

## NEW ISSUE - Book-Entry Only

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants and representations described herein, interest on the Adjustable 2002 Series A-1 Bonds, the 2002 Series A-2 Bonds, the 2002 Series A-3 Bonds, the Adjustable 2002 Series A-4 Bonds and the 2002 Series A-5 Bonds (collectively referred to herein as the "2002 Series A Bonds") (except for interest on any 2002 Series A Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2002 Series A Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2002 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 Adjustable 2002 Series A-1 Bonds, the 2002 Series A-2 Bonds and the 2002 Series A-3 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 Adjustable 2002 Series A-4 Bonds and the 2002 Series A-5 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 2002 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 2002 Series A Bonds. See "Part I – TAX MATTERS."



# \$48,005,000 COLORADO HOUSING AND FINANCE AUTHORITY Multi-Family/Project Bonds

**\$9,410,000**  
Class I Adjustable  
Rate Bonds  
2002 Series A-1  
(AMT)

**\$3,590,000**  
Class I Bonds  
2002 Series A-2  
(AMT)

**\$5,735,000**  
Class II Bonds  
2002 Series A-3  
(AMT)

**\$19,450,000**  
Class I Adjustable  
Rate Bonds  
2002 Series A-4  
(non-AMT)

**\$9,820,000**  
Class I Bonds  
2002 Series A-5  
(non-AMT)

**Dated:** Date of Delivery

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

The 2002 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 2002 Series A Indenture of Trust dated as of May 1, 2002, each between the Authority and Wells Fargo Bank West, National Association (formerly known as Norwest Bank Colorado, National Association), as Trustee.

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

The proceeds of the 2002 Series A Bonds, and amounts exchanged for proceeds of the 2002 Series A Bonds, will be used to refund certain outstanding bonds of the Authority and to make or refinance twelve mortgage loans, six of which are being insured by the Federal Housing Administration under Sections 221(d)4 of the National Housing Act of 1934, as amended, or 542(c) of the Housing and Community Development Act of 1992, as amended. Such mortgage loans are being made to Borrowers to assist them in financing or refinancing the acquisition, construction and/or rehabilitation of multi-family housing projects in Colorado. Proceeds of the 2002 Series A Bonds, together with amounts advanced by the Authority and reimbursed by certain of the Borrowers, will also be used to make deposits to certain funds and accounts in accordance with the 2002 Series A Indenture. In connection with the issuance of the 2002 Series A Bonds (other than the Adjustable 2002 Series A-1 Bonds and the Adjustable 2002 Series A-4 Bonds while in an Interest Period for a Weekly Mode and in the initial Term Rate Mode), the Authority and certain of the Borrowers will undertake to provide certain continuing disclosure concerning the Authority, the 2002 Series A Bonds and the 2002A Projects, as described in "Part I – INTRODUCTION – Availability of Continuing Information."

Interest on the 2002 Series A-2 Bonds, 2002 Series A-3 Bonds and 2002 Series A-5 Bonds will be payable on each April 1 and October 1, commencing on October 1, 2002, on any redemption date and at maturity. The Adjustable Rate 2002 Series A-1 Bonds initially will bear interest at a Term Rate of 2.05% to be effective to and including January 28, 2003, at which time it is expected that the interest rate on the Adjustable 2002 Series A-1 Bonds will be adjusted to a Weekly Rate as described herein. The Adjustable 2002 Series A-4 Bonds initially will bear interest at a weekly rate (the "Weekly Rate") determined prior to the date of delivery of the 2002 Series A Bonds to be effective to and including the following Tuesday, and thereafter determined on each Tuesday by Lehman Brothers<sup>†</sup> in its capacity as 2002A 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 the Adjustable 2002 Series A-1 Bonds or the Adjustable 2002 Series A-4 Bonds, respectively, may be adjusted to a Commercial Paper Rate, Daily Rate, Weekly Rate, Term Rate, Select Auction Variable Rate Securities<sup>SM</sup> ("SAVRS") Rate or Fixed Rate as described herein.

While any of the Adjustable 2002 Series A-1 Bonds or the Adjustable 2002 Series A-4 Bonds are in an Interest Period for a Weekly Mode, holders of any such Adjustable 2002 Series A-1 Bonds or Adjustable 2002 Series A-4 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 Adjustable 2002 Series A-1 Bonds or Adjustable 2002 Series A-4 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 2002A Liquidity Facility") among the Authority, the Federal Home Loan Bank of Topeka (the "2002A Liquidity Facility Provider") and Wells Fargo Bank West, National Association, as Paying Agent. Coverage under the Initial 2002A Liquidity Facility, unless extended or earlier terminated, is stated to expire on May 15, 2007.

### Maturity Schedules on Inside Front Cover

*Certain of the 2002 Series A Bonds are subject to special redemption, optional redemption and cumulative sinking fund redemption prior to maturity at par prior to maturity 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 Adjustable 2002 Series A-1 Bonds, the 2002 Series A-2 Bonds, the Adjustable 2002 Series A-4 Bonds and the 2002 Series A-5 Bonds are being issued as Class I Bonds. The 2002 Series A-3 Bonds are being issued as Class II Bonds. The 2002 Series A Bonds are special, limited obligations of the Authority payable solely from the revenues, assets and moneys pledged under the Indenture as described herein. The 2002 Series A Bonds issued as Class I Bonds will be so secured by the pledge under the Master Indenture on an equal and ratable basis with all other Class I Obligations now or hereafter outstanding under the Master Indenture. The 2002 Series A Bonds issued as Class II Bonds will be so secured by the pledge under the Master Indenture on an equal and ratable basis with all other Class II Obligations now or hereafter outstanding under the Master Indenture, 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 2002 Series A Bonds constitute an obligation or liability of the State of Colorado or any political subdivision thereof other than the Authority. The Authority has no taxing power nor does it have the power to pledge the general credit or taxing power of the State of Colorado or any other political subdivision thereof (other than the general credit of the Authority, which general credit is not pledged for the payment of the 2002 Series A Bonds).**

*This cover page contains only a brief description of the Authority, the 2002 Series A Bonds and the security therefor. It is not intended to be a summary of material information with respect to the 2002 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 2002 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 2002A Liquidity Facility Provider by its general counsel, Richard L. Schaplowsky, Esq. The Underwriters are being represented in connection with their purchase of the 2002 Series A Bonds by their counsel, Bookhardt & O'Toole, Denver, Colorado. It is expected that the 2002 Series A Bonds will be delivered (through DTC) in New York, New York on or about May 15, 2002.

## LEHMAN BROTHERS<sup>†</sup>

Newman & Associates, Inc.

George K. Baum & Company

RBC Dain Rauscher Inc.

Stifel, Nicolaus & Company Incorporated  
Hanifen Imhoff Division

US Bancorp Piper Jaffray, Inc.

A.G. Edwards & Sons, Inc.

Harvestons Securities, Inc.

Salomon Smith Barney

This Official Statement is dated April 12, 2002.

<sup>†</sup> 2002A Remarketing Agent for 2002A Adjustable Rate Bonds  
<sup>SM</sup> Service Mark of Lehman Brothers Inc.

## MATURITY SCHEDULES

**\$9,410,000**  
**Adjustable 2002 Series A-1 Bonds (AMT)**  
**(CUSIP No. 196479 EN5)**

\$9,410,000 Class I Adjustable Rate Bonds, 2002 Series A-1 due October 1, 2022 - Price: 100%

**\$3,590,000**  
**2002 Series A-2 Bonds (AMT)**  
**(CUSIP No. 196479)**

Date (October 1)	Principal Amount	Interest Rate	Price	Cusip
2003	\$350,000	2.65%	100%	DN6
2004	370,000	3.15	100	DP1
2005	380,000	3.60	100	DQ9
2006	390,000	3.90	100	DR7
2007	400,000	4.20	100	DS5
2008	410,000	4.45	100	DT3
2009	420,000	4.65	100	DU0
2010	430,000	4.75	100	DV8
2011	440,000	4.85	100	DW6

**\$5,735,000**  
**2002 Series A-3 Bonds (AMT)**  
**(CUSIP No. 196479)**

\$2,985,000\* 5.70% Class II Term Bonds, 2002 Series A-3 due April 1, 2042 - Price: 100% (Cusip: DX4)  
 \$2,750,000 5.70% Class II Term Bonds, 2002 Series A-3 due October 1, 2042 - Price: 100% (Cusip: DY2)

**\$19,450,000**  
**Adjustable 2002 Series A-4 Bonds (non-AMT)**  
**(CUSIP No. 196479 EP0)**

\$19,450,000 Class I Adjustable Rate Bonds, 2002 Series A-4 due October 1, 2030 - Price: 100%

**\$9,820,000**  
**2002 Series A-5 Bonds (non-AMT)**  
**(CUSIP No. 196479)**

Date (October 1)	Principal Amount	Interest Rate	Price	Cusip
2003	\$ 50,000	2.45%	100%	DZ9
2004	110,000	2.90	100	EA3
2005	110,000	3.40	100	EB1
2006	115,000	3.70	100	EC9
2007	120,000	4.00	100	ED7
2008	125,000	4.20	100	EE5
2009	130,000	4.40	100	EF2
2010	140,000	4.50	100	EG0
2011	140,000	4.60	100	EH8
2012	150,000	4.70	100	EJ4
2013	160,000	4.80	100	EK1

\$1,865,000 5.35% Class I Term Bonds, 2002 Series A-5 due October 1, 2022 - Price: 100% (Cusip: EL9)  
 \$6,605,000 5.45% Class I Term Bonds, 2002 Series A-5 due October 1, 2033 - Price: 100% (Cusip: EM7)

\* The 2002 Series A-3 Bonds maturing on April 1, 2042 are being purchased directly from the Authority by an institutional purchaser.

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 2002 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

**THE PRICES AT WHICH THE 2002 SERIES A BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE FRONT COVER 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 2002 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 2002 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 and inside front cover,  
Parts I and II and the Appendices.**

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

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**OFFICIAL STATEMENT**

**\$48,005,000**

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

<b>\$9,410,000</b> <b>Class I Adjustable</b> <b>Rate Bonds</b> <b>2002 Series A-1</b> <b>(AMT)</b>	<b>\$3,590,000</b> <b>Class I Bonds</b> <b>2002 Series A-2</b> <b>(AMT)</b>	<b>\$5,735,000</b> <b>Class II Bonds</b> <b>2002 Series A-3</b> <b>(AMT)</b>	<b>\$19,450,000</b> <b>Class I Adjustable</b> <b>Rate Bonds</b> <b>2002 Series A-4</b> <b>(non-AMT)</b>	<b>\$9,820,000</b> <b>Class I Bonds</b> <b>2002 Series A-5</b> <b>(non-AMT)</b>
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**PART I**

**INTRODUCTION**

This Official Statement, which includes the front cover and inside 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 "**2002 Series A Bonds**"). The 2002 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 2002 Series A Indenture dated as of May 1, 2002 (the "**2002 Series A Indenture**," and together with the Master Indenture, the "**Indenture**"), each between the Authority and Wells Fargo Bank West, National Association (formerly known as Norwest Bank, Colorado, 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 and inside front cover, 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 2002 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 2002 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 2002 Series A Bonds are authorized to be issued pursuant to the Colorado Housing and Finance Authority Act, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes, as amended (the "Act"). The 2002 Series A Bonds are being issued and secured under the Indenture.

### **Purpose of the 2002 Series A Bonds**

Proceeds of the Adjustable 2002 Series A-4 Bonds will be used to refund certain of the Authority's Multi-Family/Project Class I Adjustable Rate Bonds, 2000 Series A-1 (the "**2000 Series A-1 Bonds**"), as described in "Part I – PLAN OF FINANCE – Refunding of 2000 Series A-1 Bonds." Certain proceeds of the 2002 Series A Bonds will also be exchanged for certain moneys on deposit under the Master Indenture and used to refund or redeem certain of the Authority's outstanding bonds. Proceeds of the 2002 Series A Bonds, and amounts exchanged therefor, will also be used to make and refinance certain loans (referred to herein as the "**2002A Loans**") to the particular private developers, nonprofit organizations and local housing authorities as described in **Appendix G-1** hereto (collectively, the "**Borrowers**") for the provision of housing facilities. See "Part I - PLAN OF FINANCE." In addition, proceeds of the 2002 Series A Bonds, and amounts exchanged therefor, together with amounts advanced by the Authority and reimbursed by certain of the Borrowers, will be used to make required deposits to certain funds and accounts, as described in "Part I – PLAN OF FINANCE - Sources and Uses of Funds." Each of the Borrowers is expected to use the amounts so loaned to it as a 2002A Loan to finance, in part, the acquisition, construction and/or rehabilitation of a multi-family housing project located in Colorado. See "Part I – CERTAIN PROGRAM ASSUMPTIONS - The 2002A Loans and Projects."

### **Description of the 2002 Series A Bonds**

#### *Interest Rates and Payments*

The Authority's Multi-Family/Project Class I Bonds, 2002 Series A-2 (the "**2002 Series A-2 Bonds**"), the Authority's Multi-Family/Project Class II Bonds, 2002 Series A-3 (the "**2002 Series A-3 Bonds**"), the Authority's Multi-Family/Project Class I Bonds, 2002 Series A-5 (the "**2002 Series A-5 Bonds**" and, together with the 2002 Series A-2 Bonds and the 2002 Series A-3 Bonds, the "**2002A Fixed Rate Bonds**") will bear interest at the rates shown on the inside front cover hereof payable on October 1, 2002 and thereafter semiannually on April 1 and October 1 of each year, to be computed on the basis of a 360-day year of twelve 30-day months. The 2002A Fixed Rate Bonds are to be issued in denominations of \$5,000 or any integral multiple thereof. Principal of the 2002A 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 2002 SERIES A BONDS – 2002A Fixed Rate Bonds."

The Authority's Multi-Family/Project Class I Adjustable Rate Bonds, 2002 Series A-1 (the "**Adjustable 2002 Series A-1 Bonds**") initially will bear interest at a Term Rate of 2.05% to be effective to and including January 28, 2003, and it is expected that such Bonds will then be adjusted to a Weekly Rate, as described herein. The Authority's Multi-Family/Project Class I Adjustable Rate Bonds, 2002 Series A-4 (the "**Adjustable 2002 Series A-4 Bonds**" and, together with the Adjustable 2002 Series A-1 Bonds, the "**2002A Adjustable Rate Bonds**") initially will bear interest at a Weekly Rate. While in a Weekly Rate Mode, interest on the 2002A Adjustable Rate Bonds will be determined, adjusted and payable semiannually on April 1 and October 1 of each year as described in "Part I – TERM OF THE 2002 SERIES A BONDS – 2002A Adjustable Rate Bonds." The 2002A Adjustable Rate Bonds are to be



issued in Authorized Denominations and will mature on the dates and in the amounts shown on the inside front cover hereof (unless redeemed prior to maturity).

### *Redemption and Tender*

Certain of the 2002 Series A Bonds are subject to special, optional and cumulative sinking fund redemption prior to maturity, as described under "Part I – TERMS OF THE 2002 SERIES A BONDS – Prior Redemption." The 2002A Adjustable Rate Bonds are also subject to optional and mandatory tender for purchase as described under "Part I – TERMS OF THE 2002 SERIES A BONDS – 2002A Adjustable Rate Bonds." See also "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

**For a more complete description of the 2002 Series A Bonds and the Indenture pursuant to which such 2002 Series A Bonds are being issued, see "Part I – TERMS OF THE 2002 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 April 1, 2002, Bonds issued under the Master Indenture were outstanding in an aggregate principal amount of \$123,595,000 for the Class I Bonds, \$17,510,000 for the Class II Bonds and \$21,760,000 for the Class III Bonds. The Outstanding Class III Bonds have been designated as general obligations of the Authority. See **Appendix B – "OUTSTANDING MASTER INDENTURE OBLIGATIONS."**

The 2002 Series A Bonds as described on the inside front cover hereof 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 2002 Series A Bonds are being issued as Class III Obligations or Class IV Obligations. None of the 2002 Series A Bonds are being designated as general obligations of the Authority. The 2002 Series A Bonds are also 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 2002 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 2002 Series A Bonds.** Upon delivery of the 2002A Adjustable Rate Bonds, the Authority will enter into a Standby Bond Purchase Agreement to establish a liquidity facility for the 2002A Adjustable Rate Bonds (the "**Initial 2002A Liquidity Facility**") with the Federal Home Loan Bank of Topeka as the initial standby bond purchaser (referred to herein as the "**2002A Liquidity Facility Provider**"). See **Appendix H – "CERTAIN TERMS OF THE INITIAL 2002A LIQUIDITY FACILITY"** and **Appendix I – "THE 2002A LIQUIDITY FACILITY PROVIDER."**

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

In connection with the issuance and sale of the 2002 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 2002 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 2002A Liquidity Facility Provider by its general counsel, Richard L. Schaplowsky, Esq.

### **Availability of Continuing Information**

In connection with issuance of the 2002A Fixed Rate Bonds, the Authority will deliver a Continuing Disclosure Undertaking in the form attached in **Appendix F** 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, 2002. The Authority is currently in compliance with all continuing disclosure undertakings entered in connection with its outstanding bonds. In addition, the Borrowers for the Truscott Housing Project, Forest Manor, Fountain Ridge and Project Heritage are "obligated persons" under Rule 15c2-12 of the Securities and Exchange Act and will agree to provide to the Authority, and the Authority will agree to file upon receipt, certain annual financial information relating to their respective 2002A Projects of the type set forth in **Appendix G-1** hereto. **The Authority has not agreed to provide continuing financial or other information for the benefit of the owners of the 2002A Adjustable Rate Bonds while in any Daily Mode, Weekly Mode, Term Mode or Commercial Paper Mode equal to or less than nine months.**

### **Investment Considerations**

*The purchase and ownership of the 2002 Series A Bonds involve investment risks. Prospective purchasers of the 2002 Series A Bonds are urged to read this Official Statement in its entirety. For a discussion of certain such risks relating to the 2002 Series A Bonds, see "Part II – CERTAIN BONDOWNERS' RISKS."*

## **TERMS OF THE 2002 SERIES A BONDS**

### **General Terms**

#### *Payment*

The principal or redemption price of the 2002 Series A Bonds is payable at the corporate trust office of Wells Fargo Bank West, National Association, the Paying Agent and the Trustee for the 2002 Series A Bonds. Interest on the 2002 Series A Bonds will be payable on the Interest Payment Dates to Cede & Co.

#### *Book-Entry System*

DTC will act as securities depository for the 2002 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 K – "BOOK-ENTRY SYSTEM."** **So long as the 2002 Series A Bonds are registered in the DTC book-entry form described in Appendix K, each Beneficial Owner of a 2002 Series A Bond should make arrangements with a Participant in DTC to receive notices or communications with respect to matters concerning the 2002 Series A Bonds.**

### *Defeasance and Discharge*

The Indenture provides the Authority with the right to discharge the pledge and lien created by the Indenture with respect to any 2002 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 2002 Series A Bonds at the maturity or redemption thereof. See **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Defeasance."

### **2002A Fixed Rate Bonds**

The 2002A 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 2002A 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 October 1, 2002, and at Maturity. The 2002A Fixed Rate Bonds will be issued as fully registered bonds without coupons. Purchases of the 2002A Fixed Rate Bonds are to be made in denominations of \$5,000 or any integral multiple thereof. The 2002A Fixed Rate Bonds are to be redeemed as described in "Prior Redemption" under this caption.

### **2002 Adjustable Rate Bonds**

#### *Generally*

The 2002A Adjustable Rate 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 (unless redeemed prior to maturity). The Adjustable 2002 Series A-1 Bonds initially will bear interest at a Term Rate of 2.05% to be effective to and including January 28, 2003, and is expected to then be adjusted to a Weekly Rate. The 2002 Series A-4 Bonds initially will bear interest at a Weekly Rate determined prior to the date of delivery by Lehman Brothers Inc., as the initial 2002A Remarketing Agent. Following the first Interest Period during which the 2002A Adjustable Rate Bonds bear interest at a Weekly Rate, the interest rate on the 2002A 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 2002A Adjustable Rate Bonds are in an Interest Period for a Mode other than a Daily Mode or SAVRS Rate Mode, interest will be payable on each April 1 and October 1, commencing October 1, 2002, on any redemption date or Mode Change Date and on the Maturity Date.

While in an Interest Period for a Commercial Paper Mode, a Daily Mode or a Weekly Mode, interest on the 2002A 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. The 2002A Adjustable Rate Bonds in a Daily Mode or Weekly Mode may be purchased in denominations of \$100,000, or any integral multiples thereof (provided that one 2002A Adjustable Rate Bond may be in the principal amount of \$100,000 plus \$5,000 or an integral multiple of \$5,000). The 2002A Adjustable Rate Bonds in a Commercial Paper Mode may be purchased in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. The 2002A Adjustable Rate Bonds in a SAVRS Rate Mode is to be computed on the basis of a 360-day year comprised of twelve 30-day months and may be purchased in denominations of \$5,000, or any integral multiple thereof. While in an Interest Period for a Term Rate Mode or Fixed Rate Mode, interest on the 2002A Adjustable Rate Bonds is to be calculated on the basis of a 360 day year comprised of twelve 30-day months and the 2002A Adjustable Rate Bonds may be purchased in denominations of \$5,000, or any integral multiples thereof. The 2002A Adjustable Rate Bonds are to be redeemed as described in "Prior Redemption" under this caption.

### *Determination of Interest Rate*

General. The 2002A Adjustable Rate Bonds may bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Term Rate, a SAVRS Rate or a Fixed Rate. **The Adjustable 2002 Series A-1 Bonds and the Adjustable 2002 Series A-4 Bonds need not bear the same rate.** The 2002A Adjustable Rate Bonds may be changed from one Mode to another Mode as described in "Adjustment Between Modes" under this caption. The Mode of each Series of the 2002A Adjustable Rate Bonds from the delivery date until further designation by the Authority will be the Weekly Mode. Thereafter, the Authority may change any Series of the 2002A Adjustable Rate Bonds from one Mode to another Mode as described in "Adjustment Between Modes" under this caption. The interest rate on the 2002A Adjustable Rate Bonds (other than when in a SAVRS Rate Mode) is to be determined by the 2002A Remarketing Agent in accordance with the Indenture as described below. The interest on the 2002A 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 2002A Adjustable Rate Bonds such that all of the 2002A Adjustable Rate Bonds bear interest at a Fixed Interest Rate or the SAVRS Rate would result in a termination of the Initial 2002A Liquidity Facility. See Appendix H - "CERTAIN TERMS OF THE INITIAL 2002A LIQUIDITY FACILITY."*

Weekly Rate. During any Interest Period in which the 2002A Adjustable Rate Bonds are in a Weekly Mode, the 2002A 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 2002A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2002A Remarketing Agent under then-existing market conditions, would result in the sale of the 2002A Adjustable Rate Bonds on such date at a price equal to the principal amount thereof plus accrued and unpaid interest, if any. If the 2002A 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 2002A Adjustable Rate Bonds are to bear interest from the last date on which the Weekly Rate was determined by the 2002A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2002A Remarketing Agent determines the Weekly Rate (or until there is delivered an opinion of counsel to the effect that the method of determining such interest was enforceable) at the rate of the BMA Municipal Swap Index as reported on the day such Weekly Rate would otherwise have been determined by the 2002A Remarketing Agent. The 2002A 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 the 2002A Adjustable Rate Bonds are in a Daily Mode, the 2002A 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 the immediately preceding Business Day. The Daily Rate determined by the 2002A Remarketing Agent is to be the minimum interest rate which, in the opinion of the 2002A Remarketing Agent under then-existing market conditions, would result in the sale of such 2002A 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 2002A 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 2002A Adjustable Rate Bonds are to bear interest from the last date on which the Daily Rate was determined by the 2002A Remarketing Agent (or the last date on which interest was legally paid) until such time as the 2002A 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 2002A Remarketing Agent.

Term Rates. During any Interest Period in which the 2002A Adjustable Rate Bonds are in a Term Rate Mode, the 2002A 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 2002A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2002A Remarketing Agent, will result in the sale of such 2002A Adjustable Rate Bonds at a price equal to the principal amount thereof. If, for any reason, a new Term Rate for an Adjustable 2002 Series A-3 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 2002A 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 2002A Remarketing Agent in accordance with the Indenture or (ii) if such 2002A 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 shall bear interest at the index published or provided by Kenny Information Systems, which index is based on yield evaluations at par of bonds, the interest on which is excluded from gross income for purposes of federal income taxation and are not subject to a "minimum tax" or similar tax under the Code (unless all tax-exempt bonds are subject to such tax). 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 2002A 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 the 2002A Adjustable Rate Bonds, the 2002A 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 2002A Remarketing Agent is to be the minimum interest rate which, in the sole judgment of the 2002A Remarketing Agent would result in the sale of such 2002A 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 2002A 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 2002A Adjustable Rate Bond in a Commercial Paper Mode, the 2002A Remarketing Agent is to select for such 2002A Adjustable Rate Bond the Interest Period which would result in the 2002A Remarketing Agent being able to remarket such 2002A 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 2002A 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 2002A Adjustable Rate Bond, then the 2002A Remarketing Agent is to select the Interest Period which in the judgment of the 2002A Remarketing Agent would permit such 2002A Adjustable Rate Bond to achieve such lower average interest cost; provided, however, that if the 2002A Remarketing Agent has received notice from the Authority that any 2002A 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 2002A Remarketing Agent shall, with respect to such 2002A 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 2002A Adjustable Rate Bond in the Commercial Paper Mode, any Owner of such 2002A Adjustable Rate Bond may telephone the 2002A Remarketing Agent and receive notice of the anticipated next Interest Period and the anticipated Commercial Paper Rate for such Interest Period for such 2002A Adjustable Rate Bond. To receive payment of the Purchase Price, the Owner of any 2002A 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 2002A Remarketing Agent is to determine the Commercial Paper Rate for the Interest Period then selected for such 2002A 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 2002A Remarketing Agent is to assign CUSIP numbers for each Commercial Paper Bond for which a Commercial Paper Rate and Interest Period have been determined on such date and notify the Paying Agent of such assignment by telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

#### *Adjustment Between Modes*

Any change to a different Mode requires delivery to the Trustee, the Paying Agent and the 2002A Remarketing Agent of: (i) a notice from each Rating Agency confirming that the rating on the 2002A 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 SAVRS 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 an 2002A Adjustable Rate Bond (other than a 2002A Adjustable Rate Bond in the Fixed Rate Mode) from one Mode to another Mode by giving written notice no later than the 45<sup>th</sup> day (or such shorter time as may be agreed upon by the Authority, the Trustee, the Paying Agent and the 2002A 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; (iii) whether or not the 2002A Adjustable Rate Bonds to be converted to a new Mode will be covered by the initial Liquidity Facility; and (iv) if the change is to the Fixed Rate Mode, whether or not some or all of the 2002A Adjustable Rate Bonds will be converted to serial bonds and, if so, the applicable serial maturity dates and serial payments. The Trustee is to give notice to Owners of 2002A 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 2002A 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 2002A Adjustable Rate Bonds are registered in the DTC book-entry system described in Appendix K, 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 2002A 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 2002A Remarketing Agent of an irrevocable telephonic notice in the case of 2002A 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 2002A Adjustable Rate Bonds in the Weekly Mode, which notice states the CUSIP number, the Bond number, the principal amount of such 2002A Adjustable Rate 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 2002A 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 2002A 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 2002A 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 2002A 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 2002A Adjustable Rate Bonds are being changed to a Mode other than another Term Rate Mode, the owner of 2002A 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 2002A 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 2002A 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 2002A 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 2002A 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. 2002A 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 2002A 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 2002A 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. 2002A 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 2002A Adjustable Rate Bonds are registered in the DTC book-entry system described in Appendix K, 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 2002A 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 45<sup>th</sup> 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 2002A 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 2002A 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 2002A 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 2002A 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 2002A Liquidity Facility Provider to purchase 2002A Adjustable Rate Bonds under the Initial 2002A Liquidity Facility is subject to the conditions that the long-term ratings of such 2002A 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 2002A LIQUIDITY FACILITY."**

Mandatory Purchase Upon Termination of Initial 2002A Liquidity Facility. The 2002A Adjustable Rate Bonds will be subject to mandatory purchase if the Trustee receives notice from the 2002A Liquidity



Facility Provider that the Initial 2002A 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 2002A Adjustable Rate Bonds are outstanding. Such 2002A 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 2002A Liquidity Facility Provider and at least five Business Days prior to the termination of the Initial 2002A 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 2002A Adjustable Rate Bonds subject to such mandatory purchase within two Business Days after receipt of notice from the 2002A 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 2002A 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 2002A 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 2002A Adjustable Rate Bonds (except proceeds of remarketed Bank Bonds to the extent applied to any amount owing to the Bank) pursuant to the Indenture and the Remarketing Agreement and furnished to the Tender Agent by the 2002A Remarketing Agent for deposit into the Remarketing Proceeds Account; and
- (2) money furnished by the 2002A Liquidity Facility Provider to the Trustee for deposit with the Paying Agent from requests under the Initial 2002A Liquidity Facility, if any, as described in **Appendix H** – "CERTAIN TERMS OF THE INITIAL 2002A 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 2002A Adjustable Rate Bonds are registered in the DTC book-entry system described in Appendix K, any notices will be sent only to DTC's nominee.**

#### **Prior Redemption**

##### *Special Redemption*

Unexpended Amounts in Acquisition Account. The 2002 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 May 1, 2005 (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 2002 Series A Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, to the extent that there are any unexpended proceeds of the 2002 Series A Bonds transferred from the 2002 Series A subaccounts of the Acquisition Account to the 2002 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 April 1, 2005; 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 2002A Loans expected to be made by the Authority with proceeds of the 2002 Series A Bonds deposited to the 2002 Series A Acquisition Account, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2002A Loans and Projects." See also "Part II – CERTAIN BONDOWNERS' RISKS."

Moneys deposited in or transferred to the 2002 Series A subaccounts of the Redemption Fund as described above shall be applied to redeem the 2002 Series A Bonds as follows: first, there shall be transferred to the 2002 Series A subaccount of the Class I Special Redemption Account the amount necessary to satisfy the 2002 Series A Class I Asset Requirement, calculated upon such transfer; second, there shall be transferred to the 2002 Series A subaccount of the Class II Special Redemption Account the amount necessary to satisfy the 2002 Series A Class II Asset Requirement, calculated upon such transfer; and third, the remainder of funds to be transferred shall be allocated to the 2002 Series A subaccount of the Class I Special Redemption Account and the 2002 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 2002 Series A Class I Bonds and the Aggregate Principal Amount of Outstanding 2002 Series A Class II Bonds, respectively, to the Aggregate Principal Amount of all 2002 Series A Bonds Outstanding. See **Appendix D** – "CLASS ASSET REQUIREMENTS."

If less than all of the 2002 Series A Class I Bonds are to be redeemed in accordance with the preceding paragraph, the 2002 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.

Prepayments, Excess Revenues and Debt Service Reserve Fund Reductions. The 2002 Series A Bonds are also subject to special redemption prior to maturity, in whole or in part at any time, upon notice as provided in the Master Indenture, at a Redemption Price equal to 100% of the Aggregate Principal Amount of the 2002 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 2002 Series A Subaccount of the Class I Special Redemption Account of the Redemption Fund and the 2002 Series A Subaccount of the Class II Special Redemption Account of the Redemption Fund (other than unexpended proceeds as described in "Unexpended Amounts in Acquisition Account" under this caption), on the 45th day prior to the redemption date. Amounts on deposit in the Revenue Fund, including Loan Repayments and Prepayments and amounts in excess of applicable Debt Service Reserve Fund Requirements transferred to the Revenue Fund from the applicable account of the Debt Service Reserve Fund, are to be transferred to the applicable Special Redemption Accounts at the election of the Authority and as otherwise required in accordance with the provisions of the Master Indenture described in **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Revenue Fund."

**It is anticipated that moneys will be available to redeem a substantial portion of the 2002 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 2002A Loan payments, voluntary disposition of 2002A Loans, voluntary or involuntary prepayments of the 2002A Loans, such as proceeds received as a result of damage, destruction or condemnation of Authority Projects if financed or refinanced with proceeds of the 2002 Series A Bonds, and other such sources.**

Cross-Calls and Recycling. Pursuant to the Master Indenture, the Authority may by delivery of an Authority Request to the Trustee, instruct the Trustee to transfer moneys on deposit in any Series subaccount of a Class Account of the Redemption Fund to any other Series subaccount of the same Class Account to be applied to the redemption of the same Class of Bonds of a different Series. Any such Authority Request is to (i) certify that it is consistent with the most recently filed Related Cash Flow Statement and not prohibited by the Related Series Indenture, and (ii) be accompanied by evidence of satisfaction of all Asset Requirements for the 2002 Series A Bonds. See "Notice of Redemption" under this caption. The 2002 Series A Indenture does not prohibit cross calls of the 2002 Series A Bonds, although the 2000 Series B Indenture and the 2001 Series A Indenture do prohibit cross calls and other Series Indentures may in the future prohibit such cross calls, with respect to Related Series of Bonds; such prohibition may result in early redemption of the 2002 Series A Bonds at par. 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 currently expects to transfer Repayments or Loan Repayments to the Loan Recycling Account of the Program Fund to finance Loans, although it is free to transfer such Repayments or Loan Prepayments 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*

2002A Fixed Rate Bonds. The 2002A Fixed Rate Bonds shall be subject to redemption prior to maturity at the option of the Authority from any source, including without limitation the proceeds of refunding bonds or other financing provided by the Authority or from the sale or other voluntary disposition of Loans and Authority Projects, on and after April 1, 2012, in whole or in part at any time at a redemption price equal to 100% of the Aggregate Principal Amount of the 2002A Fixed Rate Bonds to be so redeemed, plus accrued interest to the date of redemption.

2002A Adjustable Rate Bonds – Weekly Mode, Daily Mode or Commercial Paper Mode. The 2002A Adjustable Rate Bonds may be redeemed prior to maturity at the option of the Authority from any source, including without limitation the proceeds of refunding bonds or other financing provided by the Authority or from the sale or other voluntary disposition of Loans and Authority Projects, 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 2002A Adjustable Rate Bonds during Interest Periods for a Commercial Paper Mode, at a redemption price equal to 100% of the Aggregate Principal Amount of 2002A Adjustable Rate Bonds to be so redeemed.

2002A Adjustable Rate Bonds – Term Rate Mode or Fixed Rate Mode. During any Interest Period for a Term Rate Mode or Fixed Rate Mode, the 2002A 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, including without limitation the proceeds of refunding bonds or other financing provided by the Authority or from the sale or other voluntary disposition of Loans and Authority Projects, at a redemption price equal to 100% of the principal amount of 2002A 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 remaining term of any 2002A Adjustable Rate Bonds (in the case of Fixed Rate Bonds) or the length of the Interest Period (in the case of Term Rate Bonds): (i) is greater than 15 years, then such 2002A 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 2002A 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 2002A 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 remaining term of any 2002A Adjustable Rate Bonds (in the case of Fixed Rate Bonds) or the length of the Interest Period (in the case of Term Rate Bonds) is equal to or less than ten years. The Authority, in connection with a change to a Term Rate or a Fixed Rate Mode, may waive or otherwise alter its rights to direct the redemption of any such 2002A Adjustable Rate Bonds so changed to a Term Rate Mode or a 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 2002A Remarketing Agent, together with a Favorable Opinion of Bond Counsel, addressed to them.

2002A Adjustable Rate Bonds – SAVRS Rate Mode. After a conversion, if any, to the SAVRS Rate Mode, such 2002A Adjustable Rate Bonds may be redeemed prior to maturity as provided in the Supplemental Indenture to be entered into in connection with such conversion.

*Cumulative Sinking Fund Redemption*

Certain of the 2002 Series A 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 2002 Series A subaccount of the Related Class 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 2002 Series A Bonds or portions thereof to be so redeemed, together with accrued interest to the date of redemption, as follows:

**Class I Adjustable 2002 Series A-1 Bonds  
Maturing October 1, 2022**

<u>Date (April 1)</u>	<u>Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Sinking Fund Installments</u>
2012	\$220,000	2012	\$230,000
2013	220,000	2013	240,000
2014	380,000	2014	395,000
2015	400,000	2015	415,000
2016	425,000	2016	430,000
2017	445,000	2017	455,000
2018	425,000	2018	430,000
2019	495,000	2019	500,000
2020	520,000	2020	530,000
2021	545,000	2021	555,000
2022	560,000	2022	595,000(1)

(1) Final maturity

**Class II 2002 Series A-3 Bonds  
Maturing April 1, 2042**

<u>Date (April 1)</u>	<u>Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Sinking Fund Installments</u>
2023	\$ 15,000	2023	\$ 15,000
2024	15,000	2024	15,000
2025	20,000	2025	20,000
2026	20,000	2026	25,000
2027	25,000	2027	30,000
2028	30,000	2028	30,000
2029	35,000	2029	35,000
2030	35,000	2030	35,000
2031	45,000	2031	40,000
2032	45,000	2032	45,000
2033	50,000	2033	55,000
2034	105,000	2034	110,000
2035	110,000	2035	120,000
2036	120,000	2036	125,000
2037	125,000	2037	130,000
2038	135,000	2038	140,000
2039	140,000	2039	145,000
2040	150,000	2040	155,000
2041	160,000	2041	165,000
2042	170,000 (1)	--	--

(1) Final maturity

**Class II 2002 Series A-3 Bonds  
Maturing October 1, 2042**

<u>Date (April 1)</u>	<u>Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Sinking Fund Installments</u>
2023	\$ 10,000	2023	\$ 15,000
2024	15,000	2024	15,000
2025	15,000	2025	15,000
2026	20,000	2026	20,000
2027	20,000	2027	20,000
2028	25,000	2028	25,000
2029	25,000	2029	25,000
2030	25,000	2030	30,000
2031	30,000	2031	35,000
2032	35,000	2032	40,000
2033	40,000	2033	45,000
2034	90,000	2034	90,000
2035	95,000	2035	95,000
2036	100,000	2036	100,000
2037	105,000	2037	110,000
2038	110,000	2038	110,000
2039	120,000	2039	120,000
2040	125,000	2040	125,000
2041	130,000	2041	130,000
2042	135,000	2042	315,000 (1)

(1) Final maturity

**Class I 2002 Series A-5 Bonds  
Maturing October 1, 2022**

<u>Date (April 1)</u>	<u>Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Sinking Fund Installments</u>
2014	\$ 80,000	2014	\$ 85,000
2015	85,000	2015	90,000
2016	90,000	2016	95,000
2017	95,000	2017	100,000
2018	100,000	2018	105,000
2019	105,000	2019	110,000
2020	115,000	2020	115,000
2021	120,000	2021	120,000
2022	125,000	2022	130,000 (1)

(1) Final maturity

**Class I 2002 Series A-5 Bonds  
Maturing October 1, 2033**

<u>Date (April 1)</u>	<u>Sinking Fund Installments</u>	<u>Date (October 1)</u>	<u>Sinking Fund Installments</u>
2023	\$135,000	2023	\$235,000
2024	240,000	2024	245,000
2025	255,000	2025	255,000
2026	260,000	2026	270,000
2027	275,000	2027	285,000
2028	290,000	2028	300,000
2029	305,000	2029	310,000
2030	320,000	2030	330,000
2031	335,000	2031	345,000
2032	350,000	2032	365,000
2033	370,000	2033	530,000 (1)

(1) Final maturity

*The payment of such Sinking Fund Installments with respect to the 2002 Series A Bonds of any such series and 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 Related Class Debt Service Fund from Loan Repayments allocated to the 2002 Series A Bonds. If the amount on deposit in the Related Series subaccount of the Related Class 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 2002 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 2002 Series A Bonds so redeemed or purchased against any sinking fund obligation with respect to such 2002 Series A Bonds as described in "Credit Against Sinking Fund Installments" under this caption.

*Selection of Bonds for Redemption*

Except in the case of redemption with unexpended proceeds as described in "Special Redemption – Unexpended Amounts in Acquisition Account" under this caption, if less than all of the 2002 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 2002 Series A Bonds in any amounts and order of maturity of any Series and any Class, provided that Bank Bonds are to be redeemed prior to any other 2002A Adjustable Rate Bonds. In the event that the Authority does not provide such direction, and if less than all of the 2002 Series A Bonds are to be redeemed, the Trustee is to select for redemption a pro rata amount of the 2002 Series A Bonds of each tenor and maturity of the 2002 Series A Bonds for redemption. If less than all 2002 Series A Bonds of like Class, tenor and



maturity are to be redeemed, the particular 2002 Series A Bonds or portions of 2002 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 2002 Series A Bonds are to be redeemed, the Bond Registrar is to cause notice of such redemption to be mailed by first class mail, or transmitted in such other manner (such as by readily available electronic means) as may be customary for the industry as directed in writing by the Authority, not more than 60 days nor less than 30 days prior to the redemption date, to the registered owner of each 2002 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 2002 Series A Bond with respect to which no such failure or defect has occurred. **So long as the 2002 Series A Bonds are registered in the DTC book-entry system described in Appendix K, such notices will be sent only to DTC's nominee.**

#### *Credit Against Sinking Fund Installments*

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

## PLAN OF FINANCE

### Sources and Uses of Funds

The following are the sources and estimated uses of funds (excluding accrued interest) relating to the 2002 Series A Bonds.

	<u>Estimated Amounts</u>
<b>SOURCES OF FUNDS:</b>	
Bond proceeds:	
Adjustable 2002 Series A-1 Bonds .....	\$ 9,410,000
2002 Series A-2 Bonds.....	3,590,000
2002 Series A-3 Bonds.....	5,735,000
Adjustable 2002 Series A-4 Bonds .....	19,450,000
2002 Series A-5 Bonds.....	9,820,000
Exchanged amounts (1).....	2,656,859
Legally available funds of the Authority (2).....	<u>517,163</u>
<b>TOTAL SOURCES OF FUNDS.....</b>	<b><u>\$51,179,022</u></b>
<b>USES OF FUNDS:</b>	
For refunding of 2000 Series A-1 Bonds (3) .....	\$19,450,000
For Funds Exchange Refunding (1).....	2,656,859
Deposit to Acquisition Account (4).....	27,141,900
Deposit to Debt Service Reserve Fund (5).....	1,413,100
For costs of issuance and Underwriters' compensation (6).....	<u>517,163</u>
<b>TOTAL USES OF FUNDS.....</b>	<b><u>\$51,179,022</u></b>

- (1) Certain funds will be exchanged for proceeds of the 2002 Series A Bonds as described in "Funds Exchange Refunding" under this caption.
- (2) 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 2002A Projects.
- (3) Proceeds of the Adjustable 2002 Series A-4 Bonds will be used to refund certain outstanding bonds of the Authority, as described in "Refunding of 2000 Series A-1 Bonds" under this caption. Until the refunding on August 7, 2002, such proceeds will remain on deposit in the Acquisition Fund and will be invested in an investment agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investment Agreements."
- (4) See "Use of Amounts in Acquisition Account" under this caption. Amounts on deposit in the 2002 Series A subaccount of the Acquisition Account will be invested in an investment agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investment Agreements."
- (5) See "Part I – CERTAIN PROGRAM ASSUMPTIONS – Debt Service Reserve Fund" and "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund." Such deposit may be invested in an investment agreement or in other permitted investments under the Indenture. Under the Indenture, the Authority may at any time replace such cash or deposit with a Qualified Surety Bond.
- (6) Such amount shall be deposited to the Costs of Issuance Account in the Program Fund and used to pay costs of issuance and Underwriters' compensation relating to the 2002 Series A Bonds. For information concerning the Underwriters' compensation, see "Part I – UNDERWRITING AND PLACEMENT."

## Refunding of 2000 Series A-1 Bonds

The Authority has previously issued under the Master Indenture its Multi-Family/Project Class I Adjustable Rate Bonds, 2000 Series A-1 (the "**2000 Series A-1 Bonds**") in the aggregate amount of \$56,195,000, which presently remains outstanding in such amount. Such 2000 Series A-1 Bonds are in a Weekly Mode and are therefore subject to optional redemption at par on any date upon delivery of 30 days prior written notice in accordance with the Master Indenture. On August 7, 2002, the Authority intends to use certain proceeds of the Adjustable 2002 Series A-4 Bonds to refund and pay principal and interest due on \$19,450,000 aggregate principal amount of the outstanding 2000 Series A-1 Bonds (the "**2000 Series A-1 Bonds to be Refunded**") to and including their prior redemption date, as provided in the Indenture. Until August 7, 2002, such proceeds will remain on deposit in the 2002 Series A subaccount of the Acquisition Account and will be invested in an investment agreement, as described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – Investment Agreements."

## Funds Exchange Refunding

Certain proceeds of the 2002 Series A Bonds will be exchanged for certain surplus revenues available under the Master Indenture and relating to the 2000 Series A Bonds. Proceeds exchanged for such surplus amounts will be used to redeem certain 2000 Series A Bonds. Until August 7, 2002, such proceeds will remain on deposit in the 2002 Series A subaccount of the Acquisition Account. Amounts exchanged for such proceeds will be deposited to (i) the 2002 Series A subaccount of the Acquisition Account and used to acquire or refinance 2002A Loans as described in "Use of Amounts in Acquisition Account" under this caption, and (ii) the Debt Service Reserve Fund as described in "Sources and Uses of Funds" under this caption and "Part II – SECURITY FOR THE OBLIGATIONS – Debt Service Reserve Fund."

## Use of Amounts in Acquisition Account

Upon closing, certain proceeds of the 2002 Series A Bonds and certain exchanged amounts resulting from the funds exchange refunding described in "Funds Exchange Refunding" under this caption, will be deposited to the 2002 Series A subaccount of the Acquisition Account, which consists of the Restricted Loan Subaccount. It is expected that all deposits to the 2002 Series A subaccount of the Acquisition Account will be made to the Restricted Loan Subaccount and will be applied to acquire or refinance the 2002A Loans to the Borrowers for the provision of identified 2002A Projects as described in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2002A LOANS" within three years from the date of issuance of the 2002 Series A Bonds. Each of the Borrowers is required to use the amounts so loaned to it as the 2002A Loan to finance or refinance, in part, the acquisition, construction and/or rehabilitation of, and certain costs associated with, the respective 2002A Project. See also "Part I – CERTAIN PROGRAM ASSUMPTIONS – The 2002A Loans and Projects," "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 2002A Indenture, including unexpended Bond proceeds transferred from the Authority Projects Subaccount. Amounts deposited in the Restricted Loan Subaccount are to be applied to make 2002A Loans and for other purposes authorized in the 2002A Indenture. The Trustee is authorized to withdraw moneys from the Restricted Loan Subaccount to finance 2002A 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 2002A Loans to be financed and an Authority Request to finance such 2002A Loans. Any moneys credited to the Restricted Loan

Subaccount that are not used to finance 2002A Loans or for the other purposes authorized by the 2002A 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 April 1, 2005, 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 2002 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 2002 Series A Bonds for federal income tax purposes, in which case such transfer will occur on the later specified date or dates.

At the option of the Authority, moneys may be paid into the Authority Projects Subaccount from various sources identified in the 2002A 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 2002A Authority Projects and for the other purposes authorized in the 2002A Indenture. Any moneys credited to the Authority Projects Subaccount that are not used to finance the 2002A Authority Project or for the other purposes authorized in the Indenture, unless transferred at the direction of the Authority to the Restricted Loan Subaccount, must be transferred by the Trustee to the Redemption Fund pursuant to an Authority request filed with the Trustee stating that the Authority no longer reasonably expects to apply the amount to be transferred to finance the 2002A Authority Project or for the other purposes authorized in the 2002A Indenture. Such amount must be transferred not later than April 1, 2005, 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 2002 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 2002 Series A Bonds for federal income tax purposes, in which case such transfer will occur on the later specified date or dates.

## **CERTAIN PROGRAM ASSUMPTIONS**

### **The 2002A Loans and Projects**

#### *Generally*

Certain proceeds of the 2002 Series A Bonds, together with certain exchanged amounts resulting from the funds exchange refunding described in "Part I – PLAN OF FINANCE – Funds Exchange Refunding," are expected to be loaned to the Borrowers and used by them to defray, in part, the costs of financing or refinancing the acquisition, construction and/or rehabilitation of the twelve multi-family housing projects described in **Appendix G-1** hereto (the "**2002A Projects**"). See "Part I – PLAN OF FINANCE." *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 2002A Projects, the Authority may, at its option, any time within three years of the date of issuance of the 2002 Series A Bonds, direct the Trustee to transfer amounts in the Program Fund to the Redemption Fund to be used to redeem 2002 Series A Bonds at par. Furthermore, to the extent such amounts are not loaned by the Authority for the 2002A Projects or other permissible projects during the three year period following issuance of the 2002 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 2002 Series A Bonds.* See "Part I – TERMS OF THE 2002 SERIES A BONDS – Prior Redemption" and "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par." Certain restrictions on the rental and occupancy of the 2002A Projects will be imposed on the respective Borrowers. See "The Regulatory Agreements" under this caption.

*2002A Loan Interest Rates*

The 2002A Loans to be made with amounts on deposit in the Restricted Loan Subaccount of the 2002 Series A subaccount of the Acquisition Account, are expected to be disbursed on the date and for the amounts as shown in **Appendix G-1** – "CERTAIN INFORMATION ABOUT THE 2002A LOANS." It is assumed that the 2002A Loans will bear interest at the following rates per annum:

<u>2002A Loans</u>	<u>Loan Rates</u>
<b>Insured:</b>	
Garden Village(A)(1)	6.55%
Forest Manor	6.35%
Fountain Ridge	6.40%
Aspen Meadows	6.55%
Truscott Housing	6.50%
Project Heritage	6.15%
<b>Uninsured:</b>	
Garden Village(B)(1)	6.65%
Royalty Manor	6.75%
MacLaren House	6.35%
Restoration Center	6.50%
Mountain View Manor	6.40%
2119 High Street	4.57%

(1) The Authority expects to make two loans in connection with the Garden Village Project, designated here as A and B, as more particularly described in **Appendix G-1**.

*The 2002A Borrowers*

The 2002A Loans are expected by the Authority to be made to particular private developers, nonprofit organizations and local housing authorities, referred to as the "Borrowers" and described in **Appendix G-1** hereto, in connection with the 2002A Projects. Repayment of amounts due on the respective 2002A Loan will be a nonrecourse obligation of the respective Borrower, payable solely from revenues generated by the respective 2002A Project. The Borrowers will not have any obligations under the Loan documents to cover any losses in the event of a default on the 2002 Series A Bonds or to continue the 2002A Projects in operation. Each of the Borrowers will own the respective 2002A Project as its sole asset. See "Part II – CERTAIN BONDHOLDERS' RISKS – Limited Security."

*The 2002A Projects*

The 2002A Loans relating to the 2002A Projects described in **Appendix G-1** are expected to be made in the following aggregate principal amounts and will be funded as described in "Part I – PLAN OF FINANCE":

### 2002A Projects to be Financed or Refinanced

Name of Project	Nature of Project	FHA Insurance	Location	Number of Units	Estimated 2002A Loan Amounts	Loan Term (Years)
<b>Insured:</b>						
Garden Village (A)(1)	Acquisition/Renovation	542(c)	Grand Junction	91	\$2,112,800	30
Forest Manor	Acquisition	542(c)	Glendale	103	\$5,480,000	30
Fountain Ridge	New Construction	221(d)4	Fountain	75	\$4,100,000	40
Aspen Meadows	New Construction	542(c)	Longmont	50	\$2,614,000	40
Truscott Housing	Acquisition/Renovation/ New Construction	542(c)	Aspen	87	\$5,700,000	40
Project Heritage	Renovation/Refinance	542(c)	Denver	172	\$4,750,000	30
<b>Uninsured:</b>						
Garden Village (B)(1)	Acquisition/Renovation	n/a	Grand Junction	91	\$360,000	11
Royalty Manor	Refinance/Renovation	n/a	Fountain	27	\$286,000	30
MacLaren House	Refinance	n/a	Sterling	54	\$893,000	30
Restoration Center	Acquisition	n/a	Denver	15	\$250,000	30
Mountain View Manor	Refinance	n/a	Rio Grande County	32	\$256,400	30
2119 High Street	Renovation/Refinance	n/a	Denver	15	\$494,000	30

(1) The Authority expects to make two loans in connection with the Garden Village Project, designated here as A and B, as more particularly described in **Appendix G-1**.

Pursuant to the 2002A Loans, the Borrowers will make Loan Repayments to the Authority, which Loan Repayments will constitute Revenues pledged under the Indenture. See "Revenues" under this caption. Based on the analysis made by the Authority in determining to underwrite the proposed 2002A Loans and the assumptions described in **Appendix G-1** hereto, the Authority expects, although no assurance can be given, that the cashflow from each 2002A Project as projected by each Borrower will be sufficient for the respective Borrower to pay amounts due under the respective 2002A Loan. However, the projected level of cashflow for any 2002A Project may vary due to the uncertainty of future occupancy levels (including certain restrictions on use of the 2002A Project which may lead to lower occupancy), future operating expenses or other such factors which have been predicted using certain assumptions which may prove to be incorrect.

*Obligations have in the past, and may in the future, be issued under the Master Indenture in order to finance uninsured Loans or Authority Projects.* The Authority currently expects to use proceeds of the 2002 Series A Bonds to finance six uninsured Loans, described in the above table under Uninsured Loans, and more particularly described in **Appendix G-1**. **For certain further information regarding the proposed 2002A Projects expected to be financed or refinanced under the Indenture, see Appendix G-1.**

*The Regulatory Agreements*

Simultaneously with the closing of each 2002A Loan, each Borrower will enter into a regulatory agreement with the Authority (collectively, the "**CHFA Regulatory Agreements**") relating to the respective 2002A Project. Pursuant to the provisions of the CHFA Regulatory Agreements, the Borrowers will agree, among other things, to rent the units in the 2002A Projects so as to comply with applicable provisions of the Tax Code. In particular, each Borrower will agree that each individual rental unit in the respective 2002A Project will be rented or held for rental on a first-come, first-served basis, to the general public on a continuous basis. Rents (including allowance for tenant-paid utilities) for the units in each 2002A Project may not exceed 30% of the applicable annual income limit for each such unit. In addition, the Borrowers will agree to the following respective occupancy requirements:

**Occupancy Requirements for 2002A Projects**

<b>Project Name</b>	<b>Occupancy Requirements</b>
Garden Village	95% of units to persons or families whose incomes do not exceed 60% of area median income
Forest Manor	100% of units to persons or families whose incomes do not exceed 60% of area median income
Fountain Ridge	5% of units to persons or families whose incomes do not exceed 30% of area median income; an additional 11% of units to persons or families whose incomes do not exceed 50% of area median income; an additional 84% of units to persons or families whose incomes do not exceed 60% of area median income
Aspen Meadows	100% of units to persons or families whose incomes do not exceed 50% of area median income
Truscott Housing	100% of units to persons or families whose incomes do not exceed 60% of area median income
Project Heritage	100% of units to persons or families whose incomes do not exceed 50% of area median income
Royalty Manor	41% of units to persons or families whose incomes do not exceed 50% of area median income; an additional 30% of units to persons or families whose incomes do not exceed 60% of area median income; an additional 26% of units to persons or families whose incomes do not exceed 100% of area median income
MacLaren House	100% of units to persons or families whose incomes do not exceed 60% of area median income
Restoration Center	100% of units to persons or families whose incomes do not exceed 50% of area median income
Mountain View Manor	100% of units to persons or families whose incomes do not exceed 60% of area median income
2119 High Street	100% of units to persons or families whose incomes do not exceed 50% of area median income

The CHFA Regulatory Agreements will also contain provisions for verifying compliance with the terms thereof. The provisions of the CHFA Regulatory Agreements discussed herein are intended, among other things, to insure compliance with the requirements of the Tax Code with respect to the excludability of the interest on the 2002 Series A Bonds from gross income. Upon any breach by a Borrower of any provisions of its CHFA Regulatory Agreement, the Authority may take such actions at law or in equity as deemed appropriate under the circumstances for the protection of the Bondowners, including an action for specific performance of the respective CHFA Regulatory Agreement. *Such a breach by a Borrower may result in interest on the 2002 Series A Bonds being included in gross income of the Owners of the 2002 Series A Bonds for purposes of federal income taxation and will not result in a mandatory redemption of the 2002 Series A Bonds under the Indenture as described in "Part II – CERTAIN BONDHOLDERS' RISKS – Enforcement of Regulatory Agreements " and "Part I – TAX MATTERS."*

#### *Servicing by the Authority*

The Authority will service the 2002A Loans. The Finance Division of the Authority will handle the receipt and disbursement of funds related to the 2002A Loans. This includes receiving payments, monitoring and disbursing escrowed funds for taxes and insurance and managing delinquencies and claims. The Asset Management Division of the Authority will oversee compliance by the Borrowers with requirements of the 2002A Loans, including occupancy restrictions, and will review the financial status of the 2002A Projects. The Authority similarly oversees compliance for the 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 the Section 542(c) insurance, the Authority has agreed to perform annual physical inspections, to analyze annual project audits and financial statements and to submit semiannual reports to FHA setting forth information about the status of the related Projects. For more information concerning the Authority, see "Part II – COLORADO HOUSING AND FINANCE AUTHORITY."

#### **Debt Service Reserve Fund**

##### *Generally*

The Debt Service Reserve Fund Requirement for the 2002 Series A Bonds will be the sum of (i) the maximum principal and interest payment due for any period of eight consecutive calendar months on the 2002A 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 2002A Loans that are not insured or guaranteed by the United States of America and any agency or instrumentality thereof. Certain proceeds of the 2002 Series A Bonds will be deposited to the Debt Service Reserve Fund to fund the Debt Service Reserve Fund Requirement for the 2002 Series A Bonds. See "Part I – PLAN OF FINANCE – Sources and Uses of Funds."

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

#### **Investment Agreements**

Until disbursed, amounts in the 2002 Series A subaccount of the Acquisition Account of the Program Fund under the Master Indenture will be invested in an investment agreement (the "**2002A Investment Agreement**") between the Trustee and CDC Funding Corp. (the "**2002A Investment Provider**"), at 2.51% per annum, through January 1, 2004 or earlier if all amounts in the 2002 Series A subaccount of the Acquisition Account have been withdrawn. The obligations of the 2002A Investment



Provider are being guaranteed by CDC Finance-CDC IXIS, a French bank (*societe anonyme*) governed by French law (the "**Guarantor**"). The 2002A Investment Provider is a subsidiary of the Guarantor. Amounts in the 2002 Series A subaccounts of the Debt Service Reserve Fund, the Debt Service Fund, the Revenue Fund, the Redemption Fund, the Costs of Issuance Account, the Rebate Fund, the Excess Earnings Fund, the Negative Arbitrage Accounts and prepayments deposited in the Loan Recycling Account will be invested in the 2002A Investment Agreement, subject to certain limitations set forth in the 2002A Investment Agreement, at 5.50% per annum through October 1, 2042 or such earlier date on which the 2002 Series A Bonds are no longer outstanding or all amounts invested in these funds have been withdrawn. The assumptions made by the Authority as to projected cashflows include the assumption that the investment rates provided by the 2002A Investment Agreement will be available as described. However, in the event that the 2002A Investment Agreement is terminated as a result of default by the 2002A 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 2002A Investment Provider. Prospective investors are urged to make their own investigation into the financial condition and creditworthiness of the 2002A Investment Provider.*

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

#### **Outstanding Investment Agreements**

<u>Series</u>	<u>Funds Invested (in related Series subaccounts)</u>	<u>Investment Provider*</u>	<u>Rate</u>
2000A	Program Fund	AIG Matched Funding Corp.	6.85%
2000A	Revenue Fund, Redemption Fund	FGIC Capital Market Services, Inc.	6.00%
2000B	Program Fund	CDC Funding Corp.	6.56%
2000B	Revenue Fund, Redemption Fund	CDC Funding Corp.	6.26%
2001A	Program Fund	CDC Funding Corp.	2.20%
2001A	Revenue Fund, Redemption Fund	CDC Funding Corp.	5.26%

\* Neither the Authority nor the Underwriters make any representation about the financial condition or creditworthiness of the Investment Providers. 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."

#### **2002A Derivative Product**

In connection with the issuance of the 2002 Series A Bonds, the Authority expects to enter into an interest rate swap agreement (the "**2002A Derivative Product**") with Lehman Brothers Financial Products Inc. (the "**Counterparty**") with respect to the Adjustable Rate 2002 Series A-1 Bonds. See "Part I – CERTAIN RELATIONSHIPS OF PARTIES."

Pursuant to the 2002A Derivative Product, the Authority will pay interest to the Counterparty at a fixed rate and will receive interest from the Counterparty at a variable rate which either will be based on a LIBOR Index or will be an amount equal to the actual interest payments by the Authority on the 2002 Series A-1 Bonds. To the extent Counterparty payments to the Authority are based on a LIBOR Index, the Authority will assume the risk of a difference in the amount of its actual interest payments on the 2002 Series A-1 Bonds and the amount of such interest payments to be made by the Counterparty. The Authority's obligation to make interest payments to the Counterparty under the 2002A 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 2002A 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 "COLORADO HOUSING AND FINANCE AUTHORITY – General Obligations of the Authority." For information concerning the Derivative Products currently Outstanding under the Master Indenture, including certain Derivative Products entered into with the Counterparty, see **Appendix B** – "OUTSTANDING MASTER INDENTURE OBLIGATIONS." See also "Part II – SECURITY FOR THE OBLIGATIONS – Derivative Products" and **Appendix C** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Derivative Products."

## **TAX MATTERS**

### **Tax Treatment of Interest**

Sherman & Howard L.L.C., Bond Counsel, is of the opinion that (i) assuming continuous compliance with certain covenants and representations of the Authority, interest on the 2002 Series A Bonds (except for interest on any 2002 Series A Bond for any period during which it is held by a "substantial user" of any facilities financed with the 2002 Series A Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended, to the date of delivery of the 2002 Series A 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 2002 Series A-1 Bonds, the 2002 Series A-2 Bonds and the 2002 Series A-3 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 Adjustable 2002 Series A-4 Bonds and the 2002 Series A-5 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 2002 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 2002 Series A Bonds.

The Tax Code imposes several requirements which must be met with respect to the 2002 Series A Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the 2002 Series A Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2002 Series A Bonds; (b) limitations on the extent to which proceeds of the 2002 Series A Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 2002 Series A Bonds above the yield on the 2002 Series A Bonds to be paid to the United States Treasury. The Authority will covenant and represent in the Indenture that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the 2002 Series A Bonds from gross income and (in the

case of the Adjustable 2002 Series A-4 Bonds and the 2002 Series A-5 Bonds) alternative minimum taxable income under the Tax Code. Bond Counsel's opinion as to the exclusion of interest on the 2002 Series A Bonds from gross income and (in the case of the Adjustable 2002 Series A-4 Bonds and the 2002 Series A-5 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 2002 Series A Bonds to be included in gross income or (in the case of the Adjustable 2002 Series A-4 Bonds and the 2002 Series A-5 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 2002 Series A-1 Bonds, the 2002 Series A-2 Bonds and the 2002 Series A-3 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 Adjustable 2002 Series A-4 Bonds and the 2002 Series A-5 Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2002 Series A Bonds. Owners of the 2002 Series A Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal tax consequences. Bond Counsel's opinion relates only to the exclusion of interest on the 2002 Series A Bonds from gross income and (in the case of the Adjustable 2002 Series A-4 Bonds and 2002 Series A-5 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 2002 Series A Bonds. Owners of the 2002 Series A Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based upon existing law as of the delivery date of the 2002 Series A Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to any pending or proposed legislation. Amendments to federal and Colorado tax laws may be pending now or could be proposed in the future which, if enacted into law, could adversely affect the value of the 2002 Series A Bonds, the exclusion of interest on the 2002 Series A Bonds from gross income, alternative minimum taxable income (in the case of the Adjustable 2002 Series A-4 Bonds and 2002 Series A-5 Bonds), or any combination thereof from the date of issuance of the 2002 Series A Bonds or any other date, or which could result in other adverse federal or State of Colorado tax consequences. Bond Owners are advised to consult with their own advisors with respect to such matters.

### **IRS Audit Program**

The Internal Revenue Service (the "**Service**") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is

includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2002 Series A Bonds. If an audit is commenced, under current procedures the Service will treat the Authority as the taxpayer and the Bondowners may have no right to participate in such procedure. Neither the Underwriters nor Bond Counsel is obligated to defend the tax-exempt status of the 2002 Series A Bonds. The Authority has covenanted in the Indenture not to take any action that would cause the interest on the 2002 Series A Bonds to lose its exclusion from gross income for federal income tax purposes. None of the Authority, the Underwriters nor Bond Counsel is responsible to pay or reimburse the costs of any Bondowner with respect to any audit or litigation relating to the 2002 Series A Bonds.

## **UNDERWRITING AND PLACEMENT**

The 2002 Series A Bonds other than the 2002 Series A-3 Bonds maturing on April 1, 2042 (the "**Underwritten Bonds**") are to be purchased from the Authority by the underwriters listed on the front cover page of this Official Statement (collectively, the "**Underwriters**"). The Underwriters have agreed, subject to certain conditions, to purchase all but not less than all of the 2002 Series A Bonds at a price equal to \$45,020,000 (being the par amount of the Underwritten Bonds). The 2002 Series A-3 Bonds maturing on April 1, 2042 are being sold by the Authority directly to an institutional investor at a price equal to the principal amount thereof. The Underwriters will be paid a fee of \$292,163.05 (plus reimbursement of certain expenses). The initial public offering price may be changed from time to time by the Underwriters.

## **2002A REMARKETING AGENT**

Lehman Brothers Inc. has initially been appointed to serve as 2002A Remarketing Agent for the 2002A Adjustable Rate Bonds (the "**2002A Remarketing Agent**") pursuant to a Remarketing Agreement dated as of May 1, 2002 between the Authority and Lehman Brothers. If 2002A Adjustable Rate Bonds are tendered or deemed tendered for purchase as described herein under the caption "Part I – TERMS OF THE 2002 SERIES A BONDS – 2002A Adjustable Rate Bonds – Optional Tender and Purchase" and "- Mandatory Purchase," the 2002A Remarketing Agent is required to use its best efforts to remarket such 2002A Adjustable Rate Bonds in accordance with the terms of the Indenture and the Remarketing Agreement. The 2002A Remarketing Agent will also be responsible for determining the rates of interest for the 2002A Adjustable Rate Bonds in accordance with the Indenture. The 2002A Remarketing Agent is to transfer any proceeds of remarketing of the 2002A Adjustable Rate Bonds it receives to the Paying Agent for deposit to the Remarketing Proceeds Subaccount of the Purchase Fund in accordance with the Indenture.

The 2002A 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 2002A Remarketing Agent may be removed at any time, at the direction of the Authority, by an instrument filed with the 2002A Remarketing Agent, the Trustee, the Paying Agent, and the Liquidity Facility Provider and upon at least thirty (30) days' prior written notice to the 2002A Remarketing Agent. Any successor 2002A Remarketing Agent shall be selected by the Authority. The 2002A Remarketing Agent shall assign and deliver the 2002A Remarketing Agreement to its successor.

## LITIGATION

At the time of the delivery of and payment for the 2002 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 2002 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 2002 Series A Bonds, the Indenture or the contract for the purchase of the 2002 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 2002A 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 2002A Liquidity Facility. Moody's and S&P are expected to give the 2002 Series A-2 Bonds and 2002 Series A-5 Bonds ratings of "Aaa" and "AAA," respectively, and are expected to give the 2002 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. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by Moody's or S&P, respectively, if circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the respective 2002 Series A Bonds.

## CERTAIN RELATIONSHIPS OF PARTIES

Lehman Brothers Inc. is acting as an Underwriter of the 2002 Series A Bonds and the initial 2002A Remarketing Agent of the 2002 Adjustable Rate Bonds. Lehman Brothers Financial Products Inc., an affiliate of Lehman Brothers Inc., has acted as a counterparty to the Authority under certain of the Outstanding Master Indenture Derivative Products described in **Appendix B** and is expected to act as Counterparty under the 2002A Derivative Product described in "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2002A Derivative Product."

**(End of Part I)**

## **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 Colorado Housing and Finance Authority Act, as amended, being Part 7 of Article 4 of Title 29 of the Colorado Revised Statutes (the "**Act**"), authorizes the Authority, among other things, to make loans to individuals and sponsors to finance the construction, reconstruction, rehabilitation or purchase of housing facilities for low and moderate income families and to purchase mortgage loans from, and lend moneys to, qualified lenders under terms and conditions which provide for loans to finance housing facilities for low and moderate income families. The Act was amended in 1982 to authorize the Authority to finance project and working capital loans to commercial and industrial enterprises of small and moderate size. The Act was amended again in 1987 to create an economic development fund to enable the Authority to finance projects or provide capital for business purposes.

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

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

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

### Present Board of Directors of the Authority

<u>Name</u>	<u>Affiliation</u>	<u>End of Term</u>
Joseph B. Blake, Chair (1)	President and Chief Executive Officer, Denver Metro Chamber of Commerce; Denver, Colorado	June 30, 2005
John R. Davidson, Chair, <u>pro tem</u> (1)	Chairman of the Board and Chief Executive Officer, First American State Bank; Denver, Colorado	June 30, 2003
M. Michael Cooke, Secretary/Treasurer (1)	Executive Director; Department of Regulatory Agencies; Denver, Colorado	At the pleasure of the Governor
Jo Ellen Davidson	Housing and Community Development Consultant; Denver, Colorado	June 30, 2005
Michelle Dressel	President, Mortgage Division, Alpine Banks of Colorado; Glenwood Springs, Colorado	June 30, 2005
Joseph A. Garcia	Government Affairs Manager, Colorado Springs Utilities; Colorado Springs, Colorado	June 30, 2005
Joanne Hill	Colorado State Auditor; Denver, Colorado	June 30, 2006
James Isgar	State Senator; Hesperus, Colorado	End of legislative biennium 2001-2002
Nancy J. McCallin	Director, Governor's Office of State Planning and Budgeting; Denver, Colorado	June 30, 2003
Jeffrey D. Roemer	Commercial Real Estate Broker, Fuller and Company; Denver, Colorado	June 30, 2003
Jesse L. Thomas	Government and Community Affairs Leader, Colorado Access; Denver, Colorado	June 30, 2005

(1) These Board members were elected to their respective offices effective March 28, 2002.

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

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

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

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

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

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

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

*Lisa M. Lunger*, the Director of Asset Management, joined the staff in December 1994. Prior to her appointment as the Director of Asset Management on December 10, 2001, Ms. Lunger served in various capacities in the Asset Management Division, including most recently as the Assistant Director of Asset Management. Before joining the Authority, Ms. Lunger had 14 years experience in residential and commercial property management. Ms. Lunger is also a Colorado licensed real estate broker.



## Employees and Pension Information

As of December 31, 2001, the Authority had approximately 135 full-time employees and three part-time employee, all of whom are members of the Public Employees' Retirement Association of Colorado ("PERA"). State statutes require the Authority to contribute 9.43 percent of each participating employee's gross salary to PERA. In 2001, the Authority's PERA contribution totaled approximately \$715,000, compared to an Authority contribution in 2000 of \$665,000.

## Insurance Coverage

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

## The General Fund

### *Generally*

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

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

### *Financial Information for the General Fund*

The following table sets forth historical selected financial information for the General Fund for the five years ended December 31, 2001, as provided by the Authority.

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

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Interest and investment revenue:					
Loans receivable	\$16,987	\$14,966	\$12,857	\$10,646	\$10,278
Marketable securities	3,135	3,252	3,557	3,739	2,902
Net increase (decrease) fair value of long-term marketable securities	<u>473</u>	<u>179</u>	<u>(884)</u>	<u>483</u>	<u>96</u>
Total interest and investment revenue	20,595	18,397	15,530	14,868	13,276
Interest expense - bonds and notes payable	<u>11,267</u>	<u>11,983</u>	<u>10,489</u>	<u>8,467</u>	<u>7,881</u>
Net interest and investment revenue	9,328	6,414	5,041	6,401	5,395
Other revenue (expense):					
Rental operations	10,373	9,858	9,587	9,321	9,059
Fees and miscellaneous income	11,679	11,413	9,080	8,612	9,767
Program fees	<u>5,539</u>	<u>4,024</u>	<u>3,426</u>	<u>3,523</u>	<u>3,702</u>
Total other revenue	<u>27,591</u>	<u>25,295</u>	<u>22,093</u>	<u>21,456</u>	<u>22,528</u>
Net revenue	36,919	31,709	27,134	27,857	27,923
Other expenses:					
Salaries and related benefits	9,892	9,356	8,387	7,445	6,776
General operating	10,280	8,503	9,015	8,279	8,764
Provision for losses	953	(438)	1,115	146	534
Other interest expense	1,332	1,346	1,415	2,162	2,429
Transfers	<u>(1,059)</u>	<u>(2,058)</u>	<u>(1,833)</u>	<u>--</u>	<u>--</u>
	<u>21,398</u>	<u>16,709</u>	<u>18,099</u>	<u>18,032</u>	<u>18,503</u>
Net income	\$ <u>15,521</u>	\$ <u>15,000</u>	\$ <u>9,035</u>	\$ <u>9,825</u>	\$ <u>9,420</u>
Fund Balance, end of year	\$ <u>112,179</u>	\$ <u>96,658</u>	\$ <u>81,658</u>	\$ <u>72,623</u>	\$ <u>56,959</u>
Bonds and Notes Payable	\$ <u>224,414</u>	\$ <u>213,588</u>	\$ <u>178,329</u>	\$ <u>161,043</u>	\$ <u>141,616</u>
Total Assets	\$ <u>353,547</u>	\$ <u>326,427</u>	\$ <u>280,203</u>	\$ <u>250,640</u>	\$ <u>216,796</u>

Source: Audited financial statements of the Authority

*Appropriations, Reserves and Restrictions*

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

## Programs to Date

The following is a brief summary of the housing and loan programs currently operated by the Authority and the 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."**

### *Multi-Family Loan Programs*

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

Insured Loans made by the Authority under its Multi-Family Housing Facility Loan Program must be insured by an agency or instrumentality of the United States under an insurance program requiring payment of not less than 99% of the principal amount of such mortgage in the event of default. Insured Loans made by the Authority to date have been insured by the Federal Housing Administration ("**FHA**") under Sections 221(d)(3), 221(d)4 and 223(f) of the National Housing Act of 1934, as amended, and under Section 542(c) of the Housing and Community Development Act of 1992, as amended. In the case of a Section 542(c) claim, the Authority is responsible, as a general obligation, to reimburse FHA for 50% of any loss incurred by the FHA as a result of and after settlement of such claim. See "General Obligations of the Authority" under this caption.

The Authority has made Uninsured Loans to §501(c)(3) nonprofit corporations and public housing authorities as well as to for-profit developers. Such Uninsured Loans made as a part of the Authority's SMART (Small Affordable Rental Transactions) Program generally have been made in principal amounts under \$1 million (increased to a \$2 million maximum amount as of August 23, 2001). As of December 31, 2001, the Authority had outstanding \$8,372,000 aggregate principal amount of such Uninsured Loans made in connection with the SMART program and financed on an interim basis by the Authority from its General Fund. The Authority has also made Uninsured Loans which have been financed by the proceeds of the Authority's (i) General Obligation Bonds, (ii) Multi-Family/Project Bonds, (iii) Mortgage Revenue Bonds, sold to institutional purchasers and secured solely by and payable solely from such Uninsured Loans and (iv) Multi-Family Housing Revenue Bonds issued by the Authority as a conduit issuer and supported by letters of credit or other credit facilities.

As of December 31, 2001, the Authority had the following bonds outstanding, proceeds of which have been used to finance Insured Loans and Uninsured Loans. **Except for bonds specifically identified in Appendix B as Bonds under the Indenture, the revenue 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 Indenture.**

**Bonds to Finance Multifamily Housing Facility Loan Program**

<u>Name of Bonds</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding(1)</u>	<u>Loans Outstanding(2)</u>
Multifamily Housing Insured Mortgage Revenue Bonds (3)	\$678,660,000 (23 series)	\$406,835,000	\$316,427,000
Mortgage Revenue Bonds (4)	\$ 11,576,000 (4 series)	\$ 2,070,000	\$ 2,010,000
Multi-Family/Project Bonds (5)	\$166,505,000 (3 series)	\$163,955,000	\$115,350,000
General Obligation Bonds(6)	\$105,293,000 (11 series)	\$ 4,750,000	\$ 4,404,000
General Obligation Bonds (7) (SMART Program)	\$ 8,707,000 (1 series)	\$ 8,471,000	\$ 8,372,000

- (1) As of December 31, 2001.  
(2) Aggregate principal amount as of December 31, 2001.  
(3) Proceeds used to finance Insured Loans.  
(4) Proceeds used to finance Uninsured Loans.  
(5) Proceeds used to finance and refinance Insured Loans and Uninsured Loans.  
(6) Proceeds used to finance Uninsured Loans.  
(7) Proceeds used to finance and refinance Uninsured Loans under the SMART program.

Under its Multi-Family Housing Facility Loan Program, the Authority also makes Uninsured HOF Loans using funds from amounts in its General Fund designated as the Housing Opportunity Fund. The Housing Opportunity Fund was created by the Authority in 1989 to provide small loans at flexible interest rates, either with first mortgages or on a subordinate basis to other loans, and thereby supplement other available financing as needed for rental housing facility projects. As of December 31, 2001, the Authority had outstanding approximately \$10,649,000 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.

*Single-Family Mortgage Programs*

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

Under its Qualified Single-Family Mortgage Program, the Authority may make mortgage loans to Eligible Borrowers meeting certain income limit requirements, for Eligible Property not exceeding certain Purchase Price limits, and subject to certain other restrictions imposed, in some cases, by the Tax Code. In connection with this program, the Authority has previously issued numerous series of its single-family housing revenue bonds, the aggregate principal amount of which outstanding as of December 31, 2001 was \$986,451,000. 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 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](http://www.colohfa.org).**

Eligible borrowers under the Authority's Non-Qualified Single-Family Mortgage Program must meet certain income limits established by the Authority, which limits are somewhat higher than the limits permitted for the Qualified Single-Family Mortgage Program. There is no limit on the purchase price of a residence which may be acquired with the proceeds of a loan under the Non-Qualified Single-Family Mortgage Program. In many other respects, the requirements for the Non-Qualified Single-Family Mortgage Program are the same as the requirements for the Authority's Qualified Single-Family Mortgage Program. The Authority has used and expects to continue to use proceeds (and amounts exchanged therefor) of bonds, as permitted by tax law, to finance its acquisition of mortgage loans under the Non-Qualified Single-Family Mortgage Program.

*Commercial Programs*

The Authority offers various programs under which it finances commercial and industrial loans (or participation interests therein) by means of certain bonds and notes, outstanding as of December 31, 2001 as shown on the following table. All of these bonds and notes constitute general obligations of the Authority payable from the unencumbered assets and available income of the Authority. See "General Obligations of the Authority" under this caption.

**Commercial Program Bonds/Notes**

<u>Name of Bonds</u>	<u>Principal Amount Issued</u>	<u>Principal Amount Outstanding (1)</u>
Guaranteed Loan Participation Purchase Bonds (2)	\$58,302,000	\$15,589,000
Project Loan Participation Purchase Bonds and Refunding Bonds (3)	\$68,108,000	\$27,861,000
Rural Business-Cooperative Service Notes (4)	\$ 2,050,000	\$ 1,579,000

(1) As of December 31, 2001

(2) Proceeds are used to fund participation interests in commercial and industrial loans under three programs of the Authority – a Quality Investment Capital ("**QIC**") Program, a Quality Agricultural Loan ("**QAL**") Program and a Business & Industry II ("**B&I II**") Program

(3) Proceeds are used to finance commercial and industrial loans (or participation interests therein) under the Authority's ACCESS Program and Direct Loan Program.

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

In connection with its Special Projects financing program, the Authority has issued as a conduit issuer its industrial development revenue bonds to finance certain manufacturing facilities for corporations and has financed real estate projects for non-profit organizations certain through general obligation bonds of the Authority. See "General Obligations of the Authority" under this caption. The Authority offers a loan program for businesses involved in the recycling and waste diversion industries

("RENEW Program"), with funding received from the Colorado Department of Local Affairs. The Authority also uses its Business and Industry Loan I ("B&I I") Program to provide funding to Colorado businesses located in rural areas, which loans are supported by an eighty percent guaranty of the Rural Business - Cooperative Service.

### 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, 2001:

#### 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)	\$ 44,715,000	\$18,160,000
General Obligation Bonds – Multi-Family Housing Facility Loan Program (2)	\$105,293,000	\$ 4,750,000
Multi-Family/Project Class III Bonds (2)	\$21,760,000	\$21,760,000
General Obligation Bonds/ Notes – Commercial Programs (3)	\$131,117,000	\$51,921,000

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

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

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

(4) As of December 31, 2001.

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

- Section 542(c) Risk Sharing. The Authority has also assumed as a general obligation 50% risk of loss in the mortgage loans insured by the FHA under Section 542(c) in connection with its Multi-Family Housing Facility Loan Program, which loans were outstanding as of December 31, 2001 in the aggregate amount of \$176,823,335 and accounted for 4,221 units. See **Appendix J – "FEDERAL INSURANCE PROGRAMS."** 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. In connection with the Authority's mortgage loan previously outstanding in the aggregate principal amount of \$8.97 million (the "**Marycrest Loan**"), the Authority has incurred a risk sharing liability as a result of a default of the Marycrest Loan and the filing of a full insurance claim. A mortgage loan outstanding in the aggregate principal amount of \$8.38 million (the "**Allied Loan**") is presently in default and the Authority has concluded the foreclosure process. As a result, the Authority has filed a full insurance claim for the Allied Loan. In addition, a mortgage loan outstanding in the aggregate principal amount of \$1.63 million (the "**Sterling Manor Loan**") is presently in default. If the Borrower does not cure the default, the Authority will be required to file either a partial or full insurance claim in accordance with the procedures and notice process required by the FHA. It is likely that the Authority will also incur a risk sharing liability in connection with the Allied Loan and the Sterling Manor Loan. At this time, the Authority believes that the risk sharing liability with respect to the Allied Loan and the Sterling Manor

Loan will not substantially exceed the multifamily loan loss reserve that the Authority has established for such loans.

- Derivative Obligations. The Authority has pledged its full faith and credit to secure its obligation to make termination payments under Derivative Obligations to the Multi-Family/Project Bonds and under certain interest rate contracts relating to certain outstanding single family bonds of the Authority.

- 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 \$130,000,000. Such borrowings are also general obligations of the Authority and have generally been used to date to make or purchase loans pending the permanent financing of such loans. As of December 31, 2001, \$88,254,126 in borrowings were outstanding under those agreements.

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

## **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 2002 Series A Bonds constitute an obligation or liability of the State or any political subdivision thereof (except the Authority). The Authority has no taxing power nor does it have the power to pledge the general credit or the taxing power of the State or any political subdivision thereof (other than the general credit of the Authority, which general credit is not pledged for the payment of the Bonds except in the case of Bonds specifically designated as general obligations of the Authority).**

## **Revenues**

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

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

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



## The Loans and Authority Projects

### *Master Indenture Requirements*

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

### *Outstanding Loans and Authority Projects*

For information concerning the Outstanding Loans and Authority Projects securing the Obligations issued now and hereafter under the Master Indenture and Unexpended Proceeds relating to Outstanding Obligations previously issued under the Master Indenture, see **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 2002A 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 2002A Remarketing Agent, and to each Owner of the Adjustable Rate Bonds at such Owner's registered address, at least 30 days prior to delivery of the Alternate Liquidity Facility.

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

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

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

### **Derivative Products**

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

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

### **Issuance of Additional Bonds**

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

## **CERTAIN BONDOWNERS' RISKS**

### **Limited Security**

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

### **Origination of New Loans**

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

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

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

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

### **Expiration of HAP Contracts**

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

### **Enforcement of Regulatory Agreements**

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

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."

### **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.

### **FINANCIAL STATEMENTS OF THE AUTHORITY**

The financial statements of the Authority as of and for the year ended December 31, 2001, included in this Official Statement as **Appendix A**, have been audited by Arthur Andersen LLP, independent public accountants, as stated in their report dated February 22, 2002.

### **MISCELLANEOUS**

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

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

**COLORADO HOUSING AND FINANCE  
AUTHORITY**

By: /s/ Milroy A. Alexander  
Executive Director

**APPENDIX A**

**Financial Statements and Additional Information  
of the Authority for the Fiscal Year  
ended December 31, 2001**

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UNQUALIFIED OPINION ON GENERAL-PURPOSE

FINANCIAL STATEMENTS AND SUPPLEMENTARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GOVERNMENTAL ENTITY

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

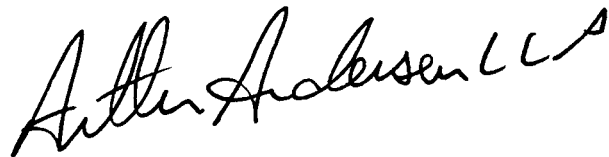
We have audited the accompanying general-purpose statements of financial condition of the Colorado Housing and Finance Authority (the "Authority") as of December 31, 2001 and 2000 and the related statements of revenue, expenses and changes in retained earnings and cash flows for the years then ended. These general-purpose financial statements and the accompanying supplemental financial information are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Hyland Park Centre Corporation, Tanglewood Oaks Apartments Corporation and Village of Yorkshire Corporation, which statements reflect total assets of \$21,908,255 and \$21,866,079 as of December 31, 2001 and 2000, respectively, total revenue of \$7,221,960 and \$6,771,536 and net income of \$2,282,859 and \$2,536,208 for the years ended December 31, 2001 and 2000, respectively, of the related totals. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as 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 the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2000 and 2001 and the statements of revenue, expenses and changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2002, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Arthur Andersen" followed by a stylized flourish.

Denver, Colorado,  
February 22, 2002.

**STATEMENTS OF FINANCIAL CONDITION**

December 31,

	2001	(000's Omitted)	2000
<b>Assets</b>			
Cash and interest bearing accounts	\$ 12,929		\$ 7,315
Marketable securities:			
Short-term, at amortized cost which approximates market	411,581		329,128
Cash and cash equivalents	424,510		336,443
Marketable securities:			
Long-term, at fair value	113,916		124,162
Total cash and marketable securities	538,426		460,605
Loans receivable, net	1,405,707		1,392,805
Accrued interest receivable	16,838		17,535
Property and equipment, net:			
Corporate facilities	5,116		3,301
Rental operations	26,547		26,945
Deferred debt financing costs, net	17,908		16,962
Other real estate owned, net	7,146		5,822
Other assets	19,895		19,774
	\$ 2,037,583		\$ 1,943,749
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Bonds payable, net	\$ 1,710,972		\$ 1,635,523
Notes payable	104,500		105,408
Accrued interest payable	25,224		23,413
Accounts payable and other liabilities	7,529		5,207
Federally assisted program advances	369		1,738
Deferred fee income	298		280
Escrow and refundable deposits	7,884		7,688
Total liabilities	1,856,776		1,779,257
Fund equity - retained earnings:			
Restricted	68,628		67,834
General Fund - Board designated	112,179		96,658
Total fund equity - retained earnings	180,807		164,492
	\$ 2,037,583		\$ 1,943,749

The accompanying notes are an integral part of these statements.

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

	Years Ended December 31,	
	2001	(000's Omitted) 2000
Interest and investment revenue:		
Loans receivable	\$ 98,772	\$ 90,606
Marketable securities	28,754	31,689
Net increase (decrease) in fair value of long-term marketable securities	(230)	2,603
Total interest and investment revenue	127,296	124,898
Interest expense - bonds and notes payable	103,793	101,105
Net interest and investment revenue	23,503	23,793
Other revenue:		
Rental operations	10,373	9,858
Fees and miscellaneous income	11,974	11,413
Total other revenue	22,347	21,271
Net revenue	45,850	45,064
Other expenses:		
Salaries and related benefits	9,892	9,356
General operating	11,155	9,300
Provision for losses	6,666	2,059
Other interest expense	1,822	2,249
Total other expenses	29,535	22,964
<b>Net income</b>	16,315	22,100
Retained earnings, beginning of year	164,492	142,392
Retained earnings, end of year	\$ 180,807	\$ 164,492

The accompanying notes are an integral part of these statements.

## STATEMENTS OF CASH FLOWS

Years Ended December 31,

	2001	<i>(000's Omitted)</i>	2000
<b>Operating activities:</b>			
Net income	\$	16,315	\$ 22,100
Adjustments to reconcile net income to net cash used by operating activities:			
(Increase) decrease in fair value of investments		230	(2,603)
Depreciation		1,752	1,545
Gain on sale of property and equipment		(303)	(1,476)
Accretion of capital appreciation term bonds		1,547	1,712
Amortization of:			
Deferred debt financing costs		1,144	1,420
Premiums and discounts on bonds, net		(5,704)	(4,675)
Premiums and discounts on long-term marketable securities, net		(26)	-
Deferred fee income		(1,585)	(2,328)
Deferred cash assistance expense		2,611	2,102
Mortgage yield recoupment income		(62)	(78)
Provision for losses		6,666	2,059
Principal repayments on loans receivable		290,863	138,942
Sales of other real estate owned		3,132	684
New loan fundings		(315,307)	(370,747)
Deferred fee income		1,296	1,949
Deferred cash assistance expense		(6,552)	(8,108)
Gain on sale of OREO		(294)	-
Changes in assets and liabilities:			
Accrued interest receivable		17	(2,291)
Other assets		2,627	4,334
Accrued interest payable		1,811	1,783
Accounts payable, federally assisted program advances and escrow and refundable deposits		1,149	(4,247)
<hr/>			
Total adjustments		(14,988)	(240,023)
<hr/>			
Net cash provided (used) by operating activities	\$	1,327	\$ (217,923)
<hr/>			

The accompanying notes are an integral part of these statements.

## STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2001	(000's Omitted)	2000
Net cash provided (used) by operating activities	\$ 1,327		\$ (217,923)
<b>Investing activities:</b>			
Sales and maturities of long-term marketable securities	20,096		12,019
Purchases of long-term marketable securities	(10,053)		(7,322)
Sales of property and equipment:			
Corporate facilities	2		37
Rental operations	459		2,173
Purchases of property and equipment:			
Corporate facilities	(2,256)		(480)
Rental operations	(1,071)		(1,334)
Net cash provided by investing activities	7,177		5,093
<b>Noncapital financing activities:</b>			
Proceeds from issuance of bonds payable	366,060		400,107
Proceeds from issuance of notes payable	393,807		372,032
Debt financing costs	(3,732)		(4,076)
Repayments of bonds payable	(284,063)		(240,060)
Repayments of notes payable	(391,513)		(325,392)
Bond call premiums	(996)		(955)
Net cash provided by noncapital financing activities	79,563		201,656
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>88,067</b>		<b>(11,174)</b>
Cash and cash equivalents, beginning of year	336,443		347,617
<b>Cash and cash equivalents, end of year</b>	<b>\$ 424,510</b>		<b>\$ 336,443</b>
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest	\$ 106,734		\$ 103,694
Supplemental schedule of non-cash operating, investing and financing activities:			
Transfer of mortgage loans to real estate owned	9,166		10,125
Transfer of loans receivable to other assets	2,748		4,235
Transfer of allowance on loans receivable to allowance on other real estate owned	2,719		4,817
Transfer of allowance on OREO to allowance on accrued interest receivable	340		-
Offset of note payable to OREO due to risk sharing settlement	3,514		-
Transfer of deferred debt financing costs to deferred refunding (bonds and notes payable)	1,575		1,377
Transfer of deferred fee income to deferred refunding (loans receivable)	247		550
Transfer of accrued interest payable to allowance for losses	-		449
Charge-offs of other real estate owned, loans receivable and other assets	4,453		232

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

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

Years Ended December 31, 2001 and 2000

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

#### (a) Authorizing Legislation

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

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

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

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

#### (b) Reporting Entity

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

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

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

#### (c) Fund Accounting

The financial activities of the Authority are recorded in funds ("Bond Funds") established under various bond resolutions and in other funds established in connection with the administration of the Authority's programs. All activities of the Authority not performed pursuant to the bond resolutions are recorded in the General Fund.

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

The Authority's Board of Directors (the "Board") has designated certain amounts of the retained earnings of the General Fund as of December 31, 2001 and 2000 for various purposes as follows:

**NOTES TO FINANCIAL STATEMENTS**

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

Years Ended December 31, 2001 and 2000

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

	2001	2000
Appropriations for loan funds:		
Housing fund	\$ 1,217	\$ 13,019
Business Finance Fund	15,577	10,498
Housing Opportunity Fund	19,390	19,412
	36,184	42,929
Reserves:		
Debt service:		
General Obligation Bonds -		
Rental Housing and Commercial	12,159	7,548
General operating and working capital reserve	12,374	11,425
Unrealized appreciation of investments	473	763
	25,006	19,736
Restrictions for single and multi-family bonds	50,989	33,993
Total designated retained earnings	\$ 112,179	\$ 96,658

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

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

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

The Authority is planning for the implementation of GASB Statement no. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". A key issue

behind the statement is the improvement of operational accountability. The objectives of the statement are to establish a basic financial reporting model that will result in greater accountability by governments, while providing more useful information to a wider range of users. This conceptual basis has resulted in a new financial reporting model with several changes that have major implications on governments; however, as a public enterprise, the implications to the Authority are significant but not as broad as to a true governmental entity. Statement 34 is effective in three phases, which are based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Accordingly, the Authority is required to implement the statement as a Phase 1 government. Phase 1 requires that the statement be applied for periods beginning after June 15, 2001. Therefore, full implementation is planned to begin with the Authority's financial statements for the year ended December 31, 2002.

As permitted by GASB Statement 20, the Authority may adopt all applicable Financial Accounting Standards Board (FASB) Statements

and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. As of December 31, 2001 no such FASB pronouncements have been adopted.

**(d) Budget Policies and Procedures**

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

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



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

**e) Cash**

Cash at December 31, 2001 and 2000, primarily includes market interest accounts of which approximately \$1,418,000 and \$1,694,000, respectively, is restricted for various General Fund program purposes.

**(f) Marketable Securities**

The Authority accounts for its investments in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" (Statement 31), which establishes accounting and financial reporting standards for investments held by governmental entities. Statement 31 requires most investments to be recorded at fair value and the recognition of unrealized gains and losses in the statement of revenue and expenses. Statement 31 allows money market investments and participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less to be recorded at amortized cost. The net increase (decrease) in the fair value of long-term marketable securities for 2001 and 2000 is reflected in the income statement for the years presented.

The fair value of the Authority's investments is determined from quoted market prices. Long-term marketable securities are carried at fair value. However, the Authority's long-term marketable securities include investment contracts that have fixed maturities and fixed rates with flexible withdrawal provisions. These investment contracts are not transferable, are not affected by changes in market interest rates, and therefore are carried at current face value. Included in long-term marketable securities are \$99,754,000 and \$112,867,000 at December 31, 2001 and 2000, respectively, which are restricted for future debt service as required under the various bond resolutions. Short-term marketable securities are carried at amortized cost, which approximates market, and generally mature

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

**(g) Loans Receivable**

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

**(h) Fee Income and Expense**

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

**(i) Mortgage Yield Recoupment Income**

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

**(j) Compensated Absences**

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

**(k) Allowance for Losses**

The allowance for losses on loans, accrued interest receivable, other real estate owned, and other assets is provided through charges against current operations based on management's periodic review of the loan and other real estate owned portfolios. This review considers such factors as the payment history of the loans, the projected cash flows of the borrowers, estimated value of the collateral, subsidies, historical loss experience for each type of insurance or guarantee (for losses particular to other real estate owned), additional guarantees provided by the borrowers and economic conditions. When this review determines that an exposure to loss is probable and can be reasonably estimated, a provision against current operations is made in the amount quantifiable. Loans receivable, accrued interest receivable, other real estate owned and other assets are shown net of an allowance for losses of \$13,259,000, \$340,000, \$2,447,000, and \$161,000, respectively, for 2001, and \$9,387,000, \$0, \$4,406,000, and \$201,000, respectively, for 2000.

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

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

The office building, furniture and equipment are carried at \$5,116,000 and \$3,301,000 at December 31, 2001 and 2000, respectively, representing cost, net of accumulated depreciation of \$3,913,000 and \$3,479,000, respectively. The Authority purchased an adjacent office building and land in 2001, valued at \$532,000 and \$1,133,000, respectively. The Authority uses the straight-line method of depreciation with estimated useful lives of three to thirty-five years.

The Authority commenced its Rental Acquisition Program ("RAP") in 1988, when the Board authorized the acquisition, rehabilitation and operation of below-market priced multi-family properties to provide affordable housing to low and moderate income families. The Authority has acquired and rehabilitated these properties with a combination of funds, including (i) general obligation and multi-family bond proceeds, (ii) seller-carry notes, and (iii) contributions from the Operating Fund. As a policy matter, the Authority sells these properties from time to time to qualified non-profit sponsors. Further, it is the policy of the

Authority to distribute excess surplus equity from the component units semiannually. These distributions are reflected in the component unit's equity.

As of December 31, 2001, the Authority owned a total of 13 RAP projects, including its three component units, containing 1,354 units. Selected balance sheet items of the RAP are presented below:

		2001	2000
RAP combined, including component units:			
Property, net of accumulated depreciation of \$9,157,000 and \$7,897,000	\$	26,547	\$ 26,945
Total assets		35,785	35,169
Total debt		23,983	25,922
Equity		11,802	9,247
RAP component units only:			
Property, net of accumulated depreciation of \$5,307,000 and \$4,509,000	\$	18,289	\$ 18,505
Total assets		21,908	21,866
Total debt		17,302	17,465
Equity		4,606	4,401

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

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

of the operating results of the RAP properties follows on a stand-alone basis before elimination of intercompany transactions.

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

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

	2001	2000
RAP combined, including component units:		
Rental operations	\$ 10,373	\$ 9,858
Interest income	135	190
Gain on sale of property	303	1,476
General operating expenses	(4,019)	(3,696)
Depreciation expense	(1,562)	(1,157)
Interest expense	(1,822)	(1,917)
Net income	\$ 3,408	\$ 4,754

	2001	2000
RAP component units only:		
Rental operations	\$ 7,112	\$ 6,631
Interest income	110	140
General operating expenses	(2,878)	(2,174)
Depreciation expense	(798)	(710)
Interest expense	(1,264)	(1,351)
Net income	\$ 2,282	\$ 2,536

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

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

**(n) Other Real Estate Owned**

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

**(o) Other Assets**

Included in other assets are escrows related

to RAP and loans serviced by the Authority, unamortized costs of mortgage servicing rights, and investments in public/private partnerships and corporations designed to foster economic development. Where such investments represent a 20% to 50% ownership interest, the Authority uses the equity method of accounting. All other investments are recorded at cost. The carrying value of such investments is approximately \$0 and \$92,000 at December 31, 2001 and 2000, respectively.

**(p) Federally Assisted Program Advances**

In accordance with and pursuant to contracts between the Authority and the Department of Housing and Urban Development ("HUD"), the Authority administers the Section 8 Housing Assistance Payments ("HAP") Program, and in 2001, became a Performance-Based Contract Administrator ("PBCA"), in certain areas of the

State of Colorado. Under these programs, housing assistance payments are made to the owners of rental housing developments on behalf of tenants of limited income who meet the eligibility requirements. HUD advances funds to the Authority for the housing assistance payments and, for certain developments, pays a monthly fee to the Authority for its administration of the subsidy contracts. These administrative fees, for HAP and PBCA are approximately \$1,318,000 and \$1,114,000 in 2001, respectively, and \$1,276,000 and \$0 in 2000, respectively, are recognized as other revenue when earned.

**(q) Interest Rate Swap Agreements**

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

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

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

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

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

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

**(s) Debt Refunding**

For current refundings and advance refundings resulting in defeasance of debt reported by proprietary activities, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter, using the effective interest method.

The deferred refunding amounts are classified as a component of bonds payable in the financial statements.

**(t) Risk Management**

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

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

**(u) Use of Estimates**

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

**(2) Cash and Marketable Securities**

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

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

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

Authority's name. Category 2 includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. Category 3 includes cash on hand, which is not insured.

At December 31, 2001 the Authority had cash deposits with a carrying value of \$12,929,000. These balances are categorized as follows:

Risk Category	Cash Balance December 31, 2001
1	\$ 585
2	12,344
3	-
<b>TOTAL</b>	<b>\$ 12,929</b>

All of the Authority's marketable securities are also categorized into three categories as follows to provide an indication of the level of risk assumed as of December 31, 2001. Category 1 includes those investments which are insured, or registered securities held by the Authority or its trustee in the Authority's name. Category 2 includes those investments which are uninsured and unregistered, with securities held by the counterparty's trust department or its agent in the Authority's name. Category 3 includes those investments which are uninsured and unregistered, with securities held by the

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

Years Ended December 31, 2001 and 2000

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

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

	Categories			
	1	2	3	Total
<b>Categorized:</b>				
U.S. government & agency obligations	\$ 83,372	\$ -	\$ -	\$ 83,372
Collateralized investment agreements	-	214,891	-	214,891
Repurchase agreements	2,915	-	-	2,915
	\$ 86,287	\$ 214,891	\$ -	\$ 301,178
<b>Uncategorized:</b>				
Treasury money market funds				83,914
Uncollateralized investment agreements				140,405
				\$ 525,497

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

bond ratings.

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

Authority's trustee.

The following schedule shows the Authority's net (decrease) increase in fair value of long-term marketable securities by fund, for the years ended December 31, 2001 and 2000:

Description	2001	2000
General Fund	\$ 462	\$ 167
Multi-family Housing Insured Mortgage Revenue	(105)	1,593
Multi-family/Project	(129)	553
Single Family Housing Revenue	(415)	27
Taxable Single-Family Mortgage Revenue	11	12
Single Family Revenue	(41)	186
Single Family Program Senior and Subordinate	(13)	65
<b>TOTAL</b>	<b>\$ (230)</b>	<b>\$ 2,603</b>

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

Years Ended December 31, 2001 and 2000

**(3) Loans Receivable**

Loans receivable at December 31, 2001 and 2000 consist of the following:

	2001	2000
General Fund	\$ 206,832	\$ 222,389
Multi-family bond programs:		
Housing Insured Mortgage Revenue	316,427	332,687
Mortgage Revenue	2,010	4,151
Project	115,350	85,049
Single Family bond programs:		
Housing Revenue	-	60,152
Taxable Revenue	8,089	11,005
Taxable Program Senior and Subordinate	2,630	3,539
Revenue Bonds	1,650	2,251
Program Bonds	17,164	19,196
Program Senior and Subordinate	623,173	639,524
Revenue Refunding	468	569
Mortgage	98,964	-
<b>Total loans receivable</b>	<b>1,392,757</b>	<b>1,380,512</b>
Deferred cash assistance expense	34,412	30,515
Deferred fee income	(8,181)	(8,752)
Deferred mortgage yield recoupment income	(22)	(83)
Allowance for loan losses	(13,259)	(9,387)
<b>Total loans receivable, net</b>	<b>\$ 1,405,707</b>	<b>\$ 1,392,805</b>

General Fund loans are generally collateralized by mortgages on real property and improvements. At December 31, 2001 and 2000, \$14,449,000 and \$19,932,000 of these loans (ACCESS program), respectively, are secured by first liens ahead of second liens from the Small Business Administration. Generally, the Authority's lien is secured at origination with collateral having a loan-to-value ratio of 45 to 50 percent. Additionally, at December 31, 2001 and 2000, \$17,490,000 and \$29,926,000 of these loans (QIC/QAL program), respectively, are secured by a guarantee of the Small Business Administration or Consolidated Farm Services, formerly Farmers Home Administration.

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

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

All loans receivable of the Authority are

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

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

Years Ended December 31, 2001 and 2000

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

At December 31, 2001 and 2000, the amounts available in the Bond Funds for additional investments in new loans, are as follows:

	2001	2000
Recycled funds loans (single family mortgage prepayments)	\$ -	\$ 32,139
Single family mortgage program	143,650	48,756
Multi-family mortgages and projects	32,942	40,195
	\$ 176,592	\$ 121,090

These amounts exclude single family mortgage loans warehoused in the Authority's General Fund of \$92.8 million and \$114.8 million, at December 31, 2001 and 2000, respectively.

**(4) Bonds and Notes Payable**

The aggregate principal amounts of bonds and notes payable at December 31, 2001 and 2000 are shown below. Interest is payable semiannually unless otherwise noted.

Description and due date	Interest rate (%)	2001	2000
General Fund:			
General Obligation Bonds:			
1992 Series A 2002-2030	9.125	\$ 3,285	\$ 3,305
1998 Series A 2002-2017	4.35 to 5.25	1,465	1,515
ACCESS Programs:			
1991 Series A 2002-2011	8.90 to 9.15	6,890	6,890
1991 Series B 2002-2011	8.50 to 9.40	5,970	6,020
1995 Series A 2002-2015	7.67	5,292	5,505
1997 Series A 2002-2018	7.22	5,533	6,149
1999 Series A 2002-2018	6.49	4,176	6,832
QIC Program:			
1993 Series A	7.87	-	2
1994 Series A 2002-2020	6.51	96	799
1994 Series B 2002-2021	6.53	-	1,800
1995 Series A 2002-2020	7.60	868	2,549
1997 Series A 2002-2023	6.56	1,043	2,402
1999 Series A 2002-2024	5.71	6,534	9,926
2000 Series A 2002-2025	6.755	7,048	9,985
SMART Program			
2000 Series A 2002-2020	6.152	8471	8,707
Taxable Mortgage Revenue			
2000 Series A 2002-2020	6.914	11,905	13,476
2000 Series B 2002-2020	6.675	4,572	5,154
2001 Series A PERA 2002-2021	6.135	23,175	-
2001 Series A VECTRA 2002-2021	6.625	6,703	-

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

Years Ended December 31, 2001 and 2000

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

Description and due date	Interest rate (%)	2001	2000	
Multi-family Mortgage Revenue Bond:				
1994 Series A	2002	7.25	\$ 60	\$ 127
			103,086	91,143
Multi-family Housing Insured				
Mortgage Revenue Bonds:				
1982 Series A	2002-2025	9.00	18,550	18,550
1982 Series B	2002-2025	6.00	11,645	11,645
1984 Series A		7.50	-	4,940
1991 Series A	2002-2026	7.35	2,485	2,495
1992 Series A	2002-2023	8.00 to 8.30	77,335	78,830
1993 Series A	2002-2029	5.125 to 5.90	16,305	16,490
1995 Series A	2002-2037	5.65 to 6.80	11,850	11,940
1995 Series B	2002-2037	5.45 to 6.75	14,135	14,220
1995 Series C	2002-2015	5.10 to 7.00	12,790	12,870
1996 Series A	2002-2037	4.80 to 7.20	35,540	36,620
1996 Series B	2002-2037	5.75 to 8.00	8,780	8,860
1996 Series C	2002-2038	5.10 to 8.10	15,100	15,195
1997 Series A	2002-2038	4.60 to 7.125	19,365	19,595
1997 Series B	2002-2038	4.40 to 7.25	23,410	23,615
1997 Series C	2002-2039	4.60 to 6.75	53,450	54,180
1998 Series A	2002-2039	5.35 to 6.70	20,465	20,605
1998 Series B	2002-2040	5.45 to 7.00	7,260	7,280
1999 Series A	2002-2041	4.65 to 6.65	34,705	34,865
1999 Series B	2002-2041	5.25 to 5.85	5,550	5,580
1999 Series C	2002-2041	4.70 to 7.93	18,115	18,140
			406,835	416,515
Multi-family Mortgage Revenue Bonds (Principal and interest payable monthly):				
Series 1978-3	2002-2017	6.50	1,264	1,297
Series 1980-1	2002-2021	10.50	746	757
Series 1981-1		11.00	-	2,097
			2,010	4,151
Multi-family/Project Bonds				
2000 Series A	2002-2032	Variable	94,030	95,875
2000 Series B	2002-2042	Variable	31,875	31,875
2001 Series A	2002-2043	Variable	38,050	-
			163,955	127,750



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

Years Ended December 31, 2001 and 2000

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

Description and due date	Interest rate (%)	2001	2000
Single Family Housing Revenue Refunding Bonds:			
1991 Refunding Series A	6.70 to 7.25	\$ -	\$ 46,451
1995 Refunding Series A	4.60 to 5.65	-	7,910
1996 Refunding Series AA	4.80 to 5.625	-	34,495
		-	88,856
Taxable Single Family Mortgage Revenue Bonds:			
1998 Issue I 2002-2018	6.65	8,670	11,440
Taxable Single Family Program Senior and Subordinate Bonds:			
1993 Issue A 2002-2011	7.625	1,600	2,565
Single Family Revenue Bonds:			
1985 Series A 2014	11.125	760	797
1985 Series B 2017	8.75	1,475	2,085
1993 Refunding Series A 2005-2014	7.00	4,161	4,550
		6,396	7,432
Single Family Program Bonds:			
1998 Series C 2002-2029	4.50 to 5.625	17,082	19,265
Single Family Program Senior and Subordinate Bonds:			
1991 Series A	6.70 to 9.40	-	1,915
1991 Series B	6.70 to 9.00	-	5,195
1991 Series C	6.60 to 9.075	-	8,365
1991 Series D	6.30 to 8.65	-	6,770
1992 Series A 2002-2024	6.30 to 8.70	10,010	12,570
1994 Series B 2002-2024	5.75 to 7.50	2,250	3,025
1994 Series C 2002-2024	6.00 to 7.90	2,295	3,390
1994 Series D-I 2002-2024	5.40 to 8.00	1,955	2,950
1994 Series D-II 2002-2025	5.65 to 8.125	1,725	2,505
1994 Series E 2002-2024	5.60 to 8.125	2,255	3,375
1994 Series F 2002-2025	6.75 to 8.625	1,080	1,980
1995 Series A 2002-2025	5.70 to 8.00	5,520	8,670

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

Years Ended December 31, 2001 and 2000

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

Description and due date	Interest rate (%)	2001	2000	
Single Family Program Senior and Subordinate Bonds, continued:				
1995 Series B	2002-2025	5.50 to 7.90	\$ 6,115	\$ 8,835
1995 Series C	2002-2025	5.15 to 7.65	8,685	11,945
1996 Series D	2002-2026	5.20 to 7.38	19,470	23,750
1996 Series A	2002-2027	4.80 to 7.40	18,895	25,730
1996 Series B	2002-2027	5.10 to 7.65	15,900	24,190
1996 Series C	2002-2027	5.00 to 7.55	17,840	25,025
1997 Series A	2002-2027	4.55 to 7.25	24,050	32,590
1997 Series B	2002-2028	4.80 to 7.00	23,425	31,580
1997 Series C	2002-2028	5.00 to 6.875	24,035	34,415
1998 Series A	2002-2029	4.75 to 6.60	35,885	43,940
1998 Series B	2002-2029	4.625 to 6.55	36,228	44,782
1998 Series D	2002-2029	4.25 to 6.35	47,655	54,635
1999 Series A	2002-2030	4.25 to 6.45	42,695	48,450
1999 Series B	2002-2030	4.875 to 6.80	52,485	59,165
1999 Series C	2002-2031	4.70 to 7.20	61,035	69,140
2000 Series A	2002-2031	5.40 to 7.54	41,000	50,000
2000 Series B	2002-2031	5.10 to 7.47	36,550	40,000
2000 Series C	2002-2031	5.10 to 8.40	49,550	54,765
2000 Series D	2002-2032	5.15 to 7.43	40,000	40,000
2000 Series E	2002-2032	5.15 to 7.10	35,000	35,000
2001 Series A	2002-2032	5.00 to 6.50	40,000	-
2001 Series B	2002-2033	4.125 to 6.55	55,490	-
2001 Series C	2002-2033	4.00 to 6.375	61,365	-
			820,443	818,647
Single Family Revenue Refunding Bonds:				
1994 Series A	2002-2011	5.00 to 5.30	420	515
Single Family Mortgage Bonds:				
2001 Series AA	2002-2041	Variable	131,840	-
Mortgage notes:				
September 4, 2020		1.00	837	878
June 22, 2025		1.00	742	770
July 1, 2004		4.50	732	750
June 30, 2001		5.37	-	1,224
April 1, 2002		11.47	49	50
March 31, 2003		-	85	128
November 30, 2005		-	70	70
May 1, 2005		7.25	-	9,282
Lines of credit:				
January 31, 2002		2.00	5,659	4,070
February 1, 2002		1.90	87,000	87,860
February 1, 2002		2.45	9,133	-

**NOTES TO FINANCIAL STATEMENTS**

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

Years Ended December 31, 2001 and 2000

Description and due date	Interest rate (%)	2001	2000
Unsecured notes payable			
June 30, 2003	Variable	\$ 89	\$ -
August 23, 2003	Variable	104	76
October 28, 2002	Variable	-	250
		104,500	105,408
Total bonds and notes payable		1,766,837	1,693,687
Discounts/premiums, net		53,112	49,329
Deferred refunding amounts		(4,477)	(2,085)
Total bonds and notes payable, net		\$ 1,815,472	\$ 1,740,931

Included in several of the bond issues shown above are Capital Appreciation Term Bonds ("CATB"). The principal amounts of these bonds appreciate based on semiannual

compounding of the original principal balances at the interest rates specified. The appreciated balances of these bonds at maturity and as reflected in the accompanying statements of

financial condition at December 31, 2001 and 2000 are as follows:

Description, due date and type	Interest rate (%)	Appreciated Balances		
		Maturity	2001	2000
Single Family Revenue Bonds:				
1985 Series A      2014 CATB	11.125	\$ 2,995	\$ 760	\$ 797
1993 Refunding Series A      2014 CATB	7.00	9,945	4,161	4,550
Single Family Housing Revenue Bonds:				
1991 Refunding Series A	6.70 to 7.00	-	-	15,576
Single Family Senior and Subordinate Bonds:				
1998 Series B      2029 CATB	5.5	6,940	1,533	1,452
Single Family Program Bonds:				
1998 Series C      2029 CATB	5.625	16,285	3,477	3,290

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

Years Ended December 31, 2001 and 2000

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

Bonds and notes payable sinking fund installments and maturities during the five years subsequent to December 31, 2001 are as follows:

	2002	2003	2004	2005	2006
Bonds:					
General Fund:					
General Obligation	\$ 3,449	\$ 4,401	\$ 4,551	\$ 4,822	\$ 4,955
Multi-family Mortgage Revenue	60	-	-	-	-
Multi-family:					
Housing Insured Mortgage Revenue	5,025	5,375	5,755	6,145	6,530
Mortgage Revenue	58	62	67	72	78
Project	1,650	520	640	6,140	1,735
Single Family:					
Housing Revenue Refunding	-	-	-	113	385
Program	360	375	395	420	640
Program Senior and Subordinate	14,320	11,145	13,185	17,975	14,625
Revenue Refunding	25	30	45	75	50
Mortgage	3,350	4,390	5,145	5,175	4,865
Notes Payable	101,981	334	773	111	71
Total Bonds and Notes Payable	\$ 130,278	\$ 26,632	\$ 30,556	\$ 41,048	\$ 33,934
Interest Due	99,489	97,476	97,913	96,350	94,447
Total Annual Debt Service	\$ 229,767	\$ 124,108	\$ 128,469	\$ 137,398	\$ 128,381

Aggregate maturities of bonds and notes payable subsequent to the year 2006 are approximately \$1,504,389,000.

Assets of the various Bond Funds are pledged for payment of principal and interest on the applicable bonds. In addition, certain assets are further restricted by bond resolutions for payment of interest on and/or principal of bonds in the event that the related debt service funds and other available monies are insufficient. Such assets are segregated within the various Bond Funds and are held in cash, marketable securities or investment agreements. At December 31, 2001 and 2000, these assets were at least equal to the amounts required to be restricted.

As of December 31, 2001 and 2000, the

Authority had a \$49,000 and \$50,000, respectively, note payable to a bank under its Taxable Multi-family Rental Housing Rehabilitation Program. The note is secured by the pledge of, and is being repaid with the principal and interest payments on, the mortgage loan participations, which were acquired with the note proceeds. In the event of default of any underlying mortgage loan, the Authority is obligated to the bank for up to one-third of any deficiency of amounts due the bank upon foreclosure or other conversion of the defaulted loan. The Authority receives an ongoing fee representing .25% of the unpaid balance of its participation interest.

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

borrowings of up to \$100,000,000. Amounts drawn under the agreement bear interest at the same rates charged by the FHLB to its member banks and are collateralized by certain mortgage loans and/or investment securities. As of December 31, 2001 and 2000, the outstanding borrowings under this agreement were \$87,000,000 and \$87,860,000, respectively.

The Authority also has a revolving, unsecured, commercial bank line of credit for borrowings of up to \$30,000,000. Amounts drawn under the agreement bear interest fixed at .52% per annum above the London Interbank Offered Rates (LIBOR). The line of credit agreement terminates on July 25, 2002. As of December 31, 2001 and 2000, the

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

outstanding borrowings under this agreement were \$9,133,000 and \$0.

During 2001, the Authority has an agreement with another bank for a secured line of credit authorizing borrowings of up to \$6,000,000. The agreement provides for the Authority to borrow an amount based on the prior month's average daily balance of custodial funds held in a non-interest bearing account at the bank. Amounts drawn under the agreement bear interest fixed at 2% per annum, and are invested with the bank in a money market savings account. The line of credit agreement

terminates on April 30, 2002. As of December 31, 2001, the outstanding borrowings under this agreement were \$5,659,000.

The Authority has issued certain conduit Multi-family Housing Revenue Bonds and Industrial Development Bonds, the proceeds of which were made available to various developers and corporations for rental housing and commercial purposes. As of December 31, 2001, \$180,209,000 and \$47,470,000, respectively, of these bonds were outstanding. The corresponding amounts outstanding as of December 31, 2000 were \$182,640,000 and

\$59,625,000, respectively. The bonds are payable solely from amounts received by the trustees from the revenue earned by the developers and corporations. Loan and corresponding debt service payments are generally guaranteed by irrevocable direct-pay letters of credit, or other credit enhancement arrangements. The faith and credit of the Authority is not pledged for the payment of the principal or interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

**(5) Interest Rate Swaps**

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

payments. The swap agreements are used to create synthetic fixed rates on the underlying variable rate bonds. The swap agreement notional amounts are amortized in accordance with the scheduled and/or anticipated reduc-

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

Associated Bond Issue	Outstanding Notional Amount	Issue Date	Fixed Rate Paid by the Authority	Floating Rate Received from Counterparties	Termination Date
Multi-Family/Project Bonds:					
2000 Series A A-1, Class I	\$ 12,750	03/21/00	5.235%	VRDO's Rate <sup>1</sup>	10/01/20
2000 Series A A-1, Class III	18,500	03/21/00	5.225%	VRDO's Rate <sup>1</sup>	04/01/25
2000 Series A A-2, Class I	11,545	03/21/00	5.800%	VRDO's Rate <sup>1</sup>	04/01/15
2000 Series B B-1, Class I	7,780	10/19/00	7.390%	LIBOR <sup>2</sup> , plus .25%	07/01/20
Single Family Mortgage Bonds:					
2001 Series AA AA-1, Class I	50,000	10/04/01	5.290%	VRDO's Rate <sup>1</sup>	11/01/13
2001 Series AA AA-2, Class I	46,840	10/04/01	4.600%	VRDO's Rate <sup>1</sup>	05/01/31

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

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

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

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

agreements to the stated termination dates.

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

Years Ended December 31, 2001 and 2000

**(6) Debt Refundings**

On October 4, 2001, the Authority issued its Single Family Mortgage Bonds 2001 Series AA, in the aggregate principal amount of \$131,840,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Single Family Housing Revenue Refunding Bonds, 1991 Series A and 1996 Series AA in the amount of \$81,840,000. The refunding resulted in an increase in the aggregate debt service requirement of \$9,447,000 and an approximate economic gain to the Authority of \$21,917,000.

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

On May 30, 2001, the Authority issued its Single Family Program Senior and Subordinate Bonds 2001 Series B, in the aggregate principal amount of \$55,840,000. Proceeds of

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

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

On March 21, 2000, the Authority issued its Multi-Family/Project Bonds, 2000 Series A, in the aggregate principal amount of \$96,580,000. Proceeds of the bonds were used for new mortgage loans and to refund its outstanding Multi-Family Housing Insured Mortgage Revenue Bonds, 1977 Series A and B

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

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

In accordance with Governmental Accounting Standards Board Statement No. 23, the following deferred amounts related to the 2001 and 2000 refunding transactions are being amortized over the estimated remaining lives of the old debt.

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

Years Ended December 31, 2001 and 2000

**(6) Debt Refundings (continued)**

	2001	2000
Single Family Housing Revenue Refunding Bonds 1991 Series A and 1996 Series AA:		
Deferred fee income	\$ 44	\$ -
Deferred debt financing costs	1,345	-
Call premium	617	-
Single Family Program Senior and Subordinate Bonds, 1991 Series C and D:		
Deferred fee income	(205)	-
Deferred debt financing costs	155	-
Call premium	233	-
Single Family Program Senior and Subordinate Bonds, 1991 Series A and B:		
Deferred fee income	(86)	-
Deferred debt financing costs	76	-
Call premium	146	-
Single Family Program Senior and Subordinate Bonds, 1990 Series A, B, and C:		
Deferred fee income	-	(216)
Deferred debt financing costs	-	210
Call premium	-	208
Multi-Family Housing Insured Mortgage Revenue Bonds, 1977 Series A and B:		
Gain on Sale of Investments	-	(71)
Deferred fee income	-	(334)
Deferred debt financing costs	-	681
General Obligation Bonds, 1986, 1991, and 1994, Series A:		
Deferred debt financing costs	-	519
Unamortized discount	-	93
Call premium	-	747
<b>Total deferred amount</b>	<b>\$ 2,325</b>	<b>\$ 1,837</b>

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

Years Ended December 31, 2001 and 2000

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

Selected financial and operating data of the various program funds of the Authority as of December 31, 2001 are as follows:

	Total Assets	Bonds and Notes Payable	Fund Equity
General Fund	\$ 353,547	\$ 224,414	\$ 112,179
Multi-family:			
Housing Insured Mortgage Revenue	422,616	398,500	16,372
Mortgage Revenue	2,037	2,010	-
Project	166,317	161,356	3,564
Single Family:			
Taxable Revenue	10,975	8,670	2,113
Taxable Program Senior and Subordinate Revenue	2,978 12,883	1,600 6,396	1,368 6,444
Program Senior and Subordinate	908,080	880,774	13,807
Program Bonds	18,268	17,131	1,023
Revenue Refunding	601	420	180
Mortgage	156,215	131,029	23,757
Intercompany Eliminations	(16,934)	(16,828)	-
	\$ 2,037,583	\$ 1,815,472	\$ 180,807

	Total Revenue	Interest Expense	Net Income (Loss)
General Fund	\$ 48,186	\$ 12,599	\$ 15,521
Multi-family:			
Housing Insured Mortgage Revenue	30,857	26,965	662
Mortgage Revenue	296	296	-
Project	8,320	6,369	(628)
Single Family:			
Taxable Revenue	861	678	154
Taxable Program Senior and Subordinate Revenue	292 1,075	101 534	189 530
Program Senior and Subordinate Program	54,770 932	52,448 941	890 (16)
Revenue Refunding	40	24	12
Mortgage	5,278	5,924	(999)
Intercompany Eliminations	(1,264)	(1,264)	-
	\$ 149,643	\$ 105,615	\$ 16,315

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

instrumentalities, whose assets and operations are accounted for within the General Fund. For financial statement purposes, all transactions

between the General Fund and the Bond Funds are eliminated.



**(8) Retirement Plans**

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

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

On May 6, 1997, the Governor signed into law House Bill 97-1082. This legislation changed the benefit formula for each year of service over 20 from 1.5 percent of Highest Average Salary per year to 2.5 percent with a 100 percent maximum. All current benefit recipients with more than 20 years of service had their 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 years of age or older and retiring June 1, 2000, or later, with age plus years of service totaling 80 or

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

Under the plan, State statute requires the Authority and participating employees to contribute 9.43% and 8% for 2001, respectively, and 10% and 8% for 2000, respectively, of the employees' gross salaries, as defined by the plan. The Authority's total eligible payroll for participating employees was \$7,585,000 and \$6,649,000 for 2001 and 2000, respectively. Contributions by the Authority and employees approximated \$715,000 and \$605,000, respectively, for 2001, while for 2000 the amounts were \$665,000 and \$534,000, 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, 2000, the date of the latest available audited information, the total actuarial

accrued liability and total net assets available for benefits of the Municipal Division of PERA, in which the Authority's pension contributions and benefits are included, were \$1,514,014,000 and \$1,740,454,000, respectively. There were no unfunded liabilities in the Municipal Division as of December 31, 2001.

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

Included in the Authority's general obligation debt are bonds payable to PERA of \$78,713,000 and \$73,286,000 at December 31, 2001 and 2000, respectively.

An additional benefit offered to eligible Authority employees through PERA is a Voluntary Investment Program ("VIP"), established under Section 401(k) of the Internal Revenue Code. Participants may invest a percentage of their annual gross salaries up to the annual IRS limit of their gross salaries. The Authority contributes 1% of each participating employee's salary and in addition, matches at the rate of 50% of the first 5% of the participating employee's contribution. In addition, the Authority participates in PERA's MatchMaker Program, which uses a portion of the employer's contributions as a dollar-for-dollar match to the 401(k) plan, not to exceed 2% of the employee's gross salary.

The Authority also offers a deferred compensation plan for the purpose of providing retirement income for employees. This defined contribution plan is qualified under Section 457 of the Internal Revenue Code. The plan is administered by an independent trustee.

**STATEMENTS OF FINANCIAL CONDITION BY PROGRAM**

Years Ended December 31,

(000s Omitted)						Memorandum Totals	
	General Fund	Single Family	Multi-family	Eliminations	2001	2000	
<b>ASSETS</b>							
Cash	\$ 12,765	\$ -	\$ 164	\$ -	\$ 12,929	\$ 7,315	
Marketable securities:							
Short-term	94,412	230,169	87,000	-	411,581	329,128	
Long-term, at fair value	16,628	47,866	49,422	-	113,916	124,162	
Total cash and marketable securities	123,805	278,035	136,586		538,426	460,605	
Loans receivable, net	200,075	781,284	441,176	(16,828)	1,405,707	1,392,805	
Accrued interest receivable	1,616	9,523	5,805	(106)	16,838	17,535	
Property and equipment, net:							
Corporate facilities	5,116	-	-	-	5,116	3,301	
Rental operations	26,547	-	-	-	26,547	26,945	
Deferred debt financing costs, net	1,050	13,477	3,381	-	17,908	16,962	
Other real estate owned, net	-	929	6,217	-	7,146	5,822	
Other assets	18,149	(88)	1,834	-	19,895	19,774	
Due from (to) other funds	(22,811)	26,840	(4,029)	-	-	-	
<b>Total Assets</b>	<b>\$ 353,547</b>	<b>\$ 1,110,000</b>	<b>\$ 590,970</b>	<b>\$ (16,934)</b>	<b>\$ 2,037,583</b>	<b>\$ 1,943,749</b>	
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities:</b>							
Bonds and notes payable, net	\$ 224,414	\$ 1,046,020	\$ 561,866	\$ (16,828)	\$ 1,815,472	\$ 1,740,931	
Accrued interest payable	1,959	15,284	8,087	(106)	25,224	23,413	
Accounts payable and other liabilities	6,444	4	1,081	-	7,529	5,207	
Federally assisted program advances	369	-	-	-	369	1,738	
Deferred fee income	298	-	-	-	298	280	
Escrow and refundable deposits	7,884	-	-	-	7,884	7,688	
<b>Total liabilities</b>	<b>241,368</b>	<b>1,061,308</b>	<b>571,034</b>	<b>(16,934)</b>	<b>1,856,776</b>	<b>1,779,257</b>	
<b>Fund equity - retained earnings:</b>							
Restricted	-	48,692	19,936	-	68,628	67,834	
General Fund - Board designated	112,179	-	-	-	112,179	96,658	
<b>Total fund equity - retained earnings</b>	<b>112,179</b>	<b>48,692</b>	<b>19,936</b>	<b>-</b>	<b>180,807</b>	<b>164,492</b>	
	<b>\$ 353,547</b>	<b>\$ 1,110,000</b>	<b>\$ 590,970</b>	<b>\$ (16,934)</b>	<b>\$ 2,037,583</b>	<b>\$ 1,943,749</b>	

See notes to financial statements

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

Years Ended December 31,

(000s Omitted)	General Fund	Single Family	Multi-family	Eliminations	Memorandum Totals	
					2001	2000
Interest and investment revenues						
Loans receivable	\$ 16,987	\$ 49,701	\$ 33,348	\$ (1,264)	\$ 98,772	\$ 90,606
Marketable securities	3,135	18,371	7,248	-	28,754	31,689
Net increase (decrease) in fair value of marketable securities	473	(469)	(234)	-	(230)	2,603
Total interest and investment revenue	20,595	67,603	40,362	(1,264)	127,296	124,898
Interest expense - bonds and notes payable	11,267	60,650	33,630	(1,754)	103,793	101,105
Net interest revenue	9,328	6,953	6,732	490	23,503	23,793
Other revenues (expenses):						
Rental operations	10,373	-	-	-	10,373	9,858
Fees and miscellaneous income	11,679	1	294	-	11,974	11,413
Program fees (expenses)	5,539	(4,356)	(1,183)	-	-	-
Total other revenue	27,591	(4,355)	(889)	-	22,347	21,271
Net revenue	36,919	2,598	5,843	490	45,850	45,064
Other expenses:						
Salaries and related benefits	9,892	-	-	-	9,892	9,356
General operating	10,280	312	563	-	11,155	9,300
Provision for losses	953	198	5,515	-	6,666	2,059
Other interest expense	1,332	-	-	490	1,822	2,249
Transfers	(1,059)	1,328	(269)	-	-	-
Total other expenses	21,398	1,838	5,809	490	29,535	22,964
Net income	15,521	760	34	-	16,315	22,100
Retained earnings, beginning of year	96,658	47,932	19,902	-	164,492	142,392
Retained earnings, end of year	\$ 112,179	\$ 48,692	\$ 19,936	\$ -	\$ 180,807	\$ 164,492

See notes to financial statements

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## APPENDIX B

### OUTSTANDING MASTER INDENTURE OBLIGATIONS

#### Outstanding Master Indenture Bonds

The Authority has previously issued under the Master Indenture its Multi-Family/Project Bonds, 2000 Series A (the "**2000 Series A Bonds**") outstanding in the aggregate principal amount of \$92,940,000; its Multi-Family/Project Bonds, 2000 Series B (the "**2000 Series B Bonds**") outstanding in the aggregate principal amount of \$31,875,000; and its Multi-Family/Project Bonds, 2001 Series A (the "**2001 Series A Bonds**") outstanding in the aggregate principal amount of \$38,050,000. Upon issuance of the 2002 Series A Bonds, the following Bonds will be outstanding under the Master Indenture in the Classes as indicated:

<u>Pro Forma Outstanding Series</u>	<u>Class I Bonds</u>	<u>Class II Bonds</u>	<u>Class III Bonds</u>	<u>Class IV Bonds</u>	<u>Total</u>
<b>2000 Series A Bonds:</b>					
Adjustable Rate 2000 Series A-1	\$36,745,000(1)				
Adjustable Rate 2000 Series A-1			\$18,500,000(2)		
Adjustable Rate 2000 Series A-2	11,545,000				
2000 Series A-3		\$ 6,700,000			
Taxable 2000 Series A-4	0				
<b>Total 2000 Series A Bonds</b>					<u>\$ 73,490,000(1)</u>
<b>2000 Series B Bonds:</b>					
Taxable 2000 Series B-1	\$ 7,780,000				
2000 Series B-2	13,880,000				
Adjustable Rate 2000 Series B-3	5,000,000				
2000 Series B-4	4,845,000			\$ 370,000(2)	
<b>Total 2000 Series B Bonds</b>					<u>\$ 31,875,000</u>
<b>2001 Series A Bonds:</b>					
2001 Series A-1	\$ 24,350,000				
2001 Series A-2		\$10,810,000			
2001 Series A-2				\$ 2,890,000(2)	
<b>Total 2001 Series A Bonds</b>					<u>\$ 38,050,000</u>
<b>2002 Series A Bonds:</b>					
Adjustable Rate 2002 Series A-1	\$ 9,410,000				
2002 Series A-2	\$ 3,590,000				
2002 Series A-3		\$ 5,735,000			
Adjustable Rate 2002 Series A-4	\$ 19,450,000				
2002 Series A-5	\$ 9,820,000				
<b>Total 2002 Series A Bonds</b>					<u>\$ 48,005,000</u>
<b>Total Outstanding Bonds</b>	<u>\$146,415,000</u>	<u>\$23,245,000</u>	<u>\$21,760,000</u>	<u>\$ -0-</u>	<u>\$191,420,000(1)</u>

(1) Assumes the anticipated refunding of \$19,450,000 aggregate principal amount of 2000 Series A-1 Bonds to take place on August 7, 2002, as described in "Part I – PLAN OF FINANCING."

(2) Designated as general obligations of the Authority

## **Outstanding Master Indenture Derivative Products**

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

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

For a discussion of the Derivative Products expected to be entered in connection with the 2002 Series A Bonds, see "Part I – CERTAIN PROGRAM ASSUMPTIONS – 2002A Derivative Products."

## APPENDIX C

### Summary of Certain Provisions of the Indenture

The Master Indenture and the Series 2002A Indenture (collectively, the "**Indenture**") contain various provisions and covenants, some of which are summarized below. Reference is made to the Indenture for a full and complete statement of its provisions. Copies of the Indenture are available as provided in "MISCELLANEOUS."

#### Certain Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Business Day" means any day other than a Saturday or a Sunday, that in the city in which the corporate trust office of the Trustee designated for the purpose of presentation of and payment on the Bonds is located is neither a legal holiday nor a day on which banking institutions are authorized or obligated by law or executive order to be closed.

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Financing Documents" means, with respect to any Loan, the Loan Agreement between the Authority and the Borrower with respect to the Loan, the Note duly executed by the Borrower evidencing its obligation to repay the Loan, the Mortgage on the real property or leasehold constituting part of the Housing Facility or Project, financing statements duly executed and registered pursuant to the Uniform Commercial Code, and such insurance, guaranties and other security for the repayment of the Loan as required by the Authority.

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

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

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

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

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

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

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

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

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

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

(a) Direct, general obligations, or obligations the timely payment of principal and interest of which are unconditionally guaranteed by, the United States of America;

(b) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Farm Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Farmers Home Administration; Federal Home Loan Mortgage Corporation (including participation certificates only if they guarantee timely payment of principal and interest); Government National Mortgage Association (excluding "interest only" mortgage strip securities, and excluding other mortgage strip securities which are valued greater than par); Federal Financing Bank; or Federal Housing Administration; or any other agency or instrumentality of the United States of America (created by an act of Congress) substantially similar to the foregoing in its legal relationship to the United States of America;

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

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

(e) Any Investment Agreement;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"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.

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

### **General Obligation Bonds Events of Default and Remedies**

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

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

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

Upon the occurrence and continuance of a General Obligation Bond Default, the Trustee may, and upon the written request of the Owners of not less than 25% in Aggregate Principal Amount of the General Obligation Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce the rights of the Owners of General Obligation Bonds under the Act, the General Obligation Bonds and the Indenture by such suits, actions or

proceedings as the Trustee, being advised by counsel, shall deem expedient and consistent with the limitations specified in the Indenture, including but not limited to:

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

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

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

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

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

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

(iv) the Trustee shall have failed or refused to exercise the powers in the Indenture granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

### **Successors to Trustee**

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

### **Modifications of Indenture and Outstanding Bonds**

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

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

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

### **Defeasance**

All outstanding Bonds will prior to the maturity or redemption date thereof be deemed to have been paid and will cease to be entitled to the pledge of the Trust Estate under the Indenture and all covenants, agreements and other obligations of the Authority to the Bondowners will cease if the following conditions are met: (i) in case any Bonds are to be redeemed on any date prior to their maturity, the Authority has given to the Bond Registrar irrevocable instructions to transmit notice of redemption therefor, (ii) there have been deposited with the Trustee either moneys in an amount which are sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys, which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal or redemption price, if applicable, of and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Bonds are not subject to redemption within the next succeeding 60 days, the Authority has given the Bond Registrar irrevocable instructions to transmit, as soon as practicable, a notice to the owners of such Bonds that the above deposit has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity or redemption date upon which moneys are to be available for the

payment of the principal or redemption price, if applicable, of and interest on such Bonds, and (iv) except in the event of a full cash defeasance or a current refunding of less than ninety days to maturity or redemption date, the sufficiency of such moneys or Defeasance Securities shall have been confirmed to the Authority in an opinion signed by a certified public accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of the State, selected by the Authority.

Neither Defeasance Securities nor moneys deposited with the Trustee for the purpose of defeasing the Bonds nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds and any bonds or other obligations issued by the Authority the proceeds of which were used to acquire such Defeasance Securities, in whole or in part; provided that no such principal of or interest on such Defeasance Securities shall be applied to the payment of the principal or redemption price of or interest on such bonds or other obligations unless (x) the Trustee shall have received a schedule showing, for each year from the date of deposit of such Defeasance Securities until the redemption date or maturity date of said Bonds, as the case may be, the amount of principal of and interest on such Defeasance Securities and moneys, if any, deposited with the Trustee at the same time that will be available to pay the principal or Redemption Price of and interest due on said Bonds in each such year, plus the amount of any excess in each such year, and (y) the amount of such principal of or interest on such Defeasance Securities to be so applied to the payment of such bonds or other obligations does not exceed in any year the amount of such excess for, or accumulated and unexpended to, such year. Any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, to the extent practicable and, in accordance with an opinion of Bond Counsel filed with the Trustee, permitted by Section 103 of the Code, shall be reinvested in Defeasance Securities maturing in times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be.

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

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## 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 2002 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 2002 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**,<sup>(1)</sup> 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 Class I Asset Coverage Divisors and Class II Asset Coverage Divisors, 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**,<sup>(2)</sup> 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

<sup>(1)</sup> Not applicable to 2000 Series B Bonds.

<sup>(2)</sup> Not applicable to 2002 Series A Bonds.

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)],<sup>(3)</sup> 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.

<sup>(3)</sup> 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 2002 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
FHA-Insured non-Section 542(c) Loan(1)	1.12	1.015
Authority Project	1.30	1.18
Other Loans	(2)	(2)

- (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) 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

May 15, 2002

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

Colorado Housing and Finance Authority  
Multi-Family/Project Class I Adjustable Rate Bonds, 2002 Series A-1  
Multi-Family/Project Class I Bonds, 2002 Series A-2  
Multi-Family/Project Class II Bonds, 2002 Series A-3  
Multi-Family/Project Class I Adjustable Rate Bonds, 2002 Series A-4  
Multi-Family/Project Class I Bonds, 2002 Series A-5

Ladies and Gentlemen:

We have acted as bond counsel to the Colorado Housing and Finance Authority (the "Authority"), in connection with the issuance by the Authority of its Multi-Family/Project Class I Adjustable Rate Bonds, 2002 Series A-1 (the "2002 Series A-1 Bonds"), Multi-Family/Project Class I Bonds, 2002 Series A-2 (the "2002 Series A-2 Bonds"), Multi-Family/Project Class II Bonds, 2002 Series A-3 (the "2002 Series A-3 Bonds"), Multi-Family/Project Class I Adjustable Rate Bonds, 2002 Series A-4 (the "2002 Series A-4 Bonds"), and Multi-Family/Project Class I Bonds, 2002 Series A-5 (the "2002 Series A-5 Bonds" and together with the 2002 Series A-1 Bonds, the 2002 Series A-2 Bonds, the 2002 Series A-3 Bonds and the 2002 Series A-4 Bonds, the "2002 Series A Bonds"). In such capacity as bond counsel to the Authority, we have examined the Authority's certified proceedings and such other documents and such law of the State of Colorado (the "State") and of the United States of America as we have deemed necessary to render this opinion letter. The 2002 Series A Bonds are authorized and issued pursuant to the Master Indenture of Trust, dated as of March 1, 2000, as amended, and as supplemented by the 2002 Series A Indenture of Trust dated as of May 1, 2002 (together, the "Indenture") between the Authority and Wells Fargo Bank West, National Association (formerly, Norwest Bank Colorado, National Association), as trustee (the "Trustee"). The capitalized terms used herein, unless parenthetically defined herein, have the meanings ascribed to them in the Indenture.

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

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

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

2. The 2002 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 2002 Series A Bonds (except for interest on any 2002 Series A Bond for any period during which it is held by a "substantial user" of facilities financed with the 2002 Series A Bonds or a "related person" as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code")) is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code; however, interest on the 2002 Series A-1 Bonds, the 2002 Series A-2 Bonds and the 2002 Series A-3 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 2002 Series A-4 Bonds and the 2002 Series A-5 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the Authority's certified proceedings and in certain other documents or certain other certifications furnished to us.

5. The 2002 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 2002 Series A Bonds.

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

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

Colorado Housing and Finance Authority  
Multi-Family/Project Bonds, 2002 Series A  
May 15, 2002

Page 3

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 the Official Statement or any other statements made in connection with any sale of the 2002 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 2002 Series A Bonds, except those specifically addressed above.

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

Respectfully submitted,

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**APPENDIX F**

**Form of Continuing Disclosure Undertakings**

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## AUTHORITY CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by the COLORADO HOUSING AND FINANCE AUTHORITY, a body corporate and political subdivision of the State of Colorado (the "**Authority**"), in connection with the issuance of Colorado Housing and Finance Authority Multi-Family/Project Bonds, \_\_\_ 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 West, 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 A Bonds.

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

### AUTHORITY COVENANTS AND AGREEMENTS

#### Section 1. Definitions.

(a) "Annual Financial Information" means the financial information or operating data with respect to the Authority or other obligated person described in Section 2(f) hereof, as applicable, delivered at least annually pursuant to Sections 2(a) and 2(b) hereof, of the type set forth in the sections of the final Official Statement, included but not limited to such financial information and operating data set forth in "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, 45<sup>th</sup> Floor, New York, New York 10041; FT Interactive Data, Attn: NRMSIR, 100 Williams Street, New York, New York 10038; Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the 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., \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_.

(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

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## 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 2002 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 West, 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, 45<sup>th</sup> Floor, New York, New York 10041; FT Interactive Data, Attn: NRMSIR, 100 Williams Street, New York, New York 10038; Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

(f) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the 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., \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_.

(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: \_\_\_\_\_



## APPENDIX G-1

### Certain Information about the 2002A Loans

The 2002A Loans are expected to be financed or refinanced in connection with the following six projects described in this **Appendix G-1**.

#### Garden Village Apartments

One 2002A Project is expected to be the acquisition and renovation of Garden Village Apartments by The Energy Office ("TEO"), a nonprofit 501(c)3 corporation incorporated in 1977. The Authority expects to make the following two Loans using proceeds of the 2002 Series A Bonds: (i) a Loan in the estimated amount of \$2,112,800, expected to be insured by the FHA under Section 542(c) of the Housing and Community Development Act of 1992, as amended; and (ii) a Loan in the estimated amount of \$360,000, which Loan is not expected to be insured. Garden Village Apartments were built in 1971 as a development of 91 units located in seven buildings in Grand Junction, Colorado. At the site, there are two play areas for children and the landscape includes mature trees and open areas of grass.

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

Garden Village Apartments		
<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
20	1 bedroom/1 bath	550
32	2 bedroom/1 bath	732
31	3 bedroom/1-1/2 bath	906
<u>8</u>	4 bedroom/1-1/2 bath	1,078
91		

All residents of the project are currently receiving Section 8 project-based subsidy under a Housing Assistance Payment contract that will expire in 2004. See "Part II – CERTAIN BONDOWNERS' RISKS – Expiration of HAP Contracts."

The Borrower for Garden Village Apartments is GVAH Limited Partnership, a single asset mortgagor having as its general partner The Energy Office ("TEO"). TEO was organized in 1977 as a public information entity for Grand Junction and, in 1991, became the administrator of the Low-and-Moderate-Income Housing Rehabilitation Program for Mesa County. TEO acquired its first apartment building in 1998 and currently owns two affordable housing projects.

Monfric, Inc. will provide property management services for the development. Monfric has provided residential property management in western Colorado since 1984. They have extensive experience in tax credit project management and currently manage 20 other properties that require income certification. Its principal, Anita Moseman, is one of four national trainers for the National Affordable Housing Management Association for official designation as a Certified Professional of Occupancy.

The following assumptions as to the economic feasibility of the 2002A Project relating to Garden Village Apartments have been made in the application to the FHA for insurance.

**Assumptions as to Garden Village Apartments**

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$535,972
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 95% .....	509,173
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service, Maintenance and Taxes) .....	301,234
Estimated Annual Net Income .....	207,940
Annual Mortgage Loan Payment (\$2,112,800 loan) .....	165,287
Annual Mortgage Loan Payment (\$360,000 loan)(1) .....	46,793(1)

(1) This Loan is expected to be paid using FHA Interest Reduction Payments ("IRPs"). The total amount of IRPs for this project, expiring in May 2013, is \$570,000.

**Forest Manor Apartments**

Another 2002A Project is expected to be the acquisition of Forest Manor Apartments by Forest Manor Limited Partnership. The amount of the 2002A Loan for the Forest Manor Apartments project is estimated to be \$5,480,000. Forest Manor Apartments consist of 103 units in three buildings located in Glendale, Colorado. Unit and project amenities include air conditioning, central laundry in each building, an outdoor swimming pool, on-site leasing services, attractive landscaping and ample parking. The sponsor expects to complete approximately \$868,000 in rehabilitation using proceeds from the sale of low income housing tax credits.

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

**Forest Manor Apartments**

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
22	1 bedroom/1 bath	480
54	1 bedroom/1 bath	533
1	2 bedroom/1 bath	668
2	2 bedroom/1 bath	692
12	2 bedroom/1 bath	729
<u>12</u>	2 bedroom/1 bath	763
103		

The Borrower for Forest Manor Apartments, Forest Manor Limited Partnership, is a recently formed single-asset mortgagor having as its general partners PacifiCap Properties Group, LLC ("Pacific Cap") and McDermott Properties, LLC. PacifiCap will be the general contractor for the rehabilitation of the project and will oversee the management of the development. PacifiCap, formed in 1999, is a full service real estate investment firm specializing in affordable housing. While with Columbia Housing Corporation (the development affiliate of which was acquired by PacifiCap) the principals of PacifiCap developed several multi-family housing projects located throughout the western United States and managed a portfolio of over 3,500 affordable housing units located in 16 western states. McDermott Properties has concentrated its development activities along Colorado's front range and has focused on multi-family housing. McDermott Properties has participated in the completion of 848 units of multi-

family housing with an additional 482 units developed of affordable housing, including some projects utilizing tax credits and proceeds of bonds.

The following assumptions as to the economic feasibility of the 2002A Project relating to Forest Manor Apartments have been made in the application to the FHA for insurance.

**Assumptions as to Forest Manor Apartments**

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$805,299
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 93% .....	748,928
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service, Maintenance and Taxes) .....	286,657
Estimated Annual Net Income .....	462,271
Annual Mortgage Loan Payment .....	419,982

**Fountain Ridge South Apartments**

Another 2002A Project is expected to be the new construction of Fountain Ridge South Apartments by the City of Fountain Housing Authority ("CFHA"). The amount of the 2002A Loan for the Fountain Ridge South Apartments project is estimated to be \$4,100,000. Fountain Ridge South Apartments will be a 75-unit multi-family housing project consisting of five two-story buildings located in Fountain, Colorado. Each unit will be fully equipped and will either have a patio or a balcony. Project amenities include a swimming pool, tot lot, centralized laundry, parking, and the clubhouse will include a recreation/TV area and computer area.

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

**Fountain Ridge South Apartments**

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
20	One Bedroom/One Bath	740
15	Two Bedroom/One Bath	811
8	Two Bedroom/Two Bath	891
12	Two Bedroom/Two Bath (Townhome style)	1,150
<u>20</u>	Three Bedroom/Two Bath	956
75		

The Borrower for Fountain Ridge South Apartments will be a single asset entity still to be formed by CFHA. CFHA currently owns three multi-family projects – Grinde Manor, Fountain Mesa Court Townhomes and Fountain Townhomes – and has over 25 years of experience. It is expected that CFHA will act as the management agent for Fountain Ridge South Apartments.

Casson Building Corporation, located in Silverthorne, has been selected as general contractor. Incorporated in 1986, Casson has recently served as general contractor for three FHA 221(d)(4) projects: The Meadows Apartments in Colorado Springs, International Village in Colorado Springs, and Viewpoint Apartments in Denver.

Jim Junge with Junge Associates Architecture and Planning will provide architectural services. Junge Associates has completed approximately 200 projects, including several projects financed with bond proceeds and insured by FHA.

The following assumptions as to the economic feasibility of the 2002A Project relating to Fountain Ridge South Apartments have been made in the application to the FHA for insurance.

**Assumptions as to Fountain Ridge South Apartments**

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$566,496
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 95% .....	538,171
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service, Maintenance and Taxes) .....	204,584
Estimated Annual Net Income .....	333,588
Annual Mortgage Loan Payment .....	302,177

**Aspen Meadows Apartments**

Another 2002A Project is expected to be the construction of Aspen Meadows Apartments by Longmont Housing and Development Corporation ("LHDC"), a nonprofit organization. The amount of the 2002A Loan for the Aspen Meadows Apartments project is estimated to be \$2,614,000.

Aspen Meadows Apartments will consist of 50 independent senior apartment units in one three-story elevator building located on approximately 4.1 acres in Longmont (Boulder County), Colorado. All of the units will be handicapped accessible. The table below identifies the number and type of units at Aspen Meadows Apartments and their approximate size in square feet.

**Aspen Meadows Apartments**

<u>Number of Units(1)</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
40	1 bedroom/1 bath	607
6	1 bedroom/1 bath	753
3	2 bedroom/1 bath	814
<u>1</u>	2 bedroom/1 bath	925
50		

The Borrower for Aspen Meadows Apartments is Aspen Meadows Associates, LLC, a single-asset entity with LHDC as the general partner. LHDC has over six years of experience in the development and management of affordable housing projects, and has recently obtained the status as a Community Housing Development Organization.

The founding member, Judith Morgan, has 22 years of experience in the development and management of HUD subsidized properties, and is a Certified Public Housing Property Manager. Much of the expertise that LHDC has used is sourced through the Longmont Housing Authority ("LHA"). LHA is the developer and managing agent for Public Housing and Section 8 Programs in Longmont. LHA provides housing counseling to qualified Family Self-Sufficiency residents and the elderly. In addition, LHA provides quality inspection of the LHDC properties

Barry Serlis is serving as the development consultant for this project. Mr. Serlis has been a professional developer and consultant since 1974, and has successfully assisted in the development of 9 multi-family projects totaling 444 units. Five of the nine projects were awarded Low Income Housing Tax Credits.

Hudson Real Estate CO. will be providing the property management services for the development. Hudson now manages 3,865 multi-family units throughout Colorado from their office in Boulder. Hudson is well versed in the regulations regarding the provision of affordable housing financed with bonds and Low Income Housing Tax Credits.

Pierce Builders, Inc. located in Longmont, has been selected as the general contractor. Lee Pierce, the owner, has over 14 years of experience ranging from retail, custom homes, commercial, and multi-family.

J.W. Miller Associates has been selected as the architect. Jerry Miller, principal, founded his company in 1983 and has significant experience in multi-family design throughout Colorado.

The following assumptions as to the economic feasibility of the 2002A Project relating to Aspen Meadows Apartments have been made in the application to the FHA for insurance.

**Assumptions as to Aspen Meadows Apartments**

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$385,080
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 93% .....	358,124
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service,	
Maintenance and Taxes) .....	141,620
Estimated Annual Net Income .....	216,504
Annual Mortgage Loan Payment .....	192,656

**Truscott Affordable Housing Phase II**

Another 2002A Project is expected to be the acquisition, rehabilitation and construction of Truscott Affordable Housing Phase II by Aspen/Pitkin County Housing Authority ("APCHA"). The amount of the 2002A Loan for the Truscott Affordable Housing Phase II project is estimated to be \$5,700,000. Truscott Affordable Housing Phase II will consist of 46 of the existing 98 units and 41 newly constructed units. All of the units will be equipped with a range/oven, refrigerator and garbage disposal, and all newly constructed and larger rehabilitated units will be equipped with dishwashers. Project amenities, to be shared with Phase III of the development, include a central laundry facility and common areas.

The table below identifies the number and types of units at Truscott Affordable Housing Phase II and their approximate size in square feet.

**Truscott Affordable Housing Phase II**

<u>Number of Units</u>	<u>Type of Unit</u>	<u>Approximate Size in Square Feet</u>
24	Studio	424
8	1 bedroom/1 bath	475
15	1 bedroom/1 bath	506
13	1 bedroom/1 bath	616
4	2 bedroom/1 bath	595
19	2 bedroom/1 bath	794
3	2 bedroom/2 bath	812
<u>1</u>	2 bedroom/2 bath	848
87		

The Borrower for Truscott Affordable Housing Phase II will be Truscott Phase II, LLLP, a single-asset mortgagor having APCA as its general partner. APCA, formed in 1989, currently manages 250 affordable housing units in Aspen with an annual budget of over \$7,000,000.

Theodore K. Guy Associates P.C. has been selected to perform architectural services for this project. The firm was founded in 1980 and some of their recent projects include luxury homes, affordable employee housing, resort condominiums, hotels, restaurants, retail stores, conference facilities, mixed-use commercial buildings, churches, ski industry operational facilities and banks.

Shaw Construction has been selected as the general contractor for this project. Shaw was established in 1962 and did \$75,000,000 in business in 2000. Shaw's experience includes special purpose facilities, commercial office, retail shopping centers, hospitals and medical buildings, and 4,500 total units for hotels, lodges, condominiums and apartments.

The following assumptions as to the economic feasibility of the 2002A Project relating to Truscott Affordable Housing Phase II have been made in the application to the FHA for insurance.

**Assumptions as to Truscott Affordable Housing Phase II**

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$834,996
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 95% .....	793,246
Estimated Total Annual Project Expenses (including Administrative, Operating, Service, Maintenance and Taxes) .....	301,057
Estimated Annual Net Income .....	492,189
Annual Mortgage Loan Payment .....	412,696

**Project Heritage**

Another 2002A Project is expected to be the refinancing and rehabilitation of Project Heritage by Heritage Center LLC ("HCC"). The amount of the 2002A Loan for the Project Heritage project, is

estimated to be \$4,750,000. Project Heritage was formerly a hotel and since 1998 has been operating as a single room occupancy transitional housing facility. The sponsor expects to complete approximately \$2,187,000 in rehabilitation. Project Heritage consists of 172-units in three buildings (one-single-story, one two-story, and one four-story elevator) constructed in 1957, 1971 and 1989 and located in Denver, Colorado. All units are studios with approximately 288 square feet. Utilities are included in the rent and all units will be equipped with a bath, microwave, oven, refrigerator, and conditioning and furnishings. Cleaning, laundry and telephone services are available to residents at an additional charge. Approximately 20 units will be handicapped accessible. Project Heritage provides immediate short-term housing opportunities for those in crisis, and offers a three-phase opportunity to move individuals and families to independence and self-sufficiency with the ultimate goal being home ownership. Project Heritage also offers a job placement center, a food and clothing bank, counseling, daycare, a computer training facility, 24 hour professional security, and some emergency financial assistance.

The Borrower for Project Heritage will be HCC. HCC purchased the project in 2000 and has been successfully operating it as a transitional housing facility since 1998. Project Heritage is a nonprofit organization operated by HCC. HCC also operates longer-term transitional housing through Heritage Crossing Apartments at Lowry and offers homeownership classes, credit repair and job placement classes to its residents.

D.S. Hospitality will oversee the management of Project Heritage and has been operating Project Heritage profitably since July 2000. Mr. Robert Cox, principal of D.S. Hospitality, has invested in, acquired, renovated and managed in excess of \$90,000,000 in hospitality related facilities and multi-family apartment units over the past eight years, most of which facilities have been RTC/FDIC-owned REOs or asset portfolio properties designated for disposition or sale by major lending institutions.

The following assumptions as to the economic feasibility of the 2002A Project relating to Project Heritage have been made in the application to the FHA for insurance.

**Assumptions as to Project Heritage**

Estimated Annual Project Gross	
Income at Occupancy of 100% .....	\$1,130,009
Estimated Annual Effective Gross	
Income at Estimated Occupancy of 93% .....	1,050,908
Estimated Total Annual Project Expenses	
(including Administrative, Operating, Service, Maintenance and Taxes) .....	597,155
Estimated Annual Net Income .....	453,754
Annual Mortgage Loan Payment .....	365,920

**Royalty Manor**

Another 2002A Project is expected to be the refinancing and modest rehabilitation of Royalty Manor by the Colorado Rural Housing and Development Corporation ("CRHDC"), a 501(c)(3) non-profit corporation primarily involved in developing rural housing for migrant farm workers and providing housing for low- to moderate-income individuals. The amount of the 2002A Loan for the Royalty Manor project is estimated to be \$286,000. Royalty Manor, located in the City of Fountain, consists of 27 units in one two-story, brick walk-up building built in 1973 and acquired and extensively renovated in 1993 by

CRHDC. All units are 830 square feet with two bedrooms and one bath. The Project also has a community laundry facility and a playground.

The 2002A Loan for the Royalty Manor Project will not be insured by FHA or otherwise. Royalty Manor has second mortgage loan outstanding in the amount of \$10,500, which loan will remain in a second lien position. Annual payments on this second loan are approximately \$3,240.

### **MacLaren House**

Another 2002A Project is expected to be the refinancing of an existing Authority loan (outstanding in the amount of approximately \$1,113,000) for MacLaren House by the Sterling Housing Authority. The amount of the 2002A Loan for the Royalty Manor project is estimated to be \$893,000; the remaining costs of the refinancing are expected to be funded by partial payment of a claim against the FHA insurance on the existing loan and existing reserves and equity of the owner. MacLaren House, located in Sterling, is an elderly housing facility consisting of 54 units in a three-story wood-framed building built in 1980. Each unit is approximately 544 square feet with one bedroom and one bath. There are six handicapped units on the main floor and the lobby and all common areas are fully handicapped accessible. Common areas include a laundry room, library, arts and crafts room, community room, kitchen and lounge areas. The property is owned and managed by the Sterling Housing Authority.

The 2002A Loan for the MacLaren House will not be insured by FHA or otherwise. It is anticipated that approximately \$396,000 in proceeds from a partial claim against the FHA insurance on the existing loan will be funded as a loan subordinate to the 2002A Loan. MacLaren House is fully subsidized by a Housing Assistance Payment contract that expires in May 2021.

### **Restoration Center Project**

Another 2002A Project is expected to be the acquisition of an existing group home by Restoration Center, a 501(c)(3) non-profit corporation formed in 1994. The amount of the 2002A Loan for the Restoration Center Project is estimated to be \$250,000. The group home, located in Denver, was built in 1904 and modified for group home use in 1950. The home consists of 15 bedrooms and four bathrooms, a central kitchen, dining room and common areas.

The 2002A Loan for the Restoration Center Project will not be insured by FHA or otherwise. It is anticipated that the Authority will also fund a loan secured on a parity with the 2002A Loan in the approximate amount of \$125,000 from its Housing Opportunity Fund, the annual payment for which is estimated at \$4,825.

### **Mountain View Manor**

Another 2002A Project is expected to be the refinancing of an existing Authority loan (outstanding in the approximate amount of \$1,000,000) for Mountain View Manor, a facility designed for senior citizens, by Tri-County Senior Citizen Housing, a 501(c)(3) non-profit corporation. The amount of the 2002A Loan for the Mountain View Manor project is estimated to be \$256,400; the remainder needed for the refinancing will be funded with FHA insurance proceeds and HUD loans subordinate to the 2002A Loan. Mountain View Manor, located in Rio Grande County, consists of a three-story wood-frame building comprised of 32 one-bedroom units, each approximately 578 square feet, and one two-bedroom manager's unit. Three units are fully handicapped adapted and all units are handicapped accessible. Mountain View manor also includes a community room, full kitchen, laundry room, study room and on-site parking. Tri-County Senior Citizen Housing is the owner and property manager for Mountain View Manor.



The 2002A Loan for the Mountain View Manor will not be insured by FHA or otherwise. It is anticipated that a HUD loan in the approximate amount of \$789,100 will be subordinate to the 2002A Loan and will have an estimated annual repayment of \$13,957. Additional amounts funding the Mountain View Manor will be unsecured. Mountain View Manor is fully subsidized by a Housing Assistance Payment contract that expires in September 2021.

### **2119 High Street Project**

Another 2002A Project is expected to be the acquisition and renovation of the 2119 High Street Project by Uptown Partnership, Inc., a 501(c)(3) non-profit corporation. The amount of the 2002A Loan for the 2119 High Street Project is estimated to be \$494,000. The 2119 High Street Project, located in Denver, consists of a three-story walk-up building comprised of 15 one-bedroom units, each approximately 550 square feet and having individual furnaces, water heaters and laundry hook-ups. The planned renovation includes improvements to make two units handicapped-accessible, a wheelchair ramp, and replacement of all windows and most appliances, fixtures, counters and carpet.

The Uptown Partnership will be the Borrower for the 2119 High Street Project. The architect will be Cocallis and Hoskin, Architects. The general contractor for the renovation will be Casson Building Corporation. Senior Support Services, Inc. ("SSS") will provide occupancy administration and support services to residents. Upon completion of the renovation, it is expected that SSS will enter into a master lease with The Uptown Partnership guaranteeing the income and occupancy level of the project for ten years. SSS has been awarded funds through HUD's "Shelter Plus Care Program," a project-based rental assistance program.

The 2002A Loan for the 2119 High Street Project will not be insured by FHA or otherwise. It is anticipated that a zero-interest loan by the Community Development Agency in the approximate amount of \$228,400 will be subordinate to the 2002A Loan and will have an estimated annual repayment of \$7,613. Additional funding the Mountain View Manor are expected to be provided by grants from the Community Development Agency and the Colorado Division of Housing in an aggregate amount of \$303,775.

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## **APPENDIX G-2**

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

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

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**Colorado Housing and Finance Authority**  
**Multifamily/Project Bonds**  
**Series 00A, 00B and 01A**  
Loan Portfolio Information as of December 31, 2001

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	Next Due Date	HAP Expir. Date	Loan Type
Club 60	M00A		2	Elderly	2/19/87	134,517.00	103,874.63	3/1/17	8.00%		2/1/02		501 (c) 3
Madison	M00A		36	Assisted Living	11/20/91	621,000.00	442,800.34	12/1/21	6.50%		1/1/02		501 (c) 3
Camelot I	M00A		18	Family	3/15/88	406,000.00	364,075.59	4/1/24	8.84%		2/1/02		501 (c) 3
CHICAGO CREE	M00A		18	Special Needs	4/22/88	216,254.00	195,008.35	5/1/24	9.00%		1/1/02		501 (c) 3
Family Tree Corporation	M00A	60.200%	25	Family	4/1/89	230,000.00	216,054.96	4/1/29	8.97%		1/1/02		501 (c) 3
	M79A	39.800%	1	Family	6/18/90	15,742.30	13,442.41	7/1/20	8.25%		1/1/02	5/1/20	MINIRAP
Walnut Park	M00A		78	Elderly	12/1/76	1,576,300.00	1,182,331.25	8/1/18	7.50%		1/1/02		221 (d) 3
Corona I	M00A		56	Elderly	7/1/76	1,225,300.00	874,178.64	6/1/17	7.25%		1/1/02		221 (d) 4
Marcella	M00A		205	Elderly	3/1/77	4,442,900.00	3,302,291.01	8/1/19	7.25%		1/1/02		221 (d) 4
High Count	M00A		28	Family	8/1/77	608,900.00	462,860.50	10/1/19	7.50%		2/1/02		221 (d) 4
Azteca 1	M00A		202	Elderly	12/15/77	4,540,900.00	3,480,866.66	2/1/20	7.00%		1/1/02		221 (d) 4
Silverleaf	M00A		72	Elderly	6/1/77	1,429,500.00	1,037,385.31	8/1/18	7.25%		1/1/02		221 (d) 3
Fletcher	M00A		94	Elderly	8/1/77	2,186,100.00	1,665,186.54	7/1/19	7.25%		1/1/02		221 (d) 3
Columb Ct	M00A		30	Elderly	1/3/79	855,300.00	645,437.60	6/1/20	7.00%		1/1/02		221 (d) 3
Kearney	M00A		50	Elderly	2/26/79	1,138,100.00	855,587.79	7/1/20	7.00%		1/1/02		221 (d) 4
Canyon Pnt	M00A		81	Family	10/1/78	2,800,700.00	2,168,083.81	7/1/20	7.00%		1/1/02		221 (d) 3
Westminster	M00A		130	Elderly	4/3/79	3,485,700.00	2,744,501.80	3/1/21	7.00%		1/1/02		221 (d) 3
Hilltop	M00A		77	Family	4/11/78	1,550,600.00	1,166,867.09	7/1/19	7.00%		1/1/02		221 (d) 4
Canon Club	M00A		46	Elderly	8/1/78	951,000.00	712,699.52	1/1/20	7.00%		1/1/02		221 (d) 4
Winddrift	M00A		48	Family	7/23/79	1,544,600.00	1,208,600.71	12/1/20	7.00%		1/1/02		221 (d) 4
Allison	M00A		37	Family	7/5/79	1,236,100.00	963,393.54	9/1/20	7.00%		12/1/01	7/24/02	221 (d) 4
San Juan	M00A		76	Elderly	4/24/79	1,875,200.00	1,457,950.18	10/1/20	7.00%		1/1/02	5/31/06	221 (d) 4
Villa West	M00A	31.700%	60	Family	11/26/84	333,325.50	288,744.27	5/1/20	10.50%		1/1/02	6/20/02	221 (d) 4
	M82B	68.300%											
Camelot II	M00A		16	Special Needs	12/17/85	504,900.00	425,800.66	8/1/23	7.00%		1/1/02	5/31/02	221 (d) 3
Niblock	M00A	64.200%	10	Family	12/24/85	260,138.40	238,681.61	10/1/26	9.00%		1/1/02	7/14/02	221 (d) 4
	M82A	35.800%											
Zuni Apts	M00A	94.600%	5	Family	6/1/88	182,861.80	148,580.38	4/1/19	7.50%		1/1/02	12/28/03	221 (d) 4
	M79A	5.400%											
Hanigan	M00A		9	Family	3/13/89	445,200.00	375,741.93	11/1/19	8.25%		12/1/01		221 (d) 4
Sunnyside	M00A		19	Family	5/1/88	938,500.00	755,231.59	12/1/18	7.50%		1/1/02		221 (d) 4
A.C.C.E.S.S	M00A	93.800%	6	Family	5/30/89	222,962.60	179,666.12	11/1/19	8.50%		1/1/02	10/1/04	221 (d) 3
	M82A	6.200%											
Emerson	M00A	93.300%	12	Family	1/27/89	439,349.70	370,874.04	9/1/19	8.50%		1/1/02	10/15/04	221 (d) 4
	M82A	6.700%											
Boulder Hse	M00A		8	Family	7/20/89	426,100.00	360,424.14	1/1/20	8.50%		1/1/02		221 (d) 3
4th & Fox	M00A	94.300%	13	Family	7/10/89	503,939.20	430,440.84	3/1/20	8.50%		1/1/02	8/9/05	221 (d) 4
	M82A	5.700%											

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	Next Due Date	HAP Expir. Date	Loan Type
Club 60	M00A		2	Elderly	2/19/87	134,517.00	103,874.63	3/1/17	8.00%		2/1/02		501 (c) 3
La Morada	M00A		6	Family	4/1/89	148,289.00	127,474.57	5/1/19	6.50%		1/1/02		501 (c) 3
Redwood Vlg	M00A		50	Family	4/15/92	211,404.51	186,665.59	4/1/22	8.00%		1/1/02		RAP
W.H.E.R.E.	M00A		56	Family	12/29/89	700,000.00	629,933.45	1/1/20	7.75%		2/1/02		501 (c) 3
Alpha Centr	M00A		40	Special Needs	7/1/89	520,000.00	442,571.39	7/1/19	9.00%		2/1/02		501 (c) 3
Aspen Ridge	M00A		105	Family	10/31/91	0.00	695,325.76	10/1/21	8.00%		1/4/02		RAP
Mallard	M00A		54	Family	10/11/90	784,638.17	662,470.11	10/1/20	8.00%		1/1/02		RAP
Aur Housing	M00A		1	Family	4/13/90	38,873.00	33,079.71	5/1/20	8.25%		1/1/02	12/31/02	501 (c) 3
Azteca (2)	M00A		202	Elderly	3/1/82	497,600.00	460,163.44	2/1/20	14.00%		1/1/02		221 (d) 4
Mary Sandoe	M00A		24	Assisted Living	8/14/87	250,000.00	118,708.97	11/1/19	6.10%		2/1/02		501 (c) 3
Sign	M00A		4	Special Needs	4/7/88	44,000.00	36,431.79	9/1/19	7.50%		1/1/02		501 (c) 3
S. Meade	M00A		4	Family	11/18/88	135,000.00	115,337.98	1/1/20	9.25%		1/1/02		501 (c) 3
Barth Hotel	M00A		62	Assisted Living	6/18/93	525,000.00	475,469.53	8/1/23	6.50%		1/1/02		501 (c) 3
Louisiana	M00A		40	Family	5/30/91	332,600.00	299,951.78	7/1/23	7.88%		1/1/02		501 (c) 3
New Heritge	M00A		34	Family	5/30/91	177,100.00	159,715.40	7/1/23	7.88%		1/1/02		501 (c) 3
Della Villa	M00A		72	Family	10/31/91	390,500.00	340,469.34	11/1/21	6.50%		1/1/02		501 (c) 3
Madison	M00A		36	Assisted Living	11/20/91	114,842.87	100,146.90	12/1/21	6.50%		1/1/02		501 (c) 3
Kenton Apts	M00A		53	Family	12/5/91	1,871,788.00	1,654,323.33	6/1/22	7.88%		1/1/02		501 (c) 3
R.B. Ranch	M00A		10	Family	1/17/92	150,000.00	131,808.52	2/1/22	8.00%	Yes	2/1/02		501 (c) 3
Arvada Plac	M00A		42	Family	3/31/92	769,144.00	677,545.36	4/1/22	7.88%		1/1/02		501 (c) 3
Palo Verde	M00A		72	Family	10/12/93	1,143,429.65	1,035,669.02	10/1/23	7.88%		1/1/02		RAP
Cinnamon Pk	M00A		48	Assisted Living	4/29/92	2,153,185.00	1,729,748.29	5/1/22	6.15%		1/1/02		501 (c) 3
Valmont Sq	M00A		36	Family	4/30/92	1,479,395.00	1,302,102.16	5/1/22	7.75%		1/1/02		501 (c) 3
Zuni Plaza	M00A		84	Family	5/1/92	1,406,600.00	1,236,162.99	5/1/22	6.50%		1/1/02		501 (c) 3
Franklin	M00A		15	Family	7/1/92	215,967.00	190,718.95	7/1/22	7.75%		1/1/02		501 (c) 3
Saxony	M00A		29	Family	7/1/92	272,735.00	236,992.05	7/1/22	6.50%		2/1/02		501 (c) 3
Courtyard	M00A		34	Family	8/5/92	207,955.00	183,945.64	9/1/22	7.75%		2/1/02		501 (c) 3
Belmont	M00A		49	Elderly	8/31/92	712,500.00	630,305.84	9/1/22	6.50%		1/1/02		501 (c) 3
Fount Mesa	M00A		64	Family	2/24/93	1,077,751.00	964,683.78	3/1/23	7.88%		2/1/02		501 (c) 3
Townhouse	M00A		27	Family	9/29/93	153,000.00	138,840.59	11/1/23	8.00%		2/1/02		501 (c) 3
Anam Chara	M00A	96.106%	8	Assisted Living	9/29/93	94,944.71	85,853.05	10/1/23	7.75%		1/1/02		501 (c) 3
	Gen Fund	3.894%											
Jefferson	M00A		65	Special Needs	10/5/93	3,287,357.00	2,996,364.96	11/1/23	6.50%		1/1/02		501 (c) 3
Aspen Ridge	M00A		105	Family	4/1/94	1,542,396.41	1,385,054.23	3/1/22	8.00%		1/1/02		RAP
Tanglewood	M00A	88.970%	201	Family	3/31/93	3,025,000.06	2,818,079.88	4/1/28	7.75%		1/1/02		223 (F)
	M93A	11.029%											
Maple Tree	M00A		32	Family	7/14/92	734,970.12	210,391.51	7/1/22	8.00%		1/1/02		RAP
Cherry Tree	M00A		48	Family	11/10/92	194,478.48	103,350.65	11/1/22	8.00%		1/1/02		RAP
Pinon Place	M00A		24	Family	12/10/92	142,797.95	127,714.02	12/1/22	8.00%		1/1/02		RAP
Shadowwood	M00A		32	Family	7/22/92	220,899.23	196,026.02	7/1/22	8.00%		1/1/02		RAP
Chestnut Gl	M00A		12	Family	5/30/91	247,475.00	214,231.58	6/1/21	7.88%		1/1/02		RAP
Inn Between	M00A		31	Family	11/23/94	203,000.00	187,729.48	12/1/24	8.00%		1/1/02		501 (c) 3
Mary Sandoe	M00A		24	Assisted Living	12/14/94	90,000.00	83,229.46	1/1/25	8.00%		2/1/02		501 (c) 3
Smokeytrail	M00A		38	Family	1/1/95	900,000.00	849,432.27	2/1/30	7.25%		1/1/02		RAP

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	Next Due Date	HAP Expir. Date	Loan Type
Club 60	M00A		2	Elderly	2/19/87	134,517.00	103,874.63	3/1/17	8.00%		2/1/02		501 (c) 3
Fox Street	M00A		60	Special Needs	2/15/95	1,400,000.00	1,297,934.92	3/1/25	8.00%		2/1/02		501 (c) 3
Mary Sandoe	M00A		24	Assisted Living	7/27/95	407,776.00	379,421.32	8/1/25	7.80%		2/1/02		501 (c) 3
Las Animas	M00A		10	Special Needs	10/25/95	159,000.00	151,455.17	4/1/27	7.75%		1/1/02		501 (c) 3
HOA City of	M00A		32	Family	8/14/96	522,000.00	493,468.47	9/1/26	7.75%		1/1/02		501 (c) 3
Blake/Comput Tower 48	M00A	18.990%	140	Family	1/1/97	4,084,592.46	3,629,699.84	2/1/17	8.00%		2/1/02		CHFA NOTE
	M00A	18.990%			3/24/98	1,844,688.60	1,822,462.96	12/1/39	6.30%		1/1/02		221 (d) 4
	M97B	1.630%											
	M97C	79.380%											
Fountain Ridge	M00A	19.140%	36	Family	4/14/98	407,069.52	400,703.27	4/1/39	6.40%		1/1/02		221 (d) 4
	M97B	1.140%											
	M97C	79.720%											
Pinecrest	M00A	73.000%	71	Family	5/13/98	1,341,375.00	1,291,517.35	6/1/28	7.25%		1/1/02		501 (c) 3
	Gen Fund	27.000%											
Urban Peak	M00A		30	Special Needs	2/12/99	225,000.00	217,234.72	3/1/29	7.00%		1/1/02		SMART
Colo Bluesky	M00A		18	Special Needs	1/4/99	190,000.00	177,401.70	2/1/29	6.45%		4/1/02		SMART
1st Christan	M00A		56	Assisted Living	9/25/00	3,830,000.00	3,782,561.82	10/1/30	6.80%		1/1/02		501 (c) 3
Blake St Bld	M00A				11/1/91	400,000.00	349,950.84	11/1/21	8.00%		5/1/02		CHFA NOTE
Neighbor To	M00A		3	Special Needs	2/25/99	240,000.00	231,451.05	3/1/29	6.00%		1/1/02		SMART
Den Indian	M00A		46	SRO/Homeless	2/26/99	652,000.00	635,923.01	3/1/29	7.00%		6/1/01		501 (c) 3
Caley Ridge	M00A	18.940%	100	Elderly/	7/19/99	1,344,740.00	1,328,995.80	8/1/39	6.95%		1/1/02		542 (c)
	M97B	1.200%		Assisted Living									
	M97C	79.860%											
Mtn Terrace	M00A		152	Family	4/28/00	2,719,937.00	2,674,423.08	5/1/30	6.90%		1/1/02		542 (c)
Uptown Partn	M00A		35	Family	5/3/00	1,000,000.00	989,240.21	6/1/30	6.70%		1/1/02		SMART
Grand Manor	M00A		112	Family	6/7/00	3,550,000.00	3,498,154.30	7/1/30	7.00%		1/1/02		542 (c)
Homestead at	M00A	18.350%	58	Assisted Living	2/28/00	834,925.00	827,743.64	3/1/40	6.95%		1/1/02		542 (c)
	M97B	3.970%											
	M97C	77.680%											
Rural Area	M00A		20	Family	7/20/00	434,000.00	427,762.30	8/1/30	6.75%		1/1/02		SMART
Energy Offic	M00A		12	Family	9/12/00	175,000.00	172,811.68	10/1/30	6.75%		1/1/02		SMART
Orchard III	M00B		140	Family	10/26/00	11,330,000.00	9,634,834.72	3/1/02	7.30%		2/1/02		542 (c)
NIELSON GARD	M00B		44	Family	1/30/01	2,420,000.00	2,402,076.45	3/1/31	7.10%		1/1/02		542 (c)
Fox Meadows	M00B		138	Family	11/8/00	10,008,500.00	8,907,211.91	1/1/02	7.20%		2/1/02		542 (c)
Columbine	M00B		149	Elderly	11/8/00	4,313,000.00	4,270,025.54	12/1/30	7.10%		1/1/02		542 (c)
Martinique	M01A		20	Family	12/13/95	460,000.00	432,182.19	5/1/26	7.60%		1/1/02		501 (c) 3
HEALTHY LIVI	M01A		20	Family	3/22/01	352,000.00	349,114.63	4/1/31	5.95%		1/1/02		SMART
CLIFTON VILL	M01A		119	Family	5/21/01	4,200,000.00	4,177,995.87	6/1/31	6.75%		1/1/02		542 (c)
Co Coalition	M01A				2/2/01	1,294,650.00	1,279,903.20	3/1/26	6.99%		1/1/02		EDF
UPTOWN PARTN	M01A		15	Family	3/21/01	700,000.00	694,690.59	4/1/31	6.35%		1/1/02		SMART
LONGS PEAK R	M01A		50	Elderly	6/29/01	1,621,000.00	1,613,942.78	6/1/31	6.75%		1/1/02		542 (c)
VOLUNTEERS O	M01A				8/1/01	660,000.00	655,187.43	9/1/21	7.50%		2/1/02		EDF
UPTOWN PARTN	M01A		36	Elderly	8/29/01	924,000.00	921,623.22	9/1/31	6.80%		1/1/02		SMART
INNER PLACES	M01A				11/9/01	543,000.00	543,000.00	12/1/26	7.13%		1/1/02		501 (c) 3

Borrower	Series	Percent	# of Units	Type	Note Date	Original Note Amount	Balance	Maturity Date	Mortgage Rate	FAF	Next Due Date	HAP Expir. Date	Loan Type
Club 60	M00A		2	Elderly	2/19/87	134,517.00	103,874.63	3/1/17	8.00%		2/1/02		501 (c) 3
BLAKE STREET	M01A				11/7/01	1,595,920.00	1,595,920.00	11/1/22	6.50%		5/1/02		CHFA NOTE
Totals:						\$130,678,780.24	\$115,349,909.13						

Unexpended Proceeds (1): \$31,745,527.00

(1) Represents the aggregate amount of unexpended proceeds held under the Master Indenture as of December 31, 2001, a substantial portion of which represents proceeds of construction loans not yet fully-drawn, and the remainder of which represents permanent loans expected to be funded in calendar year 2002.

**DISCLAIMER:**

ALL INFORMATION CONTAINED HEREIN IS OBTAINED FROM THE AUTHORITY'S BOOKS AND RECORDS, AND IS BELIEVED TO BE ACCURATE AND RELIABLE. REFERENCE SHOULD BE MADE TO THE OFFICIAL STATEMENT AND OPERATIVE DOCUMENTS OF EACH SERIES FOR COMPLETE INFORMATION ON THAT ISSUE. BECAUSE OF THE POSSIBILITY OF HUMAN AND MECHANICAL ERROR AS WELL AS OTHER FACTORS, HOWEVER, SUCH INFORMATION IS PROVIDED "AS IS" WITHOUT WARRANTY OF ANY KIND AND, IN PARTICULAR, NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE NOR SHOULD ANY BE INFERRED AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF ANY SUCH INFORMATION. UNDER NO CIRCUMSTANCES SHALL COLORADO HOUSING AND FINANCE AUTHORITY HAVE ANY LIABILITY TO ANY PERSON OR ENTITY FOR (A) ANY LOSS OR DAMAGE IN WHOLE OR PART CAUSED BY, RESULTING FROM, OR RELATING TO ANY ERROR (NEGLECT OR OTHERWISE) OR OTHER CIRCUMSTANCE INVOLVED IN PROCURING, COLLECTING, COMPILING, INTERPRETING, ANALYZING, EDITING, TRANSCRIBING, TRANSMITTING, COMMUNICATING OR DELIVERING ANY SUCH INFORMATION, OR (B) ANY DIRECT, INDIRECT, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES WHATSOEVER, EVEN IF COLORADO HOUSING AND FINANCE AUTHORITY IS ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH DAMAGES, RESULTING FROM THE USE OF, OR INABILITY TO USE, ANY SUCH INFORMATION.

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THE AFOREMENTIONED INFORMATION RELATES TO BOND ISSUES OF THE COLORADO HOUSING AND FINANCE AUTHORITY THAT HAVE BEEN SOLD AND DISTRIBUTED IN UNDERWRITTEN PUBLIC OFFERINGS DESCRIBED IN THE RELATED OFFICIAL STATEMENTS. EACH VIEWER OF THE AFOREMENTIONED INFORMATION ACKNOWLEDGES THAT (I) THE COLORADO HOUSING AND FINANCE AUTHORITY IS NOT NOW BY THIS DOCUMENT OFFERING ANY BONDS OR OTHER SECURITIES, NOR SOLICITING AN OFFER TO BUY ANY SECURITIES (II) THIS INFORMATION IS NOT TO BE CONSTRUED AS ANY DESCRIPTION OF THE COLORADO HOUSING AND FINANCE AUTHORITY OR ITS PROGRAMS IN CONJUNCTION WITH ANY OFFERING OF BONDS OR SECURITIES OF THE COLORADO HOUSING AND FINANCE AUTHORITY-SUCH OFFERINGS ARE ONLY MADE PURSUANT TO THE APPROPRIATE OFFICIAL STATEMENTS OF THE COLORADO HOUSING AND FINANCE AUTHORITY-NOR SHALL ANYONE ASSUME FROM THE AVAILABILITY OF THE AFOREMENTIONED INFORMATION THAT THE AFFAIRS OF THE COLORADO HOUSING AND FINANCE AUTHORITY HAVE NOT CHANGED SINCE THE DATE OF THIS INFORMATION, AND (III) NO REPRESENTATION IS MADE AS TO THE PROPRIETY OR LEGALITY OF ANY SECONDARY MARKET TRADING OF THE BONDS OR OTHER SECURITIES OF THE COLORADO HOUSING AND FINANCE AUTHORITY BY ANYONE IN ANY JURISDICTION.

DISCLOSURE REPORTS ARE ONLINE AS WELL, PLEASE VISIT CHFA'S WEBSITE AT WWW.COLOHFA.ORG



## APPENDIX H

### Certain Terms of the Initial 2002A Liquidity Facility

This Appendix contains a brief summary of certain provisions of the Initial 2002A Liquidity Facility to be entered with the 2002A Liquidity Facility Provider. Such summary does not purport to be comprehensive or definitive. All references in this Official Statement to the Initial 2002A Liquidity Facility are qualified by reference to such document. The Initial 2002A 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 2002A Liquidity Facility.

*For information regarding the 2002A Liquidity Facility Provider, see Appendix D.*

Pursuant to the Initial 2002A Liquidity Facility, the 2002A Liquidity Facility Provider agrees, subject to the terms and conditions therein, to purchase 2002A Adjustable Rate Bonds which are tendered by the owners thereof to the Paying Agent or are subject to mandatory purchase but are not remarketed by the 2002A Remarketing Agent. The Initial 2002A Liquidity Facility will expire May 15, 2007, unless extended or terminated as described herein.

#### Certain Definitions

"Commitment Period" means the period from the date of the Initial 2002A Liquidity Facility to and including the earliest of (i) May 15, 2007 (or to an extended date as may become effective under the Initial 2002A Liquidity Facility), (ii) the date on which no 2002A Adjustable Rate Bonds are outstanding, (iii) the close of business on the date on which the 2002A Adjustable Rate Bonds are converted to a rate other than the Daily Rate, Weekly Rate, or Term Rate, (iv) the close of business on the 30th day (or, if such day is not a Business Day, the next succeeding Business Day) following receipt by the Authority and the Paying Agent of a written notice from the 2002A Liquidity Facility Provider of termination of the Initial 2002A Liquidity Facility, and (v) the date on which the aggregate principal amount of outstanding 2002A 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 2002A Adjustable Rate Bonds or due to the delivery of an Alternate Liquidity Facility.

"Purchase Date" means a Business Day on which 2002A Adjustable Rate Bonds are subject to optional tender or mandatory purchase.

"Purchase Price" means, with respect to any 2002A 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 2002A Adjustable Rate Bonds purchased on any Purchase Date will not exceed the lesser of (a) the 2002A Liquidity Facility Provider's interest commitment for the 2002A Adjustable Rate Bonds (which amount equals: (i) with respect to a Purchase Date through and including January 28, 2003, (x) 187 days' interest on the aggregate principal amount of outstanding 2002 Series A-4 Bonds (as adjusted from time to time pursuant to the Initial 2002A Liquidity Facility) based on an assumed rate of interest of 10% per annum and a 365- or 366-day year for the actual number of days elapsed, plus (y) the interest on the 2002 Series A-1 Bonds at the rate of interest of 2.05% per annum for a period of 258 days on the basis of a 360-day year composed of twelve 30-day months, and (ii) on and after January 29, 2003, 187 days' interest on the aggregate principal amount of outstanding 2002A Adjustable Rate Bonds (as adjusted from time to time pursuant to the

Initial 2002A Liquidity Facility) based upon an assumed rate of interest of 10% per annum and a 365- or 366-day year for the actual number of days elapsed(, or (b) the actual aggregate amount of interest accrued on each such 2002A Adjustable Rate Bond to but excluding such Purchase Date.

**THE INITIAL 2002A 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 2002A ADJUSTABLE RATE BONDS, AND MAY BE TERMINATED AS DESCRIBED BELOW.**

#### **Conditions Precedent to Obligations of 2002A Liquidity Facility Provider**

The obligation of the 2002A Liquidity Facility Provider to purchase 2002A Adjustable Rate Bonds on any particular Purchase Date under the Initial 2002A Liquidity Facility is subject to the satisfaction of the following conditions, unless waived in writing by the 2002A Liquidity Facility Provider: (i) the 2002A Liquidity Facility Provider shall have timely received the notices to purchase the unremarketed 2002A Adjustable Rate Bonds as provided in the Initial 2002A Liquidity Facility, and (ii) a long-term rating of the 2002A Adjustable Rate Bonds by Moody's or S&P of not lower than "Baa2" or "BBB," respectively, shall be in effect.

#### **Termination by 2002A Liquidity Facility Provider**

In the event that the Authority fails to pay to the 2002A Liquidity Facility Provider any commitment fee within five Business Days after the same becomes due, the 2002A Liquidity Facility Provider may terminate the Initial 2002A Liquidity Facility by giving written notice of such termination to the Trustee, the Paying Agent, the Authority, and the 2002A 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 2002A Liquidity Facility Provider shall be under no obligation to purchase the 2002A 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 2002A Adjustable Rate Bonds that the 2002A 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 2002A 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 2002A Liquidity Facility with an Alternate Liquidity Facility or cause the 2002A 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 2002A Liquidity Facility; however, the 2002A Liquidity Facility Provider has agreed to purchase tendered 2002A Adjustable Rate Bonds on the terms and conditions of the Initial 2002A Liquidity Facility notwithstanding the occurrence of such events of default. See "Conditions Precedent to Obligations of 2002A Liquidity Facility Provider" under this caption.

#### **Termination by Authority**

Upon (i) the withdrawal, suspension or reduction in the rating assigned to the 2002A 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 2002A Liquidity Facility Provider in honoring its payment obligations under the Initial 2002A Liquidity Facility or the 2002A Liquidity Facility Provider seeking recovery of amounts described in the Initial 2002A Liquidity Facility, (ii) the payment to the 2002A Liquidity Facility Provider of all fees, expenses and other amounts payable under the Initial 2002A Liquidity Facility, and (iii) the payment to the 2002A Liquidity Facility Provider of all principal and accrued interest owing on any Bank Bonds, the Authority may terminate the Initial 2002A Liquidity Facility. In the event of such termination, the 2002A Adjustable Rate Bonds will be subject to mandatory tender for purchase, the Authority

will use its best efforts to replace the Initial 2002A Liquidity Facility with an Alternate Liquidity Facility or cause the 2002A 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 2002A 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 2002A Liquidity Facility Provider

*The following information has been obtained from the 2002A 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 "2002A Liquidity Facility Provider") is a privately owned corporation organized under the laws of the United States and is located in Topeka, Kansas. The 2002A Liquidity Facility Provider promotes housing and homeownership by providing wholesale funding and other financial products and services to help member financial institutions expand the availability of residential mortgage and targeted community development credit and compete more effectively in their markets. With over \$33 billion in assets and over \$1.5 billion in capital, the 2002A Liquidity Facility Provider serves more than 800 member stockholders throughout Colorado, Kansas, Nebraska and Oklahoma. The 2002A 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 2002A 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 2002A 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 2002A Liquidity Facility Provider and its instruments will be maintained.

Copies of the 2002A Liquidity Facility Provider's most recent unaudited quarterly financial statements can be obtained by accessing the 2002A Liquidity Facility Provider's Web site at [http://www.fhlbtopeka.com/quarterly\\_financials\\_for\\_fhlb\\_to.htm](http://www.fhlbtopeka.com/quarterly_financials_for_fhlb_to.htm). Copies of the 2002A Liquidity Facility Provider's most recent Annual Report can be ordered, without charge, by accessing the 2002A Liquidity Facility Provider's Web site at [http://www.fhlbtopeka.com/request\\_for\\_documents.htm](http://www.fhlbtopeka.com/request_for_documents.htm).

The 2002A 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 2002A ADJUSTABLE RATE BONDS WILL BE MADE PURSUANT TO THE INITIAL 2002A LIQUIDITY FACILITY IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE STANDBY BOND PURCHASE AGREEMENT IS A BINDING OBLIGATION OF THE 2002A LIQUIDITY FACILITY PROVIDER,

THE 2002A ADJUSTABLE RATE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE FEDERAL HOME LOAN BANK OF TOPEKA AND ARE NOT GUARANTEED BY SUCH BANK. THE 2002A 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 2002A Liquidity Facility Provider since the date hereof, or that the information contained or referred to in this Official Statement is correct as of any time subsequent to its date.

## APPENDIX J

### Federal Insurance Programs

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

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

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

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

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

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



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

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

Federal Assistance Programs. Housing Facilities are not required by the Master Indenture to be the subject of federal assistance payments. However, many of the Housing Facilities and Projects securing Obligations under the Master Indenture have been assisted by HUD under its Section 8 Subsidy Program for New Construction, Substantial Rehabilitation or Moderate Rehabilitation. See "CERTAIN INFORMATION ABOUT THE OUTSTANDING LOANS AND AUTHORITY PROJECTS" attached as **Appendix G-2** hereto. In October 1997, the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("**Title V**") was signed into law, as described in "Part II – CERTAIN BONDOWNERS' RISKS - Expiration of HAP Contracts." Title V as amended provides for restructuring of mortgage financing and provides for the renewal of HAP Contracts for certain multifamily housing projects, including certain projects financed by the Loans. **Implementation of this legislation and any future changes to the HUD Section 8 Subsidy Program could have an adverse impact on the Housing Facilities which are subsidized under the Section 8 Subsidy Program and were refinanced by the 2002 Series A Bonds.** See "Part II – CERTAIN BONDOWNERS' RISKS – Considerations Regarding Redemption at Par."

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## APPENDIX K

### 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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