2004A Adjustable Rate Bond in a Commercial Paper Mode, the 2004A Remarketing Agent is to select for such 2004A Adjustable Rate Bond the Interest Period which would result in the 2004A Remarketing Agent being able to remarket such 2004A Adjustable Rate 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 2004A 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 2004A Adjustable Rate Bond, then the 2004A Remarketing Agent is to select the Interest Period which in the

judgment of the 2004A Remarketing Agent would permit such 2004A Adjustable Rate Bond to achieve such lower average interest cost; provided, however, that if the 2004A Remarketing Agent has received notice from the Authority that any 2004A Adjustable Rate 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 2004A Remarketing Agent shall, with respect to such 2004A Adjustable Rate 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 2004A Adjustable Rate Bond in the Commercial Paper Mode, any Owner of such 2004A Adjustable Rate Bond may telephone the 2004A Remarketing Agent and receive notice of the anticipated next Interest Period and the anticipated Commercial Paper Rate for such Interest Period for such 2004A Adjustable Rate Bond. To receive payment of the Purchase Price, the Owner of any 2004A Adjustable Rate 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 2004A Remarketing Agent is to determine the Commercial Paper Rate for the Interest Period then selected for such 2004A Adjustable Rate 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 2004A Remarketing Agent is to assign CUSIP numbers for each Commercial Paper Bond for which a Commercial Paper Rate and Interest Period have been determined on such date and notify the Paying Agent of such assignment by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission. If, for any reason, a new Commercial Paper Rate for a 2004A Adjustable Rate Bond that has been in the Commercial Paper Rate Mode and is to continue in the Commercial Paper Rate Mode is not or cannot be established, then such Bond shall stay in the Commercial Paper Rate Mode and (i) in the case of the Taxable Adjustable 2004 Series A-1 Bonds, shall bear interest at the Three-Month LIBOR Rate in effect on such Rate Determination Date plus 0.20%, or (ii) in the case of the Adjustable Rate 2004 Series A-2 Bonds, shall bear interest at the Lehman Brothers Tax Exempt Commercial Paper Index plus 0.20% in effect on such Rate Determination Date.

Adjustment Between Modes

Any change to a different Mode requires delivery to the Trustee, the Paying Agent and the 2004A Remarketing Agent of: (i) a notice from each Rating Agency confirming that the rating on the 2004A Adjustable Rate 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 2004A Adjustable Rate Bond (other than a 2004A Adjustable Rate 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 2004A 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 2004A Adjustable Rate Bonds to be converted to a new Mode will be covered by the 2004A Liquidity Facility. The Trustee is to give notice to Owners of 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Remarketing Agent of an irrevocable telephonic notice in the case of 2004A Adjustable Rate 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 2004A Adjustable Rate Bonds in the Weekly Mode, which notice states the CUSIP number, the Bond number, the principal amount of such 2004 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A 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 2004A Adjustable Rate Bonds are being changed to a Mode other than another Term Rate Mode, the owner of 2004A Adjustable Rate 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 2004A 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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. 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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. 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Liquidity Facility Provider to purchase 2004A Adjustable Rate Bonds under the Initial 2004A Liquidity Facility is subject to the conditions that the long-term ratings of such 2004A Adjustable Rate Bonds by Moody's and S&P are not lower than "Baa2" and

"BBB," respectively. See Appendix H - "CERTAIN TERMS OF THE INITIAL 2004A LIQUIDITY FACILITY."

Mandatory Purchase Upon Termination of Initial 2004A Liquidity Facility. The 2004A Adjustable Rate Bonds will be subject to mandatory purchase if the Trustee receives notice from the 2004A Liquidity Facility Provider that the Initial 2004A 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 2004A Adjustable Rate Bonds are outstanding. Such 2004A Adjustable Rate 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 2004A Liquidity Facility Provider and at least five Business Days prior to the termination of the Initial 2004A 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 2004A Adjustable Rate Bonds subject to such mandatory purchase within two Business Days after receipt of notice from the 2004A 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 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate Bonds (except proceeds of remarketed Bank Bonds to the extent applied to any amount owing to the 2004A Liquidity Facility Provider) pursuant to the Indenture and the Remarketing Agreement and furnished to the Tender Agent by the 2004A Remarketing Agent for deposit into the Remarketing Proceeds Account; and
- (2) money furnished by the 2004A Liquidity Facility Provider to the Trustee for deposit with the Paying Agent from requests under the Initial 2004A Liquidity Facility, if any, as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2004A 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 2004A Adjustable Rate Bonds are registered in the DTC book-entry system described in Appendix F, any notices will be sent only to DTC's nominee.**

Prior Redemption

Special Redemption

Unexpended Amounts in Acquisition Account. The 2004 Series A Bonds are subject to special redemption prior to maturity, in whole or in part at any time and from time to time on or before September 1, 2007 (or such later date as may be selected by the Authority by the filing with the Trustee of an Authority Request accompanied by a Cash Flow Statement and a favorable opinion of Bond Counsel), upon notice as provided in the Master Indenture, at a Redemption Price equal to 100% of the Aggregate Principal Amount of the 2004 Series A Bonds or portions thereof to be so redeemed (or, in the case of the 2004 Series A-3 Bonds maturing on October 1, 2017, a redemption price equal to 100.812% of the principal amount thereof) together with accrued interest to the date of redemption, to the extent that there are any unexpended proceeds of the 2004 Series A Bonds transferred from the 2004 Series A subaccounts of the Acquisition Account to the 2004 Series A subaccounts of the Redemption Fund. The Indenture requires that the Trustee transfer such unexpended proceeds to the Redemption Fund pursuant to an Authority Request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred to finance or refinance Loans or Authority Projects. Such amounts are to be transferred not later than August 1, 2007; provided that the Indenture permits the Authority to extend such date to a later date if the Authority has filed with the Trustee an Authority Request specifying a later date or dates for such transfer accompanied by a Cash Flow Statement and a favorable opinion of Bond Counsel. See "Notice of Redemption" under this caption. See also "Part I – PLAN OF FINANCE - Sources and Uses of Funds" and "– Use of Amounts in Acquisition Account." For information concerning the 2004A Loans expected to be made by the Authority with proceeds of the 2004 Series A Bonds deposited to the 2004 Series A subaccounts of the Acquisition Account, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2004A Loans." See also "Part II – CERTAIN BONDOWNERS' RISKS."

Moneys deposited in or transferred to the 2004 Series A subaccounts of the Redemption Fund as described above shall be applied to redeem the 2004 Series A Bonds as follows: first, there shall be transferred to the 2004 Series A subaccount of the Class I Special Redemption Account the amount necessary to satisfy the 2004 Series A Class I Asset Requirement, calculated upon such transfer; second, there shall be transferred to the 2004 Series A subaccount of the Class II Special Redemption Account the amount necessary to satisfy the 2004 Series A Class II Asset Requirement, calculated upon such transfer; and third, the remainder of funds to be transferred shall be allocated to the 2004 Series A subaccount of the Class I Special Redemption Account and the 2004 Series A subaccount of the Class II Special Redemption Account on the basis of the respective ratios represented by the Aggregate Principal Amount of Outstanding 2004 Series A Class I Bonds and the Aggregate Principal Amount of Outstanding 2004 Series A Class II Bonds, respectively, to the Aggregate Principal Amount of all 2004 Series A Bonds Outstanding. See **Appendix D** – "CLASS ASSET REQUIREMENTS." If less than all of the 2004 Series A Class I Bonds are to be redeemed in accordance with the preceding sentence, the 2004 Series A Class I Bonds shall be redeemed on a pro rata by tenor and maturity basis, or on any other basis determined by the Authority after giving effect to expected Cash Flows in the Trust Estate; provided that in any event the 2004 Series A-3 Bonds maturing on October 1, 2024 and October 1, 2034 shall be redeemed as described in the preceding sentence only after no other 2004 Series A-3 Bonds remain Outstanding.

Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions. Except as provided in the following sentence and subject to the limitations described in the following paragraph, the 2004 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 2004 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 2004 Series A Subaccount of the Class I Special Redemption Account of the Redemption Fund and the 2004 Series A Subaccount of the Class II Special Redemption Account of the Redemption Fund, on the 45th day prior to the redemption date. The 2004 Series A-3 Bonds maturing on October 1, 2024 and October 1, 2034 shall not be subject to special redemption pursuant to the preceding sentence prior to October 1, 2014 unless, in the opinion of Bond Counsel, an earlier redemption is necessary in order to preserve the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes. 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."**

Except as shall be provided in a Favorable Opinion of Bond Counsel, Loan Repayments and Prepayments of Loans financed with moneys in the 2004A Non-AMT Loan Subaccount of the Restricted Loan Subaccount may only be used to redeem the 2004 Series A-3 Bonds or other Bonds the interest on which is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, but not to redeem any other Bonds. Loan Repayments and Prepayments of Loans financed or refinanced with moneys in the 2004A Taxable Loan Subaccount of the Restricted Loan Subaccount may only be used to redeem the Taxable Adjustable 2004 Series A-1 Bonds or other General Obligation Bonds, and not to redeem any other Bonds. See "Part I – PLAN OF FINANCE – Use of Amounts in Acquisition Account."

It is anticipated that moneys will be available to redeem a substantial portion of the 2004 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 2004A Loan payments and prepayments, proceeds received as a result of damage, destruction or condemnation of Authority Projects if financed or refinanced with proceeds of the 2004 Series A Bonds, and other sources.

Cross-Calls and Recycling. Pursuant to the Master Indenture, the Authority may, by delivery of an Authority Request to the Trustee, instruct the Trustee to transfer moneys on deposit in any Series subaccount of a Class Account of the Redemption Fund to any other Series subaccount of the same Class Account to be applied to the redemption of the same Class of Bonds of a different Series. Any such Authority Request is to (i) certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture, and (ii) be accompanied by evidence of satisfaction of all Asset Requirements for the 2004 Series A Bonds. The 2004 Series A Indenture does not prohibit cross calls, but does restrict the use of certain Loan Repayments and Prepayments as discussed above under "Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions." However, the 2003 Series A Indenture, the 2001 Series A Indenture and the 2000 Series B Indenture prohibit cross calls, and other Series Indentures may in the future prohibit such cross calls, with respect to Related Series of Bonds. In addition, the Master Indenture permits the Authority, by delivery of an Authority Request to the Trustee at any time prior to the giving of notice of redemption, to instruct the Trustee to transfer moneys on deposit in a subaccount of an Account in the Revenue Fund to a Related subaccount of the Loan Recycling Account to be used to finance or refinance Loans or Authority Projects as permitted by the Master Indenture. See **Appendix 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

2004A Adjustable Rate Bonds – Weekly Mode, Daily Mode and Commercial Paper Mode. The 2004A Adjustable Rate Bonds may be redeemed prior to maturity at the option of the Authority from any source, in whole or in part, in Authorized Denominations on any date during Interest Periods for a Weekly Mode or Daily Mode and on the last day of the Interest Period for such 2004A Adjustable Rate Bonds during Interest Periods for a Commercial Paper Mode, at a redemption price equal to 100% of the Aggregate Principal Amount of 2004A Adjustable Rate Bonds to be so redeemed.

2004A Adjustable Rate Bonds – Term Rate Mode and Fixed Rate Mode. During any Interest Period for a Term Rate Mode, the 2004A Adjustable Rate 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, at a redemption price equal to 100% of the principal amount of 2004A Adjustable Rate Bonds to be so redeemed, plus accrued interest, if any, to the redemption date; provided that if on the day on which the Term Rate Mode or Fixed Rate Mode begins, the length of the Interest Period or the remaining term: (i) is greater than 15 years, then such 2004A Adjustable Rate 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 2004A Adjustable Rate 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 2004A Adjustable Rate Bonds will not be subject to optional redemption during a particular Term Rate Mode or Fixed Rate Mode if, on the day on which the Term Rate Mode or Fixed Rate Mode begins, the length of the Interest Period is equal to or less than ten years. The Authority, in connection with a change to a Term Rate Mode or Fixed Rate Mode, may waive or otherwise alter its rights to direct the redemption of any such 2004A Adjustable Rate Bonds so changed to a Term Rate Mode or Fixed Rate Mode at any time without premium; provided that notice describing the waiver or alteration must be submitted to the Paying Agent, the Trustee and the 2004A Remarketing Agent, together with a favorable opinion of bond counsel addressed to them.

2004A Adjustable Rate Bonds – SAVRS Rate Mode. After a conversion, if any, to the SAVRS Rate Mode, such 2004A Adjustable Rate Bonds may be redeemed prior to maturity as provided in the Supplemental Indenture to be entered into in connection with such conversion.

2004A Fixed Rate Bonds. The 2004A Fixed Rate Bonds shall be subject to redemption prior to maturity at the option of the Authority from any source on and after October 1, 2014, in whole or in part at any time at a redemption price equal to 100% of the Aggregate Principal Amount of the 2004A Fixed Rate Bonds to be so redeemed, plus accrued interest to the date of redemption.

Sinking Fund Redemption

Mandatory Sinking Fund Redemption. The Adjustable Series 2004 A-2 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of 2004 Series A Class I Sinking Fund Installments, upon notice, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price of 100% of the principal amount of such Adjustable 2004 Series A-2 Bonds or portions thereof to be so redeemed together with accrued interest to the date of redemption as follows:

Adjustable 2004 Series A-2 Bonds

<u>Date (April 1)</u>	<u>Class I Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Class I Sinking Fund Installments</u>
2021	\$ 65,000	2021	\$140,000
2022	145,000	2022	150,000
2023	155,000	2023	160,000
2024	165,000	2024	170,000
2025	180,000	2025	185,000
2026	190,000	2026	195,000
2027	205,000	2027	210,000
2028	215,000	2028	225,000
2029	230,000	2029	240,000
2030	245,000	2030	255,000
2031	265,000	2031	270,000
2032	285,000	2032	290,000
2033	305,000	2033	310,000
2034	320,000	2034	330,000
2035	235,000	2035	145,000
2036	150,000	2036	155,000
2037	160,000	2037	165,000
2038	170,000	2038	175,000
2039	180,000	2039	185,000
2040	190,000	2040	195,000
2041	205,000	2041	210,000
2042	215,000	2042	225,000
2043	230,000	2043	240,000
2044	245,000	2044	255,000
2045 (1)	755,000	--	--

(1) Final maturity

Cumulative Sinking Fund Redemption. The 2004 Series A-3 Bonds shall be redeemed prior to their maturity, in part, by lot by payment of Sinking Fund Installments, to the extent moneys available therefor are deposited or expected to be deposited in the 2004 Series A subaccount of the Class II Debt Service Fund, upon notice as provided in the Indenture, on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, in each case at a Redemption Price of 100% of the principal amount of such 2004 Series A-3 Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, as follows:

Class II 2004 Series A-3 Bonds Maturing October 1, 2017

<u>Date</u> <u>(April 1)</u>	Class II <u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	Class II <u>Sinking Fund</u> <u>Installments</u>
2015	\$250,000	2015	\$255,000
2016	260,000	2016	265,000
2017	270,000	2017 (1)	275,000

(1) Final maturity

Class II 2004 Series A-3 Bonds Maturing October 1, 2024

<u>Date</u> <u>(April 1)</u>	Class II <u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	Class II <u>Sinking Fund</u> <u>Installments</u>
2018	\$285,000	2018	\$290,000
2019	295,000	2019	305,000
2020	310,000	2020	315,000
2021	325,000	2021	330,000
2022	340,000	2022	350,000
2023	310,000	2023	100,000
2024	100,000	2024 (1)	105,000

(1) Final maturity

Class II 2004 Series A-3 Bonds Maturing October 1, 2034

<u>Date</u> <u>(April 1)</u>	Class II <u>Sinking Fund</u> <u>Installments</u>	<u>Date</u> <u>(October 1)</u>	Class II <u>Sinking Fund</u> <u>Installments</u>
2025	\$105,000	2025	\$110,000
2026	110,000	2026	115,000
2027	120,000	2027	120,000
2028	125,000	2028	125,000
2029	130,000	2029	135,000
2030	135,000	2030	140,000
2031	140,000	2031	145,000
2032	150,000	2032	155,000
2033	155,000	2033	160,000
2034	130,000	2034 (1)	40,000

(1) Final maturity

The payment of such Sinking Fund Installments with respect to the 2004 Series A-3 Bonds of any such maturity will be contingent upon there being, and will be due and payable and are to be made only to the extent there are, amounts available therefor in the Class II Debt Service Fund from Loan Repayments allocated to such 2004 Series A-3 Bonds. If the amount on deposit in the 2004 Series A subaccount of the

Class II Debt Service Fund is not sufficient on any Bond Payment Date to pay the scheduled Sinking Fund Installment, for such date, the amount of the insufficiency is to be added to the next such Sinking Fund Installment until paid. It is expected that unless a default occurs on one or more of the Loans, the revenues available to the Trustee under the Indenture will be adequate to enable the Trustee to make the scheduled Sinking Fund Installments set forth above (as such amounts may be reduced as described herein). However, the failure to make such Sinking Fund Installments due to insufficient available funds will not constitute a default under the Indenture. See "Part II – CERTAIN BONDOWNERS' RISKS - Limited Security."

To the extent that any of the 2004 Series A Bonds are called for redemption or are purchased in lieu of redemption as provided in the Indenture, the Authority will be entitled to apply the principal amount of such 2004 Series A Bonds so redeemed or purchased against any sinking fund obligation with respect to such 2004 Series A Bonds as described in **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Credit Against Sinking Fund Installments."

Selection of Bonds for Redemption

If less than all of the 2004 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 2004 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 2004 Series A Bonds. In the event that the Authority does not provide such direction, and if less than all of the 2004 Series A Bonds are to be redeemed, the Trustee is to select for redemption a pro rata amount of the 2004 Series A Bonds of each maturity of the 2004 Series A Bonds for redemption. If less than all 2004 Series A Bonds of like Class and maturity are to be redeemed, the particular 2004 Series A Bonds or portions of 2004 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 2004 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 2004 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 2004 Series A Bond with respect to which no such failure or defect has occurred. **So long as the 2004 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 2004 Series A Bonds.

	<u>Estimated Amounts</u>
SOURCES OF FUNDS:	
Taxable Adjustable 2004 Series A-1 Bonds	\$66,280,000
Adjustable 2004 Series A-2 Bonds	10,785,000
2004 Series A-3 Bonds	12,050,000
Premium relating to 2004 Series A-3 Bonds	12,789
Legally available funds of the Authority (1).....	<u>370,000</u>
TOTAL SOURCES OF FUNDS.....	<u>\$89,497,789</u>
USES OF FUNDS:	
For refunding (2).....	\$ 1,730,000
For loan acquisition and origination (3).....	79,839,012
Deposit to Debt Service Reserve Fund (4).....	7,243,270
For costs of issuance and Underwriters' compensation (5).....	<u>685,508</u>
TOTAL USES OF FUNDS.....	<u>\$89,497,789</u>

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- (1) Such amounts represent funds legally available to the Authority. In accordance with their respective funding agreements, certain of the Borrowers will be required to reimburse the Authority for such amounts advanced by the Authority to pay certain costs of issuance relating to certain of the 2004A Projects.
 - (2) See "Refunding of 1997A Bonds" under this caption.
 - (3) Proceeds of the 2004 Series A Bonds will be deposited to the 2004 Series A subaccounts of the Acquisition Account and used to acquire and originate certain rental and business loans of the Authority as described in "Use of Amounts in Acquisition Account" under this caption. Such amounts while on deposit will be invested in an investment agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2004A Investment Agreements."
 - (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 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 amounts will 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 2004 Series A Bonds. For information concerning the Underwriters' compensation, see "Part I – UNDERWRITING AND PLACEMENT."

Refunding of 1997A Bonds

Certain proceeds of the Taxable Adjustable 2004 Series A-1 Bonds will be used to refund the Authority's Project Loan Participation Purchase Bonds, Series 1997A, outstanding in the aggregate principal amount of \$2,343,436 (the "**1997A Bonds**") previously offered and sold by the Authority through a private placement. The 1997A Bonds are subject to redemption at par at any time by the Authority. It is expected that the 1997A Bonds will be redeemed upon delivery of the 2004 Series A Bonds, and that the business loans securing such 1997A Bonds (which are described in **Appendix G-1** hereto) will be transferred to the Trust Estate pledged to secure the 2004 Series A Bonds.

Use of Amounts in Acquisition Account

Certain proceeds of the 2004 Series A Bonds will be deposited to the following subaccounts of the Restricted Loan Subaccount of the Acquisition Account of the Program Fund: the 2004A Taxable Loan Subaccount, the 2004A AMT Loan Subaccount and the 2004A Non-AMT Loan Subaccount. It is expected that all deposits to such 2004 Series A subaccounts will be applied to finance or refinance the 2004A Loans to the Borrowers as described in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2004A LOANS" within three years from the date of issuance of the 2004 Series A Bonds. Amounts on deposit in the 2004A Taxable Loan Subaccount (representing certain proceeds of the Taxable Adjustable 2004 Series A-1 Bonds) are expected to be used to fund a portion of the insured rental loans, the uninsured rental and business loans and the participation interests identified in **Appendix G-1** as loans to be funded with proceeds of the Taxable Adjustable 2004 Series A-1 Bonds, and, as a result of the refunding of the 1997A Bonds and the transfer of loans, to refinance the uninsured business loans identified in **Appendix G-1**. Amounts on deposit in the 2004A AMT Loan Subaccount (representing certain proceeds of the Adjustable 2004 Series A-2 Bonds) are expected to be used to fund all or a portion of the insured rental loans identified in **Appendix G-1** as loans to be funded with proceeds of the Adjustable 2004 Series A-2 Bonds. Amounts on deposit in the 2004A Non-AMT Loan Subaccount (representing certain proceeds of the 2004 Series A-3 Bonds) are expected to be used to fund the uninsured rental and business loans identified in **Appendix G-1** as loans to be funded with proceeds of the 2004 Series A-3 Bonds.

For information regarding the loans expected to be acquired or originated as 2004A Loans, see **Appendix G-1** hereto. Each of the Borrowers is required to use the amounts so loaned to it as a 2004A Loan to finance or refinance, in part, the acquisition, construction and/or rehabilitation of, and certain costs associated with, the respective 2004A Project. See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2004A Loans," "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date," and **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

At the option of the Authority, additional moneys may be paid into the Restricted Loan Subaccount from various sources identified in the 2004A Indenture, including unexpended Bond proceeds transferred from the Authority Projects Subaccount. Amounts deposited in the Restricted Loan Subaccount are to be applied to make 2004A Loans and for other purposes authorized in the 2004A Indenture. The Trustee is authorized to withdraw moneys from the Restricted Loan Subaccount to finance 2004A Loans upon delivery to the Trustee of an Authority Certificate to the effect that the requirements of the Indenture have been satisfied with respect to the 2004A Loans to be financed and an Authority Request to finance such 2004A Loans. Any moneys credited to the Restricted Loan Subaccount that are not used to finance 2004A Loans or for the other purposes authorized by the 2004A Indenture, unless transferred at the direction of the Authority to the Authority Projects Subaccount, must be transferred by the Trustee to the Redemption Fund pursuant to an Authority Request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred for any such purpose. Such amounts must be transferred not later than August 1, 2007, unless the Authority files with the Trustee an Authority request specifying a later date or dates for such transfer, accompanied by a Cash Flow Statement with respect to the 2004 Series A Bonds and an opinion of Bond Counsel to the effect that such action will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds (as defined herein) for federal income tax purposes, in which case such transfer will occur on the later specified date or dates.

At the option of the Authority, moneys may be paid into the Authority Projects Subaccount from various sources identified in the 2004A Indenture, including unexpended Bond proceeds transferred from

the Restricted Loan Subaccount. Amounts deposited in the Authority Projects Subaccount are to be applied to finance the 2004A Authority Projects and for the other purposes authorized in the 2004A Indenture. Any moneys credited to the Authority Projects Subaccount that are not used to finance Authority Projects or for the other purposes authorized in the Indenture, unless transferred at the direction of the Authority to the Restricted Loan Subaccount, must be transferred by the Trustee to the Redemption Fund pursuant to an Authority request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred to finance the 2004A Authority Project or for the other purposes authorized in the 2004A Indenture. Such amount must be transferred not later than August 1, 2007, unless the Authority files with the Trustee an Authority request specifying a later date or dates for such transfer, accompanied by a Cash Flow Statement with respect to the 2004 Series A Bonds and an opinion of Bond Counsel to the effect that such action will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds for federal income tax purposes, in which case such transfer will occur on the later specified date or dates.

CERTAIN PROGRAM ASSUMPTIONS

The 2004A Loans

Generally

Proceeds of the 2004 Series A Bonds are expected to be used as follows:

(i) to acquire as 2004A Loans the following existing loans currently held in the Authority's General Fund: (a) certain uninsured rental loans made under the Authority's multi-family SMART loan program, (b) certain uninsured business loans made under various Authority business programs, and (c) certain federally guaranteed loan participation interests purchased by the Authority under its QAL and B&I II business programs; and

(ii) to originate as 2004A Loans (a) uninsured rental loans made under the Authority's multi-family SMART loan program, (b) uninsured business loans made under various Authority business programs, and (c) rental loans made under the Authority's Multi-Family Housing Facility Loan Program and insured by the Federal Housing Administration under Section 542(c) of the Housing and Community Development Act of 1992, as amended.

See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date" and **Appendix G-1** hereto. The loans expected to be so acquired and originated are referred to herein as the "**2004A Loans**." See "Part I – PLAN OF FINANCE."

The Master Indenture permits the Authority to recycle payments and repayments made on any Loans, including the 2004A 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." Certain restrictions on the rental and occupancy of the insured multi-family projects to be funded with certain 2004A Loans (the "**2004A Multifamily Projects**") will be imposed on the respective Borrowers, as described in "The Regulatory Agreements" under this caption.

In the event the Authority determines that it is not feasible for it to, or it is unable to, finance all or any portion of the costs of one or more of the 2004A Loans, the Authority may, at its option, any time within three years of the date of issuance of the 2004 Series A Bonds, direct the Trustee to transfer

amounts in the Program Fund to the Redemption Fund to be used to redeem 2004 Series A Bonds at par. Furthermore, to the extent such amounts are not used by the Authority to finance or refinance 2004A Loans or Authority Projects or other permissible projects during the three year period following issuance of the 2004 Series A Bonds in accordance with the Indenture, amounts remaining in the Program Fund at the end of such period are required to be used to redeem 2004 Series A Bonds. See "Part I – TERMS OF THE 2004 SERIES A BONDS – Prior Redemption" and "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

Interest Rates

The existing loans to be acquired with proceeds of the 2004 Series A Bonds deposited to the 2004 Series A subaccounts of the Acquisition Account currently bear interest at the rates or range of rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2004A LOANS – Existing Loans To Be Acquired." The loans expected to be originated with such proceeds of the 2004 Series A Bonds will bear interest at the estimated rates shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2004A LOANS – Loans Expected to be Originated."

The 2004A Borrowers

The loans expected to be acquired or originated by the Authority as 2004A Loans have been or will be 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 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 2004A Loan which is an Uninsured or Insured Rental Loan, each Borrower has entered or will enter into a regulatory agreement with the Authority (collectively, the "**CHFA Regulatory Agreements**") relating to the respective project. Pursuant to the provisions of the CHFA Regulatory Agreements, the Borrower agrees, among other things, to rent the units in the respective projects so as to comply with applicable provisions of the Tax Code, State law and CHFA regulatory requirements. In particular, each Borrower will agree that each individual rental unit in the respective project will be rented or held for rental on a first-come, first-served basis, to the general public on a continuous basis. In addition, the Borrowers will agree to certain occupancy requirements based on state law income limits specific to each project and certain federal limitations, where applicable, and to certain rental restrictions.

The CHFA Regulatory Agreements also contain provisions for verifying compliance with the terms thereof. The provisions of the CHFA Regulatory Agreements discussed herein are intended, among other things, to insure compliance with the requirements of the Tax Code with respect to the excludability of the interest on the Adjustable 2004 Series A-2 Bonds and the 2004 Series A-3 Bonds from gross income. Upon any breach by a Borrower of any provisions of its CHFA Regulatory Agreement, the Authority may, subject to HUD consent in certain circumstances, take such actions at law or in equity as deemed appropriate under the circumstances for the protection of the Bondowners, including an action for specific performance of the respective CHFA Regulatory Agreement. *Such a breach by a Borrower may result in interest on the Adjustable 2004 Series A-2 Bonds or the 2004 Series A-3 Bonds being included in gross income of the Owners of such 2004 Series A Bonds for purposes of federal income taxation and will not result in a mandatory redemption of the 2004 Series A Bonds under the Indenture as described in*

"Part II – CERTAIN CONSIDERATIONS FOR BONDOWNERS – Enforcement of Regulatory Agreements."

Servicing by the Authority

The Authority will service a substantial portion of the 2004A Loans, handling the receipt and disbursement of funds related to the 2004A 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 2004A Loans, including occupancy and rental restrictions with respect to Loans for 2004A Multifamily Projects, and will review the financial status of the 2004A Multifamily Projects. The Authority similarly oversees compliance for certain other Loans outstanding under the Indenture. The other Loans outstanding under the Indenture are similarly serviced by the Authority or third-party contractors. In connection with a reorganization of the Authority implemented in late July 2003, Authority management undertook an assessment of certain organizational processes, primarily related to loan servicing and accounting, and the information technology which supports these processes. As a result of that assessment, management identified needs for staff training, process improvements, better documentation of key processes and more effective use of available information technology systems. Management believes that these issues have been addressed through staff training and changes in key processes as well as the employment of additional staff with specific servicing skills. For more information concerning the Authority, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

Modification of Loan Terms

From time to time, the Authority may agree with the Borrower of an outstanding 2004A Loan to modify the terms of such 2004A Loan, so long as such modification is consistent with the restrictions of the Indenture.

General Obligation Pledge for Uninsured Loans

Each uninsured loan acquired or originated by the Authority as a 2004A Loan shall be payable as a general obligation of the Authority in the event that the Borrower of such 2004A Loan fails to make payments when due under such uninsured Loan. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – The General Fund."

Debt Service Reserve Fund

The Debt Service Reserve Fund Requirement for the 2004 Series A Bonds will be (a) initially, \$7,243,270, 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 2004A 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 2004A Loans that are not insured or guaranteed by the United States of America and any agency or instrumentality thereof. Certain proceeds of the 2004 Series A Bonds will be deposited to the Debt Service Reserve Fund to fund the Debt Service Reserve Fund Requirement for the 2004 Series A Bonds.

General Obligation Pledge for Taxable Adjustable 2004 Series A-1 Bonds

In addition to a lien on the Trust Estate under the Indenture as described in "Part II – SECURITY FOR THE OBLIGATIONS – Pledge of Trust Estate," the Series 2004A Indenture provides that the Taxable Adjustable 2004 Series A-1 Bonds are also payable as general obligations of the Authority from unencumbered assets and available income of the Authority and any other available revenues or moneys of the Authority, subject to any agreements with the owners of particular notes or bonds pledging any particular revenues or assets for the benefit of such owners. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY - The General Fund" and the Authority's audited financial statements attached hereto as **Appendix A. Potential investors should evaluate the likelihood that moneys will be available in the General Fund to pay debt service when due on the Taxable Adjustable 2004 Series A-1 Bonds. However, the General Fund is not pledged to repay the Taxable Adjustable 2004 Series A-1 Bonds. See "Part II – CERTAIN BONDOWNERS' RISKS."** The Authority has outstanding other general obligations and may hereafter incur or issue (without restriction as to amount) additional general obligations, all of which are payable on an equal basis from such assets, income and revenues of the Authority. See "Part II – COLORADO HOUSING AND FINANCE AUTHORITY - General Obligations of the Authority."

2004A Investment Agreements

Amounts in the 2004 Series A subaccount of the Acquisition Account will be invested in an investment agreement (the "**2004A Acquisition Fund Investment Agreement**") between the Trustee and Royal Bank of Canada (the "**2004A Acquisition Fund Investment Provider**"), at an interest rate of 1.91% per annum, through September 15, 2005 or such earlier date on which the 2004 Series A Bonds are no longer outstanding or all amounts invested in such fund have been withdrawn. Amounts in the 2004 Series A subaccounts of the Debt Service Fund, the Revenue Fund, the Redemption Fund, the Costs of Issuance Account, and prepayments deposited in the Loan Recycling Account will be invested in an investment agreement (the "**2004A Float Fund Investment Agreement**") between the Trustee and TransAmerica Occidental Life Insurance Company (the "**2004A Float Fund Investment Provider**"), subject to certain limitations set forth in the 2004A Float Fund Investment Agreement, at an annual interest rate equal to 4.05% per annum. Certain amounts in the Debt Service Reserve Fund will be invested in an investment agreement (the "**2004A Debt Service Reserve Fund Investment Agreement**") between the Trustee and TransAmerica Life Insurance and Annuity Company (the "**2004A DSRF Investment Provider**") and, together with the 2004A Acquisition Fund Investment Provider and the 2004A Float Fund Investment Provider, the "**2004A Investment Providers**") at an interest rate of 4.50% per annum. The remaining deposits to the Debt Service Reserve Fund will be invested in Permitted Investments. The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the 2004A Investment Agreements will be available as described. However, in the event that any of the 2004A Investment Agreements is terminated as a result of default by the respective 2004A 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 2004A Investment Providers. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the 2004A Investment Providers.*

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	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
2003A	Debt Service Fund; Revenue Fund; Redemption Fund	Trinity Funding Company, LLC	One-Month Libor minus 0.15%	4/1/2005

* 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."

2004A Derivative Product

In connection with the issuance of certain of the Taxable Adjustable 2004 Series A-1 Bonds, the Authority is entering into an interest rate swap agreement (the "**2004A-1 Derivative Product**") with AIG Financial Products Corp. (the "**2004A Counterparty**"). The Authority is also entering into an interest rate swap agreement (the "**2004A-2 Derivative Product**") with the 2004A Counterparty in connection with the issuance of the Adjustable 2004 Series A-2 Bonds. Collectively, the 2004A-1 Derivative Product and the 2004A-2 Derivative Product are referred to as the 2004A Derivative Product.

Pursuant to the 2004A-1 Derivative Product, the Authority will pay interest to the 2004A Counterparty at a fixed rate and will receive interest from the 2004A Counterparty at a variable rate which will be based on a LIBOR Index. The Authority will assume the risk of a difference in the amount of its actual interest payments on the Taxable Adjustable 2004 Series A-1 Bonds and the amount of such interest payments to be made by the 2004A Counterparty under the 2004A-1 Derivative Product. Pursuant to the 2004A-2 Derivative Product, the Authority will pay interest to the 2004A Counterparty at a fixed rate and will receive interest from the 2004A Counterparty at a variable rate which will be based on a BMA Index. The Authority will assume the risk of a difference in the amount of its actual interest payments on the Adjustable 2004 Series A-2 Bonds and the amount of such payments to be made by the 2004A Counterparty under the 2004A-2 Derivative Product.

The Authority's obligation to make interest payments to the 2004A Counterparty under the 2004A 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 2004A 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, 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

Tax-Exempt Bonds

Sherman & Howard L.L.C., Bond Counsel, is of the opinion that (i) assuming continuous compliance with certain covenants and representations of the Authority, interest on the Adjustable 2004 Series A-2 Bonds and the 2004 Series A-3 Bonds (collectively, the "**Tax-Exempt Bonds**") (except for interest on any Adjustable 2004 Series A-2 Bond for any period during which it is held by a "substantial user" of any facilities financed with the Adjustable 2004 Series A-2 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended, to the date of delivery of the Tax-Exempt Bonds (the "**Tax Code**")) is excluded from gross income for federal income tax purposes under federal income tax laws pursuant to Section 103 of the Tax Code; however, (a) interest on the Adjustable 2004 Series A-2 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under federal income tax laws, and (b) interest on the 2004 Series A-3 Bonds is excluded from alternative minimum taxable income as defined in section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described herein. In addition, in the opinion of Bond Counsel, the Tax-Exempt Bonds and the income therefrom shall at all times be free from taxation by the State of Colorado under Colorado law in effect on the date of delivery of the Tax-Exempt Bonds.

The Tax Code imposes several requirements which must be met with respect to the Tax-Exempt Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the Tax-Exempt Bonds. These requirements include: (a) limitations as to the use of proceeds of the Tax-Exempt Bonds; (b) limitations on the extent to which proceeds of the Tax-Exempt Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Tax-Exempt Bonds above the yield on the Tax-Exempt Bonds to be paid to the United States Treasury. The Authority will covenant and represent in the Indenture that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income and (in the case of the 2004 Series A-3 Bonds) alternative minimum taxable income under the Tax Code. Bond Counsel's opinion as to the exclusion of interest on the Tax-Exempt Bonds from gross income and (in the case of the 2004 Series A-3 Bonds) alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Authority to comply with these requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income or (in the case of the 2004 Series A-3 Bonds) alternative minimum taxable income from the date of issuance.

Section 55 of the Tax Code contains a 20 percent alternative minimum tax on the alternative minimum taxable income of corporations and a 24 percent alternative minimum tax on the alternative minimum taxable income of taxpayers other than corporations. Alternative minimum taxable income is

defined to include "items of preference" and under Section 57 of the Tax Code, interest on the Adjustable 2004 Series A-2 Bonds is an item of tax preference.

Under the Tax Code, an "adjusted current earnings" adjustment is required to be made for purposes of the alternative minimum tax provision applicable to corporations. Under this adjustment, 75 percent of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction) is included in calculating the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" include interest on the 2004 Series A-3 Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Tax-Exempt Bonds. Owners of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal tax consequences. Bond Counsel's opinion relates only to the exclusion of interest on the Tax-Exempt Bonds from gross income and (in the case of the 2004 Series A-3 Bonds) alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or State of Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the Tax-Exempt Bonds. Owners of the Tax-Exempt Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based upon existing law as of the delivery date of the Tax-Exempt Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to any pending or proposed legislation. Amendments to federal and Colorado tax laws may be pending now or could be proposed in the future which, if enacted into law, could adversely affect the value of the Tax-Exempt Bonds, the exclusion of interest on the Tax-Exempt Bonds from gross income, alternative minimum taxable income (in the case of the 2004 Series A-3 Bonds), or any combination thereof from the date of issuance of the Tax-Exempt Bonds or any other date, or which could result in other adverse federal or State of Colorado tax consequences. Bond Owners are advised to consult with their own advisors with respect to such matters.

IRS Audit Program

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

Taxable Adjustable 2004 Series A-1 Bonds

IN THE OPINION OF BOND COUNSEL, THE INTEREST ON THE TAXABLE ADJUSTABLE 2004 SERIES A-1 BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES PURSUANT TO THE TAX CODE. THE TAXABLE ADJUSTABLE 2004 SERIES A-1 BONDS AND THE INCOME THEREFROM ARE FREE FROM TAXATION BY THE STATE OF COLORADO UNDER COLORADO LAWS IN EFFECT AS OF THE DATE OF DELIVERY OF THE TAXABLE ADJUSTABLE 2004 SERIES A-1 BONDS.

Bond Counsel will express no other opinion as to any tax consequences regarding the Taxable Adjustable 2004 Series A-1 Bonds. Owners of the Taxable Adjustable 2004 Series A-1 Bonds should consult with their own tax advisors as to the tax consequences pertaining to the Taxable Adjustable 2004 Series A-1 Bonds, such as the consequences of a sale, transfer, redemption or other disposition of the Taxable Adjustable 2004 Series A-1 Bonds prior to stated maturity, and as to other applications of federal, state, local or foreign tax laws.

UNDERWRITING AND PLACEMENT

The 2004 Series A Bonds (other than \$1,000,000 of the 2004 Series A-3 Bonds due October 1, 2024 and the 2004 Series A-3 Bonds due October 1, 2034 to be purchased from the Authority by an institutional investor) 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 underwritten 2004 Series A Bonds at a price equal to \$85,582,789 (being the par amount of the underwritten 2004 Series A Bonds except for the 2004 Series A-3 Bonds maturing on October 1, 2017 which purchase price shall be equal to 100.812%). The placed 2004 Series A Bonds will be purchased at a price equal to par. The Underwriters will be paid a fee of \$439,890 (plus reimbursement of certain expenses). The initial public offering price may be changed from time to time by the Underwriters.

2004A REMARKETING AGENT

Lehman Brothers Inc. has initially been appointed to serve as 2004A Remarketing Agent for the 2004 Series A Bonds (the "**2004A Remarketing Agent**") pursuant to the Indenture and a Remarketing Agreement dated as of September 1, 2004 between the Authority and Lehman Brothers. If 2004 Series A Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2004 SERIES A BONDS – 2004A Adjustable Rate Bonds – Optional Tender and Purchase" and "- Mandatory Purchase," the 2004A Remarketing Agent is required to use its best efforts to remarket such 2004 Series A Bonds in accordance with the terms of the Indenture and the Remarketing Agreement. The 2004A Remarketing Agent will also be responsible for determining the rates of interest for the 2004 Series A Bonds in accordance with the Indenture. The 2004A Remarketing Agent is to transfer any proceeds of remarketing of the 2004 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 2004A 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 2004A Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the 2004A Remarketing Agent, the Trustee, the Paying Agent, and the Liquidity Facility Provider and upon at least thirty (30) days' prior written notice to the 2004A Remarketing Agent. Any successor 2004A Remarketing Agent shall be selected by the Authority. The 2004A Remarketing Agent shall assign and deliver the 2004A Remarketing Agreement to its successor.

FORWARD-LOOKING STATEMENTS

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

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

LITIGATION

At the time of the delivery of and payment for the 2004 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 2004 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 2004 Series A Bonds, the Indenture or the contract for the purchase of the 2004 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 2004A Adjustable Rate 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 2004A Liquidity Facility. Moody's and S&P are expected to give the 2004 Series A-3 Bonds ratings of "Aa2" and "AA," respectively. Such ratings reflect only the views of Moody's and S&P, respectively. An explanation of the significance of the ratings given by Moody's and S&P, respectively, may be obtained from Moody's and S&P, respectively. 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 2004 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 2004 Series A Bonds.

CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as an Underwriter of the 2004 Series A Bonds and the initial 2004A Remarketing Agent of the 2004A Adjustable Rate Bonds. Certain affiliates of Lehman Brothers Inc. have also acted as a counterparty to the Authority under certain of the Outstanding Master Indenture Derivative Products described in **Appendix B**. Federal Home Loan Bank of Topeka, which will act as the Initial 2004A 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 present members of the Board of Directors of the Authority are as follows:

Present Board of Directors of the Authority

<u>Name</u>	<u>Affiliation</u>	<u>End of Term</u>
M. Michael Cooke, Chair (1)	Executive Director, Colorado Department of Revenue; Denver, Colorado	At the pleasure of the Governor
Nancy J. McCallin, Chair, <u>pro tem</u> (1)	Director, Governor's Office of State Planning and Budgeting; Denver, Colorado	June 30, 2007
Joseph A. Garcia, Secretary/Treasurer (1)	President, Pikes Peak Community College; Colorado Springs, Colorado	June 30, 2005
Joseph B. Blake	President and Chief Executive Officer, Denver Metro Chamber of Commerce; Denver, Colorado	June 30, 2005
John Blumberg	Co-Founder and Principal, Black Creek Capital LLC; 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
John R. Davidson	Chairman of the Board and Chief Executive Officer, First American State Bank; Denver, Colorado	June 30, 2007
Michelle Dressel	President, Mortgage Division, Alpine Banks of Colorado; Glenwood 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

(1) These Board members were elected to their respective offices effective March 25, 2004.

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.

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

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. Upon Mr. Roberts' retirement at the end of calendar year 2004, the Authority has selected Chuck Borgman to serve as the new Director of Legal Operations. Mr. Borgman is a graduate of the University of Iowa and the University of Iowa College of Law and has over 30 years experience in private practice and as in-house counsel in the areas of real estate, mortgage finance, commercial transactions, title insurance, banking and work-outs. Immediately prior to joining the Authority, Mr. Borgman was Vice President and Regional Counsel for North American Title Company, a part of Lennar Corporation.

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.

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

Employees and Pension Information

As of May 1, 2004, the Authority had approximately 150 full-time employees, all of whom are members of the Public Employees' Retirement Association of Colorado ("**PERA**"). State statutes required the Authority to contribute 9.6 percent of each participating employee's gross salary to PERA in 2003. In 2003, the Authority's PERA contribution totaled approximately \$816,000, compared to an Authority contribution in 2002 of \$755,000.

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 HAVE BEEN AND MAY IN THE FUTURE 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 OR ARE IN THE FUTURE 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's corporate purposes and not payable from other funds of the Authority. The General Fund itself is not subject to any pledge created under the 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, 2003, as provided by the Authority.

Colorado Housing and Finance Authority					
General Fund					
Selected Financial Information					
Years Ended December 31					
(000s)					
	<u>FY</u> <u>2003</u>	<u>FY</u> <u>2002</u>	<u>FY</u> <u>2001</u>	<u>FY</u> <u>2000</u>	<u>FY</u> <u>1999</u>
Interest and investment revenue:					
Loans receivable	\$ 10,094	\$ 12,177	\$ 16,987	\$ 14,966	\$ 12,857
Marketable securities	1,955	3,084	3,135	3,252	3,557
Net increase (decrease) fair value of long-term marketable securities	<u>(570)</u>	<u>(10)</u>	<u>473</u>	<u>179</u>	<u>(884)</u>
Total interest and investment revenue	11,479	15,251	20,595	18,397	15,530
Interest expense - bonds and notes payable	<u>5,345</u>	<u>8,100</u>	<u>11,267</u>	<u>11,983</u>	<u>10,489</u>
Net interest and investment revenue	6,134	7,151	9,328	6,414	5,041
Other revenue (expense):					
Rental operations	9,549	10,569	10,373	9,858	9,587
Fees and miscellaneous income	14,058	12,461	11,679	11,413	9,080
Program fees	<u>4,665</u>	<u>4,705</u>	<u>5,539</u>	<u>4,024</u>	<u>3,426</u>
Total other revenue	<u>28,272</u>	<u>27,735</u>	<u>27,591</u>	<u>25,295</u>	<u>22,093</u>
Net revenue	34,406	34,886	36,919	31,709	27,134
Other expenses:					
Salaries and related benefits	11,545	10,869	9,892	9,356	8,387
General operating (1)	13,651	9,725	10,280	8,503	9,015
Provision for losses	133	996	953	(438)	1,115
Other interest expense	1,260	1,274	1,332	1,346	1,415
Transfers	--	--	(1,059)	(2,058)	(1,833)
Depreciation	<u>2,745</u>	<u>2,246</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total other expense	<u>29,334</u>	<u>25,110</u>	<u>21,398</u>	<u>16,709</u>	<u>18,099</u>
Operating income	<u>\$ 5,072</u>	<u>\$ 9,776</u>	<u>\$ 15,521</u>	<u>\$ 15,000</u>	<u>\$ 9,035</u>
Fund Balance, end of year	<u>\$131,204</u>	<u>\$122,975</u>	<u>\$112,179</u>	<u>\$ 96,658</u>	<u>\$ 81,658</u>
Bonds and Notes Payable	<u>\$162,623</u>	<u>\$202,012</u>	<u>\$224,414</u>	<u>\$213,588</u>	<u>\$178,329</u>
Total Assets	<u>\$305,912</u>	<u>\$336,322</u>	<u>\$353,547</u>	<u>\$326,427</u>	<u>\$280,203</u>

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

Sources: Derived from the audited financial statements of the Authority for years ended December 31, 1999-2003

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 Years 2002 and 2003, which are the only years for which this presentation is available. See **Appendix A**.

Colorado Housing and Finance Authority
General Fund
Statement of Current Revenues, Expenditures and Other Charges
Years Ended December 31, 2003 and 2002
(000s)

	<u>FY</u> <u>2003</u>	<u>FY</u> <u>2002</u>
<u>Revenues</u>		
Interest and investment revenue:		
Loans receivable	\$10,094	\$12,177
Marketable securities	\$ 1,955	\$ 3,084
Net increase (decrease) fair value of long-term marketable securities	\$ (570)	\$ (10)
Other revenue:		
Rental operations	\$ 9,549	\$10,569
Fees and miscellaneous income	\$14,058	\$12,461
Program fees	\$ 4,665	\$ 4,705
Grant Income	\$ <u>292</u>	\$ <u>222</u>
Total Revenues	\$40,043	\$43,208
<u>Expenditures</u>		
Interest expense - bonds and notes payable	\$ 5,345	\$ 8,100
Other expenses:	\$11,545	\$10,869
General operating (1)	\$13,651	\$ 9,725
Provision for losses	\$ 133	\$ 996
Other interest expense	\$ 1,260	\$ 1,274
Depreciation	\$ <u>2,745</u>	\$ <u>2,246</u>
Total Expenditures	\$34,679	\$33,210
<u>Transfers (To) From Other Program</u>	\$ <u>2,865</u>	\$ <u>798</u>
Change in Net Assets	\$ 8,229	\$10,796

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

Sources: Audited financial statements for the years ended December 31, 2003 and 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.

Authority Policy Regarding Swaps

The Master Indenture permits the Authority to enter into "Derivative Products," which include interest rate exchange or swap contracts, cash flow exchange contracts, forward swaps, interest rate floors, caps or collars and other derivative products. See **Appendix C** and "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products." The Board of the Authority adopted a Bond Issuance Policy dated March 27, 2003 as revised on March 25, 2004 and on July 22, 2004 which, among other things, establishes parameters for swap agreements which may be authorized from time to time by resolution of the Board in connection with the issuance of bonds by the Authority (including Bonds under the Master Indenture). On an annual basis, the Authority staff is to provide a report to the Board regarding all outstanding swap agreements. The Board may change its Bond Issuance Policy at any time and from time to time at its sole discretion, including an expansion of the Policy to permit derivative products other than swap agreements. Any changes to the Bond Issuance Policy may impact future swap agreements or other Derivative Products authorized in connection with Bonds under the Master Indenture.

Programs to Date

The following is a brief summary of the programs currently operated by the Authority and the revenue and general obligation bonds, notes or other obligations which have been issued to date to provide funds for such programs. This summary has been included solely for purposes of providing information about the Authority's activities to assist a potential investor in evaluating the Authority, its programs and its financial status. **Except as otherwise described herein, the mortgage loans referred to below are not pledged in any way as security for the Bonds. See "Part II – SECURITY FOR THE OBLIGATIONS."** 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 Rental Loans**"); (ii) uninsured mortgage loans relating to affordable housing ("**Uninsured Rental Loans**"); and (iii) uninsured mortgage loans made with funds from the Authority's Housing Opportunity Fund ("**Uninsured HOF Loans**").

The Insured Rental Loans made by the Authority must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured Rental Loans made to date have been insured

by the Federal Housing Administration ("FHA") under Sections 221(d)(3), 221(d)4 and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. 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 Rental Loans made by the Authority are Loans pledged under the Master Indenture, and three Insured Rental Loans will be 2004A Loans, as described in **Appendices G-1** and **G-2** hereto.

The Authority has made Uninsured Rental Loans to §501(c)(3) nonprofit corporations and public housing authorities as well as to for-profit developers. Such Uninsured Rental 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 (or in such greater amounts as approved from time to time by the Authority). The Authority's SMART program was designed to provide a streamlined review, approval and closing process for small loans, 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 Rental 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. As of December 31, 2003, the Authority had outstanding \$19,113,792 aggregate principal amount of such Uninsured Rental 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 Rental Loans will be acquired as 2004A Loans, as described in **Appendix G-1** hereto. The Authority has also made Uninsured Rental 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, 2003, the Authority had the following bonds outstanding, proceeds of which have been used to finance Insured Rental Loans and Uninsured Rental 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 Multi-Family Housing Facility Loan Program

<u>Name of Bonds</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding(1)</u>
Multifamily Housing Insured Mortgage Revenue Bonds (2)	\$754,380,000 (24 series)	\$314,065,000
Mortgage Revenue Bonds (3)	\$11,576,000 (4 series)	\$1,177,572
Multi-Family/Project Bonds (4)	\$470,610,000 (7 series)	\$423,890,000
General Obligation Bonds(5)	\$292,722,000 (11 series)	\$3,245,000
General Obligation Bonds (SMART Program) (6)	\$19,679,000 (3 series)	\$19,113,792

(1) As of December 31, 2003.

(2) Proceeds used to finance Insured Rental Loans.

(3) Proceeds used to finance Uninsured Rental Loans.

(4) Proceeds used to finance and refinance Insured Rental Loans and Uninsured Rental Loans, and to finance business loans (See "Business Programs" under this caption). These are Bonds under the Master Indenture. For more detail, see **Appendix B** hereto.

(5) Proceeds used to finance Uninsured Rental Loans.

(6) Proceeds used to finance and refinance Uninsured Rental 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, 2003, the Authority had outstanding approximately \$21,341,000 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.

Business Loan Programs

The Authority offers various programs under which it finances business 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, 2003 as shown on the following table. All of these bonds and notes (other than the Multi-Family/Project Bonds cross-referenced in footnote 5 below) 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.

Business Program Bonds/Notes(5)

<u>Name of Bonds</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding (1)</u>
Guaranteed Loan Participation Purchase Bonds (2)	\$63,300,000	\$ 8,152,251
Project Loan Participation Purchase Bonds and Refunding Bonds (3)	\$68,108,000	\$ 6,507,000
Rural Business-Cooperative Service Notes (4)	\$ 2,050,000	\$ 1,442,279

(1) As of December 31, 2003.

- (2) Proceeds are used to fund participation interests in business 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 and originated as 2004A Loans, as described in **Appendix G-1** hereto.
- (3) Proceeds are used to finance business loans (or participation interests therein) under the Authority's SBA 504 Program and Direct Loan Program. Certain of these loans are being acquired and originated as 2004A Loans, as described in **Appendix G-1** hereto. Certain of the bonds are being refunded as described in Part I – "PLAN OF FINANCE – Refunding of 1997A Bonds."
- (4) Proceeds are used to finance project loans or participations therein for small businesses in rural areas under the CHFA Rural Loan Program. Certain of these loans are being acquired and originated as 2004A Loans, as described in **Appendix G-1** hereto.
- (5) In addition to the bonds described in this table, loans in the Business Program have also been financed using proceeds of bonds described in the table entitled "Bonds to Finance Multi-Family Housing Facility Loan Program" under this caption.

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

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

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

In connection with its Special Projects financing program, the Authority has issued as a conduit issuer its industrial development revenue bonds to finance certain manufacturing and solid waste disposal 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 also participates in several secondary market programs. By purchasing the guaranteed portion of a business 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, each of these secondary market programs is a source of profit and liquidity for originating lenders. The Quality Investment Capital program ("**QIC**") is a secondary market program whereby the Authority purchases the guaranteed portion of loans originated by local lenders and guaranteed by the SBA. Typically, the Authority markets the QIC Program to local lenders and potential borrowers and purchases the participation interest (which is 100% guaranteed by the SBA). Proceeds of these participation interests may be used to fund real estate, equipment, machinery and working capital.

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

The B&I II Program creates a secondary market for the purchase of the United States Rural Business Service ("**RBS**") guaranteed portion of qualified loans with funds provided by the Authority. Participating lenders 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. The participation interest is 100% guaranteed by the RBS.

Single-Family Mortgage Programs

Under its Single-Family Mortgage Programs, the Authority purchases mortgage loans for single-family residential dwellings made directly to individual borrowers 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 purchases mortgage loans made 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, 2003 was \$1,272,602,685. 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. 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, 2003 was \$216,840,000. 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, 2003:

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)	\$ 99,395,000	\$82,860,000
General Obligation Bonds – Multi-Family Housing Facility Loan Program (2)	\$105,293,000	\$ 4,590,000
Multi-Family/Project Bonds (2)	\$ 73,800,000	\$71,735,000
General Obligation Bonds/ Notes – Business Programs (3)	<u>\$151,087,000</u>	<u>\$33,051,000</u>
Total	<u>\$429,575,000</u>	<u>\$192,236,000</u>

- (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 – Business Programs" under this caption.
(4) As of December 31, 2003.

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. As of December 31, 2003, such 542(c) mortgage loans were outstanding in the amount of \$297,843,000. 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. To date, the Authority has incurred risk-sharing liabilities of approximately \$6.3 million as a result of defaults on insured mortgage loans for the Marycrest, Allied Lowry, Sterling Manor and Skyview Village projects, the foreclosure and sale of those projects and the settlement of the respective final insurance claims with FHA. In addition, two insured mortgage loans in the approximate aggregate principal amount of \$7.6 million are currently in default. The Authority is in work-out discussions with the project owner for one of such mortgage loans and has not determined if it will be necessary to file an insurance claim with respect to this loan. If a claim were to be filed, it is likely that the Authority would incur a risk-sharing liability with respect to such project, for which the Authority believes it is adequately reserved. With respect to the mortgage loan for the Heritage Center project in the approximate principal amount of \$4.7 million, the Authority has filed an initial insurance claim. The Authority believes that it is adequately reserved for the risk-sharing liability it expects to incur in connection with this loan.

- Derivative Obligations. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under the 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** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS –Outstanding Master Indenture Derivative Products." See also "Authority Policy Regarding Swaps" under this caption.

- 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 as of December 31, 2003. 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 1, 2004, \$49,347,604 in borrowings were outstanding under those agreements. See footnote 4 to the financial statements of the Authority included in this Official Statement as **Appendix A**. See "Part I – CERTAIN RELATIONSHIPS OF PARTIES."

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 2004 Series A Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof (other than the general credit of the Authority, which general credit is not pledged for the payment of the Bonds except in the case of Bonds specifically designated as general obligations of the Authority).

Revenues

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

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

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

The Loans and Authority Projects

Master Indenture Requirements

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

Outstanding Loans and Authority Projects

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

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 2004A 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 2004A Remarketing Agent, and to each Owner of the Adjustable Rate Bonds at such Owner's registered address, at least 30 days prior to delivery of the Alternate Liquidity Facility.

Pursuant to the Indenture, unless extended in accordance with the Initial 2004A Liquidity Facility, the Initial 2004A Liquidity Facility will expire at the end of the "Commitment Period," as defined in the Initial 2004A Liquidity Facility. The Authority may, at its option, submit to the 2004A Liquidity Facility Provider not earlier than 180 days before, and not later than 90 days before, the Expiration Date (as defined in the Initial 2004A Liquidity Facility) as from time to time in effect, a request that the 2004A Liquidity Facility Provider renew the Initial 2004A Liquidity Facility and extend the Expiration Date thereof for an additional period (as specified by the Authority in writing) after the then-effective Expiration Date thereof in accordance with the Initial 2004A Liquidity Facility. Pursuant to the Initial 2004A Liquidity Facility, at the Authority's written request made in accordance with the

Initial 2004A Liquidity Facility, the Initial 2004A Liquidity Facility may be renewed from time to time for a period of one year if the 2004A Liquidity Facility Provider consents to such request in its sole discretion.

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

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

Derivative Products

In connection with the issuance of certain Adjustable Rate Bonds, the Authority has entered, and expects in the future to enter, into interest rate swap agreements (the "**Derivative Products**") with a counterparty with respect to such Adjustable Rate Bonds. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2004A 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.

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

PURSUANT TO THE SPECIAL REDEMPTION PROVISIONS OF THE INDENTURE, THE BONDS MAY BE REDEEMED PRIOR TO THEIR STATED MATURITY FROM ANY MONEYS AND/OR INVESTMENT SECURITIES ON DEPOSIT IN THE RESPECTIVE ACCOUNTS OF THE REDEMPTION FUND, INCLUDING UNEXPENDED BOND PROCEEDS, EXCESS REVENUES FROM REGULAR LOAN PAYMENTS, VOLUNTARY OR INVOLUNTARY PREPAYMENTS AND AMOUNTS DEPOSITED AS A RESULT OF ANY OTHER EVENT AS DESCRIBED HEREIN. SEE PART I. 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 portion of the Insured and Uninsured Rental Loans pledged to secure Obligations under the Master Indenture are secured in part by housing assistance payments ("**HAP**") contracts with terms expiring prior to expiration of the related Insured and Uninsured Rental Loan. Generally, these HAP contracts are renewals of previous HAP contracts, in some cases after "mark-to-market" mortgage restructurings, pursuant to the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended. The Insured and Uninsured Rental Loans typically require borrowers to renew the respective HAP contract for the longer of the minimum period that the related project is subject to low-income occupancy and rent restrictions under the CHFA Regulatory Agreement (15 or 20 years) or the period the Insured or Uninsured Rental Loan is outstanding. There is no assurance that such renewals will be provided by HUD, as they are subject, among other things, to the availability of Congressional appropriations. The failure or inability to renew the HAP contracts could adversely affect the sufficiency of Revenues and assets pledged under the Master Indenture for payment of the Bonds outstanding thereunder or increase the level of prepayments. See "Considerations Regarding Redemption at Par" under this caption. For more information regarding the Section 8 Subsidy Program, see **Appendix K** hereto.

Enforcement of Regulatory Agreements

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

There is no provision in the Bonds or the Indenture for an acceleration of the indebtedness evidenced by the Bonds or payment of additional interest in the event interest on the Bonds were declared taxable, and the Authority will not be liable under the Bonds or the Indenture for any such payment on the Bonds whatsoever. See "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2004A Loans."

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 years ended December 31, 2003 and 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 16, 2004 (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 during the year ended December 31, 2002 appearing therein).

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: Milroy A. Alexander
Executive Director

APPENDIX A

**Financial Statements and Additional Information
of the Authority for the Fiscal Years
ended December 31, 2003 and 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 statements of net assets of Colorado Housing and Finance Authority (the "Authority") as of December 31, 2003 and 2002, and the related statements of revenues, expenses and changes in net assets and cash flows for the years 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 audits. We did not audit the financial statements of Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation, and Village of Yorkshire Corporation, which statements reflect assets constituting 0.8% and 0.9%, respectively, of total assets at December 31, 2003 and 2002, and revenues constituting 4.6% and 5.3%, 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 audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

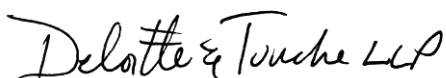
In our opinion, based on our audits and the other reports of the other auditors, such financial statements present fairly, in all material respects, the financial position of the Authority, at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in 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*.

Management's discussion and analysis on pages 1 through 6 is not a required part of the financial statements but is supplementary information required by the GASB. This information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of management's discussion and analysis. However, we did not audit the information and express no opinion on it.

Our audits were performed for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying Supplemental Statements of Net Assets by Program as of December 31, 2003, Supplemental Statements of Revenues, Expenses and Changes in Net Assets by Program and Supplemental Statements of Cash Flows by Program for the year ended December 31, 2003, are presented for the purpose of additional analysis and are not a required part of the 2003 financial statements of the Authority. These statements are the responsibility of the Authority's management. Such schedules have been subjected to the auditing procedures applied in our audit of the 2003 financial statements and, in our opinion are fairly stated in all material respects when considered in relation to the 2003 financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2004, 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 audits.



Denver, Colorado
April 16, 2004

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Management's Discussion and Analysis

December 31, 2003 (Unaudited)

Overview of the Financial Statements

The financial statements consist of three sections: Management's discussion and analysis, the financial statements with notes, and supplementary schedules. The Authority, a corporate body and political subdivision of the State of Colorado, is a public purpose financial enterprise and therefore follows enterprise fund accounting. The financial statements offer information about the Authority's activities and operations.

The Statement of Net Assets includes all of the Authority's assets and liabilities, presented in order of liquidity. The resulting net assets presented in these statements are displayed as restricted or unrestricted. Under the Government Accounting Standards Board ("GASB") Statement No. 34, assets are restricted when their use is subject to external limits such as bond resolutions, legal agreements or statutes. Assets falling outside this category are characterized as unrestricted. Please note, however, that unrestricted assets include assets that have been committed by the Authority for specific uses, but for which an agreement may not yet be in place.

All of the current year's revenues and expenses of the Authority are recorded in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures the activities of the Authority's operations over the past year, and presents the income (loss) or change in net assets. Operating income (loss), or change in net assets is calculated as revenues less expenses plus or minus interfund transfers.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash resulting from operating, non-capital financing, investing and financing activities and provides information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

Financial statements by program are presented as supplementary schedules. 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

Statements of Net Assets

December 31, 2003 (Unaudited)

The following table presents condensed information about the financial position of the Authority as of December 31, 2003 and 2002, and changes in the balances of selected items during the fiscal year ended December 31, 2003 (in thousands):

	years ended December 31,				
	2003	2002	Change		
Assets					
Current assets	\$ 744,457	\$ 708,512	\$ 35,945	5.1	%
Noncurrent assets:					
Long-Term marketable securities	156,290	147,092	9,198	6.3	%
Loans receivable, net	1,674,010	1,531,076	142,934	9.3	%
Other assets	26,613	27,380	(767)	(2.8)	%
Capital assets	34,358	33,658	700	2.1	%
Total Assets	\$ 2,635,728	\$ 2,447,718	\$ 188,010	7.7	%
Liabilities					
Current liabilities	\$ 393,524	\$ 326,841	\$ 66,683	20.4	%
Noncurrent liabilities:					
Bonds payable, net	2,024,838	1,918,377	106,461	5.5	%
Notes Payable, net	7,237	3,844	3,393	88.3	%
Deferred fee income	362	358	4	1.1	%
Total Liabilities	\$ 2,425,961	\$ 2,249,420	\$ 176,541	7.8	%
Net Assets					
Invested in capital assets, net of related debt	\$ 6,636	\$ 5,327	\$ 1,309	24.6	%
Restricted	78,563	75,323	3,240	4.3	%
Unrestricted	124,568	117,648	6,920	5.9	%
Total Net Assets	\$ 209,767	\$ 198,298	\$ 11,469	5.8	%
Total Liabilities and Net Assets	\$ 2,635,728	\$ 2,447,718	\$ 188,010	7.7	%

Current assets increased \$35.9 million or 5.1% largely due to an increase in refunding activity and the reinvestment of the proceeds for purposes of preserving tax-exempt bond issuance capacity. A total of \$268.1 million of line-of-credit borrowings and short-term debt obligations were outstanding related to the volume capacity preservation activity as of December 31, 2003.

Long-term marketable securities increased \$9.2 million or 6.3% compared to year-end 2002. The change is attributable to required debt service reserve levels proportionate to a greater level of bond debt outstanding as of year-end 2003.

Management's Discussion and Analysis

Statements of Net Assets (continued)

December 31, 2003 (Unaudited)

Total loans receivable increased \$147.9 million during the current year, of which the non-current portion increase was \$142.9 million. The change is largely due to new loan purchases of approximately \$635.8 million, offset by loan repayments and prepayments that resulted in total pay downs of \$470.0 million. The ability to increase the loan portfolio in a year of rapid loan repayment activity was funded by the issuance of \$642.5 million in new bond issues in 2003.

The Authority's capital assets include land, buildings, office and computer equipment. The balance decreased 2.1% or \$0.7 million. The change in capital assets in any given year is immaterial to the overall operation of the Authority. See footnote (1)(l) for more details.

Current liabilities increased \$66.7 million or 20.4% over 2002 primarily as a result of bond issuances raising the current bonds payable balance from \$176.1 million as of year end 2002 to \$273.0 million for the year ended December 31, 2003 partially offset by the decrease of \$31.0 million in notes and accrued interest payable. Notes payable decreased \$26.8 million to \$86.6 million from \$113.4 million as a result of fewer borrowings from the lines of credit. Accrued interest payable decreased \$4.2 million to \$22.9 million from \$27.1 million due to a significant increase in the level of low current rate variable bonds outstanding in 2003.

Noncurrent liabilities increased \$109.9 million or 5.7% over 2002 principally due to the issuance of \$642.5 million in new single family and multi-family bond issues, partially offset by repayments and early redemptions of \$425.1 million as a result of a high level of loan prepayments. More detail on the Authority's debt is presented in Note 4 to the financial statements.

Restricted net assets were \$78.6 million as of year-end 2003. The use of these amounts, recorded as net assets of the single family and multi-family bond funds, are directed by the related bond resolutions and indentures of trust.

Total net assets of the Authority climbed 5.8% or \$11.5 million to \$209.8 million as a result of positive operating results for the year, primarily due to revenues based on higher loan productions and other factors discussed below and the following footnotes beginning on page 11.

Management's Discussion and Analysis

Statements of Revenues, Expenses and Changes in Net Assets

December 31, 2003 (Unaudited)

The following table presents condensed statements of revenues, expenses and changes in net assets for the years ended December 31, 2003 and 2002 and the change from the prior year (in thousands):

	years ended December 31,		Change	
	2003	2002		
Operating Revenues:				
Interest on loans	\$ 93,861	\$ 86,960	\$ 6,901	7.9 %
Investment income	23,804	23,521	283	1.2 %
Net increase (decrease) in the fair market value of long-term marketable securities	(3,578)	3,904	(7,482)	(191.6) %
Rental operations	9,549	10,569	(1,020)	(9.7) %
Other revenues	14,058	12,422	1,636	13.2 %
Total Operating Revenues	\$ 137,694	\$ 137,376	\$ 318	0.2 %
Non-Operating Revenues	292	222	70	31.5 %
Total Revenues	\$ 137,986	\$ 137,598	\$ 388	0.3 %
Operating Expenses:				
Interest expense, bonds and notes	\$ 92,629	\$ 90,852	\$ 1,777	2.0 %
Salaries and related benefits	11,545	10,869	676	6.2 %
General operating	14,360	10,278	4,082	39.7 %
Other interest expense	1,688	1,715	(27)	(1.6) %
Depreciation	2,745	2,246	499	22.2 %
Provision for losses	3,550	4,147	(597)	(14.4) %
Total Operating Expenses	\$ 126,517	\$ 120,107	\$ 6,410	5.3 %
Change in Net Assets	\$ 11,469	\$ 17,491	\$ (6,022)	(34.4) %
Net Assets:				
Beginning of year	\$ 198,298	\$ 180,807	\$ 17,491	9.7 %
End of year	\$ 209,767	\$ 198,298	\$ 11,469	5.8 %

Interest earned on loans of \$93.9 million, interest income on investments of \$23.8 million and interest expense on bonds and notes of \$92.6 million are the primary components of total revenues and expenses of the Authority.

Total operating revenues were \$137.7 million, which is \$318,000 greater than 2002. Interest on loans climbed \$6.9 million as a result of the increase in loans held by the Authority, partially offset by declining interest rates and the effect of high single family loan prepayments, which increased amortization of capitalized fees and down payment assistance balances. The Authority put more of its monies in short-term investments resulting in an increase of investment income of \$283,000 or 1.2% over the prior year. However, the increase in interest rates in the last six months of 2003 was responsible for the net decrease in the fair market value of long-term marketable securities of \$3.6 million, compared to a \$3.9 million net gain recorded in 2002. Additionally, other revenue grew to \$14.1 million as a result of increased loans service fees due to higher loan levels, and increases in certain program fees earned.

Management's Discussion and Analysis

Statements of Revenues, Expenses and Changes in Net Assets (continued)

December 31, 2003 (Unaudited)

Rental Operations revenue of \$9.5 million was generated primarily from the Authority's Rental Acquisition Program ("RAP"). Under this program, the Authority owns 14 multi-family properties, which provide affordable housing to low and moderate-income families. Rental operations revenue was 10.4% below the 2002 level of \$10.6 million due to lower revenue per rental unit realized and relatively high vacancy rates as a result of the continuing economic downturn in the state throughout 2003.

Total operating expenses of \$126.5 million increased \$6.4 million or 5.3% from the \$120.1 million incurred in 2002. The rise was largely attributable to high rates of prepayments of single family loans, increasing the amortization of deferred expenses of \$2.8 million included in general operating costs; and an increase in interest expense of \$1.8 million over the previous year as a result of higher bonds and notes payable balances.

Also contributing to the increase of expenses was restructuring and related charges. During fiscal year 2003, the Board of Directors approved a restructuring plan to strengthen both the Authority's competitive and financial position. Specifically targeted were areas with opportunity for more efficient processes that would reduce staffing, improve integration and alignment of departments, or where redundancy existed. Overall changes were necessary both to lower the existing cost structure and to reallocate resources to pursue future operating strategies.

Economic Outlook

The Authority was created for the purpose of increasing the availability of affordable, decent, and accessible housing for lower income Coloradoans and strengthens the state's economy by providing financial assistance to businesses. Its primary business is funding the purchase of single and multi-family home mortgages; however, the Authority also owns properties and provides loans for new construction and rehabilitation of existing facilities. In addition, the Business Finance Division provides a wide variety of programs, including loan programs specific to businesses located in rural communities, women- and minority-owned businesses, manufacturers in the state, and nonprofit organizations committed to better serving the needs of Colorado citizens.

The ability to provide funding is dependent upon the Authority's financing activities, which are sensitive to the level of interest rates, the spread between the rate available on Authority loans and conventional mortgages offered in the Colorado market and the availability of affordable housing. Other key elements include the availability of tax-exempt financing on favorable terms and the budget appropriations from the U.S. Department of Housing and Urban Development, as contained in the federal budget for related program activities.

Despite the historical low interest rate and sluggish economy, the Authority maintained an active and continuous lending program with record production levels. The low interest rates provided more opportunities for those in the rental market to purchase their first home. The Authority remains committed to its business activities despite the current economic conditions.

Other Financial Analysis

At the outset of 2003, the Authority introduced a significant change to its single family loan programs. The prior practice of providing a grant for 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.

Statements of Net Assets (in thousands)

	years ended December 31,	
	2003	2002
Assets		
Current Assets:		
Cash and interest bearing accounts	\$ 8,300	\$ 20,791
Short-term marketable securities (at amortized cost which approximates market)	647,147	606,803
Loans receivable	57,725	52,796
Accrued interest receivable	19,539	17,658
Deferred debt financing costs	662	761
Other assets	9,160	8,843
Federally assisted program advances	1,924	860
Total Current Assets	744,457	708,512
Noncurrent Assets:		
Long-term marketable securities (at fair value) restricted	149,461	132,973
Long-term marketable securities (at fair value) unrestricted	6,829	14,119
Loans receivable, net	1,674,010	1,531,076
Property and equipment, net		
Corporate facilities	5,625	5,572
Rental operations	28,733	28,086
Other real estate owned, net	5,772	5,380
Deferred debt financing costs, net	11,923	13,699
Other assets	8,918	8,301
Total Noncurrent Assets	1,891,271	1,739,206
Total Assets	\$ 2,635,728	\$ 2,447,718
Liabilities and Net Assets		
Current Liabilities:		
Bonds payable	272,954	176,126
Notes payable	86,594	113,378
Accrued interest payable	22,882	27,058
Accounts payable and other liabilities	7,267	7,721
Federally assisted program advances	1,924	860
Refundable deposits	1,903	1,698
Total Current Liabilities	393,524	326,841
Noncurrent Liabilities:		
Bonds payable, net	2,024,838	1,918,377
Notes payable	7,237	3,844
Deferred fee income	362	358
Total Noncurrent Liabilities	2,032,437	1,922,579
Total Liabilities	\$ 2,425,961	\$ 2,249,420
Net Assets:		
Invested in capital assets, net of related debt	6,636	5,327
Restricted	78,563	75,323
Unrestricted	124,568	117,648
Total Net Assets	\$ 209,767	\$ 198,298
Total Liabilities and Net Assets	\$ 2,635,728	\$ 2,447,718

The accompanying notes are an integral part of these statements

Statements of Revenues, Expenses and Changes in Net Assets (in thousands)

	years ended December 31,	
	2003	2002
Operating Revenues:		
Interest on loans	\$ 93,861	\$ 86,960
Investment income	23,804	23,521
Net increase (decrease) in the fair market value of long-term marketable securities	(3,578)	3,904
Rental operations	9,549	10,569
Other revenues	14,058	12,422
Total Operating Revenues	137,694	137,376
Operating Expenses:		
Interest expense, bonds and notes	92,629	90,852
Salaries and related benefits	11,545	10,869
General operating	14,360	10,278
Other interest expense	1,688	1,715
Depreciation	2,745	2,246
Provision for losses	3,550	4,147
Total Operating Expenses	126,517	120,107
Operating Income	11,177	17,269
Nonoperating Revenues and Expenses:		
Grant income	292	222
Federal grant receipts	83,210	80,858
Federal grant payments	(83,210)	(80,858)
Total Nonoperating Revenue	292	222
Change in Net Assets:	11,469	17,491
Net Assets:		
Beginning of Year	198,298	180,807
End of Year	\$ 209,767	\$ 198,298

The accompanying notes are an integral part of these statements

Statements of Cash Flows (in thousands)

	years ended December 31,	
	2003	2002
Cash Flows from Operating Activities:		
Interest received on loans receivable	\$ 100,535	\$ 98,697
Receipts from principal payments on loans	469,979	366,043
Interest received from marketable securities	24,290	24,395
Receipts from rental operations	9,577	10,546
Receipts from other program revenues	14,233	12,400
Receipts from sales of other real estate owned	2,040	6,795
Receipts from loan fundings fees	3,248	2,456
Receipts from accounts payable, federally assisted programs, & escrow	969	2,095
Payments for loan fundings	(635,780)	(567,216)
Interest paid on bonds and notes	(105,796)	(102,716)
Payments for salaries and related benefits	(11,323)	(10,559)
Payments for general operating expenses	(10,319)	(9,301)
Payments for other interest	(1,688)	(1,715)
Payment for loan funding fees	(2,483)	(9,763)
Payments from other assets	(4,818)	(219)
Net Cash Used in Operating Activities	(147,336)	(178,062)
Cash Flows from Noncapital Financing Activities:		
Proceeds from issuance of notes	3,416,716	1,832,955
Proceeds from issuance of bonds	642,488	841,966
Receipts from grants	292	222
Receipts from federal grants	83,210	80,858
Payments for federal grant programs	(83,210)	(80,858)
Payments for notes	(3,440,106)	(1,820,233)
Payments for bonds	(425,058)	(434,444)
Payments for debt financing costs	(2,747)	(4,437)
Payments for bond call premiums	(227)	(1,549)
Net Cash Provided by Noncapital Financing Activities	191,358	414,480
Cash Flows from Capital and Related Financing Activities:		
Sale of property and equipment - rental operations	6	—
Purchase of property and equipment - corporate facilities	(875)	(1,002)
Purchase of property and equipment - rental operations	(2,576)	(3,240)
Net Cash Used in Capital and Related Financing Activities	(3,445)	(4,242)
Cash Flows from Investing Activities:		
Proceeds from long-term marketable securities	78,828	65,850
Purchase of long-term marketable securities	(91,552)	(94,942)
Net Cash Used in Investing Activities	(12,724)	(29,092)
Net increase in cash and cash equivalents	27,853	203,084
Cash and cash equivalents at beginning of year	627,594	424,510
Cash and cash equivalents at end of year	\$ 655,447	\$ 627,594

(continued)

The accompanying notes are an integral part of these statements

Statements of Cash Flows (in thousands)

	years ended December 31,	
	2003	2002
Reconciliation of Operating Income to Net Cash Used in Operating Activities:		
Operating income	\$ 11,177	\$ 17,269
Adjustments to reconcile operating income to net cash used in operating activities:		
Increase (Decrease) in fair value of investments	3,578	(3,904)
Depreciation expense	2,745	2,246
Loss on sale of property and equipment	—	2
Gain on sale of long-term marketable securities	—	(103)
Accretion of capital appreciation term bonds	641	644
Amortization of:		
Deferred debt financing costs	5,278	6,832
Premiums and discounts on bonds, net	(14,911)	(21,172)
Premiums and discounts on long-term marketable securities, net	(51)	(78)
Deferred fee income	(2,406)	(2,304)
Deferred cash assistance expense	11,500	15,937
Service release premium expense	4,352	1,550
Mortgage yield recoupment income	—	(22)
Provision for losses	3,550	4,147
Principal payments on loans receivable	469,978	366,043
Sale of other real estate owned	2,040	6,795
New loan fundings	(635,781)	(567,216)
Deferred fee income	3,247	2,456
Deferred cash assistance expense	(2,484)	(9,763)
Changes in assets and liabilities:		
Accrued interest receivable	(1,882)	(820)
Other assets	(4,548)	(478)
Accrued interest payable	(4,175)	1,834
Accounts payable and other liabilities, federally assisted program advances, and refundable deposits	816	2,043
Net Cash Used in Operating Activities	\$ (147,336)	\$ (178,062)
Supplemental schedule of non-cash operating, noncapital financing, capital and related financing and investing activities:		
Transfer of mortgage loans to other real estate owned	2,432	7,716
Transfer of loans receivable to other assets	1,803	5,582
Transfer of allowance on loans receivable to allowance on other real estate owned	—	87
Transfer of deferred debt financing costs to deferred refunding	—	1,359
Transfer of deferred fee income to deferred refunding	—	145
Transfer of other assets to deferred refunding	—	1,003
Transfer of other real estate owned to other assets	—	2,150

(Concluded)

The accompanying notes are an integral part of these statements

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(1) Organization and Summary of Significant Accounting Policies

(a) Authorizing Legislation

Colorado Housing and Finance Authority (the "Authority") is a corporate body and a political subdivision of the State of Colorado established pursuant to the Colorado Housing and Finance Authority Act, Title 29, Article 4, Part 7 of the Colorado Revised Statutes, as amended (the "Act"). 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 as well as removed the moral obligation of the State of Colorado on future debt issues of the Authority. 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 later in this 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.

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

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

(c) Fund Accounting (continued)

The effect on the financial statements of implementing GASB Statement No. 34, as amended, resulted in the presentation of classified Statements of Net Assets, Statements of Revenues, 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 supplementary 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 activi-

ties of the Authority not performed pursuant to the Single Family and Multi-Family Funds are recorded in the General Fund. These Funds are combined for financial reporting purposes.

The Authority acts as an administrator of U.S. Department of Housing and Urban Development's ("HUD") contract administrator for the Section 8 subsidy program, administering the Housing Assistance Payments ("HAP") contracts for developments in the Authority's loan portfolio. Under Section 8, tenants pay 30% of their income toward rent and the balance is paid by federal subsidy. Federally-assisted program accounts have also been established to record activities directly related to the federal Section 8 Housing Assistance Payments program and other related programs funded by HUD. These accounts

are primarily used for housing assistance pass-through funds and for properties owned and utilized in affordable housing programs; which are dependent on budget appropriations from HUD, as contained in the Federal budget.

The financial statements of the Authority are presented on the basis of the proprietary fund accounting concept. 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, 2003 and 2002 for various purposes as follows. These designations of net assets are not binding, and can be changed by the Board of Directors.

	2003	2002
Appropriations for Loan Funds:		
Housing fund	\$ 2,555	\$ 571
Business finance fund	17,975	29,092
Housing opportunity fund	29,458	26,094
Total Appropriations for Loan Funds	49,988	55,757
Designations:		
General obligation bonds	18,939	18,468
General operating and working capital	14,300	15,084
Unrealized appreciation of investments	642	1,241
Single and multi-family bonds	40,699	27,098
Total Designations	74,580	61,891
Total Unrestricted Net Assets	\$ 124,568	\$ 117,648

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

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

(c) Fund Accounting (continued)

Revenues 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 expense, administrative expenses, depreciation, and the provision for losses. All revenues and expenses not meeting this definition are reported as non-operating 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 restricted balance only if (i) the Authority determines that such monies are needed for the implementation or maintenance of any duly adopted program of the Authority; and (ii) no default

exists in the payment of the principal, redemption premium, if any, or interest on such bonds.

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities* that use Proprietary Fund Accounting, the Authority has elected not to adopt Financial Accounting and 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 reviews the initial drafts, makes necessary changes and presents the budget to the Executive Director for further review and approval. The Board is typically 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 typically 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 1992 and in 2000. The budget is developed on a full accrual basis with estimations of revenue by source and

expenses by object.

(e) Cash

Cash at December 31, 2003 and 2002, primarily includes market interest accounts of which approximately \$1,423,000 and \$1,698,000, respectively, is designated for various General Fund program purposes.

(f) Marketable Securities

The Authority is authorized by means of a Board of Directors approved investment policy, to invest in notes, bonds and other obligations issued or guaranteed by the U.S. Government and certain governmental agencies. Additionally, the Authority is permitted to invest, with certain restrictions as to concentration of risk, collateralization levels, maximum periods to maturity, and/or underlying rating levels applied, in revenue or general obligations of states and their agencies, certificates of deposits, U.S. dollar denominated corporate or bank debt, and commercial paper and repurchase agreements backed by U.S. government or agency securities. Each of the trust indentures established under the Authority's bond programs contains requirements as to permitted investments of bond fund proceeds, which may be more or less restrictive than the Authority's investment policy for General Fund monies.

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

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

(f) Marketable Securities (continued)

Investments generally consist of unexpended bond proceeds, debt service reserve funds and revenue funds established under the provisions of various trust indentures and investments of the Authority's general fund. In connection with the Authority's bond programs, unexpended bond proceeds are maintained in trust, put in various types of investments until such time as the proceeds can be used to purchase specific types of loans. As noted above, investments are subject in some cases to minimum collateralization levels. For uncollateralized investments, including Guaranteed Investment Contracts, appropriate credit ratings are generally required.

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 2003 and 2002 is reflected in the statements of revenues, expenses, and changes in net assets for the years presented.

(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 first mortgage loans bear interest at rates ranging from 4.625% to 10.00% per annum, payable monthly over 30 years. Single family mortgage loans are collateralized by first liens on the related properties, except for \$9.4 million of 0% second-lien mortgages at December 31, 2003, issued under the Authority's new buyer assistance program. Multi-family and business loans bear interest at rates ranging from 1.00% to 12.00% per annum, payable over terms from 15 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 98% 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 Single Family Bond Program, the borrower could choose a loan that provided a cash assistance payment of generally 3% of the loan amount; this program ended in 2003. These payments were deferred and presently 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.

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

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

(j) Compensated Absences

Full-time employees accrue paid-time off at the rate of between nineteen and twenty-nine 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%. 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 experi-

ence for each type of insurance or guarantee (for losses particular to other real estate owned), additional guarantees provided by the borrowers and economic conditions. When this review determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made in the amount quantifiable. Loans receivable, other real estate owned and other assets are shown net of an allowance for losses of \$19,091,000, \$1,601,000 and \$40,000 respectively, for 2003, and \$16,230,000, \$1,554,000, and \$104,000, respectively, for 2002.

(l) Property, Equipment and Rental Real Estate Operations

Office buildings, furniture and equipment are carried at \$5,625,000 and \$5,572,000 (net of accumulated depreciation) at December 31, 2003 and 2002, respectively, representing cost.

The Authority commenced its Rental Acquisition Program ("RAP") in 1988, when the Board authorized the acquisition, rehabilitation and operation of 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 net assets from the component units semiannually. These distributions are reflected in the component unit's net assets. As of December 31, 2003, the Authority owned a total of 14 RAP projects, including its three component units, containing 1,434 units.

Selected balance sheet items of the RAP are presented below

	2003	2002
RAP Combined, Including Component Units:		
Property, net of accumulated depreciation of \$12,777 and \$10,857	\$ 28,733	\$ 28,086
Total assets	35,437	36,628
Total liabilities	23,120	23,522
Net Assets	\$ 12,317	\$ 13,106
RAP Component Units Only:		
Property, net accumulated depreciation of \$7,676 and \$6,449	\$ 17,315	\$ 18,101
Total assets	20,594	21,897
Total liabilities	16,785	17,028
Net Assets	\$ 3,809	\$ 4,869

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

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

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

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 include 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.

The following is a summary of the operating results of the RAP properties on a stand-alone basis before elimination of intercompany transactions.

	2003	2002
RAP Combined, Including Component Units:		
Rental operations	\$ 9,549	\$ 10,569
Interest income	31	57
Other revenues	26	45
General operating expenses	(4,542)	(4,015)
Depreciation expense	(1,920)	(1,700)
Interest expense	(1,690)	(1,715)
Net Income	\$ 1,454	\$ 3,241
RAP Component Units Only:		
Rental operations	\$ 6,241	\$ 7,174
Interest income	25	47
Other Revenues	16	16
General operating expenses	(2,585)	(2,519)
Depreciation expense	(1,227)	(1,142)
Interest expense	(1,229)	(1,246)
Net Income	\$ 1,241	\$ 2,330

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 for 2003

was \$1,000 and \$500 respectively. As of January 1, 2004, the capitalization thresholds increased to \$2,500 for corporate assets and \$1,500 for RAP assets.

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

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

A summary of corporate and RAP property and equipment follows:

	Balance Dec 31, 2002	Additions	Disposals	Transfers	Balance Dec 31, 2003
Corporate					
Computer equip/software	\$ 965	564	—	(152)	\$ 1,377
Office equipment	2,286	33	(14)	64	2,369
Furniture and fixtures	1,604	2	(260)	278	1,624
Buildings	3,443	276	—	(342)	3,377
Land	1,573	—	—	—	1,573
Construction in progress	—	—	—	152	152
Sub-Total	9,871	875	(274)	—	10,472
Accumulated Depreciation	(4,299)	(825)	277	—	(4,847)
Net Book Value	\$ 5,572				\$ 5,625
Rental					
Computer equip/software	\$ 61	10	—	—	\$ 71
Office equipment	2,980	291	—	—	3,271
Furniture and fixtures	2,854	185	—	—	3,039
Buildings	28,592	2,089	(8)	—	30,673
Land	4,456	—	—	—	4,456
Sub-Total	38,943	2,575	(8)	—	41,510
Accumulated Depreciation	(10,857)	(1,920)	—	—	(12,777)
Net Book Value	\$ 28,086				\$ 28,733
Consolidated Net Fixed Assets	\$ 33,658				\$ 34,358
	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 and 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 and 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

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

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

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

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

(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 federally assisted programs 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 \$1,924,000 and \$860,000 for 2003 and 2002 respectively. The administrative fees for these federally assisted programs are approximately \$3,663,000 and \$3,411,000 in 2003 and 2002, respectively.

(q) Interest Rate Swap Agreements

The Authority enters into interest rate swap agreements with rated swap counterparties in order to: (1) provide lower cost fixed rate financing for its loan production needs through synthetic fixed rate structures; and (2) utilize synthetic fixed rate structures with refunding bonds in order to generate cash flow savings. The interest differentials to be paid or received under such swaps are recognized as an increase or decrease in interest expense of the related bond liability. Additional information about the swap agreements is described in Footnote (5).

(r) Other Revenue and Other Interest Expense

Other revenue includes rental income from RAP, administrative fees from federally assisted programs, tax credit program fees, mortgage loan 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 and advance refundings resulting in defeasance of debt reported by the Authority, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the effective interest method. The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

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

(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. Through the end of the 2003 year, 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 below these limits. The claim liability for the years ended December 31, 2003 and December 31, 2002, which is included in accounts payable and other liabilities, was as follows:

Effective January 1, 2004, the Authority has elected to discontinue the self-insured medical claims approach and the related stop-loss insurance has been discontinued. Coverage has been moved to a fully-insured plan underwritten and administered by a major insurance underwriter. Under the new plan, periodic premiums are shared between the Authority and employees who elect to be covered under the plan.

(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.

(v) Mortgage Escrows

Escrow funds held by the Authority on behalf of others of approximately \$9,402,000 and \$9,942,000 at December 31, 2003 and 2002, respectively, are not reflected in the accompanying statements of net assets. 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 2002 financial statements to conform to the 2003 presentation.

	2003	2002
Beginning Claims Liability	\$ 156,633	\$ 466,108
Period claims	1,045,592	651,241
Estimated accrual changes, adjustments	(89,970)	(309,475)
Claim payments	(1,036,059)	(651,241)
Ending Claims Liability	\$ 76,196	\$ 156,633

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

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

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

At December 31, 2003 and 2002 the Authority had cash deposits with a carrying value of \$8,300,000 and \$20,791,000 respectively. These balances are categorized as follows:

Risk Category	2003	2002
1	\$ 531	\$ 466
2	7,371	20,324
3	398	1
Total	\$ 8,300	\$ 20,791

Below, the Authority's marketable securities (excluding Treasury money market funds and uncollateralized investment agreements) are also categorized into three categories as follows to provide an indication of the level of risk assumed as of December 31, 2003 and 2002. Category 1 includes those investments which are insured,

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	2003 Carrying Value	2002 Carrying Value
Categorized:			
U.S. Government & agency obligations	1	\$ 190,332	\$ 205,878
Collateralized investment agreements	2	43,201	42,271
Repurchase agreements	1	14,498	9,140
Uncategorized:			
Treasury money market funds		43,780	76,362
Uncollateralized investment agreements		511,626	420,244
Total Investments		\$ 803,437	\$ 753,895

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

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. Investment agreements generally provide for collateralization of balances in the event of a 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

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(2) Cash and Marketable Securities (continued)

limited to those government and agency obligations permitted by the Authority's investment guidelines and have a market value of at least or equal to 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 (decrease) increase in fair value of long-term marketable securities by program, for the years ended December 31, 2003 and 2002:

	2003	2002
General Fund	\$ (555)	\$ (32)
Multi-Family Housing Insured Mortgage Revenue	(708)	2,508
Multi-Family/Project	(426)	319
Single Family Housing Revenue	47	245
Taxable Single Family Mortgage Revenue	(16)	22
Single Family Revenue	(186)	151
Single Family Program Senior and Subordinate	(18)	54
Single Family Mortgage Bonds	(1,716)	637
Total	\$ (3,578)	\$ 3,904

(3) Loans Receivable

Loans Receivable at December 31, 2003 and 2002 consist of the following:

	2003	2002
General Fund	\$ 176,389	\$ 122,341
Multi-Family bond programs:		
Housing Insured Mortgage Revenue	200,617	218,608
Mortgage Revenue	1,170	1,953
Project	334,787	214,580
Adjustable Rate Housing Insured Mortgage Revenue	27,792	46,102
Single Family bond programs:		
Taxable Revenue	3,289	5,768
Taxable Program Senior and Subordinate	—	2,131
Revenue	759	1,154
Program	11,290	14,793
Program Senior and Subordinate	276,922	493,632
Revenue Refunding	167	314
Mortgage	707,690	458,617
Total Loans Receivable	1,740,872	1,579,993
Less:		
Deferred cash assistance expense	18,919	28,237
Deferred fee income	(8,965)	(8,128)
Allowance for loan losses	(19,091)	(16,230)
Total Loans Receivable, Net	\$ 1,731,735	\$ 1,583,872

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(3) Loans Receivable (continued)

General Fund loans are made up of business, multi-family and single family loans acquired under various programs of the General Fund, warehoused loan to be acquired by the Bond Funds, loans held as investments, and loans backed by bonds within the General Fund. These loans are typically collateralized by mortgages on real property and improvements. At December 31, 2003 and 2002, \$7,504,000 and \$10,600,000 of these loans respectively, are secured by first liens ahead of second liens from the Small Business Administration. Additionally, at December 31, 2003 and 2002, \$19,136,000 and

\$23,170,000 of these loans, respectively, are secured by a guarantee of the Small Business Administration or Consolidated Farm Services, formerly Farmers Home Administration.

Multi-family bond program loans are collateralized by first mortgages on applicable real estate, and, in some 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.

At December 31, 2003 and 2002, the amounts available in the Bond Funds for additional investments in new loans are as follows:

	2003	2002
Single Family mortgage program*	\$ 148,956	\$ 122,851
Multi-Family mortgages and projects	42,388	139,776
Total	\$ 191,344	\$ 262,627

*These amounts will be used to acquire single family mortgage loans warehoused in the Authority's General Fund of \$64,092,000 and \$0, at December 31, 2003 and 2002, respectively.

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(4) Bonds and Notes Payable

The aggregate principal amounts of bonds and notes payable at December 31, 2003 and 2002 are shown below. Interest is payable semi-annually unless otherwise noted.

Description and Due Date	Interest Rate (%)	2003	2002	
General Fund:				
General Obligation Bonds:				
1992 Series A	2004-2030	9.125	\$ 3,245	\$ 3,265
1998 Series A	2004-2017	4.45 to 5.25	1,345	1,410
ACCESS Programs:				
1991 Series A		9.15	—	1,055
1991 Series B		8.50	—	2,530
1995 Series A	2004-2015	7.67	2,485	2,517
1997 Series A	2004-2018	7.22	1,854	3,247
1999 Series A	2004-2018	6.49	2,168	2,894
QIC Program:				
1997 Series A		6.56	—	64
1999 Series A	2004-2024	5.71	2,971	4,927
2000 Series A	2004-2025	6.755	329	477
QIC - State Treasurer				
2003 Series A	2004-2023	5.004	4,853	—
SMART Program:				
2000 Series A	2004-2020	6.152	8,234	8,355
Taxable Mortgage Revenue: (principal and interest payable monthly)				
2000 Series A	2004-2020	6.914	2,716	4,158
2000 Series B	2004-2020	6.675	1,413	2,429
2001 Series AP	2004-2021	6.6135	5,372	13,364
2001 Series AV	2004-2021	6.625	2,167	4,189
Single Family Taxable Mortgage Revenue: (principal and interest payable monthly)				
2002 Series AP	2004-2021	5.662	2,400	6,314
Taxable Rental Project Revenue: (principal and interest payable monthly)				
2002 Series AV	2004-2022	5.550	6,893	6,985
2003 Series AV	2004-2024	5.190	3,987	—
Total General Fund		\$	52,432	\$ 68,180

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(4) Bonds and Notes Payable (continued)

Description and Due Date	Interest Rate (%)	2003	2002
Multi-Family			
Multi-Family Housing Insured			
Mortgage Revenue Bonds:			
1991 Series A	7.35	\$ —	\$ 2,470
1993 Series A	5.125 to 5.90	—	16,105
1995 Series A	2004-2037	5.75 to 6.80	11,495
1995 Series B	2004-2037	5.60 to 6.75	13,840
1995 Series C	2004-2015	5.20 to 6.50	12,615
1996 Series A	2004-2037	5.10 to 7.20	21,900
1996 Series B	2004-2037	5.75 to 8.00	8,605
1996 Series C	2004-2038	5.30 to 8.10	14,895
1997 Series A	2004-2038	4.80 to 7.125	12,715
1997 Series B	2004-2038	4.60 to 7.25	22,925
1997 Series C	2004-2039	4.80 to 6.75	36,650
1998 Series A	2004-2039	5.35 to 6.70	20,145
1998 Series B	2004-2040	5.45 to 7.00	7,220
1999 Series A	2004-2041	4.65 to 6.65	33,950
1999 Series B	2004-2041	5.25 to 5.85	5,475
1999 Series C	2004-2041	4.95 to 7.10	16,350
Total Multi-Family Housing Insured		238,780	265,470
Multi-Family Mortgage Revenue Bonds: (principal and interest payable monthly)			
Series 1978-3	2004-2017	6.50	1,170
Series 1980-1		10.50	—
Total Multi-Family Mortgage Revenue Bonds		1,170	1,953
Multi-Family/Project Bonds: *(principal and interest payable quarterly on some of the bonds)			
2000 Series A	2004-2032	5.225 to 6.15	64,530
2000 Series B*	2004-2042	6.0 to 7.39	31,175
2001 Series A	2004-2043	4.75 to 5.65	37,670
2002 Series A	2004-2042	2.45 to 5.70	41,720
2002 Series B	2004-2032	Variable (weekly)	57,295
2002 Series C	2004-2042	2.55 to 5.30	142,720
2003 Series A	2004-2033	Variable (weekly)	48,780
Total Multi-Family/Project Bonds		423,890	391,320
Adjustable Rate Multi-Family Housing Insured Mortgage Revenue Bonds:			
2002 Series AA	2004-2030	Variable (weekly)	75,285
Total Multi-Family		\$ 739,125	\$ 734,463

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(4) Bonds and Notes Payable (continued)

Description and Due Date	Interest Rate (%)	2003	2002
Taxable Single Family Mortgage Revenue Bonds:			
1998 Issue I	2004-2018	6.65	
		\$ 2,315	\$ 5,105
Taxable Single Family Program			
Senior and Subordinate Bonds:			
1993 Issue A		7.625	
		—	815
Single Family Revenue Bonds:			
1985 Series A	2005-2009	11.125	
		777	697
1985 Series B	2007	8.75	
		885	885
1993 Refunding Series A	2005-2008	7.00	
		3,925	3,664
Total Single Family Revenue Bonds			
		5,587	5,246
Single Family Program Bonds:			
1998 Series C	2004-2029	4.70 to 5.625	
		11,740	15,006
Single Family Program Senior and Subordinate Bonds:			
1994 Series B	2004-2024	5.75 to 7.50	
		715	1,260
1994 Series C	2004-2024	6.00 to 7.90	
		335	1,465
1994 Series D-I	2009-2024	5.90 to 8.00	
		290	1,400
1994 Series D-II	2004-2025	6.125 to 8.125	
		130	885
1994 Series E		5.95 to 8.125	
		—	1,065
1994 Series F	2004-2025	6.75 to 8.625	
		125	450
1995 Series A	2004-2025	5.90 to 8.00	
		2,110	3,490
1995 Series B	2004-2025	5.80 to 7.90	
		1,740	3,225
1995 Series C	2004-2025	5.20 to 7.65	
		2,870	5,265
1995 Series D	2004-2026	5.20 to 7.38	
		10,745	14,185
1996 Series A	2004-2027	5.10 to 7.40	
		6,640	11,630
1996 Series B	2004-2027	5.30 to 7.65	
		5,385	9,750
1996 Series C	2004-2027	5.30 to 7.55	
		5,945	9,995
1997 Series A	2004-2027	4.75 to 7.25	
		9,055	15,425
1997 Series B	2004-2028	5.00 to 7.00	
		6,845	14,435
1997 Series C	2004-2028	5.00 to 6.875	
		8,295	16,420
1998 Series A	2004-2029	4.75 to 6.60	
		16,060	25,315
1998 Series B	2004-2029	4.625 to 6.55	
		16,289	26,529
1998 Series D	2004-2029	4.25 to 6.35	
		21,145	36,540
1999 Series A	2004-2030	4.375 to 6.45	
		20,965	34,640
1999 Series B	2004-2030	4.875 to 6.80	
		20,155	37,670
1999 Series C	2004-2031	4.70 to 7.20	
		24,625	42,950
2000 Series A	2004-2031	5.75 to 7.54	
		11,575	24,005
2000 Series B	2004-2031	5.35 to 7.47	
		12,425	24,390
2000 Series C	2004-2031	5.70 to 8.40	
		17,795	33,225
2000 Series D	2004-2032	5.40 to 7.43	
		17,305	31,650
2000 Series E	2004-2032	5.375 to 7.10	
		15,915	31,400
2001 Series A	2004-2032	5.00 to 6.50	
		27,280	39,270
2001 Series B	2004-2033	5.00 to 6.55	
		32,800	52,275
2001 Series C	2004-2033	4.875 to 6.375	
		41,835	57,770
Total Single Family Program Senior and Subordinate Bonds			
		\$ 357,394	\$ 607,974

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(4) Bonds and Notes Payable (continued)

Description and Due Date		Interest Rate (%)	2003		2002	
Single Family Revenue Refunding Bonds:						
1994 Series A	2004-2011	5.00 to 5.30	\$	35	\$	195
Single Family Mortgage Bonds						
2001 Series AA	2004-2041	5.25		131,840		131,840
2002 Series A	2004-2032	4.55 to 5.65		90,305		93,260
2002 Series B	2004-2032	4.80 to 5.40		135,000		179,340
2002 Series C	2004-2036	4.40 to 4.95		172,000		223,000
2003 Series A	2004-2032	1.20 to 5.15		106,000		—
2003 Series B	2004-2033	1.00 to 5.00		254,000		—
2003 Series C	2004-2032	1.13 to 5.00		223,275		—
Total Single Family Mortgage Bonds				1,112,420		627,440
Total Single Family				1,489,491		1,261,781
Mortgage Notes:						
March 31, 2003		—		—		43
July 1, 2004		4.50		693		713
November 30, 2005		—		30		40
September 12, 2007		6.50		1,679		1,679
January 3, 2008		7.25		4,166		—
September 4, 2020		1.00		755		796
June 22, 2025		1.00		687		715
Lines of Credit:						
January 2, 2004		1.180 and 1.366		85,821		113,127
Unsecured Notes Payable:						
June 30, 2003		Variable		—		5
December 31, 2003		Variable		—		104
Total Notes Payable				93,831		117,222
Total Bonds and Notes Payable				2,374,879		2,181,646
Discounts/premiums, net				24,553		38,016
Deferred losses on refunding amounts				(7,809)		(7,937)
Total Bonds and Notes Payable, Net			\$	2,391,623	\$	2,211,725

Included in several of the bond issues shown on this page are Capital Appreciation Term Bonds ("CATB"). The principal amounts of these bonds appreci-

ate based on semiannual compounding of the original principal balances at the interest rates specified.

The appreciated balances of these bonds at maturity, and as reflected in the accompanying Statements of Net Assets at December 31, 2003 and 2002 are as follows:

Description, Due Date and Type	Interest Rate (%)	Appreciated Balances						
		Maturity	2003	2002				
Single Family Revenue Bonds:								
1985 Series A	2005-2009 CATB	11.125	\$	1,110	\$	777	\$	697
1993 Refunding Series A	2005-2008 CATB	7.00		4,762		3,925		3,664
Single Family Senior and Subordinate Bonds:								
1998 Series B	2025-2029 CATB	5.5		6,053		1,709		1,618
Single Family Program Bonds:								
1998 Series C	2020-2029 CATB	5.625	\$	12,265	\$	3,885	\$	3,676

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(4) Bonds and Notes Payable (continued)

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	2003	2002
Single Family Program Subordinate Bonds	\$ 8,860	\$ 13,575
Single Family Mortgage Bonds, Class III	74,000	32,000
Multi-Family/Project Bonds, Class III	34,320	21,390
Total	\$ 117,180	\$ 66,965

Bonds and Notes Payable activity for the year ended December 31, 2003 and 2002 were as follows:

Description	Beginning Balance 2003	Additions	Reductions	Ending Balance 2003
Bonds payable	\$ 2,064,424	\$ 641,682	\$ 425,058	\$ 2,281,048
Notes payable*	117,222	3,416,715	3,440,106	93,831
Unamortized premium/discount	38,016	1,448	14,911	24,553
Deferred losses on refunding	(7,937)	(227)	(355)	(7,809)
Total	\$ 2,211,725	\$ 4,059,618	\$ 3,879,720	\$ 2,391,623

Description	Beginning Balance 2002	Additions	Reductions	Ending Balance 2002
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/discount	53,112	—	15,096	38,016
Deferred losses on refunding	(4,477)	(3,766)	(306)	(7,937)
Total	\$ 1,815,472	\$ 2,671,799	\$ 2,275,546	\$ 2,211,725

* balance includes the Authority's two lines of credit for 2003 and three lines of credit for 2002

Bonds and Notes Payable sinking fund installments and maturities subsequent to December 31, 2003, are as follows:

	Single Family		Multi-Family		General Fund		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 243,535	\$ 60,722	\$ 18,393	\$ 34,298	\$ 11,026	\$ 2,737	\$ 86,594	\$ 513
2005	49,948	60,470	12,547	33,702	3,368	2,302	91	425
2006	55,067	58,275	9,780	33,218	2,301	1,957	71	424
2007	55,301	55,680	10,339	32,727	1,489	2,034	1,751	423
2008	51,195	53,155	11,132	32,376	1,769	1,951	4,238	314
2009-2013	210,347	231,844	65,274	150,939	9,817	6,654	375	47
2014-2018	176,580	184,193	91,150	129,848	14,575	6,849	394	28
2019-2023	202,521	133,978	106,110	101,063	6,043	1,908	248	10
2024-2028	164,740	86,869	95,425	72,837	1,169	672	69	1
2029-2033	151,097	44,523	230,215	43,126	875	124	—	—
2034-2038	135,320	12,866	61,550	18,378	—	—	—	—
2039-2043	7,740	242	27,210	3,212	—	—	—	—
Total	\$ 1,503,391*	\$ 982,817	\$ 739,125	\$ 685,724	\$ 52,432	\$ 27,188	\$ 93,831	\$ 2,185

* includes \$13.9 million of future accretion of principal value on capital appreciation bonds

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(4) Bonds and Notes Payable (continued)

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, 2003 and 2002, these assets were at least equal to the amounts required to be restricted.

The Authority has an agreement with the Federal Home Loan Bank of Topeka (FHLB) for borrowings of up to \$250,000,000. 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, 2003 and 2002, the outstanding borrowings under this agreement were \$85,821,000 and \$113,127,000, 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 0.62% per annum above the

London Interbank Offered Rate (LIBOR). This line of credit agreement terminates on July 25, 2004. The Authority pays an unused line fee at the rate of 0.15% per annum, payable in arrears on the last day of each calendar quarter until the Maturity Date, and on the Maturity Date. The fee is based upon the amount by which the daily average of the aggregate principal amount of the borrowings outstanding is less than the line of credit. As of December 31, 2003 and 2002, the Authority had no outstanding borrowings under this agreement.

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, 2003, \$185,262,000 and \$92,530,000, respectively, of these bonds were outstanding. The corresponding amounts outstanding as of December 31, 2002 were \$186,993,000 and \$76,470,000, 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.

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(5) Interest Rate Swaps

Swaps in effect as of December 31, 2003

Objective

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

Summary of Swap Transactions

The terms, including the fair values of the outstanding swaps as of December 31, 2003, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. Except as discussed under amortization risk, the authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable. All swap counterparties have a credit rating of AAA or Aaa by Standard and Poor's and Moody's Investors Service, respectively.

Associated Bond Issue	Current Notional Amount	Effective Date	Termination Date	Fixed Rate Paid	Variable Rate Received (*)	Embedded Options	Fair Value (**)
Multi-Family/Project 2000A	\$ 12,750	03/21/00	10/01/20	5.235%	VRDO's Rate		\$ (1,692)
Multi-Family/Project 2000A	18,500	03/21/00	04/01/25	5.225%	VRDO's Rate		(2,213)
Multi-Family/Project 2000A	11,545	02/01/00	04/01/15	5.800%	VRDO's Rate		(1,898)
Multi-Family/Project 2000B	7,450	10/19/00	07/01/20	7.390%	LIBOR, plus .25%		(1,386)
Multi-Family/Project 2002A	9,410	01/29/03	10/01/22	5.100%	VRDO's Rate		(1,114)
Multi-Family/Project 2002AA	34,565	07/03/02	10/01/23	6.068%	VRDO's Rate		(6,645)
Multi-Family/Project 2002C	10,920	04/01/03	10/01/32	6.129%	VRDO's Rate	(1)	(865)
Multi-Family/Project 2002C	70,715	10/01/03	10/01/32	5.124%	VRDO's Rate	(2)	(6,677)
Multi-Family/Project 2002C	31,960	10/01/03	10/01/32	5.044%	VRDO's Rate	(3)	(2,743)
Multi-Family/Project 2003A	26,270	10/01/03	04/01/26	4.555%	LIBOR, plus .05%	(4)	(482)
Single-Family 2001AA	42,260	10/04/01	11/01/13	5.290%	VRDO's Rate		(2,715)
Single-Family 2001AA	46,840	10/04/01	05/01/31	4.600%	VRDO's Rate		(2,699)
Single-Family 2002A	40,435	04/25/02	11/01/13	5.499%	VRDO's Rate		(2,916)
Single-Family 2002A	19,090	04/25/02	11/01/21	4.749%	VRDO's Rate		(1,589)
Single-Family 2002B	15,000	10/24/02	05/01/22	5.529%	VRDO's Rate		(1,012)
Single-Family 2002B	49,750	07/18/02	11/01/13	5.285%	VRDO's Rate		(3,206)
Single-Family 2002B	40,000	07/18/02	11/01/21	4.506%	VRDO's Rate		(2,047)
Single-Family 2002C	30,000	10/24/02	11/01/32	5.350%	VRDO's Rate	(5)	(174)
Single-Family 2002C	60,000	10/24/02	11/01/11	4.362%	VRDO's Rate		(2,030)
Single-Family 2002C	40,000	10/24/02	05/01/22	4.422%	VRDO's Rate		(1,435)
Single-Family 2003A	12,000	08/01/03	05/01/11	3.390%	LIBOR, plus .05%		13
Single-Family 2003A	20,000	02/26/03	11/01/11	4.008%	LIBOR, plus .05%		(383)
Single-Family 2003A	20,000	02/26/03	11/01/21	4.160%	BMA, plus .05%		(377)
Single-Family 2003B	40,000	08/01/03	11/01/26	4.851%	LIBOR, plus .05%	(6)	846
Single-Family 2003B	60,000	08/01/03	05/01/12	3.665%	LIBOR, plus .05%		(179)
Single-Family 2003B	60,000	07/09/03	11/01/26	4.384%	BMA, plus .15%	(7)	(1,251)
Single-Family 2003C	60,000	12/03/03	05/01/12	4.033%	LIBOR, plus .05%		(1,063)
Single-Family 2003C	40,000	11/13/03	11/01/26	4.595%	BMA, plus .15%	(8)	(1,620)
Total	\$ 929,460						\$ (49,552)

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

(**) The fair value of the outstanding swaps are presented for informational purposes only and do not impact the financial statements. All fair values have been calculated using the mark-to-market or par value method. Additionally, eight of the tax-exempt swap agreements contain language which transfer the risk of tax event to the Authority. The fair value of these swaps if a tax event had occurred on the valuation date would be an additional \$16,853,786 negative.

(1) The Authority has the right to terminate the swap at no expense from 10/1/12 to 4/1/15 up to \$4,375,000; 4/1/15 to 4/1/18 up to \$6,575,000; and from 4/1/18 to 10/1/32 up to the remaining notional balance.

(2) The Authority has the right to terminate the swap at no expense on or after 4/1/18 up to \$59,340,000

(3) The Authority has the right to terminate the swap at no expense on or after 4/1/18 up to \$26,785,000

(4) The Authority has the right to terminate the swap at no expense on or after 10/1/09 up to \$16,576,000

(5) The Authority has the right to terminate the swap at no expense on or after 11/1/17 up to \$21,765,000

(6) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$27,305,000

(7) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$43,170,000

(8) The Authority has the right to terminate the swap at no expense on or after 5/1/15 up to \$28,780,000

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(5) Interest Rate Swaps (continued)

Swap Payments and Associated Debt

Using interest rates as of December 31, 2003, debt service requirements of the Authority's outstanding hedged variable-rate debt and net swap payments are as follows. As rates vary, variable interest rate payments on the bonds and net swap payments will vary.

	Principal	Interest	Swaps, Net	Total
2004	\$ 22,715	\$ 14,822	\$ 32,011	\$ 69,548
2005	47,470	14,611	31,011	93,092
2006	57,700	13,964	29,317	100,981
2007	57,260	13,240	27,310	97,810
2008	52,530	12,459	25,497	90,486
2009-2013	202,695	52,845	102,345	357,885
2014-2018	184,170	37,997	71,653	293,820
2019-2023	171,130	20,533	38,264	229,927
2024-2028	84,375	8,485	16,158	109,018
2029-2033	49,415	1,950	3,889	55,254
Total	\$ 929,460	\$ 190,906	\$ 377,455	\$ 1,497,821

Although the Authority executes swap transactions with various counterparties, 26 swaps, approximately 93% of the notional amount of swaps outstanding, are held with two separate AAA/Aaa rated special purpose vehicles, both of which are wholly owned subsidiaries of the same parent company (57% of the notional amount outstanding are held with the special purpose vehicle with a continuation structure and 36% are held with the special purpose vehicle with a terminating structure). Of the remaining swaps, the Authority holds 2 agreements, approximately 7% of the notional amount outstanding, with two counterparties rated AAA/Aaa, one of which operates as a special purpose vehicle with a terminating structure.

Risk Disclosure

Credit Risk

Because all of the Authority's swaps rely upon the performance of the third parties who serve as swap counterparties, the Authority is exposed to credit risk, i.e.; the risk that a swap counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the fair value of the swaps, as shown in the columns labeled Fair Value in the tables above. As of December 31, 2003, the

Authority was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Authority would be exposed to credit risk in the amount of the derivatives' fair value. To mitigate credit risk, the Authority maintains strict credit standards for swap counterparties. All swap counterparties must be rated in the double-A or higher category by either Moody's or Standard & Poor's at the time the contract is entered into.

Basis Risk

The Authority's tax-exempt variable-rate bond coupon payments are substantially equivalent to the BMA rate (plus a trading spread). The Authority is receiving either its actual variable rate BMA cost or a rate indexed on BMA for all of its tax-exempt swaps and is not exposed to basis risk, except in the situation of a tax event for certain swaps. Certain tax-exempt swaps, as indicated in the table above, contain tax risk language where in the occurrence of a tax event as described in the underlying contracts, the

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(5) Interest Rate Swaps (continued)

Authority would receive an alternative variable rate pegged at a percentage of LIBOR.

For those tax-exempt swaps containing tax risk language, for which the Authority could receive a variable-rate payment other than actual or BMA, the Authority would then be exposed to basis risk should the relationship between LIBOR and BMA converge. If a tax event occurs that results in the rates moving to convergence, the expected interest rate savings may not be realized.

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

Termination Risk

The Authority's swap agreements do not contain any out-of-the-ordinary termination events that would expose it to significant termination risk. In keeping with market standards the Authority or the counterparty may terminate each swap if the other party fails to perform under the terms of the contract. In addition, the swap documents allow either party to

terminate in the event of a significant loss of creditworthiness. The Authority views such events to be remote at this time. If at the time of the termination a swap has a negative value, the Authority would be liable to the counterparty for a payment equal to the fair value of such swap.

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

Rollover Risk

The Authority is exposed to rollover risk only on swaps that mature or may be terminated at the counterparty's option prior to the maturity of the associated debt. As of December 31, 2003, the Authority is not exposed to rollover risk.

Amortization Risk

The Authority is exposed to amortization risk in the event that the swap amortization schedules fail to match the actual amortization of the underlying bonds as a result of loan prepayments which significantly deviate from expectations. If prepayments are significantly higher than anticipated, the Authority would have the option of reinvesting or recycling the prepayments, or calling bonds which are not swapped. Alternatively, if the Authority chose to call bonds associated with the swap, the Authority could elect an early termination of the related portions of the swap at a potential cost to the Authority.

If prepayments are significantly lower than anticipated and the associated bonds remained outstanding longer than the relevant portion of the swap, the Authority could experience an increase in its exposure to unhedged variable rate bonds. Alternatively, the Authority could choose to enter into a new swap or an extension of the existing swap. If interest rates are higher at the time of entering into a new swap or swap extension, such action would result in a potential cost to the Authority.

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(6) Debt Refundings

On September 24, 2003, the Authority issued its Multi-Family/Project Bonds 2003 Series A, in the aggregate principal amount of \$48,780,000. Proceeds of the bonds and other surpluses were used to refund its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds 1993 Series A in the amount of \$11,365,000. Included in the refunding bond issue are variable rate bonds with interest rates during 2003 ranging from a weekly high of 1.25% which could result in a decrease in aggregate debt service requirements of \$6,302,000 and an approximate economic gain to the Authority of \$6,770,000, to a weekly low of 1.09% which could result in a decrease in aggregate debt service requirements of \$6,866,000 and an approximate economic gain to the Authority of \$7,187,000.

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 for new mortgage loans and 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. 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.

Prior to 2003, economic gain or loss was calculated as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements less related upfront costs of issuance, bond call premiums and bond insurance premiums, discounted at the effective interest rate.

In accordance with Governmental Accounting Standards Board Statement No. 23, the following deferred amounts related to the 2003 and 2002 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	2003	2002
Multi-Family Housing Insured Mortgage Revenue Bonds, 1993 Series A		
Call premium	\$ 227	\$ —
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 costs	—	116
Call premium	—	169
Total Deferred Amount	\$ 227	\$ 2,764

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(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, 1977, 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 9.6% and 8%, respectively for 2003, and 9.19% and 8%, respectively for 2002, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was \$8,497,000 and \$8,221,000 for 2003 and 2002, respectively. Contributions by the Authority and employees approximated \$816,000 and \$685,000, respectively, for 2003, while for 2002 the amounts were \$755,000 and

\$666,000, 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, 2002, 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 \$1,966,143,000 and \$1,422,948,000, respectively. There were no unfunded liabilities in the Municipal Division as of December 31, 2002.

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.

Notes to Financial Statements

Years Ended December 31, 2003 and 2002

(amounts for all notes in tabular format are in thousands)

(7) Retirement Plans (continued)

Included in the Authority's general obligation debt are bonds payable to PERA of \$29,941,000 and \$48,746,000 at December 31, 2003 and 2002, 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 as part of the 401(k) Match and in addition to the 1% the Authority matches half of the employee's 401(k) contribution up to 5% of the participating employee's gross salary. The Authority's match is a maximum of 3.5%, which includes the 1% contribution. In addition, the Authority participates in PERA's MatchMaker Program, which uses a portion of the employer's contributions as a dollar-for-dollar match to the 401(k) plan, not to exceed 2% of the employee's gross salary. Contributions to the matchmaker program were \$141,000 and \$214,000 for 2003 and 2002 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. Any changes or modifications to the deferred compensation plan must be approved by the Board of Directors. The plan is administered by an independent trustee.

(8) Contingencies

The Authority is the responding party in two employment-related claims and believes that the chance of successfully defending the claims is high, with no material loss anticipated. In addition, two of the Authority's blended component units are respondents in legal actions for personal injuries; the Authority believes that these actions are barred, or recovery limited, by statute, and no material loss is anticipated.

Supplemental Information

For the Year Ended December 31, 2003 with comparative totals for 2002 (in thousands)

Statements of Net Assets by Program

	General Fund	Single Family	Multi-Family	Eliminations	2003	2002
Assets						
Current Assets:						
Cash and interest bearing accounts	\$ 8,300	\$ —	\$ —	\$ —	\$ 8,300	\$ 20,791
Short-Term marketable securities	83,357	439,481	124,309	—	647,147	606,803
Loans receivable	5,632	33,919	18,719	(545)	57,725	52,796
Accrued interest receivable	2,173	10,012	7,456	(102)	19,539	17,658
Deferred debt financing costs	23	517	122	—	662	761
Other assets	7,384	1,776	—	—	9,160	8,843
Federally assisted program advances	1,924	—	—	—	1,924	860
Due to (from) other programs	(21,439)	24,871	(3,432)	—	—	—
Total Current Assets	87,354	510,576	147,174	(647)	744,457	708,512
Noncurrent Assets:						
Long-Term marketable securities restricted	545	78,781	70,135	—	149,461	132,973
Long-Term marketable securities unrestricted	6,829	—	—	—	6,829	14,119
Loans receivable, net	163,320	983,653	542,852	(15,815)	1,674,010	1,531,076
Property and equipment:						
Corporate facilities	5,625	—	—	—	5,625	5,572
Rental operations	28,733	—	—	—	28,733	28,086
Other real estate owned, net	4,172	1,600	—	—	5,772	5,380
Deferred debt financing costs, net	416	9,305	2,202	—	11,923	13,699
Other assets, net	8,918	—	—	—	8,918	8,301
Total Noncurrent Assets	218,558	1,073,339	615,189	(15,815)	1,891,271	1,739,206
Total Assets	\$ 305,912	\$ 1,583,915	\$ 762,363	\$ (16,462)	\$ 2,635,728	\$ 2,447,718
Liabilities and Net Assets						
Current Liabilities:						
Bonds payable	\$ 11,026	\$ 243,535	\$ 18,393	\$ —	\$ 272,954	\$ 176,126
Notes payable	86,594	—	—	—	86,594	113,378
Accrued interest payable	1,142	13,273	8,569	(102)	22,882	27,058
Accounts payable and other liabilities	6,754	186	327	—	7,267	7,721
Federally assisted program advances	1,924	—	—	—	1,924	860
Refundable deposits	1,903	—	—	—	1,903	1,698
Total Current Liabilities	109,343	256,994	27,289	(102)	393,524	326,841
Noncurrent Liabilities:						
Bonds payable, net	41,406	1,269,390	714,042	—	2,024,838	1,918,377
Notes payable, net	23,597	—	—	(16,360)	7,237	3,844
Deferred fee income	362	—	—	—	362	358
Total Noncurrent Liabilities	65,365	1,269,390	714,042	(16,360)	2,032,437	1,922,579
Total Liabilities	174,708	1,526,384	741,331	(16,462)	2,425,961	2,249,420
Net Assets						
Invested in capital assets, net of related debt	6,636	—	—	—	6,636	5,327
Restricted	—	57,531	21,032	—	78,563	75,323
Unrestricted	124,568	—	—	—	124,568	117,648
Total Net Assets	131,204	57,531	21,032	—	209,767	198,298
Total Liabilities and Net Assets	\$ 305,912	\$ 1,583,915	\$ 762,363	\$ (16,462)	\$ 2,635,728	\$ 2,447,718

See the Independent Auditors' Reports, the audited financial statements and accompanying notes

Supplemental Information

For the Year Ended December 31, 2003 with comparative totals for 2002 (in thousands)

Statements of Revenues, Expenses and Changes in Net Assets by Program

	General Fund	Single Family	Multi-Family	Eliminations	2003	2002
Operating Revenues:						
Interest on loans	\$ 10,094	\$ 48,924	\$ 36,072	\$ (1,229)	\$ 93,861	\$ 86,960
Investment income	1,955	14,566	7,283	—	23,804	23,521
Net increase (decrease) in FMV of securities	(570)	(1,873)	(1,135)	—	(3,578)	3,904
Rental operations	9,549	—	—	—	9,549	10,569
Other revenues	14,058	—	—	—	14,058	12,422
Program fees	4,665	(510)	(4,155)	—	—	—
Total Operating Revenues	39,751	61,107	38,065	(1,229)	137,694	137,376
Operating Expenses:						
Interest expense, bonds and notes	5,345	56,310	32,631	(1,657)	92,629	90,852
Salaries and related benefits	11,545	—	—	—	11,545	10,869
General operating	13,651	436	273	—	14,360	10,278
Other interest expense	1,260	—	—	428	1,688	1,715
Depreciation	2,745	—	—	—	2,745	2,246
Provision for losses	133	354	3,063	—	3,550	4,147
Total Operating Expenses	34,679	57,100	35,967	(1,229)	126,517	120,107
Operating Income	5,072	4,007	2,098	—	11,177	17,269
Nonoperating Revenues:						
Grant Income	292	—	—	—	292	222
Federal grant receipts	83,210	—	—	—	83,210	80,858
Federal grant payments	(83,210)	—	—	—	(83,210)	(80,858)
Total Nonoperating Revenues	292	—	—	—	292	222
Income Before Transfers	5,364	4,007	2,098	—	11,469	17,491
Transfers (To) From Other Programs	2,865	(2,623)	(242)	—	—	—
Change in Net Assets	8,229	1,384	1,856	—	11,469	17,491
Net Assets:						
Beginning of year	122,975	56,147	19,176	—	198,298	180,807
End of year	\$ 131,204	\$ 57,531	\$ 21,032	\$ —	\$ 209,767	\$ 198,298

See the Independent Auditors' Reports, the audited financial statements and accompanying notes

Supplemental Information

For the Year Ended December 31, 2003 with comparative totals for 2002 (in thousands)

Statements of Cash Flows by Program

	General Fund	Single Family	Multi-Family	Eliminations	2003	2002
Cash Flows From Operating Activities:						
Interest received on loans receivable	\$ 8,684	\$ 59,204	\$ 33,875	\$ (1,228)	\$ 100,535	\$ 98,697
Receipts from principal payments on loans	31,594	377,977	60,408	—	469,979	366,043
Interest received from marketable securities	2,145	14,748	7,397	—	24,290	24,395
Receipts from rental operations	9,577	—	—	—	9,577	10,546
Receipts from other program revenues	14,233	—	—	—	14,233	12,400
Receipts from sales of other real estate owned	—	2,040	—	—	2,040	6,795
Receipts from loan fundings fees	2,912	—	336	—	3,248	2,456
Receipts from accounts payable, federally assisted programs, and escrow	1,100	(61)	(70)	—	969	2,095
Payments for loan fundings	(490,993)	(31,611)	(113,176)	—	(635,780)	(567,216)
Interest paid on bonds and notes	(5,518)	(69,853)	(32,082)	1,657	(105,796)	(102,716)
Payments for salaries and related benefits	(11,323)	—	—	—	(11,323)	(10,559)
Payments for general operating expenses	(9,610)	(436)	(273)	—	(10,319)	(9,301)
Payments for other interest	(1,259)	—	—	(429)	(1,688)	(1,715)
Payment for loan fundings fees	(1,882)	(601)	—	—	(2,483)	(9,763)
Payments from other assets	(4,889)	(4)	75	—	(4,818)	(219)
Cash due to (from)	393,615	(371,567)	(22,048)	—	—	—
Net Cash Provided by (used in) Operating Activities	(61,614)	(20,164)	(65,558)	—	(147,336)	(178,062)
Cash Flows From Noncapital Financing Activities:						
Proceeds from issuance of notes	3,416,716	—	—	—	3,416,716	1,832,955
Proceeds from issuance of bonds	8,985	584,723	48,780	—	642,488	841,966
Receipts from grants	292	—	—	—	292	222
Receipts from federal grants	83,210	—	—	—	83,210	80,858
Equity transfers	2,865	(2,623)	(242)	—	—	—
Payments for federal grant programs	(83,210)	—	—	—	(83,210)	(80,858)
Payments for notes	(3,440,106)	—	—	—	(3,440,106)	(1,820,233)
Payments for bonds	(24,735)	(356,205)	(44,118)	—	(425,058)	(434,444)
Payments for debt financing costs	—	(3,076)	329	—	(2,747)	(4,437)
Payments for bond call premiums	—	—	(227)	—	(227)	(1,549)
Net Cash Provided by (used in) Noncapital Financing Activities	(35,983)	222,819	4,522	—	191,358	414,480
Cash Flows From Capital and Related Financing Activities						
Sale of property and equipment - rental operations	6	—	—	—	6	—
Purchase of property and equipment - corporate facilities	(875)	—	—	—	(875)	(1,002)
Purchase of property and equipment - rental operations	(2,576)	—	—	—	(2,576)	(3,240)
Net Cash Provided by (used in) Capital and Related Financing Activities	(3,445)	—	—	—	(3,445)	(4,242)
Cash Flows From Investing Activities:						
Proceeds from long-term marketable securities	13,563	18,398	46,867	—	78,828	65,850
Purchase of long-term marketable securities	(5,575)	(37,499)	(48,478)	—	(91,552)	(94,942)
Net Cash Provided by (used in) Investing Activities	7,988	(19,101)	(1,611)	—	(12,724)	(29,092)
Net Increase (Decrease) in Cash and Cash Equivalents						
	(93,054)	183,554	(62,647)	—	27,853	203,084
Cash and Cash Equivalents at Beginning of Year	184,711	255,927	186,956	—	627,594	424,510
Cash and Cash Equivalents at End of Year	\$ 91,657	\$ 439,481	\$ 124,309	\$ —	\$ 655,447	\$ 627,594

See the Independent Auditors' Reports, the audited financial statements and accompanying notes

(continued)

Supplemental Information

For the Year Ended December 31, 2003 with comparative totals for 2002 (in thousands)

Statements of Cash Flows by Program

	General Fund	Single Family	Multi-Family	Eliminations	2003	2002
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:						
Operating income	\$ 5,072	\$ 4,007	\$ 2,098	\$ —	\$ 11,177	\$ 17,269
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:						
Increase (decrease) in fair value of investments	570	1,873	1,135	—	3,578	(3,904)
Depreciation expense	2,745	—	—	—	2,745	2,246
Loss on sale of property and equipment	—	—	—	—	—	2
Gain on sale of long-term marketable securities	—	—	—	—	—	(103)
Accretion of capital appreciation term bonds	—	641	—	—	641	644
Amortization of:						
Deferred debt financing costs	26	4,738	514	—	5,278	6,832
Premiums and discounts on bonds, net	—	(14,909)	(2)	—	(14,911)	(21,172)
Premiums and discounts on long-term marketable securities, net	(88)	98	(61)	—	(51)	(78)
Deferred fee income	(1,988)	—	(418)	—	(2,406)	(2,304)
Deferred cash assistance expense	592	10,908	—	—	11,500	15,937
Service release premium expense	4,352	—	—	—	4,352	1,550
Mortgage yield recoupment income	—	—	—	—	—	(22)
Provision for losses	133	354	3,063	—	3,550	4,147
Principal repayments on loans receivable	31,594	377,977	60,407	—	469,978	366,043
Sale of other real estate owned	—	2,040	—	—	2,040	6,795
New loan fundings	(490,993)	(31,611)	(113,177)	—	(635,781)	(567,216)
Deferred fee income	2,912	—	335	—	3,247	2,456
Deferred cash assistance expense	(1,882)	(602)	—	—	(2,484)	(9,763)
Changes in assets and liabilities:						
Accrued interest receivable	264	(542)	(1,604)	—	(1,882)	(820)
Other assets	(4,620)	(4)	76	—	(4,548)	(478)
Accrued interest payable	(199)	(4,013)	37	—	(4,175)	1,834
Accounts payable and other liabilities, federally assisted program advances, escrow and refundable deposits	946	(61)	(69)	—	816	2,043
Cash due to (from)	388,950	(371,058)	(17,892)	—	—	—
Net cash provided by (used in) operating activities	\$ (61,614)	\$ (20,164)	\$ (65,558)	\$ —	\$ (147,336)	\$ (178,062)

Supplemental schedule of non-cash operating, noncapital financing, capital and related financing and investing activities:

Transfer of mortgage loans to other real estate owned	(1,120)	2,570	982	—	2,432	7,716
Transfer of loans receivable to other assets	103	1,700	—	—	1,803	5,582
Transfer of allowance on loans receivable to allowance on other real estate owned	—	—	—	—	—	87
Transfer of deferred debt financing costs to deferred refunding	—	—	—	—	—	1,359
Transfer of deferred fee income to deferred refunding	—	—	—	—	—	145
Transfer of other assets to deferred refunding	—	—	—	—	—	1,003
Transfer of other real estate owned to other assets	—	—	—	—	—	2,150

See the Independent Auditors' Reports, the audited financial statements and accompanying notes

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APPENDIX B

Outstanding Master Indenture Obligations

Outstanding Master Indenture Bonds

The Authority has previously issued under the Master Indenture the following seven series of Bonds: 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 \$31,175,000; its Multi-Family/Project Bonds, 2001 Series A (the "**2001 Series A Bonds**") outstanding in the aggregate principal amount of \$37,670,000; its Multi-Family/Project Bonds, 2002 Series A (the "**2002 Series A Bonds**") outstanding in the aggregate principal amount of \$41,720,000; its Multi-Family/Project Bonds, 2002 Series B (the "**2002 Series B Bonds**") outstanding in the aggregate principal amount of \$35,715,000; its Multi-Family/Project Bonds, 2002 Series C (the "**2002 Series C Bonds**") outstanding in the aggregate principal amount of \$142,720,000; and its Multi-Family/Project Bonds, 2003 Series A (the "**2003 Series A Bonds**") outstanding in the aggregate principal amount of \$48,780,000.

Upon issuance of the 2004 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 2000 Series A-1	\$27,785,000			
Adjustable 2000 Series A-1			\$18,500,000(1)	
Adjustable 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	\$ 7,450,000			
2000 Series B-2	13,880,000			
Adjustable 2000 Series B-3	5,000,000			
2000 Series B-4	4,845,000			
Total 2000 Series B Bonds				<u>\$ 31,175,000</u>
2001 Series A Bonds:				
2001 Series A-1	\$ 24,240,000			
2001 Series A-2		\$10,580,000		
2001 Series A-2			\$ 2,850,000(1)	
Total 2001 Series A Bonds				<u>\$ 37,670,000</u>
2002 Series A Bonds:				
Adjustable 2002 Series A-1	\$ 9,410,000			
2002 Series A-2	3,240,000			
2002 Series A-3		\$ 5,735,000		
Adjustable 2002 Series A-4	19,450,000			
2002 Series A-5	3,885,000			
Total 2002 Series A Bonds				<u>\$ 41,720,000</u>
2002 Series B Bonds:				
Adjustable 2002 Series B-1	\$ 27,630,000			
Adjustable 2002 Series B-2			\$8,085,000(1)	
Total 2002 Series B Bonds				<u>\$ 35,715,000</u>
2002 Series C Bonds:				
Taxable Adjustable 2002 Series C-1	\$ 10,920,000			
Adjustable 2002 Series C-2	70,715,000			
2002 Series C-3	16,550,000			
Adjustable 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>
2004 Series A Bonds:				
Taxable Adjustable 2004 Series A-1	\$66,280,000(1)			
Adjustable 2004 Series A-2	10,785,000			
2004 Series A-3		\$12,050,000		
Total 2004 Series A Bonds				<u>\$92,145,000</u>
Total Outstanding Bonds (Pro Forma)	<u>\$413,555,000</u>	<u>\$51,465,000</u>	<u>\$29,435,000</u>	<u>\$494,455,000</u>

(1) Designated as general obligations of the Authority.

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," the "2002C Counterparty" and the "2003A 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	\$ 7,395,000			
Total 2000 Series B Derivative Products				<u>\$ 7,395,000</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 2002 Series C Derivative Products				<u>\$113,595,000</u>
2003 Series A Derivative Products				
Taxable Adjustable Rate 2003 Series A-1	\$26,270,000			
Total 2003 Series A Derivative Products				<u>\$ 26,270,000</u>
Total Outstanding Derivative Products	<u>\$180,965,000</u>	<u>\$ _____ 0</u>	<u>\$18,500,000</u>	<u>\$199,465,000</u>

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. Pursuant to the Taxable 2003A Derivative Product, the Authority is to 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'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 2004A Derivative Product expected to be entered in connection with the 2004 Series A Bonds, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2004A 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 22, 2005
2002 Series C-1, C-2 and C-4	November 14, 2007
2003 Series A-1 and A-2	September 23, 2008

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 2004A Adjustable Rate 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 2004A LIQUIDITY FACILITY." See also **Appendix I** – "THE 2004A LIQUIDITY FACILITY PROVIDER."

APPENDIX C

Summary of Certain Provisions of the Indenture

The Master Indenture and the Series 2004A Indenture (collectively, the "**Indenture**") contain various provisions and covenants, some of which are summarized below. Reference is made to the Indenture for a full and complete statement of its provisions. Copies of the Indenture are available as provided in "Part II - MISCELLANEOUS."

Certain Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Any Investment Agreement;

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

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

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

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

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

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

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

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

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

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

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

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

"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 2004 Series A-1 Bonds or 2004 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 2004 Series A-1 Bonds or 2004 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 2004 Series A-1 Bonds or 2004 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, 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 2004 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 2004 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, 2003 Series A Bonds or 2004 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 2004 Series A Bonds (except as noted):

Asset Coverage Divisors

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

(1) The Series Indenture related to the 2000 Series A Bonds does not distinguish between Section 542(c) Loans and other FHA-Insured Loans. The Asset Coverage Divisor for all FHA-Insured Loans related to the 2000 Series A Bonds is 1.12 for the Class I Asset Requirement and 1.015 for the Class II Asset Requirement.

(2) The Uninsured Rental Loans and Uninsured Business Loans expected to be acquired using proceeds of the Taxable Adjustable 2004 Series A-1 Bonds as described in **Appendix G-1** hereto will be included within this category for purposes of determining the applicable Asset Coverage Divisor because the Taxable Adjustable 2004 Series A-1 Bonds financing these Uninsured Loans will be backed by a general obligation of the Authority. Certain outstanding Uninsured Loans described in **Appendix G-2** have been funded with Bonds backed by a general obligation of the Authority and will also be included within this category.

(3) As may be specified by the Rating Agencies from time to time at the request of the Authority.

APPENDIX E

Form of Bond Counsel Opinion

September 22, 2004

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, 2004 Series A-1
Multi-Family/Project Class I Adjustable Rate Bonds, 2004 Series A-2
Multi-Family/Project Class II Bonds, 2004 Series A-3

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance by the Authority of its Taxable Multi-Family/Project Class I Adjustable Rate Bonds, 2004 Series A-1 (the "2004 Series A-1 Bonds"), Multi-Family/Project Class I Adjustable Rate Bonds, 2004 Series A-2 (the "2004 Series A-2 Bonds") and Multi-Family/Project Class II Bonds, 2004 Series A-3 (the "2004 Series A-3 Bonds and, together with the 2004 Series A-1 Bonds and the 2004 Series A-2 Bonds, the "2004 Series A Bonds") in the aggregate principal amount of \$89,115,000. 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 2004 Series A Bonds are authorized and issued pursuant to the Master Indenture of Trust, dated as of March 1, 2000, as supplemented by the 2004 Series A Indenture of Trust dated as of September 1, 2004 (together, the "Indenture") between the Authority and Wells Fargo Bank, 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 2004 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 2004 Series A-2 Bonds and the 2004 Series A-3 Bonds (except for interest on any 2004 Series A-2 Bond for any period during which it is held by a "substantial user" of facilities financed with the 2004 Series A-2 Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code")), is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code ; however, interest on the 2004 Series A-2 Bonds is an item of tax preference for purposes of calculating alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and interest on the 2004 Series A-3 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents or certain other certifications furnished to us.

5. Interest on the 2004 Series A-1 Bonds is not excluded from gross income for federal income tax purposes.

6. The 2004 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 2004 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 2004 Series A-1 Bonds and the 2004 Series A-2 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 2004 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 2004 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 2004A Loans

Existing Loans to be Acquired

The Authority expects to acquire the existing Uninsured Rental Loans, Uninsured Business Loans and federally guaranteed loan participation interests described below (which are presently held in the Authority's General Fund) using proceeds of the 2004 Series A Bonds as described in "Part I – PLAN OF FINANCE – Uses of Amounts in Acquisition Account." The Indenture, however, permits the Authority at its option to purchase or originate Loans or acquire Projects other than those described below.

Existing Uninsured Rental Loans

The Authority has originated Uninsured Rental Loans as part of its multi-family SMART Program. For a brief description of the SMART Program, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Programs to Date – Multi-Family Housing Programs." The Authority expects to use proceeds of the 2004 Series A Bonds to acquire as 2004A Loans certain of such existing Uninsured Rental Loans currently held by the Authority in its General Fund.

The existing Uninsured Rental Loans under the SMART program expected to be acquired as 2004A Loans, all of which are current in repayment, are listed on the following table:

Existing Uninsured Rental Loans (SMART Program) to be Acquired

(as of August 1, 2004)

Borrower/ Project	Location	Units	Original Loan Amount	Outstanding Principal Amount of Loan	Mortgage Rate	Loan Date	Maturity	Series for Funding
Cortez Associates	Cortez	60	\$ 651,600	\$ 649,155	6.35%	2/25/04	3/1/34	2004A-1
Mountain View	Gunnison	28	528,100	523,448	5.75%	10/29/03	11/1/33	2004A-3
Fountain Townhomes	Fountain	14	452,800	449,443	5.75%	11/24/03	12/1/33	2004A-3
Zuni Plaza	Denver	84	1,100,000	1,093,656	6.25%	12/19/03	1/1/34	2004A-3
Corazon Square	Trinidad	50	676,700	673,133	5.75%	2/18/04	3/1/34	2004A-3
Island Grove Village	Greeley	108	<u>1,229,900</u>	<u>1,227,468</u>	6.05%	4/8/04	5/1/34	2004A-3
		Total	<u>\$4,639,100</u>	<u>\$4,616,303</u>				

Existing Uninsured Business Loans

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

The existing Uninsured Business Loans under these business loan programs expected to be acquired or refinanced as 2004A Loans, all of which are current in repayment, are listed on the following table:

Existing Uninsured Business Loans to be Acquired
(as of August 1, 2004)

Type of Borrower	Business Program	Location	Original Loan Amount	Outstanding Principal Amount of Loan	Loan Interest Rate	Loan Date	Maturity	Series for Funding
Human Services	CHFA Direct	Aurora	\$ 487,296	\$ 480,750	7.15%	11/18/03	12/1/2023	2004A-1
Retail Sales	CHFA Direct	Lakewood	1,190,000	1,123,361	7.35%	1/25/02	2/1/2022	2004A-1
Manufacturing	CHFA Direct	Penrose	700,000	664,937	7.25%	4/9/02	5/1/2022	2004A-1
Manufacturing	CHFA Direct	Denver	1,000,000	967,541	6.75%	2/3/03	1/28/2023	2004A-1
Retail Sales	CHFA Direct	Steamboat Springs	1,700,000	1,615,116	6.85%	2/14/03	3/1/2018	2004A-1
Trade Group	CHFA Direct	Denver	396,000	392,645	6.25%	2/26/04	3/1/2024	2004A-1
Retail Sales	CHFA Direct	Boulder	182,695	181,300	7.12%	1/26/04	2/1/2024	2004A-1
Housing Services	CHFA Direct	Boulder	199,295	197,715	6.81%	2/18/04	3/1/2024	2004A-1
Retail Sales	CHFA Direct	Denver	280,000	277,791	6.74%	4/30/04	5/1/2012	2004A-1
Retail Sales	CHFA Direct	Longmont	<u>476,000</u>	<u>476,000</u>	6.82%	5/18/04	6/1/2024	2004A-1
		Subtotal	<u>\$6,611,286</u>	<u>\$6,377,156</u>				
Hotel	CHFA Rural	Cheyenne Wells	\$ 248,500	\$ 248,500	5.00%	6/1/04	7/1/2024	2004A-1
Human Services	CHFA Rural	Crested Butte	<u>450,000</u>	<u>442,818</u>	5.68%	9/4/03	10/1/2023	2004A-1
		Subtotal	<u>\$ 698,500</u>	<u>\$ 691,318</u>				
Human Services	NPRE	Denver	\$1,207,500	\$1,163,903	7.36%	11/27/02	12/1/2022	2004A-1
Economic Development	NPRE	Denver	1,125,000	1,119,396	7.00%	1/20/04	2/1/2029	2004A-1
Economic Development	NPRE	Denver	900,000	900,000	6.40%	5/25/04	6/1/2024	2004A-1
Human Services	NPRE	Denver	<u>6,200,000</u>	<u>6,147,177</u>	6.20%	1/29/04	12/1/2023	2004A-3
		Subtotal	<u>\$9,432,500</u>	<u>\$9,330,476</u>				
Retail Sales	SBA 504	Denver	\$2,976,546	\$2,976,546	6.99%	3/25/04	6/1/2024	2004A-1
Automotive	SBA 504	Steamboat Springs	375,000	375,000	6.71%	3/30/04	6/1/2024	2004A-1
Human Services	SBA 504	Wheatridge	181,900	173,894	7.25%	5/28/02	6/1/2022	2004A-1
Human Services	SBA 504	Pueblo	<u>527,295</u>	<u>527,295</u>	6.84%	6/16/04	9/1/2024	2004A-1
		Subtotal	<u>\$4,060,741</u>	<u>\$4,052,735</u>				
		Total	<u>\$20,803,027</u>	<u>\$20,451,685</u>				

Existing Uninsured Business Loans to be Refinanced*

(as of August 1, 2004)

<u>Type of Borrower</u>	<u>Business Program</u>	<u>Location</u>	<u>Original Loan Amount</u>	<u>Outstanding Principal Amount of Loan</u>	<u>Loan Interest Rate</u>	<u>Loan Date</u>	<u>Maturity</u>	<u>Series for Funding</u>
Auto Service	SBA 504	Lafayette	\$ 182,700	\$146,098	9.00%	12/1/96	11/1/2016	2004A-1
Manufacturing	SBA 504	Denver	1,107,720	892,378	9.00%	2/1/97	1/1/2017	2004A-1
Retail	SBA 504	Steamboat Springs	654,312	541,686	9.50%	7/1/97	6/1/2017	2004A-1
Manufacturing	SBA 504	Englewood	234,000	194,002	9.40%	8/1/97	7/1/2017	2004A-1
Day Care	SBA 504	Boulder	355,500	296,675	9.40%	9/1/97	8/1/2017	2004A-1
Landscape	SBA 504	Littleton	232,335	194,626	9.25%	10/1/97	10/1/2017	2004A-1
Certified Public Acct.	SBA 504	Denver	<u>95,670</u>	<u>77,967</u>	6.15%	1/1/98	12/1/2017	2004A-1
		Total	<u>\$2,862,237</u>	<u>\$2,343,432</u>				

*To be refinanced and transferred to the Trust Estate in connection with the refunding of the 1997A Bonds. See "Part I – PLAN OF FINANCE – Refunding of 1997A Bonds."

Existing Federally Guaranteed Loan Participation Interests

The Authority also expects to use certain proceeds of the 2004 Series A Bonds to acquire existing federally guaranteed loan participation interests (currently held by the Authority in its General Fund) made under the Authority's QAL and B&I II Programs described in "Part II – COLORADO HOUSING AND FINANCE AUTHORITY – Business Loan Programs." The following table provides summary information regarding the existing participation interests under the Authority's QAL and B&I II Programs expected to be acquired as 2004A Loans:

Existing Participation Interests (QAL and B&I II) to be Acquired

(as of August 1, 2004)

<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>	<u>Series for Funding</u>
QAL	2	\$ 189,450	5.99%	FSA	2019	2004A-1
B&I II	2	1,515,833	6.09%-6.19%	RBS	2027	2004A-1

Loans Expected to be Originated

Federally Insured Loans

The Insured Rental Loans expected to be originated by the Authority under the Authority's multi-family loan program using proceeds of the Taxable Adjustable 2004 Series A-1 Bonds (except in the case of the Hampden Town Center) and the Adjustable 2004 Series A-2 Bonds, in an estimated aggregate principal amount of \$11,031,000, are described below.

Arvada House Apartments. One 2004A Multi-Family Project is expected to be the acquisition and renovation of Arvada House Apartments by AIMCO Capital, Inc. (AIMCO). The amount of the 2004A Loan for the Arvada House Apartments is expected to be approximately \$4,300,000. Total project cost is estimated at approximately \$6,900,000, with the balance expected to be funded with proceeds from the sale of low income housing tax credits, sponsor cash and deferred developer fees.

Arvada House Apartments is composed of 88 units in one six-story building in the City of Arvada. Constructed in 1977, the project consists entirely of one-bedroom units for independent elderly, with a picnic area and a common laundry. Renovation is expected to consist of primarily updating existing amenities. Each unit will receive new energy efficient windows, carpet, vinyl, appliances, cabinets and fixtures. The parking lot will be replaced, as will two of the central air conditioning units serving the building hallways.

All units are currently receiving Section 8 project-based assistance under a Housing Assistance Payment contract that will expire in September 2004. See "Part II – CERTAIN BONDOWNERS' RISKS – Expiration of HAP Contracts." As a condition to the Authority's financing, the new owners is required to apply for HAP contract renewals as permitted under applicable HUD regulations. See **Appendix K – "DESCRIPTION OF SECTION 8 SUBSIDY PROGRAM – Recent Developments – Mark-to-Market Program and Other Options for Expiring HAP Contracts."** Based on a third-party rent comparability study conducted in 2004, the Authority believes that rents at Arvada House Apartments are below current market levels. The Authority has underwritten the 2004A Loan for the Arvada House Apartments based on the existing rents and assuming the contract will be renewed at a rate no lower than market rents.

The Borrower for Arvada House Apartments is Arvada House Preservation Limited Partnership having AIMCO as its general partner.

AIMCO Capital will provide tenant certifications and property management services for Arvada House Apartments. AIMCO has been in the property management business for 25 years, and currently manages over 2,000 subsidized and income-restricted units in Colorado.

The following assumptions as to the economic feasibility of the 2004A Multi-Family Project relating to Arvada House Apartments have been made in the application to the FHA for Section 542(c) insurance.

Assumptions as to Arvada House Apartments

Estimated Annual Project Gross Income at Occupancy of 100%	\$696,788
Estimated Annual Effective Gross Income at Estimated Occupancy of 95%	\$661,949
Estimated Total Annual Project Expenses (including Administrative, Operating, Service, Maintenance and Taxes)	\$308,227
Estimated Annual Net Income	\$353,722
Annual Mortgage Loan Payment	\$289,611

University Plaza Apartments. Another 2004A Multi-Family Project is expected to be the acquisition and renovation of University Plaza Apartments by University Plaza Investment Group, LLC. The amount of the 2004A Loan for the University Plaza Apartments is expected to be approximately \$1,170,000. Total project cost is estimated at approximately \$1,670,630.

University Plaza Apartments is composed of 34 units in one two-and-a-half story building near the University of Northern Colorado in Greeley. Constructed in 1904, the project consists entirely of one-bedroom/1-bath units (3 are designated as handicap accessible) for low-income elderly and disabled. Project amenities include meeting rooms, laundry facilities, and a reception area. Renovation is expected to consist of replacement of windows, updating of the elevator, replacement of exterior siding, and replacement of carpet, vinyl, and appliances in approximately half the units.

All units are federally subsidized under a Housing Assistance Payment contract that expired in October 2001. See "Part II – CERTAIN BONDOWNERS' RISKS – Expiration of HAP Contracts." The existing ownership entered the property into HUD's Mark-to-Market program in October 2001 as the HAP contract's rents were greater than rents found in comparable properties in the Greeley Market. The Authority served as the restructuring agent for HUD in the Mark-to-Market process. See **Appendix K – "DESCRIPTION OF SECTION 8 SUBSIDY PROGRAM – Recent Developments – Mark-to-Market Program and Other Options for Expiring HAP Contracts."** Ultimately, the existing owner decided not to complete the Mark-to-Market restructure and was given a new HAP contract at the market rents determined in the Mark-to-Market underwriting. Subsequently, the existing owner entered into a sales contract with a potential buyer and sponsor of this transaction. The Sponsor has applied to the Authority for financing to acquire the property, as well as non-competitive low-housing income tax credits to complete renovation.

The Sponsor and Borrower for University Plaza Apartments is University Plaza Investment Group, LLLP. The general partner of the ownership entity is Lori L. Walker of Lorilisa, Inc. Ms. Walker has been involved in the development and management of affordable housing along the Colorado Front Range since 1995, including approximately 500 multifamily units.

Hudson Real Estate is the management agent for the property. This agency manages approximately 3,600 units, including 365 Section 8 units in 8 properties and 813 tax credit units in 11 properties. Hudson Real Estate has been in the business of managing multifamily properties for over 40 years and has managed the University Plaza Apartments since its inception in 1982.

The following assumptions as to the economic feasibility of the 2004A Multi-Family Project relating to University Plaza Apartments have been made in the application to the FHA for Section 542(c) insurance.

Assumptions as to University Plaza Apartments

Estimated Annual Project Gross Income at Occupancy of 100%	\$230,520
Estimated Annual Effective Gross Income at Estimated Occupancy of 95%	\$218,994
Estimated Total Annual Project Expenses (including Administrative, Operating, Service, Maintenance and Taxes)	\$114,050
Estimated Annual Net Income	\$104,944
Annual Mortgage Loan Payment	\$88,281

Hampden Town Center. A third 2004 Multi-Family Project is expected to be the new construction of Hampden Town Center by Hampden Senior I, L.P., whose sponsor is Hendricks Communities, LLC and Mr. Marc Hendricks. The amount of the 2004A Loan for the Hampden Town Center is expected to be approximately \$5,861,000. Total project cost is estimated at approximately \$15,227,000, with the balance expected to be funded with a loan using proceeds from the Authority's outstanding 2002 Series C Bonds and proceeds from the sale of low income housing tax credits and deferred developer fees.

Hampden Town Center for independent elderly will consist of 132 units in a three-story building located in the City of Aurora. Unit amenities will include a patio or deck, ample storage, ovens, refrigerators, garbage disposers, dishwashers and installed washers and dryers. Project amenities will include three elevators, walking path, large concrete patio area, large exercise room with equipment, community rooms, computer area, beauty salon, library, entertainment room and a part-time activities

coordinator on staff. The table below identifies the number and types of units expected to be offered at Hampden Town Center and their approximate size in square feet.

Hampden Town Center

Number of Units	Type of Unit	Approximate Size in Square Feet
73	One bedroom/one bath	625
59	Two bedroom/one bath	821

The Sponsor and principal developer for Hampden Town Center is Mr. Marc Hendricks of Hendricks Communities, LLC. Mr. Hendricks has been involved in the Denver area construction and development business for over 20 years. Over the last seven years, Mr. Hendricks has been extensively involved in the development, construction, and management of low and moderate-income housing properties for both seniors and families in Colorado. The Authority currently has four developments financed with Mr. Hendricks totaling 310 units of which 235 units are affordable to households between 40% and 60% AMI. All loans are current with no defaults or late payments.

Casson Building Corporation, a local firm established in 1912, has been chosen as general contractor for Hampden Town Center. The members of the construction team each have over 30 years of experience in the construction trade.

Terra Management Group LLC, which is 50% owned by Marc Hendricks, will be handling the management of the property. Currently, Terra Management Group oversees eight tax credit projects sponsored by Mr. Hendricks. The projects total 429 units affordable to households between 40% and 60% AMI.

The following assumptions as to the economic feasibility of the 2004A Multi-Family Project relating to Hampden Town Center have been made in the application to the FHA for Section 542(c) insurance.

Assumptions as to Hampden Town Center

Estimated Annual Project Gross Income at Occupancy of 100%	\$1,280,736
Estimated Annual Effective Gross Income at Estimated Occupancy of 90%	\$1,152,662
Estimated Total Annual Project Expenses (including Administrative, Operating, Service, Maintenance and Taxes)	\$372,835
Estimated Annual Net Income	\$779,827
Annual Mortgage Loan Payment	\$678,066

Uninsured Rental Loans

The Uninsured Rental Loans expected to be originated by the Authority under the SMART Program using proceeds of the 2004 Series A Bonds are listed on the following table:

Uninsured Rental Loans (SMART Program) Expected to be Originated*

<u>Borrower/Project</u>	<u>Location</u>	<u>Units</u>	<u>Projected Loan Amount*</u>	<u>Mortgage Rate</u>	<u>Projected Loan Date</u>	<u>Maturity</u>	<u>Series for Funding</u>
Grace Apartments	Denver	53	\$1,090,000	6.03%	9/30/04	9/30/2034	2004A-1
Morrison Center North	Denver	36	1,264,000	6.40%	9/30/04	6/30/2034	2004A-1
Morrison Center South	Denver	44	2,173,000	6.40%	9/30/04	6/30/2034	2004A-1
Village Gardens	Aurora	60	1,500,000	6.00%	9/30/04	9/30/2034	2004A-1
Residence at Prairie Creek	Strasburg	24	<u>935,000</u>	6.50%	9/30/04	9/30/2034	2004A-3
		Total	<u>\$6,962,000</u>				

*Subject to change

Uninsured Business Loans

The Uninsured Business Loans expected to be originated by the Authority under the business programs described above using proceeds of the 2004 Series A Bonds are listed on the following table:

Uninsured Business Loans Expected to be Originated*

<u>Type of Borrower</u>	<u>Program</u>	<u>Location</u>	<u>Projected Loan Amount*</u>	<u>Loan Interest Rate</u>	<u>Projected Loan Date</u>	<u>Series for Funding</u>
Food Services	SBA 504	Denver	\$2,879,500	6.80%	9/15/04	2004A-1
Animal Services	SBA 504	Lafayette	180,000	5.50%	12/15/04	2004A-1
Animal Services	SBA 504	Boulder	935,000	7.44%	9/30/04	2004A-1
Packaging	SBA 504	Denver	1,242,223	7.50%	12/6/04	2004A-1
Sports Equipment	SBA 504	Lafayette	<u>711,111</u>	7.45%	11/3/04	2004A-1
		Subtotal	<u>\$5,947,834</u>			
Human Services	CHFA Direct	Salida	902,140	6.30%	11/17/04	2004A-1
Human Services	CHFA Direct	Boulder	2,860,000	7.44%	10/13/04	2004A-1
Human Services	CHFA Direct	Pueblo	290,000	7.19%	10/20/04	2004A-1
Packing Services	CHFA Direct	Steamboat Springs	384,000	6.22%	9/23/04	2004A-1
Business Services	CHFA Direct	Grand Junction	328,882	7.24%	10/4/04	2004A-1
Real Estate	CHFA Direct	Steamboat Springs	650,250	7.19%	9/30/04	2004A-1
Advertising	CHFA Direct	Grand Junction	153,231	6.41%	9/30/04	2004A-1
Property Management	CHFA Direct	Steamboat Springs	432,000	7.44%	10/6/04	2004A-1
Human Services	CHFA Direct	Boulder	<u>250,000</u>	7.28%	9/23/04	2004A-1
		Subtotal	<u>\$6,250,503</u>			
Construction	CHFA Rural	Eagle	\$550,000	6.10%	10/1/04	2004A-1
Human Services	NPPE	Green Mountain Falls	\$3,424,000	6.75%	9/28/04	2004A-1
Scenic Railroad	B&I I	Durango	<u>\$17,000,000</u>	7.25%	12/29/04	2004A-1
		Total	<u>\$33,172,337</u>			

*Subject to change

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APPENDIX G-2

Certain Information about the Outstanding Loans and Authority Projects

The following list has been prepared by the Authority to provide, as of March 31, 2004, certain information about the Outstanding Loans and Authority Projects. As of March 31, 2004, the Trust Estate included Insured Rental Loans outstanding in the aggregate principal amount of \$233,944,508; Uninsured Rental Loans outstanding in the aggregate principal amount of \$28,738,531; Uninsured Business Loans outstanding in the aggregate principal amount of \$23,038,420; 30 Participation Interests outstanding with an average par amount of \$322,150; and 18 Authority Projects with an aggregate value of \$41,351,842.

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

BF B&I II:	Business Finance B&I II Program
BF EDF:	Business Finance – Economic Development Fund
BF QAL:	Business Finance QAL Program
BF QIC:	Business Finance QIC Program
BF SBA 504:	Business Finance Small Business Administration 504 Program
FAF:	Financing Adjustment Factor
HOF:	Housing Opportunity Fund
RAP:	Rental Assistance Program
Smart TE:	SMART Program Tax-Exempt Borrower
SPEC NEED:	Loans made under special circumstances

Colorado Housing and Finance Authority
Multifamily/Project Bonds
Series 00A, 00B, 01A, 02A, 02B, 02C, 03A
Loan Portfolio Information as of March 31, 2004

Borrower	Series	Loan Type	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	HAP Expir. Date
Club 60	M00A	501 (c)(3)	2	Elderly	2/19/1987	134,517.00	95,192.87	3/1/2017	8.00%		
Madison	M00A	501 (c)(3)	36	Assisted Living	11/20/1991	621,000.00	415,500.57	12/1/2021	6.50%		
Camelot I	M00A	501 (c)(3)	18	Family	3/15/1988	406,000.00	348,234.52	4/1/2024	6.50%		
Chicago Creek Roads	M00A	501 (c)(3)	18	Special Needs	4/22/1988	216,254.00	185,589.77	5/1/2024	6.50%		
Columb Ct	M00A	221 (d)(3)	30	Elderly	1/3/1979	855,300.00	603,821.40	6/1/2020	7.00%		10/16/2009
Winddrift	M00A	221 (d)(4)	48	Family	7/23/1979	1,544,600.00	1,134,311.55	12/1/2020	7.00%		10/16/2009
Allison	M00A	221 (d)(4)	37	Family	7/5/1979	1,236,100.00	900,881.01	9/1/2020	7.00%		7/24/2004
San Juan	M00A	221 (d)(4)	76	Elderly	4/24/1979	1,875,200.00	1,366,173.24	10/1/2020	7.00%		5/31/2006
Sunnyside	M00A	221 (d)(4)	19	Family	5/1/1988	938,500.00	701,154.80	12/1/2018	7.50%		9/30/2004
Redwood Vlg	M00A	RAP	50	Family	4/15/1992	211,404.00	177,623.35	4/1/2022	8.00%		
W.H.E.R.E.	M00A	501 (c)(3)	56	Family	12/29/1989	700,000.00	602,009.30	1/1/2020	7.75%		
Aspen Ridge	M00A	RAP	105	Family	10/31/1991	1,556,700.00	659,931.32	10/1/2021	8.00%		
Mallard	M00A	RAP	54	Family	10/11/1990	784,638.00	622,945.65	10/1/2020	8.00%		
Mary Sandoe	M00A	501 (c)(3)	24	Assisted Living	8/14/1987	250,000.00	109,821.36	11/1/2019	6.10%	Yes	
S. Meade	M00A	501 (c)(3)	4	Family	11/18/1988	135,000.00	109,148.01	1/1/2020	9.25%		3/1/2004
Barth Hotel	M00A	501 (c)(3)	62	Assisted Living	6/18/1993	525,000.00	451,178.31	7/1/2023	6.50%		
Louisiana	M00A	501 (c)(3)	40	Family	5/30/1991	332,600.00	286,907.99	7/1/2023	7.88%		
New Heritage	M00A	501 (c)(3)	34	Family	5/30/1991	177,100.00	152,769.82	7/1/2023	7.88%		
Madison	M00A	501 (c)(3)	36	Assisted Living	11/20/1991	114,842.00	93,981.39	12/1/2021	6.50%		
R.B. Ranch	M00A	501 (c)(3)	10	Family	1/17/1992	150,000.00	121,144.00	2/1/2022	8.00%	Yes	
Arvada Plac	M00A	501 (c)(3)	42	Family	3/31/1992	769,144.00	644,271.43	4/1/2022	7.88%		
Palo Verde	M00A	RAP	72	Family	10/12/1993	1,143,429.00	991,691.42	10/1/2023	7.88%		
Cinnamon Pk	M00A	501 (c)(3)	48	Assisted Living	4/29/1992	2,153,185.00	1,627,297.38	5/1/2022	6.15%		
Saxony	M00A	501 (c)(3)	29	Family	7/1/1992	272,735.00	222,980.20	7/1/2022	6.50%		
Courtyard	M00A	501 (c)(3)	34	Family	8/5/1992	207,955.00	175,073.79	9/1/2022	7.75%		
Belmont	M00A	501 (c)(3)	49	Elderly	8/31/1992	712,500.00	595,438.11	9/1/2022	6.50%		
Fount Mesa	M00A	501 (c)(3)	64	Family	2/24/1993	1,077,751.00	920,997.58	3/1/2023	7.88%		
Townhouse	M00A	501 (c)(3)	27	Family	9/29/1993	153,000.00	132,924.46	11/1/2023	8.00%		
Anam Chara	M00A	501 (c)(3)	8	Assisted Living	9/29/1993	94,948.03	82,153.37	10/1/2023	7.75%		
Gen Fund-											
Jefferson	M00A	501 (c)(3)	65	Special Needs	10/5/1993	3,287,357.00	2,846,527.66	11/1/2023	6.50%		6/14/2004
Aspen Ridge	M00A	RAP	105	Family	4/1/1994	1,542,396.00	1,317,452.07	3/1/2022	8.00%		
Maple Tree	M00A	RAP	32	Family	7/14/1992	734,970.00	200,456.83	7/1/2022	8.00%		
Cherry Tree	M00A	RAP	48	Family	11/10/1992	194,478.00	81,597.59	11/1/2022	8.00%		
Pinon Place	M00A	RAP	24	Family	12/10/1992	142,797.00	121,925.88	12/1/2022	8.00%		
Shadowwood	M00A	RAP	32	Family	7/22/1992	220,899.00	186,769.62	7/1/2022	8.00%		
Chestnut Gl	M00A	RAP	12	Family	5/30/1991	247,475.00	202,797.00	6/1/2021	7.88%		
Inn Between	M00A	501 (c)(3)	31	Family	11/23/1994	203,000.00	180,429.29	12/1/2024	8.00%		
Mary Sandoe	M00A	501 (c)(3)	24	Assisted Living	12/14/1994	90,000.00	80,118.99	1/1/2025	8.00%		
Smokeytrail	M00A	RAP	38	Family	1/1/1995	900,000.00	826,742.21	2/1/2030	7.25%		
Mary Sandoe	M00A	501 (c)(3)	24	Assisted Living	7/27/1995	407,776.00	365,621.52	8/1/2025	7.80%		
Las Animas	M00A	501 (c)(3)	10	Special Needs	10/25/1995	159,000.00	145,757.11	4/1/2027	6.50%		
HOA City of	M00A	501 (c)(3)	32	Family	8/14/1996	522,000.00	478,046.02	9/1/2026	7.75%		
Blake/Computer	M00A	CHFA Note			1/1/1997	4,084,592.00	3,298,329.94	2/1/2017	8.00%		
Tower 48	M00A	221 (d)(4)	140	Family	3/24/1998	1,844,688.60	1,798,811.44	12/1/2039	6.30%		
	M97B										
	M97C										
Fountain Rdg	M00A	221 (d)(4)	36	Family	4/14/1998	407,069.52	394,413.85	4/1/2039	6.40%		
	M97B										

Colorado Housing and Finance Authority
Multifamily/Project Bonds
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Loan Portfolio Information as of March 31, 2004

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Pinecrest	M97C M00A Gen Fund	501 (c)(3)	71	Family	5/13/1998	1,341,375.00	1,247,695.03	6/1/2028	6.50%		
Urban Peak	M00A	Smart TE	30	Special Needs	2/12/1999	225,000.00	210,538.03	3/1/2029	7.00%		
Colo Bluesky	M00A	Smart TE	18	Special Needs	1/4/1999	190,000.00	137,906.03	2/1/2029	6.45%		
Blake St Bld	M00A	CHFA Note			11/1/1991	400,000.00	334,312.36	11/1/2021	8.00%		
Caley Ridge	M00A	542(c)	100	Elderly	7/19/1999	1,344,740.00	1,311,202.18	8/1/2039	6.95%		
Mtn Terrace	M97B M97C M00A	542(c)	152	Family	4/28/2000	2,719,937.00	2,600,591.15	5/1/2030	6.90%		
Uptown Partn	M00A	Smart TE	35	Family	5/3/2000	1,000,000.00	962,233.81	6/1/2030	6.70%		
Grand Manor	M00A	542(c)	112	Family	6/7/2000	3,550,000.00	3,404,512.60	7/1/2030	7.00%		11/30/2019
Homestead at	M00A	542(c)	58	Assisted Living	2/28/2000	834,925.00	817,556.75	3/1/2040	6.95%		
Energy Offic	M97B M97C M00A	Smart TE	12	Family	9/12/2000	175,000.00	168,073.74	10/1/2030	6.75%		
SW Neighborhood	M00A	Smart Taxable	4	Family	10/30/2002	175,000.00	172,578.65	11/1/2032	6.95%		
SPRINGFIELD	M00A	Smart Taxable	32	Elderly	6/27/2002	250,000.00	245,490.03	7/1/2032	6.50%		2/21/2004
Orchard III	M00B	542(c)	140	Family	10/2/2002	11,330,000.00	11,281,781.19	11/1/2042	7.05%		
NIELSON GARD	M00B	542(c)	44	Family	1/30/2001	2,420,000.00	2,342,304.36	3/1/2031	7.10%		
Fox Meadows (Collins)	M00B	542(c)	138	Family	11/21/2000	10,008,500.00	9,960,590.18	11/1/2042	7.20%		
Columbine	M00B	542(c)	149	Elderly	11/8/2000	4,313,000.00	4,161,452.92	12/1/2030	7.10%		
Apartments	M00B M01A NAMT	542(c)			6/9/2003	3,409,175.00	3,396,495.16	7/1/1943	6.35%		
Martinique	M01A NAMT	501 (c)(3)	20	Family	12/13/1995	460,000.00	416,690.11	5/1/2026	7.60%		
Healthy Living Systems	M01A NAMT	Smart Taxable	20	Family	3/22/2001	352,000.00	328,358.74	4/1/2031	5.95%		
Clifton Village MHA	M01A NAMT	542(c)	119	Family	5/21/2001	4,200,000.00	4,069,276.69	6/1/2031	6.75%		
Co Coalition Homeless	M01A NAMT	BF EDF			2/2/2001	1,294,650.00	1,230,742.52	3/1/2026	6.99%		
Uptown Partnership I	M01A NAMT	Smart TE	15	Family	3/21/2001	700,000.00	675,022.27	4/1/2031	6.35%		
Spring Hollow Family Apartments	M01A NAMT	542(c)			2/28/2002	7,475,000.00	7,466,113.57	1/1/1944	6.88%		
Corona Management	M01A NAMT	542(c)	50	Elderly	6/29/2001	1,621,000.00	1,572,216.92	6/1/2031	6.75%		9/30/2016
Volunteers of America	M01A NAMT	BF EDF	47	Homeless	8/1/2001	660,000.00	619,592.76	9/1/2021	7.50%		
Sheridan (Townhomes)	M01A NAMT	542(c)	65	Family	1/18/2002	6,750,000.00	6,744,545.25	10/1/2043	7.05%		
Uptown Partnership I	M01A NAMT	Smart Taxable	36	Elderly	8/29/2001	924,000.00	898,317.69	9/1/2031	6.80%		
Inner Places	M01A NAMT	501 (c)(3)			11/9/2001	543,000.00	523,816.94	12/1/2026	7.13%		
Blake Street Bldg.	M01A NAMT	CHFA Note			11/7/2001	1,595,920.00	1,511,896.69	11/1/2022	6.50%		
Creek MHA	M01A NAMT	221 (d)(4)			12/1/2001	10,020,064.00	10,020,064.00	3/1/2043	6.05%		
Run Apartments	M01A NAMT M00B	542(c)			6/9/2003	132,825.00	132,330.98	7/1/2043	6.35%		
Meadows Assciatd (#316489)	M02A AMT	542(c)			4/24/2003	2,614,000.00	2,602,428.93	5/1/2043	6.55%		
GVAH Limited Ptr	M02A AMT	542(c)	91	Family	6/13/2002	2,112,800.00	2,074,746.26	7/1/2032	6.80%		7/31/2004
Forest Manor	M02A AMT	542(c)	103	Family	5/30/2002	5,480,000.00	5,367,033.99	6/1/2032	6.35%		
GVAH Limited Ptr	M02A AMT	Smart Taxable	91	Family	6/13/2002	360,000.00	320,059.00	4/1/2013	6.90%		7/31/2004
Phase II	M02A AMT	542(c)			5/20/2003	5,650,000.00	5,624,646.73	6/1/1943	6.50%		

Colorado Housing and Finance Authority
Multifamily/Project Bonds
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 Loan Portfolio Information as of March 31, 2004

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Ridge South Apts LLP	M02A AMT	221 (d)(4)			4/1/2003	4,126,000.00	3,334,480.60	7/1/1944	6.35%		
Walnut Park	M02A NAMT	221 (d)(3)	78	Elderly	12/1/1976	1,576,300.00	1,094,894.41	6/1/1943	6.50%		
Corona I	M02A NAMT	221 (d)(4)	56	Elderly	7/1/1976	1,225,300.00	799,451.46	6/1/2017	7.25%		9/30/2016
Marcella	M02A NAMT	221 (d)(4)	205	Elderly	3/1/1977	4,442,900.00	3,054,740.80	8/1/2019	7.25%		2/28/2018
High Count	M02A NAMT	221 (d)(4)	28	Family	8/1/1977	608,900.00	431,512.92	10/1/2019	7.50%		
Silverleaf	M02A NAMT	221 (d)(3)	72	Elderly	6/1/1977	1,429,500.00	953,298.11	8/1/2018	7.25%		4/21/2018
Villa West	M02A NAMT	221 (d)(4)	60	Family	11/26/1984	333,325.50	275,671.98	5/1/2020	10.50%		(1)
Niblock	M02A NAMT M02AA	221 (d)(4)	10	Family	12/24/1985	260,138.40	229,421.60	10/1/2026	6.75%		7/13/2004
Hanigan	M02A NAMT	221 (d)(4)	9	Family	3/13/1989	445,200.00	352,320.77	11/1/2019	8.25%		12/29/2004
A.C.C.E.S.S	M02A NAMT	221 (d)(3)	6	Family	5/30/1989	222,962.60	169,074.01	11/1/2019	8.50%		
Emerson	M02A NAMT M02AA	221 (d)(4)	12	Family	1/27/1989	439,349.70	348,609.09	9/1/2019	8.50%		10/15/2004
4th & Fox	M02A NAMT M02AA	221 (d)(4)	13	Family	7/10/1989	503,939.20	406,953.95	3/1/2020	8.50%		8/9/2005
Tanglewood	M02A NAMT	RAP	201	Family	3/31/1993	3,024,980.00	2,737,575.11	4/1/2028	7.75%		
Uptown Partners	M02A NAMT	Smart Taxable	15	Elderly	4/9/1999	370,006.00	338,731.51	4/1/2019	4.57%		
Colo Rural	M02A NAMT	Smart Taxable	28	Family	11/29/2000	286,000.00	275,295.31	12/1/2030	6.75%		
HOA City of Sterling	M02A NAMT	Smart Taxable	54	Elderly	3/30/2001	893,000.00	861,135.71	4/1/2031	6.35%		
Restoration Center	M02A NAMT	Smart Taxable	16	Special Needs	7/26/2001	250,000.00	242,393.70	8/1/2031	6.50%		
Tri-County Senior	M02A NAMT	Smart Taxable	33	Elderly	1/22/2002	256,300.00	249,730.35	2/1/2032	6.40%		(1)
Heritage Center (LLC)	M02A NAMT	542(c)	160	Family	11/27/2002	4,750,000.00	4,681,829.07	12/1/2032	6.40%		
AHPC (Preservation)	M02B	SPEC NEED			7/29/2002	58,500,000.00	19,540,267.25	7/1/2003	8.00%		
East Housing (LLC)	M02C AMT	542(c)	68	Family	2/28/2002	7,475,000.00	7,469,092.66	1/1/1944	6.88%		(1)
Creek MHA	M02C AMT	542(c)			12/27/2002	4,200,000.00	4,164,344.29	1/1/2038	6.45%		
Maples (LLLP)	M02C AMT	221 (d)(4)	300	Family	12/11/2001	10,020,064.00	10,020,064.00	3/1/1943	6.05%		
Fore Fountain (SPRINGS)	M02C AMT	542(c)			8/26/2002	16,210,000.00	15,951,337.73	9/1/2032	6.85%		
(PARTNERS)	M02C AMT	221 (d)(4)	228	Family	9/19/2002	15,587,500.00	14,806,072.00	2/1/2044	6.25%		
Associates (LLLP)	M02C AMT	542(c)	166	Family	12/26/2002	2,841,000.00	2,801,355.53	1/1/2033	6.55%		
	M02C AMT	542(c)			9/29/2003	4,700,000.00	4,678,107.14	10/1/2033	6.40%	Yes	

Colorado Housing and Finance Authority
Multifamily/Project Bonds
Series 00A, 00B, 01A, 02A, 02B, 02C, 03A
Loan Portfolio Information as of March 31, 2004

Borrower	Series	Loan Type	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	HAP Expir. Date
Housing LP	M02C AMT	542(c)			12/9/2003	2,475,000.00	2,470,059.92	1/1/2034	6.00%		
Housing LP	M02C AMT	542(c)			12/29/2003	3,050,000.00	3,043,912.24	1/1/2034	6.00%		
Housing LP	M02C AMT	542(c)			12/18/2003	815,000.00	813,373.26	1/1/2034	6.00%		
Housing LP	M02C AMT	542(c)			11/21/2003	2,200,000.00	2,193,396.76	12/1/2033	6.00%		
LP	M02C AMT	542(c)			6/30/2003	10,200,000.00	10,117,330.90	7/1/2033	6.00%		
LP	M02C AMT	542(c)			9/16/2003	1,860,000.00	1,850,648.76	10/1/2033	6.00%		
Housing LP	M02C AMT	542(c)			8/26/2003	12,691,300.00	12,614,540.53	9/1/1933	6.00%		
LP	M02C AMT	542(c)			12/9/2003	2,606,000.00	2,600,798.45	1/1/2034	6.00%		
LP	M02C AMT	542(c)			9/16/2003	3,175,000.00	3,159,037.52	10/1/2033	6.00%		
Housing LP, a Maine	M02C AMT	542(c)			7/31/2003	1,596,100.00	1,583,163.88	7/1/2033	6.00%		
Housing LP	M02C AMT	542(c)			10/30/2003	2,700,000.00	2,689,167.65	11/1/2033	6.00%		
Housing LP	M02C AMT	542(c)			12/18/2003	3,400,000.00	3,393,213.64	1/1/2034	6.00%		
Housing LP	M02C AMT	542(c)			9/23/2003	2,070,000.00	2,061,695.17	10/1/2033	6.00%		
Housing LP	M02C AMT	542(c)			11/21/2003	2,036,000.00	2,029,889.00	12/1/2033	6.00%		
Housing LP	M02C AMT	542(c)			12/29/2003	1,140,000.00	1,137,724.57	1/1/2034	6.00%		
Housing LP	M02C AMT	542(c)			9/23/2003	3,408,000.00	3,390,866.12	10/1/2033	6.00%		
Housing LTD	M02C AMT	542(c)			8/31/2003	2,040,000.00	2,027,661.70	9/1/1933	6.00%		
Housing LP	M02C AMT	FAF HOF			12/18/2003	462,500.00	454,950.35	1/1/2006	6.00%	Yes	
Housing LP	M02C AMT	FAF HOF			12/29/2003	765,000.00	743,016.00	1/1/2009	6.00%	Yes	
Housing	M02C AMT	CHFA HOF			12/29/2003	586,000.00	2,295,409.23	1/1/2012	1.00%	Yes	
Housing LP	M02C AMT	CHFA HOF			11/21/2003	2,036,000.00	574,263.51	12/1/2033	6.00%		
FREMONT VETERINARY PropertiesLLC	M02C NAMT	BF SBA 504			6/27/2003	772,400.00	738,524.64	5/1/2022	7.49%		
LE VALLEY J DAN	M02C NAMT	BF SBA 504			6/27/2003	571,500.00	556,275.63	2/1/2023	6.74%		
LOWER VALLEY HOSPITAL Housing Authority	M02C NAMT	BF QAL			6/27/2003	498,750.00	465,656.62	11/30/2031	7.15%		
Company	M02C NAMT	BF B&I II			6/27/2003	806,495.00	785,614.39	2/15/2027	7.00%		
Olin Hotel (Apartments)	M02C NAMT	Smart TE			8/31/2003	218,100.00	216,697.22	9/1/1933	6.50%		
ZETA	M02C NAMT	Smart Taxable			11/26/2002	581,100.00	573,292.49	12/1/1932	6.75%		
ZETA	M02C NAMT	Smart TE	106	Elderly	11/22/2002	504,200.00	496,825.62	12/1/2032	6.30%		11/30/2022
ZETA	M02C NAMT	542(c)			4/18/2003	5,650,000.00	4,290,297.78	5/1/2034	6.40%		
ZETA	M02C NAMT	542(c)			4/30/2003	1,249,000.00	1,210,785.29	4/1/2019	6.55%		
Hyland Park	M03A	RAP			3/31/1993	9,354,400.00	8,407,430.37	3/1/2028	7.40%		
Summit Apts Summit A	M03A	223(f)			3/31/1993	3,248,400.00	2,913,862.58	4/1/2028	7.40%		
Tanglewood	M03A	RAP			3/31/1993	375,020.00	339,389.16	4/1/2028	7.75%		
Archdiocese Housing	M03A	BF EDF			8/23/1996	257,000.00	223,603.79	9/1/2021	7.65%		
Neuger	M03A	BF EDF			10/31/1996	99,000.00	79,805.84	11/1/2016	8.50%		
Chara Anam	M03A	501(c)(3)			4/30/1997	178,500.00	163,416.00	5/1/2027	7.10%		
Newsed Inc	M03A	BF EDF			1/15/1999	628,000.00	343,880.56	2/1/2019	8.00%		
Home and Health Care	M03A	BF EDF			11/4/1998	380,470.00	329,120.82	12/1/2018	8.00%		
Walnut Creek Association	M03A	221(d)(4)			11/1/1996	343,300.00	328,921.30	11/1/1936	7.17%		
Empowerment	M03A	BF EDF			7/21/1999	272,500.00	239,665.91	8/1/2019	7.50%		
UFCW Local	M03A	BF EDF			5/18/2000	168,000.00	151,230.39	6/1/2020	7.50%		
Beye-Lotz	M03A	BF EDF			8/8/2000	392,000.00	361,513.13	9/1/2020	8.75%		

Colorado Housing and Finance Authority
Multifamily/Project Bonds
Series 00A, 00B, 01A, 02A, 02B, 02C, 03A
Loan Portfolio Information as of March 31, 2004

Borrower	Series	Loan Type	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	HAP Expir. Date
Manderley	M03A	BF SBA 504			6/30/2000	250,000.00	229,227.56	7/15/2020	8.75%		
Durango/Silverton RR	M03A	BF EDF			12/28/2000	126,000.00	107,477.38	1/1/2013	4.00%		
Hoss Kimble LLC	M03A	BF SBA 504			1/18/2001	519,750.00	486,089.20	4/1/2021	9.25%		
Home and Health Care	M03A	BF EDF			2/22/2001	168,300.00	156,978.48	3/1/2021	8.49%		
Centennial State Pav Hill	M03A	BF SBA 504			4/18/2001	140,000.00	131,853.69	7/1/2021	8.49%		
	M03A	Smart Taxable			3/13/2001	500,000.00	484,374.47	4/1/2021	6.35%		
Schulz	M03A	BF SBA 504			5/15/2002	259,000.00	250,620.67	8/1/2022	8.49%		
Parkwood LLC	M03A	BF SBA 504			6/13/2001	178,500.00	168,134.75	7/1/2021	8.49%		
Goshern Andrew	M03A	BF SBA 504			8/3/2001	100,000.00	94,792.71	11/1/2021	8.00%		
CCCS of Northern Col	M03A	BF EDF			6/14/2001	3,990,000.00	382,388.40	7/1/2026	7.50%		
Jones	M03A	BF SBA 504			7/26/2001	100,000.00	94,756.64	10/1/2021	7.99%		
Crane	M03A	BF SBA 504			10/11/2001	79,000.00	74,891.66	1/1/2022	7.49%		
Devlin Paul	M03A	Smart Taxable			5/31/2001	183,500.00	175,657.43	6/1/2021	6.65%		
Colorado Hotel & Lodge	M03A	BF EDF			8/13/2001	410,500.00	395,039.53	9/1/2026	7.50%		
Stavely Paul	M03A	BF QAL			5/30/2001	215,010.00	153,923.20	3/1/2026	7.50%		
Front Range Regional	M03A	BF EDF			8/17/2001	530,000.00	504,753.57	9/1/2026	7.49%		
Colorado Housing Assist	M03A	BF EDF			8/31/2001	250,000.00	235,137.07	9/1/2021	7.49%		
Eagle Valley Tile/Carpet	M03A	BF QIC			4/13/2001	289,744.00	278,666.78	4/20/2026	7.95%		
Thompson (2) John	M03A	BF QAL			4/26/2001	251,421.00	246,552.43	7/26/1931	7.75%		
Throttle Up Corp	M03A	BF QIC			8/03801	382,579.00	293,006.90	8/2/1931	7.75%		
Ritchie	M03A	BF QAL			7/2/2001	196,843.00	177,203.15	7/1/2016	7.75%		
Hotchkiss Inn Motel	M03A	BF QIC			10/11/2001	617,320.00	594,924.39	8/7/2026	7.50%		
Franek Martha	M03A	BF QIC			10/10/2001	154,500.00	139,882.92	11/10/2016	7.00%		
Schlager Jerry	M03A	BF QAL			10/3/2001	259,020.00	243,290.97	3/1/1931	6.50%		
Park Meadows Afford	M03A	Smart Taxable			4/2/2002	1,860,000.00	1,820,519.82	5/1/1932	6.60%		
Gard	M03A	BF SBA 504			1/4/2002	99,450.00	91,778.67	2/1/2022	7.25%		
Hinkle	M03A	Smart Taxable			1/15/2002	190,000.00	185,826.60	2/1/2022	6.80%		
Tate Ralph	M03A	BF QAL			1/18/2002	209,700.00	187,609.61	3/1/2026	6.75%		
Hamacher Lyle	M03A	BF QAL			1/29/2002	284,400.00	277,752.36	2/1/2027	7.15%		
Liming	M03A	BF QAL			6/12/2001	465,907.00	454,541.39	7/2/2021	7.15%		
Bookcliff Auto Parts	M03A	BF QIC			3/1/2002	524,089.00	509,619.44	3/5/2027	7.49%		
Perdue	M03A	BF QAL			2/20/2002	75,960.00	68,733.37	3/1/2022	7.15%		
Nesbitt Investments,	M03A	Smart Taxable			6/28/2002	765,000.00	755,880.40	7/1/2022	7.00%		
Silverton Railroad	M03A	BF EDF			11/27/2002	1,000,000.00	905,730.74	6/1/2010	4.00%		
Fork Computer Society	M03A	BF EDF			2/20/2003	225,225.00	219,860.70	3/1/2023	6.99%		
Rubber Company	M03A	BF EDF			12/13/2002	846,000.00	820,650.99	1/1/2023	6.50%		
Blackwell	M03A	BF QAL			12/18/2002	89,055.00	74,206.80	3/15/2006	6.85%		
Mountain School of A	M03A	BF SBA 504			11/10/2003	6,900,000.00	6,883,837.49	1/1/2029	7.35%		
Griffin	M03A	BF QAL			1/9/2003	175,500.00	166,989.75	1/15/2023	6.50%		
American Research	M03A	BF EDF			4/21/2003	95,405.39	95,016.85	5/1/2028	6.74%		
Industries Inc	M03A	BF EDF			5/20/2003	100,000.00	990,859.11	6/1/1933	6.00%		
Sircy	M03A	BF QAL			4/22/2003	144,450.00	137,232.79	1/15/2023	6.24%		
Fullmer	M03A	BF EDF			4/4/2003	200,000.00	195,572.64	5/1/2023	6.00%		
Enterprises LLC	M03A	BF B&I II			7/10/2003	584,551.00	577,942.26	12/5/1931	6.25%		
Martin	M03A	BF B&I II			4/28/2003	540,242.00	532,637.17	7/18/1931	6.40%		
Court	M03A	BF EDF			6/25/2003	315,000.00	309,756.95	7/1/2023	6.49%		

Colorado Housing and Finance Authority
Multifamily/Project Bonds
Series 00A, 00B, 01A, 02A, 02B, 02C, 03A
Loan Portfolio Information as of March 31, 2004

Borrower	Series	Loan Type	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	HAP Expir. Date
Akers	M03A	BF QAL			4/2/2003	180,000.00	176,861.02	2/20/2028	6.24%		
Enterprises LLC	M03A	BF B&I II			6/4/2003	788,384.00	768,901.89	3/24/2023	6.20%		
Findley	M03A	BF QAL			6/5/2003	195,300.00	195,300.00	1/1/2011	6.20%		
Findley	M03A	BF QAL			6/5/2003	351,000.00	351,000.00	1/1/2023	6.20%		
Sayles	M03A	BF QAL			6/5/2003	225,000.00	212,068.30	1/15/2018	6.20%		
Sircy	M03A	BF QAL			6/17/2003	225,000.00	213,048.30	1/15/2024	6.20%		
Brachtenbach	M03A	BF QAL			7/9/2003	90,000.00	82,697.54	1/15/2010	5.75%		
Leonard	M03A	BF QAL			6/19/2003	324,000.00	308,637.22	12/31/2022	6.20%		
Holdings LLC	M03A	BF SBA 504			11/12/2003	3,535,000.00	3,513,258.38	12/1/2023	6.50%		
Holdings LLC	M03A	BF SBA 504			2/4/2004	826,000.00	826,000.00	4/1/2024	6.50%		
Knott	M03A	BF QAL			7/2/2003	450,000.00	450,000.00	5/23/1933	6.20%		
McArthur	M03A	BF QAL			7/24/2003	540,000.00	540,000.00	3/15/2028	5.75%		
Totals:						\$397,378,116.94	\$336,737,801.45				

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APPENDIX H

Certain Terms of the Initial 2004A Liquidity Facility

This Appendix contains a brief summary of certain provisions of the Initial 2004A Liquidity Facility to be entered with the 2004A Liquidity Facility Provider. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial 2004A Liquidity Facility are qualified by reference to such document. The Initial 2004A 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 2004A Liquidity Facility.

For information regarding the 2004A Liquidity Facility Provider, see Appendix I.

Pursuant to the Initial 2004A Liquidity Facility, the 2004A Liquidity Facility Provider agrees, subject to the terms and conditions therein, to purchase 2004A Adjustable Rate 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 2004A Remarketing Agent. The Initial 2004A Liquidity Facility will expire September 21, 2009, unless extended or terminated as described herein.

Certain Definitions

"Commitment Period" means the period from the Effective Date of the Initial 2004A Liquidity Facility to and including the earliest of (i) September 21, 2009, (or to an extended date as may become effective under the Initial 2004A Liquidity Facility), (ii) the date on which no 2004A Adjustable Rate Bonds are outstanding, (iii) the close of business on the date on which the 2004A Adjustable Rate 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 2004A Liquidity Facility Provider of termination of the Initial 2004A Liquidity Facility, and (v) the date on which the aggregate principal amount of outstanding 2004A Adjustable Rate 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 2004A Adjustable Rate Bonds or due to the delivery of an Alternate Liquidity Facility.

"Purchase Date" means a Business Day on which 2004A Adjustable Rate Bonds are subject to optional tender or mandatory purchase.

"Purchase Price" means, with respect to any 2004A Adjustable Rate 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 2004A Adjustable Rate Bonds purchased on any Purchase Date will not exceed the lesser of (a) the 2004A Liquidity Facility Provider's interest commitment for the 2004A Adjustable Rate Bonds (which amount equals the interest on the 2004A Adjustable Rate Bonds for a period of 183 days based upon an assumed rate of interest of 10% per annum and a 365 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 2004A Liquidity Facility), or (b) the actual aggregate amount of interest accrued on each such 2004A Adjustable Rate Bond to but excluding such Purchase Date.

THE INITIAL 2004A 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 2004 SERIES A BONDS, AND MAY BE TERMINATED AS DESCRIBED BELOW.

Conditions Precedent to Obligations of 2004A Liquidity Facility Provider

The obligation of the 2004A Liquidity Facility Provider to purchase 2004A Adjustable Rate Bonds on any particular Purchase Date under the Initial 2004A Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by the 2004A Liquidity Facility Provider: (i) the 2004A Liquidity Facility Provider shall have timely received the notices to purchase the unremarketed 2004A Adjustable Rate Bonds as provided in the Initial 2004A Liquidity Facility, and (ii) a long-term rating of the 2004A Adjustable Rate Bonds by Moody's or S&P of not lower than "Baa2" or "BBB," respectively, shall be in effect.

Termination by 2004A Liquidity Facility Provider

In the event that the Authority fails to pay to the 2004A Liquidity Facility Provider any commitment fee within five Business Days after the same becomes due, the 2004A Liquidity Facility Provider may terminate the Initial 2004A Liquidity Facility by giving written notice of such termination to the Trustee, the Paying Agent, the Authority, and the 2004A 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 2004A Liquidity Facility Provider shall be under no obligation to purchase the 2004A Adjustable Rate Bonds. Promptly upon receipt of such written notice of termination by the Trustee, the Trustee is to give notice to all Owners of the 2004A Adjustable Rate Bonds that the 2004A Adjustable Rate 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 2004A 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 2004A Liquidity Facility with an Alternate Liquidity Facility or cause the 2004A Adjustable Rate 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 2004A Liquidity Facility; however, the 2004A Liquidity Facility Provider has agreed to purchase tendered 2004A Adjustable Rate Bonds on the terms and conditions of the Initial 2004A Liquidity Facility notwithstanding the occurrence of such events of default. See "Conditions Precedent to Obligations of 2004A Liquidity Facility Provider" under this caption.

Termination by Authority

Upon (i) the withdrawal, suspension or reduction in the rating assigned to the 2004A 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 2004A Liquidity Facility Provider in honoring its payment obligations under the Initial 2004A Liquidity Facility or the 2004A Liquidity Facility Provider seeking recovery of amounts described in the Initial 2004A Liquidity Facility, (ii) the payment to the 2004A Liquidity Facility Provider of all fees, expenses and other amounts payable under the Initial 2004A Liquidity Facility, and (iii) the payment to the 2004A Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate the Initial 2004A Liquidity Facility. In the event of such termination, the 2004A Adjustable Rate Bonds will be subject to mandatory tender for purchase, the Authority will use its best efforts to replace the Initial 2004A Liquidity Facility with an Alternate Liquidity Facility or cause the 2004A Adjustable Rate 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 2004A 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 2004A Liquidity Facility Provider

The following information has been obtained from the 2004A 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 "**2004A Liquidity Facility Provider**") is a privately owned corporation organized under the laws of the United States and is located in Topeka, Kansas. The 2004A Liquidity Facility Provider promotes housing, jobs and general prosperity by offering wholesale funding and related products and services that help member financial institutions provide affordable credit in their communities. With approximately \$41 billion in assets and approximately \$1.8 billion in capital (based on unaudited financial statements), the 2004A Liquidity Facility Provider serves more than 870 member stockholders throughout Colorado, Kansas, Nebraska and Oklahoma. The 2004A 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 2004A 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 2004A 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 2004A Liquidity Facility Provider and its instruments will be maintained.

Copies of the 2004A Liquidity Facility Provider's most recent unaudited quarterly financial statements can be obtained by accessing the 2004A Liquidity Facility Provider's Web site at http://www.fhlbtopeka.com/quarterly_financials_for_fhlb_to.htm. Copies of the 2004A Liquidity Facility Provider's most recent Annual Report can be ordered, without charge, by accessing the 2004A Liquidity Facility Provider's Web site at http://www.fhlbtopeka.com/request_for_documents.htm.

The 2004A 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 2004A ADJUSTABLE RATE BONDS WILL BE MADE PURSUANT TO THE INITIAL 2004A LIQUIDITY FACILITY IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE STANDBY BOND PURCHASE AGREEMENT IS A BINDING OBLIGATION OF THE 2004A LIQUIDITY FACILITY PROVIDER, THE 2004A ADJUSTABLE RATE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE

FEDERAL HOME LOAN BANK OF TOPEKA AND ARE NOT GUARANTEED BY SUCH BANK. THE 2004A 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 2004A 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."

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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.

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

Alternatively, owners eligible for the Mark-to-Market Program may elect to apply for HAP Contract renewal under such program, assuming a reduction in rent levels to comparable market levels, without debt restructuring. Title V requires HUD to renew HAP Contracts for project-based assistance, upon request of the owner, but at reduced payment levels based on rents reduced to comparable market levels, absent certain material adverse conduct or conditions described in the succeeding paragraph; provided, however, that such renewal is not required if the project is eligible for the Mark-to-Market Program, no approved restructuring plan is in place, and HUD determines that such restructuring is required. Certain "exception projects" (including projects having non-FHA-insured loans, moderate

rehabilitation projects, and projects having FHA-insured loans financed by a state government, local government, or an agency or instrumentality thereof, such as the Authority, if HUD determines that implementation of a mortgage restructuring plan would be in conflict with applicable law or agreements governing the financing) are eligible for renewal of project-based assistance, without restructuring, with rents at the lesser of: (i) existing rents adjusted by an operating costs adjustment factor ("OCAF") established by HUD; or (ii) a budget-based rent determined by HUD. In addition, Title V provides that owners of certain projects having FHA-insured mortgages and below market rents may elect to be entered into a Mark-Up-to-Market Program pursuant to which rent levels for such projects may be increased to market or near market levels.

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

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

For information on HAP Contracts applicable to the Projects, see **Appendix G-2** – "CERTAIN INFORMATION ABOUT THE OUTSTANDING LOANS." Generally, these HAP contracts are renewals of previous HAP contracts, in some cases after "mark-to-market" mortgage restructurings, pursuant to Title V. The Insured and Uninsured Rental Loans typically require borrowers to renew the respective HAP contract for the longer of the minimum period that the related project is subject to low-income occupancy and rent restrictions under the CHFA Regulatory Agreement (15 or 20 years) or the period the Insured or Uninsured Rental Loan is outstanding. There is no assurance that such renewals will be provided by HUD, as they are subject, among other things, to the availability of Congressional appropriations. The failure or inability to renew the HAP contracts could adversely affect the sufficiency of Revenues and assets pledged under the Master Indenture for payment of the Bonds outstanding thereunder or increase the level of prepayments. See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

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APPENDIX L

Form of Continuing Disclosure Undertaking

AUTHORITY CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by the COLORADO HOUSING AND FINANCE AUTHORITY, a body corporate and political subdivision of the State of Colorado (the "**Authority**"), in connection with the issuance of Colorado Housing and Finance Authority Multi-Family/Project Bonds, ___ Series __ (the "**Series Bonds**"). The Series Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**") and the ___ Series __ Indenture dated as of _____ 1, 200__ (the "**Series Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**").

BACKGROUND

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

2. In order to allow the Participating Underwriters (as defined in Rule 15c2-12 defined below) of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities and Exchange Act of 1934 (17 CFR Part 240, § 240.15c2-12) as amended to the date hereof ("**Rule 15c2-12**"), the Authority has agreed to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the 2002 Series C Bonds.

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

AUTHORITY COVENANTS AND AGREEMENTS

Section 1. Definitions.

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

(b) "Audited Financial Statements" means the annual financial statements for the Authority or other obligated person described in Section 2(f) hereof, as applicable, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

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

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

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

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

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

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

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

(j) "Senior Manager" means Lehman Brothers Inc., 4th Floor, 745 Seventh Avenue, New York, New York 10019.

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

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

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

(a) Commencing with the fiscal year ending December 31, 200__ and annually while the Series Bonds remain outstanding, the Authority agrees to provide or cause to be provided annually to each Repository (with a copy, upon request, to the Senior Manager) the following information:

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

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

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

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

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

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

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

In addition, the Authority covenants to provide Annual Financial Information and Audited Financial Statements for any other Borrower or other person who shall constitute an "obligated person"

with respect to the Series Bonds, or to cause such obligated person to provide such Annual Financial Information and Audited Financial Statements, if the total amount of such person's annual obligations in respect of the Series Bonds are equal to or greater than 20% of the average annual debt service requirements on the Series Bonds.

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

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

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

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

Section 7. Amendments and Waivers. Notwithstanding any other provision of the Disclosure Certificate, the Authority may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, without the consent of the owners or beneficial owners of the Series Bonds upon the Authority's receipt of an opinion of counsel experienced in federal securities laws to the effect that such amendment or waiver will not adversely affect compliance with Rule 15c2-12. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the

accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Authority shall provide notice of such amendment or waiver to each Repository and the Senior Manager.

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

Dated as of _____ 1, 200__.

COLORADO HOUSING AND FINANCE
AUTHORITY

By: _____
Executive Director

BORROWER CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by _____ (the "**Borrower**"), in connection with the issuance by the Colorado Housing and Finance Authority of its Colorado Housing and Finance Authority Multi-Family/Project Bonds, _____ Series ____ (the "**Series Bonds**"). The Series Bonds are being issued pursuant to the Master Indenture of Trust dated as of March 1, 2000, as amended (the "**Master Indenture**") and the 2004 Series A Indenture dated as of _____ 1, 200__ (the "**Series Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank, National Association, as Trustee (the "**Trustee**").

BACKGROUND

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

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

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

BORROWER COVENANTS AND AGREEMENTS

Section 1. Definitions.

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

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

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

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

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

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

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

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

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

(j) "Senior Manager" means Lehman Brothers Inc., 4th Floor, 745 Seventh Avenue, New York, New York 10019.

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

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

Section 2. Provision of Annual Information.

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

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

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

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

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

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

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

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

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

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

Date: _____, 200__.

[Name of Borrower]

By: _____
Name: _____
Title: _____

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

COLORADO HOUSING AND FINANCE AUTHORITY

By: _____
Name: _____
Title: _____

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