

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATINGS: Moody's: "Aaa"
Standard & Poor's: "AAA"**

INSURANCE: MBIA Insurance Corporation

UNDERLYING RATINGS: Moody's: "A1"

Standard & Poor's: "A-"

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance by the District and the Corporation with certain covenants, the portion of the Base Rentals paid by the District which is designated and paid as interest, as provided in the Lease, and received by the Owners of the Certificates (including any original issue discount on the Certificates properly allocable to the Owners of the Certificates), is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax; and, under existing Colorado statutes, the portion of the Base Rentals paid by the District which is designated and paid as interest, as provided in the Lease, and received by the Owners of the Certificates (including any original issue discount on the Certificates properly allocable to the Owners of the Certificates), is exempt from Colorado income tax.

\$4,815,000

**DENVER SCHOOL FACILITIES LEASING CORPORATION
CERTIFICATES OF PARTICIPATION, SERIES 2001**

**evidencing undivided interests in
the right to receive certain revenues payable by**

SCHOOL DISTRICT NO. 1,

**IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
(DENVER PUBLIC SCHOOLS)**

under a Lease Purchase Agreement dated as of February 1, 2001

Dated: February 1, 2001

Due: December 1, as shown below

The Certificates of Participation, Series 2001, evidencing undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado under a Lease Purchase Agreement dated as of February 1, 2001 (the "Certificates") are being issued by Denver School Facilities Leasing Corporation (the "Corporation") pursuant to a Mortgage and Indenture of Trust dated as of February 1, 2001 (the "Indenture") between the Corporation and Bank One, Colorado N.A., (the "Trustee") in fully registered form in denominations of \$5,000 or any integral multiple thereof. Interest on the Certificates, at the rates set forth below, is payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2001. The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Certificates, and the Certificates will be registered in the name of Cede & Co., DTC's partnership nominee or such other name as may be requested by an authorized representative of DTC. Purchasers of the Certificates will not receive certificates evidencing their ownership interests in the Certificates. So long as DTC or its nominee is the registered owner of the Certificates, payments of principal of, premium, if any, and interest on the Certificates will be made by the Trustee directly to DTC, which will remit such payments to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein).

MATURITY SCHEDULE

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	Maturity Date (December 1)	Principal Amount	Interest Rate	Yield
2001	\$ 90,000	3.400%	3.450%	2008	\$145,000	4.100%	4.150%
2002	50,000	3.500	3.550	2009	170,000	4.200	4.250
2003	45,000	3.600	3.650	2010	190,000	4.300	4.350
2004	40,000	3.700	3.750	2011	220,000	4.400	4.450
2005	35,000	3.800	3.850	2012	250,000	4.500	4.600
2006	95,000	3.900	3.950	2013	280,000	4.650	4.700
2007	125,000	4.000	4.050	2014	310,000	4.750	4.800

\$2,770,000 5.125% Term Certificates due December 1, 2020 – Price 98.500%

(Plus accrued interest from February 1, 2001.)

The payment of the principal of and interest on the Certificates when due will be guaranteed under a financial guaranty insurance policy (the "Certificate Insurance Policy") to be issued concurrently with the Certificates by MBIA Insurance Corporation.



The proceeds from the sale of the Certificates will be used to purchase real property currently being leased to the District, and to make certain improvements thereon, and to pay costs of issuance of the Certificates. The property leased to the District (the "Leased Property") will be leased by Denver School Facilities Leasing Corporation (the "Corporation") to the District pursuant to a Lease Purchase Agreement dated as of February 1, 2001 (the "Lease") between the Corporation, as lessor, and the District, as lessee.

The Certificates are payable solely from (1) annually appropriated Base Rentals and any Purchase Option Price paid by the District under the Lease; (2) moneys held by the Trustee in the Certificate Fund and the Reserve Fund created under the Indenture; and (3) following an Event of Nonappropriation or an Event of Default under the Lease, any moneys received by the Trustee from the sale or lease of the Leased Property or the exercise of other remedies under the Lease and the Indenture. **No provision of the Certificates, the Indenture or the Lease shall be construed or interpreted (a) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (c) as a delegation of governmental powers by the District; (d) as a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.**

All financial obligations of the District under the Lease, including the District's obligation to pay Base Rentals, are subject to annual appropriation by the Board of Education of the District. The Lease is subject to annual termination by the District and will be terminated upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease. Upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease, the only sources available for payment of the Certificates will be moneys, if any, held in the Certificate Fund and the Reserve Fund created under the Indenture and moneys received by the Trustee from the sale or lease of the Leased Property and the exercise of other remedies available under the Lease and the Indenture. There is no assurance that the Trustee will receive any moneys from the sale or lease of the Leased Property or the exercise of other remedies under the Lease and the Indenture following the occurrence of an Event of Nonappropriation or an Event of Default under the Lease. For additional risks associated with an investment in the Certificates, see "RISK FACTORS."

THE CERTIFICATES ARE SUBJECT TO REDEMPTION PRIOR TO MATURITY AS DESCRIBED HEREIN.

This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Certificates are offered when, as and if issued by the Trustee and accepted by the Underwriter named below, subject to prior sale, approval of legality and certain other matters by Kutak Rock LLP, as Bond Counsel, and other conditions. Certain legal matters will be passed upon for the District by its counsel, Peter L. Vana III, Esq and for the Underwriter by its counsel, Trimble, Tate & Nulan, P.C. It is expected that the Certificates will be available for delivery through the facilities of DTC in New York, New York, on or about March 1, 2001.



Hanifen, Imhoff

Division of

**Stifel, Nicolaus
& Company, Incorporated**

This Official Statement is dated February 26, 2001



**SCHOOL DISTRICT NO. 1, IN THE
CITY AND COUNTY OF DENVER AND STATE OF COLORADO
(DENVER PUBLIC SCHOOLS)**

Board of Education

President	Elaine G. Berman
Vice President	Bennie Milliner
Secretary	Susan Edwards
Treasurer	Sharon Macdonald
Director	Rev. Lucia Guzman
Director	James Mejía
Director	Lester Woodward

Administrative Officials

Superintendent	Bernadette Seick
Assistant Superintendents	Marjorie Tepper
	Mary A. Ray
	Wayne Eckerling
Chief Operating Officer	Craig A. Cook
Chief Financial Officer	Velma A. Rose

General Counsel

Peter L. Vana III, Esq.
Denver, Colorado

Underwriter

Hanifen, Imhoff
Division of Stifel, Nicolaus & Company, Incorporated
Denver, Colorado

Trustee

Bank One Trust Company, N.A.
Denver, Colorado

Bond Counsel

Kutak Rock LLP
Denver, Colorado

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Certificates, and, if given or made, such information or representation must not be relied upon as having been authorized by the District, the Trustee or the Underwriter. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the District, the Trustee or the Underwriter since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the District, the Trustee and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

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THE CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF CERTAIN EXEMPTIONS CONTAINED IN THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT, THE CERTIFICATES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT AND ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

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INTRODUCTION

This Official Statement is furnished in connection with the issuance of Certificates of Participation, Series 2001, evidencing undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado (the "District") under a Lease Purchase Agreement dated as of February 1, 2001, in the aggregate principal amount of \$4,815,000 (the "Certificates"). The offering of the Certificates is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Certificates.

The information set forth in this Official Statement has been obtained from the District, from Denver School Facilities Leasing Corporation (the "Corporation"), from Bank One Trust Company, N.A. (the "Trustee") and from other sources believed to be reliable but is not guaranteed as to accuracy or completeness. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The following introductory material is only a brief description of, and is qualified by, the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein.

- District**..... The District is a political subdivision of the State of Colorado (the "State"). It is the only school district serving the City and County of Denver, one of six counties comprising the Denver metropolitan area. The District encompasses approximately 155 square miles. The District's 2000 certified assessed valuation (for ad valorem tax collection in 2001) is \$6,341,827,900. See "THE DISTRICT" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Ad Valorem Property Tax Data."
- Corporation**..... The Corporation is a Colorado nonprofit corporation which was organized to, among other things, purchase, lease or otherwise acquire real estate and to construct, install or acquire and place thereon any and all public improvements, within the boundaries of the City and County of Denver, Colorado, and to purchase, lease or otherwise acquire personal property of any kind, for the use and benefit of the District, and to lease, convey, sell, transfer or otherwise make available such real estate, improvements and personal property to the District. See "THE CORPORATION."
- Trustee**..... Bank One Trust Company, N.A. is a national banking association that is duly organized, validly existing and in good standing under the laws of the United States of America.
- Security**..... The Certificates are payable solely from (1) annually appropriated Base Rentals and any Purchase Option Price paid by the District under the Lease; (2) moneys held by the Trustee in the Certificate Fund and the Reserve Fund created under the Mortgage and Indenture of Trust dated

as of February 1, 2001 between the Corporation and the Trustee (the "Indenture"); and (3) following an Event of Nonappropriation or an Event of Default under the Lease, any moneys received by the Trustee from the sale or sublease of the Leased Property or the exercise of other remedies under the Lease and the Indenture. **No provision of the Certificates, the Indenture or the Lease shall be construed or interpreted (a) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (c) as a delegation of governmental powers by the District; (d) as a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.**

Certificate Insurance..... MBIA Insurance Corporation (the "Insurer" or the "Certificate Insurer") has committed to issue, effective as of the date of issuance of the Certificates, a policy of insurance (the "Insurance Policy" or "Certificate Insurance Policy") guaranteeing the payment, when due, of the principal of and interest on the Certificates. The insurance extends over the life of the issue and cannot be canceled by the Insurer. Payment under the policy is subject to the conditions described in "CERTIFICATE INSURANCE." A specimen of the Insurance Policy is attached as an appendix to this Official Statement. The Insurer also has committed to issue a reserve fund surety bond (the "Surety Bond") which will fully fund the Reserve Fund in the amount of \$481,500 upon issuance of the Certificates. See "CERTIFICATE INSURANCE".

Purpose..... The Certificates are being issued to purchase real property currently leased by the District and to make certain improvements thereon, and to pay costs of issuance of the Certificates. See "THE CERTIFICATES—Use of Certificate Proceeds."

Prior Redemption..... **Redemption of Certificates in Whole Upon an Event of Nonappropriation or Event of Default Under the Lease.** The Certificates will be called for redemption in whole, on any date, in the event of the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under the Lease.

The redemption price will be the lesser of (i) the principal amount of the Certificates, plus accrued interest to the redemption date (without any premium); or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Lease with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default that gave rise to such redemption and (B) the other

amounts available in the Trust Estate for payment of the redemption price of the Certificates, which amounts will be allocated among the Certificates in proportion to the principal amount of each Certificate. Notwithstanding any other provision of the Indenture, the payment of the redemption price of any Certificate pursuant to this redemption provision will be deemed to be the payment in full of such Certificate and no Owner of any Certificate redeemed pursuant to this redemption provision will have any right to any payment from the Corporation, the Trustee or the District in excess of such redemption price.

In addition to any other notice required to be given under the Indenture, the Trustee will, immediately upon the occurrence of an Event of Nonappropriation or an Event of Default, notify the Owners (i) that such event has occurred and (ii) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price set forth in clause (i) of the immediately preceding paragraph. If the funds then available to the Trustee are sufficient to pay the redemption price set forth in clause (i) of the immediately preceding paragraph, such redemption price will be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the redemption price set forth in clause (i) of the immediately preceding paragraph, the Corporation and the Trustee will (A) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Lease and (B) subject to the provisions of the Indenture, immediately begin to exercise and will diligently pursue all remedies available to them under the Lease in connection with such Event of Nonappropriation or Event of Default. The remainder of the redemption price, if any, will be paid to the Owners if and when funds become available to the Trustee from the exercise of such remedies.

Redemption of Certificates in Whole Upon Payment of Purchase Option Price from Moneys Other than Moneys Derived from a Financing. The Certificates will be called for redemption, in whole, at a redemption price equal to the principal amount of the Certificates, plus accrued interest to the redemption date (without any premium), on any date in the event of, and to the extent that moneys are actually received by the Trustee from, the exercise by the District of its option to purchase the Leased Property from any source other than (a) proceeds of general obligation bonds of the District or any successor to the interest of the District in the Leased Property, (b) other moneys borrowed by the District or any successor to the interest of the District in the Leased Property or (c) moneys made available to the District or any successor to the interest of the District in the Leased Property from a refinancing of the Certificates or a sale and lease-back or a lease and sublease-back of the Leased Property.

Redemption of Certificates in Whole or in Part Upon Payment of Purchase Option Price from Moneys Derived from a Financing. The Certificates will be called for redemption, in whole or in part in integral multiples of \$5,000 and, if in part, in such order of maturities as the

District determines and by lot within a maturity, at a redemption price equal to the principal amount of the Certificates, plus accrued interest to the redemption date (without any premium), on any date on and after December 1, 2011, in the event of, and to the extent that moneys are actually received by the Trustee from, the exercise by the District of its option to purchase the Leased Property from either (a) moneys borrowed by the District or (b) moneys made available to the District from a sale and lease-back or a lease and sublease-back of the Leased Property.

Mandatory Sinking Fund Redemption. The Certificates maturing on December 1, 2020 are subject to mandatory sinking fund redemption by lot on December 1 of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date:

**Mandatory Sinking Fund Redemption Schedule
For Certificates Maturing December 1, 2020**

Years	Principal Amount
2015	\$350,000
2016	390,000
2017	435,000
2018	480,000
2019	530,000
2020 (final maturity)	585,000

At its option, to be exercised on or before the forty-fifth day next preceding each sinking fund redemption date, the District may (i) purchase and cancel any Certificates with the same maturity date as the Certificates subject to such sinking fund redemption and (ii) receive a credit in respect of its sinking fund redemption obligation for any Certificates with the same maturity date as the Certificates subject to such sinking fund redemption which prior to such date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against any sinking fund redemption obligation. Each Certificate so purchased and cancelled or previously redeemed shall be credited at the principal amount thereof to the obligation of the District on such sinking fund redemption date, and the principal amount of Certificates to be redeemed by operation of such sinking fund on such date shall be accordingly reduced.

Notice of Redemption. Notice of the call for any redemption identifying the Certificates or portions thereof to be redeemed and specifying the terms of such redemption will be given by the Trustee by mailing a copy of the redemption notice by United States certified or registered first-class mail, at least 30 days and not more than 60 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, will not affect the validity of any proceedings of any Certificates as to which no such failure has occurred.

Any notice mailed as provided in this Section will be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

If at the time of mailing of notice of redemption there has not been deposited with the Trustee moneys sufficient to redeem all the Certificates called for redemption, which moneys are or will be available for redemption of Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice will be of no effect unless such moneys are so deposited.

Redemption Payments. On or prior to the date fixed for redemption, the Trustee will apply funds to the payment of the Certificates called for redemption, together with accrued interest thereon to the redemption date, and any required premium. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to the Indenture, interest on the Certificates or portions thereof thus called for redemption will no longer accrue after the date fixed for redemption.

The Trustee will pay to the Owners of Certificates so redeemed, the amounts due on their respective Certificates, at the Operations Center of the Trustee upon presentation and surrender of the Certificates.

Registration and Denominations	The Certificates are issued in fully registered form in denominations of \$5,000 or integral multiples thereof.
Exchange and Transfer	While the Certificates remain in book entry only form, transfer of ownership by Beneficial Owners (as defined by the rules of DTC, defined below) may be made as described in "THE CERTIFICATES—Book-Entry-Only System."
Payment of the Certificates.....	Interest on the Certificates (calculated based on a year of twelve 30-day months), at the rate set forth on the cover page hereof, is payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2001. So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee, is the registered owner of the Certificates, payments of principal of, premium, if any, and interest on the Certificates will be made by the Trustee, initially Bank One Trust Company, N.A., directly to DTC, which will remit such payments to the DTC Participants for subsequent distribution to the Beneficial Owners, all as described in "THE CERTIFICATES—Book-Entry-Only System."
Tax Status.....	In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance by the District and the Corporation with certain covenants, the portion of the Base Rentals paid by the District which is designated and paid as interest, as provided in the

Lease, and received by the Owners of the Certificates (including any original issue discount on the Certificates properly allocable to the Owners of the Certificates), is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax; and, under existing Colorado statutes, the portion of the Base Rentals paid by the District which is designated and paid as interest, as provided in the Lease, and received by the Owners of the Certificates (including any original issue discount on the Certificates properly allocable to the Owners of the Certificates), is exempt from Colorado income tax. See "LEGAL MATTERS—Tax Status of Interest on the Certificates" for a more complete description of the opinions of Bond Counsel regarding federal and Colorado taxes.

**Authority for the
Certificates and
the Lease.....**

The issuance of the Certificates and the execution of the Lease by the District are in full conformity with the Constitution and laws of the State of Colorado, including particularly Section 22-32-110(1), Colorado Revised Statutes, as amended (regarding the District's authority to execute the Lease).

**Delivery
Information**

The Certificates are offered when, as, and if issued by the District and accepted by the Underwriter, subject to prior sale, approval of legality and certain other matters by Bond Counsel and other conditions. It is expected that the Certificates will be available for delivery through the facilities of DTC in New York, New York on or about March 1, 2001.

**Book-Entry-Only
Registration**

The Certificates will be issued in fully registered form and will be registered initially in the name of "Cede & Co." DTC's partnership nominee. Beneficial ownership interests in the Certificates may be acquired in principal denominations of \$5,000 or integral multiples thereof through brokers and dealers who are, or who act through, participants in the DTC system (the "Participants"). Such beneficial ownership interests will be recorded on the records of the Participants. Persons for which Participants acquire interests in the Certificates (the "Beneficial Owners") will not receive certificates evidencing their interests in the Certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Certificates. So long as DTC or its nominee is the registered owner of the Certificates, payments of principal, premium if any, and interest on the Certificates, as well as notices and other communications made by or on behalf of the District pursuant to the Indenture, will be made to DTC or its nominee only. Disbursement of such payments, notices, and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See "THE CERTIFICATES—Book-Entry-Only System" for a discussion of the

operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters.

Continuing Disclosure

Agreement Pursuant to the requirements of Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12), the District has agreed with Bank One Trust Company, N.A. as dissemination agent for the benefit of the holders of the Certificates to provide certain financial information, other operating data and notices of material events after the Certificates are issued (the "Continuing Disclosure Agreement"). A form of the District's Continuing Disclosure Agreement is attached hereto as Appendix A.

Financial Statements

The audited general purpose financial statements of the District as of and for the fiscal year ended June 30, 2000, including the opinion of Deloitte & Touche LLP, Independent Auditors, Denver, Colorado, are attached hereto as Appendix B. These are the most recent audited financial statements available for the District.

Additional

Information

The summaries of or references to constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information set forth in this Official Statement do not purport to be complete statements of the provisions of the items summarized or referred to and are qualified in their entirety by the actual provisions of such items, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge from the District's administrative offices, 900 Grant Street, Denver, Colorado 80203, phone number (303) 764-3226; or Hanifen Imhoff, a Division of Stifel, Nicolaus Company, Incorporated, 1125 17th Street, Denver, Colorado 80202, phone number (303) 296-2300.

THE CERTIFICATES

Description

The Certificates are issued pursuant to the Indenture in the principal amount, dated as of the dated date, mature on the dates and bear interest at the rates set forth on the cover page hereof. Certain matters relating to the Certificates are described in detail in "INTRODUCTION" and are not restated under this caption. These include provisions regarding redemption of the Certificates, registration and denominations of the Certificates, exchange and transfer of the Certificates and payment of the principal of, premium, if any, and interest on the Certificates; a description of the authority for issuance of the Certificates and the execution of the Lease by the District; and information regarding the delivery of the Certificates. Other provisions of the Indenture, which is the contract governing the rights of the owners of the Certificates, and the Lease, which is the contract governing the obligation of the District to make payments to the Corporation that will be used to pay the principal of, premium, if any, and interest on the Certificates, are described in Appendix C.

Use of Certificate Proceeds

The estimated sources and uses of funds relating to the Certificates (net of accrued interest) is set forth below. Accrued interest will be deposited in the Certificate Fund as provided in the Indenture and will be used to pay a portion of the first interest payment on the Certificates.

SOURCES

Principal amount of Certificates	\$4,815,000.00
Original issue discount.....	<u>(50,466.40)</u>
Total	<u>\$4,764,533.60</u>

USES

Costs of the Project	\$4,601,291.10
Estimated costs of issuance, including underwriting discount, ¹ rating agency fees, premiums for Certificate Insurance Policy and Surety Bond, professional fees and printing costs	<u>163,242.50</u>
Total	<u>\$4,764,533.60</u>

¹ See "MISCELLANEOUS—Underwriting."

Security for the Certificates

Generally. The Certificates are payable solely from (1) annually appropriated Base Rentals and any Purchase Option Price paid by the District under the Lease; (2) moneys held by the Trustee in the Certificate Fund and the Reserve Fund created under the Indenture; and (3) following an Event of Nonappropriation or an Event of Default under the Lease, any moneys received by the Trustee from the sale or lease of the Leased Property or the exercise of other remedies under the Lease and the Indenture. **No provision of the Certificates, the Indenture or the Lease shall be construed or interpreted (a) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (c) as a delegation of governmental powers by the District; (d) as**

a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.

Base Rentals and Purchase Option Price. The Corporation has assigned to the Trustee, for the benefit of the Owners of the Certificates, the right of the Corporation to receive Base Rentals payable by the District under the Lease. The amount and timing of Base Rental payments are designed to provide sufficient moneys to the Corporation to pay the principal of and interest on the Certificates when due. Pursuant to the Lease, the District is entitled to a credit against the Base Rentals payable on any payment date for amounts on deposit in the Certificate Fund representing (i) accrued interest from the sale of Certificates, (ii) earnings from the investment of moneys in the Certificate Fund and (iii) any moneys delivered to the Trustee by the District, the Corporation or any other Person that are accompanied by instructions to apply the same to the payment of Base Rentals or to deposit the same in the Certificate Fund. See "Security for the Certificates—Certificate Fund" below in this section.

The Purchase Option Price, which is payable only if and when the District exercises its option to purchase the Leased Property pursuant to the Lease, is designed to provide sufficient moneys to the Corporation to pay the redemption price of the Certificates or to defease the Certificates through maturity or the next redemption date. See "LEASE—District's Purchase Option."

Except for funds in the District's bond redemption fund, tax revenues collected for the repayment of outstanding bonds or tax anticipation notes, there is no legal limitation on the source of funds the District can use to make payments under the Lease. The District, however, expects to make payments under the Lease from its Capital Reserve Fund. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT."

Certificate Fund. The Trustee will deposit into the Interest Account of the Certificate Fund (i) all accrued interest received at the time of the issuance of the Certificates; (ii) that portion of each payment of Base Rentals made by the District which is designated and paid as the interest component thereof under the Lease; (iii) any portion of the Reserve Fund to be deposited into the Interest Account of the Certificate Fund, as described in "Reserve Fund" below in this section, provided that amounts transferred to the Certificate Fund from a particular account of the Reserve Fund will be applied only to the payment of the corresponding series of Certificates; and (iv) all other moneys received by the Trustee under the Indenture accompanied by directions that such moneys are to be deposited into the Interest Account of the Certificate Fund.

The Trustee will deposit into the Principal Account of the Certificate Fund (i) that portion of each payment of Base Rentals made by the District which is designated and paid as the principal component thereof under the Lease; (ii) any portion of the Reserve Fund to be deposited into the Principal Account of the Certificate Fund, as described in "Reserve Fund" below in this section, provided that amounts transferred to the Certificate Fund from a particular account of the Reserve Fund will be applied only to the payment of the corresponding series of Certificates; and (iii) all other moneys received by the Trustee under the Indenture accompanied by directions that such moneys are to be deposited into the Principal Account of the Certificate Fund.

Moneys in the Interest Account of the Certificate Fund will be used solely for the payment of interest on the Certificates and moneys in the Principal Account of the Certificate Fund will be used solely for the payment of the principal of and premium, if any due on the Certificates; provided that (i) in the event that there are any remaining moneys upon payment of the interest due on the Certificates, such

moneys may be used for the payment of principal of any premium, if any, due on the Certificates; (ii) moneys representing accrued interest received at the time of the issuance of any series of Certificates will be used solely to pay the first interest due on such Certificates; (iii) the Purchase Option Price and any other moneys transferred to the Certificate Fund with specific instructions that such moneys be used to pay the redemption price of Certificates will be used solely to pay the redemption price of Certificates; and (iv) moneys transferred from any account of the Reserve Fund will be used solely to pay the principal and interest due on the Certificates, the proceeds of which were used to fund such account; provided, further, that all moneys in the Certificate Fund will be available to pay the redemption price of Certificates in connection with a redemption of all the Certificates and to pay the principal of, premium, if any, and interest on any Certificates following an Event of Default or Event of Nonappropriation.

Reserve Fund. The Trustee will deposit into the appropriate account of the Reserve Fund, (a) upon the issuance of each series of Certificates, an amount sufficient to establish the Reserve Fund Requirement for such series of Certificates from proceeds of such series of Certificates or other available moneys of the Corporation (which, in the case of the Certificates, is the amount indicated to be deposited into the Reserve Fund in "Use of Certificate Proceeds" above in this section); (b) all amounts paid by the District as described in the last paragraph under this caption; and (c) all other moneys delivered to the Trustee that are accompanied by instructions to deposit the same into the Reserve Fund. Nothing in the Indenture will be construed as limiting the right of the Corporation to augment the Reserve Fund or any account thereof with any other moneys which are legally available for payment of the principal of and interest on the Certificates or, subject to the limitations described in "THE INDENTURE—Investment of Moneys" in Appendix C to this Official Statement, to substitute for the cash deposit required to be maintained under the Indenture, a letter of credit, surety bond, insurance policy, agreement guaranteeing payment, or other undertaking by a financial institution to insure that cash in the amount otherwise required to be maintained hereunder will be available as needed. For a description of the Surety Bond with which the Reserve Fund will be initially funded, see "CERTIFICATE INSURANCE."

Income derived from the investment of moneys in any account of the Reserve Fund (i) will be retained in such account to the extent the amount therein is less than the Reserve Fund Requirement therefor; (ii) will be used as described in the immediately succeeding paragraph to the extent required thereunder; and (iii) to the extent not required to be used as provided in clause (i) or (ii), may, at the option and direction of the Corporation be (A) transferred to the Certificate Fund to pay the principal of or interest on the corresponding series of Certificates; (B) transferred to the Rebate Fund; (C) used to pay fees and expenses of the Trustee; (D) used to defease Certificates pursuant to the Indenture; or (E) used for any combination of (A), (B), (C) or (D).

Moneys held in each account within the Reserve Fund will be applied to any of the following purposes; provided, however, that each such purpose relates only to the series of Certificates for which a deposit to the Reserve Fund was required pursuant to the Indenture or the Supplemental Indenture relating to such Certificates and to no other series of Certificates:

(i) To the payment of the principal of and interest on the Certificates when due, to the extent of any deficiency in the Certificate Fund for such purpose;

(ii) At the option of the Trustee, upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease, to the payment of any cost or expense necessary to preserve or protect the Leased Property, or the interest of the Trustee or the Owners therein, or necessary to make any repairs or modifications to the Leased Property in preparation for sale or other disposition thereof, as the Trustee may deem to be in the best interests of the Owners;

(iii) Except to the extent applied as described in clause (ii) above, upon the termination of the Lease Term by reason of the occurrence of an Event of Nonappropriation or an Event of Default thereunder, proportionately to the redemption of the Certificates then Outstanding and the payment of interest thereon; or

(iv) To the extent the amount therein exceeds the Reserve Fund Requirement, at the option and direction of the Corporation, as provided in clause (A), (B), (C), (D) or (E) above.

The District has agreed in the Lease that, if, for any reason, the amount on deposit in any account of the Reserve Fund is less than the Reserve Fund Requirement for the corresponding series of Certificates, the District will pay to the Trustee as Additional Rentals all amounts required to restore the amount on deposit in such account to the Reserve Fund Requirement.

Exercise of Remedies under Lease and Indenture. Upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease, the Trustee is permitted to sell or lease the Leased Property or exercise its other remedies under the Lease and the Indenture. See “LEASE—Events of Default and Remedies under the Lease” in the body of this Official Statement and “INDENTURE—Events of Default” in Appendix C. See “INTRODUCTION—Redemption of the Certificates—Redemption of Certificates in Whole Upon an Event of Nonappropriation or Event of Default under the Lease” for a description of the terms on which the Certificates are subject to redemption upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease. See “RISK FACTORS—Limited Sources of Payment Following Termination of the Lease” and “—Certificate Insurer to Control Remedies in Event of Default” for descriptions of the limited sources of payment of the Certificates after a termination of the Lease and the rights of the Insurer following an Event of Default, respectively. For a description of the Leased Property, see “LEASED PROPERTY.”

Additional Certificates

So long as the Lease Term remains in effect and no Event of Nonappropriation or Event of Default has occurred, one or more issues of Additional Certificates may be issued upon the terms and conditions described under this caption. The maturity dates for such Additional Certificates will be as set forth in the Supplemental Indenture relating to such Additional Certificates. Additional Certificates may be issued to provide funds to pay any one or more of the following: (a) Costs of the Projects in excess of the amount available therefor as described in “THE CERTIFICATES—Use of Certificate Proceeds;” (b) the costs of refunding all or any portion of the Outstanding Certificates; (c) the costs of making at any time or from time to time such additions, modifications and improvements for or to the Leased Property as the Trustee may deem necessary or desirable; and (d) costs of acquiring or improving any additional property for the Trustee; provided that (i) no Additional Certificates shall be issued without the written consent of the Insurer, except for Additional Certificates issued for purposes described in (b) where such issuance results in a reduction in the present value of the principal and interest payable on the Certificates and (ii) no Additional Certificates that bear interest at a variable rate shall be issued without the written consent of the Insurer.

Additional Certificates may be issued only as described in the preceding paragraph and only upon there being furnished to the Trustee:

(i) Originally executed counterparts of a Supplemental Indenture expressly providing that, for all the purposes of the Indenture, the Leased Property shall include any property being financed by the Additional Certificates, and that the Certificates shall mean and include the Additional Certificates being issued as well as any Certificates and Additional Certificates theretofore issued, except that the series description of the Additional Certificates, the

date or dates of the Additional Certificates, the maturity dates and Interest Payment Dates for the Additional Certificates, the rate or rates of interest on the Additional Certificates, and provisions for the redemption thereof, if any, all may be as provided in the Supplemental Indenture rather than as provided in the Indenture.

(ii) The addition to the Trust Estate of an assignment of the Lease Revenues from or with respect to the property financed with the proceeds of such Additional Certificates.

(iii) A written opinion of Bond Counsel to the effect that the issuance of the Additional Certificates and the execution thereof have been duly authorized, that all conditions precedent to the delivery thereof have been fulfilled, that the issuance of Additional Certificates will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Certificates, and that the issuance, sale and delivery of the Additional Certificates will not constitute an Event of Default under the Indenture nor cause any violation of the covenants or representations therein.

(iv) A commitment or other evidence that the amount of the title insurance policy described in "INDENTURE—Title Insurance" in Appendix C will be increased, if necessary, to reflect the amount of the Additional Certificates and all other Outstanding Certificates (or such lesser amount as shall be the maximum insurable value of the real property included in the Leased Property).

(v) Proceeds of such Additional Certificates or other legally available funds of the Trustee for deposit into the appropriate account within the Reserve Fund, or other substitution for the cash deposit as described in "Security for the Certificates—Reserve Fund" above in this section, in an amount, if any, necessary to increase the amount on deposit in the appropriate account within the Reserve Fund to the applicable Reserve Fund Requirement.

(vi) A certificate from the District Representative certifying that the Revenues are expected to be sufficient to pay the principal of, premium, if any, and interest on the Additional Certificates and all other Outstanding Certificates when due.

(vii) Evidence that (A) the Additional Certificates will be rated by Moody's, if Moody's then rates any Certificates, and S&P, if S&P then rates any Certificates, at least as high as the highest rated Certificates then Outstanding (or, if the Outstanding Certificates are insured, at least as high as the highest rating on the Certificates then Outstanding without regard to such insurance) and (B) the issuance of the Additional Certificates will not result in a withdrawal or reduction of any rating on any other Outstanding Certificates; provided, however, that this paragraph shall not apply to the issuance of Additional Certificates issued for the purpose of completing the Project described in "LEASED PROPERTY—Description of the Leased Property."

No Additional Certificates, notes, certificates, contracts or any other obligations will be issued by the Corporation unless no Event of Default has occurred and is continuing with respect to the Outstanding Certificates.

Each of the Additional Certificates will, except as otherwise provided in the Indenture, be proportionately and ratably secured with the Certificates originally issued and all other issues of Additional Certificates, if any, issued pursuant to this Section, without preference, priority or distinction of any Certificates or Additional Certificates over any other.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but the District and the Underwriter take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Certificates, as set forth on the cover page hereof, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct Participants are on file with the Securities and Exchange Commission.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Certificates will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividends to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

Base Rental Payments and Payments of Principal and Interest on the Certificates

Set forth in the following table is a schedule of the Base Rental payments due by the District under the Lease and the payments of principal of and interest due on the Certificates. See the cover page of this Official Statement for the actual interest rates for each maturity of the Certificates.

TABLE I
Schedule of Base Rental Payments and
Payments of Principal of and Interest on the Certificates

Base Rental Payment Date	Principal/Interest Payment Date	Principal	Interest	Total
5/15/01	6/1/01	--	\$ 76,612.50	\$76,612.50
11/15/01	12/1/01	\$ 90,000	114,918.75	204,918.75
5/15/02	6/1/02		113,388.75	113,388.75
11/15/02	12/1/02	50,000	113,388.75	163,388.75
5/15/03	6/1/03		112,513.75	112,513.75
11/15/03	12/1/03	45,000	112,513.75	157,513.75
5/15/04	6/1/04		111,703.75	111,703.75
11/15/04	12/1/04	40,000	111,703.75	151,703.75
5/15/05	6/1/05		110,963.75	110,963.75
11/15/05	12/1/05	35,000	110,963.75	145,963.75
5/15/06	6/1/06		110,298.75	110,298.75
11/15/06	12/1/06	95,000	110,298.75	205,298.75
5/15/07	6/1/07		108,446.25	108,446.25
11/15/07	12/1/07	125,000	108,446.25	233,446.25
5/15/08	6/1/08		105,946.25	105,946.25
11/15/08	12/1/08	145,000	105,946.25	250,946.25
5/15/09	6/1/09		102,973.75	102,973.75
11/15/09	12/1/09	170,000	102,973.75	272,973.75
5/15/10	6/1/10		99,403.75	99,403.75
11/15/10	12/1/10	190,000	99,403.75	289,403.75
5/15/11	6/1/11		95,318.75	95,318.75
11/15/11	12/1/11	220,000	95,318.75	315,318.75
5/15/12	6/1/12		90,478.75	90,478.75
11/15/12	12/1/12	250,000	90,478.75	340,478.75
5/15/13	6/1/13		84,853.75	84,853.75
11/15/13	12/1/13	280,000	84,853.75	364,853.75
5/15/14	6/1/14		78,343.75	78,343.75
11/15/14	12/1/14	310,000	78,343.75	388,343.75
5/15/15	6/1/15		70,981.25	70,981.25
11/15/15	12/1/15	350,000	70,981.25	420,981.25
5/15/16	6/1/16		62,012.50	62,012.50
11/15/16	12/1/16	390,000	62,012.50	452,012.50
5/15/17	6/1/17		52,018.75	52,018.75
11/15/17	12/1/17	435,000	52,018.75	487,018.75
5/15/18	6/1/18		40,871.88	40,871.88
11/15/18	12/1/18	480,000	40,871.88	520,871.88
5/15/19	6/1/19		28,571.88	28,571.88
11/15/19	12/1/19	530,000	28,571.88	558,571.88
5/15/20	6/1/20		14,990.63	14,990.63
11/15/20	12/1/20	<u>585,000</u>	<u>14,990.63</u>	<u>599,990.63</u>
Total		\$4,815,000	\$3,379,692.53	\$8,194,692.53

Source: The Underwriter

CERTIFICATE INSURANCE

The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to the specimen of the Insurer's policy attached as an appendix hereto.

Certificate Insurance

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the District to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Certificates as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Certificates pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Certificate. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Certificates upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Certificates resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Certificates.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a Certificate the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentation and surrender of such Certificates or presentment of such other proof of ownership of the Certificates, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Certificates as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Certificates in any legal proceeding related to payment of insured amounts on the Certificates, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such Certificates, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

Reserve Fund Surety Bond

Application has been made to the Insurer for a commitment to issue a surety bond to fund the Reserve Fund securing the Certificates. The Surety Bond will provide that upon notice from the Trustee to the Insurer to the effect that insufficient amounts are on deposit in the Certificate Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the

Certificates, the Insurer will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Certificates or the available amount of the Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Certificates as specified in the Demand for Payment presented by the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Reserve Fund Surety Bond Coverage.

The available amount of the Surety Bond (the "Reserve Fund Surety Bond Coverage") is the initial face amount of the Surety Bond less the amount of any previous deposits by the Insurer with the Trustee which have not been reimbursed by the District. The District and the Insurer have entered into a Financial Guaranty Agreement dated as of February 1, 2001. Pursuant to the Financial Guaranty Agreement, the District is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Trustee under the Surety Bond. Such reimbursement shall be made only after all required deposits to the Certificate Fund have been made.

Under the terms of the Financial Guaranty Agreement, the Trustee is required to reimburse the Insurer, with interest, until the face amount of the Surety Bond is reinstated before any deposit is made to the Reserve Fund. No optional redemption of Certificates may be made until the Surety Bond is reinstated. The Surety Bond will be held by the Trustee in the Reserve Fund and is provided as an alternative to the District depositing funds equal to the Reserve Fund Requirement for outstanding Certificates. The Surety Bond will be issued in the face amount equal to the Reserve Fund Requirement for the Certificates and the premium therefor will be fully paid by the District at the time of delivery of the Certificates.

The Insurer

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1999, the Insurer had admitted assets of \$7.0 billion (audited), total liabilities of \$4.6 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2000, the Insurer had admitted assets of \$7.5 billion (unaudited), total liabilities of \$5.1 billion (unaudited), and total capital and surplus of \$2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year-end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Insurer or the Securities and Exchange

Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa".

Standard & Poor's Ratings Services Group, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA".

Fitch IBCA, Inc. rates the financial strength of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Certificates, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Certificates. The Insurer does not guaranty the market price of the Certificates nor does it guaranty that the ratings on the Certificates will not be revised or withdrawn.

There can be no assurances that payments made by the Insurer representing interest on the Certificates will be excluded from gross income, for federal tax purposes, in the Event of Nonappropriation by the District.

LEASED PROPERTY

Description of the Leased Property

Generally. The Leased Property will consist of the Land and the Improvements thereon.

Land. The Land consists of approximately one acre upon which the District's Contemporary Learning Academy is located, at 2211 West 27th Avenue in Denver.

Improvements. The Improvements consist of the District's Contemporary Learning Academy, a three story building comprising approximately 45,940 square feet, with reinforced concrete and steel frame, poured concrete walls, built-up rock and rubber roof, and other ancillary improvements located on the Land, including parking areas.

Use of the Leased Property by the District

Generally. The District will use the Leased Property primarily for education of District students and the administration of District programs. The Contemporary Learning Academy is an alternative high school, intended to provide an educational alternative for District students for whom a traditional high school or middle school does not meet their educational needs.

Necessity of the Leased Property. The Property houses the District's only alternative high school and as such contributes to the District's capacity to achieve its primary goal of educating all of the District's students, including those for whom a traditional high school or middle school does not meet their educational needs. The District's accreditation contract with the Colorado Department of Education contains a commitment to lower the number of dropouts from District schools, a commitment that is obtainable when alternative programs such as those offered at the Contemporary Learning Academy are made available to the District's schools and its diverse population of students.

THE CORPORATION

Organization and Corporate Powers

Denver School Facilities Leasing Corporation was incorporated as Northeast Denver School Facilities Corporation in January of 1984 as a nonprofit corporation pursuant to the Colorado Nonprofit Corporation Act, Section 7-20-101 et seq, Colorado Revised Statutes, as amended. The articles of incorporation (the "Articles") of the Corporation provide that the Corporation was formed to purchase, lease or otherwise acquire real estate and to construct, install or acquire and place thereon any and all public improvements, within the boundaries of the City and County of Denver, Colorado, and to purchase, lease or otherwise acquire personal property of any kind, for the use and benefit of the District, and to lease, convey, sell, transfer or otherwise make available such real estate, improvements and personal property to the District, subject to the following restrictions: (i) no part of the profits or net income of the Corporation shall inure to the benefit of any director, trustee, officer, shareholder, member or other private individual; (ii) no substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate or intervene in (including the publishing or distribution of statements regarding) any political campaign on or on behalf of any candidate for public office; and (iii) the Corporation shall not carry on any activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(4) or Section 501(c)(3) of the Internal Revenue Code of 1986.

The Corporation is empowered to exercise all powers, privileges and rights necessary or advisable to carry out the purposes described in the immediately preceding paragraph, subject to the restrictions set forth in the immediately preceding paragraph.

The Articles provide that, upon the dissolution of the Corporation, any property of the Corporation not required to pay corporate debts and expenses will be distributed to the District.

The Articles also provide that the Corporation shall have perpetual existence. The Articles may be amended from time to time by the Corporation, acting by the affirmative vote of a majority of the members of its board of directors. The Corporation has, however, agreed in the Indenture that the provisions of the Articles relating to the distribution of the assets of the Corporation upon dissolution of the Corporation and the appointment and removal of directors may not be amended without the consent of the Board of Education of the District.

Board of Directors

The business and affairs of the Corporation are managed by a board of directors composed of five directors. The present directors of the Corporation serve ten-year terms ending September 2006. Successors to the present directors will be appointed for ten-year terms by the Board of Education of the District and any director may be removed at any time by the Board of Education of the District for cause. Each director has one vote in the conduct of the Corporation's affairs. The directors may not receive a salary or compensation for their services.

**Denver School Facilities Leasing Corporation
Board of Directors**

Lynn D. Coleman
Sherry Eastland
James T. Holmes
Marcia Johnson
Thayne McKnight

The Articles provide that, to the extent allowed by law, the Board of Directors of the Corporation shall be fully indemnified by the District for any liability incurred in connection with its duties under the Articles.

The Corporation's registered agent is Craig A. Cook, and the registered office of the Corporation is 900 Grant Street, Denver, Colorado 80203.

The Corporation's Limited Liability

The Corporation's obligations with respect to the Certificates are limited to those provided for in the Indenture. The Corporation owns no assets other than: (i) its rights to receive Base Rentals, Additional Rentals and the Purchase Option Price, if paid, under the Lease, which rights are subject to annual appropriation by the District; (ii) other moneys held in the funds and accounts created by the Indenture; and (iii) the Leased Property. All of such assets have been assigned to the Trustee as part of the Trust Estate under the Indenture. The Lease states that no provision of it creates any pecuniary liability on the part of directors or officers of the Corporation.

Employees and Consultants

The Corporation has no employees and will be required to rely upon various consultants and advisors to assist it in discharging its responsibilities with respect to the Project and the Certificates. Kutak Rock LLP is serving as Bond Counsel to the Corporation and Hanifen, Imhoff division of Stifel, Nicolaus & Company, Incorporated is serving as the Corporation's underwriter in connection with the issuance of the Certificates.

Hanifen, Imhoff division of Stifel, Nicolaus & Company, Incorporated and Kutak Rock LLP will be paid by the Corporation from proceeds of the Certificates for services performed by them in connection with the issuance of the Certificates. See "LEGAL MATTERS" and "MISCELLANEOUS—Underwriting."

Annual Reports and Financial Statements

The Corporation, as a nonprofit corporation, is required to file a report every two years with the office of the Colorado Secretary of State. It is anticipated that no audited financial statements will be prepared by or for the Corporation during the term of the Certificates. Financial information regarding the District's payment obligations under the Lease will be reflected in the audited financial statements of the District.

THE DISTRICT

Generally

The District encompasses approximately 155 square miles with its boundaries coterminous with the boundaries of the City and County of Denver. The total estimated population of the District is 541,835 and the 2000 certified assessed valuation (for property tax collection in 2001) is \$6,341,827,900. The District has an enrollment figure of 70,956 students as of October 1, 2000, representing the second-largest of the 176 school districts in the State of Colorado.

Organization and Powers

The District is a school district, political subdivision and body corporate, duly organized and existing under the School District Organization Act of 1965, Article 30, Title 22, Colorado Revised Statutes. Its purpose is to operate and maintain an educational program for those persons residing within its boundaries.

The District has all rights and powers delegated under the laws of the State for exercise by school districts, including the right to hold property for any purpose authorized by law; to sue and be sued; and to be a party to contracts for any purpose authorized by law. State statutes grant to the Board of Education (the "Board") the power to govern the District. General duties which the Board is empowered to perform include the following: to adopt policies and prescribe rules and regulations necessary and proper for the administration of the District; to carry out the educational programs of the District; to fix and pay personnel compensation; to determine the educational programs to be provided by the District; to prescribe the textbooks for any course of instruction to study in such programs; to adopt written policies, rules and regulations relating to the study, discipline, conduct, safety and welfare of all pupils; and to comply with all the rules and regulations adopted by the State Board of Education.

The Board of Education of the District is also granted specific powers to be exercised in its judgment. Notable among these are the powers to enter into installment purchase agreements or lease agreements with an option to purchase for a period not to exceed 20 years under which the District becomes entitled to the use of real property and related equipment for a school site, building or structure; to purchase, lease or rent, with or without an option to purchase, undeveloped or improved property located within or outside District boundaries or equipment as the Board of Education of the District deems necessary for use as school sites, buildings or structures, or for any school purpose authorized by law; to rent or lease District property for a term up to 50 years if the Board anticipates that the District will become the subtenant of the property under a sublease; to sell District properties which may not be needed in the foreseeable future for any purpose authorized by law, upon such terms and conditions as the Board of Education of the District may approve; to determine the location of each school site, building or structure; to construct, erect, repair, alter and remodel buildings and structures; to provide furniture, equipment, library books and such other items as may be needed to carry out the District's educational programs; to discharge or otherwise terminate the employment of any personnel; to procure group life, health or accident insurance covering employees of the District; to fix attendance boundaries; to procure appropriate property damage casualty, public liability and accident insurance; and to contract for the transportation of pupils enrolled in the District's public schools.

The Board of Education

The seven members of the Board are elected at successive biennial elections to staggered four-year terms of office. Two of the members of the Board are elected at-large by the registered electors of the entire District; the remaining five members of the Board are elected by the registered electors of the

District residing within their respective director-districts. The Board is a policy-making body whose primary functions are to establish policies for the District, provide for the general operation and personnel of the District and oversee the property, facilities and financial affairs of the District. Members of the Board serve without compensation. The present Board members, their offices on the Board, principal occupations, lengths of service on the Board, and terms of offices are as follows.

Name	Office	Principal Occupation	Years of Service	Term Expires (November)
Elaine G. Berman	President	Board of Education	3	2001
Bennie Milliner	Vice President	Administrative Assistant	4	2001
Susan Edwards	Secretary	Insurance Administrator	5	2003
Sharon Macdonald	Treasurer	Community Activist	3	2001
Rev. Lucia Guzman	Director	Small business owner	1	2003
James Mejia	Director	Deputy Director-Mayor's Office of Economic Development	1	2003
Lester Woodward	Director	Attorney	2	2001

Administrative Staff and Management

Certain information concerning the background and experience of the District's superintendent, chief operating officer and chief financial officer is set out below.

Superintendent. The Board is empowered to employ a chief executive officer, the Superintendent, who is responsible to the Board for the daily operations of the District. The Superintendent is charged with the responsibility for the overall operational management and instructional program of the District, all within the human and financial resources available, as well as being responsible for the philosophical position of the District. The Superintendent works collaboratively with the Board to provide effective leadership for all District personnel in their efforts to accomplish the District mission: "To provide all students the opportunity to achieve the knowledge and skills necessary to become contributing citizens in our diverse society."

As the 22nd superintendent of the District, Bernadette Seick brings 30 years of educational experience with the District. Ms. Seick began her career as a teacher, before serving as a student advisor, middle school assistant principal, high school assistant principal, high school principal, then as the Assistant Superintendent for Secondary Education, prior to being named interim superintendent in May 2000. Ms. Seick earned her bachelor's degree from Loretto Heights College in Denver, Colorado, and her master's degree from the University of Northern Colorado in Greeley, Colorado.

Chief Operating Officer. Craig A. Cook has 32 years of military, professional business and management experience. Mr. Cook has oversight for all business operations of the District. Prior to being appointed chief operating officer for the District in September 1994, he had a successful army career, and spent six years as a school business administrator for the Kansas City, Missouri School District. In 1968, Mr. Cook was commissioned a Second Lieutenant in the field artillery. He was sent to Vietnam as an Air Mobile/Assault Artillery Commander, where he was awarded two bronze stars, air medal, and Vietnamese gallantry cross for action. After returning from Vietnam, Mr. Cook attended senior level army staff courses, and the Department of Defense's Joint Comptrollership Course. He held successful command and leadership positions, including the comptroller for NATO's international headquarters and Deputy Chief of Staff for Resources Management for the Combined Arms Center and Training Command.

Following retirement from the Army, Mr. Cook was hired as the Director of Accounting and Investment for the Kansas City, Missouri School District. Over a five-year period, he was promoted to the Assistant Superintendent of Business and Finance/Special Assistant to the Superintendent for Administrative Services.

Mr. Cook is a graduate of the University of Idaho where he received a bachelor's degree in accounting. Mr. Cook also holds a master's degree in business administration from the University of Nevada - Reno.

Chief Financial Officer. Velma A. Rose has been with the District for 14 years, the first four years as Budget Director and Executive Director of Budgetary Services, and since July 1990 as the Chief Financial Officer, with oversight over general accounting and accounts payable, budgeting, disbursing, cash management, financial planning, debt management and risk management. During this time, Ms. Rose has represented the District on the Colorado Department of Education's Financial Policies and Procedures Committee and on the Board of Directors and later the Finance Committee of the Colorado School Districts Self Insurance Pool. She has also been an active member of the Colorado Association of School Executives, the School Officials Division of the Council of Great City Schools, and the Colorado School Finance Project Steering Committee. In addition, since April 1997, Ms. Rose has served on the Board of Trustees of the Denver Public Schools Retirement System.

Prior to joining the District, Ms. Rose had a career in public accounting for six years and served as Controller and the Finance Director for the Regional Transportation District in Colorado for two years. She has been a member of the Government Finance Officers Association since 1985.

Ms. Rose is a graduate of the University of Colorado, receiving her Bachelor of Science degree in Accounting in 1976 and MBA in 1977. Ms. Rose received her CPA certificate in 1979, and is a member of the American Institute of Certified Public Accountants and the Colorado Society of Certified Public Accountants.

District Employees and Labor Relations

The District currently employs approximately 12,015 personnel; 7,000 of which are full-time and 5,015 of which are part-time. Included in the total number of employees are 4,725 licensed and 7,290 classified employees. Licensed employees include teachers, nurses (RN), psychologists, and social workers. Classified employees include administrators, nurses (LPN), health aides, professional/technical staff, secretaries, clerks, counselors, bus drivers, custodians, mechanics, food service, warehouse staff, and other non-affiliated staff. The number of District employees has been stable over the last several years and is projected to remain stable. As of December 7, 2000, the certificated employees of the District held the following degrees:

Degree Held	Percent of Certificated Staff
Bachelor's	26.9%
Bachelor's plus ¹	21.3
Master's	23.3
Master's plus ¹	26.6
Doctorate/Master's Plus 75 hours	<u>1.9</u>
Total	<u>100.0%</u>

¹ Credit hours acquired toward an advanced degree.

Approximately, 82% of the District's teachers are non-probationary, with the average salary for teachers being \$41,326. As of December 7, 2000, the overall student (F.T.E.)/teacher ratio was 25:1.

Employee Benefits. The District has developed a comprehensive compensation package for its employees. Available benefits include health, dental, vision, group life, and disability insurance plans to which the District contributes a fixed amount. Workers' compensation and unemployment insurance are provided in accordance with state law. All of the District's full-time employees are members of the Denver Public Schools Retirement System, a single-employer defined benefit pension plan (the "Plan"). For additional information regarding the Plan, see "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Retirement and Pension Matters."

Labor Relations. Teachers are employed by the District pursuant to contracts established by the Board. Approximately 63% of the District's teachers are members of the Denver Classroom Teachers Association (the "DCTA"), the local chapter of the Colorado Education Association and the collective bargaining agent for the District's teachers. In addition, approximately 26% of the District's classified office staff are members of the Denver Association of Educational Office Professionals (the "DAEOP"), an affiliate of the Colorado Education Association. Other District employees are members of several other collective bargaining organizations. Labor relations for the District are accomplished through a process of meeting and conferring by representatives of the Board and representatives of the various employee groups. Recommendations which emanate from this process are then presented to the Board for consideration and decisions on final policy. According to District officials, management/employee relations are currently stable. The current DCTA and DAEOP contracts expire on August 31, 2002 and August 31, 2003, respectively.

District Enrollment

District enrollment has been generally increasing over the past five years. According to District officials, the enrollment increase is principally due to the end of court-ordered desegregation and busing of District students, the implementation by the District of a "neighborhood schools" program, the redevelopment of land previously occupied by Lowry Air Force Base and the development of land in Northeast Denver. The following enrollment statistics are based on October student counts.

District Enrollment 1996-2000

School Year	Enrollment	Percent Change
1996-97	66,534	3.4%
1997-98	68,007	2.2
1998-99	68,893	1.3
1999-00	69,776	1.3
2000-01	70,956	1.7

Source: The District

Curriculum, Instruction and Accreditation

The District offers a comprehensive curricula. The District's special education and gifted and talented programs are among the most highly respected programs of their kind in Colorado. Furthermore, the District's adult education program at Emily Griffith Opportunity School is widely recognized across the country.

The District is fully accredited by the Colorado Department of Education for the six year term effective beginning July 1, 2001, and is subject to periodic monitoring by the state to ensure continued compliance with accreditation. The District has never been threatened with or lost its accreditation. In addition, the District's 10 regular high schools and its Emily Griffith Opportunity School are fully accredited by the North Central Association of Schools and Colleges.

Facilities

The District operates and maintains a variety of facilities to accommodate its educational program for the community it serves, including a central administrative facility, 84 elementary schools, 18 middle schools, 10 high schools, one alternative education center, one career education center, one adult opportunity school, one all-city athletic facility, one outdoor educational facility, one aircraft training center and five other support buildings (transportation, warehouse and service facilities). In total, the District owns 132 facilities and approximately 1,660 acres of land. In addition, the District also owns numerous vehicles including a fleet of school buses, maintenance and food service vehicles.

District Capital Plans

In 1996, the Board initiated the process of preparing a comprehensive capital improvement plan which received final approval in 1998. The District received voter approval for the issuance of \$305 million of general obligation debt to complete the capital improvement plan, including \$144.7 million for new schools, \$41.1 million for school additions, \$12 million for school renovations, \$70 million for school repair and safety mandates, \$7 million for a transportation facility, and \$30 million for refunding certain outstanding indebtedness. The District's \$252.9 million General Obligation Bonds, Series 1999 were the first phase of the capital improvement plan with the District expecting to issue the remaining \$52.1 million in general obligation indebtedness in 2001 in two issues, one of which is expected by the District to be an issue of Qualified Zone Academy Bonds authorized by Section 1397E of the Internal Revenue Code of 1986, as amended. See "DEBT AND OTHER FINANCIAL OBLIGATIONS—Outstanding General Obligation Debt."

The District has recently entered into letters of intent with the Denver Urban Renewal Authority ("DURA") and other entities involved in the redevelopment of the former Lowry Air Force Base and

Stapleton International Airport sites under which DURA and such other entities have agreed to reimburse the District for costs incurred by the District in connection with the construction of an elementary school at the Lowry site and an elementary school at the Stapleton site and to fund costs of constructing additional elementary schools and a middle school at the Stapleton site from tax increment revenues derived from the redevelopment of the respective sites.

FINANCIAL INFORMATION CONCERNING THE DISTRICT

Accounting Policies

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The basic format for the financial operation of the District is provided by State law, which creates certain funds for school districts: the General Fund, Bond Redemption Fund, Capital Reserve Fund, Special Building and Technology Fund and the Risk Management Fund. Interpretive regulations of the State Board of Education also may authorize the use of additional funds. The District maintains the following additional funds: the Food Services Enterprise Fund, Government Designated Purpose Grants Fund, Pupil Activity Fund, Nonexpendable Trust Funds, Special Revenue Fund, Expendable Trust Fund, Student Activity Fund, and various Internal Service Funds.

All revenues except those attributable to the Bond Redemption Fund, the Capital Reserve Fund and any other fund authorized by State law and the State Board of Education are accounted for in the General Fund, and any lawful expenditure of the District may be made from the General Fund and recorded therein. If the District has any outstanding general obligation indebtedness, the revenues from tax levies made for the purpose of paying debt service on such indebtedness would be recorded in the Bond Redemption Fund. Amounts on deposit in the District's Bond Redemption Fund are not available to pay any amounts coming due with respect to the Certificates. See the caption "DEBT AND OTHER FINANCIAL OBLIGATIONS" herein. The Capital Reserve Fund is funded by transfers from the General Fund. See the caption "State Equalization Payments" herein.

The District received both the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association ("GFOA") and the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International ("ASBO") for its comprehensive annual financial report for the fiscal year ended June 30, 2000. Such certificates are the highest form of recognition in the area of governmental finance reporting and are awarded to governmental entities whose comprehensive annual financial reports are judged to conform substantially to program standards. The District has received a Certificate of Achievement from GFOA for the last 16 consecutive fiscal years. The District received the Certificate of Excellence from ASBO for the last three consecutive years.

Constitutional Amendment for Public School Funding

On November 7, 2000, The electors of the State of Colorado approved a constitutional amendment which appeared on the ballot as Amendment 23. Generally, Amendment 23 (i) increases per pupil funding for public schools and total state funding for special purpose education programs by at least the rate of inflation plus one percentage point for the next ten years and by at least the rate of inflation thereafter, (ii) requires state general fund appropriations under the Public School Finance Act of 1994, as amended (the "1994 Act"), to increase by at least five percent annually, (iii) sets aside a portion of the State's income tax revenue, requires that it be deposited into a State Education Fund, and permits moneys from the State Education Fund to be used to fund programs identified in Amendment 23 and (iv) exempts money in the State Education Fund from the revenue and spending limits established under Article X, Section 20 of the State Constitution (see "Constitutional Amendment Limiting Taxes and Spending" below).

Under the 1994 Act, every school district starts with the same per pupil funding amount generally known as the “base.” The base is then adjusted in each school district for specific district characteristics such as the size of the District and the local community’s cost of living. Amendment 23 requires a minimum increase in the base equal to the rate of inflation plus one percentage point for the next ten years, and inflation thereafter.

Amendment 23 also requires a minimum increase in certain special purpose programs (the “Special Purpose Programs”) by an amount equal to the rate of inflation plus one percentage point for the next ten years, and inflation thereafter. The Special Purpose Programs generally include transportation programs, English language proficiency programs, expelled and at-risk student programs, special education programs (including gifted and talented programs), suspended student programs, vocational education programs, small attendance centers, comprehensive health education programs, and other current and future accountable programs specifically identified in statute as a “categorical program.”

As described under “Sources of Revenue” hereafter, the District receives revenues from a variety of local and state sources. Amendment 23 also requires that the amount appropriated by the State from its general fund be increased by at least five percent annually for the next ten years, unless Colorado personal income grows less than four and one-half percent between the two previous calendar years.

Amendment 23 also creates the State Education Fund and requires that the revenue from a tax of one-third of one percent of Colorado taxable income be deposited into the fund every year. The State legislature can use the money in the State Education Fund to pay for the increases required by Amendment 23 in the base under the 1994 Act as long as it is in addition to the required minimum five percent increase in State general fund appropriations. The State Education Fund may also be used for the required increases in the Special Purpose Programs, for accountable education reform, for accountable programs to meet state academic standards, for class size reduction, for expanding technology education, for improving student safety, for expanding the availability of preschool and kindergarten programs, for performance incentives for teachers, for accountable reporting or for public school building capital construction.

Moneys in the State Education Fund will not be subject to the statutory limitation on State General Fund appropriations growth, the limitation on fiscal year spending set forth in Article X, Section 20 of the State Constitution, or any other spending limitation existing in law. Moneys remaining in the State Education Fund at the end of any fiscal year of the State do not revert to the State General Fund.

Sources of Revenue

The District receives revenues from a variety of local and state sources, the most important of which are described below.

State Equalization Payments. The second largest source of revenue to the District has historically been the State equalization support program payments received from the State pursuant to the “1994 Act”. The District recognized \$140,119,759 in State equalization funding in the 1999-00 fiscal year, representing 34% of total General Fund revenue, and has budgeted to receive \$151,431,074, representing 35% of budgeted General Fund revenue, from such source in the 2000-01 fiscal year.

The 1994 Act applies to all State school districts for budget years beginning on and after July 1, 1994, and its provisions are to be used to calculate for each school district an amount that represents the financial base of support for public education in that district (the “Total Program”). After determining the Total Program, such amount is funded by both the school district’s share and the State (the “State Share”).

A school district's Total Program amount for any budget year is generally determined as (a) the greater of the District's Funded Pupil Count (the "District's Funded Pupil Count) multiplied by a cost factor described by the 1994 Act as "Per Pupil Funding," plus an additional amount for a district's proportion of pupils determined to be "at risk" of failing or dropping out of school (calculated as either the number eligible for the school district's free lunch program or a number arrived at by a formula that takes into account those eligible for the free lunch program) or (b) an annually defined statutory minimum dollar amount multiplied by the District's Funded Pupil Count.

A school district's Funded Pupil Count is, generally, the district's pupil enrollment for the applicable budget year, or in certain circumstances, the average of the district's pupil enrollment for the applicable budget year and the district's enrollment for the immediately preceding one or two budget years.

For the 2000-01 fiscal year, Per Pupil Funding equals a "base" of \$4,001.70 plus additional money which recognizes district-by-district variances in costs of living, personnel costs, nonpersonnel costs and size of the district. A school district's cost of living factor is certified every two years by the Legislative Council (the "Legislative Council") to the Department of Education for each school district based upon a cost of living analysis which is intended to reflect differences among the State's districts in the cost of housing, goods and services. The personnel costs factor varies by school district based on enrollment, and for all districts, employee salaries and benefits represent the largest single expense. As with a school district's cost of living factor, the Legislative Council directs funding based on these costs, using historical information and incorporating a cost of living factor. Like the personnel costs factor, the size factor is determined using an enrollment-based calculation and is unique to each school district. This factor is included to recognize purchasing power differences among districts and to reflect the expression of funding on a per-pupil basis.

Eligibility for participation in the federal free lunch program is used to measure each school district's at risk pupil population. Increased funding is provided to recognize that expenses among districts vary as pupil populations vary, especially at-risk populations. For each at-risk pupil, a district receives funding of at least 11.5% but not more than 30%, of its Total Per Pupil Funding. As a district's percentage of at-risk population increases above the statewide average (roughly 24.5%), an increased amount of funding is provided.

After determining a Total Program figure, a school district's share of such amount is the amount it raises by mill levy (assuming 100% collection) plus the amount of specific ownership tax revenue paid to such school district in the prior fiscal year attributable to the General Fund, excluding any budget election revenue (collectively, the "District Contribution"). The amount of a school district's mill levy is to be the lesser of (a) the number of mills levied by the school district for the immediately preceding property tax year; (b) the number of mills that will generate enough property tax revenue to entirely pay for the school district's Total Program for the applicable budget year minus the minimum state aid and the amount of specific ownership tax revenue paid to the district; or (c) the number of mills that may be levied by the school district under the property tax revenue limitation imposed on such school district under Amendment One. See "Constitutional Amendment Limiting Taxes and Spending" below.

The State Share is provided to each school district whose District Contribution is insufficient to fully fund its Total Program, and the amount is the difference between the District Contribution and the Total Program. Payments of State Share moneys are made monthly to districts and are funded primarily from state income taxes (personal and corporate) and sales and use tax revenue collected. Even where the District Contribution is sufficient to fund the district's Total Program, the State will still contribute a guaranteed minimum amount to the district. For 2000-01, that amount is \$78 per pupil. Districts receiving this minimum amount may, however, be required to "buy out" state aid for certain categorical

programs. Under this provision, districts able to fund their Total Program, less minimum state aid and specific ownership taxes, with a levy less than the previous year's levy or a property tax increase less than the sum of inflation plus the percentage change in enrollment, must levy additional mills, within the limit imposed by Amendment One (see "Constitutional Amendment Limiting Taxes and Spending" below), to pay for such categorical programs, including transportation, English language proficiency, special education and vocational education, and for aid received by districts with two or more schools, located at least 20 miles apart, with attendance of less than 200.

The State General Assembly is to make annual appropriations to fund the State Share of the Total Program of all school districts. The availability of State funds to the District may be affected by actions of the General Assembly and by the cash position of the State itself, as to which the District can give no assurance. In the event that the State's appropriation is not sufficient to fully fund the State Share of the Total Program of all school districts, the State Department of Education must submit a request for a supplemental appropriation in an amount which will fully fund the State Share during the fiscal year in which such insufficiency occurs. If a supplemental appropriation is not made, a percentage reduction in State aid to all school districts receiving State aid is to be made.

With a number of exceptions requiring earmarking certain funds, a district may spend all funds in the Total Program at the district's discretion. Under one of these exceptions, each district had to earmark \$146 per pupil in 2000-01 for instructional supplies and materials. In addition, most school districts must budget a minimum of \$236 per pupil, not to exceed \$800 per pupil, for capital reserves or insurance reserves/other risk management activities. However, this revenue allocation is optional for any district with existing capital reserves in excess of \$1,180 per pupil (five years of the minimum allocation requirement). Each school district must allocate at least 75% of its at risk funding to school or district-wide educational programs for at-risk pupils or staff development associated with teaching at-risk pupils in the district. Each district other than the District must also contribute 10.4% of employees' salaries to the Public Employees' Retirement Association (the District is not a member of the Association). See "THE DISTRICT—Employee Benefits."

Local Revenues. The District's General Fund levy in the 1999-00 fiscal year produced \$220,893,968 or 54% of the total revenue in the General Fund, representing the largest source of revenue to the District. The District anticipates that the 2000-01 General Fund levy will produce \$226,480,330 or 52% of the total revenue in the General Fund. The District's General Fund levy includes amounts levied pursuant to mill levy overrides approved by District voters in 1988 and 1998.

Other sources of local revenue received by the District include the District's share of the annual specific ownership tax levied by the State on owners of motor vehicles and interest income earned on the District's investments. The District received \$27,843,154 from such sources in the 1999-00 fiscal year and has budgeted to receive \$28,064,833 from such sources in the 2000-01 fiscal year.

The Board has the power, subject to constitutional and statutory guidelines, to certify a levy for collection of ad valorem taxes against all taxable property within the District. Property taxes are uniformly levied against the assessed valuation of all taxable property within the District. The property subject to taxation, the assessment of such property, and the property tax procedure and collections are discussed below.

Property Subject to Taxation. Both real and personal property located within the boundaries of the District, unless exempt, are subject to taxation by the District. Exempt property generally includes property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; charitable property; religious property; cemeteries; irrigation ditches, canals and flumes; household furnishings; personal effects; intangible personal property; inventories of

merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale; livestock; agricultural and livestock products; agricultural equipment which is used on the farm or ranch in the production of agricultural products.

Property Tax Reduction for Senior Citizens. On November 7, 2000, the electors of the State of Colorado approved a constitutional amendment on November 7, 2000, which appeared on the ballot as Referendum A. Generally, Referendum A (i) reduces property taxes for qualified senior citizens by exempting fifty percent of the first \$200,000 of actual value of residential property from property taxation, (ii) requires that the State reimburse all local governments for any property tax revenue reduction resulting from the Referendum A property tax reduction and (iii) excludes the State reimbursement to local governments from the revenue and spending limits established under Article X, Section 20 of the State Constitution (see "Constitutional Amendment Limiting Taxes and Spending" below). To qualify for the property tax reduction, the residential property must be owner-occupied and used as the primary residence of the owner-occupier for at least 10 years, and the owner-occupier must be sixty-five years of age as of the assessment date.

Assessment of Property. All taxable property is listed, appraised and valued for assessment as of January 1 of each year. The "actual" value of taxable property is determined by the County assessor. The "actual" value of most taxable property is determined based on a "level of value," which is the "actual" value of such property as ascertained from manuals and associated data prepared and published by the State property tax administrator for a statutorily defined period preceding the assessment date. The statutorily defined period for the valuation of property for any odd numbered year is the period beginning two years and ending six months prior to January 1 of such year. The statutorily defined period for the valuation of property does not change during even numbered years. The classes of property the "actual" value of which is not determined by a level of value include oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals.

The assessed value of taxable property is then determined by multiplying the "actual" value (determined as described in the immediately preceding paragraph) times an assessment ratio. The assessment ratio for commercial property is fixed at 29%. The assessment ratio of residential property changes from year to year based on a constitutionally mandated requirement to keep the ratio of the assessed value of commercial property to residential property at the same level as it was in the property tax year commencing January 1, 1985. (For purposes of the homestead exemption provided for qualified senior citizens described above in "Property Tax Reduction for Senior Citizens", the exemption for qualified residential properties will not be considered in determining the assessment ratio for residential properties.) The assessment ratio of residential property was 10.36% for the 1995 and 1996 levy years and 9.74% for the 1997 through 2000 levy years.

Beginning in May of each year each County assessor hears taxpayers' objections to property valuations, and the County Board of Equalization hears assessment appeals. The assessor is required to complete the assessment roll of all taxable property no later than August 25 each year. The abstract of assessment prepared therefrom is reviewed by the State property tax administrator. Assessments are also subject to review at various stages by the State board of equalization, the State board of assessment appeals and the State courts. Therefore, the District's assessed valuation may be subject to modification as a result of the review of such entities. In the instance of the erroneous levy of taxes, an abatement or refund must be authorized by the City Council; and in no case will an abatement or refund of taxes be made unless a petition for abatement or refund is filed within two years after January 1 of the year following the year in which the taxes were levied. Refunded or abated taxes are prorated among all taxing jurisdictions which levied a tax against the property.

Taxation Procedure. The assessed valuation and statutory “actual” valuation of taxable property within the District is required to be certified by the County assessor to the District no later than August 25 each year. The Board then determines a rate of levy which, when levied upon such certified assessed valuation, and together with other legally available revenues, will raise the amount required annually by the District for its General Fund and Bond Redemption Fund to defray its expenditures during the ensuing fiscal year. In determining the rate of levy, the Board must take into consideration the limitations on certain increases in property tax revenues as described in “Budget Process.” The Board must certify the District’s levy to the Denver City Council no later than December 15.

Upon receipt of the tax levy certification of the District and other taxing entities within the County, the City Council levies against the assessed valuation of all taxable property within the County the applicable property taxes. Such levies are certified by the City Council to the County assessor, who thereupon delivers the tax list and warrant to the County Treasurer for the collection of taxes.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Taxes certified in 2000, for example, are being collected in 2001. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or two equal installments (not later than the last day of February and June 15) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of 1% per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16 of the collection year. The County Treasurer collects current and delinquent property taxes, as well as any interest, penalties, and other requirements and remits the amounts collected on behalf of the District to the District on at least a monthly basis.

All taxes levied on real and personal property, together with any interest and penalties prescribed by law, as well as other costs of collection, until paid, constitute a perpetual lien on and against the taxed property. Such lien is on a parity with the liens of other general taxes. It is the County Treasurer’s duty to enforce the collection of delinquent real property taxes by sale of the tax lien on such realty in December of the collection year and of delinquent personal property taxes by the distraint, seizure and sale of such property at any time after October 1 of the collection year. There can be no assurance, however, that the value of taxes, penalty interest and costs due on the property can be recovered by the County Treasurer. Further, the Treasurer may set a minimum total amount below which competitive bids will not be accepted, in which event property for which acceptable bids are not received will be conveyed to the County for the amount of delinquent taxes. Taxes on real and personal property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and canceled by the Denver Board of Equalization.

Ad Valorem Property Tax Data

The District’s assessed valuation and mill levies from 1995 to date are set forth in the following tables. See “Ad Valorem Property Taxes—Assessment of Property” above for a description of the assessment ratios for taxable property used in each of such years.

TABLE II
History of District's Mill Levy

Levy/Collection Year	General Fund Mill Levy	Bond		Mill Levy Override	Abatements¹	Total Mill Levy
		Redemption Mill Levy	Mill Levy			
1995/1996	40.080	3.775		2.789	0.649	47.293
1996/1997	40.080	3.775		2.748	0.355	46.958
1997/1998	37.227	3.775		2.428	0.175	43.605
1998/1999	37.227	5.599		5.830	0.326	48.982
1999/2000	31.244	5.599		4.701	0.073	41.617
2000/2001	31.244	5.599		4.589	0.195	41.627

¹Includes mills levied for abatements and credits pursuant to state law.

Sources: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 1995-1999 State of Colorado Property Tax Annual Reports; and the District

TABLE III
History of District Assessed Valuation

Levy/Collection Year	Assessed Valuation¹	Increase or (Decrease)	Percent Change
1995/1996	\$4,303,442,840	--	--
1996/1997	4,402,504,646	\$ 99,061,806	2.3%
1997/1998	4,983,964,297	581,459,651	13.2
1998/1999	4,991,488,537	7,524,240	0.2
1999/2000	6,190,039,801	1,198,551,264	24.0
2000/2001	6,341,827,900	151,788,099	2.5

¹ Does not include incremental assessed valuation in excess of "base" valuation in property tax increment areas from which the District does not receive property tax revenue.

Sources: District 2000 Comprehensive Annual Financial Report, and the City and County of Denver Assessor's Office

The following table sets forth the assessed and "actual" valuations for the 2000 levy (2001 collection) year of specific classes of property within the District. As shown below, residential and commercial properties have accounted for the largest percentage of the assessed valuation.

TABLE IV
2000 Assessed and "Actual" Valuation of
Classes of Property in the District

Class	Assessed Value	Percent of Gross Assessed Value	"Actual" Value	Percent of Gross "Actual" Value
Commercial	\$2,925,256,420	45.1%	\$10,087,091,100	24.9%
Residential	2,645,155,190	40.8	27,157,650,800	67.2
State assessed	620,867,240	9.5	2,140,921,500	5.3
Industrial	204,904,520	3.1	706,567,300	1.8
Agricultural	342,330	0.0	1,180,400	0.0
Oil and gas	21,060	0.0	72,600	0.0
Vacant land	<u>95,290,300</u>	<u>1.5</u>	<u>328,587,200</u>	<u>0.8</u>
Total Gross	\$6,491,837,060	<u>100.0%</u>	\$40,422,070,900	<u>100.0%</u>
Less Tax Increment	<u>(150,009,160)¹</u>		<u>(1,019,389,000)²</u>	
Total Net	<u>\$6,341,827,900</u>		<u>\$39,402,681,900</u>	

¹ Incremental assessed valuations in excess of "base" valuation in property tax increment areas from which the District does not receive property tax revenue.

² Includes entire value of property subject to tax increment, rather than incremental assessed value thereof (see footnote 1). The incremental assessed valuation is unavailable.

Source: The District

The following table sets forth a history of the District's ad valorem property tax collections since 1995.

TABLE V
Historical Property Tax Collections for the District

Levy/Collection Year	Taxes Levied	Current Tax Collections ¹	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collected ¹
1995/1996	\$203,522,723	\$201,905,263	99.2%	\$427,685	\$202,332,948
1996/1997	206,732,813	202,021,445	97.7	235,131	202,256,576
1997/1998	217,325,763	215,389,146	99.1	52,831	215,441,977
1998/1999	244,493,091	242,937,695	99.4	10,861	242,948,556
1999/2000	257,610,887	255,229,161 ²	99.1	(788,626) ³	254,440,535

¹ Treasurer's fees have not been deducted from these amounts.

² Collections through November 30, 2000.

³ Includes abatements in excess of \$800,000 on prior years' taxes due. The District intends to certify a levy for collection of the abated amounts in 2001 (for collection in 2002).

Source: District 2000 Comprehensive Annual Financial Report, and the District

Set forth in the following table are the ten largest taxpayers within the District for the 1999 levy year (for collection in 2000). According to the Denver County Assessor's Office, the ten largest taxpayers for the 2000 levy year (for collection in 2001) will not be available until Spring, 2001. No independent investigation has been made of and no representation is made herein as to the financial

condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District.

The District's mill levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the District from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the mill levies of the other taxing entities which overlap the properties.

TABLE VI
1999 Ten Largest Taxpayers within the District

Name	Assessed Valuation	Percent of Assessed Valuation ¹
U.S. West	\$164,752,000	2.7%
Public Service Company of Colorado	133,732,000	2.2
United Airlines	116,032,000	1.9
Equity Office Properties	79,706,000	1.3
Columbia-Health One, LLC	63,171,000	1.0
Crescent Real Estate Equities	61,195,000	1.0
Republic Plaza Corporation	52,232,000	0.8
Temple Hoyne Buell Co.	51,691,000	0.8
Seven Seventeen HB Denver Corporation	29,392,000	0.5
Resources Capital Management	<u>28,229,000</u>	<u>0.5</u>
Total	<u>\$780,132,000</u>	<u>12.7%</u>

¹The total 1999 assessed valuation figure of the District used in computing the above was \$6,190,039,801. These figures include incremental assessed valuations in excess of "base" valuation in property tax increment areas from which the District does not receive property tax revenue. This is the most current information available with respect to the largest taxpayers in the District.

Source: The District

Overlapping Mill Levies

Numerous entities located wholly or partially within the District are authorized to levy taxes on property located within the District. According to the City and County of Denver Assessor's Office, there are currently 32 entities overlapping all or a portion of the District. Additional taxing entities may overlap the District in the future. As a result, property owners within the District may be subject to various mill levies depending upon the location of their property. The following table is representative of a sample total 2000 mill levy (for payment in 2001) attributable to taxpayers within the District and is not intended to portray the mills levied against all properties within the District. See also "DEBT AND OTHER FINANCIAL OBLIGATIONS—Estimated Overlapping General Obligation Debt."

TABLE VII
Sample Total 2000 Mill Levy

Taxing Entity	2000 Mill Levy¹
City and County of Denver	25.027
Urban Drainage and Flood Control District	<u>0.667</u>
Overlapping Mill Levy	25.694
The District	<u>41.627</u>
Sample Total Mill Levy	<u>67.321</u>

¹ One mill equals 1/10 of one cent. Mill levies certified in 2000 are for the collection of ad valorem property taxes in 2001.

Source: City and County of Denver Assessor's Office

Historical General Fund Financial Information

As noted in "THE CERTIFICATES—Security for the Certificates," the District expects to pay Base Rentals and Additional Rentals from amounts on deposit in its Capital Reserve Fund, which is funded from amounts transferred from its General Fund. The General Fund accounts for all transactions of the District not required to be accounted for in other funds. The fund represents and accounts for the District's ordinary operations financed primarily from state aid and property taxes and is the most significant fund in relation to the District's overall operations.

Set forth below is a five-year comparative statement of revenues, expenditures and changes in fund balances for the District's General Fund. The following information should be read together with the District's financial statements and accompanying notes appended thereto.

TABLE VIII
**General Fund Comparative Statement of Revenues,
 Expenditures, and Changes in Fund Balances¹**

	Fiscal Year 1995/1996	Fiscal Year 1996/1997	Fiscal Year 1997/1998	Fiscal Year 1998/1999	Fiscal Year 1999/2000
Beginning Balance (GAAP)	\$ (4,864,817)	\$ (6,516,106)	\$ (8,578,370)	\$ (8,214,200)	\$ 3,006,672
Local Revenue Sources					
Property Taxes	185,935,662	189,259,109	196,006,511	213,856,394	220,549,973
Delinquent Taxes and Interest	704,522	547,433	1,926,004	49,520	343,995
Specific Ownership Tax	18,239,646	19,596,986	21,655,466	24,113,412	27,843,154
Tuition	98,327	247,182	228,891	301,343	266,253
Interest on Investments	1,426,414	1,341,580	2,826,576	1,636,182	2,326,574
Other Local Sources	737,257	458,394	1,525,055	2,567,469	4,770,958
Total Local	<u>207,141,828</u>	<u>211,450,684</u>	<u>224,168,503</u>	<u>242,524,320</u>	<u>256,100,907</u>
State Revenue Sources					
Finance Act	98,877,197	115,355,786	121,663,597	135,475,730	140,119,759
Vocational Education	43,447	919,936	604,700	780,152	695,373
Special Education	7,760,266	7,753,557	8,230,118	8,183,835	8,165,446
Transportation	4,583,041	4,337,110	4,227,813	4,555,987	4,539,834
Other State Sources	559,547	373,666	972,197	188,719	72,640
Total State	<u>111,823,498</u>	<u>128,740,055</u>	<u>135,698,425</u>	<u>149,184,423</u>	<u>153,593,052</u>
Federal Revenue Sources					
Impact Aid	582,229	--	--	--	--
Other Federal Revenue	452,199	453,708	500,201	586,157	502,402
Total Federal	<u>1,034,428</u>	<u>453,708</u>	<u>500,201</u>	<u>586,157</u>	<u>502,402</u>
Total Revenue	<u>319,999,754</u>	<u>340,644,447</u>	<u>360,367,129</u>	<u>392,294,900</u>	<u>410,196,361</u>
Operating Transfers In	5,596,735	655,860	1,945,567	50,000	--
Proceeds from					
Capital Lease	4,485,253	3,252,522	9,587,042	1,500,000	--
Pension Certificates of Participation	--	--	382,983,344	--	--
Total Resources	<u>325,216,925</u>	<u>338,036,723</u>	<u>746,304,712</u>	<u>385,630,700</u>	<u>413,203,033</u>
Expenditures					
Current					
Instruction	194,557,592	202,119,539	192,993,839	203,443,649	210,063,896
Supporting Services	58,913,067	63,786,613	64,987,309	64,651,894	73,650,957
Business Supporting Services	51,230,059	51,843,428	51,967,859	54,605,223	55,484,005
Community Services	1,101	--	--	--	--
Nonprogrammed Charges	6,970,884	6,546,283	6,957,940	7,523,351	7,070,474
Capital Outlay	7,590,968	7,267,951	13,538,392	4,999,704	7,474,769
Debt Service	631,201	1,774,276	26,716,494	29,401,312	30,523,286
Pension UAAL/COPs costs	--	--	382,952,318	--	--
Total Expenditures	<u>319,894,872</u>	<u>333,338,090</u>	<u>740,114,151</u>	<u>364,625,133</u>	<u>384,267,387</u>
Operating Transfers Out					
To Insurance and Capital Reserve Funds ²	9,217,425	10,191,156	10,819,851	11,533,867	12,150,305
To General Fund Subsidies	<u>2,620,734</u>	<u>3,085,847</u>	<u>3,584,910</u>	<u>6,465,028</u>	<u>6,602,786</u>
Ending Fund Balance (GAAP)	(6,516,106)	(8,578,370)	(8,214,200)	3,006,672	10,182,555
Salaries Earned but Unpaid ³	35,066,407	34,660,390	33,766,218	32,377,057	33,654,985
Reserve for Encumbrances	(3,713,723)	(4,155,767)	(6,048,670)	(3,935,416)	(2,992,838)
Net Income Adjustments	(3,372,270)	(2,687,042)	(142,599)	(318,540)	(2,164,973)
Budgetary Basis Fund Balance	<u>\$21,464,308</u>	<u>\$19,239,211</u>	<u>\$19,360,749</u>	<u>\$31,129,773</u>	<u>\$38,679,729</u>

¹ Results are presented using generally accepted accounting principles (GAAP).

² Effective July 1, 1995, the Insurance Reserve Fund was reclassified from a Special Revenue Fund to an Internal Service Fund in accordance with GASB No. 10. As a result for fiscal year 1995-1996, \$2,865,912 was reclassified from Operating Transfers Out to Business Supporting Services Expenditures.

³ In a July-June fiscal year, teachers (and other District employees) earn 100% of their salary yet would have been paid for only ten months, or 83%, thus a salary accrual of 17% is recorded for GAAP purposes.

Source: The District

Budgetary Process and Information

The District is required by the School District Budget Law of 1964, Article 44 of Title 22, Colorado Revised Statutes, as amended (the "Budget Law"), to formulate a balanced budget and to hold a public hearing thereon prior to the determination of the amounts to be financed in whole or in part by ad valorem property taxes, funds on hand or estimated revenues from other sources. The District operates on a July 1 to June 30 fiscal year. The budget must specify the amounts budgeted for proposed expenditures by funds, the amounts budgeted to be transferred from the general fund to the capital reserve fund and the insurance internal service fund, the corresponding amounts budgeted by fund that were actually expended during the last completed fiscal year and anticipated to be expended during the current fiscal year, all revenue anticipated for the ensuing fiscal year classified as to funds and sources of income, and the fund balance at the end of the fiscal year.

As part of the budgeting process of the District, the Superintendent of the District submits a proposed budget to the Board at least 30 days prior to the beginning of the next fiscal year. After conducting a public hearing on the budget proposal, at which time any person paying school taxes in the District has an opportunity to be heard, the Board must adopt a final budget for the succeeding year by or on June 30 of each year by formal resolution specifying the amount of money appropriated to each fund, and must certify to the Denver City Council, by December 15 of each year, the amounts necessary to be raised from levies against the assessed valuation of all taxable property located within the District for its General Fund and Bond Redemption Fund to defray expenditures therefrom during the next ensuing fiscal year. The Board cannot expend any moneys in excess of the amount appropriated by resolution for a particular fund.

The annual budget is the financial operating plan for the District after adoption by the Board. Should the Board of the District determine that the property tax mill levy should be increased beyond the authorized limit set by State statutes, the Board of the District may submit such proposed increase at a general election for approval and, if such increased levy is approved, may adopt a supplemental budget. While the budget may be revised from time to time after following steps required by Board policy and State law, statutes prohibit the board of education of any school district to expend any moneys in excess of the amount appropriated by resolution for a particular fund.

The following table sets forth a comparison and a summary of the 2000/2001 and 1999/2000 budgets for the District's General Fund as compared with actual unaudited year to date figures for 2000/2001.

TABLE IX
General Fund Budget Summary and Comparison

	2000/2001 Amended Budget	1999/2000 Adjusted Budget	2000/2001 Actual Unaudited ^{1,2}
<i>Beginning Fund Balance</i>	\$ 32,174,248	\$ 31,129,773	\$32,174,248
<i>Revenue</i>			
Local revenues	265,350,904	248,727,714	26,393,015
State revenues	165,276,199	153,739,124	89,936,390
Federal/Other revenues	<u>2,500,866</u>	<u>2,080,694</u>	<u>225,216</u>
Total Revenue	<u>433,127,969</u>	<u>404,547,532</u>	<u>116,554,621</u>
Total Resources	<u>\$465,302,217</u>	<u>\$435,677,305</u>	<u>\$148,728,869</u>
<i>Expenditures</i>			
Salaries	\$289,166,549	\$273,971,291	\$136,731,214
Purchased Services	38,627,515	33,835,317	22,655,700
Supplies, Materials	30,510,951	20,457,143	8,654,382
Capital Outlay	5,291,836	7,313,485	3,405,811
Other Expenses	396,020	6,330,663	99,709
Interfund Transfers	20,812,287	19,937,975	9,971,753
Debt Service	28,351,987	26,870,748	17,087,966
Employee Benefits	38,658,676	33,815,991	13,995,805
Contingency Reserve	1,814,682	887,904	--
Emergency Reserve	<u>11,671,714</u>	<u>12,256,789</u>	<u>--</u>
Total General Fund Appropriations	<u>\$465,302,217</u>	<u>\$435,677,305</u>	<u>\$212,602,340</u>

¹Unaudited actual figures through December 31, 2000.

²The District participates in the State Interest Free Loan Program to address operating cash flow needs during the fiscal year, as most of the property tax revenues, which are the District's largest source of revenue for the General Fund, are received during the months of March, May and June. See "SOURCES OF REVENUE—Property Tax Collections," above under this caption.

Sources: District 2000/2001 and 1999/2000 Budgets, and the District

Further information relating to the General Fund as well as certain other funds of the District, may be found in the General Purpose Financial Statements of the District for the fiscal year ended June 30, 2000, attached hereto as Appendix B.

Management's Discussion and Analysis of Recent Operating Results

The following section provides an analysis of the recent operating results of the District according to the District's management. The Underwriter takes no responsibility for the accuracy of the information in this section.

Revenues. Total revenue from Fiscal Year 1996 through 2000 increased from \$320 million to \$410 million largely due to (1) School Finance Act funding increases attributable to enrollment growth and to increases in per pupil funding and (2) the \$17 million mill levy override election passed in November 1998 for tax collections beginning in 1999. School Finance Act formula funding is derived from three sources: state equalization, property taxes (31.244 mills for Fiscal Year 2000), and a portion of specific ownership taxes.

Revenues from local sources have increased during this period primarily due to increases in the assessed valuation upon which property taxes are collected, from \$4.303 billion to \$6.190 billion, and with mill levies permitted by state law. Delinquent taxes tend to fluctuate from year to year, specific ownership taxes are on the rise and tuition fluctuates. Interest on investments has remained relatively flat except for Fiscal Year 1998 and 2000. Interest earnings for Fiscal Year 1998 includes \$1 million of accrued interest associated with the issuance of the Pension COPs. The District's interest earnings increased to \$2.3 million in Fiscal Year 2000 due to the rise in interest rates and better cash management. Other local sources fluctuate from year to year. Fiscal Years 1998 through 2000 includes indirect cost revenue from other funds, previously reported as an operating transfer in. Fiscal Year 2000 also includes \$1.6 million of proceeds from the demutualization of a health insurance provider.

Revenues from state sources have increased since 1996 due to the increase in the State's share of School Finance Act funding (due to the overall increase in Finance Act funding attributable to enrollment and per pupil funding increases). Vocational education funding fluctuates from year to year due to the State's manner of appropriation. Special Education funding has increased due to the State's increase in its appropriation for this support; however, transportation funding has remained flat. Revenues from other state sources for Fiscal Years 1996 through 1998 include additional state funds resulting from state audits of School Finance Act and state categorical funding, beyond social services reimbursements received every year.

As for federal sources, impact aid was discontinued after Fiscal Year 1996 due to the hold harmless provision with respect to the Lowry Air Force Base closure having expired. Other federal sources represents Fourth Army reimbursements for fifty percent of ROTC instructors' salaries.

Operating Transfers In. Operating Transfers In included transfers in from the Grants Special Revenue Fund for reimbursement of employee benefit expenses and indirect costs through Fiscal Year 1996. Beginning with Fiscal Year 1997, the State required that employee benefit expense reimbursements be reported as a direct reduction of General fund expenditures. Beginning with Fiscal Year 1998, the State required indirect costs to be reported as other local sources (see above). The Fiscal Year 1998 figure represents excess self-funded health insurance reserves residing in the Trust Fund transferred to the General Fund to help to defray operating expenses. Fiscal Year 1999 includes the return of unspent discretionary funds that originated from the General Fund in prior years.

Proceeds from Capital Leases. Proceeds from Capital Leases in Fiscal Years 1996 through 1999 all include the effect of entering into equipment lease-purchase agreements for computer hardware, software and support costs to implement new financial, human resource/payroll and student information systems to address not only new functional requirements but also the Y2K issue. During Fiscal Year 1997, lease-equipment purchase agreements were also entered into for a technology academy at a middle school and for district-wide lighting retrofit equipment.

Proceeds from Pension Certificates of Participation. Proceeds from Pension Certificates of Participation are the result of the July 17, 1997, issuance of the Pension COPs for the purpose of providing for the payment of all the District's estimated amount of its then unfunded actuarial accrued liability of \$377.8 million to its pension plan. Costs of issuance of the Pension COPs were also provided for with the proceeds. The School District anticipates annual savings of \$3 million to \$5 million per year over a 22-year period as a result of the proceeds made available to it from the Pension COPs.

Expenditures. Expenditures from Fiscal Year 1996 through Fiscal Year 2000 increased from \$320 million to \$384 million due to inflation and enrollment growth. Instruction expenses as reported dropped in Fiscal Year 1998 due to the requirement that employee benefit reimbursements from the Grants Special Revenue Fund be reported as a direct reduction of General Fund expenditures (see

Operating Transfers In above). Nonprogrammed charges represent tuition paid to state institutions for Denver-resident students with special needs that cannot be served by the District. The number of these students and the degree of need have increased over the years. The capital Outlay increase in Fiscal Years 1998 was as a result of new equipment lease-purchase agreements (see Proceeds from Capital Leases above). Debt Service increased beginning in Fiscal Year 1997 due to the new equipment lease-purchase agreements and to the Pension Certificates of Participation (see above).

Pension UAAL/COPs costs represents the \$377.8 million payment to the Denver Public Schools Retirement Fund plus \$5.2 million of expenses to issue the certificates (see Proceeds from Pension Certificates of Participation above).

Operating Transfers. The amount of funding to be transferred or allocated to the Capital Reserve and Insurance Funds is stipulated in the School Finance Act. The minimum per pupil amount has increased from \$202 to \$229 per pupil. Beginning with Fiscal Year 1996, the Insurance Fund was reclassified to an Internal Service Fund in accordance with Government Accounting Standards Board Statement No. 10, thus changing the treatment of the General Fund's contribution as Business Supporting Services instead of an Operating Transfer Out. Other General Fund Subsidies include funds to the Pupil Activity Fund, to the second chance program at the District's Emily Griffith Opportunity School, and to the Capital Reserve Fund from a portion of the taxes collected from the 1998 mill levy election.

Fund Balance. The Fund Balance on a generally accepted accounting principles (GAAP) basis was negative for several years up through Fiscal Year 1998. The Fiscal Year 1999 Fund Balance would have been negative if it had not been for the taxes collected on the 1998 override election mill levy that were not expended as of June 30, 1999, but were planned to be expended during Fiscal Year 2000. The positive Fiscal Year 2000 Fund Balance includes the results of efficiencies and planned expenditure savings in anticipation of projected spending needs in future years. School budget law also requires the encumbering of current budgeted funds for any orders of goods and services not received. The net income adjustments result from some revenues being on a cash basis for budgetary purposes and on the accrual basis for GAAP purposes. As a result, the budgetary basis fund balance has been in excess of \$15 million. Of this fund balance, \$9.3 million, \$10.19 million, \$10.69 million, \$11.71 and \$12.3 million represent the TABOR Emergency Reserve for Fiscal Years 1996, 1997, 1998, 1999 and 2000, respectively.

Constitutional Amendment Limiting Taxes and Spending

On November 3, 1992, Colorado voters approved an amendment to the Colorado Constitution, which is commonly referred to as the Taxpayer's Bill of Rights, or Amendment One, and now constitutes Section 20 of Article X of the Colorado Constitution. Amendment One imposes various limits and new requirements on the State of Colorado and all Colorado local governments which do not qualify as "enterprises" under Amendment One (each of which is referred to in this section as a "governmental unit"). Any of the following actions, for example, now requires voter approval in advance: (a) any increase in a governmental unit's spending from one year to the next in excess of the rate of inflation plus a "growth factor" based on (i) for the State, the percentage change in State population, (ii) for a school district, the percentage change in student enrollment, and (iii) for any other local government, the net percentage change in actual value of all real property from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property; (b) any increase in the real property tax revenues of a local governmental unit (not including the state) from one year to the next in excess of inflation plus the appropriate "growth factor" referred to in (a) above; (c) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, extension of an expiring tax or a tax policy

change directly causing a net tax revenue gain; and (d) except for refinancing bonded indebtedness at a lower interest rate or adding new employees to existing pension plans, creation of any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Elections on such matters may only be held on the same day as a state general election, at the governmental unit's regular biennial election or on the first Tuesday in November of odd-numbered years, and must be conducted in accordance with procedures described in Amendment One.

Revenue collected, kept or spent in violation of the provisions of Amendment One must be refunded, with interest. Amendment One requires a governmental unit to create an emergency reserve of 3% of its fiscal year spending in 1995 and subsequent years. Amendment One provides that “[w]hen [a governmental unit's] annual . . . revenue is less than annual payments on general obligation bonds, pensions, and final court judgments, the [voter approval requirement for mill levy and other tax increases referred to in clause (c) of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (a) and (b) of the preceding paragraph] shall be suspended to provide for the deficiency.” The preferred interpretation of Amendment One shall, by its terms, be the one that reasonably restrains most the growth of government.

On November 2, 1999, the District's electorate approved a ballot issue allowing the District to exceed the revenue and spending limits established by TABOR beginning with the 1999/2000 fiscal year.

Retirement and Pension Matters

For the fiscal year ended June 30, 2000, the cost to the District for pension contributions was \$7,220,899. For additional information concerning the pension plan, see Note 8 to the District's financial statements appended hereto.

Insurance Coverage

The Board acts to protect the District against loss and liability by maintaining combined liability, property and workers compensation insurance coverage through the Colorado School Districts Self Insurance Pool (the “Pool”). Pool assets consist primarily of direct obligations of the United States government or funds collateralized by such obligations. For more information, see Note 10 of the District's financial statements appended hereto. In addition to the insurance coverage described above, the Colorado Governmental Immunity Act provides the District with substantial protection from liability. See “**LEGAL MATTERS—Sovereign Immunity**.” In the opinion of the District, the insurance coverage described above provides adequate insurance protection for the District. However, there can be no assurance that the District will continue to maintain this level of coverage.

DEBT AND OTHER FINANCIAL OBLIGATIONS

Outstanding General Obligation Debt

The following table sets forth the District's outstanding general obligation debt. See "THE CERTIFICATES—Base Rental Payments and Payments of Principal and Interest on the Certificates."

TABLE X
Outstanding General Obligation Debt¹

Issue	Outstanding Principal Amount
General Obligation Refunding Bonds, Series 1991	\$ 4,000,000.00
General Obligation Bonds, Series 1992A and 1992B	7,425,000.00
General Obligation Refunding Current Interest Bonds, Series 1994	122,455,000.00
General Obligation Refunding Premium Capital Appreciation Bonds, Series 1994	10,354,733.85
General Obligation Bonds, Series 1999	252,900,000.00
Total	<u>\$397,134,733.85</u>

¹As of December 15, 2000.

Source: The District

At the general election held on November 3, 1998, District electors authorized the issuance of \$305 million of general obligation bonds. The District currently has \$52,100,000 of authorized but unissued general obligation debt. The District anticipates issuing such additional general obligation bonds in 2001 in order to complete its capital improvement program. See "THE DISTRICT –District Capital Plans."

The issuance of additional general obligation debt is subject to the same constitutional and statutory limitations that apply to the issuance of the Certificates, including, but not limited to, constitutional and statutory provisions requiring voter approval of general obligation debt and statutory limits on the dollar amount of general obligation debt. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Constitutional Amendment Limiting Taxes and Spending."

Other Financial Obligations

The Board has the authority to enter into installment or lease purchase contracts, subject to annual appropriation, for the purchase of property or capital equipment without prior electoral approval. The term of any such contract may not extend over a period greater than the estimated useful life of the property or equipment. The District has executed several such lease purchase agreements for various equipment with the principal amount outstanding under the leases as of June 30, 2000 being \$8,623,534. The District expects to enter into an additional lease purchase agreement for certain equipment on or about March 2, 2001, in the aggregate principal amount of \$338,137.

Certificates of Participation. In addition to the Certificates, the District has three additional outstanding series of Certificates of Participation. In 1996, the District issued its \$38,825,000 Certificates of Participation currently outstanding in the principal amount of \$12,680,000, to convey, transfer, and release certain leased property. In 1997, the District issued its \$384,167,520.55 Taxable Pension Certificates of Participation currently outstanding in the principal amount of \$375,827,521. In 2000, the

District issued its \$1,720,000 Certificates of Participation currently outstanding in the principal amount of \$1,625,000 to make certain improvements on a parcel of property owned by the District. See Notes 7 and 8 to the District's financial statements appended hereto.

Estimated Overlapping General Obligation Debt

Certain public entities whose boundaries may be entirely within, coterminous with, or only partially within the District are authorized to incur general obligation debt, and to the extent that properties within the District are also within such overlapping public entities such properties will be liable for an allocable portion of such debt. For purposes of this Official Statement, the percentage of each entity's outstanding debt chargeable to District property owners is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District's assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of general obligation debt for which District property owners are responsible will also change. The following table sets forth the estimated overlapping general obligation debt chargeable to properties within the District as of the date of this Official Statement.

Because no single parcel of property located within the District's boundaries is located within every entity shown on the table, the table is not indicative of the actual or potential tax burden upon any single parcel of property located within the District's boundaries. For a description of the highest and lowest actual mill levies levied on property located within the District, see "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Overlapping Mill Levies." The District is not financially or legally obligated with regard to any of the indebtedness shown on the following table. Although the District has attempted to obtain accurate information as to the outstanding debt of the entities which overlap the District, it does not warrant its completeness or accuracy as there is no central reporting entity which is responsible for compiling this information.

TABLE XI
Estimated Overlapping General Obligation Debt¹

Overlapping Entity	Outstanding General Obligation Debt	Net Outstanding General Obligation Debt Chargeable to Properties within the District
	Percent	Amount
Bowles Metropolitan District	\$26,055,000	46.4% \$ 12,089,520
Central Platte Valley Metropolitan District	33,390,000	100.0 33,390,000
City and County of Denver	507,484,000	100.0 507,484,000
Denver Gateway Center Metropolitan District	1,000,000	100.0 1,000,000
Denver International Business Center Metropolitan District	7,475,000	100.0 7,475,000
Denver Suburban Water District	110,000	100.0 110,000
Ebert Metropolitan District	28,435,000 ²	100.0 28,435,000
Fairlake Metropolitan District	9,245,000	100.0 9,245,000
Gateway Regional Metropolitan District	1,235,000	100.0 1,235,000
Gateway Village GID	3,000,000	100.0 3,000,000
Goldsmith Metropolitan District	38,415,473	48.1 18,477,842
Greenwood Metropolitan District	9,360,000	1.4 140,560
GVR Metropolitan District	12,725,000	100.0 12,725,00
North Washington Fire Protection District No. 3	1,458,435	0.7 10,209
Sand Creek Metropolitan District	32,070,000	10.4 3,343,939
SBC Metropolitan District	9,335,000	100.0 9,335,000
Section 14 Metropolitan District	12,235,000	30.1 3,682,735
South Denver Metropolitan District	4,145,000	100.0 4,145,000
Southwest Commons GID	1,040,000	100.0 1,040,000
Total Overlapping Debt		<u>\$643,651,530</u>

¹ As of January, 2001.

²The District expects to issue such bonds on or about February 28, 2001.

Sources: City and County of Denver Assessor's Office, and information obtained from individual entities

General Obligation Debt Ratios

Set forth in the following table are selected historical general obligation debt ratios for the District for the last five fiscal years.

TABLE XII
Historical Debt Ratios

	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000
Debt Outstanding	\$178,354,734	\$172,884,734	\$167,049,734	\$412,639,734	\$404,954,734
Estimated Population	492,650	497,625	501,700	521,644	541,835
Debt Per Capita	\$362	\$347	\$333	\$791	\$747
Assessed Value ¹	\$4,303,442,840	\$4,402,504,646	\$4,983,964,297	\$4,991,488,537	\$6,190,039,801
Ratio of Debt to Assessed Value	4.14%	3.93%	3.35%	8.27%	6.54%
Personal Income Per Capita (City and County of Denver) ²	\$30,324	\$31,899	\$33,727	unavailable	unavailable
Ratio of Debt Per Capita to Personal Income Per Capita	1.19%	1.09%	0.99%	unavailable	unavailable

¹ Does not include incremental assessed valuations in excess of "base" valuations in property tax increment areas from which the District does not receive property tax revenue.

² Personal income figures are for the calendar year in which a school district fiscal year begins.

Sources: District General Purpose Financial Statements for the years ended June 30, 1996-2000; City and County of Denver Assessor's Office; State of Colorado, Division of Property Taxation, Annual Reports 1996-2000; Regional Economics Information System Bureau of Economic Analysis; Colorado Division of Local Government; and the District

LEASE

The District will lease the Leased Property from the Corporation pursuant to the Lease. This section contains a brief summary of some of the principal terms of the Lease. For a more complete summary of additional terms of the Lease, see "LEASE" in Appendix C.

Obligations of Corporation Generally

The Corporation has agreed in the Lease to permit the District to use the Leased Property during the Lease Term, subject to the terms of the Lease.

Obligations of District Generally

The District has agreed in the Lease, subject to the terms of the Lease and subject to the caveat that all obligations of the District to pay Base Rentals and Additional Rentals and all other obligations of the District under the Lease are subject to annual appropriation by the Board of Education of the District and the other limitations discussed below in this section:

- (a) To pay Base Rentals for the use of the Leased Property;
- (b) To pay all taxes, assessments and other governmental charges and utility charges with respect to the Leased Property;
- (c) To insure the Leased Property;
- (d) To maintain, preserve and keep the Leased Property in good repair, working order and condition, subject to normal wear and tear;
- (e) To repair, restore, modify, improve or replace the Leased Property following (i) the destruction or damage of the Leased Property by fire or other casualty, (ii) the taking of the Leased Property by eminent domain, (iii) a breach of warranty or material defect with respect to the Leased Property or a defect in the title to the Leased Property;
- (f) To pay the fees of the Trustee and the expenses of the Trustee and the Corporation in connection with the Leased Property, the Project, the Lease, the Indenture, the Certificates or any matter related thereto;
- (g) To make payments to the Trustee required to be deposited into the Reserve Fund and the Rebate Fund as and when required by the Indenture; and
- (h) To pay the costs incurred pursuant to clauses (b) through (g) above as Additional Rentals.

Termination of the Lease

The Lease Term is comprised of: (i) the Initial Term which will commence on the date the Certificates and, subject to earlier termination as described below under this heading, terminate on June 30, 2001, and (b) successive Renewal Terms, commencing on the July 1 following the end of the Initial Term or previous Renewal Term and ending on the following June 30, subject to earlier

termination as described below under this heading. The Initial Term or any Renewal Term will terminate upon the earliest of:

- (a) The last day of the month following the month in which the final Base Rental payment is scheduled to be paid in accordance with the schedule attached to the Lease (described in "THE CERTIFICATES—Base Rental Payments and Payments of Principal and Interest on the Certificates");
- (b) June 30 of any Fiscal Year during which an Event of Nonappropriation has occurred;
- (c) The purchase of the Leased Property by the District pursuant to its exercise of its option to pay the Purchase Option Price; or
- (d) Termination of the Lease following an Event of Default under the Lease as described below.

Upon termination of the Lease Term, all unaccrued obligations of the District under the Lease will terminate, but all obligations of the District that have accrued under the Lease prior to such termination shall continue until they are discharged in full. If the Lease Term is terminated because of the occurrence of an Event of Nonappropriation or an Event of Default, the District's right to possession of the Leased Property hereunder shall terminate and (i) the District is required to, within 90 days, vacate the Land and the Improvements; and (ii) if and to the extent the Board of Education of the District has appropriated funds for payment of Base Rentals and Additional Rentals payable during, or with respect to the District's use of the Leased Property during, the period between termination of the Lease Term and the date the Land and Improvements are vacated pursuant to clause (i), the District is required to pay such Base Rentals and Additional Rentals to the Corporation or, in the case of Additional Rentals, the other Person entitled thereto.

Event of Nonappropriation

The officer of the District who is responsible for formulating budget proposals with respect to payments of Base Rentals and Additional Rentals is directed in the Lease (i) to estimate the Additional Rentals payable in the next ensuing Fiscal Year prior the submission of each annual budget proposal to the Board of Education of the District during the Lease Term and (ii) to include in each annual budget proposal submitted to the Board of Education of the District during the Lease Term the entire amount of Base Rentals scheduled to be paid and the Additional Rentals estimated to be payable during the next ensuing Fiscal Year; it being the intention of the District that any decision to continue or to terminate the Lease shall be made solely by the Board of Education of the District, in its sole discretion, and not by any other department, agency or official of the District.

An Event of Nonappropriation will be deemed to have occurred on June 30 of any Fiscal Year if the District has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rentals scheduled to be paid and all Additional Rentals estimated to be payable in the next ensuing Fiscal Year.

An Event of Nonappropriation shall also be deemed to have occurred on June 30 of the Fiscal Year in which an event described in clause (a) below occurred or on June 30 of any subsequent Fiscal Year in which it became apparent that the Net Proceeds received as a consequence of an event described in clause (a) below are not sufficient to repair, restore, modify, improve or replace the Leased Property in

accordance with the Lease. In order for an Event of Nonappropriation described in this paragraph to be deemed to occur:

- (a) The Leased Property (or any portion thereof) is destroyed or damaged by fire or other casualty, title to, or the temporary or permanent use of, the Leased Property (or any portion thereof) or the estate of the District or the Corporation in the Leased Property (or any portion thereof), is taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, a breach of warranty or any material defect with respect to the Leased Property (or any portion thereof) becomes apparent or title to or the use of the Leased Property (or any portion thereof) is lost by reason of a defect in the title thereto,
- (b) The Net Proceeds received as a consequence of an event described in clause (a) are not sufficient to repair, restore, modify, improve or replace the Leased Property in accordance with the Lease hereof, and
- (c) The District has not appropriated amounts sufficient to repair, restore, modify, improve or replace the Leased Property or to exercise its option to purchase the Leased Property by paying the Purchase Option Price by June 30 of the Fiscal Year in which such event occurred or by June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the Leased Property becomes apparent.

Notwithstanding the preceding two paragraphs, the Corporation may waive any such failure to appropriate that otherwise would cause an Event of Nonappropriation to occur if such failure to appropriate is cured by the District within a reasonable period of time.

District's Purchase Option

The District has the option to purchase the Leased Property by paying to the Corporation an amount, which, together with other amounts then on deposit in the Certificate Fund and the Reserve Fund that are available for such purpose, is sufficient (a) to pay all the Outstanding Certificates at maturity, to redeem all the Outstanding Certificates in accordance with the redemption provisions of the Indenture or to defease all the Outstanding Certificates in accordance with the defeasance provisions of the Indenture and (b) to pay all Additional Rentals payable through the date of conveyance of the Leased Property of the District or its designee, including, but not limited to, all fees and expenses of the Trustee and all expenses of the Corporation, including but not limited to fees and expenses of attorneys and accountants, relating to the purchase of the Leased Property and the payment, redemption or defeasance of the Certificates.

The District may exercise its option to purchase the Leased Property by (i) giving written notice to the Corporation prior to the end of the Scheduled Lease Term (A) stating that the District intends to purchase the Leased Property, (B) identifying the source of funds it will use to pay the Purchase Option Price and (C) specifying a closing date for such purpose which is at least 30 and no more than 90 days after the delivery of such notice and (ii) paying the Purchase Option Price to the Corporation in immediately available funds on the closing date.

At the closing of any purchase of the Leased Property pursuant to the District's exercise of its purchase option, the Corporation shall execute and deliver to the District or its designee, all necessary documents assigning, transferring and conveying to the District or its designee the same title in the

Leased Property that was conveyed to the Corporation, subject only to the following: (i) Permitted Encumbrances, other than the Lease and the Indenture; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Corporation as required or permitted by the Lease or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by the Lease; (iii) any lien or encumbrance created or suffered to exist by action of the District; and (iv) those liens and encumbrances (if any) to which title to the Leased Property was subject when acquired by the Corporation.

Limitations on Obligations of the District

The Lease specifically provides that:

- (a) Payment of Base Rentals and Additional Rentals by the District shall constitute currently appropriated expenditures of the District and may be paid from any legally available funds;
- (b) The District's obligations under the Lease shall be subject to the District's annual right to terminate the Lease upon the occurrence of an Event of Nonappropriation;
- (c) No provision of the Certificates, the Indenture or the Lease shall be construed or interpreted (i) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (ii) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (iii) as a delegation of governmental powers by the District; (iv) as a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (v) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.
- (d) The District shall be under no obligation whatsoever to exercise its option to purchase the Leased Property; and
- (e) No provision of the Lease shall be construed to pledge or to create a lien on any class or source of moneys of the District, nor shall any provision of the Lease restrict the future issuance of any obligations of the District, payable from any class or source of moneys of the District (provided, however, that the restrictions set forth in the Indenture shall apply to the issuance of Additional Certificates).

Events of Default and Remedies under the Lease

Events of Default. Any of the following constitutes an "Event of Default" under the Lease:

- (a) Failure by the District to pay any specifically appropriated Base Rentals to the Corporation on or before the applicable Base Rental Payment Date; provided, however, that a failure by the District to pay Base Rentals on the applicable Base Rental Payment Date shall not constitute an Event of Default if such payment is

received by the Corporation within five days following such Base Rental Payment Date;

- (b) Failure by the District to pay any Additional Rental for which funds have been specifically appropriated when due, or if such Additional Rental is payable to a Person other than the Corporation or the Trustee, when nonpayment thereof has, or may have, a material adverse effect upon the Leased Property or the interest of the Trustee in the Leased Property;
- (c) Failure by the District to vacate the real property included in the Leased Property within 90 days following an Event of Nonappropriation as described in "Termination of the Lease" above in this section; or
- (d) Any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the District in all or any portion of the Lease or the Leased Property or any succession to all of any portion of the interest of the District in the Leased Property in violation of the provisions of the Lease described in "THE LEASE—Transfer of District's Interest in Lease and Leased Property Prohibited" in Appendix C.
- (e) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (a), (b), (c) or (d) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the District by the Corporation, unless the Corporation shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Corporation shall not withhold its consent to an extension of such time if corrective action shall be instituted by the District within the applicable period and diligently pursued until the default is corrected.

The provisions regarding Events of Default set forth above are subject to the following limitations:

- (i) The District will be obligated to pay Base Rentals and Additional Rentals only during the Lease Term, except as otherwise described in "Termination of the Lease" above in this section; and
- (ii) If, by reason of Force Majeure, the District is unable in whole or in part to carry out any agreement on its part contained in the Lease, other than its obligation to pay Base Rentals or Additional Rentals, the District will not be deemed in default during the continuance of such inability; provided, however, that the District will, as promptly as legally and reasonably possible, remedy the cause or causes preventing the District from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the District.

Remedies. Whenever any Event of Default has happened and is continuing, the Corporation may, with the consent of the Insurer, take one or any combination of the following remedial steps:

- (a) Terminate the Lease Term and give notice to the District to immediately vacate the real property included in the Leased Property, in the manner described in "Termination of the Lease" above in this Section;
- (b) Sell or lease its interest in all or any portion of the Leased Property;
- (c) Recover from the District:
 - (i) the portion of Base Rentals and Additional Rentals payable as described in "Termination of the Lease" above in this section;
 - (ii) the portion of Base Rentals for the then current Fiscal Year that has been specifically appropriated by the Board of Education of the District, regardless of when the District vacates the Land and Improvements; and
 - (iii) the portion of the Additional Rentals for the then current Fiscal Year that has been specifically appropriated by the Board of Education, but only to the extent such Additional Rentals are payable prior to the date, or are attributable to the use of the Leased Property prior to the date, the District vacates the Land and Improvements;
- (d) Enforce any provision of the Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession described under "THE LEASE—Transfer of District's Interest in Lease and Leased Property Prohibited" in Appendix C by specific performance, writ of mandamus or other injunctive relief; and
- (e) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease, subject, however, to the limitations on the obligations of the District described the next paragraph and in "Limitations on Obligations of the District" above in this section and the limitations on the obligations of the Corporation described in "Limitations on Obligations of the Corporation" below in this section.

Notwithstanding the foregoing, a judgment requiring a payment of money may be entered against the District by reason of an Event of Default only as to the District's liabilities described in clause (c) above and a judgment requiring a payment of money may be entered against the District by reason of an Event of Nonappropriation, or a failure to vacate the Land and the Improvements following an Event of Nonappropriation, only to the extent described in clause (c)(i) above.

Notwithstanding any other provision of the Lease, the Corporation may waive any Event of Default under the Lease and its consequences.

Limitations on Obligations of the Corporation

The Lease specifically provides that:

- (a) THE CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR

WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF;

(b) In no event shall the Corporation be liable for any direct or indirect, incidental, special or consequential damage in connection with or arising out of the Lease or the existence, furnishing, functioning or use by the District of any item, product or service provided in the Lease; and

(c) Notwithstanding any other provision of the Lease, all financial obligations of the Corporation under the Lease, except those resulting from its negligence or willful misconduct, are limited to the funds available to the Corporation from payments from the District pursuant to the Lease.

RISK FACTORS

An investment in the Certificates involves a variety of risks, some of which are discussed below in this section. Investors should read this entire Official Statement and consider carefully all potential risks of an investment in the Certificates, including but not limited to those discussed below in this section, before making a decision to invest in the Certificates.

Limited Sources Available for Payment of Certificates

The Certificates are payable solely from (1) annually appropriated Base Rentals and any Purchase Option Price paid by the District under the Lease; (2) moneys held by the Trustee in the Certificate Fund and the Reserve Fund created under the Indenture; and (3) following an Event of Nonappropriation or an Event of Default under the Lease, any moneys received by the Trustee from the sale or lease of the Leased Property or the exercise of other remedies under the Lease and the Indenture.

Financial Obligations of the District are Subject to Annual Appropriation

All financial obligations of the District under the Lease, including the District's obligation to pay Base Rentals, are subject to annual appropriation by the Board of Education of the District. The annual decision of the Board of Education of the District to appropriate or not to appropriate amounts payable under the Lease for any Fiscal Year is dependent upon a variety of factors that are beyond the control of the Owners of the Certificates, including, but not limited to:

(a) The amount of funds available to the District in such Fiscal Year, which is dependent on a variety of other factors that are beyond the control of Owners of the Certificates, including, but not limited to, economic conditions in the District and the State, the assessed value of taxable property in the District, the District's ad valorem property tax mill levy, the amount of property tax revenue generated by the District's ad valorem property tax mill levy, the amount appropriated by the Colorado General Assembly to fund Colorado school districts in general and the District in particular and changes in Colorado and federal law affecting the funding of Colorado school districts in general and the District in particular. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Sources of Revenue."

(b) Other demands on available District funds, which are dependent on a variety of other factors that are beyond the control of Owners of the Certificates, including, but not limited to, the number and types of students enrolled in the District, the District's curriculum, relations between the District and its employees and the amount required to be expended to pay the compensation of District employees, the District's capital needs and the cost of services and property provided to the District by third parties. See "THE DISTRICT."

(c) The District's continued desire to use the Leased Property, which is dependent on a variety of other factors beyond the control of the Owners of the Certificates.

(d) The factors described in "Cost Overruns and Delays in Completion of the Project" and "Operating Costs" below in this section.

Event of Nonappropriation Following Damage, Condemnation, Material Defect or Loss of Title

As described in more detail in “LEASE—Event of Nonappropriation,” an Event of Nonappropriation will be deemed to have occurred if (a) the Net Proceeds available following damage to, condemnation of, a material defect with respect to or loss of title to any portion of the Leased Property are not sufficient to repair, restore, modify, improve or replace the Leased Property in accordance with the Lease and (b) the District has not appropriated amounts sufficient to repair, restore, modify, improve or replace the Leased Property or to exercise its option to purchase the Leased Property by June 30 of the Fiscal Year in which such event occurs or the insufficiency of Net Proceeds becomes apparent.

Because damage to, condemnation of, a material defect with respect to or loss of title to any portion of the Leased Property will likely occur with limited warning, the risk that the Board of Education of the District will fail to appropriate any amounts required to avoid the occurrence of an Event of Nonappropriation following such an event may be greater than the risk that the Board of Education of the District will fail to appropriate regularly scheduled Base Rentals and related Additional Rentals because the latter can more easily be planned for in advance.

Operating Costs

In addition to the Base Rentals payable by the District under the Lease, the District is responsible for paying all costs relating to the operation and maintenance of the Leased Property and certain costs of repairing and replacing the Leased Property. See “LEASE—Obligations of the District Generally.” The amount and timing of such other costs could affect the willingness of the District to appropriate Base Rentals and could increase the risk of the occurrence of an Event of Default.

Limited Sources of Payment Following Termination of the Lease

The Lease is subject to annual termination by the District and will be terminated upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease. Upon the occurrence of an Event of Nonappropriation or an Event of Default under the Lease, the Certificates are subject to redemption at a redemption price that may be less than the principal of and accrued interest on the Certificates. In addition, the redemption price may not be paid in full within any particular period following the occurrence of the Event of Nonappropriation or Event of Default under the Lease, but, instead, may be paid in whole or in part only if and when funds become available to the Trustee from the exercise of remedies under the Lease. See “INTRODUCTION—Redemption of the Certificates—Redemption of Certificates in Whole Upon an Event of Nonappropriation or Event of Default under the Lease.”

The only source available for payment of the debt service on the Certificates following a termination of the Lease will be moneys, if any, held in the Certificate Fund and the Reserve Fund created under the Indenture and moneys received by the Trustee from the sale or lease of the Leased Property and the exercise of other remedies available under the Lease and the Indenture. There is no assurance that the Trustee will receive any moneys from the sale or lease of the Leased Property or the exercise of other remedies under the Lease and the Indenture following the occurrence of an Event of Nonappropriation or an Event of Default under the Lease.

The amount and timing of moneys received by the Trustee from the sale or lease of the Leased Property or the exercise of other remedies under the Lease and the Indenture following the occurrence of an Event of Nonappropriation or an Event of Default under the Lease may be adversely affected by among other factors: economic conditions in the District, the State and the nation that could reduce the

amount of money available to a potential purchaser or lessee of the Leased Property; and delays in the availability of the Leased Property for sale or lease because of (a) delays in enforcing the remedies under the Lease and the Indenture, including, but not limited to, delays inherent in court proceedings and delays resulting from limitations on the enforceability of the Certificates, the Indenture and the Lease referred to in “Limitations on Enforceability of Right and Remedies” below in this section, (b) delays in finding a purchaser or lessee for the Leased Property and (c) delays in consummating a purchase, lease or other arrangement with a purchaser or lessee.

Condemnation by District

A Colorado city recently attempted (a) to terminate a lease purchase agreement for a building that it was using as its city hall by nonappropriation and (b) to condemn the building using its power of eminent domain for a price that would not have been sufficient to pay the principal of and interest payable on the certificates of participation issued to finance the building. Although the city, after extensive court proceedings, ultimately did not condemn the building, there is a risk that a Colorado government, including a Colorado school district, could terminate a lease purchase agreement and condemn the leased property and that a court could determine that the condemnation price (which, under Colorado law, is supposed to be fair market value) is less than the principal of and interest payable on any certificates, bonds or other obligations issued to finance the leased property.

The District has agreed in the Lease that, to the extent permitted by law, that in the event it brings an eminent domain or condemnation proceeding with respect to all or any portion of the Leased Property, the appraised value of the condemned portion of the Leased Property shall be not less than the greater of (i) if the Certificates are then subject to redemption, the redemption price of the Certificates that are attributable to the condemned property minus a proportionate share of the amount then on deposit in the Reserve Fund or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates attributable to the condemned property to the first date on which the Certificates are subject to redemption under the Indenture minus a proportionate share of the amount then on deposit in the Reserve Fund.

It is, however, not clear that the agreement described in the immediately preceding paragraph is enforceable. Bond Counsel and general counsel to the District have not delivered any opinions, and the District, the Corporation and the Underwriter have not made any representation, regarding the enforceability of such agreement. If the agreement described in the immediately preceding paragraph is not enforceable, there is a risk that the District could attempt to terminate the Lease and condemn the Leased Property and that the court hearing the condemnation proceeding could order a condemnation price (which, as noted above, under Colorado law is supposed to be fair market value) that is insufficient to pay the principal of and interest on the Certificates.

Corporation’s Limited Obligation

The Corporation has no assets or revenues available for payment of the Certificates other than its right to use proceeds of the Certificates under the Indenture, its rights to Base Rentals and Additional Rentals under the Lease and its other rights and interests under the Indenture and the Lease.

Dilution of Security for the Certificates

The Indenture permits the issuance of Additional Certificates payable from the Trust Estate on a parity with the pledge of the Trust Estate to the payment of the Certificates. See “THE CERTIFICATES—Additional Certificates.” The issuance of Additional Certificates payable from the Trust Estate on a parity with the pledge of the Trust Estate to the payment of the Certificates may dilute

the security for the Certificates by increasing debt service obligations under the Indenture without a concomitant increase in the security for the Certificates.

Limitations on Enforceability of Rights and Remedies

The rights of the owners of the Certificates and the enforceability of the Certificates, the Indenture and the Lease may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America. The opinions of Bond Counsel, general counsel to the District and other attorneys delivered in connection with the issuance of the Certificates will contain qualifications for the limitations described in the preceding sentence.

Tax and Securities Law Exemptions Following Termination of the Lease

Bond Counsel has expressed no opinion as to the effect of any termination of the Lease on the treatment for federal or Colorado income tax purposes of any moneys received by the Owners subsequent to such termination or as to the effect of any such termination of the Lease on the exemption of the Certificates from registration under federal securities laws subsequent to such termination. See "LEGAL MATTERS—Tax Status of Interest on the Certificates." Owners of the Certificates should not, therefore, assume that the interest received by them following a termination of the Lease will be exempt from federal or Colorado income taxation or that the Certificates will be transferable without registration under the federal securities laws following a termination of the Lease.

State Constitutional Tax and Spending Limitations

Article X, Section 20 of the Colorado Constitution, known as the Taxpayer's Bill of Rights, or "TABOR," imposes various limits and new requirements on the District, including a limitation on any increase in the District's fiscal year spending and real property tax revenues from one year to the next. Because payments made by the District under the Lease will constitute fiscal year spending by the District and may be made, at least in part, from real property tax revenues, any requirement that the District reduce its spending or refund real property tax revenues or other revenues to comply with TABOR could increase the risk that the District will not renew or continue the Lease Term from one fiscal year to the next. For a more complete description of TABOR and its effect on the District, the Lease and the Certificates, see "FINANCIAL INFORMATION CONCERNING THE DISTRICT—Constitutional Amendment Limiting Taxes and Spending."

Future Changes in Laws

Various Colorado laws and constitutional provisions limit revenues and spending of the state and local governments, such as the District, and govern generally the operation of the District. Colorado laws, constitutional provisions and federal laws and regulations also apply to the obligations created by the issuance of the Certificates. There can be no assurance that there will not be changes in interpretation of or additions to the applicable laws and provisions which would have a material adverse effect, directly or indirectly, on the affairs of the District.

Certificate Insurer to Control Remedies in Event of Default

Pursuant to the Indenture, after an Event of Default, the Certificate Insurer has the complete and exclusive right to direct, to pursue and to enforce any and all remedies established by the Indenture. The

Certificate Insurer, if it is not in default with respect to its policy, also has the exclusive right to waive any Event of Default pursuant to the Indenture.

Financial Condition of Certificate Insurer

The Certificate Insurer will issue its policy pursuant to which it will unconditionally guarantee the payment of principal of and interest on the Certificates when due. The ongoing stability and financial condition of the Certificate Insurer and the Certificate Insurer's ability to pay the principal of and interest on the Certificates and otherwise perform its obligations under its policy are the basis for the ratings assigned to the Certificates as set forth on the cover page hereof. Upon the occurrence and continuation of an Event of Default under the Indenture, proceeds of claims under its policy are the Owner's primary expected source of payment of principal of and interest on the Certificates.

LEGAL MATTERS

Sovereign Immunity

The Governmental Immunity Act, Title 24, Article 10, Part 1, Colorado Revised Statutes, as amended (the "Governmental Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the District, for injuries which lie in tort or could lie in tort.

The Governmental Immunity Act provides that sovereign immunity does not apply to injuries occurring as a result of certain specified actions or conditions. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Governmental Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$150,000; and (b) for an injury to two or more persons in any single occurrence, the sum of \$600,000, except in such instance, no person may recover in excess of \$150,000. Suits against both the District and a public employee do not increase such maximum amounts which may be recovered. The District may not be held liable either directly or by indemnification for punitive or exemplary damages. In the event that the District is required to levy an ad valorem property tax to discharge a settlement or judgment, such tax may not exceed a total of ten mills per annum for all outstanding settlements or judgments.

The District may be subject to civil liability and may not be able to claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include, but are not limited to, suits filed pursuant to 42 U.S.C. Section 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the District may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the Governmental Immunity Act provides that it applies to any action brought against a public entity or a public employee in any Colorado state court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort. The District seeks to limit its liability by promoting fair and equal employment practices and by complying with Colorado's Teacher Employment, Compensation, and Dismissal Act.

Pending and Threatened Litigation

The Certificates. In connection with the issuance of the Certificates, Peter L. Vana III, Esq., the District's general counsel, will deliver a legal opinion, stating that, as of the date of issuance of the Certificates, to the best of their knowledge after reasonable investigation, there is no litigation or proceeding pending or threatened against the District or any other person, affecting the right or power of the District to execute, deliver and perform its obligations under, or to take any action contemplated by, the Lease, the Certificate Purchase Agreement (referred to in "MISCELLANEOUS—Underwriting"), the Continuing Disclosure Agreement, certain other documents relating to the Certificates or this Official Statement or that could otherwise adversely affect any of the transactions contemplated by any such document or this Official Statement.

Opinion of Bond Counsel

The legality of the Certificates and the treatment of interest on the Certificates for federal and Colorado income tax purposes, are subject to the approving legal opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. Bond Counsel's opinion will be dated as of and delivered at closing. The payment of Bond Counsel's fees and expenses is contingent upon the sale of the Certificates.

Tax Status of Interest on the Certificates

Generally. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rentals paid by the District which is designated and paid as interest, as provided in the Lease, and received by the Owners of the Certificates (including any original issue discount on the Certificates properly allocable to the Owners of the Certificates), is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and continuing compliance by the District and the Corporation with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be met subsequent to the issuance of the Certificates. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Certificates. The District has covenanted in the Lease and the Tax Compliance Certificate executed and delivered in connection with the issuance of the Certificates and the Corporation has covenanted in the Indenture to comply with such requirements. Bond Counsel expressed no opinion regarding other federal tax consequences arising with respect to the Certificates, and has expressed no opinion as to the effect of any termination of the District's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Certificates subsequent to such termination.

Notwithstanding Bond Counsel's opinion that the portion of the Base Rentals paid by the District which is designated and paid as interest, as provided in the Lease, and received by the Owners of the Certificates, is not a specific item of tax preference for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporation's adjusted net book income over alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). In addition, the accrual or receipt of such interest may otherwise affect the federal income tax liability of the owners of the Certificates. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Certificates, particularly purchasers that are corporations (including S corporations, corporations subject to the environmental tax imposed by Section 59A of the Code and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain receipts of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Certificates.

In the opinion of Bond Counsel, under existing Colorado statutes, the portion of the Base Rentals paid by the District which is designated and paid as interest, as provided in the Lease, and received by the Owners of the Certificates (including any original issue discount on the Certificates properly allocable to the Owners of the Certificates), is exempt from Colorado income tax. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Certificates under the laws of Colorado or any other state or jurisdiction, and has expressed no opinion as to the effect of any termination of the District's obligations under the Lease, under certain circumstances as provided in the Lease, upon the treatment for Colorado income tax purposes of any moneys received by the Owners of the Certificates subsequent to such termination.

Original Issue Discount. The difference between the amount of the portion of the Base Rentals paid by the District that is designated and paid as principal of any Certificate and the initial public

offering price of such Certificate that is being sold in the initial public offering at a discount (i.e., at a price that is less than the principal amount thereof or at a yield that is greater than the interest rate thereon) constitutes original interest discount that is treated in the same manner for federal income tax purposes as interest on the Certificates, as described above under this caption.

Original issue discount on a Certificate is treated as compounding semiannually on each Interest Payment Date at a rate determined by reference to the yield to maturity of such Certificate. The amount treated as original issue discount on a Certificate for the accrual period ending on a particular Interest Payment Date is equal to the product of (i) the yield to maturity of the Certificate (determined by compounding on each Interest Payment Date) and (ii) the amount that would have been the tax basis of the Certificate if held by the initial purchaser (excluding bond houses, brokers and other intermediaries) as of the immediately preceding Interest Payment Date. The tax basis of a Certificate is determined by adding to the initial public offering price of the Certificate the sum of the amounts that have been treated as original issue discount for such purposes during all prior accrual periods. If a Certificate is sold between Interest Payment Dates, original issue discount that would have accrued for the semiannual accrual period ending on the next Interest Payment Date is apportioned in equal amounts among the days in such accrual period.

The owner of any Certificate that is being sold in the initial public offering at a discount (including any purchaser of such Certificate in the secondary market) should consult his or her tax advisors with respect to the determination of original issue discount accrued on such Certificate as of any date and with respect to the federal, state and local tax consequences of owning such Certificate.

Changes in Federal Tax Law. From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds or certificates issued prior to enactment. Each purchaser of the Certificates should consult his or her tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel has expressed no opinion regarding any pending or proposed federal tax legislation.

MISCELLANEOUS

Ratings

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the ratings set forth on the cover page hereof, respectively, to the Certificates. Standard & Poor's and Moody's have also assigned the underlying ratings shown on the cover page which are reflective of the capacity of the Board to fulfill its payment obligations under the Certificates without giving effect to the Insurance Policy to be provided by the Bond Insurer. Such ratings reflect only the view of such rating agencies. Any explanations of the significance of such ratings should be obtained from Moody's at 99 Church Street, New York, New York 10004 and from S&P at 25 Broadway, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if in the judgment of such rating agencies circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

Underwriting

The Certificates are being sold at a price of \$4,718,791.10 (consisting of the \$4,815,000 aggregate principal amount of the Certificates, less \$50,466.40 original issue discount, less \$45,742.50 Underwriter's discount), plus accrued interest, to the Underwriter pursuant to a Certificate Purchase Agreement entered into between the Underwriter and the Corporation. Expenses associated with the issuance of the Certificates are being paid from proceeds of the Certificates. The right of the Underwriter to receive compensation in connection with the Certificates is contingent upon the actual sale and delivery of the Certificates. The Underwriter has initially offered the Certificates to the public at the prices or yields set forth on the cover page of this Official Statement, plus accrued interest from the date of the Certificates. Such prices or yields may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Certificates to the public.

Continuing Disclosure Agreement

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the "Rule 15c2-12"), the District has agreed for the benefit of the holders of the Certificates to provide certain financial information, other operating data and notices of material events (the "Continuing Disclosure Agreement"). A form of the Continuing Disclosure Agreement is attached hereto as Appendix A. A failure by the District to comply with the Continuing Disclosure Agreement will not constitute an Event of Default under the Lease. Nevertheless, such a failure must be reported in accordance with Rule 15c2-12 and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price. The District has not failed to comply with any Continuing Disclosure Agreement under Rule 15c2-12.

Registration of Certificates

Registration or qualification of the offer and sale of the Certificates (as distinguished from registration of the ownership of the Certificates) is not required under the federal Securities Act of 1933, as amended, or the Colorado Securities Act, as amended. THE DISTRICT ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE CERTIFICATES FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE

CERTIFICATES MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED.

**Interest of Certain Persons
Named in This Official Statement**

The legal fees to be paid to Kutak Rock LLP and Trimble, Tate & Nulan, P.C. are contingent upon the sale and delivery of the Certificates.

Independent Auditors

The general purpose financial statements of the District as of and for the fiscal year ended June 30, 2000, included in this Official Statement, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing therein.

General Counsel to the District

Certain legal matters relating to the District and the Certificates will be passed upon by Peter L. Vana III, Esq., general counsel to the District.

Additional Information

Copies of constitutional provisions, statutes, resolutions, agreements, contracts, financial statements, reports, publications and other documents or compilations of data or information summarized or referred to herein are available as described in "INTRODUCTION—Additional Information."

Official Statement Certification

The preparation of this Official Statement and its distribution have been authorized by the Board. This Official Statement is not to be construed as an agreement or contract between the District and any purchaser, owner or holder of any Certificate.

SCHOOL DISTRICT NO. 1, CITY AND COUNTY OF DENVER AND STATE OF COLORADO
(DENVER PUBLIC SCHOOLS)

By /s/ Elaine G. Berman
President, Board of Education

DENVER SCHOOL FACILITIES LEASING CORPORATION

By /s/ Lynn D. Coleman
President, Board of Directors

APPENDIX A
FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT dated as of February 1, 2001 between **SCHOOL DISTRICT NO. 1, IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO** (the "District") and **BANK ONE TRUST COMPANY, N.A.** (the "Dissemination Agent").

RECITALS

WHEREAS, the Certificates of Participation, Series 2001, evidencing undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado (the "District") under a Lease Purchase Agreement dated as of February 1, 2001 (the "Certificates") in the aggregate principal amount of \$4,815,000 are being issued by pursuant to a Mortgage and Indenture of Trust dated as of February 1, 2001 (the "Indenture") between Denver Schools Facilities Leasing Corporation (the "Corporation") and Bank One Trust Company, N.A., as Dissemination Agent to finance the Project (as defined in the Indenture); and

WHEREAS, in order to allow the underwriter of the Certificates to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the District is required to make certain continuing disclosure undertakings for the benefit of holders of the Certificates; and

WHEREAS, this Agreement is intended to satisfy the requirements of the Rule.

NOW THEREFORE, the parties hereto agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture or the Lease Purchase Agreement dated as of February 1, 2001 (the "Lease") between the District and Denver School Facilities Leasing Corporation or parenthetically defined herein, which apply to any capitalized terms used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Agreement.

"*Dissemination Agent*" means, initially, Bank One Trust Company, N.A., a national banking association, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 4 of this Agreement.

"*National Repository*" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
Phone: (609) 279-3225
Fax: (609) 279-5962

E-mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

Thomson NRMSIR
3 Floor, 395 Hudson Street
New York, New York 10014
Phone: (212) 807-3767
Fax: (212) 378-0952

Standard & Poor's J.J. Kenny Repository
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975

“Participating Underwriter” means the original underwriters of the Certificates required to comply with the Rule in connection with an offering of the Certificates.

“Repository” means each National Repository and each State Repository.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” means any public or private repository or entity designated by the State of Colorado as a state information depository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

Section 2. Provision of Annual Reports.

(a) The District shall, while any Certificates are Outstanding, provide the Annual Report to the Dissemination Agent at least five business days prior to the beginning of the sixth month following the end of the District's fiscal year, beginning with respect to the District's fiscal year ending June 30, 2000, and the Dissemination Agent shall provide to each then existing Repository the Annual Report within four business days of the day it receives it while any Certificates are Outstanding. The District shall include with each submission of the Annual Report to the Dissemination Agent a written representation addressed to the Dissemination Agent to the effect that the Annual Report is the Annual Report required by this Agreement and that it complies with the applicable requirements of this Agreement.

(b) If the District is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the District shall send a notice to the Municipal Securities Rulemaking Board (“MSRB”) and to the State Repository, if any, in substantially the form attached as Exhibit A.

- (c) The Dissemination Agent shall:
- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and
 - (ii) file a report with the District certifying the Annual Report has been provided pursuant to this Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 3. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

- (a) A copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 2(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.
- (b) An update of the information of the type contained in the tables in the Official Statement, identified in Exhibit B hereto.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such document incorporated by reference.

Section 4. Reporting of Significant Events. While any Certificates are Outstanding, the District shall provide or cause to be provided, in a timely manner, to the Dissemination Agent, and the Dissemination Agent shall promptly provide to the MSRB and the State Repository, if any, notice of any of the following events with respect to the Certificates, if such event is material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Certificates;
- (g) modifications to rights of Certificate holders;
- (h) Certificate calls (other than mandatory sinking fund redemptions);
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Certificates; or

(k) rating changes.

Section 5. Termination of Reporting Obligation. The District's obligations under this Agreement shall terminate upon the earliest of: (a) the date of legal defeasance, prior redemption or payment in full of all of the Certificates; (b) the date that the District shall no longer constitute an "obligated person" within the meaning of the Rule; or (c) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the District and the Dissemination Agent may amend this Agreement, and any provision of this Agreement may be waived, without the consent of the holders of the Certificates, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The District will provide notice of such amendment or waiver to the Repository.

Section 7. Additional Information. Nothing in this Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the District to comply with any provision of this Agreement, any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Lease, and the sole remedy under this Agreement in the event of any failure of the District to comply with this Agreement shall be an action to compel performance. The Dissemination Agent shall have no power or duty to enforce this Agreement.

Section 9. Resignation or Termination. The present or any future Dissemination Agent may resign by giving the District written notice of such resignation. The present or any future Dissemination Agent may be removed by the District giving written notice of such removal. Such resignation or removal shall take effect immediately on the appointment of a successor, but in no event earlier than 30 days after such written notice has been given. If the Dissemination Agent also serves as the Trustee under the Resolution, the Dissemination Agent may resign or be removed under this Agreement without resigning or being removed as Trustee under the Resolution. In case the present or any future Dissemination Agent shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the District. The new Dissemination Agent shall forthwith give notice thereof to the Repository and MSRB.

Section 10. Compensation. As compensation for its services under this Agreement, the Dissemination Agent shall be compensated or reimbursed by the District for its reasonable fees and expenses in performing the services specified under this Agreement.

Section 11. Beneficiaries. This Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter, the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the District and the Dissemination Agent have caused this Agreement to be executed in their respective names, all as of the date first above written.

SCHOOL DISTRICT NO. 1, IN THE CITY AND
COUNTY OF DENVER AND STATE OF
COLORADO (DENVER PUBLIC SCHOOLS)

By _____
President, Board of Education

ATTEST:

By _____
Secretary, Board of Education

BANK ONE TRUST COMPANY, N.A., as
Dissemination Agent

By _____
Authorized Signatory

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: School District No. 1, in the City and County of Denver and State of Colorado

Name of Issue: Certificates of Participation, Series 2001, evidencing undivided interests in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado under a Lease Purchase Agreement dated as of February 1, 2001.

Date of Issuance: _____, 2001

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Agreement dated as of February 1, 2001 between the District and Bank One Trust Company, N.A. The District anticipates that the Annual Report will be filed by _____.

Dated: _____, _____.

SCHOOL DISTRICT NO. 1, IN THE CITY AND
COUNTY OF DENVER AND STATE OF
COLORADO

By _____
Name _____
Title _____

EXHIBIT B

OFFICIAL STATEMENT TABLES TO BE UPDATED

Tables II, III, V, VIII, IX, X and the figure entitled "District Enrollment 1996-2000"

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APPENDIX B

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS OF THE
DISTRICT AS OF AND FOR THE YEAR ENDED JUNE 30, 2000**

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Deloitte & Touche LLP
Suite 3600
555 Seventeenth Street
Denver, Colorado 80202-3942

Tel: (303) 292-5400
Fax: (303) 312-4000
www.us.deloitte.com



INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
School District No. 1 in the City and County
of Denver and State of Colorado

We have audited the accompanying general purpose financial statements of School District No. 1 in the City and County of Denver and State of Colorado (the School District) as of June 30, 2000, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the School District. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, such general purpose financial statements present fairly, in all material respects, the financial position of the School District, at June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Deloitte & Touche LLP".

October 27, 2000

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GENERAL PURPOSE FINANCIAL STATEMENTS

**SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO**

**COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Government Fund Types			
	General	Special Revenue	Bond Redemption (Debt Service)	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 41,446,522	\$ 5,276,351	\$ 21,000,053	\$ 1,973,262
Restricted investment in securities				193,196,469
Restricted cash				
Investments	1,130,960		21,385,865	9,209,015
Receivables:				
Taxes	12,317,545		1,544,460	
Accounts	4,201,322	10,745,364		81,602
Interest				810,787
Other				
Due from other funds	5,008,760	7,567,471		275,948
Inventory	646,401			
Land, buildings and equipment (net, where applicable, of accumulated depreciation)				
Other debits:				
Amount available for the retirement of long-term debt				
Amount to be provided for retirement of:				
Other long-term obligations (capital leases and sick leave)				
Certificates of participation				
Bonds payable				
TOTAL	\$ 64,751,510	\$ 23,589,186	\$ 43,930,378	\$ 205,547,083
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 8,225,107	\$ 1,339,608		\$ 6,238,419
Accrued payroll	6,300,638	426,263		
Retiree health insurance claims incurred but not paid				
Accrued salaries earned but unpaid	33,654,985	2,566,400		
Accrued claims				
Due to other funds	873,148	10,966,972		687,911
Deferred revenue	5,515,077	3,366,847	\$ 858,943	
Capital lease obligations				
Certificates of participation				
Sick leave payable				
Bonds payable				
Due to student groups				
TOTAL	\$ 54,568,955	\$ 18,666,090	\$ 858,943	\$ 6,926,330
COMMITMENTS AND CONTINGENCIES (Notes 7 and 11)				
Equity and other credits:				
Contributed capital				
Retained earnings - unreserved				
Investment in general fixed assets				
Fund balance (deficit):				
Reserved for:				
Trust activities				
Encumbrances	2,992,838	1,161,157		37,865,973
Inventory	646,401			
Principal and interest on bonds payable			43,071,435	
Emergency reserve	12,256,789			1,000,000
Unreserved:				
Designated for subsequent year's expenditures				159,754,780
Undesignated (deficit)	(5,713,473)	3,761,939		
Total equity and other credits	10,182,555	4,923,096	43,071,435	198,620,753
TOTAL	\$ 64,751,510	\$ 23,589,186	\$ 43,930,378	\$ 205,547,083

See notes to financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	2000	1999
\$ 7,314,711	\$ 3,708,262	\$ 4,348,309			\$ 85,067,470	\$ 16,842,278
		4,395,921			193,196,469	221,347,733
					4,395,921	3,719,123
					31,725,840	80,561,365
3,213,398		530			13,862,005	16,911,591
46,316	11,228				18,242,216	12,564,682
	192,091	343,602			810,787	1,014,730
1,937,186	810,528				57,544	48,325
1,086,499	160,243		\$ 708,611,567		13,387,872	17,444,590
					3,394,115	3,054,206
					709,858,309	657,389,892
				\$ 43,071,435	43,071,435	35,871,970
				14,851,439	14,851,439	17,601,173
				390,227,521	390,227,521	392,372,521
				378,843,380	378,843,380	392,657,003
<u>\$ 13,598,110</u>	<u>\$ 4,882,352</u>	<u>\$ 9,088,362</u>	<u>\$ 708,611,567</u>	<u>\$ 826,993,775</u>	<u>\$ 1,900,992,323</u>	<u>\$ 1,869,401,182</u>
 \$ 328,202	 \$ 218,006	 \$ 82,753			 \$ 16,432,095	 \$ 11,356,397
52,489	12,428				6,791,818	6,601,528
		810,788			810,788	780,614
355,795					36,577,180	35,358,177
	1,854,153				1,854,153	1,392,295
255,085	604,756				13,387,872	17,444,590
523,752					10,264,619	7,025,763
	111,065			\$ 8,623,534	8,734,599	12,158,341
				390,227,521	390,227,521	392,372,521
				6,227,905	6,227,905	5,620,915
				421,914,815	421,914,815	428,528,973
		<u>3,787,241</u>			<u>3,787,241</u>	<u>3,197,883</u>
<u>1,515,323</u>	<u>2,800,408</u>	<u>4,680,782</u>		<u>826,993,775</u>	<u>917,010,606</u>	<u>921,837,997</u>
 720,796					 720,796	 720,796
11,361,991	2,081,944				13,443,935	13,756,060
					708,611,567	656,067,793
		830,118			830,118	790,004
					42,019,968	22,143,800
					646,401	628,245
					43,071,435	35,871,970
					13,256,789	12,712,562
		3,577,462			163,332,242	217,158,866
					(1,951,534)	(12,286,911)
<u>12,082,787</u>	<u>2,081,944</u>	<u>4,407,580</u>	<u>708,611,567</u>		<u>983,981,717</u>	<u>947,563,185</u>
<u>\$ 13,598,110</u>	<u>\$ 4,882,352</u>	<u>\$ 9,088,362</u>	<u>\$ 708,611,567</u>	<u>\$ 826,993,775</u>	<u>\$ 1,900,992,323</u>	<u>\$ 1,869,401,182</u>



**SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO**

**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2000**

	Government Fund Types				Fiduciary Fund Types	Total (Memorandum Only) Year Ended	
	General	Special Revenue	Bond Redemption	Capital Projects	Expendable Trust	2000	1999
			(Debt Service)				
REVENUES							
Taxes	\$248,737,122			\$ 34,184,430		\$282,921,552	\$265,492,299
Intergovernmental:							
State sources	153,593,052	\$ 8,095,151				161,688,203	157,739,458
Federal sources	502,402	30,442,769				30,945,171	30,463,334
Charges for services	266,253	431,525				697,778	724,298
Investment income	2,326,574	341,114	1,786,559	\$ 10,411,306	\$ 188,967	15,054,520	8,677,433
Other local sources	4,770,958	16,518,595	113,060	852,382	3,292,984	25,547,979	18,897,875
Total revenues	410,196,361	55,829,154	36,084,049	11,263,688	3,481,951	516,855,203	481,994,697
EXPENDITURES							
Current:							
Instruction	210,063,896	27,188,130			107	237,252,133	230,295,150
Supporting services	73,650,957	14,733,634			96,577	88,481,168	77,646,284
Business supporting services	55,484,005	2,817,540		12,621,693		70,923,238	59,097,078
Community services		9,610,463				9,610,463	9,173,536
Non-programmed charges	7,070,474				3,652,623	10,723,097	11,347,102
Capital outlay	7,474,769	2,850,542		46,695,534		57,020,845	23,884,522
Debt service:							
Principal on bonds and certificates of participation	3,865,000		7,685,000			11,550,000	19,798,246
Interest and fiscal charges on bonds, and certificates of participation	23,005,748		21,199,584	673,450		44,878,782	37,913,717
Principal on capital lease obligations	3,127,875	228,849				3,356,724	3,271,267
Interest on capital lease obligations	524,663	1,145				525,808	819,300
Issuance costs of bonds and certificates of participation				101,149		101,149	2,020,441
Total expenditures	384,267,387	57,430,303	28,884,584	60,091,826	3,749,307	534,423,407	475,266,643
Excess (deficiency) of revenues over expenditures	25,928,974	(1,601,149)	7,199,465	(48,828,138)	(267,356)	(17,568,204)	6,728,054
OTHER FINANCING SOURCES (USES)							
Operating transfers in							
Operating transfers out	(18,753,091)		3,453,875		15,299,216		(18,753,091)
Proceeds from capital leases							18,048,895
Proceeds from sale of certificates of participation net of original issue discount				1,714,973		1,714,973	1,500,000
Payment to refunded certificates of participation escrow agent							(26,511,004)
Proceeds from sale of bonds including premium							255,110,575
Total other financing sources (uses)	(18,753,091)	3,453,875		17,014,189		1,714,973	230,099,571
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	7,175,883	1,852,726	7,199,465	(31,813,949)	(267,356)	(15,853,231)	236,827,625
FUND BALANCE AT BEGINNING OF YEAR	3,006,672	3,070,370	35,871,970	230,434,702	3,844,818	276,228,532	39,400,907
FUND BALANCE AT END OF YEAR	\$ 10,182,555	\$ 4,923,096	\$ 43,071,435	\$ 198,620,753	\$ 3,577,462	\$ 260,375,301	\$ 276,228,532

See notes to financial statements.

**SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO**

**ALL GOVERNMENTAL FUND TYPES COMBINED STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds			Variance - Budget to Actual	
	Final Budget	Actual	Variance - Budget to Actual					
				Final Budget	Actual			
REVENUES								
Taxes	\$ 246,701,973	\$ 248,737,122	\$ 2,035,149					
Intergovernmental:								
State sources	153,739,124	153,547,872	(191,252)	\$ 7,950,079	\$ 8,095,151	\$ 145,072		
Federal sources	435,284	502,402	67,118	38,857,735	30,442,769	(8,414,966)		
Charges for services	272,000	266,253	(5,747)	407,525	431,525	24,000		
Investment income	1,337,714	2,326,574	988,860	155,000	341,114	186,114		
Other local sources	2,061,437	4,779,273	2,717,836	15,810,955	16,518,595	707,640		
Total Revenues	404,547,532	410,159,496	5,611,964	63,181,294	55,829,154	(7,352,140)		
EXPENDITURES AND ENCUMBRANCES								
Current:								
Instruction	217,861,719	209,294,182	8,567,537	37,019,927	27,604,155	9,415,772		
Supporting services	78,694,284	73,543,244	5,151,040	18,649,590	14,654,463	3,995,127		
Business supporting services	54,535,487	55,403,202	(867,715)	1,413,057	2,814,003	(1,400,946)		
Community services				10,827,704	9,656,025	1,171,679		
Non-programmed charges	12,633,661	7,098,208	5,535,453					
Contingency reserve	188,801		188,801					
Emergency reserve	12,256,789		12,256,789					
Capital outlay	12,514,366	7,994,327	4,520,039	2,028,022	2,129,341	(101,319)		
Debt service:								
Principal on bonds and certificates of participation	3,865,000	3,865,000						
Interest on bonds and certificates of participation	23,005,748	23,005,748						
Paying agent fees								
Principal on capital lease obligations		3,127,875	(3,127,875)	171,967	228,849	(56,882)		
Interest on capital lease obligations		524,663	(524,663)	3,350	1,145	2,205		
Issuance costs of certificates of participation								
Total expenditures and encumbrances	415,555,855	383,856,449	31,699,406	70,113,617	57,087,981	13,025,636		
Excess (deficiency) of revenues over expenditures and encumbrances	(11,008,323)	26,303,047	37,311,370	(6,932,323)	(1,258,827)	5,673,496		
OTHER FINANCING SOURCES (USES)								
Operating transfers in				3,453,875	3,453,875			
Operating transfers out	(20,121,450)	(18,753,091)	1,368,359					
Proceeds from sale of certificates of participation net of original issue discount								
Total other financing sources (uses)	(20,121,450)	(18,753,091)	1,368,359	3,453,875	3,453,875			
Excess (deficiency) of revenues and other and financing sources over expenditures, encumbrances and other financing uses	\$ (31,129,773)	7,549,956	\$ 38,679,729	\$ (3,478,448)	2,195,048	\$ 5,673,496		
FUND BALANCE AT BEGINNING OF YEAR		31,129,773			4,701,004			
FUND BALANCE AT END OF YEAR		\$ 38,679,729			\$ 6,896,052			

See notes to financial statements.

Bond Redemption (Debt Service) Fund			Capital Projects Funds		
Final Budget	Actual	Variance - Budget to Actual	Final Budget	Actual	Variance - Budget to Actual
\$ 28,443,998	\$ 34,184,430	\$ 5,740,432			
1,513,047	1,878,956	365,909	\$ 9,691,211	\$ 10,519,512	\$ 828,301
	113,060	113,060	95,193	852,382	757,189
<u>29,957,045</u>	<u>36,176,446</u>	<u>6,219,401</u>	<u>9,786,404</u>	<u>11,371,894</u>	<u>1,585,490</u>
			8,344,631	10,686,053	(2,341,422)
36,518,355	36,518,355	3,366,655		3,366,655	
		1,000,000		1,000,000	
		225,095,938	70,376,492	154,719,446	
7,979,835	7,685,000	294,835			
21,193,577	21,193,577	673,450	673,450		
45,000	6,007	38,993			
<u>65,736,767</u>	<u>28,884,584</u>	<u>36,852,183</u>	<u>238,480,674</u>	<u>81,837,144</u>	<u>156,643,530</u>
<u>(35,779,722)</u>	<u>7,291,862</u>	<u>43,071,584</u>	<u>(228,694,270)</u>	<u>(70,465,250)</u>	<u>158,229,020</u>
		15,299,216	15,299,216		
				1,714,973	1,714,973
			<u>15,299,216</u>	<u>17,014,189</u>	<u>1,714,973</u>
\$ (35,779,722)	7,291,862	\$ 43,071,584	\$ (213,395,054)	(53,451,061)	\$ 159,943,993
	<u>35,779,573</u>		<u>213,395,054</u>		
	<u>\$ 43,071,435</u>		<u>\$ 159,943,993</u>		

**SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO**

**PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE
YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types		Fiduciary Fund Nonexpendable Trust Funds	Total (Memorandum Only)	
	Enterprise	Internal Service		Year Ended	
				2000	1999
OPERATING REVENUES					
Sales and other operating revenue	\$ 4,158,050	\$ 7,777,524		\$ 11,935,574	\$ 11,504,098
Other		3,607		3,607	200,471
Total operating revenues	4,158,050	7,781,131		11,939,181	11,704,569
OPERATING EXPENSES					
Cost of goods sold:					
Purchased	5,717,193	2,152,186		7,869,379	8,151,816
Donated	1,450,960			1,450,960	863,593
Salaries and employee benefits	8,369,835	1,191,706		9,561,541	9,065,026
Utilities	232,013			232,013	118,207
Purchased professional and technical services		90,550		90,550	201,324
Purchased property services		331,709		331,709	271,758
Other purchased services		78,186		78,186	38,530
Supplies	826,293	196,571		1,022,864	971,660
Repairs and maintenance	120,976			120,976	152,290
Rent	4,629			4,629	2,303
Interest		11,867		11,867	16,974
Depreciation	274,437	78,046		352,483	429,348
Loss on disposal of equipment	137,930			137,930	
Administrative services	384,393			384,393	338,643
Other	7,957	7,900	\$ 5,382	21,239	399,254
Insurance		1,530,205		1,530,205	837,988
Claims		2,739,274		2,739,274	3,478,628
Total operating expenses	17,526,616	8,408,200	5,382	25,940,198	25,337,342
Operating loss	(13,368,566)	(627,069)	(5,382)	(14,001,017)	(13,632,773)
NON-OPERATING REVENUES					
Reimbursements from government sponsored programs	12,055,831			12,055,831	11,904,184
Donated commodities from federal government	873,966			873,966	857,911
Investment income	673,357	10,943	45,496	729,796	607,192
Other local sources	69,413			69,413	90,828
Total non-operating revenues	13,672,567	10,943	45,496	13,729,006	13,460,115
NET INCOME (LOSS)	304,001	(616,126)	40,114	(272,011)	(172,658)
RETAINED EARNINGS/FUND BALANCE					
AT BEGINNING OF YEAR	11,057,990	2,698,070	790,004	14,546,064	14,718,722
RETAINED EARNINGS/FUND BALANCE AT END OF YEAR	\$ 11,361,991	\$ 2,081,944	\$ 830,118	\$ 14,274,053	\$ 14,546,064

See notes to financial statements.

**SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO**

PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS

COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		Fiduciary Fund	Total (Memorandum Only)	
			Nonexpendable Trust Funds	Year Ended	
	Enterprise	Internal Service		2000	1999
OPERATING ACTIVITIES					
Operating loss	\$ (13,368,566)	\$ (627,069)	\$ (5,382)	\$ (14,001,017)	\$ (13,632,773)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation	274,437	78,046		352,483	429,348
Other non-operating revenue	943,379			943,379	948,739
Changes in operating assets and liabilities					
Accounts receivable	(1,438,638)	(2,795)		(1,441,433)	(1,368,558)
Due from other funds		246,036	(42,256)	203,780	650,375
Inventory	(302,321)	(19,432)		(321,753)	44,339
Accounts payable	93,539	82,444		175,983	(209,885)
Accrued payroll	(7,183)			(7,183)	(10,636)
Accrued salaries earned but unpaid	9,499	12,428		21,927	37,836
Accrued claims		461,858		461,858	303,024
Due to other funds	(4,414,775)	(906,291)		(5,321,066)	296,150
Deferred revenue	(58,681)			(58,681)	(37,726)
Total adjustments	<u>(4,900,744)</u>	<u>(47,706)</u>	<u>(42,256)</u>	<u>(4,990,706)</u>	<u>1,083,006</u>
Net cash used in operating activities	<u>(18,269,310)</u>	<u>(674,775)</u>	<u>(47,638)</u>	<u>(18,991,723)</u>	<u>(12,549,767)</u>
NON-CAPITAL RELATED FINANCING ACTIVITIES					
Grants received	<u>12,055,831</u>			<u>12,055,831</u>	<u>11,904,184</u>
CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on capital lease obligations		(67,019)		(67,019)	(246,224)
Purchase of equipment	<u>(274,387)</u>	<u>(2,738)</u>		<u>(277,125)</u>	<u>41,211</u>
Net cash used in capital and related financing activities	<u>(274,387)</u>	<u>(69,757)</u>		<u>(344,144)</u>	<u>(205,011)</u>
INVESTING ACTIVITIES					
Change in investments	8,253,754	4,441,850	87,440	12,783,044	3,849,460
Investment income	<u>673,357</u>	<u>10,943</u>	<u>45,496</u>	<u>729,796</u>	<u>607,192</u>
Net cash provided by investing activities	<u>8,927,111</u>	<u>4,452,793</u>	<u>132,936</u>	<u>13,512,840</u>	<u>4,456,652</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
AND CASH EQUIVALENTS	2,439,245	3,708,261	85,298	6,232,804	3,606,056
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,875,466</u>	<u>1</u>	<u>701,668</u>	<u>5,577,135</u>	<u>1,971,079</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,314,711</u>	<u>\$ 3,708,262</u>	<u>\$ 786,966</u>	<u>\$ 11,809,939</u>	<u>\$ 5,577,135</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES					
Donated food and commodities	873,966			873,966	857,911
Acquisition of food commodities through food donations	(873,966)			(873,966)	(857,911)
Adjustment to record write-offs of equipment to accumulated depreciation	274,437			274,437	353,890
Write-offs of equipment	<u>(274,437)</u>			<u>(274,437)</u>	<u>(353,890)</u>
NET EFFECT OF NON-CASH TRANSACTIONS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BALANCE SHEET RECONCILIATION					
Cash and cash equivalents (including restricted), end of year:					
Nonexpendable trust fund			\$ 786,966		
Expendable trust fund			4,170,023		
Agency fund			3,787,241		
Total Fiduciary Fund Types			<u>\$ 8,744,230</u>		

See notes to financial statements.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of School District No. 1 in the City and County of Denver and State of Colorado (the School District) is presented to assist in understanding the School District's financial statements. The following is a summary of the more significant policies:

A. *Financial Reporting Entity*

The School District was created for the purpose of supervising and governing the public schools and public school property within the boundaries of the City and County of Denver.

The financial statements of the School District include all of the integral parts of the School District's operations. The School District applied various criteria to determine if it is financially accountable for any organization which would require that organization to be included in the School District's reporting entity. These criteria include fiscal dependency, financial benefit/burden relationship, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

As required by generally accepted accounting principles (GAAP), these financial statements present the School District (primarily government) and its component unit, the Denver School Facilities Leasing Corporation. Its component unit discussed below is included on a blended basis in the School District's reporting entity because of the significance of its operational or financial relationships with the School District in accordance with Government Accounting Standards Board (GASB) Statement No. 14 "*The Financial Reporting Entity*".

The Denver School Facilities Leasing Corporation

The Denver School Facilities Leasing Corporation (the Corporation) was formed in December 1985 as a not-for-profit corporation under Sections 501(c)(3) and 501(c)(4) of the Internal Revenue Code, and exists solely to acquire real estate, buildings and equipment for schools for future lease to the School District. The School District is primarily responsible for the creation and continued management of the Corporation, has influence over its operations and is ultimately responsible for any deficits or operating deficiencies. The certificates of participation issued by the Corporation and its activities for the year are reflected in the accompanying combined financial statements of the School District in the Long-Term Debt Account Group and the Capital Reserve Fund, respectively. An evaluation of the Denver School Facilities Leasing Corporation using the above considerations results in its blended inclusion in the accompanying financial statements. There are no separate financial statements available for the Corporation.

B. *Fund Accounting*

The accounts of the School District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

The various funds are summarized by type in the financial statements. Fund types and account groups used by the School District are described as follows:

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Bond Redemption Fund (Debt Service Fund)

The Bond Redemption Fund (Debt Service Fund) is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest of the School District as a result of the issuance of general obligation bonds.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction and maintenance of major capital facilities and equipment (other than those financed by Proprietary Funds) and the annual payments on lease purchase agreements.

Proprietary Fund Types

GASB Statement No. 20 "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*" requires that all proprietary funds apply all applicable GASB pronouncements (including National Council on Governmental Accounting ("NCGA") Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs") of the Committee on Accounting Procedure. Governments are given the option whether or not to apply FASB Statements and Interpretations issued after November 30, 1989. The School District has elected not to apply these statements and interpretations.

Food Services Enterprise Fund

The Food Services Enterprise Fund accounts for the revenue and expenditures related to providing breakfasts and lunches to School District students. The Food Services Enterprise Fund is used to account for operations for which the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

appropriate for capital maintenance, public policy, management control, accountability and other purposes.

Internal Service Funds

The Internal Service Funds, which include the Self-Insurance Fund, the DoTS Service Bureau, the Maintenance Fund and the Warehouse Fund are used to account for goods and services provided to departments and schools primarily within the School District on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Expendable Trusts, Nonexpendable Trusts and Agency Funds. The Nonexpendable Trust Funds account for money and property held in trust for which the principal must be preserved intact. The Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. The School District's life and health self-insurance programs for retirees are included in the Expendable Trust Funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The Agency Fund for the School District is the Student Activity Fund which represent the bank accounts maintained at each school to account for monies derived from school sponsored activities.

Account Groups

General Fixed Assets Account Group

The General Fixed Assets Account Group of accounts is established to account for recorded fixed assets of the School District other than those accounted for in the proprietary fund types. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Interest costs are not capitalized and are expended as incurred. No depreciation is provided on general fixed assets. Public domain (infrastructure) assets are not applicable to the School District.

General Long-Term Debt Account Group

The General Long-Term Debt Account Group of accounts is established to account for all long-term debt, including capital lease obligations, certificates of participation, sick leave payable and bonds payable, except those accounted for in the proprietary fund types.

C. *Measurement Focus and Basis of Accounting*

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

All Governmental Funds, Expendable Trust Funds and Agency Funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Property taxes and grants from other government units are considered "measurable" when in the hands of intermediary collecting governments. Property taxes are deemed available if collected during the current period and within sixty days thereafter and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Recognition of governmental fund type revenue represented by non-current receivables is deferred until they become current receivables.

Expenditures are recognized under the modified accrual basis of accounting when the liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when paid.

The Proprietary Fund and Nonexpendable Trust Funds are accounted for using an economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

D. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenditures, and disclosures of contingent assets and liabilities at the date of the balance sheets. Actual results could differ from these estimates.

E. *Budgets and Budgetary Accounting*

The School District adopts an annual budget for all funds, following these procedures in establishing the budgetary data reflected in the accompanying combined financial statements:

1. Late in May or no later than June 1, the Superintendent presents to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and projected revenue.
2. Public hearings are conducted at the administration building to obtain taxpayer comments.
3. A balanced budget and appropriation resolution must be adopted by June 30. The School District cannot expend monies in excess of the amount appropriated for an individual fund unless an amended or supplemental budget is approved by resolution. In addition, any further change in legally allowable transfers between funds requires approval by Board resolution.
4. The School District's Board of Education or management can modify the budget by line item within the total funds appropriation.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

5. Mill levies must be certified to the City and County of Denver by December 15.
6. Formal budgetary integration is employed as a management control device during the year for all funds.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are recorded as expenditures and changes in salaries earned but unpaid are excluded for budgetary purposes. In addition, revenues are on the modified accrual basis except for interest income and the General Fund state transportation payment. Budgetary comparisons in this report are presented on the non-GAAP budgetary basis.
8. Total appropriations are as amended.
9. At the end of a year, unencumbered appropriations lapse into the beginning fund balance for the ensuing year. Encumbrances are carried forward to the subsequent year's budget automatically.

F. Investments

Investments as of June 30, 2000, are accounted for in accordance with Governmental Accounting Standards Board's Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*". This Statement requires investments to be reported at fair value on the balance sheet. In accordance with GASB 31, money market instruments that have a remaining maturity at time of purchase of one year or less, and non-participating interest-earning investment contracts, are carried at cost or amortized cost.

G. Inventories

Inventories are valued at weighted average cost. Governmental Fund Type inventories are offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

General Fund inventory consists of transportation and building maintenance parts and fuel. Internal Service Fund -- Warehouse Fund inventory consists primarily of expendable supplies and equipment held at the central warehouse for issuance to schools or other School District locations. Enterprise Fund -- Food Services Fund inventory consists of food items, including commodities donated by the federal government, and cafeteria supplies held at the school lunchrooms and at the central warehouse for distribution to school lunchrooms.

The cost of inventory items issued is included in expenditures in the year of issuance (consumption method). In keeping with School District policy, the estimated fair market value of donated government commodities is recorded as a donation and as an expenditure in the Food Services Fund when consumed. Donated commodities received and not consumed are recorded as deferred revenue.

Expendable supplies issued to schools or other locations are not included in inventory.

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

H. Due From and Due to Other Funds

A general disbursing account within the General Fund is used on an imprest basis to make expenditures on behalf of all funds. This account is periodically reimbursed by the applicable funds. Interfund balances at June 30, 2000 represent reimbursements and adjustments due but not transferred as of that date.

I. Salaries Earned but Unpaid

The accrual of salaries earned but unpaid represents the liability to teachers and certain other employees who earn their salaries over the nine-month school year but are paid over a twelve-month period from September 1 to August 31. Changes in the accrual are reflected in expenditures or expenses on the applicable fund's statement of revenue, expenditures and changes in fund balance.

J. Accumulated Sick Leave

Accumulated sick leave which vests and is payable upon retirement has been accrued in the General Long-Term Debt Account Group since the amount, which includes salary and related payments, is to be paid out of future financial resources. This accrual has increased from a balance of \$5.62 million as of June 30, 1999 to a balance of \$6.23 million as of June 30, 2000.

K. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation is employed as an extension of formal budgetary integration in all funds.

Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

L. Comparative Data

The accompanying combined financial statements include comparative prior period total data in order to provide a better understanding of changes that have taken place in the operations or financial position of the School District.

Certain prior period information has been reclassified to make it comparable with current year presentations.

M. Total columns on Combined Financial Statements

Total columns on combined statements are captioned "Memorandum Only", to indicate they do not present the School District's financial position and results of operations and cash flows, but are only presented to facilitate financial analysis. Such data is also not comparable to consolidation. Interfund eliminations have not been made in the aggregation of this data.

**SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000**

2. BUDGETARY BASIS OF ACCOUNTING

As described in Note 1, the combined statement of revenue, expenditures, encumbrances and changes in fund balances - budget and actual has been prepared on the prescribed budgetary basis of accounting for the School District. This basis differs from generally accepted accounting principles (GAAP) because of the inclusion of encumbrances and commitments with reported expenditures and the exclusion of salaries earned but unpaid and related indirect cost receivable. In addition, the budgetary basis makes use of the cash basis of accounting for interest income and the General Fund state transportation payment.

A reconciliation of fund balances reported on the basis of generally accepted accounting principles and fund balances reported on the budgetary basis is as follows:

	General Fund	Special Revenue Funds	Bond Redemption Fund	Capital Projects Fund
GAAP basis	\$10,182,555	\$ 4,923,096	\$43,071,435	\$198,620,753
Add:				
Accrued salaries earned but unpaid	33,654,985	2,566,400		
Accrued payroll, exclusive of taxes payable	1,151,621	426,263		
Indirect cost receivable	(141,450)	141,450		
Inventory encumbrances	88,098			
Less:				
Encumbrances	(2,992,838)	(1,161,157)		(37,865,973)
Accrued interest receivable				(810,787)
Transportation reimbursement receivable	(3,263,242)			
Non-GAAP budgetary basis	<u>\$38,679,729</u>	<u>\$ 6,896,052</u>	<u>\$43,071,435</u>	<u>\$159,943,993</u>

Colorado statutes require that fixed budgets be legally adopted for all funds. For budgeting and appropriation purposes, operating transfers are reported as revenue and expenditures. Budgets for all funds have been prepared on the budgetary basis of accounting.

A budget to actual comparison of total expenses/disbursements for the other funds is presented below. Total expenses/disbursements are on the budgetary basis.

Fund	Budget	Total Expenses Disbursements/ Expenditures	Variance Budget to Actual
Food Service Enterprise Fund	\$28,371,243	\$17,386,332	\$10,984,911
Internal Service Fund	10,017,185	8,165,098	1,852,087
Nonexpendable Trust Fund	825,004	5,382	819.622
Expendable Trust Fund	7,611,478	3,771,910	3,839,568
Agency Fund	21,373,314	16,157,242	5,216,072

3. CASH AND INVESTMENT

Cash and Cash Equivalents

For financial statement reporting purposes, cash and cash equivalents includes cash on hand, demand deposits held in banks, and other securities with original maturities of less than one

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

week. Bank overdrafts, if any, are reported as a liability rather than as a negative asset.

Colorado statutes require that the School District use eligible public depositories as defined by the Public Deposit Protection Act of 1989 (the Act). Under the Act, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation. Eligible collateral as defined by the Act primarily includes obligations of, or guarantees by, the U.S. Government, the State of Colorado or any political subdivision thereof and obligations evidenced by notes secured by first lien mortgages or deeds of trust on real property.

At June 30, 2000, the carrying amount of the School District's deposits was \$10,146,404 and the bank balance was \$10,371,094. Of the total bank balance, \$3,548,100 was covered by federal depository insurance, and the remaining \$6,822,994 was uninsured and collateralized with securities held by the banks in their trust departments in the School District's name.

Investments

The School District is authorized by Colorado Statute to invest in the following:

- A. Bonds and other interest-bearing obligations of the United States Government.
- B. Bonds and other interest-bearing obligations which are guaranteed by the United States Government.
- C. Bonds which are a direct obligation of the State of Colorado, or of any city, county, or school district therein.
- D. Notes or bonds issued pursuant to the "National Housing Act".
- E. Repurchase agreements.
- F. Commercial paper.
- G. Banker's Acceptances.
- H. Other investments as authorized by Colorado Statute.

The School District's investments are categorized in the following table to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the School District's name.

	Category		Fair
	1	2	Value
U.S. Government Securities	\$111,037,937		\$111,037,937
Corporate Stock	4,890		4,890
Repurchase Agreements			<u>\$193,196,469</u>
Total	<u>\$111,042,827</u>	<u>\$</u> -	<u>\$193,196,469</u>
			<u>\$304,239,296</u>

SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000

Colorado Statutes require that securities underlying repurchase agreements must have a market value at least equal to the cost of the repurchase agreement. The market value of the collateral underlying the repurchase agreements as of June 30, 2000, was \$210,848,858.

The following is a reconciliation of cash and investments per Note 3 to the financial statements:

Cash and investments per footnotes presentation:

Cash in bank	\$ 10,146,404
Investments	<u>304,239,296</u>
	<u>\$314,385,700</u>

Cash and investments per financial statements presentation:

Cash and cash equivalents	\$ 85,067,470
Restricted investment in securities	193,196,469
Restricted cash	4,395,921
Investments	<u>31,725,840</u>
	<u>\$314,385,700</u>

4. PROPERTY TAXES

Property taxes are levied during December and attach an enforceable lien on property as of January 1 of the following year. Taxes are payable in either one installment on or before April 30, or in two equal payments on or before February 28 and June 15 of each year. The mill levy is determined by the School District in accordance with state laws and finance formulas. The assessments and collections are made by the City and County of Denver and remitted monthly to the School District.

Property taxes levied for the General Fund totaled \$222,952,854 in 2000. Also included in the 2000 General Fund property taxes are additional taxes of (1) \$12,099,253 which were approved by voters in 1988 and represent the lesser of \$12,099,253 or the prior year 2.424 mills based on the mill levy limitations in the State constitutional amendment approved by voters in November 1992, and (2) \$17,000,000 which were approved by voters in 1998 and for which the mill levy is adjusted as the assessed valuation changes. General Fund deferred revenues included \$5,514,556 of property taxes at June 30, 2000. Property taxes levied for the Bond Redemption Fund totaled \$34,658,033 in 2000 and accounted for the entire Bond Redemption Fund deferred revenue balance of \$858,943 at June 30, 2000. In accordance with the 1994 Public School Finance Act, all property tax revenue is recorded in the General Fund and Bond Redemption Fund.

Collection fees by the City and County of Denver amount to one-quarter of 1% of property taxes collected for the General Fund and no collection fees are charged for the Bond Redemption Fund. Collection fees are recorded as an expenditure.

5. DUE FROM AND TO OTHER FUNDS

Balances of interfund receivables and payables at June 30, 2000 are as follows:

Fund	Due From	Due To
General Fund	\$5,008,760	\$873,148
Special Revenue Funds:		
Government Designated Purpose Grants Fund	7,481,191	10,966,972

**SCHOOL DISTRICT NO. 1
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2000**

Fund	Due From	Due To
Pupil Activity Fund	86,280	
Capital Projects Funds:		
Building Fund		687,911
Capital Reserve Fund	275,948	
Proprietary Funds		
Enterprise - Food Services Fund		255,085
Internal Service Funds:		
Self Insurance Fund	29,342	
DoTs - Service Bureau Fund	72,741	
Maintenance Fund	90,008	
Warehouse Fund		604,756
Fiduciary Funds:		
Nonexpendable Trust Fund	43,152	
Expendable Trust Fund	<u>300,450</u>	<u> </u>
Total	\$13,387,872	\$13,387,872

6. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Buildings and			Construction	Capital	
	Land	Improvements	Equipment	In-Progress	Leases	Total
Balance July 1, 1999	\$41,633,842	\$446,947,185	\$139,190,927	\$10,845,716	\$17,450,123	\$656,067,793
Additions and Transfers	2,094,776	13,891,661	14,324,012	26,791,255	(2,733,762)	54,367,942
Retirements	(31,230)		(1,792,938)			(1,824,168)
Balance June 30, 2000	<u>\$43,697,388</u>	<u>\$460,838,846</u>	<u>\$151,722,001</u>	<u>\$37,636,971</u>	<u>\$14,716,361</u>	<u>\$708,611,567</u>

Investment in general fixed assets:

Investment in general fixed assets	
Acquired prior to January 1977 from all sources	\$207,037,347
Acquired after January 1977 from:	
General Fund	85,816,273
Special Revenue Funds:	
Governmental Designated Purpose Grants Fund	26,017,667
Pupil Activity Fund	459,845
Capital Projects Funds:	
Building Fund	215,258,730
Capital Reserve Fund	171,545,490
Proprietary Fund Types:	
Internal Service Fund:	
Self-Insurance Fund	1,543,507
Fiduciary Fund Types:	
Expendable Trust Fund	561,998
Agency Fund	370,710
Total General Fixed Assets	<u>\$708,611,567</u>

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A summary of proprietary fund type equipment at June 30, 2000 is as follows:

	Enterprise Fund	Internal Service Funds
Equipment	\$4,953,317	\$436,383
Less accumulated depreciation	<u>(3,866,818)</u>	<u>(276,140)</u>
Net Equipment	\$1,086,499	\$160,243

Depreciation of all exhaustible fixed assets used by the Proprietary Fund is charged as an expense against operations. Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided using the straight-line method over estimated useful lives of 5 to 20 years for equipment.

7. LONG-TERM DEBT

A summary of changes in general long-term debt is as follows:

	Capital Lease Obligations	Certificates Of Participation	Sick Leave Payable	Bonds Payable	Total
Payable at July 1, 1999	\$11,980,258	\$392,372,521	\$5,620,915	\$428,528,973	\$838,502,667
New Certificates of Participation		1,720,000			1,720,000
Accretion of premium - Capital appreciation bonds				1,070,842	1,070,842
Total reduction of principal	(3,356,724)	(3,865,000)		(7,685,000)	(14,906,724)
Net change in sick leave			606,990		606,990
Payable at June 30, 2000	\$ 8,623,534	\$390,227,521	\$6,227,905	\$421,914,815	\$826,993,775

General long-term debt at June 30, 2000 is comprised of the following:

Capital lease obligations

The District has entered into various equipment leases with lease terms from 36 to 60 months and implicit interest rates between 4.8% and 10.5% \$ 8,623,534

Certificates of participation:

1996 certificates of participation, progressive interest rates of 4.50% to 5.7% payable in semiannual installments through 2011, principal due in annual installments of \$745,000 to \$2,075,000 through December 2011 12,680,000

1997 taxable certificates of participation, progressive interest rates of 6.2% to 7.32% payable in semiannual installments through 2018, principal due in annual installments of \$3,865,000 to \$33,870,000 through December 2018 with term certificates totaling \$71,250,000 due December 2018 375,827,521

2000 taxable certificates of participation, progressive interest rates of 4.25% to 5.65% payable in annual installments through 2018; principal due in annual installments of \$95,000 to \$140,000 through December 2018 with term certificates totaling \$420,000 due December 2018 1,720,000

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Bond issuances:

1990-1992 General Obligation Bonds, progressive interest rates of 5.00% to 10.00% payable in semiannual installments through 2003, principal due in combined annual installments of \$1,115,000 to \$6,205,000 through December 2003	18,935,000
1994 General Obligation Refunding Current Interest Bonds, progressive interest rates of 4.05% to 6.50% payable in semiannual installments through 2012, principal due in semiannual installments of \$310,000 to \$10,600,000 through December 2012 with term bonds totaling \$44,505,000 due December 2012	122,774,000
1994 General Obligation Refunding Premium Capital Appreciation Bonds, issued to yield 5.00% to 5.45%, principal and interest payable in four installments of \$10,000,000, \$10,050,000, \$10,670,000 and \$10,525,000 at December 2004, December 2006, December 2008 and December 2009 respectively. Principal value of the Premium Capital Appreciation Bonds	10,345,734
Premium portion of the Premium Capital Appreciation Bond proceeds presented as long-term debt in the financial statements, in accordance with generally accepted accounting principles. From a legal standpoint, such premium is not to be construed as additional outstanding principal, but rather as interest.	10,162,435
1999 General Obligation Bonds, progressive interest rates of 3.60% to 5.50% payable in semiannual installments through 2023, principal due in annual installments of \$25,000 to \$32,290,000 through December 2023	252,900,000
Cumulative accretion of interest on Premium Capital Appreciation Bonds at June 30, 2000	6,797,646
Sick leave payable	<u>6,227,905</u>
Total	<u>\$826,993,775</u>

On November 3, 1998, the registered voters of Denver authorized the School District to issue \$305 million of general obligation bonds. As of June 30, 2000, there is a balance of \$52.1 million of authorized but unissued bonds. The annual requirements to amortize all general long-term debt outstanding excluding sick leave payable and capital lease obligations as of June 30, 2000, including interest payments of \$675,328,140 are as follows:

Years Ending June 30,	Bond Payment Obligation	Certificates Of Participation	Total
2001	\$28,991,042	\$29,943,500	\$ 58,934,542
2002	28,637,774	31,450,943	60,088,717
2003	29,581,348	33,148,514	62,729,862
2004	30,211,087	34,835,214	65,046,301
2005	30,316,529	36,670,646	66,987,175
Thereafter	<u>594,882,806</u>	<u>578,801,073</u>	<u>1,173,683,879</u>
Total	<u>\$742,620,586</u>	<u>\$744,849,890</u>	<u>\$1,487,470,476</u>

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The annual requirements relating to capital leases as of June 30, 2000 are as follows:

Years Ending June 30,	General Long-Term Debt	Internal Service
2001	\$3,149,225	\$ 78,886
2002	1,651,446	38,452
2003	1,516,542	
2004	1,516,542	
2005	1,516,542	
Thereafter	<u>282,466</u>	
	9,632,763	117,338
Less Interest	(1,009,229)	(6,273)
	<u>\$8,623,534</u>	<u>\$111,065</u>

The 1996 and 2000 Certificates of Participation are to be paid from the Capital Projects Fund - Capital Reserve Fund, the 1997 taxable Certificates of Participation are to be paid from the General Fund, \$8,623,534 of capital lease obligations will be paid from the General fund, and \$111,065 of capital lease obligations will be paid from the Internal Service - DoTs Service Bureau Fund. The bond obligations will be paid from the Bond Redemption Fund.

The Capital Projects Fund balance of \$198,620,753 includes \$188,684,929 from the issuance of \$252,900,000 in general obligation bonds and related interest earnings. At June 30, 2000, the School District had capital expenditure purchase commitments outstanding of \$37,865,973.

Capital Lease Obligations

The computer and copier lease agreements contain a provision whereby the leases shall terminate if the Board of Education does not appropriate funds for lease payments in any succeeding year. There are no contingent rental payments, escalation clauses or other restrictions. The leases contain a provision whereby the title of the property will transfer at the end of the lease if the lease is not terminated. In accordance with generally accepted accounting principles, the leases have been capitalized at the present value of future lease payments, and the computer and copier equipment are reflected in the General Fixed Assets Account Group.

Certificates of Participation

On May 1, 2000, the School District issued \$1.72 million in certificates of participation with an average interest rate of 5.381%. Proceeds of \$1.614 million after payment of \$101,149 in underwriting fees, insurance and other issuance costs are being used for capital outlay.

Defeasance of Bonds and Certificates of Participation

In prior years, the School District defeased certain general obligation bonds and certificates of participation by placing the proceeds of new bonds and certificates in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the School District's financial statements. At June 30, 2000, \$132,610,000 and \$25,605,000 of bonds outstanding and certificates of participation outstanding, respectively, are considered defeased.

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8. PENSION PLAN

The School District contributes to the Denver Public Schools Retirement System, a separate entity which is not a component of the School District, to provide defined retirement, death and disability benefits to participating employees. The Denver Public Schools Retirement System is a single-employer defined benefit pension plan (the Plan) and issues a stand-alone financial report. A copy of the report can be obtained at the Retirement System's office at 1301 Pennsylvania Street, Suite 700, Denver, CO 80203-5015. The Plan was established in 1945 through state statute.

Participation in the Plan is mandatory for all full-time employees hired after December 1, 1945, and requires member contributions for all employees of 8% of gross salary.

The School District issued \$384,167,520 of Taxable Pension Certificates of Participation (the PCOPs) on July 17, 1997, to fully fund the unfunded actuarial accrued liability (the UAAL) of the Plan. The Plan received \$377,766,918 from the proceeds of the PCOPs. Full funding of the UAAL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.26% through June 30, 1998 and 2.68% through June 30, 1999. The rate was increased to 2.90% for the period through June 30, 2000. This rate change was based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the School District's Board of Education.

During the fiscal year ended June 30, 2000, the School District made contributions totaling \$7,220,899 or 2.90% of covered payroll, and employees of the School District made contributions totaling \$19,919,723 or 8% of payroll.

The most recent actuarial valuation dated January 1, 2000, contained the following significant actuarial assumptions: (a) a rate of return on investment of present and future assets of 8.75% per year compounded annually, (b) projected salary increase of 4.0% per year compounded annually, attributable to inflation, (c) additional projected salary increases attributable to seniority/merit, (d) projected annual retirement adjusted allowance of 3.25% (e) life expectancy based on the 1999 Plan Experience Study, (f) the entry age normal actuarial cost method, (g) an amortization method of level percent, (h) an open amortization approach.

The following is a schedule of annual pension cost information for the fiscal years ending June 30, 2000, 1999, and 1998:

	2000	1999	1998
Annual Pension Cost	\$7,220,899	\$6,357,899	\$10,090,381
Percentage of Annual Pension Cost Contributed	100%	100%	100%
Net Pension Obligation at End of Year	\$0	\$0	\$0

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The following is a schedule of funding progress as of the actuarial valuation date January 1 for the years 2000, 1999, and 1998:

	2000	1999	1998
Actuarial Value of Assets	\$2,044,332,000	\$1,889,152,000	\$1,760,124,000
Actuarial Accrued Liability (AAL) entry age	<u>1,983,400,000</u>	<u>1,894,139,000</u>	<u>1,727,251,000</u>
Unfunded (over funded) AAL (UAAL)	\$(60,932,000)	\$ 4,987,000	\$ (32,873,000)
Funded Ratio	103%	99.7%	102%
Covered Payroll	\$264,079,000	\$ 248,766,000	\$ 235,280,000
UAAL as percentage of Covered payroll	(23)%	2%	(14)%

9. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the School District provides post-retirement health care and life insurance benefits, in accordance with the Board of education Resolutions 1690 and 1643, respectively. The benefits are provided to all employees who retired under the provisions of early, regular, or disability retirement. Currently, approximately 4,295 retirees meet the eligibility requirement.

Health Insurance

Effective July 1, 1998, in accordance with Board of Education action, the maximum monthly School District contributions for single coverage under the health insurance program was set at \$144.27. For those retiring on or after July 1, 1994, the maximum monthly contribution is \$5.77 for each year of accredited service but not more than \$144.27. Retired employees may pay for their dependents on the health insurance program. Retirees have the option between two commercial health insurance plans or the Denver Public Schools Medical Care Plan, with the latter available for those age 65 and over. Expenditures for post-retirement health care benefits are recognized on a pay-as-you-go basis. Approximately \$5,596,000 was expended on the health insurance program for retirees during the year ended June 30, 2000.

For the School District's Medical Care Plan, at June 30, 2000, the School District has an accrued balance of \$810,788 for estimated claims incurred but not paid or reported. This activity is accounted for in the Expendable Trust Fund. A summary of changes in the estimated liability is as follows:

	Beginning Liability	Current Year Claims and Change In Estimate	Claims Payment	Year End Balance
June 30, 1999	\$759,022	\$1,816,734	\$1,795,142	\$780,614
June 30, 2000	780,614	1,737,366	1,707,192	810,788

Life Insurance

The full premium cost for the life insurance program for retired employees after August 31, 1996 is paid out of the insurance carrier fund described below. A fund to pre-fund future life premiums for retired employees was established in 1978 and is held by the insurance carrier to

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be used only for the purpose of providing continued life insurance. The accumulated balance of this Fund at June 30, 2000, totaled \$12,101,830. No actuarial report is available.

10. RISK MANAGEMENT

The School District's risk management program deals with the efficient operations of the commercial insurance programs that provide financial protection to the School District. These programs include property insurance, several lines of liability insurance, and workers' compensation insurance. There have been no significant changes in the insurance programs from the prior year. For the prior three years, the amount of claims payments for property and liability insurance has not exceeded the amount of insurance coverage.

The School District has the normal exposures to loss that are part of any large organization. The School District is a public facility that teaches and supervises over 69,000 students, employs over 10,500 people to accomplish these functions, and provides these services in over 130 facilities located throughout the City and County of Denver. Exposures to loss include theft of property, tort claims, and errors and omissions on the part of School District employees or Board members.

The School District participates in the Colorado School District's Self-Insurance Pool (the Pool) for liability and property coverage. The Pool provides coverage to its members for accidental losses as well as services to help reduce losses and costs incurred in handling claims. In return for these services the School District pays premiums and assists the Pool in settling losses. Furthermore, the School District's responsibilities include working toward reducing the exposures that cause losses. Property loss claims are handled primarily through School District resources, and claims that allege injury to the public or students are forwarded to the Pool for claims management.

The School District retains a certain level of all liability losses. For the year ended June 30, 2000, the School District retained \$150,000 of each liability loss. For the same period the retention level for each property claim was \$100,000. These deductible levels were arrived at after reviewing the average historical losses and determining the amount of each loss the School District could pay directly. The workers' compensation insurance program for the plan year ended June 30, 2000 was a structured self-financed program with the Colorado Compensation Insurance Authority (CCIA). This program provided that the School District pay the first \$3.8 million of all losses for the plan year. During the first year of this new program (fiscal year ended June 30, 1998), General Fund money for the workers' compensation program was used to pay expenses and claims costs. The schedule below represents the money allocated to the Insurance fund. The goal is to retain the highest level of each loss that makes economical sense. The liability for all claims is \$1,854,153 at June 30, 2000.

	Current Year		
	Beginning Liability	Claims and Change In Estimate	Claims Payment
June 30, 1999	\$1,089,271	\$3,478,628	\$3,175,604
June 30, 2000	1,392,295	3,201,132	2,739,274

\$1,392,295
1,854,153

11. LITIGATION AND CONTINGENCIES

The School District is a party to numerous pending or threatened lawsuits, under which it may be required to pay certain amounts upon final disposition of these matters. After consulting with

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counsel, the School District's management has concluded that no significant adverse effect on the June 30, 2000 financial statements should result upon final disposition of these proceedings.

The School District has a potential liability relating to the "Asbestos Hazard Emergency Response Act" (the Act), which is a federally funded hazardous material/asbestos management program administered by the State Health Department. It is not possible at this time to estimate the amount of expenditures which will be required to comply with the Act. It is expected that these expenditures will not have a significant impact on the financial position of the School District.

Under terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The School District's management believes disallowances, if any, will be immaterial.

12. STATEWIDE FISCAL MATTERS

At the general election held November 3, 1992, the voters of the State approved an amendment (commonly termed the Taxpayers Bill of Rights, or TABOR) to the Colorado Constitution limiting the ability of the State and local governments such as the School District to increase revenues, debt and spending, and restricting property, income and other taxes. On November 2, 1999, the Denver voters gave the School District approval to exceed the spending limits established in TABOR beginning with the 1999 fiscal year. The amendment also requires that the State and local governments obtain voter approval to create any "multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years". The amendment exempts from its restrictions the borrowings and fiscal operations of "enterprises". Enterprises are defined to include government owned businesses authorized to issue their own revenue bonds and receiving under 10% of their grants from all Colorado State and local governments combined. The amendment also requires the establishment of an "Emergency Reserve" equal to three percent of fiscal year spending excluding debt service. As of June 30, 2000, the School District has established an emergency reserve of \$12.3 million and \$1 million in the General Fund and Capital Reserve Fund, respectively.

There are two statewide ballot initiatives that are on the ballot in the upcoming November 2000 election, namely Amendment 21 and Amendment 23, which would have a significant impact on funding for the School District. Amendment 21 would reduce state and local tax revenues while Amendment 23 would require the state to increase funding for public education by at least inflation plus one percent for the next ten years, and at inflation for years thereafter, in addition to funding enrollment growth. The specific dollar amount of impact on the School District cannot be determined at this time.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE

Certain provisions of the Indenture and the Lease are summarized in the body of the Official Statement and are not summarized in this Appendix. This summary should be read in conjunction with the material in the body of the Official Statement describing provisions of such documents.

This summary, the descriptions herein and the descriptions of provisions of the Indenture and the Lease in the body of the Official Statement are qualified in all respects by reference to the Indenture and the Lease. Copies of the Indenture and the Lease may be obtained as described in "INTRODUCTION—Additional Information" in the body of the Official Statement.

DEFINITIONS

The following capitalized terms shall have the following meanings as used herein:

"*Additional Certificates*" means any Certificates issued after the issuance of the Certificates as described in "THE CERTIFICATES—Additional Certificates" in the body of this Official Statement.

"*Additional Rentals*" means the costs and expenses incurred by the District in performing its obligations under the Lease with respect to the Leased Property, the Project, the Lease, the Indenture, the Certificates and any matter related thereto; the costs and expenses incurred by the District in paying the reasonable fees and expenses of the Trustee as described in "LEASE—Payment of Fees and Expenses of Trustee" in this Appendix; all amounts paid by the District to the Corporation to fund the Reserve Fund and the Rebate Fund as described in "LEASE—Payments to Reserve Fund and Rebate Fund" in this Appendix; all amounts payable to the Insurer under the Indenture, the Lease and the Financial Guaranty Agreement; and all other costs and expenses incurred by the District in connection with the foregoing; provided, however, that Additional Rentals do not include the Base Rentals or the Purchase Option Price.

"*Base Rentals*" means the payments by the District described in "LEASE—Payment of Base Rentals" in this Appendix, for and in consideration of the right to use the Leased Property during the Lease Term.

"*Board*" means the Board of Education of the District.

"*Bond Counsel*" means (a) as of the date of issuance of the Certificates, Kutak Rock LLP, and (b) as of any other date, Kutak Rock LLP or such other attorneys selected by the Trustee with nationally recognized expertise in the issuance of municipal securities, the interest on which is excluded from gross income for federal income tax purposes.

"*Business Day*" means any day other than a Saturday, a Sunday or a day on which banks in New York, New York, Denver, Colorado or Columbus, Ohio are authorized by law to remain closed.

"*Certificate Fund*" means the special fund described in "THE CERTIFICATES—Security for the Certificates—Certificate Fund" in the body of this Official Statement.

"*Certificate Insurance Policy*" means one or more policies of insurance issued by the Insurer insuring the timely payment of the principal of and interest on the Certificates without regard to acceleration or advancement of maturity or redemption prior to maturity, other than mandatory sinking fund redemption, if any. "*Certificates*" means the Certificates described in "THE CERTIFICATES" in the body of this Official Statement.

"*Code*" means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

"*Completion Date*" means, with respect to any project, the date on which the District certifies to the Corporation that such Project has been completed.

"*Corporation*" means Denver School Facilities Leasing Corporation, a Colorado nonprofit corporation, and any successor thereto.

“Corporation Representative” means any officer of the Corporation; and any other person or persons designated to act on behalf of the Corporation under the Lease and the Indenture by a written certificate furnished to the District and the Trustee containing the specimen signature of such person and signed on behalf of the Corporation by any officer of the Corporation. The identity of the Corporation Representative may be changed by the Corporation from time to time by furnishing a new certificate to the District and the Trustee.

“Costs” or *“Costs of the Project”* means, with respect to each Project and the Certificates or Additional Certificates issued pursuant to the Indenture issued to finance such Project, all costs and expenses to be incurred, and the reimbursement to the District for all costs and expenses heretofore incurred by the District prior to the Completion Date (except as otherwise provided below), including, without limitation:

- (a) obligations incurred or assumed for labor, materials and equipment in connection with the Project;
- (b) the cost of performance and payment Bonds and of insurance of all kinds (including, without limitation, title and liability insurance) that may be necessary or appropriate in connection with the Project;
- (c) the costs of engineering, architectural and other professional and technical services, including obligations incurred or assumed for preliminary design and development work, test borings, surveys, estimates, plans and specifications in connection with the Project;
- (d) administrative costs related to the Project incurred prior to the related Completion Date, including supervision of the construction, acquisition, renovation and installation as well as the performance of all of the other duties required by or consequent upon the Project, including, without limitation, costs of preparing and securing all Project Documents, architectural, engineering and other professional and technical fees, legal fees and expenses, appraisal fees, independent inspection fees, auditing fees and advertising expenses in connection with the Project;
- (e) all costs which shall be required to be paid under the terms of any Project Contract;
- (f) all costs which are considered to be a part of the costs of the Project in accordance with generally accepted accounting principles;
- (g) interest on the Certificates and Additional Certificates issued pursuant to the Indenture issued to finance the Project through the related Completion Dates, to the extent the moneys in the Certificate Fund are not sufficient to pay such interest;
- (h) payments to the Reserve Fund or any account thereof to establish or maintain the Reserve Fund Requirement;
- (i) the actual costs incurred by the Corporation in acquiring any property or making any improvements for which moneys are transferred to the Corporation; and
- (j) any and all other costs necessary to effect the Project or to acquire or improve any Leased Property to the extent the same are permitted by the laws of the State and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Certificates.

“Costs of Issuance” means administrative costs of issuance of any Certificates, including any fees and expenses of the Corporation prior to the Completion Date, any fees and expenses of any underwriter or financial advisor services in connection with the issuance of any Certificates, any fees or expenses of the Trustee prior to the Completion Date, legal fees and expenses, costs incurred in obtaining ratings from rating agencies, Certificate insurance premiums, costs of immediately available funds, costs of publication, printing and engraving, accountants’ fees and recording and filing fees.

“Defeasance Securities” means Permitted Investments which are (a) cash that is insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in clause (b) of this definition; or (b) certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

“District” means School District No. 1, in the City and County of Denver and State of Colorado, or any successor thereto.

"District Representative" means the Chief Financial Officer of the District and any other person or persons designated to act on behalf of the District for the purposes of performing any act under the Lease and the Indenture by a written certificate furnished to the Corporation containing the specimen signature of such person and signed on behalf of the District by any officer of the Board. The identity of the District Representative may be changed by the District from time to time by furnishing a new certificate to the Corporation.

"Event of Default" means, with respect to the Lease, an event described in "LEASE—Events of Default and Remedies under the Lease" in the body of this Official Statement and with respect to the Indenture, an event described in "INDENTURE—Events of Default" in this Appendix.

"Event of Nonappropriation" means an event described in "LEASE—Event of Nonappropriation" in the body of this Official Statement.

"Financial Guaranty Agreement" means the Financial Guaranty Agreement between the District and the Insurer dated as of February 1, 2001.

"Fiscal Year" means the District's fiscal year, which begins on July 1 of each year and ends on June 30 of the following year.

"Force Majeure" means any event that is not within the control of the District, including, without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; or breakage or accidents affecting machinery, transmission pipes or canals.

"Improvements" means the buildings, site improvements and other real property described in Exhibit B to the Lease, as such buildings, site improvements and other real property may be modified as described in "LEASE—Modification and Substitution of Lease Property" or "—Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property" in this Appendix.

"Indenture" means the Mortgage and Indenture of Trust dated as of February 1, 2001 providing for the issuance of the Certificates and any amendment or supplement thereto.

"Independent Counsel" means an attorney duly admitted to the practice of law before the highest court in the State and who is not an employee of the Corporation, the District or the Trustee.

"Initial Purchaser" means (a) with respect to the Certificates, Hanifen, Imhoff Division of Stifel, Nicolaus & Company, Inc., and (b) with respect to any Additional Certificates, the purchasers designated as such in any Supplemental Indenture.

"Initial Term" means the period commencing on the date the Certificates are issued and ending on June 30, 2001.

"Insurer" means MBIA Insurance Corporation and its successors and assigns.

"Interest Payment Date" means June 1 and December 1 of each year, (a) beginning on June 1, 2001 with respect to the Certificates and (b) beginning on the June 1 or December 1 specified in the Supplemental Indenture entered into in connection with such Certificates with respect to any Additional Certificates.

"Land" means the land described in Exhibit A to the Lease.

"Lease" means the Lease Purchase Agreement dated as of February 1, 2001 and any amendment or supplement hereto.

"Lease Revenues" means (a) the Base Rentals; (b) the Purchase Option Price, if paid; (c) any Net Proceeds; (d) any portion of the proceeds of any Certificates deposited with or by the Trustee in the Certificate Fund to pay accrued or capitalized interest on the Certificates; (e) any earnings on moneys on deposit in the Certificate Fund; (f) all other revenues derived from the Lease, excluding Additional Rentals (other than Reserve Fund payments made to the Trustee described in

the penultimate paragraph under "THE CERTIFICATES—Security for the Certificates-Reserve Fund" in the body of this Official Statement; and (g) any other moneys to which the Trustee may be entitled for the benefit of the Owners.

"*Lease Term*" is defined in "LEASE—Termination of the Lease" in the body of this Official Statement.

"*Leased Property*" means the Land and the Improvements described in "LEASED PROPERTY" in the body of this Official Statement.

"*Moody's*" means Moody's Investor Service and its successors and assigns.

"*Net Proceeds*" means (a) the gross proceeds received from any event referred to in "LEASE—Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property" in this Appendix, *minus* (b) all expenses incurred in the collection of such gross proceeds or award.

"*Operations Center*" means the operations center of the Trustee in Columbus, Ohio.

"*Opinion of Counsel*" means a written opinion of legal counsel, who may be counsel to the Trustee.

"*Outstanding*" means all Certificates and Additional Certificates which have been executed and delivered, except:

(a) Certificates or Additional Certificates canceled or which shall have been surrendered to the Trustee for cancellation;

(b) Certificates or Additional Certificates in lieu of which other Certificates have been executed as described in "INDENTURE—Mutilated, Lost, Stolen or Destroyed Certificates" or "—Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates" in this Appendix;

(c) Certificates or Additional Certificates which have been redeemed as described in "INTRODUCTION—Prior Redemption" in the body of this Official Statement (including Certificates or Additional Certificates redeemed on payment of an amount less than the outstanding principal thereof and accrued interest thereon to the redemption date described in the subcaption "Redemption of Certificates in Whole Upon an Event of Nonappropriation or Event of Default Under the Lease," under such caption;

(d) Certificates or Additional Certificates which are due and for which the Trustee holds funds for the benefit of the Owner thereof as described in "INDENTURE—Nonpresentment of Certificates" in this Appendix; and

(e) Certificates or Additional Certificates which are otherwise deemed discharged as described in "INDENTURE—Discharge of Indenture" in this Appendix.

"*Owner*" of a Certificate or Additional Certificate means the registered owner of any Certificate or Additional Certificate as shown in the registration records of the Trustee.

"*Permitted Encumbrances*" means, as of any particular time, (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid as described in "LEASE—Limitations on Disposition of and Encumbrances on Leased Property" in this Appendix; (b) the Lease and the Indenture; (c) easements, licenses, rights-of-way, rights and privileges, restrictions and exceptions which the District Representative certifies will not materially adversely affect the value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted as described in "LEASE—Granting of Easements" in this Appendix; (d) any financing statements filed with respect to the Corporation's interest in the Leased Property or the Lease; (e) any encumbrance represented by financing statements filed to perfect purchase money security interests in any portion of or all or all of the Leased Property; (f) any claim filed pursuant to C.R.S. § 38-26-107; (g) any applicable zoning requirements; and (h) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, in the opinion of the Corporation, materially impair title to the Leased Property.

"*Permitted Investments*" means any lawful investment permitted for the investment of funds of the District by the laws of the State that is included on the following list:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury), or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- (i) Farmers Home Administration (FmHA)
 - (A) Certificates of beneficial ownership
- (ii) Federal Housing Administration Debentures (FHA)
- (iii) General Services Administration
 - (A) Participation certificates
- (iv) Government National Mortgage Association (GNMA or "Ginnie Mae")
 - (A) GNMA – guaranteed mortgage-backed bonds
 - (B) GNMA – guaranteed pass-through obligations (participation certificates).
- (v) U.S. Maritime Administration
 - (A) Guaranteed Title XI financing
- (vi) U.S. Department of Housing and Urban Development (HUD)
 - (A) Project Notes
 - (B) Local Authority Bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (i) Federal Home Loan Bank System
 - (A) Senior debt obligations (Consolidated debt obligations)
- (ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
 - (A) Participation Certificates (Mortgage-backed securities)
 - (B) Senior debt obligations
- (iii) Federal National Mortgage Association (FNMA or "Fannie Mae")
 - (A) Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal).
- (iv) Student Loan Marketing Association (SLMA or "Sallie Mae")
 - (A) Senior debt obligations
- (v) Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

(vi) Farm Credit System

(A) Consolidated systemwide bonds are notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G"; "AAA-m"; or "AA-m" and if rated by Moody's rated "Aaa", "Aa1" or "Aa2".

(e) Certificates of deposit secured at all times by collateral described in (a) and/or (b above. CD's must have a one year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short term obligation are rated "A-1+" or better by S&P and "Prime-1" by Moody's.

The collateral must be held by a third party and the Trustee for the benefit of the Owners must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(g) Investment Agreements, including GIC's, acceptable to the Insurer.

(h) Commercial paper rated "Prime-1" by Moody's and "A-1" or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A+" by S&P.

(k) Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of such from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date. Such Repurchase agreements must satisfy the following criteria:

(i) Repos must be between the municipal entity and a dealer bank or securities firm

(A) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated "A" or better by S&P and Moody's, or

(B) Banks rated "A" or above by S&P and Moody's.

(ii) The written repo contract must include the following:

(A) Securities which are acceptable for transfer are:

(1) Direct U.S. Governments

(2) Federal agencies backed by the full faith and credit of the

(3) U.S. government (and FNMA & FHLMC)

(B) The term of the repo may be up to 30 days

(C) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certified securities).

(D) The trustee has a perfected first priority security interest in the collateral.

(E) Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a repo or reverse repo.

(F) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the trustee to liquidate collateral.

(G) Valuation of Collateral

(a) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(b) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(iii) Legal opinion which must be delivered to the municipal entity: Repo meets guidelines under state law for legal investment of public funds.

(l) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AAA" rated pre-refunded municipals to satisfy this condition.

"Person" means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

"Project" means, within this Appendix, the Project, as used in the body of the Official Statement, and any other project that may be defined as a Project by any Supplemental Indenture.

"Project Contract" means, with respect to each Project, contracts for services or materials for the construction, acquisition or installation of the Project, including, but not limited to, contracts for construction, engineering and architectural services.

"Project Documents" means, with respect to each Project, the following: (a) plans, drawings and specifications for the Project, including change orders, if any; (b) any necessary permits for the Project, including any building permits and certificates of occupancy; (c) the Project Contracts; (d) policies of title, casualty, public liability, property and workers' compensation insurance, or certificates thereof with respect to the Project; (e) performance and payment certificates with respect to the Project; and (f) any and all other documents executed by or furnished to the District or the Corporation in connection with the Project.

"Purchase Option Price" means the amount that the District must pay to purchase the Leased Property as described in "LEASE—District's Purchase Option" in the body of this Official Statement.

"Qualified Surety Bond" means a surety bond issued by an insurance company rated in the highest rating category by S&P and Moody's.

"Rebate Fund" means the special fund described in "INDENTURE—Rebate Fund" in this Appendix.

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

"Renewal Term" means the twelve-month period, commencing on July 1 of each year and ending on June 30 of such year, for which the District renews the Lease Term.

"Requirement of Law" means any federal, state or local statute, ordinance, rule or regulation, any judicial or administrative order (whether or not on consent), request or judgment, any common law doctrine or theory, any provision or condition of any permit required to be obtained or maintained, or any other binding determination of any governmental authority relating to the ownership or operation of property, including but not limited to any of the foregoing relating to zoning, environmental, health or safety matters.

"Reserve Fund" means the special fund described in "THE CERTIFICATES—Security for the Certificates—Reserve Fund" in the body of this Official Statement.

"Reserve Fund Requirement" means (a) for the Certificates, an amount equal to \$481,500 and (b) for any series of Additional Certificates for which a deposit to the Reserve Fund is required, the least of (i) 10% of the stated principal amount of such Additional Certificates, (ii) the maximum debt service due on such Additional Certificates in any Fiscal Year and (iii) 125% of the average Fiscal Year debt service due on such Additional Certificates.

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns.

"Scheduled Lease Term" means the period from the commencement of the Lease Term as described in "LEASE—Termination of the Lease" in the body of this Official Statement through the date described in subparagraph (a) under that caption.

"Special Record Date" means a special date fixed to determine the names and addresses of Owners of Certificates and Additional Certificates for purposes of paying defaulted interest as described in "INDENTURE—Issuance of Certificates" in this Appendix.

"State" means the State of Colorado.

"Supplemental Indenture" means any indenture supplementing or amending the Indenture that is adopted as described in "INDENTURE—Extension of Supplemental Indenture" and "—Supplemental Indentures Not Requiring Consent of Owners" or "—Supplemental Indentures Requiring Consent of Owners" in this Appendix.

"Surety Bond" means the surety bond issued by the Insurer guaranteeing certain payments from the Reserve Fund with respect to the Certificates.

"Trust Estate" means:

(a) the Leased Property and the tenements, hereditaments, appurtenances, rights, privileges and immunities thereto belonging or appertaining, subject to the terms of the Lease including, but not limited to, the terms of the Lease permitting the existence of Permitted Encumbrances;

(b) all rights, title and interest of the Corporation in, to and under the Lease (other than the Corporation's rights to payment of its fees and expenses under the Lease and the rights of third parties to Additional Rentals payable to them under the Lease);

(c) all Base Rentals;

(d) all Additional Rentals that are payable to the Corporation for the benefit of the Owners;

(e) the Purchase Option Price, if paid; and

(f) all money and securities from time to time held by the Trustee under this Indenture in the Certificate Fund and the Reserve Fund and any and all other real or personal property of every name and nature from time to time in the future by delivery or by writing of any kind specially mortgaged, pledged or hypothecated, as and for additional security under the Indenture, by the Corporation, or by anyone on its behalf, in favor of the Trustee, which is authorized by the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture;

The Trust Estate does not include the Rebate Fund or any escrow accounts established as described in "INDENTURE—Discharge of Indenture" in this Appendix.

"*Trustee*" means Bank One Trust Company, N.A. or any successor thereto, in its capacity as Trustee under the Indenture, or any successor trustee under the Indenture.

"*Trustee Representative*" means any officer of the Trustee; and any other person or persons designated to act on behalf of the Trustee under the Lease and the Indenture by a written certificate furnished to the District and the Corporation containing the specimen signature of such person and signed on behalf of the Trustee by any officer of the Trustee. The identity of the Trustee Representative may be changed by the Trustee from time to time by furnishing a new certificate to the District and the Corporation.

INDENTURE

Authorized Amount of Certificates

No Certificates may be issued under the Indenture except in accordance with the Indenture. The aggregate principal amount of Certificates that may be issued under the Indenture will not be limited in amount.

Issuance of Certificates

(a) The Certificates will be issued, sold and delivered under the Indenture, for the purpose of paying the Costs of the Project and the Costs of Issuance.

(b) The Certificates will be issuable only as fully registered Certificates in the denominations of \$5,000 and any integral multiple thereof (provided that no Certificate may be in a denomination which exceeds the principal coming due on any maturity date and no individual Certificate may be issued for more than one maturity). The Certificates will be numbered in such manner as shall be determined by the Trustee.

(c) The principal of and premium, if any, on any Certificate will be payable to the Owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof and upon presentation and surrender at the Operations Center of the Trustee. Payment of interest on the Certificates shall be made by check or draft of the Trustee mailed, on or before each Interest Payment Date, to the Owner thereof at his address as it last appears on the registration records of the Trustee at the close of business on the Record Date. Any such interest not so timely paid will cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and will be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date will be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date will be given by the Trustee to the Owners of the Certificates, not less than 10 days prior to the Special Record Date, by first-class mail to each such Owner as shown on the Trustee's registration records on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to in writing between the Owner of any Certificate and the Trustee.

Certificate Details

(a) The Certificates designated as the "Certificates of Participation, Series 2001, evidencing undivided interest in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado under a Lease Purchase Agreement dated as of February 1, 2001" (the "Certificates") will be issued in the aggregate principal amount of \$4,815,000. The Certificates will be dated February 1, 2001, will mature on the dates and in the amounts set forth on the cover of the Official Statement and will bear interest from their original dated date to maturity at the rates per annum shown on the cover of the Official Statement, payable on each Interest Payment Date; except that Certificates which are reissued upon transfer, exchange or other replacement will bear interest at the rates per annum shown on the cover of the Official Statement from the most recent Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid, from the original dated date of the Certificates.

(b) The Certificates will be in substantially the form set forth in Appendix A in the Indenture, with such changes thereto, not inconsistent with the Indenture, as may be necessary or desirable and approved by the official of the Trustee executing the same (whose manual or facsimile signature thereon shall constitute conclusive evidence of such approval). All covenants, statements, representations and agreements contained in the Certificates are approved and adopted by the Indenture as the covenants, statements, representations and agreements of the Trustee.

(c) Notwithstanding any other provision of the Indenture, the Certificates will be delivered only in book-entry form registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, acting as securities depository of the Certificates and principal of, premium, if any and interest on the Certificates shall be paid by wire transfer to DTC; provided, however, if at any time the Trustee determines, and notifies the Corporation of its determination, that DTC is no longer able to act as, or is no longer satisfactorily performing its duties as, securities depository for the Certificates, the Trustee may, at its discretion, either (i) designate a substitute securities depository for DTC and reregister the Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system and reregister the Certificates in the names of the beneficial owners thereof provided to it by DTC. Neither the Corporation nor the Trustee will have any liability to DTC, Cede & Co., any substitute securities depository, any Person in whose name the Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Certificates or any other Person for (A) any determination made by the Trustee described in the proviso at the end of the immediately preceding sentence or (B) any action taken to implement such determination and the procedures related thereto that is taken pursuant to any direction of or in reliance on any information provided by DTC, Cede & Co., any substitute securities depository or any Person in whose name the Certificates are reregistered.

Limited Obligations

Each Certificate and Additional Certificate will represent an undivided interest in the right to receive Lease Revenues and will be payable solely from the Trust Estate in accordance with, and subject to the terms of the Indenture. No provision of the Certificates, the Indenture, or the Lease will be construed or interpreted (a) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (b) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (c) as a delegation of governmental powers by the District; (d) as a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (e) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.

Execution and Authentication of Certificates

The manual signature of a duly authorized signatory of the Trustee will appear on each Certificate. Any Certificate will be deemed to have been executed by a duly authorized signatory of the Trustee if signed by the Trustee, but it will not be necessary that the same signatory sign all of the Certificates issued under the Indenture. If any signatory of the Trustee whose signature appears on a Certificate shall cease to be such official before delivery of the Certificates, such signature will nevertheless be valid and sufficient for all purposes, the same as if he or she had remained a duly authorized signatory of the Trustee until delivery.

Delivery of Certificates

Upon the execution and delivery of the Indenture, and, with respect to any Additional Certificates, the execution and delivery of any Supplemental Indenture relating to such Additional Certificates, the Trustee will execute and deliver such Certificates or Additional Certificates to the Initial Purchasers thereof, as hereinafter described under this caption:

Prior to the delivery by the Trustee of any of such Certificates or Additional Certificates, there shall have been filed with the Trustee (i) an originally executed counterpart of the Indenture and any Supplemental Indenture relating to such Certificates or Additional Certificates, (ii) certified copies of any other instruments to be executed and delivered by the Trustee, the Corporation and the District in connection with such Certificates or Additional Certificates, which, in the case of the Certificates, will include, but not be limited to, the Lease and (iii) the title insurance policy or commitment described in "INDENTURE—Title Insurance" in this Appendix.

Thereupon, the Trustee will deliver such Certificates or Additional Certificates to the Initial Purchaser thereof, upon payment to the Trustee of the agreed purchase price, which sum shall, subject with respect to the Certificates as described in "THE CERTIFICATES—Use of Certificate Proceeds" in the body of this Official Statement, be applied as follows: (i) accrued interest on the Certificates will be deposited into the Interest Account of the Certificate Fund; (ii) the amount required to establish the Reserve Fund Requirement for such Certificates will be deposited into the Reserve Fund; (iii) the amount necessary to pay Costs of Issuance will be delivered to the District to pay same; and (iv) the remainder will be delivered to the District to be separately accounted for and used by the District to pay Costs of the Project with respect to the Project being financed with such Certificates or Additional Certificates.

Mutilated, Lost, Stolen or Destroyed Certificates

In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received such evidence, information or indemnity from the Owner of the Certificate as it and the Corporation may reasonably require, and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee. In the event that any such Certificate shall have matured, instead of issuing a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the Owner of the Certificate with its reasonable fees and expenses in this connection and require payment of such fees and expenses as a condition precedent to the delivery of a new Certificate.

Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates

(a) Records for the registration and transfer of Certificates will be kept by the Trustee which is appointed by the Indenture the registrar for the Certificates. The principal of, interest on, and any prior redemption premium on any Certificate will be payable only to or upon the order of the Owner or his legal representative (except as otherwise provided in the Indenture with respect to Record Dates and Special Record Dates for the payment of interest). Upon surrender for transfer of any Certificate at the Operations Center of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Trustee will enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees a new fully registered Certificate or Certificates of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned.

(b) Fully registered Certificates may be exchanged at the Operations Center of the Trustee for an equal aggregate principal amount of fully registered Certificates of the same maturity of other authorized denominations. The Trustee will execute and deliver Certificates which the Owner making the exchange is entitled to receive, bearing numbers not previously assigned.

(c) The Trustee may require the payment, by the Owner of any Certificate requesting exchange or transfer, of any reasonable charges as well as any taxes, transfer fees or other governmental charges required to be paid with respect to such exchange or transfer.

(d) The Trustee will not be required to transfer or exchange (i) all or any portion of any Certificate during the period beginning at the opening of business 15 days before the day of the mailing by the Trustee of notice calling any Certificates for prior redemption and ending at the close of business on the day of such mailing, or (ii) all or any portion of a Certificate after the mailing of notice calling such Certificate or any portion thereof for prior redemption.

(e) Except as otherwise provided in the Indenture with respect to Record Dates and Special Record Dates for the payment of interest, the person in whose name any Certificate shall be registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or interest on any Certificate will be made only to or upon the written order of the Owner thereof or his legal representative, but such registration may be changed as provided in the Indenture. All such payments will be valid and effectual to satisfy and discharge such Certificate to the extent of the sum or sums paid.

Cancellation of Certificates

Whenever any Outstanding Certificates shall be delivered to the Trustee for cancellation pursuant to the Indenture, upon payment thereof or for or after replacement as described under the immediately preceding two captions, such Certificates will be promptly cancelled by the Trustee.

Negotiability

Subject to the registration provisions of the Indenture, the Certificates will be fully negotiable and will have all the qualities of negotiable paper, and the Owners thereof will possess all rights enjoyed by the holders or owners of negotiable instruments under the provisions of the Uniform Commercial Code-Investment Securities. The principal of and interest on the Certificates will be paid, and the Certificates will be transferable, free from and without regard to any equities, set-offs or cross-claims between the Trustee and the original or any intermediate owner of any Certificates.

Rebate Fund

(a) ***Deposits into the Rebate Fund.*** The Trustee will deposit into the Rebate Fund created under the Indenture (i) any moneys transferred to the Rebate Fund from the Reserve Fund as described in "THE CERTIFICATES—Security for the Certificates-Reserve Fund" in the body of this Official Statement; (ii) all amounts paid by the District as described under this caption; and (iii) all other moneys delivered to the Trustee that are accompanied by instructions to deposit the same into the Rebate Fund.

(b) ***Use of Moneys in the Rebate Fund.*** Not later than 60 days after December 1, 2004, and every five years thereafter, the Trustee on behalf of the District will pay to the United States of America 90% of the amount required, if any, to be on deposit in the Rebate Fund as of such payment date. No later than 60 days after the final retirement of the Certificates, the Trustee on behalf of the District will pay to the United States of America 100% of the amount required, if any, to be on deposit in the Rebate Fund which will remain in effect for such period of time as is necessary for such final payment to be made. Each payment required to be paid to the United States of America as described under this caption will be filed with the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255. Each payment will be accompanied by a copy of the Internal Revenue Form 8038-T and a statement summarizing the determination of the amount to be paid to the United States of America. The Indenture reserves to the Corporation and the District the right, in all events, to pursue such remedies and procedures as are available to it in order to assert any claim of overpayment of any rebated amounts.

(c) ***Administration of Rebate Fund.*** The Corporation or the District will make or cause to be made all requisite rebate calculations and notify the Trustee of the resulting rebate amount so as to provide the information required to transfer moneys to the Rebate Fund as described under this caption. The Trustee will make deposits to and disbursements from the Rebate Fund in accordance with the Investment Instructions (the "Investment Instructions") and the Tax Compliance Certificate (the "Tax Compliance Certificate") executed by the District in connection with the issuance of the Certificates. The Trustee shall invest the Rebate Fund pursuant to said Investment Instructions and will deposit income from said investments immediately upon receipt thereof in the Rebate Fund, all as set forth in the Investment Instructions. The Investment Instructions may be superseded or amended by new Investment Instructions drafted by, and accompanied by an opinion of, Bond Counsel addressed to the Trustee to the effect that the use of said new Investment Instructions will not cause the interest on the Certificates to be includable in the gross income of the recipients thereof for purposes of federal income taxation. The District may employ, at its expense, a designated agent to calculate the amount of deposits to and disbursements from the Rebate Fund based upon information furnished by the Corporation and the Trustee. If a withdrawal from the Rebate Fund is permitted as a result of the computation described in the Investment Instructions, the amount withdrawn will be deposited in the Certificate Fund. Record of the determinations described under this caption and the Investment Instructions must be retained by the Corporation and the Trustee until six years after the final retirement of the Certificates.

(d) ***Payments by the District.*** The District has agreed in the Lease that, if, for any reason, the amount on deposit in the Rebate Fund is less than the amount required to be paid to the United States of America on any date, the District will pay to the Trustee the amount required to make such payment on such date.

Nonpresentment of Certificates

In the event any Certificate shall not be presented for payment when due, if funds sufficient to pay such Certificate shall have been made available to the Trustee for the benefit of the Owner thereof, it will be the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the Owner of such Certificate, who will be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to such Certificate. Funds so held but unclaimed by an Owner will be transferred to the Corporation after the expiration of five years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be released to the Corporation on such earlier date, on any earlier date designated by the Corporation.

Moneys to be Held in Trust

The Certificate Fund, the Reserve Fund and, except for the Rebate Fund, any other fund or account created under the Indenture will be held by the Trustee, for the benefit of the Owners as specified in the Indenture, subject to the terms of the Indenture and the Lease. The Rebate Fund will be held by the Trustee for the purpose of making payments to the United States of America as described in "INDENTURE—Rebate Fund" in this Appendix. Any escrow account established as described in "INDENTURE—Discharge of Indenture" in this Appendix will be held for the benefit of the Owners of the Certificates to be paid therefrom as provided in the applicable escrow agreement.

Repayment to the District from the Trustee

After payment in full of the principal of, premium, if any, and interest on the Certificates, all rebate payments due to the United States of America, the fees and expenses of the Corporation and the Trustee and all other amounts required to be paid under the Indenture any remaining amounts held by the Trustee pursuant to the Indenture will be paid to the District.

Cancellation

All Certificates which have been redeemed will not be reissued but will be canceled by the Trustee as described in "INDENTURE—Cancellation of Certificates" in this Appendix.

Delivery of New Certificates Upon Partial Redemption of Certificates

Upon surrender and cancellation of a Certificate for redemption in part only, a new Certificate or Certificates of the same maturity and of authorized denomination in an aggregate principal amount equal to the unredeemed portion thereof, will be executed on behalf of and delivered by the Trustee.

Investment of Moneys

All moneys held as part of any other fund, account or subaccount created under the Indenture will, subject to the provisions of the Indenture described in "INDENTURE—Tax Certification" and "—Tax Covenant" in this Appendix, be deposited or invested and reinvested by the Trustee, at the written direction of the District, in Permitted Investments; provided, however, that the Trustee will make no deposits or investments of any moneys in any fund or account created under the Indenture which will interfere with or prevent withdrawals for payment of the Certificates. Any and all such deposits or investments will be held by or under the control of the Trustee. The Trustee may make any and all such deposits or investments through its own bond department or the bond department of any trustee or trust company under common control with the Trustee. Income from deposits or investments of moneys held in the Rebate Fund will be deposited as described in "INDENTURE—Rebate Fund" in this Appendix and income from deposits or investments of moneys held in any escrow account established as described in "INDENTURE—Discharge of Indenture" in this Appendix will be deposited as provided in the escrow agreement governing such escrow account. Otherwise, except as otherwise described in "THE CERTIFICATES—Security for the Certificates" in the body of this Official Statement, deposits or investments will at all times be a part of the fund, account or subaccount from which the moneys used to acquire such deposits or investments will have come, and all income and profits on such deposits or investments will be credited to, and losses thereon will be charged against, such fund, account or subaccount. The Trustee will sell and reduce to cash a sufficient amount of such deposits or investments in the respective funds whenever the cash balance in the Principal Account or Interest Account is insufficient to pay the principal of or interest on the Certificates when due, or whenever the cash balance in any fund or account created under the Indenture is insufficient to satisfy the purposes of such fund or account. In computing the amount in any fund or account created under the Indenture for any purpose under the Indenture, investments will be valued at cost (exclusive of accrued interest) or par, whichever is less.

Tax Certification

The Corporation and the Trustee certify and covenant in the Indenture to and for the benefit of the Owners that so long as any of the Certificates and Additional Certificates remain Outstanding, moneys in any fund or account held by the Trustee under the Indenture, whether or not such moneys were derived from the proceeds of the sale of the Certificates or from any other source, will not be knowingly deposited or invested in a manner which will a violation of the provision of the Indenture described in "INDENTURE—Tax Covenant" in this Appendix.

Maintenance of Existence; Performance of Obligations

(a) The Corporation will at all times maintain its corporate existence and will use its best efforts to maintain, preserve and renew all the rights and powers provided to it under its articles of incorporation and bylaws, action of its board of directors and applicable law; provided, however, that this covenant will not prevent the assumption, by operation of law or otherwise, by any Person of the rights and obligations of the Corporation under the Indenture, but only if and to the extent such assumption does not materially impair the rights of the Owners of any Outstanding Certificates.

(b) The Corporation will do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of the Indenture, the Lease, any other instrument or other arrangement to which it is a party that benefits the Owners of any Outstanding Certificates and any other Requirement of Law.

Tax Covenant

The Corporation will not take any action or omit to take any action with respect to the Certificates, the proceeds of the Certificates, the Trust Estate, the Leased Property or any other funds or property of the Corporation and it will not permit any other Person to take any action or omit to take any action with respect to the Trust Estate or the Leased Property or the use thereof if such action or omission would cause interest on any of the Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted net book earnings" for the purpose of computing the alternative minimum tax imposed on such corporations). In furtherance of this covenant, the Corporation agrees in the Indenture to comply with the procedures set forth in the Tax Compliance Certificate delivered by the Corporation in connection with the issuance of the Certificates and the provisions of any similar certificate or instrument delivered by the Corporation in connection with the issuance of any Additional Certificates. The covenants described in this paragraph will remain in full force and effect notwithstanding the payment in full or defeasance of the Certificates until the date on which all of the Corporation obligations in fulfilling such covenants have been met. The covenants described in this paragraph will not, however, apply to any series of Certificates if, at the time of issuance, the Corporation intends the interest on such series of Certificates to be subject to federal income tax.

Title Insurance

The Trustee will be provided with a standard owner's title insurance policy insuring the Corporation's title to the real estate included in the Leased Property, and if all or any portion of the Corporation's title to the real estate included in the Leased Property is a leasehold interest, then also insuring the title of the owner of such real estate, subject only to Permitted Encumbrances, in an amount not less than the lesser of either the Outstanding amount of Certificates or Additional Certificates or the insurable value of such real property. Such policy, or a binding commitment therefor, will be provided to the Trustee concurrently with the issuance of any Certificates.

Sale or Encumbrance of Leased Property

As long as there are any Outstanding Certificates, and as except otherwise permitted by the Indenture and except as the Lease otherwise specifically requires, the Corporation will not sell or otherwise dispose of any of the Leased Property unless it determines that such sale or other disposal will not materially adversely affect the rights of the Owners of the Certificates.

Rights of Trustee under Lease

The Corporation covenants in the Indenture to the Trustee for the benefit of the Owners that the Corporation will observe and comply with its obligations under the Lease, and that all the representations made by the Corporation in the Lease are true. Wherever in the Lease it is stated that the District will notify the Corporation, or wherever the Lease gives the Corporation or the Trustee some right or privilege, such part of the Lease will be as if it were set forth in full in the Indenture. The Corporation agrees that the Trustee, as assignee of the Corporation under the Lease, may enforce, in its name or in the name of the Corporation, all rights of the Corporation and all obligations of the District under the Lease, for and on behalf of the Owners, whether or not the Corporation is in default under the Indenture.

Defense of Trust Estate

The Corporation will at all times, to the extent permitted by law, defend, preserve and protect its title to the Leased Property and the other property or property rights included the Trust Estate, the grant of the Trust Estate to the Trustee under the Indenture and all the rights of the Owners under the Indenture against all claims and demands of all Persons whomsoever.

Inspection of the Leased Property

The Trustee and its duly authorized agent will have the rights (but will have no obligation), on reasonable notice to the Corporation and the District, at all reasonable times, to examine and inspect the Leased Property (subject to such regulations as may be imposed by the Corporation and the District for security purposes). The Trustee and its duly authorized agent will also be permitted (but shall have no obligation), at all reasonable times, to examine the books, records, reports and other papers of the Corporation with respect to the Leased Property and the applicable Project.

Events of Default

Any of the following will constitute an "Event of Default" under the Indenture:

- (a) Default in the payment of the principal of or premium, if any, on any Certificate or Additional Certificate when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption.
- (b) Default in the payment of any installment of interest on any Certificate or Additional Certificates when the same shall become due and payable.
- (c) The occurrence of an Event of Nonappropriation or an Event of Default under the Lease.
- (d) Failure by the Corporation to cure any noncompliance with any other provision of the Indenture within 30 days after receiving notice of such noncompliance.

Remedies on Default

- (a) Upon the occurrence of an Event of Default described in subparagraph (c) under the immediately preceding caption, the Trustee, as assignee of the rights of the Corporation under the Lease may, or at the request of the Owners of a majority in aggregate principal amount of the Certificates and Additional Certificates then Outstanding will, without any further demand or notice, take one or any combination of the remedial steps described in "LEASE—Events of Default and Remedies Under the Lease—Remedies" in the body of this Official Statement.
- (b) The Trustee will also be entitled, upon any Event of Default described subparagraph (c) under the immediately preceding caption, to any moneys in any funds or accounts created under the Indenture (except the Rebate Fund and any escrow accounts established as described in "INDENTURE—Discharge of Indenture" in this Appendix).
- (c) Upon any Event of Default described in subparagraphs (a) or (b) under the immediately preceding caption, the Trustee may take whatever action at law or in equity may appear necessary or desirable to enforce the rights of the Owners, including but not limited to, its rights as assignee of the Corporation's rights under the Lease.
- (d) No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given under the Indenture or now or in the future existing at law or in equity or by statute.
- (e) If any Event of Default under the Indenture shall have occurred and if requested by the Owners of a majority in aggregate principal amount of Certificates and Additional Certificates then Outstanding, the Trustee will be obligated to exercise such one or more of the rights and powers conferred as described under this caption as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners.
- (f) The Trustee, as assignee of the rights of the Lease, shall control all remedies available to the Corporation under the Lease.

(g) The Trustee may require that it receive a Phase I or other environmental report in form and substance satisfactory to it upon the occurrence of an Event of Default hereunder.

Majority of Owners May Control Proceedings

Except as described in "INDENTURE-Rights of Insurer" in this Appendix, anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Certificates and Additional Certificates then Outstanding will have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver, and any other proceedings under the Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the Indenture.

Rights and Remedies of Owners

No Owner will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless an Event of Default under the Indenture has occurred of which the Trustee has been notified as described in "INDENTURE—Duties of the Trustee" in this Appendix, or of which as described in "INDENTURE—Duties of the Trustee" in this Appendix it is deemed to have notice, and the Owners of not less than a majority in aggregate principal amount of Certificates and Additional Certificates then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceedings in its own name; and such notification and request are in the Indenture declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by his, her, its or their action or to enforce any right under the Indenture except in the manner provided in the Indenture and that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Certificates and Additional Certificates then Outstanding. Nothing contained in the Indenture shall, however, affect or impair the right of any Owner to enforce the payment of the principal of or interest on any Certificate or Additional Certificate at and after the maturity thereof.

Purchase of Leased Property by Owner or Trustee; Application of Certificates Toward Purchase Price

Upon the occurrence of an Event of Default under the Indenture, the lien on the Leased Property created and vested in the Trustee under the Indenture may be foreclosed either by sale at public auction or by proceedings in equity. Upon any such sale, any Owner or the Trustee may bid for and purchase the Leased Property; and, upon compliance with the terms of sale, may hold, retain and possess and dispose of such property in his, her, its or their own absolute right without further accountability; and any purchaser at any such sale may, if permitted by law, after allowing for the proportion of the total purchase price required to be paid in cash for the costs and expenses of the sale, compensation and other charges, in paying purchase money, turn in Certificates or Additional Certificates then Outstanding in lieu of cash, to the amount which will, upon distribution of the Net Proceeds of such sale and any other moneys available under the Indenture, be payable thereon. If the Trustee shall acquire title to the Leased Property as a result of any such foreclosure sale, or any proceeding or transaction in lieu of foreclosure, the Trustee will thereafter sell the Leased Property; and may take any further lawful action with respect to the Leased Property which it shall deem to be in the best interest of the Owners, including but not limited to the enforcement of all rights and remedies set forth in the Lease and the Indenture and the taking of all other courses of action permitted therein.

The foregoing paragraph notwithstanding, in no event will the Trustee be required to foreclose on, take title to, take possession of or operate any part or all of the Leased Property unless (a) it shall have been provided with indemnity satisfactory to it from the Owners of the Certificates for the reimbursement of all expenses which it may incur and to protect it against all risk and liability related to or arising from the foreclosure, taking of title to, possession or operation of the collateral and (b) it shall have been furnished any environmental surveys or audits (including without limitation Phase I and Phase II audits) or any other information which in its sole judgment the Trustee deems necessary or advisable to protect the interests of the Trustee or the Owners of the Certificates. The Trustee may decline to foreclose on, take title to, take possession of or operate any part or all of the Leased Property if in its reasonable judgment based on the materials described in clause (b) above such action might subject it to potential liability not adequately covered by the indemnity referred to in clause (a) above.

Waiver of Appraisement, Valuation, Stay, Execution and Redemption Laws

The Corporation agrees in the Indenture, to the extent permitted by law, that in case of the occurrence of an Event of Default under the Indenture, neither the Corporation nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension or redemption laws now or in the future in force in order to prevent or hinder the enforcement or foreclosure of the Indenture, or the absolute sale of the Trust Estate to the extent permitted under the Indenture, or the final and absolute surrender of possession, immediately after such sale, to the purchasers; and the Corporation, for itself and all who may at any time claim through or under it, waives in the Indenture, to the full extent that it may lawfully do so, the benefit of all such laws, and any and all right to have the estates comprised in the security intended to be created by the Indenture marshaled upon any foreclosure of the lien of the Indenture and agrees in the Indenture that the Trustee or any court having jurisdiction to foreclose such lien may sell the Leased Property as an entirety.

Trustee May Enforce Rights Without Certificates

All rights of action and claims under the Indenture or any of the Certificates and Additional Certificates Outstanding under the Indenture may be enforced by the Trustee without the possession of any of the Certificates and Additional Certificates or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee will be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners of the Certificates and Additional Certificates, and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions in the Indenture.

Trustee to File Proofs of Claim in Receivership, Etc.

In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the Leased Property, the Trustee will, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due and payable on the Certificates and Additional Certificates under the Indenture, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

Delay or Omission No Waiver

No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any Event of Default under the Indenture will exhaust or impair any such right or power or will be construed to be a waiver of any such Event of Default, or acquiescence therein; and every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

No Waiver of One Event of Default to Affect Another

No waiver of any Event of Default under the Indenture, whether by the Trustee or the Owners, will extend to or affect any subsequent or any other then existing Event of Default or will impair any rights or remedies consequent thereon.

Discontinuance of Proceedings on Event of Default; Position of Parties Restored

In case the Trustee shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Corporation, the District, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture with respect to the Trust Estate, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

Waivers of Events of Default

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences, and notwithstanding anything else to the contrary contained in the Indenture will do so upon the written request of the Owners of a majority in aggregate principal amount of all the Certificates and Additional Certificates then Outstanding; provided, however, that there will not be waived without the consent of the Owners of 100% of the Certificates then Outstanding as to which the Event of Default exists (a) any Event of Default in the payment of the principal of or premium, if any, on any

Outstanding Certificates or Additional Certificates at the date of maturity specified therein or (b) any Event of Default in the payment when due of the interest on any such Certificates, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due (including interest on all overdue installments at the highest rate due on the Certificates), and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such Event of Default under the Indenture shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Corporation, the Trustee, the District and the Owners will be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission will extend to any subsequent or other Event of Default under the Indenture, or impair any right consequent thereon.

Duties of the Trustee

The Trustee accepts in the Indenture the trusts imposed upon it by the Indenture and agrees in the Indenture to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations will be read into the Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default under the Indenture and after the curing of all Events of Default which may have occurred under the Indenture, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default under the Indenture has occurred (which has not been cured or waived), the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise as a reasonable and prudent man would exercise or use under the circumstances in the conduct of the affairs of another.

(b) The Trustee may execute any of the trusts or powers under the Indenture and perform any of its duties by or through attorneys, agents, receivers or employees but will be answerable for the conduct of the same in accordance with the standard described above, and shall be entitled to act upon an Opinion of Counsel concerning all matters of trust and the duties under the Indenture, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts under the Indenture. The Trustee may act upon an Opinion of Counsel and will not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such Opinion of Counsel.

(c) The Trustee will not be responsible for any recital under the Indenture or in the Certificates or Additional Certificates (except in respect of the execution of the Certificates of Additional Certificates on behalf of the Trustee), for collecting any insurance moneys or for the validity of the execution by the Corporation of the Indenture, any Supplemental Indenture or any instruments of further assurance, or for the sufficiency of the security for the Certificates or Additional Certificates issued under the Indenture or intended to be secured by the Indenture, or for the value of or title to the Leased Property. The Trustee will have no obligation to perform any of the duties of the Corporation under the Lease; and the Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds made by it pursuant to instructions from the Corporation in accordance with the provisions of the Indenture described in "INDENTURE—Investment of Moneys" in this Appendix.

(d) The Trustee will not be accountable for the use of any Certificates or Additional Certificates delivered to the Initial Purchaser under the Indenture. The Trustee may become the Owner of Certificates or Additional Certificates with the same rights which it would have if not Trustee.

(e) The Trustee will be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate or Additional Certificates shall be conclusive and binding upon any Certificates or Additional Certificates issued in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee will be entitled to rely upon a certificate signed on behalf of the Corporation by the Corporation Representative or such other person as may be designated for such purpose by the Corporation, as sufficient evidence of the facts therein contained.

(g) The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty and the Trustee will not be answerable for other than its negligence or willful misconduct, including without limitation a breach of fiduciary duty or gross negligence.

(h) The Trustee will not be required to take notice or be deemed to have notice of any Event of Default under the Indenture except failure by the Corporation to cause to be made any of the payments to the Trustee required to be made as described in "THE CERTIFICATES—Security for the Certificates" in the body of this Official Statement or "INDENTURE—Rebate Fund" or "—Repayment to the District from the Trustee" in this Appendix, unless the Trustee shall be specifically notified in writing of such Event of Default by the Corporation, or by the Owners of at least 10% in aggregate principal amount of Certificates or Additional Certificates then Outstanding.

(i) All moneys received by the Trustee will, until used or applied or invested as provided in the Indenture, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Indenture or law.

(j) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, will have the right, but shall not be required, to inspect any and all of the Leased Property (subject to such regulations as may be imposed by the Corporation or the District for security purposes), including all books, papers and records of the Corporation pertaining to the Leased Property.

(k) The Trustee will not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(l) Notwithstanding anything in the Indenture to the contrary, the Trustee will have the right, but will not be required, to demand in respect of the delivery of any Certificates or Additional Certificates, the withdrawal of any cash, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms of the Indenture, as a condition of such action by the Trustee.

(m) Notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions thereof, the Trustee will consider the effect on the Owners as if there were no Certificate Insurance Policy.

Compensation of Trustee

During the Lease Term, the Trustee will be entitled to compensation in accordance with its agreement with the District, which, notwithstanding any other provision of the Indenture, may be amended at any time by agreement of the District and the Trustee without the consent of or notice to the Owners. In no event shall the Trustee be obligated to advance its own funds in order to take any action under the Indenture. The rights of the Trustee to payments described under this caption will be superior to the rights of the Owners with respect to the Trust Estate.

Resignation or Replacement of Trustee

(a) The present or any future Trustee may resign by giving written notice to the Corporation not less than 60 days before such resignation is to take effect. Such resignation will take effect only upon the appointment of a successor qualified as described under this caption; provided, however, that if no successor is appointed within 60 days following the date designated in the notice for the Trustee's resignation to take effect, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor. The present or any future Trustee may be removed at any time by the Corporation in the event the Corporation reasonably determines that the Trustee is not duly performing its obligations under the Indenture or that such removal is in the best interests of the Corporation or the Owners, or by an instrument in writing, executed by the Owners of a majority in aggregate principal amount of the Certificates or Additional Certificates then Outstanding, for any breach of any of the Trustee's duties under the Indenture.

(b) In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Owners of a majority in aggregate principal amount of the Certificates or Additional Certificates Outstanding by an instrument or concurrent instruments signed by such Owners, or their attorneys in fact duly appointed; provided that the Corporation may, by an instrument

executed by order of the Corporation, appoint a successor until a new successor shall be appointed by the Owners as herein described. The Corporation upon making such appointment will forthwith give notice thereof to each Owner and to the District, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. Any successor so appointed by the Corporation will immediately and without further act be superseded by a successor appointed in the manner above described by the Owners of a majority in aggregate principal amount of the Certificates Outstanding.

(c) Every successor will be a bank or trust company in good standing, located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, qualified to act under the Indenture, having a capital and surplus of not less than \$50,000,000 and approved in writing by the Insurer. Any successor appointed under the Indenture will execute, acknowledge and deliver to the Corporation an instrument accepting such appointment under the Indenture, and thereupon such successor will, without any further act, deed or conveyance, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trust under the Indenture with like effect as if originally named as Trustee in the Indenture; but the Trustee retiring will, nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts expressed in the Indenture, all the estates, properties, rights, powers and trusts of the predecessor, which will duly assign, transfer and deliver to the successor all properties and moneys held by it under the Indenture. Should any instrument in writing from the Corporation be required by any successor for more fully and certainly vesting in and confirming to it, the said instruments in writing will, at the reasonable discretion of the Corporation, be made, executed, acknowledged and delivered by the Corporation on request of such successor.

(d) The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor under the Indenture, together with all other instruments under the Indenture will be filed and/or recorded by the successor Trustee in each recording office, if any, where the Indenture shall have been filed and/or recorded.

Conversion, Consolidation or Merger of Trustee

Any bank or trust company into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business as a whole shall be the successor of the Trustee under the Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties thereto, anything therein to the contrary notwithstanding. In case any of the Certificates to be issued under the Indenture shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case any of such Certificates or Additional Certificates shall not have been executed, any successor Trustee may execute such Certificates or Additional Certificates in the name of such successor Trustee.

Intervention by Trustee

In any judicial proceeding to which the Corporation or the District is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners, the Trustee may intervene on behalf of Owners and will do so if requested in writing by the Owners of at least 10% in aggregate principal amount of Certificates and Additional Certificates Outstanding.

Supplemental Indentures Not Requiring Consent of Owners

The Trustee and the Corporation may, without the consent of, or notice to, the Owners, enter into a Supplemental Indenture for any one or more or all of the following purposes:

(a) to add to the covenants and agreements of the Corporation contained in the Indenture other covenants and agreements to be thereafter observed by the Corporation;

(b) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if such provisions are necessary or desirable and do not adversely affect the interests of the Owners;

(c) to subject to the Indenture additional revenues, properties or collateral (including release and substitution of property permitted under the Lease);

(d) to set forth the terms and conditions and other matters in connection with the issuance of Additional Certificates, as described in "THE CERTIFICATES—Additional Certificates" in the body of this Official Statement including Additional Certificates issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof and Additional Certificates which by their terms appreciate in value to a stated face amount at maturity;

(e) to effect any change in connection with the preservation of the exclusion from gross income for federal income tax purposes interest on the Certificates or Additional Certificates; or

(f) to effect any other changes in the Indenture which, in the opinion of Bond Counsel, do not materially adversely affect the rights of the Owners.

Supplemental Indentures Requiring Consent of Owners

(a) Exclusive of Supplemental Indentures described under the immediately preceding caption, the written consent of the Owners of not less than a majority in aggregate principal amount of the Certificates and Additional Certificates Outstanding will be required for the execution by the Corporation and the Trustee of any Supplemental Indenture; provided, however, that without the consent of the Owners of all the Certificates and Additional Certificates Outstanding nothing contained in the Indenture shall permit, or be construed as permitting:

(i) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate or Additional Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or Additional Certificate or the rate of interest thereon, without the consent of the Owner of such Certificate or Additional Certificate;

(ii) the deprivation as to the Owner of any Certificate or Additional Certificate Outstanding of the lien created by the Indenture (other than as originally permitted by the Indenture);

(iii) a privilege or priority of any Certificate or Additional Certificate or Certificates or Additional Certificates over any other Certificate or Additional Certificate or Certificates or Additional Certificates, except as permitted by the Indenture; or

(iv) a reduction in the percentage of the aggregate principal amount of the Certificates and Additional Certificates required for consent to any Supplemental Indenture.

(b) If at any time the Corporation shall request the Trustee to enter into any Supplemental Indenture for any of the purposes described under this caption, the Trustee will cause notice of the proposed execution of such Supplemental Indenture to be mailed to the Owners of the Certificates and Additional Certificates at the addresses last shown on the registration records of the Trustee. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the Corporation following the mailing of such notice, the Owners of not less than a majority, or, with respect to the matters specified in (i) through (iv) of the immediately preceding paragraph, 100% in aggregate principal amount of the Certificates and Additional Certificates Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Owner will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Execution of Supplemental Indenture

The Trustee is authorized to join with the Corporation in the execution of any Supplemental Indenture entered into as described under the preceding captions and to make further agreements and stipulations which may be contained therein, but the Trustee will not be obligated to enter into any Supplemental Indenture which affects its rights, duties or immunities under the Indenture. Any Supplemental Indenture executed as described under the preceding captions will thereafter form a

part of the Indenture; and all the terms and conditions contained in any such Supplemental Indenture shall be deemed to be part of the Indenture for any and all purposes. In case of the execution and delivery of any Supplemental Indenture, express reference may be made thereto in the text of the Certificates issued thereafter, if any, if deemed necessary or desirable by the Trustee.

Amendments, etc., of the Lease Not Requiring Consent of Owners

The Corporation may, with the written consent of the Trustee, but without the consent of or notice to the Owners, amend, change or modify the Lease as may be required:

- (a) by the provisions of the Lease or the Indenture;
- (b) for the purpose of curing any ambiguity or formal defect or omission in the Lease;
- (c) in order more precisely to identify the Leased Property or to add additional or substituted improvements or properties acquired in accordance with the Lease;
- (d) in order to provide for the acquisition, construction or installation of additional property under the Lease;
- (e) in connection with the issuance of Additional Certificates, including Additional Certificates issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof and Additional Certificates which by their terms appreciate in value to a stated face amount at maturity;
- (f) in connection with any Supplemental Indenture permitted as described under the preceding captions;
- (g) to effect any change in connection with the preservation of the exclusion from gross income for federal income tax purposes of interest on the Certificates or Additional Certificates;
- (h) to effect any change that (i) does not reduce the revenues available to the Trustee from the Lease below the amount required to make all the payments and transfers required as described in "THE CERTIFICATES—Security for the Certificates" in the body of this Official Statement or "INDENTURE—Rebate Fund" or "—Repayment to the District from the Trustee" in this Appendix, (ii) does not reduce the value of the Leased Property and (iii) does not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Certificates or Additional Certificates;
- (i) to effect any change to any Project permitted by, and in accordance with the terms of, the Lease, or any similar lease or agreement relating to any other Project; or
- (j) to effect any other changes in the Lease or any Project Document which, in the opinion of Bond Counsel, do not materially adversely affect the rights of the Owners.

Amendments, etc., of the Lease Requiring Consent of Owners

Except for the amendments, changes or modifications permitted as described under the immediately preceding caption, neither the Corporation nor the Trustee will consent to any other amendment, change or modification of the Lease without notice to and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding given and procured as described in "INDENTURE—Supplemental Indentures Requiring Consent of Owners." If at any time the Corporation shall request the consent of the Trustee to any such proposed amendment, change or modification of the Lease, the Trustee will, upon receipt of amounts necessary to pay expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as "INDENTURE—Supplemental Indentures Requiring Consent of Owners." Such notice will briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Owners.

Discharge of Indenture

(a) If, when the Certificates or Additional Certificates secured by the Indenture shall become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates and Additional Certificates will be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Indenture, including sums to be paid to the Insurer as described in "INDENTURE-Payment Procedure Pursuant to Surety Bond" in this Appendix, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Corporation to the Trustee and the Owners will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will transfer and convey to (or to the order of) the Corporation all property assigned, pledged or mortgaged to the Trustee by the Corporation then held by the Trustee pursuant to the Indenture, and the Trustee will execute such documents as may be reasonably required by the Corporation and will turn over to (or to the order of) the Corporation any surplus in any fund, account or subaccount (except the Rebate Fund) created under the Indenture, except any escrow accounts theretofore established as described under this caption.

(b) All or any portion of the Outstanding Certificates and Additional Certificates shall prior to the maturity or redemption date thereof be deemed to have been paid ("defeased") within the meaning and with the effect described under this caption if (i) in case said Certificates and Additional Certificates are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give notice of redemption of such Certificates on said redemption date, such notice to be given on a date and otherwise as described in "INTRODUCTION—Prior Redemption-Notice of Redemption" in the body of this Official Statement, (ii) there shall have been deposited in trust either moneys in an amount which will be sufficient, or Defeasance Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, will be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates and Additional Certificates on and prior to the redemption date or maturity date thereof, as the case may be and (iii) a certified public accountant shall have delivered a verification report verifying the sufficiency of the deposit described in clause (ii) above. Neither the Defeasance Securities nor moneys deposited in trust as described under this caption or principal or interest payments on any such Defeasance Securities will be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Certificates and Additional Certificates; provided any cash received from such principal or interest payments on such Defeasance Securities deposited in trust, if not then needed for such purpose, will, to the extent practicable, be reinvested in Defeasance Securities of the type described in clause (ii) of this subsection maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Certificates and Additional Certificates on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificates and Additional Certificates shall be deemed paid as aforesaid, such Certificates and Additional Certificates will no longer be secured by or entitled to the benefits of the Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

(c) Prior to any discharge of this Indenture as described under this caption or the defeasance of any Certificates and Additional Certificates as described under this caption becoming effective, there shall have been delivered to the Corporation and the Trustee an opinion of Bond Counsel, addressed to the Corporation and the Trustee, to the effect that all requirements of the Indenture for such defeasance have been complied with and that such discharge or defeasance will not constitute a violation by the Corporation of its tax covenant described in "INDENTURE—Tax Covenant" in this Appendix.

(d) In the event that there is a defeasance of only part of the Certificates and Additional Certificates of any maturity, the Trustee will, if requested by the Corporation, institute a system to preserve the identity of the individual Certificates and Additional Certificates or portions thereof so defeased, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates and Additional Certificates.

Rights of Insurer

(a) Notwithstanding any other provision of the Indenture or the Lease, so long as the Certificates are Outstanding and the Insurer is not in payment default under the Certificate Insurance Policy, (i) the Insurer will be deemed to be the Owner of all the Certificates for purposes of exercising rights with respect to remedies described in "INDENTURE-Remedies on Default," "-Majority of Owners May Control Proceedings," "-Rights and Remedies of Owners," "-Delay or Omission No Waiver," "-No Waiver of Event of Default to Affect Another" and "-Waivers of Events of Default," replacing the Trustee as described in "INDENTURE-Resignation or Replacement of Trustee" in

this Appendix and consenting to supplemental indentures and amendments to the Lease as described in “INDENTURE-Supplemental Indentures Requiring Consent of Owners,” and “-Amendments, etc., of the Lease Requiring Consent of Owners” in this Appendix and (ii) there will be no acceleration of the payment obligations of the District under the Lease or of the Corporation under the Indenture without the consent of the Insurer.

(b) After the Certificates are no longer Outstanding and at any time the Insurer is in payment default under the Certificate Insurance Policy, all references in the Indenture to the Insurer will be ineffective.

(c) Notwithstanding any other provision of the Indenture, the Certificates will not be redeemed as described in “INTRODUCTION—Redemption of Certificates in Whole Upon Payment of Purchase Option Price from Moneys Other than Moneys Derived from a Financing” or “—Redemption of Certificates in Whole or in Part Upon Payment of Purchase Option Price from Moneys Derived From a Financing” in the body of this Official Statement unless all amounts owed to the Insurer under the terms of the Financial Guaranty Agreement, the Lease and the Indenture have been paid in full.

Notices to Insurer, S&P and Moody's.

All notices, certificates or other communications given to the Owners under the Indenture will also be given to the Insurer, S&P and Moody's.

Payment Procedure Pursuant to Surety Bond

As long as the Surety Bond is in full force and effect, the Corporation and the Trustee agree, in the Indenture to comply with the provisions described below:

(a) In the event and to the extent that moneys on deposit in the Certificate Fund, plus all amounts on deposit in and credited to the account of the Reserve Fund securing the Certificates in excess of the amount of the Surety Bond, are insufficient to pay the amount of principal and interest coming due on the Certificates, then, upon the later of (i) three days after receipt by the Insurer of a demand for payment in the form attached to the Surety Bond as Attachment 1 (the “Demand for Payment”), duly executed by the Trustee certifying that the amounts available to the Trustee under the Indenture are insufficient to make payments of the principal and interest on the Certificates when due, or (ii) the payment date of the Certificates as specified in the Demand for Payment presented by the Trustee to the General Counsel of the Insurer, the Insurer must make a deposit of funds in an account with the Trustee or its successor, in New York, New York, sufficient for the payment to the Trustee of amounts sufficient to pay the principal of and interest on the Certificates when due (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Surety Bond; provided, however, that in the event the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Qualified Surety Bond or other such funding instrument (an “Additional Funding Instrument”), draws on the Surety Bond and the Additional Funding Instrument must be made on a pro rata basis to fund the insufficiency.

(b) The Trustee will, after submitting to the Insurer the Demand for Payment as described in paragraph (a) under this caption, make available to the Insurer all records relating to the funds and accounts maintained under the Indenture.

(c) The Trustee will, upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the Reserve Fund to the extent of moneys received pursuant to such Demand for Payment.

(d) Notwithstanding any other provision of the Indenture or the Lease, following a drawing on the Surety Bond, Base Rentals and other available moneys must, except described in paragraph (e) under this caption, be applied in the following order of priority: (i) first, to reimburse the Insurer and the issuer of any Additional Funding Instrument on which a drawing has been made for the amount so drawn plus interest and costs as provided in the Financial Guaranty Agreement and the Additional Funding Instrument, pro rata based on the amount due under each and (ii) after payment in full of all amounts due under clause (i), to fund the account of the Reserve Fund securing the Certificates to the Reserve Fund Requirement, after taking into account the amount available under the Surety Bond and any Additional Funding Instrument. If Additional Certificates have been issued that are secured by an account of the Reserve Fund that does not secure the Certificates, then, notwithstanding the preceding sentence, Base Rentals and other available moneys must be used to restore the balance in such account of the Reserve Fund or

to reimburse draws on a surety bond or other instrument on deposit in such account pro rata with the application of such Base Rentals and other available moneys as described in the preceding sentence.

(e) The Insurer has a lien on the Trust Estate for the payment of amounts due to it under the Financial Guaranty Agreement, which lien is subordinate only to the lien of the Owners.

(f) The Trustee must maintain adequate records as to the amounts available under the Surety Bond and the amounts owing to the Insurer under the Financial Guaranty Agreement.

Financial Obligations of Corporation Limited to Trust Estate

Notwithstanding any other provision of the Indenture, all financial obligations of the Corporation under the Indenture are limited to the Trust Estate.

LEASE

Payment of Base Rentals

(a) The District will, subject only to the provisions of the Lease described in "LEASE—Payment of Additional Rentals," "—Unconditional Obligations," and "—Limitations on Obligation of the District" in this Appendix and in "LEASE—Event of Nonappropriation" in the body of this Official Statement, pay Base Rentals to the Corporation during the Lease Term in immediately available funds in the amounts and on the Base Rental Payment Dates set forth in Exhibit D to the Lease, as it may be modified from time to time; provided, however, that there will be credited against the amount of Base Rentals payable on any Base Rental Payment Date the amount on deposit in the Certificate Fund representing (i) accrued interest from the sale of Certificates, (ii) earnings from the investment of moneys in the Certificate Fund, and (iii) moneys delivered to the Trustee by the Corporation, the District or any other Person that are accompanied by instructions to apply the same to the payment of Base Rentals or to deposit the same in the Certificate Fund. Thirty days prior to each Base Rental Payment Date, the Corporation will notify the District as to the exact amounts that will be credited against the Base Rentals due on such date. If further amounts that are to be credited against Base Rentals accrue during such 30-day period, such amounts will be carried over to be applied as a reduction of the Base Rentals payable on the next succeeding Base Rental Payment Date.

(b) A portion of each payment of Base Rentals is paid as, and represents payment of, interest, and Exhibit D to the Lease, as from time to time amended and supplemented, sets forth the interest component of each payment of Base Rentals. Upon receipt by the Corporation of each payment of Base Rentals, the Corporation will apply the amount of each Base Rentals payment in the following manner and order:

(i) FIRST, the amount of such payment of Base Rentals designated and paid as interest under Exhibit D to the Lease, as from time to time amended or supplemented, plus the amount of any past due interest on the Certificates, will be deposited in the Interest Account of the Certificate Fund; and

(ii) SECOND, the remaining portion of such payment of Base Rentals will be deposited in the Principal Account of the Certificate Fund.

Payment of Additional Rentals

The District will, subject only to the provisions of the Lease described in "LEASE—Payment of Base Rentals," "—Unconditional Obligations," "—Limitations on Obligation of the District," "—Taxes, Utilities and Insurance" and "—Limitations on Disposition of and Encumbrances on Leased Property" in this Appendix and in "LEASE—Event of Nonappropriation" in the body of this Official Statement, pay Additional Rentals directly to the Persons to which they are owed (which, in the case of payments required to be made to fund the Reserve Fund and the Rebate Fund pursuant to the Indenture, is the Trustee) in immediately available funds in the amounts and on the dates on which they are due.

Unconditional Obligations

The obligation of the District to pay Base Rentals during the Lease Term will, subject only to the other Sections of this Article, and the obligation of the District to pay Additional Rentals during the Lease Term will, subject to the provisions

of the Lease described in "LEASE—Taxes, Utilities and Insurance," and "—Limitation on Disposition of and Encumbrances on Real Property" in this Appendix and provisions of the Lease described in "LEASE—Payment of Additional Rentals," "—Unconditional Obligations," and "—Limitations on Obligation of the District" in this Appendix and in "LEASE—Event of Nonappropriation" in the body of this Official Statement, be absolute and unconditional and will not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the District and the Corporation or between the District or the Corporation and any other Person relating to the Leased Property, the District will, during the Lease Term, make all payments of Base Rentals and Additional Rentals when due; the District will not withhold any Base Rentals or Additional Rentals payable during the Lease Term pending final resolution of such dispute and will not assert any right of set-off or counter-claim against its obligation to pay Base Rentals or Additional Rentals, provided, however, that the making of any Base Rental or Additional Rental payment will not constitute a waiver by the District of any rights, claims or defenses which the District may assert; and no action or inaction on the part of the Corporation will affect the District's obligation to pay Base Rentals or Additional Rentals during the Lease Term.

Additional Provisions Relating to an Event of Nonappropriation

In the event that the District will determine to exercise its annual right to terminate the Lease effective on June 30 of any Fiscal Year, the District will give written notice to such effect to the Corporation and the Corporation not later than April 1 of such Fiscal Year; provided, however, that a failure to give such notice will not (i) constitute an Event of Default, (ii) prevent the District from terminating the Lease or (iii) result in any liability on the part of the District.

The District will furnish the Corporation with copies of all appropriation measures relating to Base Rentals, Additional Rentals or the Purchase Option Price promptly upon the adoption thereof by the Board.

Limitations on Obligations of District

(a) Payment of Base Rentals and Additional Rentals by the District will constitute currently appropriated expenditures of the District and may be paid from any legally available funds.

(b) The District's obligations under the Lease will be subject to the District's annual right to terminate the Lease upon the occurrence of an Event of Nonappropriation.

(c) No provision of the Certificates, the Indenture or the Lease will be construed or interpreted (i) to directly or indirectly obligate the District to make any payment in any Fiscal Year in excess of amounts appropriated for such Fiscal Year; (ii) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the District within the meaning of Article XI, Section 6 or Article X, Section 20 of the Colorado Constitution or any other constitutional or statutory limitation or provision; (iii) as a delegation of governmental powers by the District; (iv) as a loan or pledge of the credit or faith of the District or as creating any responsibility by the District for any debt or liability of any person, company or corporation within the meaning of Article XI, Section 1 of the Colorado Constitution; or (v) as a donation or grant by the District to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.

(d) The District will be under no obligation whatsoever to exercise its option to purchase the Leased Property.

(e) No provision of the Lease will be construed to pledge or to create a lien on any class or source of moneys of the District, nor will any provision of the Lease restrict the future issuance of any obligations of the District, payable from any class or source of moneys of the District; provided, however, that the restrictions set forth in the Indenture will apply to the issuance of Additional Certificates.

Taxes, Utilities and Insurance

(a) This Lease is intended to be a "triple-net lease" and the District will accordingly pay, as Additional Rentals, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property;

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the greater of: (i) the principal amount of all Certificates Outstanding or (ii) the full replacement value of the Improvements and the Equipment; and

(iv) public liability insurance with respect to the activities to be undertaken by the District in connection with the Leased Property, the Project and the Lease: (i) to the extent such activities result in injuries for which immunity is available under Section 24-10-114, C.R.S. or any successor statute, in an amount not less than the amounts for which the District may be liable to third parties thereunder and (ii) for all other activities, in an amount not less than \$1,000,000 per occurrence.

(b) The District will not allow any liens for taxes, assessments, other governmental charges or utility charges to exist with respect to any portion of the Leased Property. If the District will first notify the Corporation of the intention of the District to do so, the District may, however, in good faith contest any such tax, assessment, other governmental charge or utility charge and, in the event of any such contest, may permit the tax, assessment, other governmental charge or utility charge so contested to remain unpaid during the period of such contest and any appeal therefrom, unless the Corporation will notify the District that, in the opinion of Independent Counsel, whose fees and expenses will be paid by the District from Additional Rentals appropriated for the Fiscal Year in which such fees and expenses are due, by nonpayment of any such item the interest of the Corporation in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge will be paid forthwith; provided, however, that such payment will not constitute a waiver of the right to continue to contest such tax, assessment, other governmental charge or utility charge. At the request of the District, the Corporation will cooperate fully with the District in any such contest.

(c) The insurance policies described in the first paragraph under this caption may be provided by one or more private or public insurance companies or organizations or may be provided through a self-insurance program, subject to the following conditions:

(i) If the insurance is provided by a private or public insurance company or organization:

(A) the insurance policy (1) will have a deductible clause in an amount not in excess of the amounts reasonably expected to be available to the District to pay such deductible in the event of an insured event, (2) will name the District and the Trustee as insureds, (3) will be so written or endorsed as to make losses, if any, payable to, the District and the Trustee, as their respective interests may appear, (4) will explicitly waive any co-insurance penalty and (5) will contain a provision to the effect that the insurance company will not cancel the policy or modify it materially and adversely to the interest of the District or the Trustee without first giving written notice thereof to the District and the Trustee at least 10 days in advance of such cancellation or modification;

(B) a copy of each such insurance policy, or of each certificate evidencing such policy, must be delivered to the District, the Trustee and the Insurer prior to the issuance of the Certificates, a certificate evidencing the continuation of such insurance must be provided to the Insurer's Insured Portfolio Management Department annually following the issuance of the Certificates and copies of new insurance policies must be provided to the Insurer's Insured Portfolio Management Department within 30 days of purchase or renewal;

(C) full payment of insurance proceeds under any casualty or property damage insurance policy up to the dollar limit described in subparagraph (c) under the first paragraph under this caption in connection with damage to the Leased Property will, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the District or the Corporation and if the total dollar amount of insurance proceeds is insufficient to repair or replace all insured property, such proceeds will first be applied to repair or replace the Leased Property;

(D) each casualty or property damage insurance policy will explicitly waive any co-insurance penalty; and

(E) each such insurance policy will be provided by a commercial insurer rated "A" by A.M. Best or in one of two highest rating categories of S&P and Moody's; and

(ii) If the insurance is provided through a self-insurance program maintained by the District:

(A) an independent insurance consultant will initially and annually certify to the Corporation and the Insurer that (1) the reserves supporting such self-insurance program are held by an independent custodian and are adequate for the purposes of such program and (2) such self-insurance program is maintained on an actuarially sound basis; and

(B) in the event the self-insurance program is discontinued, the actuarial soundness of the program will be maintained.

(d) The District will cause an insurance consultant, which may be the person providing the insurance, to annually review the coverage of the policies of insurance maintained as described under this caption and to make recommendations thereon, and will comply with such recommendations.

Maintenance and Operation of Leased Property

The District will maintain, preserve and keep the Leased Property, or cause the Leased Property to be maintained, preserved and kept, in good repair, working order and condition, subject to normal wear and tear, will operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and will make or cause to be made all necessary and proper repairs, except as otherwise described in "LEASE—Modification and Substitution of Leased Property" and "—Damage to, Condemnation of, Material Default in or Loss of Title to Leased Property."

Title to Leased Property

Title to the Leased Property will be held in the name of the Corporation, subject to the Lease, until the Leased Property is conveyed or otherwise disposed of as provided in the Lease, and the District will have no right, title or interest in the Leased Property except as expressly set forth in the Lease.

Limitations on Disposition of and Encumbrances on Leased Property

(a) Except as otherwise permitted in the Lease and except for Permitted Encumbrances, (i) neither the Corporation nor the District will sell, assign, transfer or convey any portion of or any interest in the Leased Property or directly or indirectly create, incur or assume any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and (ii) the District will promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding the immediately preceding paragraph of this Section, if the District shall first notify the Corporation of the intention of the District to do so, the District may in good faith contest any such mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, and in the event of any such contest, may permit the item so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Corporation will notify the District that, in the opinion of Independent Counsel, whose fees will be paid by the District as Additional Rentals, by failing to discharge or satisfy such item the interest of the Corporation in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item will be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge will not constitute a waiver by the District of the right to continue to contest such item. At the request of the District, the Corporation will cooperate fully with the District in any such contest.

Granting of Easements

As long as no Event of Nonappropriation or Event of Default will have happened and be continuing, the Corporation will, at the request of the District:

(a) consent to the grant of easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the real property included in the Leased Property, free from the Lease and any security interest or other encumbrance created under the Lease or the Indenture;

(b) release existing easements, licenses, rights-of-way and other rights and privileges with respect to the Land and the Improvements, free from the Lease and the Indenture and any security interest or other encumbrance created under the Lease or the Indenture, with or without consideration; and

(c) execute and deliver any instrument necessary or appropriate to confirm and grant or release any easement, license, right-of-way or other grant or privilege described in subparagraph (a) or (b) under this caption, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the District Representative requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Subleasing by District

The District may, subject to the provision of the Lease described in "LEASE—Tax Covenant of District" in this Appendix, (a) permit groups or individuals to use all or any portion of the Leased Property pursuant to the District's policies for community use of District facilities and (b) sublease or grant the right to use or otherwise permit other Persons to use all or any portion of the Leased Property for other purposes, provided that the following conditions are satisfied for any sublease, grant or use pursuant to clause (b):

(i) the Lease, and the obligations of the District thereunder, will remain obligations of the District, and the District will maintain its direct relationship with the Corporation, notwithstanding any such sublease, grant or use;

(ii) if the sublease, grant or use is either (A) with respect to all the Leased Property or (B) makes it impossible or impractical for the District to use any substantial portion of the Leased Property for educational purposes for any substantial period of time, the Corporation consents to such sublease, grant or use, which consent will not be unreasonably withheld; and

(iii) the Insurer consents to such sublease, grant or use in advance.

Modification and Substitution of Leased Property

(a) The District, at its own expense, may remodel, or make additions, modifications or improvements to, the Leased Property, provided that (i) such remodeling, modifications and additions (A) will not in any way damage the Leased Property as it existed prior thereto and (B) will become part of the Leased Property; (ii) the value of the Leased Property after such remodeling, modifications and additions will be at least as great as the value of the Leased Property prior thereto; and (iii) the Leased Property, after such remodeling, modifications and additions, will continue to be used as provided in and will otherwise be subject to the terms of the Lease.

(b) So long as no Event of Default or Event of Nonappropriation shall have occurred and is continuing, the Lessor and the Trustee must release all or any portion of the Leased Property, and must execute all documents necessary or appropriate to reconvey such portion of the Leased Property to the District, free of all restrictions and encumbrances imposed or created by the Lease or the Indenture, upon receipt by the Trustee and, so long as the Insurer is not in payment default under the Certificate Insurance Policy, by the Insurer of the following: (i) a written request of the District Representative for such release, describing the portion of the Leased Property to be released; (ii) a certificate of the District that the replacement cost, as determined by the Colorado School Districts Self-Insurance Pool, of the improvements and equipment, if any, included in the property to be substituted for the Leased Property or portion thereof to be released and a market estimate of the value of the land, if any, to be included in such property, demonstrating that the value of such property is at least equal to that of the property released; (B) a certificate of useful life demonstrating that the useful life of the substituted property meets or exceeds the remaining term of the Certificates and any Additional Certificates; (C) a certification that the essentiality of the substituted property is comparable to that of the released property; (D) an opinion from Bond Counsel regarding the tax consequences of the substitution acceptable to the Insurer; (E) a certification from the District that there are no prior liens on the substituted property; and (F) a title insurance policy covering the substituted property and a

certification from the District that the release of the released property and substitution of the substituted property will not affect the existing title insurance on the Leased Property.

Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property

(a) If (i) the Leased Property (or any portion thereof) is destroyed or damaged by fire or other casualty, (ii) title to, or the temporary or permanent use of, the Leased Property (or any portion thereof) or the estate of the District or the Corporation in the Leased Property (or any portion thereof), is taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, (iii) a breach of warranty or any material defect with respect to the Leased Property (or any portion thereof) becomes apparent or (iv) title to or the use of the Leased Property (or any portion thereof) is lost by reason of a defect in the title thereto, then, the Net Proceeds of any insurance, performance bond or condemnation award or the Net Proceeds received as a consequence of any default or breach of warranty under any contract relating to the Leased Property or the Project will be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the Leased Property following an event described in the immediately preceding paragraph are equal to or less than the Net Proceeds available, such Net Proceeds will be used promptly to repair, restore, modify, improve or replace the Leased Property (or portion thereof) and any excess will be delivered to the District.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the Leased Property following an event described in the first paragraph under this caption are more than the amount of Net Proceeds available, then:

(i) The District may elect either:

(A) to use the Net Proceeds promptly to repair, restore, modify or improve or replace the Leased Property (or portion thereof) with property of a value equal to or in excess of the value of the Leased Property (or applicable portion thereof), and pay (subject to the provisions of the Lease concerning payment of Base Rentals and Additional Rentals by the District and limitations thereon) as Additional Rentals the costs thereof in excess of the amount of the Net Proceeds or

(B) to pay (subject to the provisions of the Lease concerning payment of Base Rentals and Additional Rentals by the District and limitations thereon) the Purchase Option Price, in which case the Net Proceeds will be delivered to the District.

(ii) If, by June 30 of the Fiscal Year in the event described in the first paragraph under this caption occurred (or June 30 of any subsequent Fiscal Year in which the insufficiency of Net Proceeds to repair, restore, modify, improve or replace the Leased Property becomes apparent), the District has not appropriated amounts sufficient to proceed under either option under clause (i) of this subsection, an Event of Nonappropriation will be deemed to have occurred.

(d) The District will not voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any action relating to default or breach of warranty under any contract relating to the Leased Property or the Project without the written consent of the Corporation and the Trustee.

(e) No event described in the first paragraph under this caption will affect the obligation of the District to pay Base Rentals or Additional Rentals under the Lease, regardless of whether the Leased Property is repaired, modified, improved or replaced in full or in part, subject, however, to the provisions of the Lease concerning payment of Base Rentals and Additional Rentals by the District and limitations thereon.

Condemnation by District

The District agrees in the Lease that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to all or any portion of the Leased Property, the appraised value of the condemned portion of the Leased Property will be not less than the greater of (a) if the Certificates are then subject to redemption under

the Indenture, the redemption price of the Certificates that are attributable to the condemned property minus a proportionate share of the amount then on deposit in the Reserve Fund or (b) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates attributable to the condemned property to the first date on which the Certificates are subject to redemption under the Indenture minus a proportionate share of the amount then on deposit in the Reserve Fund.

Personal Property of District

The District, at its own expense, may install equipment and other personal property in or on the Leased Property, which equipment or other personal property will not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

Conveyance of Leased Property to District at End of Scheduled Lease Term

If all Base Rentals scheduled to be paid through the end of the Scheduled Lease Term and all Additional Rentals payable through the date of conveyance of the Leased Property to the District pursuant to this Section will have been paid, the Leased Property will be assigned, transferred and conveyed to the District or its designee at the end of the Scheduled Lease Term in the manner described in "LEASE—District's Purchase Option" without any additional payment by the District.

Further Assurances and Corrective Instruments

So long as the Lease is in full force and effect and no Event of Nonappropriation or Event of Default will have occurred, the Corporation and the District will have full power to carry out the acts and agreements provided in the Lease and the Corporation and the District will from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased under the Lease, or for otherwise carrying out the intention of or facilitating the performance of the Lease.

Compliance with Requirements of Law

The Corporation and the District will comply with all Requirements of Law in performing their respective obligations with respect to the Leased Property under the Lease. Without limiting the generality of the preceding sentence, the District, in particular, will use the Leased Property in a manner such that (a) the Leased Property at all times is operated in compliance with all Requirements of Law; (b) all permits required by Requirements of Law in respect of the District's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there will be no hazardous substance, pollutant or contaminant (as those terms are defined in the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, 42 U.S.C. § 9601, et seq., any applicable state law or regulations promulgated under either), solid or hazardous waste (as defined in the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 6901, et seq., any applicable state law or regulations promulgated under either), special waste, petroleum or petroleum derived substance, radioactive material or waste, polychlorinated biphenyls, asbestos or any constituent of any of the foregoing located on, in or under the Leased Property or the Project in violation of any Requirements of Law; (d) there will be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property or the Project in violation of any Requirements of Law; and (e) there will be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Participation in Legal Actions

(a) At the request of and at the cost of the District, the Corporation will join and cooperate fully in any legal action in which the District asserts its right to the enjoyment of the Leased Property; that involves the imposition of any charges, costs or other obligations or liabilities on or with respect to the Leased Property or the District's enjoyment of the Leased Property for which the District is responsible under the Lease; or that involves the imposition of any charges, costs or other obligations with respect to the District's execution, delivery and performance of its obligations under the Lease.

(b) At the request of the Corporation and upon a determination by the District that such action is in the best interests of the District, the District will, at the cost of the District, join and cooperate fully in any legal action in which the Corporation asserts its ownership of or interest in the Leased Property; that involves the imposition of any charges, costs or other obligations on or with respect to the Leased Property for which the Corporation is responsible under the Lease; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery of the Lease by the Corporation or the performance of its obligations under the Lease.

Tax Covenant of District

The District will not use or permit others to use the Leased Property in a manner that would cause interest on the Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted net book income" for the purpose of computing the alternative minimum tax imposed on such corporations).

Reimbursement

To the extent proceeds of the Certificates are used to reimburse the District for Costs of the Projects incurred by or on behalf of the District prior to the date the Certificates are issued (which costs are referred to in this subsection as the "reimbursed costs"):

- (a) at the time the reimbursed costs were incurred by the District, the District intended to seek reimbursement for such costs from the proceeds of the Certificates or another financing source;
- (b) the reimbursed costs either (i) were incurred no more than 60 days prior to the date of a reimbursement resolution by the District or (ii) were for "preliminary expenditures," which include architectural, engineering, surveying, soil testing or reimbursement of bond issuance and similar costs that were incurred prior to commencement of acquisition, construction or rehabilitation of the Project in an amount not in excess of 20% of the aggregate issue price of the Certificates;
- (c) the reimbursed costs are for items that would have to be capitalized for federal income tax purposes (determined without regard to any election to treat such costs in another manner) if the Corporation were subject to federal income taxation;
- (d) none of the amounts paid to the District to reimburse it for the reimbursed costs is reasonably expected to be used to pay any amounts payable by the District under the Indenture; and
- (e) all of the amounts paid to the Corporation for the reimbursed costs will actually be expended by the Corporation within 12 months after the date the Certificates are issued.

Payment of Fees and Expenses of the Trustee

The District will pay the reasonable fees and expenses of the Trustee (subject to any agreement with the Trustee limiting the amount of such fees and expenses) in connection with the Leased Property, the Project, the Lease, the Indenture, the Certificates or any matter related thereto, including, but not limited to, costs of defending any claim or action brought against the Trustee or its directors or officers relating to the foregoing, excepting, however, any liability for any action constituting willful or wanton misconduct of such Trustee or its directors or officers.

Payments to Reserve Fund and Rebate Fund

The District will pay to the Corporation all amounts required to be deposited into the Reserve Fund and the Rebate Fund as and when required by the Indenture.

Authorization of Permitted Investments with Term in Excess of Five Years

By authorizing the execution and delivery of the Lease, the Board specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture) where the period from the date of purchase thereof to the maturity date is in excess of five years.

Disclaimer of Warranties

THE CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PORTION THEREOF. In no event shall the Corporation be liable for any direct or indirect, incidental, special or consequential damage in connection with or arising out of the Lease or the existence, furnishing, functioning or use by the District of any item, product or service provided for in the Lease.

Financial Obligations of Corporation Limited to Available Funds

Notwithstanding any other provision of the Lease, all financial obligations of the Corporation under the Lease, except those resulting from its negligence or willful misconduct, are limited to the Trust Estate.

No Remedy Exclusive

Subject to the provisions of the Lease described in "LEASE—Events of Default and Remedies Under the Lease—Remedies" in the body of this Official Statement, no remedy conferred upon or reserved to the Corporation by the Lease is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved in the Lease, it will not be necessary to give any notice, other than such notice as may be described in "LEASE—Events of Default and Remedies Under the Lease" in the body of this Official Statement.

Waivers

(a) The Corporation may waive any Event of Default under the Lease and its consequences. In the event that any agreement contained in the Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach under the Lease.

(b) In the event the Corporation waives any Event of Default described in paragraph (a) under "LEASE—Events of Default and Remedies Under the Lease—Events of Default" in the body of this Official Statement, any subsequent payment by the District of Base Rentals then due and owing will be paid to the Corporation to be applied in accordance with the terms of the Indenture.

Corporation's Rights, Title and Interest in Trust for Benefit of Owners; Successor Corporation; Assignment by Corporation

The Corporation will place its interest in the Leased Property and its rights, title and interest in, to and under the Lease (other than the Corporation's rights to payment of its fees and expenses and the rights of third parties to Additional Rentals payable to them) in trust for the benefit of the Owners pursuant to the Indenture. Any successor trustee under the Indenture will automatically succeed to previous trustee's interest in the Leased Property and the previous trustee's rights, title, interest and obligations in, to and under the Lease. The Corporation will not, except as described under this caption or as otherwise provided elsewhere in the Lease or in the Indenture, assign, convey or otherwise transfer to any Person any of the Corporation's interest in the Leased Property or the Corporation's rights, title or interest in, to or under the Lease.

Transfer of District's Interest in Lease and Leased Property Prohibited

(a) Except as otherwise permitted as described in "LEASE—Subleasing by District" in this Appendix with respect to subleases, grants or uses of the Leased Property or the immediately succeeding paragraph with

respect to transfers of the Leased Property following termination of the Lease or as otherwise required by law, the District will not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in the Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding the immediately preceding paragraph, the District may transfer its interest in the Leased Property after, and only after, the Lease has terminated and the Leased Property has been conveyed to the District as described in "LEASE—District's Purchase Option" in the body of this Official Statement following the payment of the Purchase Option Price or all Base Rentals scheduled to be paid through the end of the Scheduled Lease Term, together with all other amounts required to be paid as a condition of such conveyance as described in "LEASE—District's Purchase Option" in the body of this Official Statement and the payment or defeasance of all the Certificates in accordance with the Indenture.

Acknowledgement of Indenture

The District has received a copy of, and acknowledges the terms of, the Indenture.

Rights of Insurer

(a) Notwithstanding any other provision of the Lease or the Indenture, so long as the Certificates are Outstanding and the Insurer is not in payment default under the Certificate Insurance Policy, (i) the Insurer will be deemed to be the Owner of all the Certificates for purposes of exercising rights with respect to remedies as described in "LEASE—Events of Default and Remedies under the Lease" in the body of this Official Statement and "LEASE—Limitations on Remedies," "-No Remedy Exclusive" and "-Waivers" in this Appendix and (ii) there will be no acceleration of the payment obligations of the Trustee under the Indenture or of the District under the Lease without the consent of the Insurer.

(b) After the Certificates are no longer Outstanding and at any time the Insurer is in payment default under the Certificate Insurance Policy, all references in the Lease to the Insurer will be ineffective.

APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the larger metropolitan area within which the District is located. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the District is located and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the District or its officers, employees, or advisors.*

Population and Median Age

The following table sets forth population statistics for Denver, the DMA, and Colorado.

Population

Year	City and County of Denver	Percent Change	DMA	Percent Change	Colorado	Percent Change
1950	415,786	--	615,635	--	1,325,089	--
1960	493,887	18.8%	934,199	51.8%	1,753,947	32.4%
1970	514,678	4.2	1,238,205	32.5	2,207,259	25.9
1980	492,365	(4.3)	1,618,461	30.7	2,889,964	30.9
1990	467,610	(5.1)	1,848,319	14.2	3,294,394	14.0
1999	532,066	13.8	2,035,733	10.1	4,160,842	26.3

Sources: U.S. Department of Commerce, Bureau of the Census, and Colorado Division of Local Government, Demography Section

According to the United States Census Bureau, Denver's median age in 1980 was 30.3 years as compared with 33.9 years in 1990. The State's median age for the same period increased from 28.6 in 1980 to 32.5 years in 1990, with the median age of the United States being 30 and 33 years in 1980 and 1990, respectively.

Income

The following tables set forth historical median household effective buying income, the percentage of households by classification of effective buying income ("EBI") levels, and per capita personal income. Denver's per capita income level over the five year period shown has consistently been lower than the State levels.

Median Household Effective Buying Income

	1995	1996	1997	1998	1999
City and County of Denver	\$26,350	\$27,458	\$26,715	\$29,010	\$30,572
DMA	35,131	36,606	37,415	39,275	41,581
Colorado	31,797	32,947	33,890	35,247	37,335
United States	32,238	33,482	34,618	35,377	37,233

Source: "Survey of Buying Power," *Sales & Marketing Management*, 1996-2000

Percent of Households by Effective Buying Income Groups – 1999

	Less than \$20,000	\$20,000- \$34,999	\$35,000- \$49,999	\$50,000- and Over
City and County of Denver	32.0%	24.1%	16.4%	27.5%
DMA	20.6	20.8	18.4	40.2
Colorado	24.5	22.4	17.9	35.2
United States	25.8	21.3	17.5	35.4

Source: "Survey of Buying Power," *Sales & Marketing Management*, August 2000

Per Capita Personal Income

	1994	1995	1996	1997	1998
City and County of Denver	\$28,882	\$31,248	\$32,926	\$35,143	\$37,670
Colorado	23,498	24,865	26,231	28,070	29,994
United States	22,056	23,059	24,164	25,288	26,412

Source: Colorado Division of Local Government, Demographic Section

Housing Stock

According to the 1990 Census, Denver had a total of 210,952 households in 1990 compared to a total of 211,566 households in 1980, for a ten-year decrease of 0.3%. In 1990, the average household size in Denver was 2.17 persons.

Building Permit Activity

Set forth in the following table is historical building permit activity for new structures in the City and County of Denver, Colorado.

Building Permit Activity in the City and County of Denver

Year	Commercial/Industrial		Single Family		Multi-Family	
	Permits	Valuation	Permits	Valuation	Permits	Valuation
1996	929	\$ 96,283,707	753	\$ 72,648,366	126	\$ 39,866,423
1997	897	103,632,098	965	114,799,678	356	68,207,803
1998	972	113,709,043	1,591	179,094,795	460	160,085,312
1999	987	127,418,879	1,782	205,486,948	462	105,836,312
2000	1,146	183,286,959	1,348	150,979,550	444	148,073,488

Source: City and County of Denver Building Inspection Department

Foreclosure Activity

The following table sets forth historical numbers of foreclosures filed in Denver over the past five years.

History of Foreclosures

Year	Number of Foreclosures Filed	Percent Change
1996	698	--
1997	821	17.6%
1998	856	4.3
1999	859	0.4
2000	924	7.6

Source: City and County of Denver Public Trustee

Retail Sales

The retail trade sector employs a large portion of the Denver's work force and is important to the area's economy. The following table sets forth retail sales figures as reported by the State for Denver and Colorado.

Retail Sales

Year	City and County of Denver	Percent Change	Colorado	Denver as % of Colorado
1995	\$13,070,233,764	--	\$69,722,025,166	18.7%
1996	13,361,425,497	2.2%	74,895,340,417	17.8
1997	14,011,675,895	4.9	79,312,815,024	17.7
1998	15,116,357,044	7.7	84,826,081,299	17.8
1999	15,448,578,426	2.2	90,455,587,551	17.1
2000 ¹	12,928,337,527	--	73,686,833,038	17.5

¹Retail sales through September, 2000.

Source: State of Colorado, Department of Revenue, *Sales Tax Statistics*, 1995-2000

Employment

The following tables set forth employment statistics by industry and the most recent historical labor force estimates for Denver.

Total Business Establishments and Employment - City and County of Denver

Industry ¹	1999 Second Quarter		2000 Second Quarter		12-Month Change	
	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, Forestry & Fisheries	211	2,080	217	2,326	6	246
Mining	341	4,076	330	4,103	(11)	27
Construction	1,581	19,449	1,705	22,409	124	2,960
Manufacturing	1,136	34,019	1,125	33,667	(11)	(352)
Transportation, Communication & Public Utilities	847	44,021	879	45,869	32	1,848
Wholesale Trade	2,637	33,014	2,617	32,496	(20)	(518)
Retail Trade	3,763	59,158	3,781	60,168	18	1,010
Finance, Insurance & Real Estate	3,047	39,384	2,976	40,154	(71)	770
Services	9,925	155,110	10,131	161,583	206	6,473
Non-classifiable	-- ²	-- ²	13	9	-- ²	-- ²
Government	161	65,158	169	65,609	8	451
Total	<u>23,652</u>	<u>455,469</u>	<u>23,943</u>	<u>468,392</u>	<u>291</u>	<u>12,923</u>

¹ Information provided herein reflects only those employers who are subject to state unemployment insurance law.

² Information suppressed due to confidentiality.

Source: State of Colorado, Division of Employment and Training, Colorado Employment and Wages Covered by Unemployment Insurance

Labor Force Estimates

Year	City and County of Denver		DMA		Colorado	
	Labor Force	% Unemployed	Labor Force	% Unemployed	Labor Force	% Unemployed
1995	274,426	4.9%	1,055,530	3.8%	2,087,518	4.2%
1996	270,206	5.0	1,053,105	3.8	2,093,184	4.2
1997	273,178	3.8	1,082,529	2.8	2,150,160	3.3
1998	278,390	4.1	1,126,411	3.2	2,241,094	3.8
1999	280,667	3.1	1,139,541	2.4	2,264,105	2.9
2000 ¹	286,553	2.9	1,163,174	2.3	2,306,848	2.7

¹ Estimated averages through August, 2000.

Source: State of Colorado, Division of Employment and Training, Labor Market Information, *Colorado Labor Force Review*

The following table sets forth selected major non-governmental employers in the Denver metropolitan area. No independent investigation has been made of and there can be no representation as to the stability or financial condition of the entities listed below, or the likelihood that they will maintain their status as major employers in the Denver metropolitan area.

Selected Major Employers in the Denver Metropolitan Area

Firm	Product or Service	Estimated Number of Employees
Qwest Communications International Inc.	Broadband Internet communications	19,400
King Soopers, Inc./Division Dillon Co. Inc.	Retail food	13,809
Safeway Inc.	Retail food	10,000
United Airlines	Commercial airline	9,315
HealthONE	Healthcare	9,000
Lucent Technologies Inc.	Communications systems and software	7,587
ATT	Telecommunications	7,500
Centura Health Systems	Healthcare	7,117
Lockheed Martin Space Systems	Aerospace	5,818
Exempla Healthcare	Healthcare provider	5,363

Source: *Denver Business Journal*, August 18-24, 2000

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APPENDIX E

SPECIMEN CERTIFICATE INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

SPECIMEN

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