# WISCONSIN STATE LEGISLATURE COMMITTEE HEARING RECORDS

# 2005-06

(session year)

# Assembly

(Assembly, Senate or Joint)

# Committee on Housing (AC-Ho)

File Naming Example:

Record of Comm. Proceedings ... RCP
- 05hr_AC-Ed_RCP_pt01a
- 05hr_AC-Ed_RCP_pt01b
- 05hr_AC-Ed_RCP_pt02

## Published Documents

- Committee Hearings ... CH (Public Hearing Announcements)
- **
- Committee Reports ... CR
- **
- Executive Sessions ... ES
- **
- Record of Comm. Proceedings ... RCP
- **

## Information Collected For Or Against Proposal

- Appointments ... Appt
- **
- Clearinghouse Rules ... CRule

**

- Hearing Records ... HR (bills and resolutions)
- **05hr_ab0593_AC-Ho_pt03**
- Miscellaneous ... Misc
- **

EXHIBIT A

**FINANCIAL STATEMENTS OF THE AUTHORITY**

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

**Consolidated Financial Statements for the Six Months Ended December 31, 2004 (unaudited)**
**Consolidated Financial Statements for the Year Ended June 30, 2004 and Independent Auditors' Report**

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

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Reznick Group

Reznick Group, P.C.
Two Hopkins Plaza
Suite 2100
Baltimore, MD 21201-2911

Tel: (410) 783-4900
Fax: (410) 727-0460
www.reznickgroup.com

# INDEPENDENT AUDITORS' REPORT

To the Members
Wisconsin Housing and Economic Development Authority

We have audited the accompanying basic consolidated financial statements of the Wisconsin Housing and Economic Development Authority (the Authority), a component unit of the State of Wisconsin, as of June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Wisconsin Housing and Economic Development Authority as of June 30, 2004 and 2003, and the changes in its consolidated financial position and its consolidated cash flows for the years then ended, in conformity with the accounting principles generally accepted in the United States of America.

The accompanying required supplemental information, such as management's discussion and analysis on pages 5 through 7 is not a required part of the basic consolidated financial statements but is supplementary information required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Reznick Group

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements that collectively comprise the Authority's basic consolidated financial statements. The accompanying supplementary information, such as the consolidating Balance Sheet, Statement of Income and Expenses and changes in Fund Equity and Statement of Cash Flows as of and for the year ended June 30, 2004, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The supplementary information, such as the consolidating financial statements described above, has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Reznick Group, P.C.

Baltimore, Maryland
August 26, 2004

## WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

## (A Component Unit of the State of Wisconsin)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Wisconsin Housing and Economic Development Authority (the "Authority"), created in 1972 by an act of the Wisconsin Legislature, facilitates the purchase, construction and rehabilitation of housing for families of low and moderate-income by providing or participating in origination of construction and mortgage loans. The Authority has two major loan programs, which are the Home Ownership Mortgage Loan Program (single family) and the Multifamily Mortgage Loan Program. In addition to the major programs, the Authority also administers various other programs. Among them are the Wisconsin Developmental Reserve Fund, the Home Improvement Loan Program, the Business Development Bond Program and the Beginning Farmer Bond Program.

The various loan program activities are all considered proprietary and are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of bonds, both tax-exempt and taxable, the proceeds of which are used to make various types of loans to finance low and moderate-income housing. The fund equity of these programs represents accumulated earnings since their inception and is generally restricted for program purposes.

This section of the Authority's annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2004 compared to 2003. Please read it in conjunction with the Authority's financial statements, which follow this section.

**Financial Highlights – December 31, 2004**

The following financial highlights, for the six months ended December 31, 2004, are reflective of the current interest rate environment.

- Net income for the six months ended December 31, 2004 of $15.6 million resulted in an $847,000 increase in the consolidated fund equity after the effect of the decrease in accumulated other comprehensive income.
- Loan prepayments totaled $100.9 million, (Single Family $81.3 million and Multifamily $19.6 million) a decrease of $120.2 million from the six months ended December 31, 2003.
- Loan originations totaled $251.9 million (Single Family $220.8 million and Multifamily $31.1 million). This was an increase of $42 million from the six months ended December 31, 2003.

**Financial Highlights – June 30, 2004**

Low interest rates persisted throughout fiscal year 2004 which impacted the financial results of the Authority. Due to the continued low interest rate environment, mortgage prepayments and loan originations were at relatively high levels during the year. Following are financial highlights for fiscal year 2004.

- The Authority realized net income of $13.3 million in fiscal year 2004, which contributed to the 6.7% increase in the consolidated fund equity.
- Loan prepayments totaled $336.9 million, (Single Family $321.1 million and Multifamily $15.8 million) a decrease of $187.8 million from fiscal year 2003.
- Loan originations totaled $443.4 (Single Family $389.3 million and Multifamily $54.1 million). This was an increase of $68.6 million from the prior year.
- Three new programs were introduced during the year:
    - Immigrant Lending Pilot Program, a segment of the single family program
    - Homes for Our Heroes, a $10 million dollar segment of the single family program
    - Lease Purchase, a $1 million pilot program

## Balance Sheets

The following consolidated condensed balance sheets show a summary of changes, in dollars and percentages, between fiscal years ended June 30, 2004 and 2003. The Authority reported consolidated net income of $13.3 million for the year ended June 30, 2004.

**Wisconsin Housing and Economic Development Authority**
**Consolidated Condensed Balance Sheets**
**June 30, 2004 and 2003**
**(Millions of Dollars)**

| | | | Increase/(Decrease) | |
|---|---|---|---|---|
| | **2004** | **2003** | **Amount** | **%** |
| Cash and cash equivalents | 138.7 | 154.4 | (15.7) | (10.2) |
| Mortgage loans and interest receivable | 1,757.5 | 1,703.7 | 53.8 | 3.2 |
| Investments | 545.1 | 685.4 | (140.3) | (20.5) |
| Other assets | 41.1 | 43.3 | (2.2) | (5.1) |
| **Total Assets** | 2,482.4 | 2,586.8 | (104.4) | (4.0) |
| Accrued interest payable | 23.0 | 26.5 | (3.5) | (13.2) |
| Bonds and notes payable | 1,957.7 | 2,069.7 | (112.0) | (5.4) |
| Other liabilities | 119.2 | 132.2 | (13.0) | (9.8) |
| **Total Liabilities** | 2,099.9 | 2,228.4 | (128.5) | (5.8) |
| Accumulated other comprehensive income | (7.1) | (17.9) | 10.8 | 60.3 |
| Invested in capital assets, (net) | 1.2 | 1.8 | (0.6) | (33.3) |
| Restricted by bond resolutions | 220.0 | 208.4 | 11.6 | 5.6 |
| Restricted by contractual agreements | 160.2 | 156.0 | 4.2 | 2.7 |
| Unrestricted | 8.2 | 10.1 | (1.9) | (18.8) |
| **Total Fund Equity** | 382.5 | 358.4 | 24.1 | 6.7 |
| **Total Liabilities and Fund Equity** | 2,482.4 | 2,586.8 | (104.4) | (4.0) |

Total assets of the Authority ended the year at $2,482.4 million dollars which was a 4% decrease from the prior year. Mortgage loans and interest receivable increased $53.8 million to $1,757.5 million. This 3.2% increase was experienced in spite of the high volume of prepayments and curtailments of $336.8 million ($321 million Single Family and $15.8 million Multifamily). Cash and cash equivalents and Investments decreased $156 million as funds were used for loan originations and debt retirements.

Total liabilities decreased $128.5 million, or 5.8% to $2,099.9 million. The majority of the decrease was in bonds and notes payable which decreased $112 million, or 5.4%. The high level of loan prepayments resulted in larger and more frequent bond redemptions. During fiscal year 2004, the Authority issued approximately $356 million in Single Family Home Ownership Revenue Bonds and $42 million in Multifamily Housing Revenue Bonds. Other liabilities decreased $13 million or 9.8% due mainly to the valuation of the interest rate swap agreement termination payments which were valued at ($7.1) million at June 30, 2004.

The increase of $24.1 million in fund equity resulted from net earnings of the Authority's various lending programs and investments and the valuation of the termination payments related to the Authority's interest rate swap agreements. The program segments contributed to the Authority's net income as follows: $10.5 million in Home Ownership Revenue Bond Resolutions (single family), $11.4 million in Housing Revenue Bonds (multifamily), $2.4 million in the General Fund and ($0.2) million in State of Wisconsin Programs.

The Authority has an Issuer's Credit Rating (ICR) from Moody's of Aa3 and Standard & Poors of AA-. All individual bond resolutions have credit ratings equal to or better than the Authority's ICR.

## Statements of Revenues, Expenses and Changes in Fund Equity

The Authority reported net income of $13.3 million for the fiscal year ended June 30, 2004. The following table summarizes the Consolidated Statements of Revenues, Expenses and Changes in Fund Equity of the Authority for the fiscal years ended June 30, 2004 and 2003.

### Wisconsin Housing and Economic Development Authority
### Consolidated Statements of Revenues, Expenses and Changes in Fund Equity
**For the Fiscal Years Ended June 30, 2004 and 2003**
**(Millions of Dollars)**

| | 2004 | 2003 | Increase/ (Decrease) Amount | % |
|---|---|---|---|---|
| Mortgage income | 105.4 | 122.2 | (16.8) | (13.7) |
| Investment income (net) | 15.1 | 32.1 | (17.0) | (52.9) |
| Interest expense and debt financing costs | (90.4) | (114.9) | 24.5 | 21.3 |
| **Net Investment Income** | 30.1 | 39.4 | (9.3) | (23.6) |
| Mortgage service fees | 3.5 | 3.5 | -- | -- |
| Pass-through subsidy revenue | 128.7 | 129.2 | (0.5) | (0.4) |
| Other | 10.5 | 7.8 | 2.7 | 34.6 |
| **Net Investment And Other Income** | 172.8 | 179.9 | (7.1) | (3.9) |
| Direct loan program expense | (7.3) | (7.8) | (0.5) | (6.0) |
| Pass-through subsidy expense | (128.7) | (129.2) | (0.5) | (0.4) |
| Grants and services | (4.0) | (4.6) | (0.6) | (13.0) |
| General and administrative expenses | (19.5) | (15.2) | 4.3 | 28.4 |
| **Net Income** | 13.3 | 23.1 | (9.8) | (42.4) |
| Other comprehensive income | | | | |
| Net increase (decrease) in fair value of interest rate swap agreements (unrealized) | 10.8 | (15.8) | 26.6 | (168.4) |
| **Total Comprehensive Income** | 24.1 | 7.3 | 16.8 | 232.4 |
| **Fund Equity, Beginning of Year** | 358.4 | 351.1 | 7.3 | 2.1 |
| **Fund Equity, End of Year** | 382.5 | 358.4 | 24.1 | 6.7 |

Net investment income of $30.1 million was 23.6% or $9.3 million less than fiscal year 2003. Although the Authority experienced a net increase in the outstanding balance of mortgages, mortgage income was $16.8 million less than the previous year as higher rate mortgages were replaced with lower rate mortgages. Investment income decreased 52.9% or $17.0 million as prepayment dollars were used to redeem bonds more frequently than in the past. These more frequent redemptions also contributed to the $24.5 million decrease in interest expense and debt financing costs.

Other income of $10.5 million was 34.6% or $2.7 million greater than the previous year as reserves from multifamily loan projects were recognized as income.

General and administrative expenses of $19.5 million were $4.3 million or 28.4% more than fiscal year 2003. Two non-recurring expenditures accounted for the majority of the increase. The Authority incurred a $2.1 million expense to fund the Sick Leave Conversion Credit liability, a portion of the retirement plan. In addition, legal fees of approximately $1.1 million dollars were expensed for litigation related legal services.

Pass-through subsidy revenue and expense represent subsidy proceeds and other financial assistance received by the Authority and transferred to or spent on behalf of secondary recipients. Revenues and expenses of the pass-through subsidy programs are equal resulting in a net effect, on the Authority's financial statements, of zero.

## WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

### Consolidated Balance Sheets
### December 31, 2004 and 2003 (unaudited)
(Thousands of Dollars)

| | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents (Notes 2 & 4) | 143,807 | 203,193 |
| Investments (Notes 2 & 4) | 161,354 | 184,946 |
| Restricted Investments | 1,753 | - |
| Investment interest receivable | 3,144 | 5,218 |
| Mortgage loans receivable, net (Notes 2 & 5) | 42,300 | 36,356 |
| Mortgage interest receivable (Note 5) | 12,576 | 12,255 |
| Deferred debt financing costs, net (Note 2) | 2,132 | 2,542 |
| Accounts receivable | 1,563 | 1,178 |
| Prepaid expense | 226 | 299 |
| Total Current Assets | 368,855 | 445,987 |
| Noncurrent Assets: | | |
| Investments (Notes 2 & 4) | 231,513 | 409,776 |
| Mortgage loans receivable, net (Notes 2 & 5) | 1,848,562 | 1,641,633 |
| Deferred debt financing costs, net (Note 2) | 11,887 | 11,050 |
| Other assets (Note 2) | 21,316 | 22,119 |
| Total Noncurrent Assets | 2,113,278 | 2,084,578 |
| Total Assets | 2,482,133 | 2,530,565 |
| **Liabilities and Fund Equity** | | |
| Current Liabilities: | | |
| Bonds and notes payable (Note 6) | 90,735 | 243,266 |
| Accrued interest payable (Note 6) | 23,344 | 23,354 |
| Total Current Liabilities | 114,079 | 266,620 |
| Noncurrent Liabilities: | | |
| Bonds and notes payable (Note 6) | 1,861,742 | 1,764,545 |
| Escrow deposits (Notes 2 & 4) | 80,452 | 84,551 |
| Other liabilities | 42,520 | 41,585 |
| Total Noncurrent Liabilities | 1,984,714 | 1,890,681 |
| Total Liabilities | 2,098,793 | 2,157,301 |
| Fund Equity: | | |
| Accumulated other comprehensive income (loss) (Note 6) | (21,821) | (11,877) |
| Invested in capital assets (net) | 649 | 1,111 |
| Restricted by bond resolutions (Note 7) | 228,355 | 213,597 |
| Restricted by contractual agreement (Note 7) | 166,548 | 164,369 |
| Unrestricted (Note 7) | 9,609 | 6,064 |
| Total Fund Equity | 383,340 | 373,264 |
| Total Liabilities and Fund Equity | 2,482,133 | 2,530,565 |

The accompanying notes are an integral part of the consolidated financial statements.

## WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

### Consolidated Balance Sheets
### June 30, 2004 and 2003
(Thousands of Dollars)

| | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents (Notes 2 & 4) | 138,741 | 154,353 |
| Investments (Notes 2 & 4) | 265,944 | 102,062 |
| Investment interest receivable | 3,402 | 5,602 |
| Mortgage loans receivable, net (Notes 2 & 5) | 37,870 | 42,847 |
| Mortgage interest receivable (Note 5) | 12,085 | 12,407 |
| Deferred debt financing costs, net (Note 2) | 2,325 | 2,364 |
| Accounts receivable | 2,396 | 1,224 |
| Prepaid expense | 196 | 281 |
| Total Current Assets | 462,959 | 321,140 |
| Noncurrent Assets: | | |
| Investments (Notes 2 & 4) | 279,220 | 583,389 |
| Mortgage loans receivable, net (Notes 2 & 5) | 1,707,497 | 1,648,483 |
| Deferred debt financing costs, net (Note 2) | 11,005 | 10,938 |
| Other assets (Note 2) | 21,714 | 22,871 |
| Total Noncurrent Assets | 2,019,436 | 2,265,681 |
| Total Assets | 2,482,395 | 2,586,821 |
| **Liabilities and Fund Equity** | | |
| Current Liabilities: | | |
| Bonds and notes payable (Note 6) | 190,012 | 77,877 |
| Accrued interest payable (Note 6) | 21,978 | 26,547 |
| Total Current Liabilities | 211,990 | 104,424 |
| Noncurrent Liabilities: | | |
| Bonds and notes payable (Note 6) | 1,768,748 | 1,991,798 |
| Escrow deposits (Notes 2 & 4) | 87,865 | 94,329 |
| Other liabilities | 31,299 | 37,905 |
| Total Noncurrent Liabilities | 1,887,912 | 2,124,032 |
| Total Liabilities | 2,099,902 | 2,228,456 |
| Fund Equity: | | |
| Accumulated other comprehensive income (loss) | (7,052) | (17,911) |
| Invested in capital assets (net of related debt) | 1,180 | 1,833 |
| Restricted by bond resolutions (Note 7) | 219,965 | 208,402 |
| Restricted by contractual agreement (Note 7) | 160,221 | 155,585 |
| Unrestricted (Note 7) | 8,179 | 10,456 |
| Total Fund Equity | 382,493 | 358,365 |
| Total Liabilities and Fund Equity | 2,482,395 | 2,586,821 |

The accompanying notes are an integral part of the consolidated financial statements.

## WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

### Consolidated Statements of Income and Expenses
### And Changes in Fund Equity
### For the Six Months Ended December 31, 2004 and 2003 (unaudited)

(Thousands of Dollars)

| | 2004 | 2003 |
|---|---|---|
| Mortgage income | 55,946 | 53,630 |
| Investment interest (Notes 2 & 4) | 9,653 | 12,858 |
| Net increase (decrease) in fair value of investments (Note 2) | 396 | (3,307) |
| Less: Interest expense and debt financing costs (Notes 2 & 4) | (46,059) | (47,146) |
| Net Investment Income | 19,936 | 16,035 |
| Mortgage service fees | 1,844 | 1,774 |
| Pass-through subsidy revenue | 64,821 | 63,461 |
| Other income-net (Note 2) | 5,899 | 6,548 |
| Net Investment and Other Income | 92,500 | 87,818 |
| Direct loan program expense | 3,440 | 3,682 |
| Pass-through subsidy expense | 64,821 | 63,461 |
| Grants and services | 756 | 945 |
| General and administrative expenses | 7,867 | 10,866 |
| Total Expenses | 76,884 | 78,954 |
| Net Income | 15,616 | 8,864 |
| Other Comprehensive Income: | | |
| Net increase (decrease) in fair value of interest rate swap agreements (unrealized) (Note 6) | (14,769) | 6,035 |
| Total Comprehensive Income | 847 | 14,899 |
| Fund Equity, Beginning of Year | 382,493 | 358,365 |
| Fund Equity, End of Year | 383,340 | 373,264 |

The accompanying notes are an integral part of the consolidated financial statements.

## WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

### Consolidated Statements of Income and Expenses And Changes in Fund Equity For the Years Ended June 30, 2004 and 2003

(Thousands of Dollars)

| | 2004 | 2003 |
|---|---|---|
| Mortgage income | 105,347 | 122,239 |
| Investment interest (Notes 2 & 4) | 22,415 | 29,643 |
| Net (decrease) increase in fair value of investments (Note 2) | (7,250) | 2,420 |
| Interest expense and debt financing costs (Notes 2 & 4) | (90,418) | (114,996) |
| Net Investment Income | 30,094 | 39,306 |
| Mortgage service fees | 3,457 | 3,521 |
| Pass-through subsidy revenue | 128,724 | 129,210 |
| Other income-net (Note 2) | 10,487 | 7,830 |
| Net Investment and Other Income | 172,762 | 179,867 |
| Direct loan program expense | 7,251 | 7,775 |
| Pass-through subsidy expense | 128,724 | 129,210 |
| Grants and services | 3,996 | 4,595 |
| General and administrative expenses | 19,522 | 15,209 |
| Total Expenses | 159,493 | 156,789 |
| Net Income | 13,269 | 23,078 |
| Other Comprehensive Income: | | |
| Net increase (decrease) in fair value of interest rate swap agreements (unrealized) (Note 6) | 10,859 | (15,802) |
| Total Comprehensive Income | 24,128 | 7,276 |
| Fund Equity, Beginning of Year | 358,365 | 351,089 |
| Fund Equity, End of Year | 382,493 | 358,365 |

The accompanying notes are an integral part of the consolidated financial statements.

## WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

### Consolidated Statements of Cash Flows
### For the Six Months Ended December 31, 2004 and 2003 (unaudited)
(Thousands of Dollars)

| | 2004 | 2003 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Net income | 15,616 | 8,864 |
| Adjustments to reconcile net income (loss) to net | | |
| Cash (Used in) Provided by Operating Activities: | | |
| Net (increase) decrease in fair value of investments (Note 2) | (396) | 3,307 |
| Provision for loan loss | 68 | 696 |
| Interest expense | 44,611 | 45,749 |
| Income on investments | (9,653) | (12,861) |
| Depreciation and amortization | 1,492 | 1,582 |
| Loan origination fee amortization | 1,507 | 864 |
| (Increase) Decrease in mortgage loans receivable and real estate held, net | (145,080) | 12,926 |
| Other | (18,172) | 930 |
| Net Cash (Used in) Provided by Operating Activities | (110,007) | 62,057 |
| Cash Flows from Non-Capital Financing Activities: | | |
| Proceeds from issuance of bonds and notes | 452,729 | 547,012 |
| Repayments on bonds and notes | (459,418) | (609,262) |
| Interest paid on bonds, notes and escrows | (36,713) | (49,895) |
| Cost of bond issuance and redemption | (2,107) | (1,615) |
| Net Cash (Used in) Non-Capital Financing Activities | (45,509) | (113,760) |
| Cash Flows from Investing Activities: | | |
| Purchases of investments | (343,273) | (422,533) |
| Proceeds from sales and maturities of investments | 494,434 | 509,955 |
| Investment interest received | 9,701 | 13,247 |
| Net Cash Provided by Investing Activities | 160,862 | 100,669 |
| Cash Flows Used in Capital Financing Activities: | | |
| Purchases of fixed assets | (280) | (126) |
| Sale of fixed assets | - | - |
| Net Cash (Used in) Capital Financing Activities | (280) | (126) |
| Net increase in cash and cash equivalents | 5,066 | 48,840 |
| Cash and Cash Equivalents, Beginning of Period | 138,741 | 154,353 |
| Cash and Cash Equivalents, End of Period | 143,807 | 203,193 |

The accompanying notes are an integral part of the consolidated financial statements.

## WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

### Consolidated Statements of Cash Flows
### For the Years Ended June 30, 2004 and 2003
(Thousands of Dollars)

| | 2004 | 2003 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Net income | 13,269 | 23,078 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Net decrease (increase) in fair value of investments (Note 2) | 7,250 | (2,420) |
| Provision for loan loss | 1,093 | 683 |
| Interest expense | 87,691 | 112,378 |
| Income on investments | (22,415) | (29,643) |
| Depreciation and amortization | 3,113 | 3,118 |
| Loan origination fee amortization | 2,520 | 2,923 |
| (Increase) Decrease in mortgage loans receivable and real estate held, net | (54,267) | 196,075 |
| Other | (8,161) | 4,139 |
| Net Cash Provided by Operating Activities | 30,093 | 310,331 |
| Cash Flows from Non-Capital Financing Activities: | | |
| Proceeds from issuance of bonds and notes | 848,779 | 885,401 |
| Repayments on bonds and notes | (959,854) | (1,135,106) |
| Interest paid on bonds, notes and escrows | (93,879) | (118,350) |
| Cost of bond issuance and redemption | (2,778) | (2,694) |
| Net Cash (Used in) Non-Capital Financing Activities | (207,732) | (370,749) |
| Cash Flows from Investing Activities: | | |
| Purchases of investments | (713,993) | (1,104,747) |
| Proceeds from sales and maturities of investments | 847,368 | 1,124,249 |
| Investment interest received | 24,285 | 30,211 |
| Net Cash Provided by Investing Activities | 157,660 | 49,713 |
| Cash Flows Used in Capital Financing Activities: | | |
| Purchases of fixed assets | (499) | (787) |
| Sale of fixed assets | 4,866 | 1,060 |
| Net Cash Provided by Capital Financing Activities | 4,367 | 273 |
| Net (decrease) in cash and cash equivalents | (15,612) | (10,432) |
| Cash and Cash Equivalents, Beginning of Year | 154,353 | 164,785 |
| Cash and Cash Equivalents, End of Year | 138,741 | 154,353 |

The accompanying notes are an integral part of the consolidated financial statements.

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

## Notes to Consolidated Financial Statements

## 1. Authorizing Legislation and Funds

The Wisconsin Housing and Economic Development Authority (the "Authority") was created in 1972 by an act ("the Act") of the Wisconsin Legislature to facilitate the purchase, construction and rehabilitation of housing for families of low and moderate-income by providing or participating in the providing of construction and mortgage loans. The Authority is authorized to issue bonds to fulfill its corporate purposes up to an aggregate amount of $325 million, excluding those being used to refund outstanding obligations and those issued under the programs described below. The Authority has no taxing power. Bonds issued by the Authority do not constitute a debt of the State of Wisconsin or any political subdivision thereof. The Authority is a component unit of the State of Wisconsin for financial reporting purposes.

The Authority's mission has been expanded since 1972 through legislation authorizing the following:

A Home Ownership Loan Program funded by revenue bonds of $5.4 billion, $5.3 billion and $5.0 billion through December 31, 2004, June 30, 2004 and 2003, respectively, of which approximately $1.4 billion, $1.2 billion and $1.3 billion are outstanding at December 31, 2004, June 30, 2004 and 2003 respectively;

A Community Housing Alternatives Program ("CHAP") funded by bonds of up to $99.4 million, to finance loans for residential facilities for the elderly or chronically disabled. Housing Revenue Bonds totaling $4.8 million have been issued since the inception of the program, of which none are outstanding at December 31, 2004, June 30, 2004 and 2003;

A Housing Rehabilitation Program and Home Improvement Loan Program, funded by revenue bonds outstanding at any time of up to $100 million, to finance below-market-rate loans for home rehabilitation. Revenue bonds totaling approximately $97.6 million have been issued since the inception of the program, of which none are outstanding at December 31, 2004, June 30, 2004, and 2003;

The Wisconsin Development Reserve Fund (WDRF) program represents State of Wisconsin funds appropriated to subsidize interest and provide guarantees of principal balances of qualifying loans. By Wisconsin Statue 234.93, the Authority is authorized to make loan guarantees up to $49.5 million with a minimum required reserve ratio of 4.5:1 (guarantee to reserve). At December 31, 2004, June 30, 2004 and 2003, outstanding loan guarantees totaled $32.5 million, $38.2 million and $39.6 million, and the balance of the reserve fund was $12.2 million, $11.8 million and $13 million respectively;

A Business Development Bond Program, funded by revenue bonds of up to $200 million, to enhance economic growth and the well being of Wisconsin residents. As of December 31, 2004, June 30, 2004 and 2003, outstanding bonds carrying the Authority's general obligation totaled $10.2 million, $12.2 million and $17.2 million, respectively. In addition, under the Business Development Bond Program, other revenue bonds are issued which do not constitute indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or Statutes of the State of Wisconsin. They are payable solely out of the revenues derived pursuant to the loan agreement or, in the event of default of the loan agreement, out of any revenues derived from the sale, releasing or other disposition of the mortgaged property. They do not constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit and therefore, these bonds are not reflected in the financial statements of the Authority. As of December 31, 2004, June 30, 2004 and June 30, 2003, the Authority had issued 83 series of such Business Development Bonds in an aggregate principal amount of $74 million, for economic development projects in Wisconsin; and

A Beginning Farmer Program, funded by revenue bonds of up to $10 million, to assist beginning farmers to purchase agricultural land, agricultural improvements and depreciable agricultural property. These revenue bonds do not constitute indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or Statutes of the State of Wisconsin. They do not constitute or give rise to pecuniary liability of the Authority or a charge against the Authority's general credit. They are payable solely out of the revenues derived pursuant to the loan agreement or, in the event of default of the loan agreement, out of any revenues derived from the sale, releasing or other disposition of the mortgaged property. Based on the above, the bonds are not reflected in the financial statements of the Authority. As of December 31, 2004, June 30, 2004 and 2003, the Authority had issued 59 series of such Beginning Farmer Revenue Bonds in an aggregate principal amount of $8.6 million.

The Authority has, by resolution, established other programs to promote the fulfillment of its objectives and has financed these efforts through appropriations of its General Fund.

## 2. Summary of Significant Accounting Policies

Accounting Principles: The consolidated financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities, the Authority has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". The Authority has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

## 2. Summary of Significant Accounting Policies (continued)

New Accounting Standards: In fiscal year 2005, the Authority adopted GASB Statement No. 40, "Deposit and Investment Risk Disclosures." GASB No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. This Statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk. GASB 40 affects the Authority's Cash, Cash Equivalents and Investments. (Note 4)

The Authority adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS No. 137, and further amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133, as amended, establishes the accounting and reporting standards for derivative instruments and hedging activities. The impact of implementation is the recognition of $14.8 million unrealized loss and an unrealized gain of $10.9 million and an unrealized loss of $15.8 million, related to the Authority's interest rate swap agreements, for the periods ending on December 31, 2004, June 30, 2004 and 2003, respectively. (Note 6)

Consolidation: The Authority's financial statements are presented on a consolidated basis for the periods ending on December 31, 2004, June 30, 2004 and 2003 to include all programs of the Authority and the financial activity of its two wholly owned subsidiaries, Badger Capital Services, LLC ("Badger Capital") and Wisconsin Affordable Housing Alliance, LLC ("WAHA"), both of which are Wisconsin limited liability companies.

All material intercompany transactions and balances have been eliminated in the consolidation.

Authority Programs: The Authority accounts for each bond resolution as a separate accounting entity, each with its own assets, liabilities, fund equity, income and expense. The entities are then grouped according to type as they relate to single family (Home Ownership Revenue Bond Resolutions), multifamily (Housing Revenue Bonds), State of Wisconsin and General Fund programs for presentation in the consolidated combined financial statements. (Note 3)

Cash and Cash Equivalents: Cash and cash equivalents include short-term, highly liquid investments which are readily convertible to cash and typically have original maturities to the Authority of three months or less when acquired. (Note 4)

Investments: Investments are carried at fair value based on quoted market prices. The collateralized and uncollateralized investment agreements are not transferable and are considered nonparticipating contracts. As such, both types of investment agreements are carried at contract value. The net increase (decrease) in the fair value of investments includes both realized and unrealized gains and losses. (Note 4)

Mortgage Loans Receivable and Mortgage Income: Mortgage loans are carried at their unpaid principal balance, net of the allowance for loan losses, unamortized loan origination costs or income, and real estate held. Loan origination fees and associated direct costs are deferred and recognized as income or expense over the projected life of the loan. Mortgage income includes interest earned on the mortgages and the recognized loan origination fees and associated direct costs. Mortgage interest income is calculated monthly using the 30/360 day interest calculation. (Note 5)

Allowance for Loan Losses: The allowance for loan losses is increased by charges to expense and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Authority's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. (Note 5)

Deferred Debt Financing Costs: Debt issuance costs, premiums and discounts are amortized ratably over the estimated life of the obligations to which they relate. Amortization of $0 of bond discounts and $10,000 of bond premiums for the period ending December 31, 2004, Amortization of $0 of bond discounts and $22,000 of bond premiums for the year ended June 30, 2004 and $0 of bond discounts and $24,000 of bond premiums for the year ended June 30, 2003 are included in interest expense in the Consolidated Statements of Income and Expenses and Changes in Fund Equity.

Other Assets: As of December 31, 2004, June 30, 2004 and 2003, other assets include an office building ($17.8 million, $18.1 million and $18.6 million) and other fixed assets ($1.2 million, $1.4 million and $2.0 million), respectively.

Investment Income, Interest Expense and Debt Financing Costs: Investment income earned on escrow deposits is allocated to the mortgagor based upon investment results. Interest expense and debt financing costs include $1.4 million, $.7 million and $5.4 million of investment income allocated to mortgage escrow deposits for December 31, 2004, June 30, 2004 and 2003, respectively.

Bonds and Notes Payable: Bonds and notes payable include the general and special obligation bonds and notes collateralized by the revenues and assets of the Authority, subject to the provisions of the applicable resolutions and agreements. The Authority defers unamortized costs and redemption premiums and offsets those costs against bonds and notes payable. (Note 6)

Escrow Deposits: Escrow deposits include the amounts held for single family and multifamily mortgagees for the costs of taxes and insurance. Also included in escrow deposits are residual receipts, replacement reserves, capital needs assessments and other funds held on behalf of multifamily projects or the Authority.

## 2. Summary of Significant Accounting Policies (concluded)

Other Income (Loss)-Net: Included in other income (loss)-net is $ 2.2 million, $4.4 million and $4.3 million of other fee income from the administration of the HUD contract for December 31, 2004, June 30, 2004 and 2003, respectively. Also, included in other income for the period ending on December 31, 2004, June 30, 2004 and 2003 were $1.8 million, $2.7 million and $0 million for the Authority's share of excess escrow deposits which mortgagees transfer to the Authority upon the prepayment or refinancing of certain mortgage loans.

Pass-through Subsidy Revenue and Expense: In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance", pass-through grants are reported in the financial statements as both revenue and expense. During the periods ending December 31, 2004, June 30, 2004 and 2003, the Authority received grants on behalf of secondary recipients for various purposes including Section 8 rent subsidies ($24.3 million, $51.2 million and $55.2 million), voucher assistance ($3.2 million, $5.5 million and $4.9 million), Section 236 rent subsidies ($0.7 million, $1.1 million and $1.0 million), other miscellaneous grant programs ($0, $3,000 and $33,000), Section 8 HUD contract of $36.5 million, $70.8 million and $68.1 million, respectively.

Total Comprehensive Income: The net increases (decreases) in the fair value of interest rate swap agreements (unrealized) are considered in the calculation of Total Comprehensive Income. For the six months ended December 31, 2004 and the years ended June 30, 2004 and 2003, total comprehensive income was $.8 million, $24.1 million and $7.3 million, respectively.

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

## 3. Description of Programs

Home Ownership Revenue Bond (HORB) resolutions include all bonds secured by single family mortgage loans. The funds are used to purchase mortgage loans on single family residential housing units for persons and families of low and moderate income in Wisconsin. The bond issues are grouped by bond resolution and each may have different covenants and requirements (Note 6). Home Ownership Revenue Bond Resolutions dated 1987 and 1988 are reported separately while resolutions dated 1991, 1992 and 1998 are combined.

Housing Revenue Bonds (HRB) include the 1974 and 1993 Housing Revenue Bond Resolutions. These funds are used to finance the construction, rehabilitation and permanent financing for multifamily rental housing developments generally designed for persons and families of low and moderate-income, the elderly, disabled or special needs persons.

State of Wisconsin programs include the Home Improvement Loan Program, the HOME Plus Loan Program, and the Wisconsin Development Reserve Fund administered by the Authority. The Home Improvement Loan Program provides loans for eligible borrowers to make improvements to owner-occupied properties. Although no bonds have been issued since 1992, loans continue to be originated from excess funds in the program. After repayment of the bonds, any remaining fund balances must be paid to the State of Wisconsin General Fund. The HOME Plus Loan Program administered for the State of Wisconsin provides a line of credit for future home repairs. The Wisconsin Development Reserve Fund administered for the State of Wisconsin includes the Credit Relief Outreach Program (CROP), the Agribusiness Fund, the WHEDA Small Business Guarantee Program, and the Farm Assets Reinvestment Management Program, all of which provide loan guarantees.

The General Fund includes the Business Development Bond Program as well as all income and operating expenses, which are not allocated to other programs or funds. The Business Development Bonds (Note 6) carry the general obligation of the Authority and are issued to enhance the economic growth in Wisconsin. In April 2003, the Authority approved the Neighborhood Business Revitalization Guarantee program. The guarantee program will provide up to $12 million in loan guarantees for revitalization in targeted urban commercial communities with populations greater than 35,000. As of December 31, 2004, $5.6 million of loan guarantees had been approved with outstanding loan guarantees of $3.1 million. In November 2003, two new home programs were announced - Homes for Our Heroes and Lease Purchase. The $10 million Homes for Our Heroes program provides mortgage assistance for qualifying teachers, policeman and firefighters. The program, with special underwriting guidelines, will be available until the funds are fully utilized or December 30, 2004. As of December 31, 2004, the Homes for Our Heroes program had an outstanding balance of $9.4 million. The Lease Purchase program allows future homeowners to save for their down payment while gaining equity in the home of their choice by paying rent on that home and including extra funds toward the down payment. The Lease Purchase program had $1,478,000 and $428,000 available and outstanding, respectively, as of December 31, 2004.

The Authority administers Section 8 subsidized housing programs under the U.S. Department of Housing and Urban Development new construction, moderate and substantial rehabilitation, voucher and contract administration programs and receives fees for these services. Fees for such services approximated $2.2 million and $4.6 million for the six months ended December 31 and the year ended June 30, 2004, respectively. Total federal funds administered by the Authority under these programs aggregated approximately $66.0 million and $128.0 million for the six months ended December 31 and the year ended June 30, 2004, respectively.

## 3. Description of Programs (continued)

The Authority is a member of The Wisconsin Community Development Legacy Fund (WCDLF). WCDLF, a non-stock corporation, is a partnership between the Authority and Legacy Bancorp, Inc. WCDLF was created to make qualified low income community investments throughout the State of Wisconsin or other activities which qualify for New Markets Tax Credits (NMTC) and to engage in all activities necessary, customary, convenient or incident to any NMTC activities. On April 26, 2004, the WCDLF was awarded a $100 million NMTC allocation and on October 7, 2004 the required Allocation Agreement was executed.

## 4. Cash, Cash Equivalents and Investments

The Authority is required by statute to invest at least 50% of the General Fund funds in obligations of the state, of the U.S., or of agencies or instrumentalities of the U.S., or obligations, the principal and interest of which are guaranteed by the U.S. or agencies or instrumentalities of the U.S. Each bond resolution specifies what constitutes a permitted investment and such investments may include obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper; bankers' acceptances; and repurchase agreements and investment agreements.

The Authority also enters into collateralized investment contracts with various financial institutions. These investment contracts are generally collateralized by obligations of the United States government.

The Authority is also authorized to invest its funds in the State Investment Fund. The Authority has established a Master Repurchase Agreement with its banking institutions to govern the purchase of repurchase agreements. This agreement requires the institution to take possession of collateral having a market value of at least 103% of the cost of the repurchase agreement. The underlying collateral must be maintained at this level at all times.

Categorized in accordance with GASB Statement No. 3, the Authority's investments in uncollateralized investment contracts are a Category 3 level of risk which include uninsured or unregistered investments and uncollateralized securities held by the Authority's agent or trustee in the Authority's name. All other investments and cash equivalents are a Category 1 level of risk, representing investments that are insured or registered, or collateralized with securities that are held by the Authority's agent or trustee in the Authority's name.

Cash and Cash Equivalents: At December 31, 2004, June 30, 2004 and 2003, the Authority had cash balances totaling $2,925,000, $5,999,000 and $8,174,000, respectively. Of the balances at December 31, 2004, June 30, 2004 and 2003, $500,000 was covered by federal or state depository insurance.

The carrying amounts of cash and cash equivalents, which approximate fair value, at December 31, 2004, June 30, 2004 and 2003 are as follows (in thousands of dollars):

| | December 31, 2004 (unaudited) | | June 30, 2004 | | June 30, 2003 | |
|---|---|---|---|---|---|---|
| | Fair (Carrying) Value | Cost | Fair (Carrying) Value | Cost | Fair (Carrying) Value | Cost |
| Cash | 2,925 | 2,925 | 5,999 | 5,999 | 8,174 | 8,174 |
| Money Market Funds | 110,137 | 110,137 | 100,286 | 100,293 | 114,465 | 114,465 |
| Money Market Mutual Funds | 30,745 | 31,934 | 32,456 | 33,834 | 31,714 | 32,084 |
| Total Cash and Cash Equivalents | 143,807 | 144,996 | 138,741 | 140,126 | 154,353 | 154,723 |

Investments: The investments at December 31, 2004, June 30, 2004 and 2003 are as follows (in thousands of dollars):

| | December 31, 2004 (unaudited) | | June 30, 2004 | | June 30, 2003 | |
|---|---|---|---|---|---|---|
| | Fair (Carrying) Value | Cost | Fair (Carrying) Value | Cost | Fair (Carrying) Value | Cost |
| Certificates of Deposits | 9,025 | 9,025 | 15,655 | 15,655 | 18,148 | 18,148 |
| U.S. Government Securities | 452 | 391 | 444 | 391 | 2,429 | 2,217 |
| U.S. Agency Securities | 106,803 | 107,676 | 110,567 | 112,411 | 110,364 | 108,523 |
| Corporate Notes | 19,328 | 18,916 | 34,106 | 33,104 | 46,715 | 44,063 |
| Mortgage Backed Securities | 6,577 | 6,361 | 8,144 | 7,930 | 6,551 | 5,952 |
| Collateralized Investment Agreements | 107,075 | 107,075 | 239,036 | 239,036 | 433,123 | 433,123 |
| Uncollateralized Investment Contracts | 145,360 | 145,360 | 137,212 | 137,212 | 68,121 | 68,121 |
| Total Investments | 394,620 | 394,804 | 545,164 | 545,739 | 685,451 | 680,147 |

# 4. Cash, Cash Equivalents and Investments (continued)

In accordance with provisions of certain escrow agreements related to mortgages outstanding under the Housing Revenue Bonds Program and the General Fund, escrow deposits are to be invested in accordance with the agreements and investment income is to be allocated to the escrow deposits based upon investment results. Investment income of $1,445,000, $716,000 and $5,386,000 was allocated to the mortgage escrow deposits for the six months ended December 31, 2004 and the years ended June 30, 2004 and 2003, respectively, and is included in interest expense and debt financing costs in the Consolidated Statement of Income and Expenses and Changes in Fund Equity.

As of December 31, 2004, the Authority had the following investments and maturities covered by the General Fund Investment Policy (in thousands of dollars):

| | | Investment Maturities (In Years) | | | |
|---|---|---|---|---|---|
| Investment Type: | Fair Value | Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
| Money Market Funds | 14,206 | 14,206 | -- | -- | -- |
| U.S. Governments and Agencies | 23,832 | -- | 18,743 | 4,922 | 167 |
| Corporate Securities: | | | | | |
| Banking | 2,769 | 2,127 | 642 | -- | -- |
| Financial | 2,594 | 515 | 2,079 | -- | -- |
| Consumer, Cyclical | 500 | 500 | -- | -- | -- |
| Utility | 2,443 | -- | 2,443 | -- | -- |
| General Fund Investments | 46,344 | 17,348 | 23,907 | 4,922 | 167 |

Interest Rate Risk: Investment maturity and projected call dates are expected to coincide with the General Fund obligations. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the anticipated obligations. Based upon current consideration for each of these factors, investments in the General Fund portfolio may have maturities ranging up to 15 years.

Credit Risk: The Authority's policy allows investments of the General Fund in the following:

Corporate Bonds and Notes must be rated by at least two Nationally Recognized Statistical Rating Organizations (NRSRO). At least one rating must be in the top two short- or long-term rating categories and all other ratings must be in the top three rating categories. As of December 31, 2004, the Authority's investments in Corporate Bonds and Notes were rated at least AA- by Standard & Poor's or Aa3 by Moody's Investor Services, except for one security which was rated A+/A1, respectively. The A+/A1 security remains on the Authority's watch list in the portfolio and is monitored by staff and the Finance Committee.

Money Market Mutual Funds must be regulated by the Securities and Exchange Commission and must consist of Government securities or other dollar-denominated permitted investments. Securities purchased by money market funds must be rated by at least one NRSRO in the top two short-term rating categories or must be guaranteed by an entity with such ratings. Any other ratings must be in the top three rating categories. As of December 31, 2004, the Authority's investments in Money Market Mutual Funds were rated Aaa by Standard & Poor's and AAA by Moody's Investor Services.

Commercial Paper, Certificates of Deposit and Bankers' Acceptances must be issued by financial institutions rated by at least one NRSRO in the top two short- and long-term ratings categories. All other ratings must be in the top three rating categories. As of December 31, 2004, the Authority had no investments in Commercial Paper or Banker' Acceptances. Certificates of Deposits held in financial institutions were covered by FDIC insurance and the State of Wisconsin Insurance Fund.

Concentration of Credit Risk: The investment policy states that no more than $2 million can be invested with any issuer, and no more than 15% of the portfolio's market value will be invested in any municipal or industry sector. As of December 31, 2004 the General Fund portfolio was in compliance with this requirement, which is less than 5% of the total portfolio.

Foreign Currency Risk: The General Fund Investment Policy requires investments only in securities traded in U.S. dollars.

As of December 31, 2004, the Authority had the following investments and maturities covered by the Home Improvement Loan Investment Policy, relating to the Home Improvement Loan Program, (in thousands of dollars):

| | | Investment Maturities (In Years) | | |
|---|---|---|---|---|
| Investment Type: | Fair Value | Less than 1 | 1 - 5 | 6 - 10 |
| Money Market Funds | 2,578 | 2,578 | -- | -- |
| Governments and Agencies | 2,129 | 210 | 1,003 | 916 |
| Home Improvement Loan Investments | 4,707 | 2,788 | 1,003 | 916 |

## 4. Cash, Cash Equivalents and Investments (continued)

Interest Rate Risk: Investment maturity dates or projected call dates are expected to coincide with the cash flow obligations and matched funding analyses, associated with a five year projection period. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the five year projected cash flow obligations. Based upon current consideration for each of these factors, investments in the Home Improvement Loan Fund portfolio may have maturities ranging up to 10 years.

Credit Risk: The Authority's policy allows investments of the Home Improvement Loan Fund in the following:

Money Market Mutual Funds must be regulated by the Securities and Exchange Commission and must consist of Government securities or other dollar-denominated permitted investments. Securities purchased by money market funds must be rated by at least one NRSRO in the top two short-term rating categories or must be guaranteed by an entity with such ratings. Any other ratings must be in the top three rating categories. As of December 31, 2004, the Authority's investments in Money Market Mutual Funds were rated Aaa by Standard & Poor's and AAA by Moody's Investor Services.

Concentration of Credit Risk: The investment policy states that no more than $500,000 can be invested with any issuer, and no more than 15% of the portfolio's market value will be invested in any municipal or industry sector. As of December 31, 2004, the Home Improvement Loan portfolio was in compliance with this requirement, holding only exempted securities.

Foreign Currency Risk: The Home Improvement Loan Investment Policy requires investments only in securities traded in U.S. dollars.

As of December 31, 2004, the Authority had the following investments and maturities covered by the Wisconsin Development Reserve Fund Investment Policy (in thousands of dollars):

| | | Investment Maturities (In Years) | | |
|---|---|---|---|---|
| Investment Type: | Fair Value | Less than 1 | 1 - 5 | 6 - 10 |
| Money Market Funds | 1,297 | 1,297 | -- | -- |
| U.S. Governments and Agencies | 9,626 | 496 | 8,640 | 490 |
| Corporate Securities: | | | | |
| Banking | 502 | 502 | -- | -- |
| Financial | 517 | -- | 517 | -- |
| Consumer, Cyclical | 347 | -- | 347 | -- |
| Wisconsin Development Reserve Fund Investments | 12,289 | 2,295 | 9,504 | 490 |

Interest Rate Risk: Investment maturity and projected call dates are expected to coincide with the cash flow obligations and matched funding analyses associated with a five year projection period. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the five year projected cash flow obligations. Based upon current consideration for each of these factors, no investment in the WDRF portfolio will mature in more than 10 years.

Credit Risk: It is the Authority's policy to allow investments of the Wisconsin Development Reserve Fund to the following:

Corporate Bonds and Notes must be rated by at least two NRSROs. At least one rating must be in the top two short- or long-term rating categories and all other ratings must be in the top three rating categories. As of December 31, 2004, the Authority's investments in Corporate Bonds and Notes were rated at least AA- by Standard & Poor's or Aa3 by Moody's Investor Services.

Money Market Mutual Funds must be regulated by the Securities and Exchange Commission and must consist of permitted investments. Securities, other than Government securities, purchased by Money Market Mutual Funds must be rated by at least one NRSRO in the top two short-term rating categories or must be guaranteed by an entity with such ratings. Any other ratings must be in the top three rating categories. As of December 31, 2004, the Authority's investments in Money Market Mutual Funds were rated Aaa by Standard & Poor's and AAA by Moody's Investor Services.

Concentration of Credit Risk: The investment policy states that no more than $1 million can be invested with any issuer, and no more than 15% of the portfolio's market value will be invested in any municipal or industry sector. As of December 31, 2004, the Wisconsin Development Reserve Fund portfolio was in compliance with this requirement. There were no investments that exceeded 5% of the total portfolio.

Foreign Currency Risk: The Wisconsin Development Reserve Fund Investment Policy requires investments only in securities traded in U.S. dollars.

## 4. Cash, Cash Equivalents and Investments (continued)

As of December 31, 2004, the Authority had the following investments and maturities covered by the Escrow Fund Investment Policy, related to escrow deposits, (in thousands of dollars):

| Investment Type: | Fair Value | Investment Maturities (In Years) Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
|---|---|---|---|---|---|
| Money Market Funds | 19,117 | 19,117 | -- | -- | -- |
| U.S. Governments and Agencies | 41,349 | -- | 19,009 | 18,892 | 3,448 |
| Corporate Securities: | | | | | |
| Banking | 12,060 | 6,060 | 6,000 | -- | -- |
| Financial | 1,501 | 1,501 | -- | -- | -- |
| Consumer, Cyclical | 3,050 | -- | 3,050 | -- | -- |
| Utility | 2,070 | 2,070 | -- | -- | -- |
| Escrow Fund Investments | 79,147 | 28,748 | 28,059 | 18,892 | 3,448 |

Interest Rate Risk: Investment maturity dates or projected call dates will coincide with the cash flow obligations and matched funding analyses associated with a five year projection period. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the five year projected cash flow obligations. Based upon current consideration for each of these factors, investments in the Escrow Fund portfolio may have maturities ranging up to 30 years.

Credit Risk: It is the Authority's policy to limit investments in the Escrow Fund to the following:

Corporate Bonds and Notes must be rated by at least two NRSROs. At least one rating must be in the top two short- or long-term rating categories and all other ratings must be in the top three rating categories. As of December 31, 2004, the Authority's investments in Corporate Bonds and Notes were rated at least AA- by Standard & Poor's or Aa3 by Moody's Investor Services, except for one security which was rated A+/A1, respectively. The A+/A1 security remains on the Authority's watch list in the portfolio, and is monitored by staff and the Finance Committee.

Money Market Mutual Funds must be regulated by the Securities and Exchange Commission and must consist of Government securities or other dollar-denominated permitted investments. Securities purchased by money market funds must be rated by at least one NRSRO in the top two short-term rating categories or must be guaranteed by an entity with such ratings. Any other ratings must be in the top three rating categories. As of December 31, 2004, the Authority's investments in Money Market Mutual Funds were rated Aaa by Standard & Poor's and AAA by Moody's Investor Services.

Commercial Paper, Certificates of Deposit and Bankers' Acceptances must be issued by financial institutions rated by at least one NRSRO in the top two short- and long-term ratings categories. All other ratings must be in the top three rating categories. Financial institutions participating in the Bankers' Bank Certificate of Deposit program must have a capital category as determined by the FDIC, of "well capitalized". As of December 31, 2004, the Authority had no investments in Commercial Paper or Bankers' Acceptances. All financial institutions participating in the certificate program were categorized as 'well capitalized" by the FDIC.

Concentration of Credit Risk: The investment policy states that no more than $3 million can be invested with any issuer, and no more than 10% of the portfolio's market value will be invested in any municipal or industry sector. As of December 31, 2004, the Escrow portfolio was in compliance with this requirement, which is less than 5% of the total portfolio.

Foreign Currency Risk: The Escrow Fund Investment Policy requires investments only in securities traded in U.S. dollars.

As of December 31, 2004, the Authority had the following investments and maturities covered by the HORB and HRB Bonded Programs Investment Policy (in thousands of dollars):

| Investment Type: | Fair Value | Investment Maturities (In Years) Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
|---|---|---|---|---|---|
| Money Market Funds | 103,684 | 103,684 | -- | -- | -- |
| U.S. Governments and Agencies | 36,896 | 992 | 34,404 | 1,077 | 423 |
| Investment Contracts | 107,075 | -- | 4,600 | 654 | 101,821 |
| Non-Collateralized Investment Contracts | 145,360 | 44,515 | 99,460 | -- | 1,385 |
| Bonded Program Investments | 393,015 | 149,191 | 138,464 | 1,731 | 103,629 |

## 4. Cash, Cash Equivalents and Investments (concluded)

Interest Rate Risk: Investment maturities will coincide with the anticipated debt service payment dates and cash flow obligations associated with the life of the bonds. Market conditions, rates of return, interest rate spreads within and across asset classes, and other factors will influence maturity selection for all funds in excess of those required to meet the projected cash flow obligations. No investment will mature after the final bond maturity of the issue.

Credit Risk: It is the Authority's policy to allow investments of the HORB and HRB Bonded Programs which are acceptable to each rating agency currently rating the General Resolution.

Concentration of Credit Risk: The investment policy allows investments as outlined in the applicable general resolution. As of December 31, 2004, the bonded portfolios were in compliance with this requirement.

Foreign Currency Risk: It is the Authority's policy to allow transactions traded in currencies acceptable to each rating agency currently rating the General Resolution.

The Authority's Finance Committee approved the use of a security-lending program with the trust department of a bank acting as an agent. As of December 31, 2004, the Authority had $64,075,000 of securities on loan to broker-dealers for a fee. The transactions are categorized consistently with GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions".

Security lending transactions involve the lending of securities to broker-dealers and other financial institutions for collateral, in the form of cash or securities, with the simultaneous agreement to return the collateral for the same securities in the future. The securities custodian is an agent in lending the domestic and international securities for collateral of 102% and 105%, respectively, of the loaned securities' market value. The lending agent in accordance with contractual investment guidelines, which are designed to insure the safety of principal and obtain a moderate rate of return, reinvests the collateral. The investment guidelines include very high credit quality standards and also allow for a portion of the collateral investments to be invested with short-term securities. The Authority has the following types of securities on loan: U.S. agency securities, U.S. government securities and corporate notes. The Authority has received the following types of collateral for the securities lent: cash, government securities or irrevocable letters of credit. As of December 31, 2004, the fair value of the investment securities loaned was $64,075,000 and the fair value of the collateral received was $64,827,000. The Authority may request the bank to terminate any loan of securities for any reason at any time.

As of December 31, 2004, no credit risk exposure to borrowers existed because the amounts owed the borrowers exceeded the amounts the borrowers owed. The contract with the lending agent states that in the event that a borrower fails to return the lent security, the bank will indemnify the Authority for the following amounts: a) The difference between the closing market value of security on the date it should have been returned to the account and the cash collateral substituted for the lent securities, or b) In the case of collateral received in kind, the difference between the closing market value of the security on the date it should have been returned to the account and the closing market value of the collateral in kind on the same date.

The Authority assumes all risk of loss arising out of collateral investment loss and any resulting collateral deficiencies. The bank expressly assumes the risk of loss arising from negligent or fraudulent operation of its securities lending program. The bank operates the securities lending program as a business trust investment pool with open and matched components. In the matched portion of the investment pool, the maturities of the securities lent and collateral are the same. The open portions of the pool maintain a weighted average maturity of the portfolio at approximately 15 days, with a range from 1 day to 25 days. The open portions of the pool generally have a 15-day mismatch between the portfolio coverage maturity and the open loans. As of December 31, 2004, approximately 69% of the securities lent were in the matched portion and approximately 31% in the open portion of the investment pool. No restrictions on the amount of the loans exist or can be made. The earnings generated from the securities lending program is reported as other income. During the six months ended December 31, 2004 the Authority received $32,000 of income related to security lending transactions.

Portions of cash, cash equivalents and investments are restricted and pledged to the payment of the principal, interest and sinking fund installments in accordance with the terms of the bond resolutions and note agreements.

The asset restrictions at December 31, 2004, June 30, 2004 and 2003 are as follows (in thousands of dollars):

| | 12/31/04 (unaudited) | 06/30/04 | 06/30/03 |
|---|---|---|---|
| Home Ownership Revenue Bond Resolutions: | | | |
| 1987 | 8,941 | 9,263 | 7,222 |
| 1988 | 16,559 | 12,781 | 13,726 |
| All Other | 89,076 | 217,773 | 268,520 |
| Housing Revenue Bonds | 20,524 | 20,524 | 21,413 |
| Total Cash, Cash Equivalents and Investments | 135,100 | 260,341 | 310,881 |

Cash, cash equivalents and investments of the funds at December 31, 2004, June 30, 2004 and 2003 met or exceeded the liquidity requirements of the bond resolutions and note agreements.

## 5. Mortgage Loans

Mortgage loans provide for monthly receipts of principal and interest for terms of 15 to 30 years for Home Ownership Revenue Bond mortgage loans; terms of one to 40 years for Housing Revenue Bond mortgage loans; terms of one to 15 years for State of Wisconsin Programs' mortgage loans; and terms of one to 40 years for the General Fund's mortgage loans.

Home Ownership Revenue Bonds and Housing Revenue Bonds are collateralized by first mortgage liens. State of Wisconsin Programs are collateralized by second mortgage liens and the General Fund is collateralized primarily by first or second mortgage liens on multifamily developments and single family homes. Also, the General Fund loans include Business Development loans, which are collateralized by security interest and Letters of Credit on the projects.

Mortgages made from the proceeds from Home Ownership Revenue Bonds are insured by mortgage pool insurance. Once the bonds retire, mortgages may become self-insured or mortgage pool insurance is retained.

Mortgage loans receivable bear interest at the following annual rates:

| | |
|---|---|
| Home Ownership Revenue Bonds | 0% - 15.00% |
| Housing Revenue Bonds | 0% - 13.91% |
| State of Wisconsin Programs | 2% - 8.75% |
| General Fund | 0% - 13.75% |

Mortgage loan information at December 31, 2004, June 30, 2004 and 2003 is as follows (in thousands of dollars):

| | Mortgage Loan Balances | Allowance for Loan Losses | Unamortized Loan Origination Costs/(Income) | Real Estate Held | Net Mortgage Loan Balances |
|---|---|---|---|---|---|
| Home Ownership Revenue Bond Resolutions: | | | | | |
| 1987 | 499,047 | (199) | 5,080 | 441 | 504,369 |
| 1988 | 709,288 | (370) | 7,472 | 228 | 716,618 |
| All Other | 59,177 | (103) | 734 | -- | 59,808 |
| Housing Revenue Bonds | 470,994 | (7,030) | -- | -- | 463,964 |
| State of Wisconsin Programs | 5,824 | (92) | -- | 9 | 5,741 |
| General Fund | 126,493 | (1,455) | (1,101) | 17 | 123,954 |
| Subsidiaries | 16,630 | (222) | -- | -- | 16,408 |
| Total as of December 31, 2004 | 1,887,453 | (9,471) | 12,185 | 695 | 1,890,862 |
| Home Ownership Revenue Bond Resolutions: | | | | | |
| 1987 | 521,851 | (199) | 5,592 | 552 | 527,796 |
| 1988 | 540,333 | (371) | 6,072 | 609 | 546,643 |
| All Other | 67,119 | (103) | 873 | 93 | 67,982 |
| Housing Revenue Bonds | 478,092 | (7,032) | -- | -- | 471,060 |
| State of Wisconsin Programs | 4,916 | (46) | -- | -- | 4,870 |
| General Fund | 123,796 | (1,435) | (1,040) | 17 | 121,338 |
| Subsidiaries | 5,900 | (222) | -- | -- | 5,678 |
| Total as of June 30, 2004 | 1,742,007 | (9,408) | 11,497 | 1,271 | 1,745,367 |
| Home Ownership Revenue Bond Resolutions: | | | | | |
| 1987 | 373,045 | (213) | 4,026 | 257 | 377,115 |
| 1988 | 592,018 | (415) | 6,511 | 371 | 598,485 |
| All Other | 123,422 | (77) | 1,247 | 232 | 124,824 |
| Housing Revenue Bonds | 481,684 | (6,690) | -- | -- | 474,994 |
| State of Wisconsin Programs | 4,079 | (42) | -- | -- | 4,037 |
| General Fund | 107,430 | (1,016) | (890) | 10 | 105,534 |
| Subsidiaries | 6,353 | (12) | -- | -- | 6,341 |
| Total as of June 30, 2003 | 1,688,031 | (8,465) | 10,894 | 870 | 1,691,330 |

## 5. Mortgage Loans (continued)

Activity in the allowance for loan losses included provisions charged to expense of $68,239, $1,093,501 and $683,281 and actual loan charge offs of $3,796, $151,860 and $321,542 for the periods ending December 31, 2004, June 30, 2004 and 2003, respectively.

At December 31, 2004, the Authority was committed to fund mortgage loans approximating the following amounts:

| | |
|---|---|
| Home Ownership Revenue Bonds | $ 33.4 million |
| Housing Revenue Bonds | $ 2.8 million |
| State of Wisconsin Programs | $ 4.2 million |
| General Fund | $ 13.8 million |

## 6. Bonds and Notes Payable

Bonds and notes payable, at December 31, 2004, June 30, 2004 and 2003, of the Authority consist of the following (in thousands of dollars):

| | 12/31/04 (unaudited) | 6/30/04 | 6/30/03 |
|---|---|---|---|
| General obligation bonds and notes | 1,835,246 | 1,704,757 | 1,696,226 |
| Special and subordinated obligation bonds | 122,910 | 260,088 | 379,695 |
| Less: Deferred amount on refunding | (5,679) | (6,085) | (6,246) |
| Total Bonds and Notes Payable | 1,952,477 | 1,958,760 | 2,069,675 |

Interest on the outstanding general and special obligation bonds is payable monthly, quarterly or semiannually.

The Authority's general obligation bonds and notes are collateralized by the revenues and assets of the Authority, subject to the provision of bond resolutions and note agreements which pledge particular revenues or assets to specific bonds or notes. Any particular series may contain both term bonds, subject to mandatory sinking fund requirements, and serial bonds which mature at various dates. The bonds may be redeemed at the Authority's option at various dates at prices ranging from 100% to 103% of par value. The lines of credit can be prepaid in part or in full at any time.

General Obligation Bonds and Notes Payable (in thousands of dollars):

| Program/Bond Resolution | | Interest Rates* | Dated** | Maturities* | 12/31/04 (unaudited) | 6/30/04 | 6/30/03 |
|---|---|---|---|---|---|---|---|
| Housing Revenue Bonds | | | | | | | |
| 1974 | 1992 Series A | 6.850% | 01/01/92 | 2011-2013 | 3,370 | 3,370 | 9,670 |
| | 1993 Series A and B | 5.100% - 5.650% | 10/01/93 | 2005-2023 | 40,650 | 43,690 | 52,670 |
| | 1993 Series C | 5.300% - 5.875% | 12/01/93 | 2005-2019 | 87,685 | 96,040 | 104,130 |
| | 1995 Series A and B | 5.450% - 6.500% | 07/01/95 | 2005-2026 | 34,820 | 36,730 | 40,720 |
| | 1998 Series A, B and C | 4.400% - 6.880% | 02/01/98 | 2005-2032 | 34,610 | 35,170 | 36,140 |
| | 1999 Series A and B | 4.900% - 6.180% | 10/01/99 | 2005-2031 | 36,140 | 37,960 | 39,055 |
| | 2000 Series A and B | Variable | 09/19/00 | 2005-2032 | 10,285 | 10,440 | 10,585 |
| | 2002 Series A, B and C | 3.600% - 5.600% | 05/21/02 | 2005-2033 | 98,715 | 105,015 | 110,135 |
| | 2002 Series D, E, F, G and I | Variable | 05/21/02 | 2005-2034 | 32,545 | 32,800 | 33,285 |
| | 2002 Series H | Variable | 05/21/02 | 2005-2033 | 25,480 | 25,520 | 25,520 |
| | 2003 Series A, B, D and E | Variable | 12/23/03 | 2005-2034 | 26,930 | 26,975 | -- |
| | 2003 Series C | 2.100% - 5.250% | 12/23/03 | 2005-2043 | 14,260 | 15,000 | -- |
| Total Housing Revenue Bonds 1974 | | | | | 445,490 | 468,710 | 461,910 |

## 6. Bonds and Notes Payable (continued)

General Obligation Bonds and Notes Payable (in thousands of dollars):

| | Program/Bond Resolution | Interest Rates* | Dated** | Maturities* | 12/31/04 (unaudited) | 6/30/04 | 6/30/03 |
|---|---|---|---|---|---|---|---|
| Home Ownership Revenue Bonds: | | | | | | | |
| 1987 | 1987 Series B and C | N/A | 08/01/87 | Paid Off | -- | -- | 555 |
| | 1994 Series A and B | N/A | 04/15/94 | Paid Off | -- | -- | 19,860 |
| | 1995 Series C, D and E | 5.650% - 6.100% | 05/15/95 | 2005-2014 | 13,450 | 16,465 | 29,100 |
| | 1995 Series F, G and H | 5.350% - 6.200% | 09/01/95 | 2005-2017 | 4,665 | 6,960 | 11,785 |
| | 1997 Series G, H and I | 4.950% - 5.550% | 11/01/97 | 2005-2028 | 13,345 | 17,110 | 33,860 |
| | 1998 Series D and E | 4.650% - 5.350% | 6/15/98 | 2005-2028 | 30,095 | 37,930 | 67,545 |
| | 2000 Series A, B and C | 5.300% - 7.780% | 03/15/00 | 2005-2030 | 14,855 | 17,770 | 25,955 |
| | 2000 Series G and H | 7.210% | 11/01/00 | 2005-2031 | 8,340 | 9,390 | 15,710 |
| | 2000 Series H | Variable | 11/30/00 | 2005-2024 | 10,935 | 12,920 | 19,500 |
| | 2002 Series A and C | 3.150% - 5.500% | 02/06/02 | 2005-2032 | 63,760 | 66,790 | 76,610 |
| | 2002 Series B, C and D | Variable | 02/06/02 | 2005-2032 | 36,390 | 39,255 | 44,425 |
| | 2002 Series I | 2.350% - 4.850% | 10/17/02 | 2005-2022 | 38,515 | 39,545 | 41,730 |
| | 2002 Series I and J | Variable | 10/17/02 | 2025-2032 | 50,390 | 51,835 | 53,250 |
| | 2003 Series B | Variable | 07/29/03 | 2005-2034 | 106,460 | 109,395 | -- |
| | 2004 Series A | 1.750% - 4.500% | 04/29/04 | 2005-2014 | 26,430 | 26,430 | -- |
| | 2004 Series A | Variable | 04/29/04 | 2022-2035 | 103,570 | 103,570 | -- |
| | 2004 Series B | Variable | 04/29/04 | 2035 | 6,295 | 6,295 | -- |
| | Total Home Ownership Revenue Bonds 1987 | | | | 527,495 | 561,660 | 439,885 |
| 1988 | 1995 Series A and B | N/A | 01/01/95 | Paid Off | -- | 100 | 10,385 |
| | 1996 Series A and B | 5.400% - 6.000% | 03/15/96 | 2005-2026 | 14,370 | 17,240 | 29,720 |
| | 1996 Series C and D | 5.600% - 6.350% | 07/01/96 | 2005-2017 | 11,040 | 14,580 | 25,555 |
| | 1996 Series E and F | 5.200% - 5.900% | 11/15/96 | 2005-2026 | 9,355 | 12,280 | 20,330 |
| | 1997 Series A, B and C | 5.300% - 6.000% | 04/01/97 | 2005-2024 | 12,555 | 17,095 | 28,975 |
| | 1997 Series D and E | 5.050% - 5.800% | 06/01/97 | 2005-2028 | 22,460 | 27,410 | 42,500 |
| | 1998 Series A, B and C | 4.750% - 5.375% | 04/15/98 | 2007-2027 | 50,060 | 62,375 | 67,355 |
| | 1999 Series A and B | 5.375% | 08/03/99 | 2005-2020 | 11,240 | 11,240 | 52,420 |
| | 1999 Series C, D and E | 4.300% - 6.170% | 04/01/99 | 2005-2029 | 24,295 | 30,120 | 52,825 |
| | 2000 Series D, E and F | 5.750% - 7.910% | 06/15/00 | 2008-2029 | 15,750 | 17,760 | 31,070 |
| | 2000 Series F | Variable | 07/18/00 | 2005-2015 | 5,370 | 6,690 | 11,645 |
| | 2001 Series A, B, and C | 4.550% - 6.400% | 05/01/01 | 2005-2032 | 26,025 | 31,330 | 62,445 |
| | 2002 Series E, G and H | 2.750% - 5.250% | 07/11/02 | 2005-2022 | 60,270 | 64,770 | 81,825 |
| | 2002 Series E and F | Variable | 07/11/02 | 2005-2032 | 62,520 | 65,275 | 69,600 |
| | 2003 Series A | 1.650% - 4.950% | 04/03/03 | 2005-2024 | 32,560 | 34,030 | 35,705 |
| | 2003 Series A | Variable | 04/03/03 | 2005-2024 | 74,235 | 74,280 | 74,295 |
| | 2003 Series C | 1.600% - 4.950% | 11/04/03 | 2005-2024 | 28,550 | 29,795 | -- |
| | 2003 Series C | Variable | 11/04/03 | 2005-2024 | 60,125 | 60,125 | -- |
| | 2003 Series D | Variable | 11/04/03 | 2005-2028 | 19,615 | 19,830 | -- |
| | 2004 Series C and D | 1.700% - 5.100% | 07/27/04 | 2005-2024 | 39,025 | -- | -- |
| | 2004 Series D | Variable | 07/27/04 | 2005-2035 | 110,975 | -- | -- |
| | 2004 Series E | Variable | 11/23/04 | 2005-2035 | 100,000 | -- | -- |
| | Total Home Ownership Revenue Bonds 1988 | | | | 790,395 | 596,325 | 696,650 |
| 1991 | 1999 Series F, G and H | 5.250% - 7.070% | 07/15/99 | 2005-2027 | 23,255 | 27,280 | 44,825 |
| | Total Home Ownership Revenue Bonds 1991 | | | | 23,255 | 27,280 | 44,825 |
| Business Development Revenue Bonds: | | | | | | | |
| | 1989 Series 3 and 28 | 4.500% - 5.200% | Various | 2005-2014 | 955 | 955 | 2,045 |
| | 1991 Series 4 and 6 | 3.750% - 5.500% | Various | 2005-2006 | 385 | 1,460 | 1,925 |
| | 1994 Series 1 and 4 | N/A | Various | Paid Off | -- | -- | 2,305 |
| | 1995 Series 1-2 and 4-9 | Variable | Various | 2005-2015 | 8,900 | 9,800 | 10,875 |
| | Total Business Development Revenue Bonds | | | | 10,240 | 12,215 | 17,150 |

## 6. Bonds and Notes Payable (continued)

General Obligation Bonds and Notes Payable (in thousands of dollars):

| Program/Bond Resolution | Interest Rates* | Dated** | Maturities* | 12/31/04 (unaudited | 6/30/04 | 6/30/03 |
|---|---|---|---|---|---|---|
| Notes Payable: | | | | | | |
| Commercial Paper – Office Building | Variable | Various | 2005 | 18,415 | 18,415 | 18,875 |
| Line of Credit – Temporary Mortgage Financing | Variable | Various | N/A | – | 9,657 | 6,501 |
| Line of Credit – WAHA, LLC | Variable | 05/31/02 | 2005 | 15,956 | 6,495 | 6,430 |
| Other | 3.750% | 01/24/01 | 2021 | 4,000 | 4,000 | 4,000 |
| Total Notes Payable | | | | 38,371 | 38,567 | 35,806 |
| Total General Obligation Bonds and Notes *** | | | | 1,835,246 | 1,704,757 | 1,696,226 |

Special Obligation Bonds are special limited obligations of the Authority and are collateralized by the assets of each bond resolution. They are payable solely from the assets and revenues pledged.

Special Obligation Bonds (in thousands of dollars):

| Program/Bond Resolution | Interest Rates* | Dated ** | Maturities* | 12/31/04 (unaudited) | 6/30/04 | 6/30/03 |
|---|---|---|---|---|---|---|
| Home Ownership Revenue Bonds: | | | | | | |
| 1992 1993 Series A | N/A | 06/01/92 | Paid Off | – | -- | 37,155 |
| 1994 Series C and D | 5.850% - 6.300% | 08/01/94 | 2005-2014 | 4,065 | 7,365 | 12,955 |
| 1998 Series F and G | 4.300% - 5.510% | 10/15/98 | 2005-2029 | 30,385 | 35,290 | 62,250 |
| Total Home Ownership Revenue Bonds 1992 | | | | 34,450 | 42,655 | 112,360 |
| Single Family Drawdown Revenue Bonds:**** | | | | | | |
| 1998 2001 Series 1 | N/A | 11/30/01 | 2004 | -- | 103,120 | 206,000 |
| 2003 Series 1 | Variable | 04/01/03 | 2006 | 88,460 | 114,313 | 61,335 |
| Total Single Family Drawdown Revenue Bonds 1998 | | | | 88,460 | 217,433 | 267,335 |
| Total Special and Subordinated Obligation Bonds | | | | 122,910 | 260,088 | 379,695 |

The commercial paper obligations are issued for terms of one to 270 days. These obligations bear interest at various rates, which ranged from 1.45%-1.95%, 1.15%-1.25% and 0.95%-1.30% at December 31, 2004, June 30, 2004 and 2003, respectively. The obligations are backed by a line of credit agreement which is renewable annually and bears interest at variable rates, based on an index defined in the agreement. The line of credit agreements used for temporary mortgage financing, one of which is renewable annually, bear interest based on the 30 day LIBOR rate. The three agreements bear interest at the rates of 2.625%, 2.890% and 2.516% at December 31, 2004.

* Interest rates and maturities are as of December 30, 2004.

** Taxable Floating Rate Bonds are dated the date of delivery.

*** In 1990 the Authority defeased $48,390,000 of Insured Mortgage Revenue Bonds and as of December 30, 2004, June 30, 2004 and 2003, the remaining outstanding defeased debt was $30,700,000, $30,700,000, and $32,070,000, respectively.

**** The Single Family Drawdown Revenue Bonds are issued for the purpose of the replacement refunding of existing bond issues to provide funds for the purchase of new single family loans. These bonds are subject to periodic conversion to long-term bonds.

## 6. Bonds and Notes Payable (continued)

The Authority has entered into various interest rate swap agreements. The agreements provide the Authority with synthetic fixed interest rates on a portion of its debt. During the term of the swap agreements, the Authority expects to effectively pay a fixed rate on the debt. In return, the counterparty pays interest based on a contractually agreed upon variable rate. The Authority will be exposed to variable rates on the outstanding bonds if the counterparty to the swap defaults, the swap is terminated or the effective interest rate, determined by the Remarketing Agent used for Bond Holder payments, increases over the variable rate index used for calculating the interest received from the counterparty. All interest rate swap agreements at December 31, 2004, June 30, 2004 and 2003 are classified as effective. The Authority does not intend to terminate these agreements prior to their maturity. The following table outlines information related to agreements in place as of December 31, 2004, June 30, 2004 and 2003 (in thousands of dollars).

| Program and Bond Issue | Notional Value at 12/31/04 | Effective Date | Swap Termination Date | Counterparty Credit Rating | Fixed Rate Paid | Variable Rate/Index Received | Swap Termination Market Value at 12/31/04 (unaudited) | 6/30/04 | 6/30/03 |
|---|---|---|---|---|---|---|---|---|---|
| HRB [1] | | | | | | | | | |
| 2002 Series H | 25,480 | 5/21/2002 | 11/1/2033 | AAA | 4.68% | 70% of 1-Month LIBOR[3] | (1,753) | (1,329) | (3,123) |
| 2003 Series D | 8,710 | 1/5/2005 | 5/1/2044 | AAA | 4.21% | 65% of 1-Month LIBOR + 25 bp[5] | (418) | (91) | -- |
| 2003 Series E | 11,805 | 1/5/2005 | 5/1/2043 | AAA | 4.05% | 63.5% of 1-Month LIBOR + 20 bp | (540) | (111) | -- |
| | | | | | | Total HRB Swap Termination Market Value | (2,711) | (1,531) | (3,123) |
| 1987 HORB [2] | | | | | | | | | |
| 2002 Series B | 16,445 | 2/6/2002 | 3/1/2020 | AAA | 5.88% | 1-Month LIBOR + 35 bp | (837) | (716) | (2,071) |
| 2002 Series C | 14,945 | 2/6/2002 | 9/1/2012 | AAA | 3.69% | 67% of 1-Month LIBOR | (624) | (570) | (1,340) |
| 2002 Series D | 5,000 | 2/6/2002 | 9/1/2006 | AAA | 2.91% | 70% of 1-Month LIBOR | (29) | (71) | (262) |
| 2002 Series I | 8,085 | 10/17/2002 | 3/1/2008 | AA+ | 2.33% | 70% of 1-Month LIBOR | (4) | (4) | (245) |
| 2002 Series I | 35,020 | 10/17/2002 | 9/1/2032 | AA+ | 4.07% | 70% of 1-Month LIBOR | (1,119) | (92) | (2,714) |
| 2002 Series J | 7,285 | 10/17/2002 | 9/1/2006 | AA+ | 3.13% | 1-Month LIBOR + 40 bp | 23 | (6) | (214) |
| 2003 Series B | 106,460 | 7/29/2003 | 9/1/2034 | AAA | 3.94% | 65% of 1-Month LIBOR + 25 bp | (2,685) | (1,202) | -- |
| 2004 Series A | 31,020 | 4/29/2004 | 9/1/2022 | AAA | 4.47% | BMA[4] + 8 bp | (1,235) | (368) | -- |
| 2004 Series A | 30,515 | 4/29/2004 | 9/1/2012 | AAA | 2.87% | 65% of 1-Month LIBOR + 25 bp | (98) | 138 | -- |
| 2004 Series A | 42,035 | 4/29/2004 | 3/1/2035 | AAA | 4.27% | 65% of 1-Month LIBOR + 25 bp | (1,886) | (964) | -- |
| | | | | | | Total 1987 HORB Swap Termination Market Value | (8,494) | (3,855) | (6,846) |

## 6. Bonds and Notes Payable (continued)

| Program and Bond Issue | Notional Value at 12/31/04 | Effective Date | Swap Termination Date | Counterparty Credit Rating | Fixed Rate Paid | Variable Rate/Index Received | Swap Termination Market Value at 12/31/04 (unaudited) | 6/30/04 | 6/30/03 |
|---|---|---|---|---|---|---|---|---|---|
| 1988 HORB | | | | | | | | | |
| 2002 Series E | 18,975 | 7/11/2002 | 3/1/2011 | AAA | 3.24% | 70% of 1-Month LIBOR | (336) | (319) | (1,168) |
| 2002 Series E | 23,890 | 7/11/2002 | 9/1/2032 | AAA | 4.67% | 70% of 1-Month LIBOR | (970) | (904) | (2,042) |
| 2002 Series F | 19,655 | 7/11/2002 | 9/1/2014 | AAA | 5.20% | 3-Month LIBOR + 40 bp | (498) | (422) | (1,746) |
| 2003 Series A | 24,940 | 4/3/2003 | 9/1/2014 | AAA | 2.98% | 65% of 1-Month LIBOR + 25 bp | 4 | 329 | (832) |
| 2003 Series A | 31,375 | 4/3/2003 | 9/1/2030 | AAA | 4.26% | 65% of 1-Month LIBOR + 25 bp | (159) | 61 | (1,287) |
| 2003 Series A | 17,920 | 4/3/2003 | 9/1/2033 | AAA | 4.17% | 65% of 1-Month LIBOR + 25 bp | (158) | 111 | (867) |
| 2003 Series C | 21,520 | 11/4/2003 | 3/1/2019 | AAA | 3.32% | 65% of 1-Month LIBOR + 25 bp | (234) | 138 | -- |
| 2003 Series C | 38,605 | 11/4/2003 | 3/1/2034 | AAA | 4.30% | 65% of 1-Month LIBOR + 25 bp | (1,219) | (660) | -- |
| 2004 Series D | 110,975 | 7/27/2004 | 9/1/2035 | AAA | 4.04% | 65% of 1-Month LIBOR + 25 bp | (4,106) | -- | -- |
| 2003 Series C | 100,000 | 7/27/2004 | 9/1/2035 | AAA | 3.99% | 65% of 1-Month LIBOR + 25 bp | (2,940) | -- | -- |
| | | | | | | Total 1988 HORB Swap Termination Market Value | (10,616) | (1,666) | (7,942) |
| | | | | | | Total Swap Termination Market Value | (21,821) | (7,052) | (17,911) |

(1) Housing Revenue Bonds
(2) Home Ownership Revenue Bonds
(3) London Interbank Offered Rate
(4) Bond Market Association
(5) basis points

On January 1, 2005, the Authority redeemed the following bonds (in thousands of dollars):

| Program/Bond Resolution | Amount Redeemed | Sources of Funds Used for Redemptions |
|---|---|---|
| 1991 Home Ownership Revenue Bonds, 1999 Series F, G, H, & I | 1,075 | Mortgage prepayments of the 1991 Home Ownership Revenue Bonds 1999 Series F, G, H, & I |
| 1992 Home Ownership Revenue Bonds, 1994 Series C & D | 545 | Mortgage prepayments of the 1992 Home Ownership Revenue Bonds 1994 Series C & D |
| 1992 Home Ownership Revenue Bonds, 1998 Series F & G | 1,785 | Mortgage prepayments of the1992 Home Ownership Revenue Bonds 1998 Series F & G |
| 1974 Housing Revenue Bonds, 1995 Series A & B | 1,685 | Mortgage prepayments of the 1974 Housing Revenue Bonds 1995 Series A & B |
| 1974 Housing Revenue Bonds, 1998 Series A, B & C | 3,945 | Mortgage prepayments of the 1974 Housing Revenue Bonds 1998 Series A, B & C |
| 1974 Housing Revenue Bonds, 1999 Series A & B | 145 | Mortgage prepayments of the |

## 6. Bonds and Notes Payable (continued)

On July 1, 2004, the Authority redeemed the following bonds (in thousands of dollars):

| Program/Bond Resolution | Amount Redeemed | Sources of Funds Used for Redemptions |
|---|---|---|
| Home Ownership Revenue Bonds, 1991 Series F, G, H & I | 1,485 | Mortgage prepayments of the Home Ownership Revenue Bonds 1991 Series F,G & H |
| Home Ownership Revenue Bonds, 1994 Series C & D | 2,150 | Mortgage prepayments and proceeds of the Home Ownership Revenue Bonds 1994 Series C |
| General Obligation Bonds, 1995 Series 4 | 120 | Mortgage proceeds of the General Obligation Bonds, 1995 Series 4 |
| Home Ownership Revenue Bonds, 1998 Series F & G | 2,975 | Mortgage prepayments and proceeds of the Home Ownership Revenue Bonds 1994 Series F & G |

On August 1, 2004, the Authority redeemed the following bonds (in thousands of dollars):

| Program/Bond Resolution | Amount Redeemed | Sources of Funds Used for Redemptions |
|---|---|---|
| Housing Revenue Bonds, 1993 Series C | 1,710 | Mortgage prepayments of the Housing Revenue Bonds 1993 Series C |
| Housing Revenue Bonds, 2002 Series A, B & C | 2,730 | Mortgage prepayments of the Housing Revenue Bonds 2002 Series C |

On July 27, 2004, the Authority issued $150,000,000 of Variable Rate Demand Home Ownership Revenue Bonds, 2004 Series C & D. The bonds, issued under the 1988 Home Ownership Revenue Bond Resolution, are general obligations of the Authority. Bonds issued under the General Resolution are rated Aa2 by Moody's and AA by S&P. The Series C & D bonds are rated VMIG1 by Moody's and A1+ by S&P.

On July 1, 2003, the Authority redeemed the following bonds (in thousands of dollars):

| Program/Bond Resolution | Amount Redeemed | Sources of Funds Used for Redemptions |
|---|---|---|
| Housing Revenue Bonds, 1993 Series A & B | 1,310 | Mortgage prepayments and proceeds of the Housing Revenue Bonds 1993 Series A |
| Housing Revenue Bonds, 2002 Series A through I | 570 | Mortgage prepayments and proceeds of the Housing Revenue Bonds 2002 Series B & G and from a portion of the 2002 Series C |
| Housing Revenue Bonds, 1992 Series A | 3,190 | Mortgage prepayments and proceeds of the Housing Revenue Bonds 1992 Series A |

On July 28, 2003, the Authority issued $110,000,000 of Variable Rate Demand Home Ownership Revenue Bonds, 2003 Series B. The bonds, issued under the 1987 Home Ownership Revenue Bond Resolution, are general obligations of the Authority. Bonds issued under the General Resolution are rated Aa2 by Moody's and AA by S&P. The Series B bonds are rated VMIG 1 by Moody's and A-1+ by S&P.

Scheduled debt maturities, not including the deferred amount on refunding of $5,679,000, in the five calendar years subsequent to December 30, 2004 and thereafter are as follows (in thousands of dollars):

| | 2005 | 2006 | 2007 | 2008 | 2009 | Thereafter |
|---|---|---|---|---|---|---|
| Home Ownership Revenue Bond Resolutions: | | | | | | |
| 1987 | 12,670 | 14,595 | 15,575 | 17,325 | 17,020 | 450,310 |
| 1988 | 18,205 | 20,465 | 20,895 | 22,730 | 22,445 | 685,655 |
| All Others | 2,020 | 2,135 | 2,240 | 2,550 | 1,615 | 47,145 |
| Single Family Drawdown Revenue Bonds | -- | -- | -- | -- | -- | 88,460 |
| Housing Revenue Bonds | 21,560 | 22,800 | 23,525 | 25,690 | 25,690 | 326,225 |
| General Fund | 37,031 | 1,235 | 1,475 | 535 | 565 | 7,770 |
| Totals | 91,486 | 61,230 | 63,710 | 68,830 | 67,335 | 1,605,565 |

## 6. Bonds and Notes Payable (concluded)

During the year ended December 31, 2004, June 30, 2004 and 2003 the Authority redeemed various outstanding bonds early according to the redemption provisions in the bond resolutions. None of these redemptions resulted in extraordinary losses due to the write-off of remaining unamortized deferred debt financing costs. A summary of all early redemptions follows (in thousands of dollars):

| | Redemptions | | |
|---|---|---|---|
| | 12/31/04 (unaudited) | 6/30/04 | 6/30/03 |
| Home Ownership Revenue Bonds Resolutions: | | | |
| 1987 | 28,295 | 112,655 | 152,630 |
| 1988 | 46,670 | 193,775 | 277,300 |
| All Other | 176,648 | 291,835 | 223,230 |
| Housing Revenue Bonds | 6,255 | 18,060 | 105,425 |
| General Funds | 740 | 2,755 | 175 |
| Total | 258,608 | 619,080 | 758,760 |

## 7. Fund Equity Restrictions

Programs that are financed by the issuance of bonds are accounted for separately in accordance with each of the bond resolutions. Program assets and revenues are pledged to bondholders. As of December 31, 2004, June 30, 2004 and 2003, approximately $228 million, $220 million and $208 million respectively, of the fund equity was restricted by bond resolutions. Revenues in excess of required amounts are available to be transferred to the General Fund.

Amounts transferred to the General Fund from the bond resolutions are free and clear of any lien or pledge created by the bond resolutions and may be used for any lawful purpose. As of December 31, 2004, June 30, 2004, and 2003, approximately $166.5 million, $160.2 million and $155.6 million respectively, of the fund equity was restricted by contractual agreement for various purposes including credit enhancements, loan programs, operating expenses, collateral for note agreements, and property replacement.

## 8. Retirement Benefits

All eligible Authority employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer defined benefit public employee retirement system ("PERS"). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees are required by statute to contribute 5.8% of their salary to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Authority employees covered by the System for the six months ended December 31, 2004 was $4,542,000; the Authority's total payroll for the six months ended December 31, 2004 was $4,566,000. The total required contribution for the six months ended December 31, 2004 was $531,437 or 11.7% of covered payroll from July 1, 2004 through December 31, 2004, all of which was contributed by the Authority. Total contributions for the years ended June 30, 2004 and 2003, were $1,053,000 and $1,105,000 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive a retirement benefit. Employees may retire at age 55 and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% of final average earnings for each year of creditable service. Final average earnings is the average of the employees' three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for, and the amount of all benefits, is determined under Chapter 40 of the State Statutes. The System issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, Wisconsin 53707-7931.

**WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY**

**Supplementary Information**

**December 31, 2004 with comparative totals for December 31, 2003 (unaudited)**
**June 30, 2004 with comparative totals for June 30, 2003**

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

## Consolidated Combining Balance Sheets
## December 31, 2004 (unaudited)
## with comparative totals for December 31, 2003
(Thousands of Dollars)

## Assets

| | Home Ownership Revenue Bonds | Housing Revenue Bonds | State of Wisconsin Programs | General Fund | Subsidiaries | Eliminations | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|
| Current Assets: | | | | | | | | |
| Cash and cash equivalents (Notes 2 & 4) | 88,745 | 16,101 | 3,875 | 32,637 | 2,449 | - | 143,807 | 203,193 |
| Investments (Notes 2 & 4) | 93,387 | 55,986 | 1,208 | 10,773 | - | - | 161,354 | 184,946 |
| Restricted Investments | - | - | - | 1,753 | - | - | 1,753 | - |
| Investment interest receivable | 1,556 | 450 | 87 | 1,051 | - | - | 3,144 | 5,218 |
| Mortgage loans receivable, net (Notes 2 & 5) | 21,622 | 15,299 | 659 | 4,522 | 198 | - | 42,300 | 36,356 |
| Mortgage interest receivable (Note 5) | 9,552 | 1,600 | 422 | 909 | 93 | - | 12,576 | 12,255 |
| Deferred debt financing costs, net (Note 2) | 1,839 | 293 | - | - | - | - | 2,132 | 2,542 |
| Accounts receivable | 23 | 16 | 72 | 1,867 | 4 | (419) | 1,563 | 1,178 |
| Prepaid expense | 120 | 29 | - | 77 | - | - | 226 | 299 |
| Interfunds | (7,989) | 5,128 | (304) | 3,326 | (161) | - | - | - |
| Total Current Assets | 208,855 | 94,902 | 6,019 | 56,915 | 2,583 | (419) | 368,855 | 445,987 |
| Noncurrent Assets: | | | | | | | | |
| Investments (Notes 2 & 4) | 116,345 | 23,619 | 11,919 | 79,630 | - | - | 231,513 | 409,776 |
| Mortgage loans receivable, net (Notes 2 & 5) | 1,259,173 | 448,665 | 5,082 | 119,432 | 16,210 | - | 1,848,562 | 1,641,633 |
| Deferred debt financing costs, net (Note 2) | 8,731 | 3,156 | - | - | - | - | 11,887 | 11,050 |
| Other assets (Note 2) | - | (6,225) | - | 45,197 | - | (17,656) | 21,316 | 22,119 |
| Total Noncurrent Assets | 1,384,249 | 469,215 | 17,001 | 244,259 | 16,210 | (17,656) | 2,113,278 | 2,084,578 |
| Total Assets | 1,593,104 | 564,117 | 23,020 | 301,174 | 18,793 | (18,075) | 2,482,133 | 2,530,565 |

## Liabilities

| | Home Ownership Revenue Bonds | Housing Revenue Bonds | State of Wisconsin Programs | General Fund | Subsidiaries | Eliminations | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|
| Current Liabilities: | | | | | | | | |
| Bonds and notes payable (Note 6) | 32,464 | 21,240 | - | 37,031 | - | - | 90,735 | 243,266 |
| Accrued interest payable | 19,793 | 3,434 | - | 117 | 54 | (54) | 23,344 | 23,354 |
| Total Current Liabilities | 52,257 | 24,674 | - | 37,148 | 54 | (54) | 114,079 | 266,620 |
| Noncurrent Liabilities: | | | | | | | | |
| Bonds and notes payable (Note 6) | 1,428,455 | 421,707 | - | 11,580 | 16,106 | (16,106) | 1,861,742 | 1,764,545 |
| Escrow deposits (Notes 2 & 4) | - | - | (6) | 80,458 | - | - | 80,452 | 84,551 |
| Other liabilities | 20,544 | 3,050 | 7,960 | 10,966 | 227 | (227) | 42,520 | 41,585 |
| Total Noncurrent Liabilities | 1,448,999 | 424,757 | 7,954 | 103,004 | 16,333 | (16,333) | 1,984,714 | 1,890,681 |
| Total Liabilities | 1,501,256 | 449,431 | 7,954 | 140,152 | 16,387 | (16,387) | 2,098,793 | 2,157,301 |

## Fund Equity

| | Home Ownership Revenue Bonds | Housing Revenue Bonds | State of Wisconsin Programs | General Fund | Subsidiaries | Eliminations | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|
| Accumulated other comprehensive income (loss) (Note 6) | (19,110) | (2,711) | - | - | - | - | (21,821) | (11,877) |
| Invested in capital assets (net) | - | - | - | 649 | - | - | 649 | 1,111 |
| Restricted by bond resolutions (Note 7) | 110,958 | 117,397 | - | - | - | - | 228,355 | 213,597 |
| Restricted by contractual agreement (Note 7) | - | - | 15,066 | 150,764 | 2,406 | (1,688) | 166,548 | 164,369 |
| Unrestricted (Note 7) | - | - | - | 9,609 | - | - | 9,609 | 6,064 |
| Total Fund Equity | 91,848 | 114,686 | 15,066 | 161,022 | 2,406 | (1,688) | 383,340 | 373,264 |
| Total Liabilities, Contingencies and Fund Equity | 1,593,104 | 564,117 | 23,020 | 301,174 | 18,793 | (18,075) | 2,482,133 | 2,530,565 |

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

## Consolidated Combining Balance Sheets
## June 30, 2004
## with comparative totals for June 30, 2003
**(Thousands of Dollars)**

## Assets

| | Home Ownership Revenue Bonds | Housing Revenue Bonds | State of Wisconsin Programs | General Fund | Subsidiaries | Eliminations | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|
| Current Assets: | | | | | | | | |
| Cash and cash equivalents (Notes 2 & 4) | 82,292 | 19,823 | 3,377 | 30,572 | 2,677 | - | 138,741 | 154,353 |
| Investments (Notes 2 & 4) | 199,802 | 41,881 | 1,470 | 22,791 | - | - | 265,944 | 102,062 |
| Investment interest receivable | 1,576 | 528 | 102 | 1,196 | - | - | 3,402 | 5,602 |
| Mortgage loans receivable, net (Notes 2 & 5) | 19,449 | 14,954 | 234 | 3,233 | - | - | 37,870 | 42,847 |
| Mortgage interest receivable (Note 5) | 9,231 | 1,881 | 449 | 487 | 37 | - | 12,085 | 12,407 |
| Deferred debt financing costs, net (Note 2) | 2,016 | 309 | - | - | - | - | 2,325 | 2,364 |
| Accounts receivable | 454 | 15 | 63 | 2,068 | 4 | (208) | 2,396 | 1,224 |
| Prepaid expense | 152 | 29 | - | 15 | - | - | 196 | 281 |
| Interfunds | (7,460) | 2,169 | (402) | 5,693 | - | - | - | - |
| Total Current Assets | 307,512 | 81,589 | 5,293 | 66,055 | 2,718 | (208) | 462,959 | 321,140 |
| Noncurrent Assets: | | | | | | | | |
| Investments (Notes 2 & 4) | 130,220 | 47,071 | 12,503 | 89,426 | - | - | 279,220 | 583,389 |
| Mortgage loans receivable, net (Notes 2 & 5) | 1,122,972 | 456,106 | 4,636 | 118,105 | 5,678 | - | 1,707,497 | 1,648,483 |
| Deferred debt financing costs, net (Note 2) | 7,663 | 3,342 | - | - | - | - | 11,005 | 10,938 |
| Other assets (Note 2) | - | (5,897) | - | 35,796 | - | (8,185) | 21,714 | 22,871 |
| Total Noncurrent Assets | 1,260,855 | 500,622 | 17,139 | 243,327 | 5,678 | (8,185) | 2,019,436 | 2,265,681 |
| Total Assets | 1,568,367 | 582,211 | 22,432 | 309,382 | 8,396 | (8,393) | 2,482,395 | 2,586,821 |
| **Liabilities** | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Bonds and notes payable (Note 6) | 133,013 | 20,722 | - | 36,277 | - | - | 190,012 | 77,877 |
| Accrued interest payable | 18,237 | 3,594 | - | 147 | 19 | (19) | 21,978 | 26,547 |
| Total Current Liabilities | 151,250 | 24,316 | - | 36,424 | 19 | (19) | 211,990 | 104,424 |
| Noncurrent Liabilities: | | | | | | | | |
| Bonds and notes payable (Note 6) | 1,308,966 | 445,277 | - | 14,505 | 6,645 | (6,645) | 1,768,748 | 1,991,798 |
| Escrow deposits (Notes 2 & 4) | - | - | (5) | 87,870 | - | - | 87,865 | 94,329 |
| Other liabilities | 6,079 | 1,777 | 7,490 | 15,950 | 44 | (41) | 31,299 | 37,905 |
| Total Noncurrent Liabilities | 1,315,045 | 447,054 | 7,485 | 118,325 | 6,689 | (6,686) | 1,887,912 | 2,124,032 |
| Total Liabilities | 1,466,295 | 471,370 | 7,485 | 154,749 | 6,708 | (6,705) | 2,099,902 | 2,228,456 |
| **Fund Equity** | | | | | | | | |
| Accumulated other comprehensive income (loss) (Note 6) | (5,521) | (1,531) | - | - | - | - | (7,052) | (17,911) |
| Invested in capital assets (net) | - | - | - | 1,180 | - | - | 1,180 | 1,833 |
| Restricted by bond resolutions (Note 7) | 107,593 | 112,372 | - | - | - | - | 219,965 | 208,402 |
| Restricted by contractual agreement (Note 7) | - | - | 14,947 | 145,274 | 1,688 | (1,688) | 160,221 | 155,585 |
| Unrestricted (Note 7) | - | - | - | 8,179 | - | - | 8,179 | 10,456 |
| Total Fund Equity | 102,072 | 110,841 | 14,947 | 154,633 | 1,688 | (1,688) | 382,493 | 358,365 |
| Total Liabilities, Contingencies and Fund Equity | 1,568,367 | 582,211 | 22,432 | 309,382 | 8,396 | (8,393) | 2,482,395 | 2,586,821 |

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

## Consolidated Combining Statements of Income and Expenses And Changes in Fund Equity For the Six Months Ended December 31, 2004 (unaudited) with comparative totals for the Six Months ended December 31, 2003

(Thousands of Dollars)

| | Home Ownership Revenue Bonds | Housing Revenue Bonds | State of Wisconsin Programs | General Fund | Subsidiaries | Eliminations | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|
| Mortgage income | 34,616 | 16,404 | 219 | 3,822 | 885 | - | 55,946 | 53,630 |
| Investment interest (Notes 2 & 4) | 5,140 | 3,007 | 283 | 1,205 | 18 | - | 9,653 | 12,858 |
| Net increase (decrease) in fair value of investments (Note 2) | (72) | 192 | 40 | 236 | - | - | 396 | (3,307) |
| Interest expense and debt financing cost (Notes 2 & 4) | (32,767) | (12,767) | - | (525) | (212) | 212 | (46,059) | (47,146) |
| Net Investment Income | 6,917 | 6,836 | 542 | 4,738 | 691 | 212 | 19,936 | 16,035 |
| Mortgage service fees | - | 690 | - | 1,122 | 51 | (19) | 1,844 | 1,774 |
| Pass-through subsidy revenue | - | 24,629 | - | 40,192 | - | - | 64,821 | 63,461 |
| Other income-net (Note 2) | 4 | 243 | 52 | 5,799 | 23 | (222) | 5,899 | 6,548 |
| Net Investment and Other Income | 6,921 | 32,398 | 594 | 51,851 | 765 | (29) | 92,500 | 87,818 |
| Direct loan program expense | 2,365 | 555 | 65 | 455 | 19 | (19) | 3,440 | 3,682 |
| Pass-through subsidy expense | - | 24,629 | - | 40,192 | - | - | 64,821 | 63,461 |
| Grants and services | - | - | - | 756 | - | - | 756 | 945 |
| General and administrative expense | 2,191 | 965 | 409 | 4,284 | 28 | (10) | 7,867 | 10,866 |
| Total Expenses | 4,556 | 26,149 | 474 | 45,687 | 47 | (29) | 76,884 | 78,954 |
| Net Income (Loss) | 2,365 | 6,249 | 120 | 6,164 | 718 | - | 15,616 | 8,864 |
| Other Comprehensive Income (Loss) | | | | | | | | |
| Net increase (decrease) in fair value of interest rate swap agreements (unrealized) (Note 6) | (13,589) | (1,180) | - | - | - | - | (14,769) | 6,035 |
| Total Comprehensive Income | (11,224) | 5,069 | 120 | 6,164 | 718 | - | 847 | 14,899 |
| Fund Equity, Beginning of Year | 102,072 | 110,841 | 14,947 | 154,633 | 1,688 | (1,688) | 382,493 | 358,365 |
| Transfers between programs (Note 7) | 1,000 | (1,224) | (1) | 225 | - | - | - | - |
| Fund Equity, End of Year | 91,848 | 114,686 | 15,066 | 161,022 | 2,406 | (1,688) | 383,340 | 373,264 |

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

## Consolidated Combining Statements of Income and Expenses And Changes in Fund Equity For the Year Ended June 30, 2004 with comparative totals for the year ended June 30, 2003

(Thousands of Dollars)

| | Home Ownership Revenue Bonds | Housing Revenue Bonds | State of Wisconsin Programs | General Fund | Subsidiaries | Eliminations | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|
| Mortgage income | 64,840 | 33,481 | 350 | 6,465 | 211 | - | 105,347 | 122,239 |
| Investment interest (Notes 2 & 4) | 12,895 | 6,225 | 513 | 2,758 | 24 | - | 22,415 | 29,643 |
| Net increase (decrease) in fair value of investments (Note 2) | (1,713) | (743) | (348) | (4,446) | - | - | (7,250) | 2,420 |
| Interest expense and debt financing cost (Notes 2 & 4) | (65,313) | (26,648) | - | 1,543 | (256) | 256 | (90,418) | (114,996) |
| Net Investment Income | 10,709 | 12,315 | 515 | 6,320 | (21) | 256 | 30,094 | 39,306 |
| Mortgage service fees | - | 1,448 | 14 | 1,968 | 55 | (28) | 3,457 | 3,521 |
| Pass-through subsidy revenue | - | 51,822 | - | 76,902 | - | - | 128,724 | 129,210 |
| Other income-net (Note 2) | 8 | 121 | 127 | 10,450 | - | (219) | 10,487 | 7,830 |
| Net Investment and Other Income | 10,717 | 65,706 | 656 | 95,640 | 34 | 9 | 172,762 | 179,867 |
| Direct loan program expense | 4,195 | 1,718 | 39 | 1,089 | 238 | (28) | 7,251 | 7,775 |
| Pass-through subsidy expense | - | 51,822 | - | 76,902 | - | - | 128,724 | 129,210 |
| Grants and services | - | - | - | 3,996 | - | - | 3,996 | 4,595 |
| General and administrative expense | 5,242 | 2,381 | 842 | 11,003 | 74 | (20) | 19,522 | 15,209 |
| Total Expenses | 9,437 | 55,921 | 881 | 92,990 | 312 | (48) | 159,493 | 156,789 |
| Net Income (Loss) | 1,280 | 9,785 | (225) | 2,650 | (278) | 57 | 13,269 | 23,078 |
| Other Comprehensive Income (Loss) | | | | | | | | |
| Net increase (decrease) in fair value of interest rate swap agreements (unrealized) (Note 6) | 9,268 | 1,591 | - | - | - | - | 10,859 | (15,802) |
| Total Comprehensive Income | 10,548 | 11,376 | (225) | 2,650 | (278) | 57 | 24,128 | 7,276 |
| Fund Equity, Beginning of Year as previously reported | 89,232 | 101,259 | 15,172 | 144,134 | 8,568 | - | 358,365 | 351,089 |
| Reclassification of Fund Equity, Beginning of Year | - | - | - | 8,347 | (6,602) | (1,745) | - | - |
| Fund Equity, Beginning of Year as restated | 89,232 | 101,259 | 15,172 | 152,481 | 1,966 | (1,745) | 358,365 | 351,089 |
| Transfers between programs (Note 7) | 2,292 | (1,794) | - | (498) | - | - | - | - |
| Fund Equity, End of Year | 102,072 | 110,841 | 14,947 | 154,633 | 1,688 | (1,688) | 382,493 | 358,365 |

## Wisconsin Housing and Economic Development Authority

## Consolidated Combining Statements of Cash Flows
## For the Six Months Ended December 31, 2004 (unaudited)
## with comparative totals for the Six Months ended December 31, 2003

(Thousands of Dollars)

| | Home Ownership Revenue Bonds | Housing Revenue Bonds | State of Wisconsin Programs | General Fund | Subsidiaries | Eliminations | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | | | | |
| Net Income | 2,365 | 6,249 | 120 | 6,164 | 718 | - | 15,616 | 8,864 |
| Adjustments to Reconcile Net Income to Net Cash (Used in) Provided by Operating Activities: | | | | | | | | |
| Net decrease (increase) in fair value of investments | 72 | (192) | (40) | (236) | - | - | (396) | 3,307 |
| Provision for loan loss | - | - | 46 | 22 | - | - | 68 | 696 |
| Interest expense | 31,540 | 12,564 | - | 507 | 212 | (212) | 44,611 | 45,749 |
| Income on investments | (5,140) | (3,007) | (283) | (1,205) | (18) | - | (9,653) | (12,861) |
| Depreciation and amortization | 953 | 157 | - | 382 | - | - | 1,492 | 1,582 |
| Loan origination fee amortization | 1,728 | - | - | (221) | - | - | 1,507 | 864 |
| (Increase) decrease in mortgage loans receivable and real estate held | (137,623) | 7,098 | (917) | (2,909) | (10,729) | - | (145,080) | 12,926 |
| Other | (3,078) | (6,176) | 389 | (19,090) | 9,571 | 212 | (18,172) | 930 |
| Net Cash (Used in) Provided by Operating Activities | (109,183) | 16,693 | (685) | (16,586) | (246) | - | (110,007) | 62,057 |
| Cash Flows from Non-Capital Financing Activities: | | | | | | | | |
| Proceeds from issuance of bonds and notes | 286,825 | - | - | 165,904 | - | - | 452,729 | 547,012 |
| Repayments on bonds and notes | (268,123) | (23,220) | - | (168,075) | - | - | (459,418) | (609,262) |
| Interest paid on bonds, notes and escrows | (26,343) | (9,818) | - | (552) | - | - | (36,713) | (49,895) |
| Cost of bond issuance and redemption | (2,107) | - | - | - | - | - | (2,107) | (1,615) |
| Net Cash (Used in) Non-Capital Financing Activities | (9,748) | (33,038) | - | (2,723) | - | - | (45,509) | (113,760) |
| Cash Flows from Investing Activities: | | | | | | | | |
| Purchases of investments | (294,447) | (31,539) | (1,355) | (15,932) | - | - | (343,273) | (422,533) |
| Proceeds from sales and maturities of investments | 415,007 | 41,077 | 2,232 | 36,118 | - | - | 494,434 | 509,955 |
| Investment interest received | 4,824 | 3,085 | 306 | 1,468 | 18 | - | 9,701 | 13,247 |
| Net Cash Provided by Investing Activities | 125,384 | 12,623 | 1,183 | 21,654 | 18 | - | 160,862 | 100,669 |
| Cash flows Used in Capital Financing Activities: | | | | | | | | |
| Purchases of fixed assets | - | - | - | (280) | - | - | (280) | (126) |
| Sale of fixed assets | - | - | - | - | - | - | - | - |
| Net Cash (Used in) Capital Financing Activities | - | - | - | (280) | - | - | (280) | (126) |
| Net increase (decrease) in cash and cash equivalents | 6,453 | (3,722) | 498 | 2,065 | (228) | - | 5,066 | 48,840 |
| Cash and cash equivalents, beginning of year | 82,292 | 19,823 | 3,377 | 30,572 | 2,677 | - | 138,741 | 154,353 |
| Cash and Cash Equivalents, End of Year | 88,745 | 16,101 | 3,875 | 32,637 | 2,449 | - | 143,807 | 203,193 |

# Wisconsin Housing and Economic Development Authority

## Consolidated Combining Statements of Cash Flows
## For the Year Ended June 30, 2004
## with comparative totals for the year ended June 30, 2003
**(Thousands of Dollars)**

| | Home Ownership Revenue Bonds | Housing Revenue Bonds | State of Wisconsin Programs | General Fund | Subsidiaries | Eliminations | 2004 | 2003 |
|---|---|---|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | | | | |
| Net Income (loss) | 1,280 | 9,785 | (225) | 2,650 | (278) | 57 | 13,269 | 23,078 |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | | | | | |
| Net decrease (increase) in fair value of investments | 1,713 | 743 | 348 | 4,446 | - | - | 7,250 | (2,420) |
| Provision for loan loss | 27 | 424 | 3 | 429 | 210 | - | 1,093 | 683 |
| Interest expense | 63,072 | 26,217 | - | (1,598) | 256 | (256) | 87,691 | 112,378 |
| Income on investments | (12,895) | (6,225) | (513) | (2,758) | (24) | - | (22,415) | (29,643) |
| Depreciation and amortization | 2,040 | 331 | - | 742 | - | - | 3,113 | 3,118 |
| Loan origination fee amortization | 3,407 | - | - | (887) | - | - | 2,520 | 2,923 |
| (Increase) decrease in mortgage loans receivable and real estate held | (41,271) | 3,509 | (836) | (16,121) | 452 | - | (54,267) | 196,075 |
| Other | (963) | (1,236) | (881) | (5,132) | (148) | 199 | (8,161) | 4,139 |
| Net Cash Provided by (Used in) Operating Activities | 16,410 | 33,548 | (2,104) | (18,229) | 468 | - | 30,093 | 310,331 |
| Cash Flows from Non-Capital Financing Activities: | | | | | | | | |
| Proceeds from issuance of bonds and notes | 515,658 | 41,975 | - | 291,146 | - | - | 848,779 | 885,401 |
| Repayments on bonds and notes | (631,360) | (35,175) | - | (293,319) | - | - | (959,854) | (1,135,106) |
| Interest paid on bonds, notes and escrows | (66,992) | (25,942) | - | (945) | - | - | (93,879) | (118,350) |
| Cost of bond issuance and redemption | (2,395) | (383) | - | - | - | - | (2,778) | (2,694) |
| Net Cash (Used in) Non-Capital Financing Activities | (185,089) | (19,525) | - | (3,118) | - | - | (207,732) | (370,749) |
| Cash Flows from Investing Activities: | | | | | | | | |
| Purchases of investments | (525,408) | (104,456) | (10,831) | (73,298) | - | - | (713,993) | (1,104,747) |
| Proceeds from sales and maturities of investments | 660,144 | 85,481 | 11,010 | 90,733 | - | - | 847,368 | 1,124,249 |
| Investment interest received | 14,247 | 6,179 | 533 | 3,302 | 24 | - | 24,285 | 30,211 |
| Net Cash Provided by (Used in) Investing Activities | 148,983 | (12,796) | 712 | 20,737 | 24 | - | 157,660 | 49,713 |
| Cash flows Used in Capital Financing Activities: | | | | | | | | |
| Purchases of fixed assets | - | - | - | (499) | - | - | (499) | (787) |
| Sale of fixed assets | - | - | - | 4,866 | - | - | 4,866 | 1,060 |
| Net Cash Provided by Capital Financing Activities | - | - | - | 4,367 | - | - | 4,367 | 273 |
| Net (decrease) increase in cash and cash equivalents | (19,696) | 1,227 | (1,392) | 3,757 | 492 | - | (15,612) | (10,432) |
| Cash and cash equivalents, beginning of year | 101,988 | 18,596 | 4,769 | 26,815 | 2,185 | - | 154,353 | 164,785 |
| Cash and Cash Equivalents, End of Year | 82,292 | 19,823 | 3,377 | 30,572 | 2,677 | - | 138,741 | 154,353 |

## WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

### Balance Sheets - Home Ownership Mortgage Loan Program
### December 31, 2004 (unaudited)
### with comparative totals for December 31, 2003
(Thousands of Dollars)

## Assets

| | HOME OWNERSHIP REVENUE BOND RESOLUTIONS | | | | |
|---|---|---|---|---|---|
| | 1987 | 1988 | Other Home | 2004 | 2003 |
| Current Assets: | | | | | |
| Cash and cash equivalents (Notes 2 & 4) | 23,568 | 51,692 | 13,485 | 88,745 | 111,371 |
| Investments (Notes 2 & 4) | 29,716 | 54,669 | 9,002 | 93,387 | 169,120 |
| Investment interest receivable | 522 | 800 | 234 | 1,556 | 3,284 |
| Mortgage loans receivable, net (Notes 2 & 5) | 8,110 | 12,238 | 1,274 | 21,622 | 18,711 |
| Mortgage interest receivable (Note 5) | 3,832 | 5,188 | 532 | 9,552 | 9,400 |
| Deferred debt financing costs, net (Note 2) | 766 | 871 | 202 | 1,839 | 2,153 |
| Accounts receivable | 38 | (34) | 19 | 23 | 212 |
| Prepaid expense | 50 | 47 | 23 | 120 | 184 |
| Interfunds | 2,118 | 1,795 | (11,902) | (7,989) | (11,512) |
| Total Current Assets | 68,720 | 127,266 | 12,869 | 208,855 | 302,923 |
| Noncurrent Assets: | | | | | |
| Investments (Notes 2 & 4) | 5,883 | 22,002 | 88,460 | 116,345 | 225,098 |
| Mortgage loans receivable, net (Notes 2 & 5) | 496,259 | 704,380 | 58,534 | 1,259,173 | 1,072,349 |
| Deferred debt financing costs, net (Note 2) | 3,100 | 5,217 | 414 | 8,731 | 7,661 |
| Other assets (Note 2) | - | - | - | - | - |
| Total Noncurrent Assets | 505,242 | 731,599 | 147,408 | 1,384,249 | 1,305,108 |
| Total Assets | 573,962 | 858,865 | 160,277 | 1,593,104 | 1,608,031 |

## Liabilities

| | 1987 | 1988 | Other Home | 2004 | 2003 |
|---|---|---|---|---|---|
| Current Liabilities: | | | | | |
| Bonds and notes payable (Note 6) | 12,501 | 17,943 | 2,020 | 32,464 | 202,387 |
| Accrued interest payable | 7,528 | 10,879 | 1,386 | 19,793 | 19,711 |
| Total Current Liabilities | 20,029 | 28,822 | 3,406 | 52,257 | 222,098 |
| Noncurrent Liabilities: | | | | | |
| Bonds and notes payable (Note 6) | 513,960 | 770,350 | 144,145 | 1,428,455 | 1,279,741 |
| Escrow deposits (Notes 2 & 4) | - | - | - | - | - |
| Other liabilities | 8,587 | 12,006 | (49) | 20,544 | 10,751 |
| Total Noncurrent Liabilities | 522,547 | 782,356 | 144,096 | 1,448,999 | 1,290,492 |
| Total Liabilities | 542,576 | 811,178 | 147,502 | 1,501,256 | 1,512,590 |

## Fund Equity

| | 1987 | 1988 | Other Home | 2004 | 2003 |
|---|---|---|---|---|---|
| Accumulated other comprehensive income (loss) (Note 6) | (8,494) | (10,616) | - | (19,110) | (9,673) |
| Invested in capital assets (net) | - | - | - | - | - |
| Restricted by bond resolutions (Note 7) | 39,880 | 58,303 | 12,775 | 110,958 | 105,114 |
| Restricted by contractual agreement (Note 7) | - | - | - | - | - |
| Unrestricted (Note 7) | - | - | - | - | - |
| Total Fund Equity | 31,386 | 47,687 | 12,775 | 91,848 | 95,441 |
| Total Liabilities, Contingencies and Fund Equity | 573,962 | 858,865 | 160,277 | 1,593,104 | 1,608,031 |

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

## Balance Sheets - Home Ownership Mortgage Loan Program
## June 30, 2004
## with comparative totals for June 30, 2003

(Thousands of Dollars)

## Assets

| | HOME OWNERSHIP REVENUE BOND RESOLUTIONS | | | | |
|---|---|---|---|---|---|
| | 1987 | 1988 | Other Home | 2004 | 2003 |
| Current Assets: | | | | | |
| Cash and cash equivalents (Notes 2 & 4) | 23,880 | 47,195 | 11,217 | 82,292 | 101,988 |
| Investments (Notes 2 & 4) | 38,953 | 43,774 | 117,075 | 199,802 | 15,276 |
| Investment interest receivable | 610 | 638 | 328 | 1,576 | 3,325 |
| Mortgage loans receivable, net (Notes 2 & 5) | 8,196 | 9,877 | 1,376 | 19,449 | 19,098 |
| Mortgage interest receivable (Note 5) | 3,859 | 4,738 | 634 | 9,231 | 9,678 |
| Deferred debt financing costs, net (Note 2) | 801 | 967 | 248 | 2,016 | 2,044 |
| Accounts receivable | 269 | 159 | 26 | 454 | 112 |
| Prepaid expense | 59 | 74 | 19 | 152 | 243 |
| Interfunds | 1,034 | 2,169 | (10,663) | (7,460) | (6,414) |
| Total Current Assets | 77,661 | 109,591 | 120,260 | 307,512 | 145,350 |
| Noncurrent Assets: | | | | | |
| Investments (Notes 2 & 4) | 5,979 | 9,928 | 114,313 | 130,220 | 450,799 |
| Mortgage loans receivable, net (Notes 2 & 5) | 519,600 | 536,766 | 66,606 | 1,122,972 | 1,081,326 |
| Deferred debt financing costs, net (Note 2) | 3,282 | 3,891 | 490 | 7,663 | 7,560 |
| Other assets (Note 2) | - | - | - | - | - |
| Total Noncurrent Assets | 528,861 | 550,585 | 181,409 | 1,260,855 | 1,539,685 |
| Total Assets | 606,522 | 660,176 | 301,669 | 1,568,367 | 1,685,035 |

## Liabilities

| | 1987 | 1988 | Other Home | 2004 | 2003 |
|---|---|---|---|---|---|
| Current Liabilities: | | | | | |
| Bonds and notes payable (Note 6) | 10,671 | 16,847 | 105,495 | 133,013 | 33,643 |
| Accrued interest payable | 7,238 | 9,239 | 1,760 | 18,237 | 22,621 |
| Total Current Liabilities | 17,909 | 26,086 | 107,255 | 151,250 | 56,264 |
| Noncurrent Liabilities: | | | | | |
| Bonds and notes payable (Note 6) | 549,857 | 577,236 | 181,873 | 1,308,966 | 1,524,229 |
| Escrow deposits (Notes 2 & 4) | - | - | - | - | - |
| Other liabilities | 4,183 | 1,936 | (40) | 6,079 | 15,310 |
| Total Noncurrent Liabilities | 554,040 | 579,172 | 181,833 | 1,315,045 | 1,539,539 |
| Total Liabilities | 571,949 | 605,258 | 289,088 | 1,466,295 | 1,595,803 |

## Fund Equity

| | 1987 | 1988 | Other Home | 2004 | 2003 |
|---|---|---|---|---|---|
| Accumulated other comprehensive income (loss) (Note 6) | (3,855) | (1,666) | - | (5,521) | (14,788) |
| Invested in capital assets (net) | - | - | - | - | - |
| Restricted by bond resolutions (Note 7) | 38,428 | 56,584 | 12,581 | 107,593 | 104,020 |
| Restricted by contractual agreement (Note 7) | - | - | - | - | - |
| Unrestricted (Note 7) | - | - | - | - | - |
| Total Fund Equity | 34,573 | 54,918 | 12,581 | 102,072 | 89,232 |
| Total Liabilities, Contingencies and Fund Equity | 606,522 | 660,176 | 301,669 | 1,568,367 | 1,685,035 |

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

## Statements of Income and Expenses
## And Changes in Fund Equity - Home Ownership Mortgage Loan Program
## For the Six Months Ended December 31, 2004 (unaudited)
## with comparative totals for the Six Months ended December 31, 2003

**(Thousands of Dollars)**

| | HOME OWNERSHIP REVENUE BOND RESOLUTIONS | | | | |
|---|---|---|---|---|---|
| | 1987 | 1988 | Other Home | 2004 | 2003 |
| Mortgage income | 14,527 | 18,242 | 1,847 | 34,616 | 32,626 |
| Investment interest (Notes 2 & 4) | 1,216 | 2,158 | 1,766 | 5,140 | 7,983 |
| Net increase (decrease) in fair value of investments (Note 2) | (69) | (3) | - | (72) | (958) |
| Interest expense and debt financing cost (Notes 2 & 4) | (12,347) | (17,171) | (3,249) | (32,767) | (34,524) |
| Net Investment Income | 3,327 | 3,226 | 364 | 6,917 | 5,127 |
| Mortgage service fees | - | - | - | - | - |
| Pass-through subsidy revenue | - | - | - | - | - |
| Other income-net (Note 2) | 1 | 3 | - | 4 | 5 |
| Net Investment and Other Income | 3,328 | 3,229 | 364 | 6,921 | 5,132 |
| Direct loan program expense | 1,188 | 1,060 | 117 | 2,365 | 1,946 |
| Pass-through subsidy expense | - | - | - | - | - |
| Grants and services | - | - | - | - | - |
| General and administrative expense | 688 | 1,451 | 52 | 2,191 | 2,864 |
| Total Expenses | 1,876 | 2,511 | 169 | 4,556 | 4,810 |
| Net Income (Loss) | 1,452 | 718 | 195 | 2,365 | 322 |
| Other Comprehensive Income (Loss) | | | | | |
| Net increase (decrease) in fair value of interest rate swap agreements (unrealized) (Note 6) | (4,639) | (8,950) | - | (13,589) | 5,116 |
| Total Comprehensive Income | (3,187) | (8,232) | 195 | (11,224) | 5,438 |
| Fund Equity, Beginning of Year | 34,573 | 54,918 | 12,581 | 102,072 | 89,232 |
| Transfers between programs (Note 7) | - | 1,001 | (1) | 1,000 | 771 |
| Fund Equity, End of Year | 31,386 | 47,687 | 12,775 | 91,848 | 95,441 |

# WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

## Statements of Income and Expenses And Changes in Fund Equity - Home Ownership Mortgage Loan Program For the Year Ended June 30, 2004 with comparative totals for June 30, 2003

(Thousands of Dollars)

| | HOME OWNERSHIP REVENUE BOND RESOLUTIONS | | | | |
|---|---|---|---|---|---|
| | 1987 | 1988 | Other Home | 2004 | 2003 |
| Mortgage income | 25,635 | 33,757 | 5,448 | 64,840 | 80,988 |
| Investment interest (Notes 2 & 4) | 3,636 | 4,805 | 4,454 | 12,895 | 18,594 |
| Net increase (decrease) in fair value of investments (Note 2) | (1,096) | (617) | - | (1,713) | (259) |
| Interest expense and debt financing cost (Notes 2 & 4) | (23,779) | (32,492) | (9,042) | (65,313) | (84,105) |
| Net Investment Income | 4,396 | 5,453 | 860 | 10,709 | 15,218 |
| Mortgage service fees | - | - | - | - | - |
| Pass-through subsidy revenue | - | - | - | - | - |
| Other income-net (Note 2) | 6 | 2 | - | 8 | 7 |
| Net Investment and Other Income | 4,402 | 5,455 | 860 | 10,717 | 15,225 |
| Direct loan program expense | 1,686 | 2,178 | 331 | 4,195 | 4,252 |
| Pass-through subsidy expense | - | - | - | - | - |
| Grants and services | - | - | - | - | - |
| General and administrative expense | 3,034 | 2,036 | 172 | 5,242 | 3,906 |
| Total Expenses | 4,720 | 4,214 | 503 | 9,437 | 8,158 |
| Net Income (Loss) | (318) | 1,241 | 357 | 1,280 | 7,067 |
| Other Comprehensive Income (Loss) | | | | | |
| Net increase (decrease) in fair value of interest rate swap agreements (unrealized) (Note 6) | 2,990 | 6,278 | - | 9,268 | (13,654) |
| Total Comprehensive Income | 2,672 | 7,519 | 357 | 10,548 | (6,587) |
| Fund Equity, Beginning of Year as previously reported | 30,633 | 46,340 | 12,259 | 89,232 | 87,825 |
| Reclassification of Other Comprehensive (Loss) Net (decrease) in fair value of interest rate swap agreements (unrealized) (Note 6) | - | - | - | - | (1,134) |
| Fund Equity, Beginning of Year as restated | 30,633 | 46,340 | 12,259 | 89,232 | 86,691 |
| Transfers between programs (Note 7) | 1,268 | 1,059 | (35) | 2,292 | 9,128 |
| Fund Equity, End of Year | 34,573 | 54,918 | 12,581 | 102,072 | 89,232 |

## Wisconsin Housing and Economic Development Authority

### Statements of Cash Flows - Home Ownership Mortgage Loan Program
### For the Six Months Ended December 31, 2004 (unaudited)
### with comparative totals for the Six Months ended December 31, 2003
**(Thousands of Dollars)**

| | Home Ownership Revenue Bond Resolutions | | | | |
|---|---|---|---|---|---|
| | 1987 | 1988 | Other Home | 2004 | 2003 |
| Cash Flows from Operating Activities: | | | | | |
| Net Income | 1,452 | 718 | 195 | 2,365 | 322 |
| Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities: | | | | | |
| Net decrease in fair value of investments | 69 | 3 | - | 72 | 958 |
| Provision for loan loss | - | - | - | - | 27 |
| Interest expense | 11,937 | 16,476 | 3,127 | 31,540 | 33,401 |
| Income on investments | (1,216) | (2,158) | (1,766) | (5,140) | (7,986) |
| Depreciation and amortization | 398 | 433 | 122 | 953 | 981 |
| Loan origination fee amortization | 634 | 955 | 139 | 1,728 | 1,687 |
| (Increase) decrease in mortgage loans receivable and real estate held | 22,916 | (168,574) | 8,035 | (137,623) | 9,893 |
| Other | (2,313) | (2,101) | 1,336 | (3,078) | 4,532 |
| Net Cash Provided by (Used in) Operating Activities | 33,877 | (154,248) | 11,188 | (109,183) | 43,815 |
| Cash Flows from Non-Capital Financing Activities: | | | | | |
| Proceeds from issuance of bonds and notes | - | 250,000 | 36,825 | 286,825 | 345,614 |
| Repayments on bonds and notes | (34,165) | (55,930) | (178,028) | (268,123) | (421,565) |
| Interest paid on bonds, notes and escrows | (10,399) | (12,442) | (3,502) | (26,343) | (36,082) |
| Cost of bond issuance and redemption | (193) | (1,914) | - | (2,107) | (1,323) |
| Net Cash (Used in) Provided by Non-Capital Financing Activities | (44,757) | 179,714 | (144,705) | (9,748) | (113,356) |
| Cash Flows from Investing Activities: | | | | | |
| Purchases of investments | (48,098) | (211,056) | (35,293) | (294,447) | (338,226) |
| Proceeds from sales and maturities of investments | 57,666 | 188,122 | 169,219 | 415,007 | 409,166 |
| Investment interest received | 1,000 | 1,965 | 1,859 | 4,824 | 7,984 |
| Net Cash Provided by Investing Activities | 10,568 | (20,969) | 135,785 | 125,384 | 78,924 |
| Cash flows Used in Capital Financing Activities: | | | | | |
| Purchases of fixed assets | - | - | - | - | - |
| Sale of fixed assets | - | - | - | - | - |
| Net Cash Provided by (Used in) Capital Financing Activities | - | - | - | - | - |
| Net (decrease) increase in cash and cash equivalents | (312) | 4,497 | 2,268 | 6,453 | 9,383 |
| Cash and cash equivalents, beginning of year | 23,880 | 47,195 | 11,217 | 82,292 | 101,988 |
| Cash and Cash Equivalents, End of Year | 23,568 | 51,692 | 13,485 | 88,745 | 111,371 |

## Wisconsin Housing and Economic Development Authority

### Statements of Cash Flows - Home Ownership Mortgage Loan Program
### For the Year Ended June 30, 2004
### with comparative totals for the year ended June 30, 2003
(Thousands of Dollars)

| | Home Ownership Revenue Bond Resolutions | | | | |
|---|---|---|---|---|---|
| | 1987 | 1988 | Other Home | 2004 | 2003 |
| Cash Flows from Operating Activities: | | | | | |
| Net Income (loss) | (318) | 1,241 | 357 | 1,280 | 7,067 |
| Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | | |
| Net decrease in fair value of investments | 1,096 | 617 | - | 1,713 | 259 |
| Provision for loan loss | - | - | 27 | 27 | 492 |
| Interest expense | 22,997 | 31,319 | 8,756 | 63,072 | 81,896 |
| Income on investments | (3,636) | (4,805) | (4,454) | (12,895) | (18,594) |
| Depreciation and amortization | 655 | 1,090 | 295 | 2,040 | 1,937 |
| Loan origination fee amortization | 1,284 | 1,728 | 395 | 3,407 | 3,256 |
| (Increase) decrease in mortgage loans receivable and real estate held | (149,115) | 51,402 | 56,442 | (41,271) | 180,894 |
| Other | (1,254) | (705) | 996 | (963) | 8,134 |
| Net Cash Provided by (Used in) Operating Activities | (128,291) | 81,887 | 62,814 | 16,410 | 265,341 |
| Cash Flows from Non-Capital Financing Activities: | | | | | |
| Proceeds from issuance of bonds and notes | 246,295 | 110,215 | 159,148 | 515,658 | 594,432 |
| Repayments on bonds and notes | (124,520) | (210,540) | (296,300) | (631,360) | (682,825) |
| Interest paid on bonds, notes and escrows | (22,625) | (33,196) | (11,171) | (66,992) | (88,130) |
| Cost of bond issuance and redemption | (1,403) | (992) | - | (2,395) | (2,553) |
| Net Cash (Used in) Provided by Non-Capital Financing Activities | 97,747 | (134,513) | (148,323) | (185,089) | (179,076) |
| Cash Flows from Investing Activities: | | | | | |
| Purchases of investments | (165,359) | (193,215) | (166,834) | (525,408) | (873,587) |
| Proceeds from sales and maturities of investments | 180,015 | 232,182 | 247,947 | 660,144 | 811,141 |
| Investment interest received | 3,852 | 5,771 | 4,624 | 14,247 | 18,216 |
| Net Cash Provided by Investing Activities | 18,508 | 44,738 | 85,737 | 148,983 | (44,230) |
| Cash flows Used in Capital Financing Activities: | | | | | |
| Purchases of fixed assets | - | - | - | - | - |
| Sale of fixed assets | - | - | - | - | - |
| Net Cash Provided by (Used in) Capital Financing Activities | - | - | - | - | - |
| Net (decrease) increase in cash and cash equivalents | (12,036) | (7,888) | 228 | (19,696) | 42,035 |
| Cash and cash equivalents, beginning of year | 35,916 | 55,083 | 10,989 | 101,988 | 59,953 |
| Cash and Cash Equivalents, End of Year | 23,880 | 47,195 | 11,217 | 82,292 | 101,988 |

EXHIBIT B

# OUTSTANDING BONDS AND NOTES OF THE AUTHORITY

The obligations of the Authority outstanding at December 31, 2004 were as follows:

| General Resolution | Program/Series | Dated (1) | Maturities | Original Amount | Outstanding |
|---|---|---|---|---|---|
| | Housing Revenue Bonds: | | | | |
| 1974 | 1975 Series A | 11/01/75 | 1976-2017 | $ 11,180,000 | $ -- |
| | 1976 Series A | 10/01/76 | 1978-2019 | 32,975,000 | -- |
| | 1977 Series A | 04/01/77 | 1979-2020 | 29,850,000 | -- |
| | 1978 Series A | 01/01/78 | 1979-2020 | 44,890,000 | -- |
| | 1978 Series B | 12/01/78 | 1980-2010 | 58,150,000 | -- |
| | 1980 Series A | 08/01/80 | 1982-2022 | 114,000,000 | -- |
| | 1982 Series A | 03/01/82 | 1983-2014 | 76,725,000 | -- |
| | 1986 Series A&B | 09/01/86 | 1991-2017 | 3,790,000 | -- |
| | 1988 Series A&B | 02/01/88 | 1989-2018 | 11,240,000 | -- |
| | 1989 Series A,B&C | 09/01/89 | 1991-2020 | 15,150,000 | -- |
| | 1992 Series A | 01/01/92 | 1993-2012 | 72,540,000 | 3,370,000 |
| | 1992 Series B,C&D | 04/01/92 | 1995-2022 | 72,945,000 | -- |
| | 1993 Series A&B | 10/01/93 | 1994-2023 | 77,560,000 | 40,650,000 |
| | 1993 Series C | 12/01/93 | 1994-2019 | 145,875,000 | 87,685,000 |
| | 1995 Series A&B | 07/01/95 | 1996-2026 | 51,700,000 | 34,820,000 |
| | 1998 Series A,B&C | 02/01/98 | 2004-2032 | 39,895,000 | 34,610,000 |
| | 1999 Series A&B | 01/01/99 | 2000-2031 | 41,400,000 | 36,140,000 |
| | 2000 Series A&B | 09/19/00 | 2032 | 10,785,000 | 10,285,000 |
| | 2002 Series A,B,C&H | 05/21/02 | 2004-2033 | 135,655,000 | 124,195,000 |
| | 2002 Series D,E,F,G&I | 05/21/02 | 2032-2034 | 33,505,000 | 32,545,000 |
| | 2003 Series A&B | 12/23/03 | 2004-2034 | 6,460,000 | 6,415,000 |
| | 2003 Series C | 12/23/03 | 2004-2043 | 15,000,000 | 14,260,000 |
| | 2003 Series D&E | 12/23/03 | 2004-2044 | 20,515,000 | 20,515,000 |
| | | | | $ 1,121,785,000 | $ 445,490,000 |
| | Business Development Bonds: (3) | | | | |
| | 1988 Series 2-9 | VARIOUS | 1989-2008 | $ 7,690,000 | $ -- |
| | 1989 Series 1-14, 17-23, 28-29 | VARIOUS | 1990-2014 | 31,485,000 | 955,000 |
| | 1990 Series 1-4, 6 | VARIOUS | 1991-2010 | 7,700,000 | -- |
| | 1991 Series 1-6 | VARIOUS | 1992-2006 | 11,565,000 | 385,000 |
| | 1992 Series 1-2 | VARIOUS | 1993-2012 | 4,400,000 | -- |
| | 1994 Series 1-4 | VARIOUS | 1995-2014 | 10,970,000 | -- |
| | 1995 Series 1-2, 4-9 | VARIOUS | 2005-2015 | 19,220,000 | 8,900,000 |
| | | | | $ 93,030,000 | $ 10,240,000 |
| | Home Ownership Revenue Bonds: | | | | |
| 1987 | 1987 Series A | 05/01/87 | 1988-2017 | $ 44,625,000 | $ -- |
| | 1987 Series B&C | 08/01/87 | 1989-2018 | 100,000,000 | -- |
| | 1987 Series D&E | 12/01/87 | 1989-2017 | 42,000,000 | -- |
| | 1992 Series A&B | 03/01/92 | 1993-2023 | 96,285,000 | -- |
| | 1994 Series A&B | 04/15/94 | 1995-2025 | 82,645,000 | -- |
| | 1995 Series C, D&E | 05/15/95 | 1996-2026 | 100,000,000 | 13,450,000 |
| | 1995 Series F, G&H | 09/01/95 | 1997-2026 | 70,000,000 | 4,665,000 |
| | 1997 Series G, H&I | 11/01/97 | 1999-2028 | 75,000,000 | 13,345,000 |
| | 1998 Series D&E | 06/15/98 | 1999-2028 | 115,000,000 | 30,095,000 |
| | 2000 Series A, B&C | 03/15/00 | 2001-2030 | 70,000,000 | 14,855,000 |
| | 2000 Series G&H | 11/01/00 | 2002-2031 | 60,000,000 | 19,275,000 |
| | 2002 Series A, B,C&D | 02/06/02 | 2003-2032 | 135,565,000 | 100,150,000 |
| | 2002 Series I&J | 10/17/02 | 2003-2032 | 95,000,000 | 88,905,000 |
| | 2003 Series B | 07/29/03 | 2005-2034 | 110,000,000 | 106,460,000 |
| | 2004 Series A | 04/29/04 | 2005-2035 | 130,000,000 | 130,000,000 |
| | 2004 Series B | 04/29/04 | 2005-2035 | 6,295,000 | 6,295,000 |
| | | | | $ 1,332,415,000 | $ 527,495,000 |

**OUTSTANDING BONDS AND NOTES OF THE AUTHORITY** (Continued)

| General Resolution | Program/Series | Dated (1) | Maturities | Original Amount | Outstanding |
|---|---|---|---|---|---|
| | Home Ownership Revenue Bonds: (continued) | | | | |
| 1988 | 1988 Series A&B | 06/01/88 | 1990-2018 | $ 75,000,000 | $ -- |
| | 1988 Series C | 08/16/88 | 1990-2019 | 135,000,000 | -- |
| | 1988 Series D | 10/01/88 | 1991-2020 | 204,999,158 | -- |
| | 1989 Series A | 05/01/89 | 1991-2017 | 26,150,000 | -- |
| | 1989 Series B&C | 10/15/89 | 1992-2021 | 73,769,715 | -- |
| | 1990 Series A,B&C | 05/01/90 | 1991-2021 | 168,130,000 | -- |
| | 1990 Series D&E | 09/01/90 | 1992-2021 | 79,300,000 | -- |
| | 1991 Series A,B&C | 12/01/90 | 1991-2024 | 89,500,000 | -- |
| | 1992 Series 1&2 | 06/01/92 | 1993-2024 | 100,000,000 | -- |
| | 1995 Series A&B | 01/01/95 | 1996-2025 | 125,000,000 | -- |
| | 1996 Series A&B | 03/15/96 | 1997-2027 | 75,000,000 | 14,370,000 |
| | 1996 Series C&D | 07/01/96 | 1998-2027 | 75,000,000 | 11,040,000 |
| | 1996 Series E&F | 11/15/96 | 1998-2027 | 60,000,000 | 9,355,000 |
| | 1996 Series G | 12/10/96 | 1997-2030 | 83,440,000 | -- |
| | 1997 Series A,B&C | 04/01/97 | 1998-2028 | 85,000,000 | 12,555,000 |
| | 1997 Series D,E&F | 06/01/97 | 1998-2028 | 95,000,000 | 22,460,000 |
| | 1998 Series A,B&C | 04/15/98 | 2006-2028 | 126,785,000 | 50,060,000 |
| | 1999 Series A&B | 08/03/99 | 2017-2021 | 68,215,000 | 11,240,000 |
| | 1999 Series C,D&E | 04/01/99 | 2000-2029 | 90,000,000 | 24,295,000 |
| | 2000 Series D,E&F | 06/15/00 | 2002-2031 | 95,000,000 | 21,120,000 |
| | 2001 Series A,B,C&D | 05/01/01 | 2003-2032 | 94,060,000 | 26,025,000 |
| | 2002 Series E,F,G&H | 07/11/02 | 2003-2032 | 160,000,000 | 122,790,000 |
| | 2003 Series A | 04/03/03 | 2004-2033 | 110,000,000 | 106,795,000 |
| | 2003 Series C | 11/04/03 | 2004-2034 | 90,000,000 | 88,675,000 |
| | 2003 Series D | 11/04/03 | 2004-2028 | 20,215,000 | 19,615,000 |
| | 2004 Series C&D | 07/27/04 | 2005-2035 | 150,000,000 | 150,000,000 |
| | 2004 Series E | 11/23/04 | 2006-2035 | 100,000,000 | 100,000,000 |
| | | | | $ 2,654,563,873 | $ 790,395,000 |
| 1991 | 1991 Series 1,2&3 | 07/01/91 | 1993-2022 | $ 97,565,000 | $ -- |
| | 1999 Series F,G,H&I | 07/15/99 | 2001-2030 | 155,000,000 | 23,255,000 |
| | | | | $ 252,565,000 | $ 23,255,000 |
| 1992 (2) | 1993 Series A | 06/01/92 | 1994-2025 | $ 87,200,000 | $ -- |
| | 1993 Series B | 04/01/93 | 2010-2017 | 28,965,000 | -- |
| | 1994 Series C&D | 08/01/94 | 1995-2025 | 50,000,000 | 4,065,000 |
| | 1994 Series E&F | 12/01/94 | 1996-2026 | 30,000,000 | -- |
| | 1998 Series F&G | 10/15/98 | 2000-2029 | 95,000,000 | 30,385,000 |
| | | | | $ 291,165,000 | $ 34,450,000 |
| | Single Family Drawn Down Bonds (2) | | | | |
| 2003 | 2003 Series 1 | 04/01/03 | 2006 | 88,460,000 | 88,460,000 |
| | | | | $ 88,460,000 | $ 88,460,000 |
| | Notes Payable: | | | | |
| | Commercial Paper - Building | Various | 2005 | 18,415,000 | $ 18,415,000 |
| | FPC Financial | 01/24/01 | 2021 | 4,000,000 | 4,000,000 |
| | Line of Credit – WAHA, LLC | 05/31/02 | 2005 | 15,956,378 | 15,956,378 |
| | | | | $ 38,371,378 | $ 38,371,378 |
| | Total Bonds and Notes (4) | | | $ 5,872,355,251 | $ 1,958,156,378 |

(1) Capital Appreciation Bonds, Tender Option Bonds, RIBS, SAVRS and Floating Rate Bonds are dated the date of delivery.
(2) These bonds are special limited obligations of the Authority payable solely by the assets and revenues pledged. All other bonds are general obligations of the Authority.
(3) The Business Development Bond series listed carry the general obligation of the Authority. As of December 31, 2004, the Authority has also issued $82,509,257 of Economic, Agricultural and Business Development Revenue Bonds that are special, limited obligations of the Authority. The bonds are issued for industrial development projects and beginning farmers and the Authority's responsibility extends only to the issuance of the bonds. They are not considered a debt of the Authority.
(4) The Authority defeased $48,390,000 of Insured Mortgage Revenue Bonds and as of December 31, 2004, the remaining outstanding defeased debt was $30,700,000.

**EXHIBIT C**

## SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The General Resolution adopted on May 8, 1987, as amended and restated on January 18, 2002, and amended by a Supplemental Resolution on December 2, 2004 (collectively, the "General Resolution") contains various covenants and security provisions, some of which are summarized below. Whenever particular provisions of the General Resolution are referred to, such provisions are incorporated by reference as part of the statements made, and the statements made are qualified in their entirety by such reference. Reference is made to the General Resolution for a full and complete statement of its provisions.

General Resolution Constitutes Contract

The provisions of the General Resolution constitute a contract among the Authority, the Trustee, the Depository and the owners of the outstanding Bonds, and the covenants and agreements therein to be performed by or on behalf of the Authority are for the equal benefit, protection and security of the owners of any and all such Bonds.

Conditions Precedent to Delivery of an Issue of Bonds

The Trustee shall authenticate and initially deliver the Bonds (other than Refunding Bonds) to or upon the order of the Authority only upon receipt by the Trustee of:

(a) an opinion of Bond Counsel to the effect that, among other things, the Bonds are valid and binding general obligations of the Authority, subject to the provisions of resolutions heretofore or hereafter adopted pledging particular assets or revenues of the Authority to other notes or bonds, enforceable in accordance with their terms and the terms of the General Resolution, and that interest on the Bonds is exempt from federal income taxation under existing laws, regulations, rulings and judicial decisions;

(b) a written order of the Authority as to the delivery of the Bonds;

(c) certified copies of the General Resolution and Series Resolution authorizing the Bonds;

(d) the amounts necessary for deposit in the Debt Service Reserve Fund;

(e) a Cash Flow Certificate giving effect to the issuance of the Bonds; and

(f) a certificate to the effect that no Event of Default under the General Resolution nor an event which, with notice and/or the passage of time, would become an Event of Default has occurred and is continuing.

Additional Bonds shall not be issued unless the Authority shall first obtain an investment rating for such Bonds at least equal to the then existing investment rating given Bonds outstanding under the General Resolution.

Issuance of Refunding Bonds

Bonds of one or more Bond Series ("Series") may be issued to refund single family mortgage bonds previously issued by the Authority or by the State of Wisconsin ("Prior Bonds"). Any Series of Refunding Bonds may be authenticated by the Trustee and initially delivered to or upon the order of the Authority, only upon receipt by the Trustee of the documents referred to in the preceding paragraph and irrevocable instructions to the Trustee to pay when due or to redeem all the Prior Bonds on such date or dates specified in the instructions. In addition, there must be deposited with the Trustee either (a) moneys in an amount sufficient to pay the principal or Redemption Price of the Prior Bonds, together with accrued interest thereon to the maturity date or redemption date, which moneys shall be held by the Trustee in a separate account irrevocably in trust for the owners of the Prior Bonds, or (b) Governmental Obligations, the principal of and interest on which when due, together with any moneys deposited with the Trustee, will be sufficient to pay the principal or Redemption Price of the Prior Bonds, together with accrued interest. Governmental Obligations include only direct obligations of, or obligations guaranteed by, the United States that are not subject to redemption by the issuer thereof prior to their maturity.

Application of Bond Proceeds and Other Moneys

Under the General Resolution, the following funds and accounts are established:

(a) Bond Proceeds Account - held by Depository
  (i) Capitalized Interest Account

(b) General Reserve Account - held by Trustee

(c) Debt Service Fund - held by Trustee
  (i) Interest Account
  (ii) Principal Account
  (iii) Sinking Fund Account

(d) Debt Service Reserve Fund - held by Trustee

(e) Operating Fund - held by Authority

(f) Redemption Fund - held by Trustee
  (i) Special Redemption Account
  (ii) Optional Redemption Account

(g) Rebate Credit Account - held by Trustee

(h) Authority Surplus Account - held by Authority

(i) Purchase Account - held by Trustee

(j) Pool Insurance Reserve Fund - held by Trustee

(k) Special Hazard Insurance Reserve Fund - held by Trustee

(l) Special Redemption Reserve Fund - held by Trustee

(m) Excess Loan Account – held by Trustee

The Operating Fund, the Authority Surplus Account and the Rebate Credit Account are not pledged under the Resolutions.

Custody and General Application of Bond Proceeds

Under the General Resolution, the proceeds of sale of the Bonds, exclusive of accrued interest, which is paid to the Trustee for deposit in the Interest Account of the Debt Service Fund, are deposited in the Bond Proceeds Account and may be withdrawn from the Bond Proceeds Account for deposit in the Capitalized Interest Account, the Special Redemption Account or the Debt Service Reserve Fund, or to purchase Mortgage Loans or DPA Loans either directly or through a Lender. Interest or other income derived from investment of moneys in the Bond Proceeds Account (other than moneys representing the Rebate Credit Amount) may be transferred to the General Reserve Account.

Subject to the lien of the Fiduciaries for compensation and expenses, moneys deposited to the credit of the Bond Proceeds Account, including all obligations held as investments thereof (other than moneys representing the Rebate Credit Amount) are, pending their disbursement for the purposes described in the preceding paragraph, assigned and pledged for the benefit of the owners of the Bonds.

Capitalized Interest Account

The General Resolution authorizes the establishment of a Capitalized Interest Account in the Bond Proceeds Account. If so established, moneys in such Account are to be transferred to the Interest Account of the Debt Service Fund at the direction of the Authority to pay interest on the Bonds.

General Reserve Account

All Mortgage Repayments (net of service fees) and Prepayments, held or collected by the Authority or the Trustee, are required to be deposited upon receipt in the General Reserve Account. There shall also be deposited in the General Reserve Account any other moneys made available by the Authority from any other source. Monthly transfers from the General Reserve Account to the following Funds and Accounts for the following purposes (except Escrow Payments, which shall be transferred to a separate account established by the Authority and which are not Pledged Funds, and the Rebate Credit Amount, which shall be transferred to the Rebate Credit Account) are required to be made by the Trustee in the following amounts and order of priority:

(1) to the Debt Service Fund, the amount required to increase the amount in the Debt Service Fund to an amount at least equal to the Accrued Debt Service;

(2) to the Debt Service Reserve Fund, the amount, if any, needed to increase the amount therein to equal the Debt Service Reserve Fund Requirement;

(3) to the Redemption Fund for the credit of the Special Redemption Account, the amounts of any Prepayments, unless the Authority so elects to deposit such remaining Prepayments in the Bond Proceeds Account;

(4) to the Operating Fund, the amount, if any, necessary to pay Program Expenses; and

(5) to the Redemption Fund for the credit of the Special Redemption Account, the amount, if any, as shall be determined by the Authority.

If on any Bond Payment Date the moneys and investments on deposit (excluding moneys representing Escrow Payments or the Rebate Credit Amount) in the General Reserve Account, the Bond Proceeds Account, the Debt Service Fund, the Debt Service Reserve Fund and the Redemption Fund, valuing investments at their Amortized Value, interest accrued but unpaid on such obligations, plus the outstanding principal balance of Mortgage Loans and DPA Loans and accrued interest thereon, exceeds 102% of the principal amount of outstanding Bonds and accrued interest thereon, then the Authority may withdraw free and clear of any lien of the General Resolution any amount remaining in the General Reserve Account (except moneys representing Escrow Payments or the Rebate Credit Amount) (the "Excess"), which may be deposited in the Authority Surplus Account or transfer the Excess to the Excess Loan Account free and clear of the pledge created by the General Resolution and may be used for any lawful purpose of the Authority.

Debt Service Fund

The Debt Service Fund is held by the Trustee solely for the purpose of paying the principal or Redemption Price of and interest on the Bonds. The Debt Service Fund is composed of three accounts:

(i) Interest Account. Moneys in the Interest Account are required to be paid out by the Trustee for the purpose of paying interest on the Bonds when due and payable, as well as interest on Bonds to be redeemed to the extent not otherwise provided for.

(ii) Principal Account. Moneys in the Principal Account are required to be paid out by the Trustee for the purpose of paying principal of the Bonds when due and payable.

(iii) Sinking Fund Account. Moneys in the Sinking Fund Account are required to be paid out by the Trustee for the purpose of paying the Sinking Fund Installments on Bonds then subject to redemption from the Sinking Fund Installments falling due on that date.

Moneys in the Sinking Fund Account of the Debt Service Fund may be applied, at the direction of the Authority, to purchase or redeem Bonds of a given maturity at a price not in excess of the principal amount and in an amount not exceeding the next Sinking Fund Installment with respect to the same maturity, if any, due on the next principal payment date. Bonds which have been so purchased or which have been redeemed other than through the operation of the Sinking Fund may, at the option of the Authority, be credited against the required Sinking Fund Installment of Bonds of the same maturity. After all such withdrawals have been made, the balance remaining in the Debt Service Fund after each Bond Payment Date, if any (other than moneys representing the Rebate Credit Amount), shall remain on deposit in the Debt Service Fund unless transferred to the General Reserve Account at the direction of the Authority.

Debt Service Reserve Fund

Upon the delivery of each Series of Bonds, the Authority will deposit into the Authority Funds Account of the Debt Service Reserve Fund an amount, together with the amount the Trustee will deposit from the Bond Proceeds Account and the amount on deposit in the Debt Service Reserve Fund, that at least equals the Debt Service Reserve Fund Requirement calculated after giving effect to the issuance of the Bonds. If on any date on which a Debt Service Payment is due, the moneys available for such Payment in the Debt Service Fund and Redemption Fund are insufficient for that purpose, the Trustee is required to withdraw an amount equal to that insufficiency from the Debt Service Reserve Fund (first from the Bond Funds Account and then, if necessary, from the Authority Funds Account) to provide the payment. In the event the amount at any time on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Authority has covenanted, in the General Resolution, to restore the deficiency from any lawfully available funds. Money in the Debt Service Reserve Fund representing the Rebate Credit Amount shall only be withdrawn from the Debt Service Reserve Fund for deposit to the credit of the Rebate Credit Account. If, at any time, the amount in the Debt Service Reserve Fund not representing the Rebate Credit Amount is in excess of the Debt Service Reserve Fund Requirement and the use or transfer of the excess is not otherwise provided for, the Trustee shall transfer (first from the Bond Funds Account and then from the Authority Funds Account) and deposit whatever portion of such excess the Authority shall direct in writing into the General Reserve Account.

The Authority has elected under Section 234.15(6) of the Statute to not secure Bonds issued under the General Resolution with a capital reserve fund to which the legislature may appropriate moneys in amounts certified pursuant to that Section.

Operating Fund

Certain moneys withdrawn from the General Reserve Account shall be deposited by the Authority into the Operating Fund. Moneys held in the Operating Fund shall be used to pay the Program Expenses of the Authority, including the costs and expenses of the Authority in connection with the authorization, issuance, sale and delivery of Bonds, to the extent not paid out of Bond proceeds, and the fees and expenses of the Fiduciaries.

Redemption Fund

The Redemption Fund is created for the purpose of retiring Bonds prior to maturity. All excess Bond proceeds and Prepayments transferred to the Special Redemption Account of the Redemption Fund, certain other moneys in the General Reserve Account deposited in the Special Redemption Account and moneys deposited in the Optional Redemption Account of the Redemption Fund may be applied to redeem Bonds at the direction of the Authority.

If at any time moneys in the General Reserve Account are less than the amount to be transferred to the Debt Service Fund for payment of principal (or Accreted Value, as the case may be) of and interest on the Bonds, the Trustee shall make up the deficiency by the transfer, to the Debt Service Fund, of moneys then on deposit in the Optional Redemption Account of the Redemption Fund (other than moneys representing the Rebate Credit Amount or the Redemption Price of Bonds for which a notice of Redemption has been given).

Also, if on any interest or principal payment date there is a deficiency in the amount in the Debt Service Fund to be applied to the payment of interest on and principal or Redemption Price of the Bonds, the Trustee shall make up the deficiency by the transfer of available moneys from the Redemption Fund to the Debt Service Fund prior to any transfer to the Debt Service Fund from the Debt Service Reserve Fund.

Rebate Credit Account

Moneys representing the Rebate Credit Amount shall be transferred by the Trustee to the Rebate Credit Account annually in order to comply with Section 148 of the Code ("Section 148"). The Rebate Credit Amount represents any income or interest earned by, or increment to, any fund or account established pursuant to the General Resolution, due to the investment thereof, which shall be required to be paid or credited to the Borrowers (with respect to certain of the Prior Bonds) or the United States by the provisions of Section 148. If permitted by Section 148 of the Code, at such periodic intervals as the Authority shall direct, the Authority may withdraw from the Rebate Credit Account and transfer to the General Reserve Account moneys in amounts which cumulatively do not exceed an amount equal to the amount of actual losses sustained by the Authority in connection with Mortgage Loans and DPA Loans by reason of default by Borrowers (after taking into account foreclosure proceeds and the proceeds of insurance or a guaranty or pool insurance) in excess of the anticipated losses taken into account in determining the effective rate of interest on the Mortgage Loans and DPA Loans pursuant to Section 143(g) of the Code. The Rebate Credit Account is not pledged under the General Resolution to the owners of the Bonds.

Authority Surplus Account

There shall be deposited in the Authority Surplus Account such moneys, if any, as shall be withdrawn from the General Reserve Account for deposit thereto as described above under "General Reserve Account." Moneys at any time in the Authority Surplus Account may be transferred to any Fund or Account established pursuant to Article V of the General Resolution or to any account or fund established by any other general resolution of the Authority.

Purchase Account

The Purchase Account is created for the purpose of purchasing Bonds tendered for purchase by Owners of Variable Rate Demand Bonds, but only where the option to tender Variable Rate Demand Bonds to the Authority is provided for in the applicable Series Resolution.

Pool Insurance Reserve Fund

The Pool Insurance Reserve Fund is created for the purpose of holding pool insurance policies purchased by the Authority and moneys contributed by the Authority for the purpose of insuring against loss resulting or arising from an event of default under any or all Mortgage Loans financed with the proceeds of a Series of Bonds resulting from the Mortgagor's failure to make any payment required by the terms of such Mortgage Loan or from an event which is a basis for an action to foreclose such Mortgage Loan, as may be more fully described in a Series Resolution.

Special Hazard Insurance Reserve Fund

The Special Hazard Insurance Reserve Fund is created for the purpose of holding special hazard insurance policies purchased by the Authority and moneys contributed by the Authority for the purpose of protecting the Authority from (i) loss by reason of damage to properties caused by certain hazards not insured against under the Mortgagor's standard hazard insurance policy, and (ii) loss caused by reason of the application of the coinsurance clause typically contained in standard hazard policies, as may be more fully described in a Series Resolution.

Special Redemption Reserve Fund

The Special Redemption Reserve Fund is created for the purpose of holding moneys contributed by the Authority pursuant to a Series Resolution to finance any deficiencies in investment income for the payment of principal and interest, or special redemption of a particular Series of Bonds.

Excess Loan Account

The Excess Loan Account is created for making transfers to a Lender for the purpose of purchasing Mortgage Loans or DPA loans. Notwithstanding any provisions to the contrary in the General Resolution, Mortgage Loans or DPA Loans purchased with amounts on deposit in the Excess Loan Account shall be deemed "Homeownership Mortgage Loans" within the meaning of the Statute.

Redemption Procedures

Not less than 60 days before any date upon which Bonds may be redeemed at the option of the Authority, the Authority will give notice to the Trustee of the date fixed for redemption, the Series of Bonds from which Bonds are due to be redeemed and the principal amounts of the Bonds of each maturity desired to be redeemed on that date (and, in the case of Bonds for which Sinking Fund Installments have been established, the amounts to be credited towards those Installments).

If less than all of the Bonds of like maturity are to be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed will be selected by the Trustee by lot (or in such other manner as provided in a Series Resolution), not more than 90 days prior to the date fixed for redemption.

The Bonds designated for redemption will become due and payable at the applicable Redemption Price. On and after the redemption date such Bonds will cease to bear interest and will no longer be considered as outstanding under the General Resolution. If moneys sufficient to pay the Redemption Price have not been made available by the Authority to the Trustee on the redemption date, the Bonds will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Investment of Moneys

All moneys held by the Trustee, the Depository and the Authority in Funds and Accounts under the General Resolution are to be invested by written direction of the Authority in the Investment Securities referred to below. The maturity dates of these Investment Securities or the dates on which they may be redeemed at the option of the owners are to coincide as nearly as practicable with the times at which moneys in the Funds and Accounts will be required for the purposes provided in the General Resolution. The income or interest earned by, or increment to, all pledged Funds and Accounts, other than moneys from the Rebate Credit Account, Escrow Payments, Operating Fund and Authority Surplus Account, due to the investment thereof will be transferred to the General Reserve Account, except that no such transfer may be made from the Debt Service Reserve Fund if the effect thereof would be to reduce the amount therein to less than the Debt Service Reserve Fund Requirement.

Investment Securities held in any Fund or Account are valued at par, or if purchased at other than par, at their Amortized Value. Amortized Value is calculated by dividing the total premium or discount at which the obligation was purchased by the number of days remaining to maturity of such obligation at the time of its purchase, and multiplying the amount so calculated by the number of days since the purchase and deducting or adding, as the case may be, the product thus obtained to the purchase price of the obligation.

Subject to applicable Wisconsin statutes with respect to collateralization of any Fund or Account, Investment Securities include:

(a) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are unconditionally guaranteed by the full faith and credit of the United States of America, or so long as at the time of their purchase such investments will not adversely affect the then-current ratings, if any, assigned to the Bonds by each Rating Agency, any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (a);

(b) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (ii) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (iii) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate, and (iv) which at the time of their purchase under this Resolution bear the highest rating available from each Rating Agency;

(c) bonds, debentures, participation certificates (representing a timely guaranty of principal and interest), notes or similar evidences of indebtedness of any of the following: Financing Corporation, Federal Home Loan Bank System, Federal Farm Credit Bank, Fannie Mae (excluding "stripped" securities), Federal Home Loan Mortgage Corporation (excluding "stripped" securities), Resolution Funding Corporation, Government National Mortgage Association or Student Loan Marketing Association;

(d) obligations of any state of the United States of America or of any political subdivision or public agency or instrumentality thereof, provided that at the time of their purchase under this Resolution such obligations are rated by each Rating Agency no lower than the rating assigned to the Bonds by each Rating Agency;

(e) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of their purchase under this Resolution the highest rating available from each Rating Agency;

(f) interest-bearing time deposits, certificates of deposit or other similar banking arrangements with banks (which may include any Fiduciary), provided such deposits are made with banks rated by each Rating Agency at the time the deposit is made no lower than the rating assigned to the Bonds by such Rating Agency;

(g) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which are rated (which rating shall, in the case of Standard and Poor's Corporation, have a subscript of "m" or "m-G") at the time of their purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency;

(h) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a mutual fund that invests in the Investment Securities described in clauses (a), (b) and (c) above, provided that such fund shall have at the time of investment in such fund the highest rating available from each Rating Agency, and provided further that the investment in such fund will not adversely affect the rating on the Bonds, as evidenced by a confirmation of the rating from each Rating Agency;

(i) repurchase agreements for obligations of the type specified in clauses (a) and (c) above, provided either (i) the repurchase agreement is an unconditional obligation of the counterparty and such counterparty (or an affiliated guarantor) is rated at the time of its purchase by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency, or (ii) the repurchase agreement is an obligation of a counterparty that is rated at the time of its purchase by each Rating Agency in an investment grade category and is collateralized by obligations which (A) are marked to market at intervals, (B) have a value equal to not less than the percentage of the amount thereby secured, and (C) have such additional legal requirements specified by each Rating Agency, taking into account the maturity of such obligations;

(j) any investment obligation or deposit the investment in which will not, at the time such investment is made, adversely affect the then-current ratings, if any, assigned to the Bonds by each Rating Agency;

(k) any investment agreement with a bank, bank holding company, insurance company or other financial institution rated at the time such investment is made by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency or guaranteed by an entity rated by each Rating Agency no lower than the rating assigned to the Bonds by such Rating Agency; and

(l) the Local Government Pooled Investment Fund of the State established under Chapter 25 of the Wisconsin Statutes; provided that such investment will not adversely affect the then-current ratings, if any, assigned to the Bonds by each Rating Agency.

Program Covenants; Enforcement of Mortgage Loans and DPA Loans

The Authority covenants in the General Resolution that:

(i) it will use and apply the proceeds of the Bonds, to the extent not reasonably required for other Program purposes of the Authority, to purchase Mortgage Loans and DPA Loans and do all things necessary and consistent with sound banking practices and principles to receive and collect Revenues and take all steps, actions and proceedings necessary for the enforcement of the Mortgage Loans and DPA Loans;

(ii) it will diligently enforce and take or cause to be taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Mortgage Loans and DPA Loans, will not without good cause release the obligation of any Mortgagor under any Mortgage Loan or DPA Loan and will, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Authority, the owners of the Bonds and the Trustee under or with respect to all Mortgage Loans and DPA Loans, the obligations evidencing such Mortgage Loans or DPA Loans and the agreements securing such Mortgage Loans or DPA Loans, provided the Authority may settle defaults on any Mortgage Loan or DPA Loan on such terms as the Authority deems to be in the best interests of the Authority and the owners of the Bonds; and

(iii) whenever it may be necessary to protect and enforce its rights under a Mortgage Loan or DPA Loan and the rights and interests of the Trustee and the owners of the Bonds under the General Resolution, the Authority will take steps to realize on the insurance on such Mortgage Loan and to sell or otherwise dispose of the property securing such Mortgage Loan or DPA Loan.

Amendment of Mortgage Loans and DPA Loans

The Authority covenants that it will not consent or agree to permit any amendment or modification of the economic terms of any Mortgage Loan or DPA Loan except with respect to those in default or as may be required in order to comply with Sections 103 and 103A of the 1954 Code and Section 143 of the Code.

Issuance of Additional Bonds

Under the General Resolution, the Authority covenants that it will not issue any evidence 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 under the General Resolution or create or cause to be created any lien or charge upon the Revenues or such moneys, securities, rights or interests, except that the Authority may issue evidences of indebtedness secured by a pledge of the Revenues to be derived after the pledge of the General Resolution has been discharged and satisfied.

The Authority has reserved the right to issue evidences of indebtedness other than the Bonds so long as the same are not a charge or lien on the Revenues or the moneys, securities, rights or interests pledged or held under the General Resolution.

Cash Flow Certificate

The Authority covenants to file with the Trustee a Cash Flow Certificate (i) prior to the issuance of additional Bonds, (ii) prior to the withdrawal of amounts for deposit in the Authority's Surplus Account, and (iii) at such times as may be required pursuant to the Series and General Resolution. Under the General Resolution, a Cash Flow Certificate is defined as a Certificate of the Authority for each series of Bonds directly affected (i) indicating that, for each Bond Year during which Bonds by their terms will be outstanding, taking into account any Mortgage Loans and DPA Loans to be made or purchased or any such Bonds to be issued or redeemed upon the filing of such Certificate (A) the amount of Mortgage Repayments and Prepayments reasonably expected to be received by the Authority from Mortgage Loans and DPA Loans in such Bond Year, together with other Revenues which are reasonably expected to be made available to make Debt Service Payments and to pay Program Expenses (as defined in the General Resolution) during such Bond Year, and (B) the Aggregate Debt Service (as defined in the General Resolution) for such Bond Year on all such Bonds reasonably expected to be outstanding and all Program Expenses reasonably estimated for such Bond Year, and (ii) showing that the aggregate of the amounts set forth in clause (A) exceeds in each such Bond Year the aggregate of the amounts set forth in clause (B).

Tax Covenant

The Authority covenants that it shall at all times do and perform all acts and things necessary in order to assure that interest paid on the Bonds shall, for the purpose of federal income taxation, be excludable from the gross income of the recipients thereof.

Restriction on Purchase of Bonds

The Authority has covenanted that it will not purchase or direct the purchase by the Trustee of any Bonds from moneys or other assets pledged under the General Resolution, at a cost or price (including any brokerage fee or commission and other charge) which (i) exceeds the then applicable Redemption Price of such Bonds, plus accrued interest to the next redemption date, if such Bonds are then redeemable, or (ii) exceeds the Redemption Price of such Bonds on the date such Bonds are first redeemable at the option of the Authority, plus accrued interest to the first applicable redemption date.

Events of Default

Each of the following constitutes an Event of Default under the General Resolution:

(i) failure by the Authority to pay any Principal Installment or Redemption Price of any Bond at the time required;

(ii) failure by the Authority to pay any installment of interest on any Bond at the time required and the continuance thereof for a period of 60 days;

(iii) failure by the Authority to perform or observe any other Covenant, agreement or condition on its part contained in the General Resolution or in the Bonds and the continuance thereof 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 owners of not less than 10% in principal amount of the Bonds outstanding; or

(iv) filing by the Authority of a petition seeking a composition of indebtedness or other relief for debtors under the federal bankruptcy laws or under any other applicable federal or Wisconsin law.

Remedies

Upon the occurrence of an Event of Default, the Trustee may, and upon the written request of owners of not less than 25% in aggregate principal amount of Bonds outstanding must give 30 days' written notice to the Governor and Attorney General of Wisconsin and the Authority of its intention to declare all Bonds outstanding immediately due and payable. At the end of such 30-day period the Trustee may, and upon such written request of the owners of the Bonds must, by notice in writing to the Authority, declare all Bonds outstanding immediately due and payable, and such Bonds will then become and be immediately payable. Prior to entry of final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedy under the General Resolution, such declaration may be annulled by the Trustee if, among other things, moneys have been deposited in the Debt Service Fund sufficient to pay all matured installments of principal or Redemption Price (other than principal when due only because of such declaration) of and interest on all outstanding Bonds.

Upon the occurrence and continuance of an Event of Default, the Trustee may, and upon the written request of the owners of not less than 25% in aggregate principal amount of the Bonds outstanding, together with indemnification satisfactory to the Trustee, must, proceed to protect and enforce its rights and the rights of the owners of the Bonds under the Act, the Bonds and the General Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, may deem expedient.

No remedy conferred upon or reserved to the Trustee by the terms of the General Resolution is intended to be exclusive of any other available remedy, but each and every available remedy is cumulative and in addition to any such other remedy available under the General Resolution or existing at law or in equity or by statute on or after the adoption of the General Resolution.

Modifications of Resolutions and Outstanding Bonds

Any modification or amendment of the General Resolution or the Series Resolution, and of the rights and obligations of the Authority and the owners of the Bonds, in any particular, may be made by a supplemental resolution, with the written consent (i) of the owners of at least two-thirds (2/3) in principal amount of the Bonds outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then outstanding are affected by the modification or amendment, of the owners of at least two-thirds (2/3) in principal amount of the Bonds of each Series so affected and outstanding at the time such consent is given: provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain outstanding, the consent of the owners of such Bonds shall not be required, and such Bonds shall not be deemed to be outstanding for the purpose of any calculation of outstanding Bonds.

No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount (or maturity amount, as the case may be) or the Redemption Price thereof or in the rate of interest thereon without the consent of the owners of all such Bonds or shall reduce the percentages or otherwise affect the classes of Bonds for which the consent of the owners of the Bonds is required to effect any such modification or amendment or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. A Series of Bonds shall be deemed to be affected by a modification or amendment of the General Resolution if the same adversely affects or diminishes the rights of the owners of such Series of Bonds. The Trustee, relying upon an opinion of counsel, may determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the General Resolution, and any such determination shall be binding and conclusive on the Authority and the owners of the Bonds.

In addition, the General Resolution and Series Resolution may be modified or amended, upon the consent of the Trustee and provided any such supplemental resolution does not have any materially adverse effect on the interests of the owners of the Bonds, under certain circumstances, for purposes of curing ambiguities, correcting defects, clarifying matters or questions arising under the General Resolution or Series Resolution or expanding upon or supplementing such matters as are necessary or desirable and are not contrary to or inconsistent with the General Resolution or Series Resolution as further described in the General Resolution.

Defeasance

Any Bonds outstanding will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the General Resolution if, among other things, there has been deposited with the Trustee either moneys in an amount which are sufficient or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, then on deposit with the Trustee will be sufficient, to pay when due the principal or Redemption Price of and interest due and to become due on such Bonds on and prior to the maturity date thereof, or an irrevocably specified redemption date or dates therefor, as the case may be.

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**EXHIBIT D**

## PROPOSED FORM OF OPINION OF BOND COUNSEL

April 12, 2005

Wisconsin Housing and Economic
Development Authority
201 West Washington Avenue, Suite 700
Madison, Wisconsin 53703

Ladies and Gentlemen:

We have examined a certified copy of the record of proceedings of the Wisconsin Housing and Economic Development Authority (the "Authority"), together with various accompanying certificates, pertaining to the issuance today by the Authority of $120,000,000 aggregate principal amount of its Home Ownership Revenue Bonds, 2005 Series A (the "Series A Bonds"), and its $11,200,000 aggregate principal amount of its Home Ownership Revenue Bonds, 2005 Series B (Taxable) (the "Series B Bonds") (together, the "Series A and B Bonds"). The record of proceedings includes the Authority's Home Ownership Revenue Bond Resolution, adopted on May 8, 1987, as amended and restated on January 18, 2002, and amended by a Supplemental Resolution on December 2, 2004 (the "General Resolution"), a Series Resolution pertaining to the Series A and B Bonds, adopted on February 21, 2005, and a related Closing Certificate dated April 12, 2005 (collectively, the "Series Resolution" and, together with the General Resolution, the "Resolution").

The Series A and B Bonds mature on the dates and in the principal amounts and bear interest as set forth in the Series Resolution. The Series A Bonds are issuable only as fully registered bonds in the denomination of $5,000, or authorized multiples of $5,000 in excess of that amount. The Variable Rate Demand Bonds are issuable only as fully registered bonds in the denomination of $100,000, or authorized multiples of $5,000 in excess of that amount. The Series A and B Bonds are subject to redemption prior to their maturity as provided in the Resolution.

The Internal Revenue Code of 1986, as amended (the "Code"), to the extent applicable, establishes certain continuing requirements which must be met in order that interest on the Series A Bonds not be included in gross income for federal income tax purposes. These include requirements as to the use and investment of proceeds of the Series A Bonds, the Mortgage Loans to be purchased with the proceeds of the Series A Bonds, and the payment of certain amounts to the United States. The Authority has covenanted in the General Resolution to do and perform all acts and things necessary or desirable in order to assure that interest paid on the Series A Bonds be, for the purposes of federal income taxation, excludable from the gross income of the recipients thereof.

Based upon this examination and an analysis of existing laws, regulations, rulings and court decisions, we are of the opinion that:

1. The Series A and B Bonds have been duly and validly authorized by the Authority and issued in accordance with law and the Resolution.

2. Subject to any agreements heretofore made with the owners of any other notes or other bonds of the Authority pledging any particular assets or revenues of the Authority, the Series A and B Bonds are valid and legally binding general obligations of the Authority, secured in the manner and to the extent provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution and Chapter 234 of the Wisconsin Statutes, as amended.

3. The Series A and B Bonds have a claim for payment solely from the Revenues, the Pledged Funds and the rights and interest of the Authority in and to the Mortgage Loans, the documents evidencing and securing the same and the collections (excluding Escrow Payments and Servicing Fees) received therefrom by the Authority or the Trustee on its behalf, each as defined in the Resolution. The Series A and B Bonds are on a parity with any additional series of Bonds which have been issued or may be issued in the future under the General Resolution.

4. Interest on the Series A Bonds is excluded from gross income for federal income tax purposes, assuming, among other matters, the accuracy of representations contained in the record of proceedings and accompanying certificates and compliance by the Authority with the covenants described above. Interest on the Series A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Series A Bonds may be subject to certain federal taxes not based on gross income and ownership of the Series A Bonds may result in certain other federal income tax consequences to certain owners; we express no opinion as to these matters.

5. The Authority has no taxing power. The State of Wisconsin is not liable on the Series A and B Bonds and the Series A and B Bonds are not a debt of the State of Wisconsin.

The rights of the owners of the Series A and B Bonds and the enforceability of the Series A and B Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Series A and B Bonds or the Resolution by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief.

Very truly yours,