

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 applicable Lease, and received by the Owners of the respective series of 2008 Certificates, is includible in gross income for federal and State of Colorado income tax purposes. See "TAX MATTERS."

\$450,000,000

TAXABLE VARIABLE RATE CERTIFICATES OF PARTICIPATION, SERIES 2008A

**Evidencing Proportionate and Undivided Interests in the Right to Receive Certain Revenues Payable under a 2008A Lease Agreement dated as of April 24, 2008,
by and between SCHOOL DISTRICT NO. 1,
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
and DENVER SCHOOL FACILITIES LEASING CORPORATION**

\$300,000,000

TAXABLE VARIABLE RATE CERTIFICATES OF PARTICIPATION, SERIES 2008B

**Evidencing Proportionate and Undivided Interests in the Right to Receive Certain Revenues Payable under a 2008B Lease Agreement dated as of April 24, 2008,
by and between SCHOOL DISTRICT NO. 1,
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
and DENVER SCHOOL FACILITIES LEASING CORPORATION
(Consisting of \$200,000,000 Series 2008B-1 Certificates
and \$100,000,000 Series 2008B-2 Certificates)**

Dated: Date of Delivery

Initial Interest Rate Mode: Weekly Rate

2008A CUSIP® No.: 24919P GA6

Due: December 15, 2037

Price: 100%

2008B-1 CUSIP® No.: 24919P GB4

2008B-2 CUSIP® No.: 24919P GW8

The Taxable Variable Rate Certificates of Participation, Series 2008A (the "2008A Certificates") evidence proportionate and undivided interests in the right to receive certain revenues pursuant to an annually renewable 2008A Lease Agreement, dated as of April 24, 2008 (the "2008A Lease"), by and between Denver School Facilities Leasing Corporation, as lessor (the "Corporation"), and School District No. 1, in the City and County of Denver and State of Colorado, as lessee (the "District"). The 2008A Certificates are issued pursuant to a 2008A Mortgage and Indenture of Trust dated as of April 24, 2008 (the "2008A Indenture"), between the Corporation and Wells Fargo Bank, National Association, Denver, Colorado, as trustee (the "Trustee").

The Taxable Variable Rate Certificates of Participation, Series 2008B (the "2008B Certificates," and together with the 2008A Certificates, the "2008 Certificates") evidence proportionate and undivided interests in the right to receive certain revenues pursuant to an annually renewable 2008B Lease Agreement, dated as of April 24, 2008 (the "2008B Lease," and collectively with the 2008A Lease, the "Leases"), by and between the Corporation, as lessor, and the District, as lessee. The 2008B Certificates are issued pursuant to a 2008B Mortgage and Indenture of Trust dated as of April 24, 2008 (the "2008B Indenture," and collectively with the 2008A Indenture, the "Indentures") between the Corporation and the Trustee.

The 2008 Certificates will be issued as fully registered certificates and are initially to be registered in the name of "Cede & Co." as nominee for The Depository Trust Company ("DTC"), the Securities Depository for the 2008 Certificates. Purchases by Beneficial Owners (defined herein) are to be made in book-entry form in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof. Beneficial Owners will not receive certificates evidencing their interest in the 2008 Certificates. See "THE 2008 CERTIFICATES--Book-Entry Only System." Principal on the 2008 Certificates is payable upon surrender of the 2008 Certificates at the principal operations office of the Trustee. See "THE 2008 CERTIFICATES."

Each series of the 2008 Certificates initially will bear interest at a Weekly Rate. Interest on the 2008 Certificates will be payable on the fifteenth day of each calendar month, commencing on May 15, 2008. Interest will be determined and adjusted as described herein. The 2008 Certificates will bear interest in one or more Variable Rate Interest Rate Modes (defined herein) unless converted to the Fixed Rate Interest Rate Mode, the Auction Rate Interest Rate Mode or the Floating Rate Interest Rate Mode. The two series of 2008 Certificates may bear interest from time to time in different Interest Rate Modes, but all 2008 Certificates within a series must bear interest in the same Interest Rate Mode. *This Official Statement provides information concerning the 2008 Certificates in the Term Rate Interest Rate Mode, the Weekly Rate Interest Rate Mode or the Monthly Rate Interest Rate Mode only. It is not intended for use in connection with any conversion of the 2008 Certificates to the Floating Rate Interest Rate Mode, the Auction Rate Interest Rate Mode or the Fixed Rate Interest Rate Mode (each as defined herein) and should not be relied upon for information in connection with any conversion to those Interest Rate Modes.*

Each series of 2008 Certificates is subject to optional redemption prior to maturity and mandatory sinking fund redemption and also is subject to extraordinary mandatory redemption upon the occurrence of an Event of Nonappropriation or an Event of Default as provided in each Indenture. See "THE 2008 CERTIFICATES--Redemption of 2008 Certificates." The 2008 Certificates also are subject to optional tender (only while bearing interest at the Weekly Rate or the Monthly Rate) and mandatory tender for purchase at par as described in "THE 2008 CERTIFICATES--Optional Tenders for Purchase" and "Mandatory Tenders for Purchase."

The 2008 Certificates are being issued to: (i) fund all of the currently estimated unfunded actuarial accrued liability with respect to the District's pension plan; (ii) refund certain outstanding certificates of participation as described herein; (iii) pay capitalized interest; (iv) purchase a municipal bond insurance policy and a reserve fund insurance policy for each series of 2008 Certificates; (v) fund a Stabilization Account for each series of 2008 Certificates; and (vi) pay the costs of issuing the 2008 Certificates. See "THE PLAN OF FINANCE."

None of the Leases, the 2008 Certificates or the interest thereon constitutes a general obligation or other indebtedness or multiple fiscal year financial obligation of the District within the meaning of any constitutional or statutory debt limitation. None of the Leases, the Indentures, or the 2008 Certificates directly or indirectly obligate the District to make any payments beyond those appropriated for any fiscal year in which the applicable Lease shall be in effect. Except to the extent payable from: (i) amounts paid under the applicable municipal bond insurance policy relating to each series of 2008 Certificates (each a "Policy"), (ii) the proceeds of the sale of the applicable series of 2008 Certificates and income from the investment thereof, (iii) certain Net Proceeds payable under each Lease as described more fully herein, or (iv) other amounts made available under the applicable Indenture, each series of 2008 Certificates will be payable during the applicable Lease Term (as defined in each Lease) solely from the Base Rentals (as defined in each Lease) to be paid by or on behalf of the District under the Lease to which such series of 2008 Certificates relates, and from the income from certain investments. **All payment obligations of the District under each Lease, including, without limitation, the obligation of the District to pay Base Rentals, are from year to year only and do not constitute a mandatory payment obligation of the District in any fiscal year beyond a fiscal year in which the applicable Lease is in effect.** Each Lease is subject to annual termination at the option of the District and will be terminated upon the occurrence of an Event of Nonappropriation or Event of Default under such Lease. In that event, all payments from the District under the applicable Lease will terminate, and the related series of 2008 Certificates and the interest thereon will be payable from amounts available under the applicable Policy, from certain monies, if any, held by the Trustee under the applicable Indenture, and from any monies made available from the repossession, liquidation or other disposition of the Leased Property (defined herein) leased pursuant to the applicable Lease. *The Corporation has no obligation to make any payments on the 2008 Certificates.* See "SECURITY FOR THE CERTIFICATES."

The scheduled payment of principal of and interest on each series of the 2008 Certificates when due will be guaranteed under a separate insurance policy to be issued concurrently with the delivery of the respective 2008 Certificates by FINANCIAL SECURITY ASSURANCE INC. See "SECURITY FOR THE CERTIFICATES--Certificate Insurance."



Under a separate Standby Purchase Agreement for each series of 2008 Certificates (collectively, the "Initial Liquidity Facilities"), Dexia Credit Local, acting through its New York Branch (the "Initial Liquidity Provider") is obligated to pay the purchase price of the applicable series of 2008 Certificates that are tendered or deemed tendered for purchase but not remarketed as described herein. Each of the Initial Liquidity Facilities expires on April 23, 2011, *but may be suspended or terminated without prior notice under certain circumstances described herein.* See "THE INITIAL LIQUIDITY FACILITIES."



Crédit Local

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision and should give particular attention to the section entitled "CERTAIN RISK FACTORS."

Each series of 2008 Certificates is offered when, as, and if issued and accepted by the respective Underwriter, subject to the approval of legality of the 2008 Certificates by Kutak Rock LLP, Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Sherman & Howard L.L.C. has acted as Special Counsel to the District in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the District by its General Counsel. Hogan & Hartson, L.L.P., Denver, Colorado is acting as counsel to the 2008A Underwriter and Kamlet Shepherd & Reichert, LLP, Denver, Colorado, is acting as counsel to the 2008B Underwriter. Chapman and Cutler, LLP, Chicago, Illinois, is acting as counsel to the Initial Liquidity Provider. Other legal opinions will be delivered by the parties identified in "LEGAL MATTERS--Approval of Certain Legal Proceedings." It is expected that the 2008 Certificates will be available for delivery through the facilities of DTC, on or about April 24, 2008.

JPMorgan
Underwriter - 2008A Certificates

Citi
Underwriter - 2008B Certificates

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the 2008 Certificates in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 2008 Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the District or the Underwriters. The District maintains an internet website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2008 Certificates.

The information set forth in this Official Statement has been obtained from the District and from the sources referenced throughout this Official Statement, which the District believes to be reliable. No representation or warranty is made by the District, however, as to the accuracy or completeness of information provided from sources other than the District, and nothing contained herein is or shall be relied upon as a guarantee of the District or the Underwriters. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2008 Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the 2008 Certificates and may not be reproduced or used in whole or in part for any other purpose.

The 2008 Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The 2008 Certificates have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE 2008 CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE 2008 CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE 2008 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "SECURITY FOR THE CERTIFICATES--Certificate Insurance" and Appendix E - Specimen Municipal Bond Insurance Policy herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; or (ii) the validity of the 2008 Certificates.

DENVER SCHOOL FACILITIES LEASING CORPORATION

Board of Directors

Lynn D. Coleman, President
James T. Holmes, Secretary
Sherry Eastlund, Director
Susan G. Edwards, Director
Michael C. Langley, Director

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

Board of Education

President	Theresa Peña
Vice President	Michelle Moss
Secretary	Jill Conrad
Treasurer	Bruce Hoyt
Member	Arturo Jimenez
Member	Jeannie Kaplan
Member	Kevin Patterson

Administrative Officials

Superintendent	Michael F. Bennet
Chief Operating Officer	Tom Boasberg
Chief Financial Officer	Velma A. Rose
General Counsel	John Kechriotis

TRUSTEE, TENDER AGENT AND ESCROW BANK

Wells Fargo Bank, National Association
Denver, Colorado

REMARKETING AGENT

RBC Capital Markets Corporation
Denver, Colorado

BOND COUNSEL

Kutak Rock LLP
Denver, Colorado

SPECIAL COUNSEL

Sherman & Howard L.L.C.
Denver, Colorado

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General	1
Changes Since the Date of the Preliminary Official Statement	2
The District	2
The Corporation	3
Purpose	3
Authority for Issuance	3
Security for the 2008 Certificates; Termination of Leases	4
The 2008 Certificates; Prior Redemption	7
The Hedge Facilities	8
Tax Status	9
Professionals	9
Exemption From Continuing Disclosure	10
Additional Information	10
CERTAIN RISK FACTORS	11
Creditworthiness of the Certificate Insurer	11
Risks Related to the Liquidity Provider and the Liquidity Facilities	12
Nonappropriation	13
Sources of Base Rental and Additional Rental Payments	14
Effect of a Termination of the Lease Term	14
Enforceability of Remedies; Liquidation Delays	16
Risk of Redemption or Purchase At Par Prior to Maturity	16
Risks Related to Hedge Facilities	17
Risks Related to Performance by Third Parties	17
Risks Related to Remarketing of the 2008 Certificates	17
Effect of Termination on Exemption from Registration	19
Condemnation Risk	19
Casualty Risk; Insurance Coverage Risk	19
Changes in Laws	20
Forward-Looking Statements	20
Secondary Market	20
THE PLAN OF FINANCE	21
Uses of Certificate Proceeds	21
The Financing Project	21
The Refunding Project	22
THE 2008 CERTIFICATES	23
General	23
Payment Provisions	23
Certificate Fund Investment Agreement	24
Interest Rate Modes	24
Calculation of Interest	26
Summary of Certain Provisions of the 2008 Certificates	27
Redemption of 2008 Certificates	28
Interest Rate Mode Conversions	33
Optional Tenders For Purchase	37
Mandatory Tenders for Purchase	38
Substitute Liquidity Facility	41
Book-Entry Only System	42

	<u>Page</u>
BASE RENTALS SCHEDULES	43
SECURITY FOR THE CERTIFICATES	46
General	46
The Leased Property	47
Payment of Base Rentals, Additional Rentals and Purchase Option Price.....	48
The Reserve Fund.....	50
Certificate Insurance.....	51
Stabilization Account	52
Additional Certificates.....	53
THE INITIAL LIQUIDITY FACILITIES	55
Commitment to Purchase Eligible Certificates.....	55
The Initial Liquidity Facilities	55
Term of the Liquidity Facilities; Extension of Expiration Date	56
Certain Definitions	56
Events of Default and Remedies Under the Initial Liquidity Facilities.....	57
THE HEDGE FACILITIES	62
General	62
Swap Insurance.....	62
Events of Default and Termination Events; Remedies	63
THE CORPORATION	65
General	65
Board of Directors	65
Corporation’s Limited Liability.....	65
THE DISTRICT.....	66
Organization and Description	66
School District Powers	66
Governing Board	66
Administration	67
Curriculum and Instruction, Accreditation and Standardized Tests	68
District Employees and Labor Relations	69
Benefits and Pension Matters	70
District Enrollment and Facilities.....	71
District Capital Plans	72
Insurance.....	72
DISTRICT FINANCIAL OPERATIONS	73
Sources of School District Revenue	73
School Finance Act.....	74
Cash Flow Measures.....	78
School District Funds	78
Budget Process	80
General Fund Budget Summary and Comparison	82
Accounting Records and Financial Statements	83
History of General Fund Revenues, Expenditures, and Changes in Fund Balance	83
Management’s Discussion and Analysis of Recent Operating Results	85
PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT	88
Ad Valorem Property Taxes	88
Ad Valorem Property Tax Data.....	91
Mill Levies Affecting Property Owners Within the District	94
Estimated Overlapping General Obligation Debt.....	94

	<u>Page</u>
DISTRICT DEBT AND OTHER OBLIGATIONS	96
General Obligation Debt.....	96
Outstanding General Obligation Debt	96
Other District Obligations	97
Selected Debt and Population Ratios.....	98
ECONOMIC AND DEMOGRAPHIC INFORMATION	100
Population and Age Distribution	100
Income	101
Employment	102
Major Employers	104
Retail Sales	104
Building Activity in the City and County	105
Foreclosure Activity	105
TAX MATTERS.....	106
Generally	106
Premium	106
Market Discount	106
Sales or Other Dispositions	107
Backup Withholding.....	108
Foreign Investors	108
ERISA Considerations.....	108
Treasury Circular 230 Disclosure.....	109
Changes in Federal Tax Law	109
LEGAL MATTERS.....	109
Litigation	109
Sovereign Immunity	109
Approval of Certain Legal Proceedings	110
Certain Constitutional Limitations	110
Police Power	111
RELATED PARTIES	112
RATINGS	112
INDEPENDENT AUDITORS.....	112
INITIAL REMARKETING AGENT	112
UNDERWRITING	113
OFFICIAL STATEMENT CERTIFICATION.....	113
Appendix A - Audited Basic Financial Statements of the District as of and for the Year Ended June 30, 2007	A-1
Appendix B - Summary of Certain Provisions of the Indentures and the Leases	B-1
Appendix C - Book-Entry Only System.....	C-1
Appendix D - Forms of Bond Counsel Opinions.....	D-1
Appendix E - Specimen Municipal Bond Insurance Policy	E-1
Appendix F - Initial Liquidity Provider Information	F-1

INDEX OF TABLES

	<u>Page</u>
Base Rentals Schedule - 2008A Certificates.....	44
Base Rentals Schedule - 2008B Certificates.....	45
2008A Leased Property.....	47
2008B Leased Property.....	48
District Enrollment - Fall 2003 to 2007	71
Historical “Base” Per Pupil Funding	74
State Equalization Payments.....	77
General Fund Budget Summary and Comparison - Budgetary Basis.....	82
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances	84
History of District Assessed Valuations	92
History of District’s Mill Levy	92
Property Tax Collections for the District.....	92
Assessed Valuation of Classes of Property in the District - 2007.....	93
Largest Taxpayers in the District for 2007	93
Sample Mill Levy Affecting District Property Owners	94
Estimated Overlapping General Obligation Debt	95
General Obligation Debt Outstanding.....	97
Base Rentals Remaining After Refunding Project - 1997 PCOPS	98
Selected Debt Ratios of the District as of the Date of this Official Statement	99
Population	100
Age Distribution.....	100
Annual Per Capita Personal Income	101
Median Household Effective Buying Income.....	101
Percent of Households by Effective Buying Income Group - 2007.....	102
Average Number of Employees Within Selected Industries – Denver County	102
Average Number of Employees Within Selected Industries - DMSA.....	103
Labor Force and Employment.....	104
Selected Major Employers in the Denver Metropolitan Area - 2007	104
Retail Sales (in thousands).....	105
Building Permits Issued for New Structures in Denver	105
History of Foreclosures - Denver County	105

OFFICIAL STATEMENT

\$450,000,000

TAXABLE VARIABLE RATE CERTIFICATES OF PARTICIPATION, SERIES 2008A
Evidencing Proportionate and Undivided Interests in the Right to Receive Certain Revenues
Payable under a 2008A Lease Agreement dated as of April 24, 2008,
by and between SCHOOL DISTRICT NO. 1,
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
and DENVER SCHOOL FACILITIES LEASING CORPORATION

\$300,000,000

TAXABLE VARIABLE RATE CERTIFICATES OF PARTICIPATION, SERIES 2008B
Evidencing Proportionate and Undivided Interests in the Right to Receive Certain Revenues
Payable under a 2008B Lease Agreement dated as of April 24, 2008,
by and between SCHOOL DISTRICT NO. 1,
IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
and DENVER SCHOOL FACILITIES LEASING CORPORATION
(Consisting of \$200,000,000 Series 2008B-1 Certificates
and \$100,000,000 Series 2008B-2 Certificates)

INTRODUCTION

General

This Official Statement, including the cover page and the appendices, is furnished in connection with the issuance and sale of: (i) \$450,000,000 aggregate principal amount of Taxable Variable Rate Certificates of Participation, Series 2008A (the “2008A Certificates”); (ii) \$200,000,000 aggregate principal amount of Taxable Variable Rate Certificates of Participation, Series 2008B-1 (the “2008B-1 Certificates”); and (iii) \$100,000,000 aggregate principal amount of Taxable Variable Rate Certificates of Participation, Series 2008B-2 (the “2008B-2 Certificates,” and collectively with the 2008B-1 Certificates, the “2008B Certificates”). The 2008A Certificates and the 2008B Certificates are referred together as the “2008 Certificates.”

The 2008A Certificates evidence proportionate and undivided interests in the right to receive certain revenues payable under a 2008A Lease Agreement dated as of April 24, 2008 (the “2008A Lease”), between School District No. 1, in the City and County of Denver and State of Colorado (the “District”), as lessee, and the Denver School Facilities Leasing Corporation (the “Corporation”), as lessor. The 2008A Certificates are issued pursuant to a 2008A Mortgage and Indenture of Trust, dated as of April 24, 2008 (the “2008A Indenture”), between the Corporation and Wells Fargo Bank, National Association, Denver, Colorado (the “Trustee”).

The 2008B Certificates evidence proportionate and undivided interests in the right to receive certain revenues payable under a 2008B Lease Agreement dated as of April 24, 2008 (the “2008B Lease”), between the District, as lessee, and the Corporation, as lessor. The 2008B Certificates are issued pursuant to a 2008B Mortgage and Indenture of Trust, dated as of April 24, 2008 (the “2008B Indenture”), between the Corporation and the Trustee.

The 2008A Lease and the 2008B Lease are referred to together as the “Leases” and the 2008A Indenture and the 2008B Indenture are referred to together as the “Indentures.” The terms of each Lease and each Indenture are substantially similar; unless otherwise indicated, descriptions of the terms of the Leases apply to the 2008A Lease and the 2008B Lease, and descriptions of the terms of the Indentures apply to the 2008A Indenture and the 2008B Indenture. **Notwithstanding the fact that each Lease and each Indenture are discussed collectively in some instances, it should be noted that the use of the**

terms “2008 Certificates,” “Leases,” “Indentures” to collectively refer to the 2008A Certificates and 2008B Certificates, the 2008A Lease and the 2008B Lease, and the 2008A Indenture and 2008B Indenture, respectively (as well as the use of other terms herein to refer collectively to the respective documents and definitions relating to both series of 2008 Certificates) is for the convenience of the reader only. The 2008A Certificates are secured solely as provided in the 2008A Indenture and the 2008B Certificates are secured solely as provided in the 2008B Indenture. It is not necessary for the District, the Trustee or any other party to take the same action under each Lease or each Indentures at the same time. An Event of Default under one of the Leases and the related Indenture does not constitute an Event of Default under the other Lease and related Indenture. Certain other capitalized terms used herein are defined in Appendix B hereto.

The offering of the 2008 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 2008 Certificates. 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, particularly the section entitled “CERTAIN RISK FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page and the appendices, is unauthorized.

This Official Statement generally provides information concerning the 2008 Certificates in the Term Rate Interest Rate Mode, the Weekly Rate Interest Rate Mode or the Monthly Rate Interest Rate Mode. It is not intended for use in connection with any conversion of the 2008 Certificates to the Floating Rate Interest Rate Mode, the Auction Rate Interest Rate Mode or the Fixed Rate Interest Rate Mode (each as defined herein) and should not be relied upon for information in connection with any conversion to those Interest Rate Modes.

Changes Since the Date of the Preliminary Official Statement

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement dated April 11, 2008 (the “POS”), including: the ratings on the 2008 Certificates (see “RATINGS”); the principal amount of each series or subseries of 2008 Certificates; the final sources and uses of the proceeds of the 2008 Certificates; the initial Interest Rate Mode; the reserve fund requirements for each series of 2008 Certificates; the mandatory sinking fund amounts for each series of 2008 Certificates; the estimated Base Rentals payable on the 2008 Certificates; the 1997 PCOPS (defined below) to be refunded; the amount of collateral for each Lease as compared to the outstanding principal amount of each series of 2008 Certificates (see “CERTAIN RISK FACTORS--Effect of a Termination of the Lease Term - Factors Affecting Value of Leased Property”); and other quantitative provisions in the POS related to any of the foregoing. In addition, the final terms of the Initial Liquidity Facilities (defined below) and the final terms on the Hedge Facilities (defined below), including the fixed interest rates payable on the Hedge Facilities, are described in this Official Statement. Specifically, the 2008 Certificates were sold in the Weekly Rate Interest Rate Mode and all references to the possibility of an initial Term Rate Interest Rate Mode have been removed from this Official Statement. In addition, each of the Hedge Facilities now will be effective on April 24, 2008; all references to forward-starting hedge facilities have been removed from this Official Statement. Updated information as to the status of legislation regarding the District’s pension plan and the School Finance Act (defined herein) has been included in “THE DISTRICT--Benefits and Pension Matters - Pension Plan” and “DISTRICT FINANCIAL OPERATIONS--School Finance Act.” Finally, certain minor changes have been made to the descriptions of various documents in this Official Statement, including Appendix B hereto, in order to conform them with document revisions made after the date of the POS.

The District

The District is a political subdivision of the State and a body corporate which was organized for the purpose of operating and maintaining an educational program for the school-age children residing

within its boundaries. The District is the only public school district serving the City and County of Denver, Colorado (the “County” or “Denver”) and encompasses approximately 155 square miles. The District’s enrollment (headcount) for fall 2007 was 73,866. See “THE DISTRICT.” The District’s certified assessed valuation for 2007 (for collection of taxes in 2008), net of the assessed valuation attributable to certain tax increment districts located within the District’s boundaries, is \$10,025,025,839. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT.”

The Corporation

The Corporation was formed in 1984 as a Colorado nonprofit corporation to facilitate District financings, including but not limited to, the acquisition of real estate, property and improvements for lease to the District. In each Indenture, the Corporation assigns its rights and interests under the related Lease (other than Late Payment Fees as defined in the Indentures, the Corporation’s rights to payment of its fees and expenses under the Leases and the rights of third parties to Additional Rentals payable to them under the Leases) to the Trustee for the benefit of the registered owners of the series of 2008 Certificates issued pursuant to such Indenture as shown in the registration records of the Trustee (“Owners”); and to the extent provided in such Indenture, the Trustee, the Remarketing Agent, the Tender Agent, any Liquidity Provider, any Hedge Provider, any Custodian, any Auction Agent and any Certificate Fund Investment Provider (all as defined herein). *The Corporation is not financially liable for, and will not make, any payments pursuant to the Leases; accordingly, the owners of the 2008 Certificates will not have the right to look to the Corporation for any payment of the 2008 Certificates, the interest thereon, or for any other payments.* See “THE CORPORATION.”

Purpose

The 2008 Certificates are being issued to: (i) fund all of the District’s currently estimated unfunded actuarial accrued liability (“UAAL”) with respect to its pension plan (the “Financing Project”); (ii) refund \$154,895,878 aggregate principal amount of the outstanding Taxable Pension Certificates of Participation, Series 1997 (the “1997 PCOPS”), currently outstanding in the aggregate principal amount of \$179,483,038, as more particularly described below; (iii) refund all of the outstanding Taxable Variable Rate Certificates of Participation, Series 2005A (the “2005A Certificates”), currently outstanding in the aggregate principal amount of \$23,470,000; (iv) refund all of the outstanding Taxable Variable Rate Certificates of Participation, Series 2005B (the “2005B Certificates”), currently outstanding in the aggregate principal amount of \$62,575,000; (v) pay capitalized interest; (vi) purchase a municipal bond insurance policy, a reserve fund insurance policy and a swap insurance policy for each series of 2008 Certificates; (vii) fund a Stabilization Account for each series of 2008 Certificates; and (viii) pay the costs of issuing the 2008 Certificates, as more fully described herein. See “THE PLAN OF FINANCE.”

The 1997 PCOPS currently expected to be refunded (the “Refunded 1997 PCOPS”), include (a) a portion of each maturity of the current interest 1997 PCOPS maturing on December 15, 2008, through December 15, 2012 (representing a total aggregate principal amount of \$123,695,000), and (b) a portion of each maturity of the capital appreciation 1997 PCOPS maturing on December 15, 2013 through December 15, 2016 (representing an original principal amount of \$31,200,878). The refunding of the 1997 PCOPS, the 2005A Certificates and the 2005B Certificates is referred to herein as the “Refunding Project.”

Authority for Issuance

The 2008 Certificates will be issued pursuant to the Constitution and the laws of the State, particularly Title 22, Article 32 of Colorado Revised Statutes (“C.R.S.”), Title 11, Article 57, C.R.S. (the “Supplemental Act”) and the respective Indentures.

Security for the 2008 Certificates; Termination of Leases

General. The 2008A Certificates are payable solely from lease revenues pursuant to the 2008A Lease (the “2008A Lease Revenues”) as, when and if the same are received by the Trustee pursuant to the 2008A Lease. The 2008B Certificates are payable solely from lease revenues pursuant to the 2008B Lease (the “2008B Lease Revenues,” and collectively with the 2008A Lease Revenues, the “Lease Revenues”) as, when and if the same are received by the Trustee pursuant to the 2008B Lease. The Lease Revenues received pursuant to each Lease are to be held in trust by the Trustee in the manner and to the extent provided in the related Indenture. *The issuance of the 2008 Certificates does not directly or contingently obligate the District to make any payments beyond those budgeted and appropriated for the District’s then current Fiscal Year.*

Lease Revenues are comprised primarily of Base Rentals to be paid under the respective Lease, which are payments by the District pursuant to such Lease for and in consideration of the right to use the Leased Property (defined herein) subject to that Lease during its Lease Term. Pursuant to each Lease, Base Rentals include an amount equal to the principal and interest due on the related 2008 Certificates in the then-current fiscal year as well as other specified fees and items discussed in more detail in “SECURITY FOR THE CERTIFICATES--Payment of Base Rentals, Additional Rentals and Purchase Option Price.”

In addition to being secured by the Base Rentals payable under the applicable Lease, the principal of and interest on each series of the 2008 Certificates also are payable, in certain circumstances, from amounts received pursuant to the municipal bond insurance policy to be issued with respect to such series of 2008 Certificates (each, a “Policy” and collectively, the “Policies”) as well as: (a) the Purchase Option Price payable under the applicable Lease, if paid; (b) any Net Proceeds payable under the applicable Lease; (c) any portion of the proceeds of any related 2008 Certificate deposited with or by the Trustee in the applicable Certificate Fund to pay accrued or capitalized interest on the related 2008 Certificates; (d) any earnings on moneys on deposit in the respective Certificate Fund; (e) all other revenues derived from the respective Lease, excluding Additional Rentals (other than Reserve Fund payments made to the Trustee pursuant to the respective Indenture); and (f) any other moneys to which the Trustee may be entitled for the benefit of the Owners.

“Net Proceeds” is defined in each Lease as (a) the gross proceeds of any insurance, performance bond, condemnation award or moneys received as a consequence of any default or breach of warranty under any contract relating to the related Leased Property due to (i) damage or destruction of any portion of such Leased Property, (ii) loss of title due to condemnation or title defect, or (iii) breach of warranty or any material defect with respect to any portion of such Leased Property, minus (b) all expenses incurred in the collection of such gross proceeds or award. See “SECURITY FOR THE CERTIFICATES.”

The Leased Property; Purchase Option Price. Certain schools and administration buildings and the land upon which they are situated are subject only to the 2008A Lease and the 2008A Indenture (the “2008A Leased Property”) and the 2008A Certificates (in addition to any additional certificates issued pursuant to the 2008A Indenture) have a lien on the 2008A Leased Property encumbered by the 2008A Indenture. Certain schools and administration buildings and the land upon which they are situated are subject to the 2008B Lease and the 2008B Indenture (the “2008B Leased Property,” and when discussed generally or collectively with the 2008A Leased Property, the “Leased Property”) and the 2008B Certificates (in addition to any additional certificates issued pursuant to the 2008B Indenture) have a lien on the 2008B Leased Property encumbered by the 2008B Indenture. See “SECURITY FOR THE CERTIFICATES--The Leased Property” for a description of the 2008A Leased Property and the 2008B Leased Property. *The 2008A Leased Property is subject only to the 2008A Lease and the 2008A Indenture; the 2008A Leased Property will never secure the 2008B Certificates. The 2008B Leased Property is subject only to the 2008B Lease and the 2008B Indenture; the 2008B Leased Property will never secure the 2008A Certificates.*

Pursuant to each Lease, the District will have the option to purchase the Corporation's title and interest in the related Leased Property, and each Lease also provides for the release of portions of the applicable Leased Property as certain amounts of Base Rentals are paid or as certain amounts of the related 2008 Certificates are paid or defeased. See Appendix B hereto.

With the consent of each Certificate Insurer and each Liquidity Provider, each Lease also allows the District to substitute property for the Leased Property subject to each Lease upon the satisfaction of certain conditions so long as no Event of Default or Event of Nonappropriation has occurred and is continuing pursuant to that Lease. Those conditions include provision of a special warranty deed, subject only to Permitted Encumbrances, to the property to be substituted for the applicable Leased Property or portion thereof to be released (the "Substitute Leased Property"). See Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A LEASE - Modification and Substitution of Leased Property.

Certificate Insurance. The scheduled payment of principal of and interest on each series of the 2008 Certificates when due will be guaranteed under a separate Policy to be issued concurrently with the delivery of the respective 2008 Certificates by Financial Security Assurance Inc. ("Financial Security" or the "Certificate Insurer") See "SECURITY FOR THE CERTIFICATES--Certificate Insurance." A specimen Policy is attached hereto as Appendix E. *Investors should be aware that issuance of each Policy gives the Certificate Insurer certain rights, including the sole right to direct remedies in the event of a default under the related Indenture. See Appendix B hereto for a discussion of certain of those rights.*

The information in "SECURITY FOR THE CERTIFICATES--The Reserve Fund - Reserve Fund Policies" and "SECURITY FOR THE CERTIFICATES--Certificate Insurance" has been furnished by the Certificate Insurer for use in this Official Statement as has the specimen Policy attached hereto as Appendix E. Such information has not been independently confirmed or verified by the District. No representation is made as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct, and the District assumes no responsibility therefor. Reference is made to Appendix E, which is an integral part of this Official Statement, for a specimen Policy. No assurance can be given by the District that the Certificate Insurer will be able to meet its obligations under the Policies.

Reserve Fund; Stabilization Account. Each series of 2008 Certificates also is secured by a Reserve Fund. Each Reserve Fund will be funded with a separate reserve fund insurance policy (each a "Reserve Fund Policy" and collectively, the "Reserve Fund Policies") provided by the Certificate Insurer. See "SECURITY FOR THE CERTIFICATES--Reserve Fund." Each Reserve Fund Policy will be held by the Trustee.

Each series of 2008 Certificates also is secured by a Stabilization Account established in the applicable Certificate Fund. See "SECURITY FOR THE CERTIFICATES--Stabilization Account."

Sources of Base Rental Payments. The District currently intends to budget, appropriate and pay the Base Rentals and any Additional Rentals payable under each Lease from its General Fund. However, such Base Rentals and Additional Rentals may be budgeted, appropriated and paid from any of the District's available funds in the future. A major portion of the moneys deposited into the District's General Fund is derived from property tax revenues. See "DISTRICT FINANCIAL OPERATIONS--General Fund Budget Summary and Comparison." Certain statutory and constitutional limitations limit the amount of property taxes the District can levy. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT--Ad Valorem Property Taxes" and "LEGAL MATTERS--Certain Constitutional Limitations" for a discussion of those limitations.

Limited Obligations. Each 2008 Certificate represents a proportionate and undivided interest in the right to receive Lease Revenues pursuant to the applicable Lease and shall be payable solely from the applicable Trust Estate in accordance with, and subject to the terms of the applicable Indenture. *Neither the 2008 Certificates nor any payments required under the Leases constitutes an indebtedness of the District within the meaning of any provision or limitation of the Constitution or statutes of the State. Neither the 2008 Certificates nor the Leases will directly or indirectly obligate the District to make any payments other than those which may be appropriated by the District for its then-current fiscal year.*

The Corporation does not have any obligation to, and will not, make any payment on the 2008 Certificates or otherwise pursuant to the Leases. See “THE CORPORATION.”

Liquidity Facilities. Except as described below, pursuant to the terms of each Indenture, at all times during which a series of 2008 Certificates bears interest at the Weekly Rate, the Monthly Rate or the Term Rate (each a “Variable Rate”), the Corporation is required to maintain a Liquidity Facility with respect to such series of 2008 Certificates to provide liquidity support for such 2008 Certificates.

Payment of the purchase price for the respective series of 2008 Certificates upon mandatory or optional tender for purchase pursuant to the applicable Indenture is secured by amounts available pursuant to a separate Standby Purchase Agreement for each series of the 2008 Certificates (the “2008A Initial Liquidity Facility” or the “2008B Initial Liquidity Facility,” respectively, and collectively, the “Initial Liquidity Facilities”) issued by Dexia Credit Local, acting through its New York Branch (the “Initial Liquidity Provider”). See “THE INITIAL LIQUIDITY FACILITIES.”

Upon the occurrence of certain events (including, but not limited to, various events related to the Certificate Insurer or its credit ratings), the Initial Liquidity Provider may immediately suspend or terminate its obligations to purchase 2008 Certificates pursuant to the applicable Initial Liquidity Facility without prior notice to the Owners. See “CERTAIN RISK FACTORS--Risks Related to the Liquidity Provider and the Liquidity Facilities.” The events that could result in an immediate suspension or termination of the Initial Liquidity Provider’s obligations to purchase 2008 Certificates are detailed in “THE INITIAL LIQUIDITY FACILITIES--Events of Default and Remedies Under the Liquidity Facilities - Remedies.”

For general provisions applicable to the tender of 2008 Certificates for purchase, see Appendix B - Summary of Certain Provisions of the Indentures and the Leases.

Termination of Leases. **The District may determine to continue or to terminate its obligations under either or both of the Leases on an annual basis.** If on or before June 30 of any year, the District fails for any reason to budget and appropriate sufficient funds to pay all Base Rentals and reasonably estimated Additional Rentals coming due for the ensuing fiscal year, an Event of Nonappropriation under the applicable Lease will be deemed to have occurred (subject to certain waiver and cure provisions thereof). Upon an Event of Nonappropriation under the applicable Lease, the Trustee will be permitted to sell or lease its interest in all or any portion of the Leased Property subject to the applicable Lease, or exercise any other remedies available to the Trustee. See “CERTAIN RISK FACTORS--Nonappropriation.” The net proceeds of such dispositions will be applied toward the payment of the applicable series of 2008 Certificates. Notwithstanding the foregoing, the Certificate Insurer is required to continue to pay the scheduled principal of and interest on the applicable series of 2008 Certificates pursuant to the related Policy. See “SECURITY FOR THE CERTIFICATES--Certificate Insurance.”

In any year, the District may elect to budget and appropriate sufficient funds to pay the Base Rentals and Additional Rentals under one of the Leases while electing not to appropriate pursuant to the other Lease.

The 2008 Certificates; Prior Redemption

General. The 2008 Certificates are issued solely as fully registered certificates in the denomination of \$100,000 or any integral multiple of \$5,000 in excess thereof. Each series of 2008 Certificates will mature and bear interest (initially at a Weekly Rate) as set forth on the cover page of this Official Statement.

The Weekly Rate initially borne by either series of 2008 Certificates may be changed at the option of the District in accordance with the terms of the applicable Indenture to a different Variable Rate, to a Floating Rate, to an Auction Rate or to a Fixed Rate, as described below. Prior notice of the Interest Rate Mode change must be given to the Owners of the applicable series of 2008 Certificates, including the applicable Securities Depository, if any, or its nominee, the applicable Remarketing Agent, the applicable Liquidity Provider and the applicable Certificate Insurer. Each series of 2008 Certificates may bear interest from time to time in a different Interest Rate Mode, but each certificate within a series of 2008 Certificates must bear interest in the same Interest Rate Mode at all times. The payment of principal and interest on the 2008 Certificates is described in “THE 2008 CERTIFICATES.”

The 2008 Certificates are initially to be registered in the name of “Cede & Co.,” as nominee for The Depository Trust Company (“DTC”), as Securities Depository for the 2008 Certificates. Purchases of 2008 Certificates are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2008 Certificates. See “THE 2008 CERTIFICATES--Book-Entry Only System.”

Redemption Provisions. Each series of 2008 Certificates is subject to optional redemption prior to maturity and mandatory sinking fund redemption. Each series of 2008 Certificates also is subject to extraordinary mandatory redemption upon the occurrence of an Event of Nonappropriation or an Event of Default as provided in the applicable Indenture. See “THE 2008 CERTIFICATES--Redemption of 2008 Certificates.”

Optional and Mandatory Tenders; Remarketing. While the 2008 Certificates bear interest at a Weekly Rate or a Monthly Rate, the 2008 Certificates may be tendered for purchase on certain dates upon demand of the Owner thereof. See “THE 2008 CERTIFICATES--Optional Tenders for Purchase.” The 2008 Certificates bearing interest at the Term Rate are not subject to optional tender. The 2008 Certificates also are subject to mandatory tender for purchase upon the occurrence of certain events (including the end of a Term Rate Period) as described in “THE 2008 CERTIFICATES--Mandatory Tenders for Purchase.”

Each Indenture provides for the remarketing to new investors of the applicable series of 2008 Certificates tendered or deemed tendered by the Owners as described in this Official Statement. The Indenture provisions governing remarketings are set forth in Appendix B - Summary of Certain Provisions of the Indentures and the Leases - Remarketing of Certificates. RBC Capital Markets Corporation will act as the initial Remarketing Agent for both series of 2008 Certificates. See “THE INITIAL REMARKETING AGENT” herein. With the consent of the Certificate Insurer and the Initial Liquidity Provider, the initial Remarketing Agent may be replaced by the Corporation at any time; the Remarketing Agent must be replaced if directed by the Certificate Insurer.

If the proceeds of any remarketing are not sufficient to purchase the applicable 2008 Certificates tendered for purchase, the Trustee is required to draw on the applicable Liquidity Facility in the amount of such deficiency and to apply the proceeds of the drawing to pay the purchase price of the applicable 2008 Certificates. If the proceeds of any remarketing are not sufficient to purchase the applicable 2008 Certificates tendered for purchase, the Trustee is required to draw on the applicable Liquidity Facility in the amount of such deficiency and to apply the proceeds of the drawing to pay the purchase price of the applicable 2008 Certificates. Events that could result in an immediate suspension or termination of the

Initial Liquidity Provider's obligations to purchase 2008 Certificates are detailed in "THE INITIAL LIQUIDITY FACILITIES--Events of Default and Remedies Under the Liquidity Facilities - Remedies."

The Hedge Facilities

General. The Corporation is expected to enter into an interest rate exchange transaction with respect to the 2008A Certificates with JPMorgan Chase Bank, N.A. (the "2008A Hedge Provider"), an interest rate exchange transaction with respect to the 2008B-1 Certificates with Bank of America, N.A. (the "2008B-1 Hedge Provider"), and an interest rate exchange transaction with respect to the 2008B-2 Certificates with Royal Bank of Canada (the "2008B-2 Hedge Provider" and collectively with the 2008A Hedge Provider and the 2008B-1 Hedge Provider, the "Hedge Providers"). The terms of each Hedge Facility are substantially similar. See "THE HEDGE FACILITIES."

The Corporation and the 2008A Hedge Provider will execute an ISDA (International Swaps and Derivatives Association, Inc.) Master Agreement, a Schedule and Credit Support Annex thereto, and a Confirmation dated as of April 22, 2008, relating to the interest rate exchange transaction with respect to the 2008A Certificates (collectively, the "2008A Hedge Facility"). The initial notional amount of the 2008A Hedge Facility will be \$450,000,000; the notional amount generally will be reduced in amounts equal to the principal amounts paid on the 2008A Certificates. See "BASE RENTALS SCHEDULES."

The Corporation and the 2008B-1 Hedge Provider will execute an ISDA (International Swaps and Derivatives Association, Inc.) Master Agreement, a Schedule and Credit Support Annex thereto, and a Confirmation dated as of April 22, 2008, relating to the interest rate exchange transaction with respect to the 2008B-1 Certificates (the "2008B-1 Hedge Facility"). The initial notional amount of the 2008B-1 Hedge Facility provided by Bank of America, N.A., will be \$200,000,000; the notional amount generally will be reduced according to the schedules attached to the 2008B-1 Confirmation and the total amount of the reductions (together with reductions made as described in the following paragraph) will equal the principal amounts paid on the 2008B Certificates. See "THE CERTIFICATES--Redemption of 2008 Certificates - Mandatory Sinking Fund Redemption-2008B-1 Certificates" and "BASE RENTALS SCHEDULES."

The Corporation and the 2008B-2 Hedge Provider will execute an ISDA (International Swaps and Derivatives Association, Inc.) Master Agreement, a Schedule and Credit Support Annex thereto, and a Confirmation dated as of April 22, 2008, relating to the interest rate exchange transaction with respect to the 2008B-2 Certificates (the "2008B-2 Hedge Facility," and together with the 2008A Hedge Facility and the 2008B-1 Hedge Facility, the "Hedge Facilities"). The initial notional amount of the 2008B-2 Hedge Facility provided by Royal Bank of Canada will be \$100,000,000; the notional amount generally will be reduced according to the schedules attached to the 2008B-2 Confirmation and the total amount of the reductions (together with reductions to the 2008B-1 notional amount) will equal the principal amounts paid on the 2008B Certificates. See "THE CERTIFICATES--Redemption of 2008 Certificates - Mandatory Sinking Fund Redemption-2008B-2 Certificates" and "BASE RENTALS SCHEDULES."

Terms. Each of the Hedge Facilities is effective on April 24, 2008, and, unless terminated early in accordance with its terms, terminates on December 15, 2037.

In general, the terms of each of the Hedge Facilities provide that the Corporation will make semiannual payments, commencing on June 15, 2008, to the applicable Hedge Provider at a fixed interest rate (4.859%) based on a notional amount equal to the Outstanding principal amount of the related 2008 Certificates. In return, the applicable Hedge Provider will make monthly payments to the District on the 9th day of each month, commencing on May 9, 2008, that reflect a variable rate of interest on the same respective notional amounts. Pursuant to each of the Hedge Facilities, the variable (or "Floating") interest rate to be paid by the applicable Hedge Provider is equal to USD-LIBOR-BBA with a designated maturity of one month. The Floating Rate generally will reset weekly (every Wednesday, effective Thursday) and the Floating Rate will be the rate appearing on the reset date. The regularly scheduled payments made by

the District under each of the Hedge Facilities (“Regularly Scheduled Hedge Payments”) will be made on a net-payment basis and are payable from Base Rentals.

The agreement by the Hedge Providers to make payments under the Hedge Facilities does not affect the District’s obligation to pay Base Rentals pursuant to the applicable Lease. In certain circumstances, the amount of actual interest payments due on the applicable series of 2008 Certificates may differ from the amount paid by the Hedge Providers to the Corporation in respect of the related Hedge Facility, and under certain circumstances, each Hedge Facility may be terminated prior to its stated termination date. See “CERTAIN RISK FACTORS--Risks Related to Hedge Facilities.” Neither the owners of the 2008 Certificates nor any other person other than the Corporation will have any rights under any Hedge Facility or against any Hedge Provider. The regular interest payments payable to the Hedge Providers constitute a component of Base Rentals payable by the District under the respective Lease and are pledged by the Corporation as part of the respective Trust Estates under each Indenture.

The Corporation’s obligation to make termination payments under each of the Hedge Facilities in the event of early termination is payable solely from the related Trust Estate on the basis described in Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A INDENTURE - Remedies of Trustee Upon the Occurrence of an Event of Default and Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A INDENTURE - Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2008A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, Auction Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased. *The District has no obligation to make any such termination payments under the respective Leases.*

The obligation of the Corporation to make the periodic fixed payments due under each Hedge Facility is insured by Financial Security Assurance Inc. pursuant to a separate financial guaranty policy relating to each respective Hedge Facility (each a “Swap Insurance Policy”). See “THE HEDGE FACILITIES--Swap Insurance.”

See “THE HEDGE FACILITIES” for a further description of the provisions of the Hedge Facilities.

Tax Status

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 applicable Lease, and received by the Owners of the respective series of 2008 Certificates, is includible in gross income for federal and State of Colorado income tax purposes. See “TAX MATTERS.”

Professionals

Kutak Rock LLP, Denver, Colorado, has acted as Bond Counsel to the District in connection with issuance of the 2008 Certificates. Sherman & Howard L.L.C. has acted as Special Counsel to the District in connection with preparation of this Official Statement. Kutak Rock LLP also will pass upon certain legal matters on behalf of the Corporation. RBC Capital Markets Corporation, Denver, Colorado, has acted as Financial Advisor to the District and also has acted as Swap Advisor to the District in connection with the 2008 Hedge Facilities. The fees of Bond Counsel, Special Counsel and the Financial Advisor will be paid only from 2008 Certificate proceeds at closing. The fees of the Swap Advisor will be paid only upon the successful closing of the 2008 Certificates. J.P. Morgan Securities Inc., New York, New York, Colorado, has acted as 2008A Underwriter with respect to the 2008A Certificates. Citigroup Global Markets Inc., New York, New York, has acted as 2008B Underwriter with respect to the 2008B Certificates. See “UNDERWRITING.” RBC Capital Markets Corporation, Denver, Colorado, will serve as the initial Remarketing Agent for both series of the 2008 Certificates. See “THE INITIAL

REMARKETING AGENT.” Wells Fargo Bank, National Association, Denver, Colorado, will act as Trustee and Tender Agent and also will act as the Escrow Bank in connection with the Refunding Project. See “THE PLAN OF FINANCE.” Certain legal matters will be passed upon for the 2008A Underwriter by Hogan & Hartson L.L.P, Denver, Colorado. Certain legal matters will be passed upon for the 2008B Underwriter by Kamlet Shepherd & Reichert, LLP, Denver, Colorado. Peck Shaffer & Williams, Denver, Colorado, is acting as counsel to the Trustee. Certain legal matters will be passed upon for the Remarketing Agent by its in-house counsel. Chapman and Cutler, LLP, Chicago, Illinois, is acting as counsel to the Initial Liquidity Provider. McKee Nelson LLP, New York, New York, is acting as counsel to the 2008A Hedge Provider. Certain legal matters will be passed upon for the 2008B-1 Hedge Provider by Cadwalader, Wickersham & Taft LLP, New York, New York. Certain matters will be passed upon for the 2008B-2 Hedge Facility Provider by its in-house counsel and by Kutak Rock LLP, Chicago, Illinois. Clifton Gunderson LLP, certified public accountants, Greenwood Village, Colorado, has audited the basic financial statements of the District which are attached hereto as Appendix A. See “INDEPENDENT AUDITORS.” Certain mathematical computations regarding the Escrow Account (defined herein) will be verified by Causey Demgen & Moore Inc., certified public accountants, Denver, Colorado. See “THE PLAN OF FINANCE--The Refunding Project - Verification of Mathematical Computations.” Also see “RELATED PARTIES.”

Exemption From Continuing Disclosure

No continuing disclosure will be provided in connection with the issuance of the 2008 Certificates based on the exemptions from the continuing disclosure requirements as set forth in subsection (d) of Securities and Exchange Commission Rule 15c2-12, promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”).

The District has covenanted in each Lease that it will execute a continuing disclosure undertaking in connection with the remarketing of the applicable series of 2008 Certificates if necessary to comply with the Rule.

Additional Information

This introduction is only a brief summary of the provisions of the 2008 Certificates, the Indentures, the Leases, the Initial Liquidity Facilities, the Hedge Facilities and other documents described in this Official Statement; a full review of the entire Official Statement should be made by potential investors. Summary descriptions of the 2008 Certificates, the Indentures, the Leases, the Initial Liquidity Facilities, the Hedge Facilities and other documents described in this Official Statement are qualified by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change.* Additional information is available from the District, the 2008A Underwriter and the 2008B Underwriter upon request to:

The District:

Marjorie Uhlar, Controller
School District No. 1 (Denver Public Schools)
900 Grant Street, Room 302
Denver, Colorado 80203
Telephone: (720) 423-3440

The Underwriters:

J.P. Morgan Securities Inc.
(2008A Certificates only)
270 Park Avenue, 6th Floor
New York, New York 10017
Attn: Municipal Short Term Group
Telephone: (212) 834-7175

Citigroup Global Markets Inc.
(2008B Certificates only)
390 Greenwich St., 5th Floor
New York, New York 10013
Attn: Short Term Trading
Telephone: (212) 723-7082.

CERTAIN RISK FACTORS

The purchase of the 2008 Certificates involves special risks and the 2008 Certificates may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below, which, among others factors discussed herein, could affect the payment of the 2008 Certificates and, in each case, could affect the market price of the 2008 Certificates to an extent that cannot be determined at this time. The following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2008 Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of such risks.

Creditworthiness of the Certificate Insurer

The long-term credit ratings of the 2008 Certificates shown on the cover page of this Official Statement are based on the issuance of the respective Policies concurrently with the issuance of the related 2008 Certificates. Such ratings are based solely on the general credit of the Certificate Insurer. Any downgrade in the rating of the Certificate Insurer may have a negative impact on the market price of the 2008 Certificates. See “SECURITY FOR THE CERTIFICATES--Certificate Insurer” for certain information about the Certificate Insurer and its current finances, including cross-references to its publicly available annual and quarterly information.

The Policies insure the scheduled payment of principal and interest on the respective series of 2008 Certificates when due. See “SECURITY FOR THE CERTIFICATES--Certificate Insurance.” The ability of the Certificate Insurer to make payment of such defaulted principal or interest under the applicable Policy may be adversely affected by the financial condition of the Certificate Insurer at such time. No assurance is given as to the current or future financial condition of the Certificate Insurer or the financial condition of any entity with which the Certificate Insurer may merge or by which it may be acquired.

If the Certificate Insurer becomes insolvent or otherwise becomes a debtor in bankruptcy, Owners of the 2008 Certificates may become general unsecured creditors of the Certificate Insurer, and, under such circumstances, timely payment of the principal and interest on the 2008 Certificates might depend entirely on the ability of the District to pay Base Rentals pursuant to the respective Lease (or, in the event of a termination of such Lease, on the sufficiency of the applicable Trust Estate to pay such amounts).

In addition, if the Certificate Insurer’s claims-paying ability and/or financial strength credit ratings drop below certain levels, a Termination Event may occur under each of the Hedge Facilities and an Immediate Termination Event or immediate Suspension Event will occur pursuant to the Initial Liquidity Facilities. See “THE HEDGE FACILITIES” and “THE INITIAL LIQUIDITY FACILITIES” for a description of the termination or default provisions related to the Certificate Insurer’s ratings. Should a Termination Event occur under the Hedge Facilities, each Hedge Provider will have the option to terminate the Hedge Facilities. If that occurs while the 2008 Certificates bear interest at a Variable Rate under the applicable Indenture, the 2008 Certificates will constitute unhedged variable rate securities and the Base Rentals payable by the District under each Lease will be subject to interest rate risk. If an Immediate Termination Event or immediate Suspension Event occurs pursuant to the Initial Liquidity Facilities, the Initial Liquidity Provider may *immediately* suspend or terminate its obligations to purchase 2008 Certificates pursuant to the applicable Liquidity Facility without prior notice to the Owners. Those events are described in “THE INITIAL LIQUIDITY FACILITIES--Events of Default and Remedies Under the Initial Liquidity Facilities - Remedies.” Therefore, should such a suspension or termination occur, payment of the purchase price of 2008 Certificates tendered for purchase will be dependent upon the successful remarketing of the 2008 Certificates by the Remarketing Agent. Should remarketing proceeds be insufficient to purchase all tendered 2008 Certificates, neither the District nor the Corporation is required to provide liquidity, and no Event of Default under the applicable Indenture will occur.

Risks Related to the Liquidity Provider and the Liquidity Facilities

Creditworthiness of the Liquidity Provider. The short-term credit ratings of the 2008 Certificates shown on the cover page of this Official Statement are based on the issuance of the respective Initial Liquidity Facilities concurrently with the issuance of the related 2008 Certificates. Such ratings are based solely on the general credit of the Initial Liquidity Provider. Any downgrade in the ratings of the Initial Liquidity Provider may negatively impact the market price of the 2008 Certificates.

Each Initial Liquidity Facility provides the Trustee with the liquidity support necessary to purchase the applicable 2008 Certificates tendered or deemed tendered for purchase as described herein. If remarketing proceeds are not sufficient to provide funds sufficient to pay the purchase price of tendered 2008 Certificates of the applicable series, the Trustee is required to draw funds under the applicable Initial Liquidity Facility in an amount sufficient to fund such deficiency. The ability of the Initial Liquidity Provider to honor such drawings may be adversely affected by its financial condition at the time of such draws. No assurance is given as to the current or future financial condition of the Initial Liquidity Provider or the financial condition of any entity with which the Initial Liquidity Provider may merge or by which it may be acquired. For more information about the Initial Liquidity Provider, see “THE INITIAL LIQUIDITY FACILITIES” and Appendix F - Initial Liquidity Provider Information.

If the Initial Liquidity Provider becomes insolvent or otherwise becomes a debtor in bankruptcy, Owners of the 2008 Certificates may become general unsecured creditors of the applicable Initial Liquidity Provider, and, under such circumstances, timely payment of the purchase price of 2008 Certificates subject to tender for purchase might depend entirely on the ability of the District to pay Base Rentals pursuant to the respective Lease (or, in the event of a termination of such Lease, on the sufficiency of the applicable Trust Estate to pay such amounts).

Risk of Suspension or Termination of Liquidity Providers’ Obligations. Upon the occurrence of certain events (including, but not limited to, certain events related to the Certificate Insurer or its credit ratings), the Initial Liquidity Provider may *immediately* suspend or terminate its obligations to purchase 2008 Certificates pursuant to the applicable Initial Liquidity Facility without prior notice to the Owners. The events that could result in an immediate suspension or termination of the Initial Liquidity Provider’s obligations to purchase 2008 Certificates are detailed in “THE INITIAL LIQUIDITY FACILITIES--Events of Default and Remedies Under the Liquidity Facilities - Remedies.” The Initial Liquidity Provider also may cause a Mandatory Tender of the 2008 Certificates as described in “THE 2008 CERTIFICATES--Mandatory Liquidity Facility Tender” and “THE INITIAL LIQUIDITY FACILITIES--Events of Default and Remedies under the Liquidity Facilities - Remedies.”

If either Initial Liquidity Facility is suspended or terminated, the Certificate Insurer will not pay the purchase price of 2008 Certificates subject to tender for purchase. Therefore, should such a suspension or termination occur, payment of the purchase price of 2008 Certificates tendered for purchase will be dependent upon the successful remarketing of the 2008 Certificates by the Remarketing Agent. Should remarketing proceeds be insufficient to purchase all tendered 2008 Certificates, neither the District nor the Corporation is required to provide liquidity, and no Event of Default under the applicable Indenture will occur.

Under certain circumstances, if there are insufficient Available Moneys for the purchase of all 2008 Certificates and Beneficial Ownership Interests optionally tendered purchase or tendered pursuant to the mandatory tender provisions described in “Mandatory Tender of Certificates Upon Conversion to a New Interest Rate Mode and Upon Interest Rate Adjustment Date While in Term Rate Interest Rate Mode,” *none* of the tendered 2008 Certificates will be tendered and the Interest Rate Mode will automatically convert to the Weekly Rate Interest Rate Mode and the Weekly Rate will be the lesser of 18% per annum or the maximum rate permitted by law (the “Maximum Rate”). The circumstances pursuant to which this could occur are detailed in “THE CERTIFICATES--Mandatory Tenders for Purchase - Notice of Termination or Suspension of Liquidity Provider’s Obligations.”

Inability to Obtain Substitute Liquidity Facility. Each Initial Liquidity Facility expires on April 23, 2011. No assurances can be given that the District will be able to extend either or both of the Initial Liquidity Facilities or obtain a Substitute Liquidity Facility with respect to either series of 2008 Certificates upon the terms required by the respective Lease and the respective Indenture until and including the final maturity dates of such 2008 Certificates or until the interest rate on such 2008 Certificates is converted to a Fixed Rate. Failure to extend an Initial Liquidity Facility or obtain a Substitute Liquidity Facility will result in a mandatory purchase of the related 2008 Certificates prior to maturity at a price of par. The mandatory purchase of such 2008 Certificates on such a mandatory purchase date may not be waived. See “THE 2008 CERTIFICATES--Mandatory Tenders for Purchase.”

Increased Costs Associated with 2008 Liquidity Provider Certificates. Pursuant to the Initial Liquidity Facilities, certain unpaid fees will bear interest at the “Default Rate” and 2008 Certificates purchased by a Liquidity Provider pursuant to a Liquidity Facility (“2008 Liquidity Provider Certificates”) will bear interest at the “Liquidity Provider Certificate Rate,” each as defined in the Initial Liquidity Facilities. Those interest rates could be substantially higher than the variable rate that otherwise would apply to the calculation of interest on the 2008 Certificates; any increases in those interest rates will increase the amount of Base Rentals payable pursuant to the applicable Lease, which could increase the risk of Nonappropriation by the District.

Nonappropriation

The Certificate Insurer and/or the Liquidity Facilities may be unavailable to pay the principal of, interest on, or purchase price of 2008 Certificates for numerous reasons discussed throughout this Official Statement, including the suspension or termination of the Liquidity Facilities pursuant to their terms. Therefore, prospective purchasers of the 2008 Certificates should look to the ability of the District to pay Base Rentals pursuant to each Lease; such Base Rentals will provide funds for payment of principal and interest on the related 2008 Certificates.

The District is not obligated to pay Base Rentals or Additional Rentals under either Lease unless funds are budgeted and appropriated for such rentals by the District each year. If, by the last date of each Fiscal Year, the District does not specifically budget and appropriate amounts sufficient to pay all Base Rentals due under the respective Lease in the next Fiscal Year, and to pay such Additional Rentals as are estimated to become due under the respective Lease in the next Fiscal Year, an “Event of Nonappropriation” with respect to that Lease occurs. If an Event of Nonappropriation occurs, the District is deemed to have terminated its obligations under the applicable Lease, and the District will not be obligated to make payment of the Base Rentals or Additional Rentals which accrue under that Lease after the last day of the fiscal year during which such Event of Nonappropriation occurs (except for any period for which the District continues to retain possession of the Leased Property subject to that Lease). For a detailed description of all actions that would result in an Event of Nonappropriation, see Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A LEASE - Event of Nonappropriation.

Various political, legal and economic factors could lead to the nonappropriation of sufficient funds to make the required payments under either or both of the Leases, and prospective investors should carefully consider any factors which may influence the budgetary process. There is no assurance that the Board will appropriate sufficient funds each year, and the District has no obligation to do so. In addition, the ability of the District to maintain adequate revenues for its operations and obligations in general (including obligations associated with the Leases) is dependent upon several factors outside the District’s control, such as amendments or revisions to the constitutional and statutory provisions governing the District’s funding (see “DISTRICT FINANCIAL OPERATIONS--School Finance Act”), the general economy, the assessed value of property in the District (which may be affected by numerous factors, including without limitation, increasing foreclosures and general market downturns) and tax collections. It is impossible to predict changes to national, State or local economic conditions or to predict whether or how existing or future economic conditions will affect the District’s finances in general or the Board’s

decision each year to appropriate funds to pay Base Rentals and Additional Rentals pursuant to each Lease. See “LEGAL MATTERS--Certain Constitutional Limitations,” “SECURITY FOR THE CERTIFICATES” and “DISTRICT FINANCIAL OPERATIONS.”

The District may choose to budget and appropriate amounts due under one of the Leases while choosing not to do so with respect to the other Lease. Failure to appropriate with respect to one Lease does not constitute an Event of Nonappropriation or an Event of Default with respect to the other Lease.

Sources of Base Rental and Additional Rental Payments

The obligation of the District to pay Base Rentals and Additional Rentals pursuant to each Lease is limited to those District funds that are specifically budgeted and appropriated annually by the Board for such purpose. Each Lease directs the Chief Financial Officer of the District (or any other officer charged at any time with the responsibility of formulating budget proposals with respect to the applicable Leased Property) to include, in the annual budget proposals submitted to the Board, items for all payments required under that Lease for the ensuing Fiscal Year, until such time (if any) as the District determines to terminate that Lease. See Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A LEASE - Event of Nonappropriation. Each Lease provides that it is the intention of the District that any decision not to renew that Lease is to be made solely by the Board and not by any other official or employee of the District.

In addition to the Regularly Scheduled Hedge Payments under the respective Hedge Facilities, various regularly scheduled fees associated with each series of 2008 Certificates are payable as Base Rentals and have the same priority on such payments as the principal and interest on the 2008 Certificates. Those fees include: fees due to any Liquidity Provider pursuant to a Liquidity Facility; Remarketing Agent fees; Tender Agent fees; Trustee fees; Custodian fees; Auction Agent fees; and any amounts payable by the Corporation to the applicable Certificate Insurer pursuant to the applicable Guaranty Agreement (each a “Guaranty Agreement”) to reimburse the Certificate Insurer for any draws upon the applicable Reserve Fund Policy. See “SECURITY FOR THE CERTIFICATES--The Reserve Fund - Reserve Fund Policies.” The District may not determine to appropriate only that portion of Base Rentals that comprises principal and interest on the respective series of 2008 Certificates; if any amounts are appropriated pursuant to the respective Leases, the appropriation must include the payment of principal and interest on the related 2008 Certificates as well as all other amounts included in Base Rentals. See “BASE RENTALS SCHEDULES.”

Effect of a Termination of the Lease Term

General. In the event of termination of the District’s obligations under any Lease upon the occurrence of an Event of Nonappropriation or an Event of Default under that Lease, the District is required to vacate the related Leased Property within 90 days following the Event of Nonappropriation. The District’s failure to do so will constitute an Event of Default under the applicable Lease. In the case of any Event of Default or an Event of Nonappropriation, the Trustee may, with the prior consent of the Certificate Insurer: (a) terminate the Lease Term and give notice to the District to immediately vacate the real property included in the applicable Leased Property; (b) sell or lease its interest in all or any portion of the applicable Leased Property; (c) recover from the District (i) the portion of Base Rentals and Additional Rentals payable pursuant the applicable Lease for such 90-day period (if such amounts have been appropriated), (ii) the portion of Base Rentals for the then current Fiscal Year that has been specifically appropriated by the Board, 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, but only to the extent such Additional Rentals are payable prior to the date, or are attributable to the use of the applicable Leased Property prior to the date, the District vacates the Land and Improvements; (d) enforce any provision of the applicable Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under the applicable Lease 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 subject to the applicable Lease, subject, however, to certain limitations on the obligations of the District and the Corporation set forth in the applicable Lease. For a discussion of the Events of Default and Remedies under each Lease, see Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A LEASE - Events of Default and Remedies. All property, funds and rights acquired by the Trustee following the termination of a Lease resulting from the occurrence of an Event of Nonappropriation, an Event of Default or any other event upon which such Lease will terminate (see Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A LEASE - Effect of Termination of the Lease Term), along with other moneys then held by the Trustee under the related Indenture and available to pay the related 2008 Certificates, are required to be used to redeem those 2008 Certificates, if and to the extent any such moneys are realized.

If either series of 2008 Certificates is redeemed subsequent to a termination of the related Lease Term for an amount less than the aggregate principal amount thereof and accrued interest thereon, such partial payment will be deemed to constitute a redemption in full of such 2008 Certificates pursuant to the applicable Indenture; and upon such a partial payment, no owner of any 2008 Certificate of the applicable series will have any further claims for payment upon the Corporation, the Trustee or the District.

Factors Affecting Value of Leased Property. Owners of the 2008 Certificates should not assume that it will be possible to repossess, liquidate or otherwise dispose of the Trustee's interest in the applicable Leased Property, or any portion thereof, for an amount equal to the aggregate principal amount of the related 2008 Certificates then outstanding plus accrued interest thereon.

Information about the valuation of the land and buildings comprising the 2008A Leased Property and the 2008B Leased Property is set forth in "SECURITY FOR THE CERTIFICATES--The Leased Property." Because the Leased Property will consist primarily of school buildings and related improvements of particular design and use for school purposes, the Leased Property may not be easily converted to alternate uses. The Leased Property is subject to applicable zoning and building codes and in some cases also is subject to subdivision plat limitations. Hill Middle School and Abraham Lincoln High School are subject to certain residential area restrictions that may limit the commercial uses of the properties. With respect to East High School, West High School and the Fox Street Administration Building, the height of any structures on the land is limited by Denver's mountain view preservation ordinances. Most of the parcels comprising the Leased Property also are subject to various utility and ingress/egress easements and several are subject to reserved coal or other mineral rights. With respect to West High School, buildings existing on wastewater easements are allowed, but no new structures or improvements which encroach on the easements may be added. In addition, certain of the school buildings comprising the Leased Property (Hill, Merrill, Grant and Skinner Middle Schools and West High School) have been designated as historic preservation sites and East High School is subject to an agreement requiring preservation of the building's architecture and structural integrity through 2028; it may be difficult or impossible to acquire building permits in order to convert those schools to other uses.

The District's property and casualty insurer currently values all District properties at least every three years. The value of each building comprising each piece of Leased Property (set forth in "SECURITY FOR THE CERTIFICATES--The Leased Property") represents the insurance replacement valuation of the buildings in spring 2007. The value of the land comprising the Leased Property represents estimates of the market value in 2007 by District Facilities Management staff based on recent offers for school district property, taking into account the fact that middle schools exist in areas on or near to more highly-traveled roadways and are large enough for business type use and high schools are located on highly-traveled streets with large tracts of contiguous property which could be used for major housing expansion, business or commercial use considerations. Other than the valuations of the school buildings for insurance purposes, no appraisals of the Leased Property have been completed. The value of the 2008A Leased Property using these estimates currently is approximately \$38.6 million less than the

principal amount of the 2008A Certificates and the value of the 2008B Leased Property using these estimates currently is approximately \$20.4 million less than the principal amount of the 2008B Certificates. The Leased Property may depreciate in value each year. It is not possible to predict whether the depreciated value of the applicable Leased Property will be equal to the aggregate principal amount of the related 2008 Certificates outstanding, plus accrued interest thereon, at any particular future point in time. *There is no guarantee that the Trustee will be able to repossess, liquidate or otherwise dispose of its interest in the applicable Leased Property in an amount equal to the amount of the respective outstanding 2008 Certificates secured by such Leased Property or to pay such 2008 Certificates as originally scheduled.*

Environmental Factors. The District is not aware of any significant environmental or hazardous substance conditions with respect to any of the Leased Property. Nonetheless, the value of the Leased Property could be adversely affected by the presence, or even by the alleged presence, of hazardous substances. In general, the owner of property may be required by law to remedy conditions on the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but other federal, state and local provisions pertain to hazardous substances as well. Under many of these laws, the owner of property is obligated to investigate and remediate a hazardous substance on such property whether or not the owner had anything to do with the generation or disposal of the hazardous substance.

In the event of foreclosure, if any of the Leased Property is determined to contain an environmental hazard, any remediation costs would be paid from the Trust Estate prior to the payment of 2008 Certificates; in that event, the proceeds of the foreclosure may not be sufficient to pay the principal and interest due on the applicable 2008 Certificates. 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 under the applicable Indenture.

Enforceability of Remedies; Liquidation Delays

Under each Lease, the Trustee has the right to take possession of and dispose of its leasehold interest in the related Leased Property upon an Event of Nonappropriation or an Event of Default under such Lease. However, the enforceability of each Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors’ rights generally and liens securing such rights, and the police powers of the District. Because the Leased Property likely will be used by the District to provide for the welfare and safety of school children (or for other school-related purposes), a court in any action brought to enforce the remedy of the Trustee to take possession of Leased Property may delay repossession for an indefinite period, even though the District may be in default under the applicable Lease. As long as the Trustee is unable to take possession of the related Leased Property, it will be unable to sell or lease such Leased Property as permitted under the Leases or to redeem or pay the related 2008 Certificates except from funds otherwise available to the Trustee under the related Indenture. See “SECURITY FOR THE CERTIFICATES.”

Risk of Redemption or Purchase At Par Prior to Maturity

In considering whether the 2008 Certificates might be redeemed or purchased prior to maturity, owners of the 2008 Certificates should consider the information included in this Official Statement under the headings “THE 2008 CERTIFICATES--Redemption of 2008 Certificates” and “THE 2008 CERTIFICATES--Mandatory Tenders for Purchase.” The effect on Owners of such mandatory purchases would be the same as an early redemption at par.

Risks Related to Hedge Facilities

General. The Corporation will make payments to each Hedge Provider based on a notional amount equal to the Outstanding principal amount of the applicable series or subseries of 2008 Certificates and a fixed rate of 4.859%. The Corporation will receive payments from each of the Hedge Providers based on the same respective notional amounts and a variable rate as described in “INTRODUCTION--The Hedge Facilities.”

Each of the Hedge Facilities exposes the Corporation to certain risks including, but not limited to, the risk that payments received by the Corporation from the applicable Hedge Provider could be substantially less than the variable rate interest payments due on the related series of 2008 Certificates. The payment obligations of the Corporation under the Hedge Facilities do not remove the obligation of the Corporation also to pay Base Rentals on the related series of 2008 Certificates. Accordingly, unless the applicable Lease is terminated as described herein, the Corporation remains obligated to pay debt service on the 2008 Certificates regardless of whether amounts received from the applicable Hedge Provider pursuant to the applicable 2008 Hedge Facility are sufficient to pay the interest due on the related 2008 Certificates.

Hedge Facility Payments are Payable From Base Rentals. Regularly Scheduled Hedge Payments due to each Hedge Provider are payable by the District as Base Rentals and therefore have the same payment priority as the payment of the principal and interest on the related 2008 Certificates.

Financial Condition of Hedge Providers. The ability of the Corporation to make full payment of the principal and interest due on the 2008 Certificates will depend to a certain degree upon the timely receipt of payments from the Hedge Providers under the Hedge Facilities. A negative change to the financial position of any of the Hedge Providers (including bankruptcy or insolvency) at any time may negatively impact payments to the Corporation pursuant to the applicable Hedge Facility to an extent that cannot be determined. If any of these events occur and payments are not made or are delayed, a delay or a default in payments of the principal of and interest on the related 2008 Certificates may occur.

Risks Related to Performance by Third Parties

The District and the Corporation have entered into agreements with various third parties regarding the custody or investment of funds, including but not limited to the Indentures, the Initial Liquidity Facilities, the Hedge Facilities, the Remarketing Agreement, a Certificate Fund Forward Delivery Agreement (described in “THE 2008 CERTIFICATES--Certificate Fund Investment Agreement”), a custody agreement related to custody of the District’s Bond Redemption Fund (see “DISTRICT FINANCIAL OPERATIONS--School District Funds - Bond Redemption Fund”), the Policies, the Reserve Fund Policies, the Swap Insurance Policies, and a Letter of Credit and Reimbursement Agreement (funding a portion of the District’s constitutionally required emergency reserve fund as described in “DISTRICT FINANCIAL OPERATIONS--School District Funds - General Fund”). The failure or inability of the other parties to those agreements to perform could delay or otherwise negatively impact the District’s cash flow or overall finances to such an extent that Base Rentals (and therefore payment of principal and interest on the 2008 Certificates) cannot be paid. Also see “RELATED PARTIES.”

Risks Related to Remarketing of the 2008 Certificates

The Remarketing Agent is Paid by the Corporation. The Remarketing Agent will enter into a Remarketing Agreement with the Corporation. See “INITIAL REMARKETING AGENT.” The Remarketing Agent’s responsibilities pursuant to the Remarketing Agreement include determining the interest rate on the 2008 Certificates from time to time and using best efforts to remarket 2008 Certificates that are optionally or mandatorily tendered by the Owners thereof for purchase pursuant to the Indentures (subject, in each case, to the terms of the Remarketing Agreement). See “THE 2008

CERTIFICATES--Optional Tenders for Purchase” and “Mandatory Tenders for Purchase.” The Remarketing Agent is appointed by the Corporation and is paid by the Corporation for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of the 2008 Certificates.

The Remarketing Agent Routinely Purchases Bonds and Certificates for Its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered 2008 Certificates for its own account. In its sole discretion, the Remarketing Agent may acquire tendered 2008 Certificates in order to achieve a successful remarketing of the 2008 Certificates (i.e., because there otherwise are not enough buyers to purchase the 2008 Certificates) or for other reasons. However, the Remarketing Agent is not obligated to purchase 2008 Certificates and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the 2008 Certificates by routinely purchasing and selling 2008 Certificates other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the 2008 Certificates. The Remarketing Agent may also sell any 2008 Certificates it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2008 Certificates. The purchase of 2008 Certificates by the Remarketing Agent may create the appearance that there is greater third party demand for the 2008 Certificates in the market than is actually the case. The practices described above also may result in fewer 2008 Certificates being tendered in a remarketing.

2008 Certificates May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2008 Certificates bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Interest Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the 2008 Certificates (including whether the Remarketing Agent is willing to purchase 2008 Certificates for its own account). There may or may not be 2008 Certificates tendered and remarketed on an Interest Rate Determination Date, the Remarketing Agent may or may not be able to remarket any 2008 Certificates tendered for purchase on such date at par and the Remarketing Agent may sell 2008 Certificates at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2008 Certificates at the remarketing price. In the event the Remarketing Agent owns any 2008 Certificates for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2008 Certificates on any date, including the Interest Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the 2008 Certificates Other Than Through the Tender Process May be Limited. The Remarketing Agent may buy and sell 2008 Certificates other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their 2008 Certificates to do so through the Tender Agents with appropriate notice. Thus, investors who purchase the 2008 Certificates, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008 Certificates other than by tendering the 2008 Certificates in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Cease Remarketing the 2008 Certificates, Without a Successor Being Named. Under certain circumstances, the Remarketing Agent may be removed or resign or cease its remarketing efforts without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent for a series of 2008 Certificates, the Trustee may assume such duties as required by the applicable Indenture; provided, however, that the Trustee shall not remarket any 2008 Certificates or fix the interest

rate for any 2008 Certificates, but shall be required only to implement the purchase of 2008 Certificates pursuant to the applicable Liquidity Facility.

Effect of Termination on Exemption from Registration

Bond Counsel has disclaimed any opinion as to the transferability of 2008 Certificates under the federal securities laws after a termination of the related Lease.

Condemnation Risk

Owners of the 2008 Certificates bear the risk that the District, Denver, the State or another political subdivision with eminent domain power could condemn all or a portion of the Leased Property. Compensation received from any condemnation comprises Net Proceeds pursuant to each Indenture. For a description of the required application of such Net Proceeds, see Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A LEASE - Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property.

Under current case law, local governments in the State may exercise eminent domain powers to reacquire property subject to an annually terminable lease purchase agreement. In the mid-1990's, the City of Sheridan, Colorado ("Sheridan") sought, by condemnation, to reacquire property leased pursuant to such a lease purchase agreement at a fraction of the remaining lease payments (which would be paid to owners of certificates of participation in Sheridan's lease). Sheridan's condemnation suit was successful; however, Sheridan was unable to pay the court-determined amount representing the value of the property and vacated the building in favor of the trustee. Sheridan eventually reached a settlement with the trustee and reacquired possession of the leased building from the trustee. Pursuant to this settlement, certificate holders reportedly received less than half of the amounts due them under the certificates. The District considers the occurrence of a situation such as the one described above to be unlikely because, unlike Sheridan, the District's tax base is not heavily dependent upon a single taxpayer; however, there is no assurance that the Leased Property (or portions thereof) would not be condemned in the future.

Casualty Risk; Insurance Coverage Risk

Each Lease requires that the District provide casualty and property damage insurance for the related Leased Property in an amount equal to the greater of the related 2008 Certificates then outstanding or the full replacement value of the Improvements, and public liability insurance with respect to the activities to be undertaken by the District in connection with the Leased Property, the Project and the Leases to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act or any successor statute, in an amount not less than the amounts for which the District may be liable to third parties thereunder, and for all other activities, in an amount not less than \$1,000,000 per occurrence. The District may provide such insurance through commercial policies or, in its discretion, through a qualified self-insurance pool. For a description of the requirements of a qualified self-insurance pool, see Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A LEASE - Taxes, Utilities and Insurance. The District currently maintains the insurance described in "THE DISTRICT--Insurance."

If all, substantially all or any portion of the Leased Property is damaged or destroyed by any casualty, there is no assurance that casualty insurance proceeds and other available monies of the District will be sufficient either to repair or replace the damaged or destroyed property or to pay the applicable series of 2008 Certificates, if such 2008 Certificates are called for mandatory redemption as a result of such casualty. Delays in the receipt of casualty insurance proceeds pertaining to the Leased Property or delays in the repair, restoration or replacement of such property damaged or destroyed could have an adverse effect upon the ability of the District to make timely rental payments under the related Lease. See "THE DISTRICT--Insurance."

There also is no assurance that, in the event either Lease is terminated as a result of damage to or destruction of the related Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the related 2008 Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date. Further, no representation is made as to the claims-paying ability of any insurer, including the pool described in “THE DISTRICT--Insurance” or of the District’s ability to pay any self-insured amounts.

Changes in Laws

Various Colorado laws and constitutional provisions apply to the imposition, collection, and expenditure of ad valorem property taxes and other revenues and the operation and finances of the District. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District and the imposition, collection, and expenditure of its revenues. See “DISTRICT FINANCIAL OPERATIONS--School Finance Act” and “LEGAL MATTERS--Certain Constitutional Limitations.”

Forward-Looking Statements

This Official Statement, particularly the sections entitled “BASE RENTALS SCHEDULES,” “DISTRICT FINANCIAL OPERATIONS--Budget Process” and “DISTRICT FINANCIAL OPERATIONS--General Fund Budget Summary and Comparison,” contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results. Those differences could be material and could impact the future availability of Lease Revenues.

Secondary Market

There can be no assurance or guaranty that a market for the 2008 Certificates can or will be maintained. Accordingly, each potential investor should be prepared to hold its 2008 Certificates to maturity.

THE PLAN OF FINANCE

Uses of Certificate Proceeds

The proceeds from the sale of the 2008 Certificates are expected to be applied in the following manner. The uses of the 2008 Certificate proceeds are described in further detail in “The Financing Project” and “The Refunding Project” below.

Uses of Certificate Proceeds

<u>Sources</u>	<u>Amount</u>
2008A Certificate proceeds	\$450,000,000
2008B-1 Certificate proceeds	200,000,000
2008B-2 Certificate proceeds	<u>100,000,000</u>
Total	<u>\$750,000,000</u>

<u>Uses</u>	
Deposit to Escrow Account	\$314,929,662
Project Fund deposit	397,800,000
Deposits to Interest Account.....	4,550,886
Stabilization Account deposits	3,000,000
Costs of issuance (1).....	<u>29,719,452</u>
Total	<u>\$750,000,000</u>

- (1) Includes Underwriters’ discount, premiums for the Policies and the Reserve Fund Policies, and termination payments of \$12,129,000 in connection with the 2005 Swaps (defined below).

Source: The Underwriters.

The Financing Project

The Plan Generally. The District contributes to the Denver Public Schools Retirement System (“DPSRS”), a cost-sharing multiple-employer defined benefit pension plan (the “Plan”), which provides defined retirement, death and limited benefits to Plan members and beneficiaries. Participation in the Plan is mandatory for all full-time District employees. For more information about the Plan, see “DISTRICT FINANCIAL INFORMATION--Benefits and Pension Matters.”

The District is obligated to make annual contributions into the Plan. The amount of the annual contribution is determined by an independent actuary as an amount that will be sufficient, after taking into account all employer and employee contributions, to meet the normal cost of the Plan and to fully amortize any liability that has accrued under the Plan and which has not been paid through normal contributions (the “UAAL”). As of January 1, 2007, the UAAL was \$394.9 million; the independent actuaries estimated that the UAAL was \$397.8 million as of December 31, 2007. That estimate was based upon certain assumptions, including an employer normal cost rate of 7.58%, specified contribution and payroll valuations, and an assumption of no asset or liability gains or losses during 2007.

The Financing Project. The District expects to use a portion of the proceeds of the 2008 Certificates to discharge all of the currently estimated UAAL. To the extent that the proceeds of the 2008 Certificates do not discharge all of the District’s UAAL, the District will be required to amortize the remaining amounts as described in “DISTRICT FINANCIAL INFORMATION--Benefits and Pension Matters.”

The Refunding Project

General. The District will use a portion of the 2008 Certificate proceeds to advance refund the Refunded 1997 PCOPS and to currently refund the 2005A Certificates and the 2005B Certificates.

In order to accomplish the Refunding Project, the District will deposit a portion of the 2008 Certificate proceeds into three escrow accounts (the “1997 Escrow, the 2005A Escrow,” and the “2005B Escrow,” respectively), established pursuant to three separate escrow agreements and held by the Trustee. The 1997 Escrow will be established for the Refunded 1997 PCOPS, the 2005A Escrow will be established for the 2005A Certificates, and the 2005B Escrow will be established for the 2005B Certificates.

The amounts deposited with the Escrow Bank for the 1997 Escrow will be invested in federal securities maturing at such times and in such amounts as required to provide funds sufficient to pay: (i) the principal of and interest on the current interest portion of the Refunded 1997 PCOPS Certificates as it becomes due on and after the date of delivery of the 2008 Certificates through the respective maturity dates of such Refunded 1997 PCOPS; and (ii) the Value at Maturity (a total of \$112,155,000, which is equal to the original principal amount of the capital appreciation portion of the Refunded 1997 PCOPS plus all interest compounded thereon to maturity) of the capital appreciation portion of such Refunded 1997 PCOPS on their respective maturity dates.

The amounts deposited with the Escrow Bank for the 2005A Escrow will be invested in federal securities maturing at such times and in such amounts as required to provide funds sufficient to pay the principal of and interest on the 2005A Certificates upon prior redemption on May 15, 2008.

The amounts deposited with the Escrow Bank for the 2005B Escrow will be invested in federal securities maturing at such times and in such amounts as required to provide funds sufficient to pay the principal of and interest on the 2005B Certificates upon prior redemption on May 15, 2008.

Termination of 2005 Swaps. A portion of the proceeds of the 2008 Certificates will be used to fund termination payments with respect to two interest rate exchange agreements (the “2005 Swaps”) entered into by the Corporation and JPMorgan Chase Bank, National Association (the “2005 Hedge Provider”) in connection with the issuance of the 2005A Certificates and the 2005B Certificates. See “DISTRICT DEBT AND OTHER OBLIGATIONS--Other District Obligations.”

Verification of Mathematical Computations. Prior to the delivery of the 2008 Certificates, Causey, Demgen & Moore Inc., certified public accountants, Denver, Colorado, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them by J.P. Morgan Securities Inc., relating to the adequacy of the maturing principal amounts of and interest due on the United States government obligations held in the 1997 Escrow, the 2005A Escrow and the 2005B Escrow and interest to be earned thereon to pay all of the principal of and interest on the current interest portion of the Refunded 1997 PCOPS and the Value at Maturity of the capital appreciation portion of the Refunded 1997 PCOPS, the principal of and interest on the 2005A Certificates and the principal and interest on the 2005B Certificates, respectively.

THE 2008 CERTIFICATES

This Official Statement provides information concerning the 2008 Certificates in the Term Rate Interest Rate Mode, the Weekly Rate Interest Rate Mode or the Monthly Rate Interest Rate Mode. It is not intended for use in connection with any conversion of the 2008 Certificates to the Floating Interest Rate Mode, the Auction Interest Rate Mode or the Fixed Interest Rate Mode (each as defined herein) and should not be relied upon for information in connection with any conversion to those Interest Rate Modes.

General

The 2008 Certificates initially will be issued as fully registered certificates without coupons in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. The 2008 Certificates will be dated and will mature as set forth on the cover page of this Official Statement. Each 2008 Certificate shall bear interest from the Interest Payment Date to which interest has accrued and has been paid, or if prior to the first Interest Payment Date for the 2008 Certificates, from the date of the original issuance of the 2008 Certificates until payment of the principal or redemption price thereof shall have been made or provided for.

The 2008 Certificates will be issued only in fully registered form and will initially be registered in the name of "Cede & Co.," as nominee for DTC, which initially will act the Securities Depository for the 2008 Certificates pursuant to the Indentures. Purchases by beneficial owners of the 2008 Certificates ("Beneficial Owners") are to be made in book-entry only form. Beneficial Owners will not receive certificates evidencing their ownership interests in the 2008 Certificates. So long as DTC or its nominee, Cede & Co., is the Registered Owner of the 2008 Certificates, payments of the principal of, premium, if any, and interest on the 2008 Certificates will be made by the Trustee directly to Cede & Co., as nominee of DTC. Disbursements of such payments to DTC Participants (as defined in Appendix C to this Official Statement) are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners of the 2008 Certificates are the responsibility of the DTC Participants. See "Book-Entry Only System" under this caption.

Payment Provisions

The principal of each 2008 Certificate shall be payable at the Operations Center of the Trustee upon presentation and surrender of the 2008 Certificate. Payment of interest on any 2008 Certificate (other than a 2008 Liquidity Provider Certificate) shall be made to the Person who is the Owner thereof at the close of business on the applicable Record Date for such Interest Payment Date by check mailed by the Trustee on such Interest Payment Date (or, if such Interest Payment Date is not a Business Day, on the next succeeding Business Day) to such Owner at his or her address as it appears on the registration records kept by the Trustee. Any such interest not so timely paid shall cease to be payable to the Person who is the Owner thereof at the close of business on the Record Date and shall be payable to the Person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. The Special Record Date shall be fixed whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owners of the affected 2008 Certificates not less than ten days prior thereto by first class postage prepaid mail to each such Owner as shown on the registration records, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Trustee may make payments of interest on any 2008 Certificate by such alternative means as may be mutually agreed to in writing between the Owner of such 2008 Certificate and the Trustee. If any 2008 Certificate is not paid upon its presentation and surrender at or after its maturity or prior redemption, interest shall continue at its stated rate per annum until the principal thereof is paid in full. All such payments shall be made in lawful money of the United States of America.

Notwithstanding the foregoing and while the 2008 Certificates are held by a Securities Depository or its agent, interest on any 2008 Certificate (other than a 2008 Liquidity Provider Certificate)

shall be paid by wire transfer in immediately available or next day funds to the bank account number and address filed with the Trustee by such Securities Depository.

Any payment of the purchase price of a 2008 Certificate tendered for purchase as described below in “Optional Tenders for Purchase” and “Mandatory Tenders for Purchase” will be paid in full by the Tender Agent on the applicable Certificate Purchase Date, in lawful money of the United States of America, in an amount equal to the principal amount to be purchased and accrued interest, if any.

Certificate Fund Investment Agreement

The Corporation, the Trustee and JPMorgan Chase Bank, National Association (the “Provider”) have entered into a Certificate Fund Forward Delivery Agreement dated as of February 12, 2003, as amended by the First Amendment to Certificate Fund Forward Delivery Agreement dated as of March 24, 2005, and the Second Amendment to Certificate Forward Delivery Agreement to be dated as of April 24, 2008 (collectively, the “Forward Delivery Agreement” or the “Certificate Fund Investment Agreement”). Pursuant to the Forward Delivery Agreement, in 2003 the Corporation received approximately \$9.6 million for deposit into the District’s General Fund. In exchange for this amount, the District agreed to make the base rental payments due into the certificate fund created pursuant to the 1997 PCOPS indenture (and held by the Trustee) on July 11 of each year; the Trustee uses the funds in the certificate fund to purchase investment securities from the Certificate Fund Investment Provider. The securities mature at such times as are required to meet the principal and interest payments on the 1997 PCOPS on June 15 and December 15 of the same fiscal year. In 2005, the Forward Delivery Agreement was amended to apply to the 2005A Base Rentals (including payment of the principal and interest due on the 2005A Certificates and various other fees) as well as the 1997 PCOPS. Pursuant to the Second Amendment, the Forward Delivery Agreement also will apply to the 2008A Base Rentals (including payment of principal and interest due on the 2008A Certificates and the various other fees as discussed in “CERTAIN RISK FACTORS--Sources of Base Rental and Additional Rental Payments”).

The amount received under the Forward Delivery Agreement is being amortized over the term of the agreement for purposes of generally accepted accounting principles (“GAAP”) as described in Note 2 to the District’s audited financial statements attached hereto as Appendix A.

Interest Rate Modes

General. Each series of the 2008 Certificates initially will bear interest at the Weekly Rate. The first Interest Payment Date on the 2008 Certificates will be May 15, 2008.

The 2008 Certificates may bear interest in one of several different Interest Rate Modes: Weekly Rate, Monthly Rate, Term Rate (each a “Variable Rate”); Floating Rate, Fixed Rate; and Auction Rate (collectively, the “Interest Rate Modes”). The Interest Rate Modes are described more specifically below.

All of the certificates within a series of 2008 Certificates must bear interest in the same Interest Rate Mode at all times. However, the separate series of 2008 Certificates may bear interest in different Interest Rate Modes at any given time. The interest rate borne by the 2008 Certificates (for any 2008 Certificate in an Interest Rate Mode other than the Auction Rate Interest Rate Mode) shall not exceed the Maximum Rate (the lesser of 18% per annum or the maximum rate permitted by law).

For purposes of the following discussion, the following definitions apply:

“Interest Payment Date” or “Interest Payment Dates” means, (a) for any 2008 Certificates in the Weekly Rate Interest Rate Mode, the Monthly Rate Interest Rate Mode or the Term Rate Interest Rate Mode, the 15th day of each calendar month following a month in which interest at such rate has accrued, commencing on May 15, 2008, and (b) for all 2008 Certificates, each Interest Mode Conversion Date, mandatory sinking fund redemption date therefor and the maturity date applicable thereto.

“Interest Rate Adjustment Date” means any date on which the interest rate on any 2008 Certificates may be adjusted (other than 2008 Liquidity Provider Certificates), either as the result of the conversion of the Interest Rate Mode for such 2008 Certificates to a different Interest Rate Mode, or by adjustment of the interest rate on such 2008 Certificates within the applicable Interest Rate Mode. The Interest Rate Adjustment Date shall be the Interest Mode Conversion Date and thereafter, for each succeeding Interest Rate Period: (a) the day following the last day of a Term Rate Period if such Certificates are in the Term Rate Interest Rate Mode; (b) the first day of a calendar month if such 2008 Certificates are in the Monthly Rate Interest Rate Mode; and (c) Wednesday of each week if such 2008 Certificates are in the Weekly Rate Interest Rate Mode.

“Interest Rate Determination Date” means, with respect to any Interest Rate Period, the Business Day immediately preceding the Interest Rate Adjustment Date beginning such Interest Rate Period.

“Interest Rate Period” means that period of time for which the interest rate with respect to a series of 2008 Certificates has been determined by the Remarketing Agent for such 2008 Certificates or otherwise as provided in the definition of the applicable Interest Rate Mode commencing on the applicable Interest Rate Adjustment Date, and terminating on the day immediately preceding the following Interest Rate Adjustment Date, if any.

Interest Rate Modes. General descriptions of the Term Rate, the Weekly Rate and the Monthly Rate follow. General definitions of the Floating Rate, the Auction Rate and the Fixed Rate can be found in Appendix B.

Term Rate. “Term Rate” means the rate of interest per annum determined by the Remarketing Agent on the Interest Rate Determination Date immediately preceding the applicable Interest Rate Adjustment Date, to be the lowest interest rate for the Term Rate Period commencing on the applicable Interest Rate Adjustment Date and ending on the date specified in the notice delivered pursuant to the Indenture, in the judgment of such Remarketing Agent (taking into consideration current transactions and comparable securities with which such Remarketing Agent is involved or of which it is aware and prevailing financial market conditions) at which, as of such Interest Rate Determination Date, the applicable 2008 Certificates could be remarketed at par, plus accrued interest (if any) on the Interest Rate Adjustment Date for that Interest Rate Period; provided that in no event shall the Term Rate exceed the Maximum Rate; and provided further that in the event that such Remarketing Agent has been removed or has resigned and no successor has been appointed, or such Remarketing Agent has failed to determine the Term Rate for whatever reason, or the Term Rate cannot be determined pursuant to this definition for whatever reason, the interest rate shall be determined as described in “Calculation of Interest - Failure to Determine Rate” below.

“Term Rate Period” means an Interest Rate Period applicable for 2008 Certificates in a Term Rate Interest Rate Mode which shall, if such 2008 Certificates are converted to a Term Rate Interest Rate Mode, commence on the applicable Interest Rate Adjustment Date and end on the date which is specified in the applicable Indenture, in a Supplemental Indenture or in the notice delivered pursuant to the Indenture, which date shall be an Interest Payment Date applicable for the Term Rate. Each Term Rate Period shall be of the same duration as the previous Term Rate Period, until converted to a new Interest Rate Mode or a new Term Rate Period, each as described in “Interest Rate Mode Conversions” below.

Weekly Rate. “Weekly Rate” means the rate of interest per annum determined by the Remarketing Agent on the Interest Rate Determination Date (generally Tuesday of each week, if Tuesday is a Business Day) immediately preceding the applicable Interest Rate Adjustment Date (Wednesday of each week), to be the lowest interest rate for the Interest Rate Period of one week commencing on the applicable Interest Rate Adjustment Date, in the judgment of the Remarketing Agent (taking into consideration current transactions and comparable securities with which the Remarketing Agent is involved or of which it is aware and prevailing financial market conditions) at which, as of such Interest Rate Determination Date, the 2008 Certificates could be remarketed at par, plus accrued interest (if any)

on the Interest Rate Adjustment Date for that Interest Rate Period; provided that in no event shall the Weekly Rate exceed the Maximum Rate; and provided further that in the event that the Remarketing Agent has been removed or has resigned and no successor has been appointed, or the Remarketing Agent has failed to determine the Weekly Rate for whatever reason, or the Weekly Rate cannot be determined pursuant to this definition for whatever reason, the interest rate shall be determined as described in “Calculation of Interest - Failure to Determine Rate” below.

Monthly Rate. “Monthly Rate” means the rate of interest per annum determined by the Remarketing Agent, on the Interest Rate Determination Date (generally the 15th of each month, if the 15th is a Business Day) immediately preceding the applicable Interest Rate Adjustment Date (the 16th of each month) to be the lowest interest rate for the Interest Rate Period commencing on such Interest Rate Adjustment Date to and including the last day of the month, in the judgment of the Remarketing Agent (taking into consideration current transactions and comparable securities with which the Remarketing Agent is involved or of which it is aware and prevailing financial market conditions) at which, as of such Interest Rate Determination Date, the 2008 Certificates could be remarketed at par, plus accrued interest (if any) on the Interest Rate Adjustment Date for that Interest Rate Period; provided that in no event shall the Monthly Rate exceed the Maximum Rate; and provided further that in the event that the Remarketing Agent has been removed or has resigned and no successor has been appointed, or the Remarketing Agent has failed to determine the Monthly Rate for whatever reason, or the Monthly Rate cannot be determined pursuant to this definition for whatever reason, the interest rate shall be determined as described in “Calculation of Interest - Failure to Determine Rate” below.

Calculation of Interest

General. While interest is payable at a Term Rate, a Weekly Rate or a Monthly Rate, interest on the 2008 Certificates will be calculated on the basis of a 360-day year for the number of days actually elapsed. Any calculation of the interest rate to be borne by the 2008 Certificates shall be rounded to the nearest one-hundredth of one percent (0.01%).

Rate Determination Conclusive. The determination of the Variable Rates for the 2008 Certificates by the Remarketing Agent shall be conclusive and binding upon the District, the Trustee, the related Liquidity Provider, the related Hedge Provider and the Owners of the 2008 Certificates. Neither the Trustee nor the Tender Agent shall be responsible for the determination of any interest rate.

Notice of Interest Rate and Base Rentals. Except as described in the following paragraph, not later than five Business Days prior to each Interest Payment Date and any other date on which any other amount required by the Lease to be included in Base Rentals shall be payable, the Trustee shall, after determining the amounts due as Base Rentals on such date (giving credit for any Regularly Scheduled Hedge Payments to be paid by the Hedge Provider on or before such Base Rental Payment Date and any amounts required by the Lease to be credited against Base Rentals), notify the District: (A) that the day that is three Business Days prior to such Interest Payment Date or other such date shall constitute a Base Rental Payment Date; and (B) of the amount of such Base Rental payment which is due on such Base Rental Payment Date.

Notwithstanding the foregoing paragraph, but subject to the provisions of the following paragraph, at any time that: (A) the Certificate Fund Investment Agreement is in effect with respect to the 2008 Certificates, the Trustee shall, in preparing the notices described in the prior paragraph: (1) deem each date on which the Certificate Fund Investment Agreement requires the Corporation to make scheduled deposits thereunder to be a Base Rental Payment Date under the Indenture, and (2) deem the amount of interest to be due on the 2008 Certificates on each such Base Rental Payment Date to be the greater of (a) the amount required to be deposited by the Corporation under the Certificate Fund Investment Agreement on such date and (b) the sum of the amounts of the Regularly Scheduled Hedge Payments payable by the Corporation under any Hedge Facility relating to such 2008 Certificates in the Fiscal Year in which such date occurs; or (B) the Certificate Fund Investment Agreement is not in effect

with respect to the applicable 2008 Certificates but a Hedge Facility is in effect with respect to such 2008 Certificates, the Trustee shall, in preparing the notices required by the previous paragraph: (1) deem each date on which the Hedge Facility requires the Corporation to make Regularly Scheduled Hedge Payments to be a Base Rental Payment Date under the Indenture, and (2) deem the amount of interest to be due on the 2008 Certificates on each such Base Rental Payment Date to be the amount of the Regularly Scheduled Hedge Payment payable by the Corporation under the Hedge Facility with respect to the 2008 Certificate on such date; and (C) the Base Rentals payable by the District include a monthly amount equal to 1/12 of the amount appropriated to replenish a deficiency in the Stabilization Account (described in “SECURITY FOR THE CERTIFICATES--Stabilization Account”), the Trustee shall, in preparing the notices described in the prior paragraph, deem the first Business Day of each month to be a Base Rental Payment Date hereunder for the purpose of paying such amount.

With respect to any Base Rentals payable on each such Base Rental Payment Date described in clauses (A) and (B) of the prior paragraph, if the Base Rentals payable on such Base Rental Payment Date is at any time prior to such Base Rental Payment Date determined by the Trustee to be insufficient to pay all amounts described in the Lease prior to such Base Rental Payment Date, the Trustee shall, as promptly as commercially reasonably possible and as permitted by the Lease and the Indenture, notify the District of (A) the amount of such deficiency, which amount shall thereupon constitute an additional Base Rental, and (B) the date on which payment of such additional Base Rental shall be required, which date shall thereupon be deemed to be an additional Base Rental Payment Date.

For any Interest Payment Date on which the amount of any Hedge Facility Basis Deficiency is to be transferred from the Stabilization Account of the Certificate Fund to the Interest Account of the Certificate Fund (as described in “SECURITY FOR THE CERTIFICATES--Stabilization Account”), the Trustee, in determining the amount of Base Rentals payable on the Base Rental Payment Date immediately preceding such Interest Payment Date, shall credit the amount so transferred against the amount that would otherwise be payable.

Failure to Determine Rate. If the Remarketing Agent fails for any reason to determine or notify the Trustee of the Variable Rate for any Interest Rate Period when required under the Indenture, the Interest Rate Mode for the 2008 Certificates shall automatically, without notice or mandatory tender, convert to a Weekly Rate and, until the Weekly Rate is determined by the Remarketing Agent and notification thereof is delivered to the Trustee, the Weekly Rate shall be equal to the One-Month LIBOR Rate (defined in Appendix B) for such date plus 1% per annum.

Summary of Certain Provisions of the 2008 Certificates

The following table provides a brief summary of various provisions of the Indentures applicable while the 2008 Certificates bear interest in the Term Rate Interest Rate Mode, the Weekly Rate Interest Rate Mode or the Monthly Rate Interest Rate Mode.

	Weekly Rate Interest Rate Mode	Monthly Rate Interest Rate Mode	Term Rate Interest Rate Mode
Interest Payment Dates	15 th day of each calendar month following a month in which interest at such rate has accrued.	15 th day of each calendar month following a month in which interest at such rate has accrued.	15 th day of each calendar month following a month in which interest at such rate has accrued.
Interest Rate Determination Date	The Business Day immediately preceding the Interest Rate Adjustment Date.	The Business Day immediately preceding the Interest Rate Adjustment Date.	The Business Day immediately preceding the Interest Rate Adjustment Date.
Interest Rate Adjustment Date	Wednesday of each week.	The first day of the calendar month.	The day following the last day of a Term Rate Period.
Interest calculated based on:	360-day year; actual days elapsed.	360-day year; actual days elapsed.	360-day year; actual days elapsed.
Optional Tender Dates; Owner's Notice of Optional Tender	Any Business Day; Notice by Owner to Remarketing Agent and Tender Agent not later than 5:00 p.m. (prevailing New York City time) on a Business Day not fewer than 7 days prior to optional purchase date.	Each Interest Rate Adjustment Date; Notice by Owner to Remarketing Agent and Tender not later than 5:00 p.m. (prevailing New York City time) not fewer than 10 days prior to optional purchase date.	Not subject to Optional Tender.

Redemption of 2008 Certificates

Redemption of 2008 Certificates in Whole Upon an Event of Nonappropriation or Event of Default. Each series of 2008 Certificates and any additional certificates outstanding under the related Indenture (collectively, the “applicable Certificates”) shall be called for redemption in whole, but only with the consent of any certificate insurer insuring a majority in principal amount of all applicable Certificates then Outstanding, at a redemption price determined as described below, 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 applicable Lease.

Redemption Price. The redemption price for any redemption of applicable Certificates described in the prior paragraph shall be the lesser of:

(i) the sum of (A) the principal amount of the applicable Certificates, plus accrued interest to the redemption date (without any premium), (B) any other amounts then due which are payable from the Corporation to any Person as a component of Base Rentals, (C) any other amounts owed by the Corporation to the Trustee, the Custodian, any Liquidity Provider, any Hedge Provider, the applicable Certificate Insurer, the Remarketing Agent and the Tender Agent pursuant to the applicable Indenture or to the applicable Custodial Agreement, any Liquidity Facility, any Hedge Facility, the applicable Guaranty Agreement, and the applicable Remarketing Agreement, respectively; and (D) any other amounts owed by the Corporation to the Certificate Fund Investment Provider pursuant to the applicable Indenture or to the Certificate Fund Investment Agreement; provided that the amount payable to the Owner of any Certificate shall be limited to the amount set forth in clause (A) of this paragraph, and the amounts set forth in clauses (B) through (D) shall be payable to the Persons to whom they are owned; or

(ii) the sum of (A) the amount, if any, received by the Trustee or the Corporation from the exercise of remedies under the applicable 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 applicable Trust Estate for payment of the redemption price of the applicable Certificates.

The amounts described above shall be allocated ratably among the Owners and the Persons described in clause (i)(B) above in proportion to the respective amounts described in clauses (i)(A) and (B) above then due and owing to each, and, if any amounts remain after payment of such amounts, shall be allocated among any Hedge Provider, any Liquidity Provider, the Trustee, the Custodian, the applicable Certificate Insurer, the Remarketing Agent and the Tender Agent ratably as among themselves in proportion to the respective amounts then due to each, respectively, and, if any amounts remain after payment of such amounts, such remaining amounts shall be paid to the Certificate Fund Investment Provider to the extent of any amount then due to it.

Partial Payments Deemed to be Payment in Full. Notwithstanding any other provision of the applicable Indenture:

(i) the payment of the redemption price of any applicable Certificate pursuant to the applicable Indenture shall be deemed to be the payment in full of such applicable Certificate and no Owner of any applicable Certificate redeemed as described above shall have any right to any payment from the Corporation, the Trustee or the District in excess of such redemption price; and

(ii) the payment of any moneys due to any other Person in the amounts provided for in the related Indenture (as described under this caption) shall be deemed to be the payment in full to such Persons and none of such Persons shall have any right to any payment from the Corporation, the Trustee or the District in excess of such amounts.

Other Applicable Provisions. In addition to any other notice required to be given under the applicable Indenture, the Trustee shall, as promptly as commercially reasonably possible and as permitted by the applicable Lease and the applicable Indenture, upon its actual knowledge of the occurrence of an Event of Nonappropriation or an Event of Default under such Lease, notify the Owners, any Liquidity Provider, any Hedge Provider, the Certificate Fund Investment Provider, the Remarketing Agent and the Tender Agent (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 described in clause (i) under “Redemption Price” above. If the funds then available to the Trustee are sufficient to pay the redemption price described above, such redemption price shall be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay such redemption price, the Corporation and the Trustee shall (A) as promptly as commercially reasonably possible and as permitted by the applicable Lease and the applicable Indenture, 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 Default and Remedies provisions of such Indenture (described in Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A INDENTURE - Events of Default), as promptly as commercially reasonably possible and as permitted by such Lease and such Indenture, begin to exercise and shall diligently pursue all remedies available to them under the applicable Lease in connection of such Event of Nonappropriation or Event of Default. The remainder of the redemption price, if any, shall be paid to the Owners and the other Persons described above, subject to the priorities described above, if and when funds become available to the Trustee from the exercise of such remedies.

Optional Redemption. If the applicable series of 2008 Certificates bears interest in a Term Rate Interest Rate Mode, such 2008 Certificates (other than 2008 Liquidity Provider Certificates and 2008 Certificates owned by or on behalf of the Corporation or the District (together, “Ineligible Certificates”)) are subject to redemption, at the option of the District, in whole or in part (in integral multiples of \$5,000, provided that the unredeemed portion of any 2008 Certificate redeemed in part shall be in an Authorized Denomination) on any Interest Payment Date at the Redemption Price of 100% of the principal amount redeemed plus accrued interest, if any, thereon to the Redemption Date.

If the applicable series of 2008 Certificates bears interest in a Weekly Interest Rate Mode or a Monthly Interest Rate Mode, such 2008 Certificates (other than Ineligible Certificates) are subject to

redemption, at the option of the District, in whole or in part (in integral multiples of \$5,000, provided that the unredeemed portion of any 2008 Certificate redeemed in part shall be in an Authorized Denomination) on any Business Day at the Redemption Price of 100% of the principal amount redeemed plus accrued interest, if any, thereon to the Redemption Date.

Notwithstanding the foregoing provisions, any optional redemption of 2008 Certificates shall be made solely from Available Moneys (as defined in Appendix B hereto) and shall be conditioned on the availability of sufficient Available Moneys to pay the full redemption price of the 2008 Certificates to be redeemed as of the date set for such redemption.

2008 Liquidity Provider Certificates must be redeemed prior to any optional redemption of any other 2008 Certificates.

Mandatory Sinking Fund Redemption - 2008A Certificates. The 2008A Certificates are subject to mandatory sinking fund redemption by lot in 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, on (a) December 15, if the 2008A Certificates are in a Term Rate Interest Rate Mode; or (b) the first Interest Payment Date in December if the 2008A Certificates are in a Weekly Rate Interest Rate Mode or a Monthly Rate Interest Rate Mode.

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2017	\$ 5,170,000	2028	\$ 21,490,000
2018	8,900,000	2029	23,205,000
2019	9,850,000	2030	25,010,000
2020	10,860,000	2031	26,930,000
2021	11,930,000	2032	28,960,000
2022	13,070,000	2033	31,115,000
2023	14,270,000	2034	33,395,000
2024	15,555,000	2035	35,795,000
2025	16,910,000	2036	38,355,000
2026	18,350,000	2037*	41,010,000
2027	19,870,000		

*Maturity.

Pursuant to the 2008A Initial Liquidity Facility, 2008A Liquidity Provider Certificates will be redeemed in accordance with the schedule set forth above; provided that if less than all of the 2008A Certificates are 2008A Liquidity Provider Certificates on the date of any such redemption, the Corporation shall cause the 2008A Liquidity Provider Certificates to be redeemed prior to other 2008A Certificates.

At its option, to be exercised on or before the fifth Business Day next preceding each sinking fund redemption date, the District may (i) purchase and cancel any 2008A Certificates with the same maturity date as the 2008A Certificates subject to such sinking fund redemption and (ii) receive a credit in respect of its sinking fund redemption obligation for any 2008A Certificates with the same maturity date as the 2008A 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 2008A Certificates 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 2008A Certificates to be redeemed by operation of such sinking fund on such date shall be accordingly reduced.

Mandatory Sinking Fund Redemption - 2008B Certificates. *2008B-1 Certificates.* The 2008B-1 Certificates are subject to mandatory sinking fund redemption by lot in 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, on: (a) December 15, if the 2008B-1 Certificates are in a Term Rate Interest Rate Mode; or (b) the first Interest Payment Date in December if the 2008B-1 Certificates are in a Weekly Rate Interest Rate Mode or a Monthly Rate Interest Rate Mode.

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2017	\$ 2,335,000	2028	\$ 9,545,000
2018	3,950,000	2029	10,305,000
2019	4,370,000	2030	11,115,000
2020	4,825,000	2031	11,965,000
2021	5,300,000	2032	12,870,000
2022	5,805,000	2033	13,825,000
2023	6,340,000	2034	14,835,000
2024	6,910,000	2035	15,910,000
2025	7,515,000	2036	17,040,000
2026	8,150,000	2037*	18,260,000
2027	8,830,000		

*Maturity.

2008B-2 Certificates. The 2008B-2 Certificates are subject to mandatory sinking fund redemption by lot in 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, on: (a) December 15, if the 2008B-2 Certificates are in a Term Rate Interest Rate Mode; or (b) the first Interest Payment Date in December if the 2008B-2 Certificates are in a Weekly Rate Interest Rate Mode or a Monthly Rate Interest Rate Mode.

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2017	\$ 1,175,000	2028	\$ 4,770,000
2018	1,975,000	2029	5,150,000
2019	2,185,000	2030	5,555,000
2020	2,410,000	2031	5,980,000
2021	2,650,000	2032	6,435,000
2022	2,900,000	2033	6,910,000
2023	3,170,000	2034	7,415,000
2024	3,455,000	2035	7,955,000
2025	3,755,000	2036	8,520,000
2026	4,075,000	2037*	9,150,000
2027	4,410,000		

*Maturity.

Pursuant to the 2008B Initial Liquidity Facility, 2008B Liquidity Provider Certificates will be redeemed in accordance with the schedules set forth above; provided that if less than all of the 2008B Certificates are 2008B Liquidity Provider Certificates on the date of any such redemption, the Corporation shall cause the 2008B Liquidity Provider Certificates to be redeemed prior to other 2008B Certificates.

At its option, to be exercised on or before the fifth Business Day next preceding each sinking fund redemption date, the District may (i) purchase and cancel any 2008B Certificates with the same maturity date as the 2008B Certificates subject to such sinking fund redemption and (ii) receive a credit in respect of its sinking fund redemption obligation for any 2008B Certificates with the same maturity date as the 2008B 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 2008B 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 2008B Certificates to be redeemed by operation of such sinking fund on such date shall be accordingly reduced.

Partial Redemption. If fewer than all of a series of the Outstanding 2008 Certificates are called for redemption at one time, the selection of 2008 Certificates to be redeemed, or portions thereof, in amounts equal to \$5,000 or any integral multiple thereof shall be made by lot by the Trustee in any manner which the Trustee may determine; provided that the Trustee shall select 2008 Certificates for redemption so as to assure that after such redemption no Owner shall retain 2008 Certificates in an aggregate amount less than \$100,000 if the 2008 Certificates then bear interest in a Variable Rate Interest Rate Mode; and provided further that if less than all of an Outstanding 2008 Certificate in a book-entry system is to be called for redemption, the Trustee shall give notice to the Securities Depository or the nominee of the Securities Depository that is the Owner of such 2008 Certificate, and the selection of the Beneficial Ownership Interest in that 2008 Certificate to be redeemed shall be at the sole discretion of the Securities Depository and its Direct Participants and its Indirect Participants in accordance with the standards and procedures of the Securities Depository. In the case of a partial redemption of a series of 2008 Certificates by lot, each unit of face value of principal thereof equal to \$5,000 (each such \$5,000 unit is hereinafter referred to as a "Unit") shall be treated as though it were a separate 2008 Certificate in the amount of such Unit. If it is determined that one or more, but not all, of the Units represented by a 2008 Certificate are to be called for redemption, then upon notice of redemption of a Unit or Units of 2008 Certificates, the Owner of that 2008 Certificate shall surrender the 2008 Certificate to the Trustee (a) for payment of the Redemption Price of the Unit or Units of 2008 Certificates called for redemption (including without limitation, the interest, if any, accrued to the date fixed for redemption), and (b) for issuance, without charge to the Owner thereof, of a new 2008 Certificate or 2008 Certificates of the same series, in Authorized Denominations, aggregating a principal amount equal to the unredeemed portion of, and in the same Interest Rate Mode as, the 2008 Certificate surrendered.

Notwithstanding anything to the contrary in the respective Indentures, any 2008 Liquidity Provider Certificates (or Beneficial Ownership Interest therein) shall be selected for redemption as described above prior to the selection of any other 2008 Certificates of the same series.

Notice of Redemption. Notice of any prior redemption described above under "Optional Redemption," "Mandatory Sinking Fund Redemption - 2008A Certificates" and "Mandatory Sinking Fund Redemption - 2008B Certificates" shall be given by the Trustee on behalf of the District to the Owners of the series of 2008 Certificates to be redeemed at their addresses as shown on the registration records kept by the Trustee by mailing a copy of the redemption notice by first-class postage prepaid mail as follows: (1) not less than 30 days prior to the Redemption Date in the case of the optional redemption of 2008 Certificates bearing interest at the Term Rate; (2) not less than 15 days prior to the Redemption Date in the case of the optional redemption of 2008 Certificates bearing interest at the Weekly Rate or the Monthly Rate; (3) not less than 30 days prior to the Redemption Date in the case of the mandatory sinking fund redemption of 2008 Certificates bearing interest at a Term Rate; and (4) not less than 15 days prior to the Redemption Date in the case of the mandatory sinking fund redemption of 2008 Certificates bearing interest at a Weekly Rate or a Monthly Rate.

Such notice shall specify the number or numbers of the 2008 Certificates of the applicable series to be so redeemed (if less than all of such series are to be redeemed), the Redemption Price to be paid and the date fixed for redemption; and such notice shall further state that on the Redemption Date there will become and will be due and payable upon each 2008 Certificate or portion thereof so to be redeemed at the Trustee (designated by name) the Redemption Price, and that from and after such date interest on the 2008 Certificates of such series (or portions thereof) called for redemption will cease to accrue. With respect to optional redemptions as described in "Optional Redemption" above, if the Trustee has not received Available Moneys sufficient to redeem all 2008 Certificates to be called for redemption prior to giving notice of redemption, such notice shall additionally state that it is conditional on receipt of

Available Moneys in the required amount prior to or on the date fixed for redemption, and such notice shall be of no effect, and 2008 Certificates shall not be redeemed, unless such Available Moneys are deposited with the Trustee prior to or on such date fixed for redemption.

Notice having been given in the manner provided above, the 2008 Certificate or 2008 Certificates so called for redemption shall become due and payable on the Redemption Date so designated and upon presentation thereof at the Operations Center of the Trustee, the District will pay the 2008 Certificate or 2008 Certificates so called for redemption. No further interest shall accrue on the principal of any such 2008 Certificate (or portion thereof) called for redemption from and after the Redemption Date, provided sufficient funds are on deposit with the Trustee on the Redemption Date.

2008 Certificates Owned by the Corporation or the District. 2008 Certificates owned by or on behalf of the Corporation or the District shall not be subject to redemption. At any time the Corporation or the District may surrender any 2008 Certificates owned by or on behalf of the Corporation or the District, as applicable, to the Trustee, which shall promptly cancel such 2008 Certificates. Notwithstanding anything to the contrary in the respective Indentures, upon any redemption of less than all of a series of 2008 Certificates Outstanding, related 2008 Liquidity Provider Certificates shall be selected and redeemed prior to any other 2008 Certificates of the same series.

Redemption Payments. On or prior to the date fixed for redemption, the Corporation shall deposit funds with the Trustee to pay, and the Trustee is hereby authorized and directed to apply such funds to the payment of the 2008 Certificates of a series 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 applicable Indenture (which, in the case of redemption pursuant to an Event of Default or Event of Nonappropriation as described in “Redemption of 2008A Certificates and 2008B Certificates in Whole Upon an Event of Nonappropriation or Event of Default” above, may be less than the full principal amount of the Outstanding Certificates and accrued interest thereon to the redemption date), interest on the related 2008 Certificates of such series or portions thereof thus called for redemption shall no longer accrue after the date fixed for redemption.

Interest Rate Mode Conversions

This section of the Official Statement provides information concerning the conversion of the 2008 Certificates to another Interest Rate Mode from the Term Rate Interest Rate Mode, the Weekly Rate Interest Rate Mode or the Monthly Rate Interest Rate Mode only.

Conversion to Variable Rate. On any Interest Mode Conversion Date on or after the first Interest Rate Adjustment Date following the issuance of the 2008 Certificates, the 2008 Certificates in a Variable Rate Interest Rate Mode may be converted to a different Variable Rate Interest Rate Mode upon receipt by the Corporation, the Trustee, the Tender Agent, the Remarketing Agent and the related Liquidity Provider of a written direction from the District, not less than 15 days prior to such Interest Mode Conversion Date, to convert the Variable Rate on the 2008 Certificates to a different Variable Rate than the Interest Rate Mode then in effect. Except when converting from the Weekly Rate Mode, no Interest Mode Conversion Date shall be earlier than the day after the end of the last Interest Rate Period for the Interest Rate Mode in effect on the date of such direction from the District, the end of such Interest Rate Period to be determined as if such direction had not been given.

The direction to convert the Interest Rate Mode on the 2008 Certificates from one Variable Rate Interest Rate Mode to a different Variable Rate Interest Rate Mode shall specify the proposed Interest Mode Conversion Date and the Variable Rate Interest Rate Mode to which the 2008 Certificates shall be converted (and, if the conversion will be to a Term Rate Interest Rate Mode, the Term Rate Period) and shall be accompanied by (i) evidence reasonably satisfactory to the Tender Agent that the interest component of the Liquidity Facility is equal to the amounts set forth below and that the Stated Termination Date of the Liquidity Facility is no earlier than 10 days after the end of the new Interest Rate

Period, (ii) a written opinion of Bond Counsel to the effect that (A) such conversion will not constitute and Event of Default under the applicable Indenture or cause any violation of the covenants set forth such Indenture; and (B) the 2008 Certificates are not required to be registered pursuant to the provisions of the Securities Act of 1933, as amended; and (iii) an opinion or letter of counsel to the Corporation to the effect that the statements made in any remarketing circular or similar offering document do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the 2008 Certificates will bear interest at the Weekly Rate or the Monthly Rate, the interest coverage period for the Liquidity Facility shall be at least 35 days of interest at the Maximum Rate. If the 2008 Certificates will bear interest at the Term Rate, then the interest coverage period for the Liquidity Facility shall be the greater of (x) 35 days of interest or (y) such number of days of interest on all outstanding 2008 Certificates as may be required by each Rating Agency then maintaining a rating on the 2008 Certificates to continue its rating, in either case computed at the Maximum Rate.

In the event of a failure of such a conversion for any reason, the Interest Rate Mode for the 2008 Certificates will remain the Interest Rate Mode then in effect for the 2008 Certificates (and if such Interest Rate Period is the Term Rate, the Term Rate Period will remain the Term Rate Period then in effect) without regard to any proposed conversion and, if the conversion is from a Weekly Rate Interest Rate Mode or a Monthly Rate Interest Rate Mode to a Term Rate Interest Rate Mode or from a Term Rate Interest Rate Mode to a Weekly Interest Rate Mode or a Monthly Interest Rate Mode, the 2008 Certificates will continue to be subject to mandatory tender for purchase on the scheduled effective date of the proposed conversion without regard to the failure of such proposed conversion. If the Tender Agent has sent any notice to Owners regarding the proposed Conversion (described in “Notice of Conversion” below), then in the event of a failure of such conversion, as described above, the Tender Agent shall promptly notify all Owners of such failure, of the reason for such failure, and of the continuation of the Interest Rate Mode then in effect.

Term Rate Period Conversion. While a series of 2008 Certificates bears interest at a Term Rate, such 2008 Certificates may be converted to a different Term Rate Period. The date of such conversion shall be a date which would otherwise qualify as an Interest Mode Conversion Date. The provisions described in “Conversion to Variable Rate” will apply to a conversion from one Term Rate Period to a different Term Rate Period; provided that the direction from the District shall specify the Term Rate Period to which it is proposed that such 2008 Certificates be converted and shall not specify a different Interest Rate Mode to which such 2008 Certificates will be converted.

Conversion to Fixed Rate. On any Interest Mode Conversion Date on or after the first Interest Rate Adjustment Date for the 2008 Certificates, the 2008 Certificates in a Variable Rate Interest Rate Mode may be converted to the Fixed Rate Interest Rate Mode upon receipt by the Corporation, the Trustee, the Tender Agent, the Certificate Insurer, the Remarketing Agent and the Liquidity Provider of a written direction from the District, not less than 45 days prior to such Interest Mode Conversion Date, to convert the interest rate on the 2008 Certificates to the Fixed Rate. Upon conversion of the interest rate on the 2008 Certificates to the Fixed Rate, the Liquidity Facility will terminate.

The direction to convert the interest rate on the 2008 Certificates to the Fixed Rate shall be accompanied by a written certificate of the Trustee stating that it has received certifications, opinions or other evidence satisfactory to it that there has been or will be compliance with any applicable state or federal securities law requirements necessary for such conversion and the remarketing of the 2008 Certificates in connection therewith. Notwithstanding the foregoing, no conversion shall be effective if the District makes an election on or prior to the day immediately succeeding any Interest Rate Determination Date not to proceed with the proposed conversion.

In the event of a failure of such a conversion for any reason, the existing Interest Rate Mode for the 2008 Certificates will remain in effect without regard to any proposed conversion and the 2008 Certificates will continue to be subject to mandatory tender for purchase on the scheduled effective date

of the proposed conversion without regard to the failure of such proposed conversion. If the Tender Agent has sent any notice to Owners regarding the proposed conversion as described in “Notice of Conversion” below, then in the event of a failure of such conversion, the Tender Agent shall promptly notify all Owners of such failure, of the reason for such failure, and of the continuation of the Interest Rate Mode then in effect.

Conversion to Floating Rate. On any Interest Mode Conversion Date on or after the first Interest Rate Adjustment Date following the issuance of the 2008 Certificates, either series of the 2008 Certificates may be converted from a Variable Rate Interest Rate Mode to a Floating Rate Interest Rate Mode upon written direction from the District to the Corporation, the Trustee, the Tender Agent, if any, the Liquidity Facility Provider, if any, and the Remarketing Agent, if any.

The direction to convert the interest rate to the Floating Rate Interest Rate Mode shall specify (i) the proposed Interest Mode Conversion Date, which date shall be: (i) a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (ii) in the case of an adjustment from a Variable Interest Rate, the day immediately following the last day of the then-current Interest Rate Period with respect to the applicable series of 2008 Certificates or a day on which the applicable series of 2008 Certificates otherwise would be subject to optional redemption (as described below in “Redemption of 2008 Certificates - Optional Redemption) if such adjustment did not occur, and (iii) the date of delivery for such 2008 Certificates to be purchased on the effective date of such adjustment to a Floating Rate. In addition, such direction shall be accompanied by (i) a letter of Bond Counsel that it expects to be able to give an opinion to the effect that such conversion will not constitute an Event of Default hereunder nor cause any violation of the covenants set forth in the applicable Indenture on the effective date of the conversion to the Floating Rate Interest Rate Mode and (ii) a form of the notice to be mailed by the Trustee to the Owners of the applicable 2008 Certificates (described in “Notice of Conversion” below).

During each Interest Rate Period for the applicable series of 2008 Certificates in the Floating Rate Interest Rate Mode commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period for such 2008 Certificates, the interest rate borne by the applicable 2008 Certificates shall be a Floating Rate.

Auction Rate Conversion. At the option of the Corporation, all of the 2008 Certificates of a series (in an amount which is an Authorized Denomination for Auction Rate Certificates) may be converted from a Variable Rate Interest Rate Mode to an Auction Rate Interest Rate Mode. Any such conversion shall be made as follows:

In any conversion to the Auction Rate Interest Rate Mode from a Weekly Rate Interest Rate Mode or a Monthly Rate Interest Rate Mode, the Conversion Date shall be any Business Day on which interest is payable for the Interest Rate Period from which the conversion is to be made, and in any such conversion is from a Term Rate Interest Rate Mode, the Conversion Date shall be a regularly scheduled Interest Payment Date on which a new Term Rate Period would otherwise have commenced.

The Corporation shall give written notice of any such conversion to the Trustee and the applicable Remarketing Agent, Certificate Insurer, Auction Agent, Broker-Dealer and Liquidity Provider not less than seven Business Days prior to the date on which the Trustee is required to notify the Owners of the conversion as described in the next paragraph. Such notice shall specify the series of 2008 Certificates to be converted, the Conversion Date and the length of the initial Auction Period. Together with such notice (and again on the Conversion Date), the Corporation must file with the Trustee and the applicable Certificate Insurer a written opinion of Bond Counsel to the effect that the conversion of such series of 2008 Certificates to an Auction Rate Interest Rate Mode shall not adversely affect the validity of the applicable 2008 Certificates or any exclusion from gross income for federal income tax purposes to which interest on the 2008 Certificates would otherwise be entitled.

The Auction Period Rate for the Auction Period commencing on the Conversion Date shall be the lowest rate which, in the judgment of the Broker-Dealers, is necessary to enable the applicable series of 2008 Certificates to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the Conversion Date. Such determination shall be conclusive and binding upon the Corporation, the Trustee, and the applicable Auction Agent and Certificate Insurer and on the Beneficial Owners of the 2008 Certificates to which such rate shall be applicable.

Not later than 5:00 p.m., New York City time, on the date of determination of the Auction Period Rate, each Broker-Dealer shall notify the Trustee, the Corporation and the Auction Agent of the Auction Period Rate by Electronic Means.

The Corporation may revoke its election to effect a conversion of any series of 2008 Certificates to an Auction Rate Interest Rate Mode by giving written notice of such revocation to the Trustee and the applicable Certificate Insurer, Remarketing Agent, Liquidity Provider, Auction Agent, Tender Agent and each Broker-Dealer at any time prior to the setting of the Auction Period Rate by the Broker-Dealers.

No series of 2008 Certificates may be converted to an Auction Rate Interest Rate Mode when such 2008 Certificates are not held by a Securities Depository in book-entry form.

Notice of Conversion. If the interest rate on the 2008 Certificates is proposed to be converted to a different Interest Rate Mode as described under “Variable Rate Interest Rate Conversion” and “Fixed Interest Rate Mode Conversion” above, at least 10 days prior to the Interest Mode Conversion Date the Trustee shall notify the Owners of all Outstanding 2008 Certificates by first-class mail of the proposed Interest Mode Conversion Date, the Interest Rate Mode to which the 2008 Certificates shall be converted and that upon such Interest Mode Conversion Date all 2008 Certificates shall be subject to: (A) in the case of a conversion from a Weekly Rate Interest Rate Mode to a Monthly Rate Interest Rate Mode or from a Monthly Rate Interest Rate Mode to a Weekly Rate Interest Rate Mode, optional tender as described in “Optional Tender in Monthly Rate Interest Rate Mode” and “Optional Tender in Weekly Rate Interest Rate Mode” below, as applicable; or (B) in the case of any other conversion described under “Variable Rate Interest Rate Conversion,” “Floating Rate Conversion” and “Fixed Interest Rate Mode Conversion” above, mandatory tender as described in “Mandatory Tender of 2008 Certificates Upon Conversion to a New Interest Rate Mode” below.

For a series of 2008 Certificates bearing interest at a Term Rate that are proposed to be converted to a different Term Rate Period as described in “Term Rate Period Conversion” above, at least fifteen (15) days prior to the proposed date of such conversion, the Trustee shall notify the Owners of all such 2008 Certificates by first class mail of the proposed conversion, the Term Rate Period to which such 2008 Certificates shall be converted and that upon such conversion all such Certificates shall be subject to optional tender as described in “Optional Tender in Monthly Rate Interest Rate Mode” below.

If the Interest Rate Mode on a series of 2008 Certificates is proposed to be converted to the Floating Rate Interest Rate Mode as described in “Floating Rate Interest Rate Mode Conversion” above, the Trustee shall give notice by first-class mail of such conversion to the Owners of the applicable series of 2008 Certificates not less than thirty (30) days prior to the proposed Interest Mode Conversion Date. Such notice shall state: (i) that the Interest Rate Mode on the Certificates of such Series will be converted to a Floating Rate Interest Rate Mode unless Bond Counsel fails to deliver an opinion to the effect that such conversion will not constitute an Event of Default hereunder nor cause any violation of the covenants set forth in this Indenture to the Corporation, the Trustee, the District and the Remarketing Agent as to such adjustment on the effective date of such adjustment in the Interest Rate Period; (ii) the proposed Interest Mode Conversion Date; and (iii) that the applicable 2008 Certificates are subject to mandatory tender for purchase on such proposed effective date, regardless of whether any or all conditions to the adjustment are met, and setting forth the applicable purchase price and the place of delivery for purchase of such 2008 Certificates.

For 2008 Certificates proposed to be converted to an Auction Rate, the Trustee shall mail a written notice of the conversion to the Owners of the 2008 Certificates to be converted not less than 15 days prior to the Conversion Date. The notice must contain the same information contained in the third paragraph under “Auction Rate Interest Rate Mode Conversion” above and must state that the applicable 2008 Certificates shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof plus accrued interest on the Conversion Date.

Optional Tenders For Purchase

Optional Tender in Monthly Rate Interest Rate Mode. While any series of 2008 Certificates (other than Ineligible Certificates) are in the Monthly Rate Interest Rate Mode, each Owner or Beneficial Owner shall have the option to tender a 2008 Certificate or Beneficial Ownership Interest for purchase on any Interest Rate Adjustment Date at 100% of the principal amount thereof plus accrued interest, if any, to the purchase date (a “Certificate Purchase Date”), provided that if less than the whole unpaid principal represented by such 2008 Certificate shall be tendered for purchase, the principal amount tendered for purchase must be in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof and the untendered principal must be in an Authorized Denomination, as such Owner or Beneficial Owner may specify in accordance with the terms, conditions and limitations contained in the Indenture and described in this Official Statement.

To exercise the option described in the prior paragraph, the Owner or Beneficial Owner shall give notice not later than 5:00 p.m., prevailing New York City time, on a Business Day that is not fewer than ten days before the 2008 Certificate Purchase Date, to the Remarketing Agent and the Tender Agent by telecopy or in writing which states (1) the name and address of the Owner or Beneficial Owner, as applicable, (2) the principal amount to be purchased, (3) that such 2008 Certificates are to be purchased on such 2008 Certificate Purchase Date pursuant to the terms hereof, and (4) that such notice is irrevocable.

Optional Tender in Weekly Interest Rate Mode. While the 2008 Certificates of a series (other than Ineligible Certificates) are in the Weekly Rate Interest Rate Mode, each Owner and each Beneficial Owner shall have the option to tender such 2008 Certificate or Beneficial Ownership Interest for purchase on any Business Day at 100% of the principal amount thereof plus accrued interest, if any, to the purchase date (a “Certificate Purchase Date”) provided that if less than the whole unpaid principal represented by such 2008 Certificate shall be tendered for purchase, the principal amount tendered for purchase must be in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof and the untendered principal must be in an Authorized Denomination, as such Owner or Beneficial Owner may specify in accordance with the terms, conditions and limitations contained in the Indenture and described in this Official Statement.

To exercise the option described in the prior paragraph, the Owner or Beneficial Owner shall give notice not later than 5:00 p.m., prevailing New York City time, on a Business Day that is not fewer than seven days before the 2008 Certificate Purchase Date, to the Remarketing Agent and the Tender Agent by telecopy or in writing which states (1) the name and address of the Owner or Beneficial Owner, as applicable, (2) the principal amount to be purchased, (3) that such 2008 Certificates are to be purchased on such 2008 Certificate Purchase Date pursuant to the terms of the Indenture, and (4) that such notice is irrevocable.

2008 Certificates Deemed Tendered. Any 2008 Certificates for which a notice of tender has been given by the Owner shall be deemed to be tendered for remarketing notwithstanding any failure of delivery of such 2008 Certificates or Beneficial Ownership Interest to the Tender Agent. Subject to the right of such non-delivering Owners to receive the purchase price of such 2008 Certificates (including interest accrued thereon to the day preceding the applicable 2008 Certificate Purchase Date), such 2008 Certificates shall be null and void and the Trustee shall authenticate and deliver new 2008 Certificates in replacement thereof pursuant to the remarketing of such 2008 Certificates or the delivery of such 2008

Certificates to the Liquidity Provider in lieu of remarketing such 2008 Certificates as described in the Indenture. Any Beneficial Owners who have elected to tender Beneficial Ownership Interests shall be obligated to cause the transfer of such Beneficial Ownership Interest to the account of the Tender Agent on the records of the Securities Depository.

Tender Notice Irrevocable. Upon the giving of the notice by the Owner or Beneficial Owner as described above with respect to 2008 Certificates or portions of 2008 Certificates, the Owner's tender of such 2008 Certificates or portions thereof or the Beneficial Owner's tender of Beneficial Ownership Interests or portions thereof shall be irrevocable. Upon receipt of the 2008 Certificates, the Tender Agent shall determine whether notice shall have been properly submitted in accordance with this Section and its determination shall be binding. If less than all of a 2008 Certificate so delivered or deemed tendered is to be purchased, the Trustee shall, pursuant to the applicable Indenture, authenticate one or more 2008 Certificates of the same series in exchange therefor, registered in the name of such Owner, having the aggregate principal amount being retained by such Owner, and shall deliver such authenticated 2008 Certificate or 2008 Certificates to such Owner.

Mandatory Tenders for Purchase

Mandatory Tender of Certificates Upon Conversion to a New Interest Rate Mode and Upon Interest Rate Adjustment Date While in Term Rate Interest Rate Mode. Except for a conversion from a Weekly Rate Interest Rate Mode to a Monthly Rate Interest Rate Mode or from a Monthly Rate Interest Rate Mode to a Weekly Rate Interest Rate Mode, if at any time the District shall convert the interest rate on a series of 2008 Certificates to a different Interest Rate Mode in accordance with the provisions of the applicable Indenture, all of that series of 2008 Certificates (other than Ineligible Certificates) and Beneficial Ownership Interests are subject to mandatory tender in whole by the Owners or Beneficial Owners thereof for purchase on the Interest Mode Conversion Date upon which such conversion is effective (a Certificate Purchase Date") at a price of 100% of the principal amount thereof, plus accrued interest (if any) to such Certificate Purchase Date.

Notwithstanding anything in the prior paragraph to the contrary, mandatory tender of 2008 Certificates is not required when converting from a Weekly Interest Rate Mode to a Monthly Interest Rate Mode or from a Monthly Interest Rate Mode to a Weekly Interest Rate Mode. However, upon such a conversion, the Owners of the 2008 Certificates may still elect to tender their 2008 Certificates for purchase pursuant to the provisions described above in "Optional Tenders for Purchase."

While any series of 2008 Certificates (other than Ineligible Certificates) are in the Term Rate Interest Rate Mode, such 2008 Certificates and Beneficial Ownership Interests therein are subject to mandatory tender in whole by the Owners or Beneficial Owners thereof for purchase on each Interest Rate Adjustment Date (a "Certificate Purchase Date") at a price of 100% of the principal amount thereof, plus accrued interest (if any) to such Certificate Purchase Date

At least 15 days prior to any 2008 Certificate Purchase Date described above, the Tender Agent shall notify the Owners of all Outstanding 2008 Certificates of the applicable series (other than Ineligible Certificates) by first class mail of the conversion to the new Interest Rate Mode, if such Certificate Purchase Date is established as described in the first paragraph of this subsection, or of the Interest Rate Adjustment Date, if such Certificate Purchase Date is established by the immediately preceding paragraph, and shall advise the Owners that all such 2008 Certificates (other than Ineligible Certificates) shall be subject to mandatory tender on such 2008 Certificate Purchase Date.

Any 2008 Certificates or Beneficial Ownership Interests which are not tendered for purchase as required by the applicable Indenture shall be deemed to have been tendered without further notice or action by the Owners or Beneficial Owners thereof, subject to the right of the Owners of such 2008 Certificates or Beneficial Owners of such Beneficial Ownership Interests to receive the purchase price of

such 2008 Certificates or Beneficial Ownership Interests and interest accrued thereon to the 2008 Certificate Purchase Date.

Pursuant to the Indentures, the Corporation is required to convert the applicable 2008 Certificates to a Fixed Rate Interest Rate Mode within 120 days following any of the following events (unless the Certificate Insurer shall otherwise permit or direct): (i) failure of the applicable Liquidity Provider to purchase 2008 Certificates when required by the related Indenture; (ii) upon expiration or termination of the applicable Liquidity Facility if there is on such date no Substitute Liquidity Facility therefor; (iii) if 2008 Certificates are held as 2008 Liquidity Provider Certificates for 45 days or more in any Fiscal Year; (iv) if, for three consecutive dates on which 2008 Certificates are permitted to be tendered by the Owners thereof pursuant to the applicable Indenture (or, with respect to 2008 Certificates that are 2008 Liquidity Provider Certificates, three consecutive dates that would be dates on which such tenders are permitted if such 2008 Certificates were not 2008 Liquidity Provider Certificates), the Remarketing Agent is unable to remarket all of the 2008 Certificates in accordance with the provisions of the Indenture (described in Appendix B); (v) if 2008 Certificates bear interest at the Maximum Rate, or if 2008 Liquidity Provider Certificates bear interest at the Maximum Liquidity Facility Rate, for a period of 30 consecutive days; or (vi) if the Corporation fails to replace the 2008 Liquidity Facility when required to do so by the applicable Indenture or Liquidity Facility.

Mandatory Tender of 2008 Certificates Upon Stated Termination Date of Liquidity Facility or Earlier Date Terminated at Option of Corporation. Each series of 2008 Certificates (other than Ineligible Certificates) and Beneficial Ownership Interests are subject to mandatory tender in whole on the Business Day that is five Business Days before the (a) the stated date upon which the Liquidity Facility expires by its terms, as the same may be extended from time to time and (b) the date upon which the Liquidity Facility is no longer required pursuant to the applicable Indenture (the “Stated Termination Date”) with respect to the related Liquidity Facility or any date prior to such Stated Termination Date on which such Liquidity Facility is terminated at the option of the Corporation (a Certificate Purchase Date”), at a price of 100% of the principal amount thereof plus accrued interest (if any) to such 2008 Certificate Purchase Date unless, with respect to the Stated Termination Date, at least 20 days prior to any such 2008 Certificate Purchase Date, the Liquidity Provider with respect to such 2008 Certificates shall have extended or further extended the Stated Termination Date to a date not earlier than 364 days from such Stated Termination Date which is being so extended.

At least 15 days prior to such 2008 Certificate Purchase Date pursuant to the applicable Indenture, the Tender Agent shall notify the Owners of all Outstanding 2008 Certificates of the applicable series (other than Ineligible Certificates) by first-class mail of the Stated Termination Date or such date on which the applicable Liquidity Facility is to be terminated at the option of the Corporation, as applicable, and advise the Owners that all such 2008 Certificates (Ineligible Certificates) shall be subject to mandatory tender on such 2008 Certificate Purchase Date.

Any 2008 Certificates or Beneficial Ownership Interests which are not tendered for purchase as required by the applicable Indenture shall be deemed to have been tendered without further notice or action by the Owners or Beneficial Owners thereof, subject to the right of the Owners of such 2008 Certificates or Beneficial Owners of such Beneficial Ownership Interests to receive the purchase price of such 2008 Certificates or Beneficial Ownership Interests and interest accrued thereon to the 2008 Certificate Purchase Date.

Mandatory Tender of 2008 Certificates Upon Delivery of Substitute Liquidity Facility. Each series of the 2008 Certificates (Ineligible Certificates) and Beneficial Ownership Interests are subject to mandatory tender in whole on the Business Day that is the effective date of a Substitute Liquidity Facility with respect to such series (a Certificate Purchase Date”) at a price of 100% of the principal amount thereof plus accrued interest to such 2008 Certificate Purchase Date.

At least 15 days prior to the Certificate Purchase Date, the Tender Agent shall notify the Remarketing Agent, the 2008 Liquidity Provider and the Owners of all affected Outstanding 2008 Certificates (other than Ineligible Certificates) by first-class mail that such a Substitute Liquidity Facility is to be provided and that all such 2008 Certificates (other than Ineligible Certificates) shall be subject to mandatory tender on such 2008 Certificate Purchase Date.

Any 2008 Certificates or Beneficial Ownership Interests which are not tendered for purchase as required by the applicable Indenture shall be deemed to have been tendered without further notice or action by the Owners or Beneficial Owners thereof, subject to the right of the Owners of such 2008 Certificates or Beneficial Owners of such Beneficial Ownership Interests to receive the purchase price of such 2008 Certificates or Beneficial Ownership Interests and interest accrued thereon to the 2008 Certificate Purchase Date.

Mandatory Liquidity Facility Tender. During the period a Liquidity Facility is required by the applicable Indenture, the related 2008 Certificates (other than Ineligible Certificates) are subject to Mandatory Liquidity Facility Tender upon the receipt of notice from the related Liquidity Provider as described below. “Mandatory Liquidity Facility Tender” means the mandatory tender of the applicable series of 2008 Certificates (other than Ineligible Certificates) pursuant to the provisions of the applicable Indenture upon receipt by the Tender Agent of notice from the Liquidity Provider given pursuant to the applicable Liquidity Facility that a default for which the Liquidity Provider is permitted to terminate the Liquidity Facility upon prior notice under that Liquidity Facility has occurred and is continuing and the date of termination of the Liquidity Provider’s obligation to purchase 2008 Certificates of such series pursuant to that Liquidity Facility. The events that could result in a Mandatory Liquidity Facility Tender are detailed in “THE INITIAL LIQUIDITY FACILITIES--Events of Default and Remedies under the Initial Liquidity Facilities - Remedies.”

The affected 2008 Certificates shall be purchased on a date that is not less than one Business Day prior to the date of termination of the Liquidity Provider’s obligation to purchase the affected 2008 Certificates pursuant to the related Liquidity Facility (a Certificate Purchase Date”) at a purchase price equal to 100% of the principal amount thereof plus, if such purchase date is not an Interest Payment Date, any accrued interest to the Certificate Purchase Date. The Tender Agent shall give notice of a Mandatory Liquidity Facility Tender to the Owners, the Trustee, the Remarketing Agent, the Corporation and the District promptly upon the receipt by the Tender Agent of a written notice from the Liquidity Provider of the Mandatory Liquidity Facility Tender.

Any 2008 Certificates or Beneficial Ownership Interests which are not tendered for purchase as required by the applicable Indenture shall be deemed to have been tendered without further notice or action by the Owners or Beneficial Owners thereof, subject to the right of the Owners of such 2008 Certificates or Beneficial Owners of such Beneficial Ownership Interests to receive the purchase price of such 2008 Certificates or Beneficial Ownership Interests and interest accrued thereon to the 2008 Certificate Purchase Date.

Notice of Termination or Suspension of Liquidity Provider’s Obligations. If a Default occurs under a Liquidity Facility resulting in the immediate suspension or termination of the obligation of the related Liquidity Provider to purchase the related 2008 Certificates under the terms of such Liquidity Facility, then the Tender Agent shall as soon as practicable thereafter notify Owners of all such 2008 Certificates then Outstanding that: (a) such Liquidity Facility has been terminated or suspended, as applicable; (b) the Tender Agent will no longer be able to purchase such 2008 Certificates with moneys available under such Liquidity Facility or the Tender Agent’s ability to purchase such 2008 Certificates with moneys available under such Liquidity Facility has been suspended pursuant to such Liquidity Facility, as applicable; (c) such Liquidity Provider is under no obligation to purchase such 2008 Certificates or to otherwise advance moneys to fund the purchase of such 2008 Certificates at any point thereafter, with respect to a termination of such Liquidity Facility, or during the pendency of the

suspension, with respect to a suspension thereof; and (d) the 2008 Certificates will be subject to the provisions described in the following paragraph.

If there are insufficient Available Moneys for the purchase of all 2008 Certificates and Beneficial Ownership Interests tendered for purchase as described in “THE 2008 CERTIFICATES--Optional Tenders for Purchase” and “Mandatory Tender of Certificates Upon Conversion to a New Interest Rate Mode and Upon Interest Rate Adjustment Date While in Term Rate Interest Rate Mode,” when (i) a Liquidity Facility is not in effect for such 2008 Certificates or has been suspended pursuant to the provisions thereof, (ii) a Liquidity Facility is in effect for such 2008 Certificates but (A) the available commitment for purchase of such 2008 Certificates thereunder is less than the principal amount of 2008 Certificates and Beneficial Ownership Interests so tendered or (B) the Liquidity Provider of such Liquidity Facility has failed to purchase all of such 2008 Certificates, then, in any such case, none of such 2008 Certificates shall be purchased by the Tender Agent from the Owner or Beneficial Owner, as appropriate, thereof and such Tender Agent shall notify the District, the Trustee, and the Remarketing Agent of such failure. Any such failure to provide for the payment of the purchase price of 2008 Certificates or Beneficial Ownership Interests therein when due upon the tender of 2008 Certificates as described above shall not constitute a default by the Remarketing Agent under the Remarketing Agreement or the Indentures and shall not constitute an Event of Default pursuant to the Indentures. On the date of such failure, the Interest Rate Mode for such 2008 Certificates shall automatically, without notice or mandatory tender, convert to a Weekly Rate Interest Rate Mode. The Remarketing Agent shall thereafter, subject to the default and remedy provisions of the Indenture, use its best efforts to remarket such 2008 Certificates or Beneficial Ownership Interests; provided that until such Remarketing Agent successfully so remarkets all of such 2008 Certificates or Beneficial Ownership Interests, the Weekly Rate shall be equal to the Maximum Rate.

See “THE INITIAL LIQUIDITY FACILITIES” for a discussion of the events that could result in an immediate suspension or termination of the Liquidity Provider’s responsibilities pursuant to the Liquidity Facility.

Substitute Liquidity Facility

The Corporation covenants in each Indenture that at all times when the applicable series of 2008 Certificates bears interest at a Variable Rate, it will maintain a Liquidity Facility in full force and effect with respect to that series of 2008 Certificates.

Each Indenture provides that, under certain circumstances, at any time, the District may deliver to the Trustee a substitute liquidity facility or other security or liquidity device for the applicable series of 2008 Certificates meeting the requirements of the related Indenture, including approval by the Certificate Insurer (each, a “Substitute Liquidity Facility” as more particularly described in Appendix B - Summary of Certain Provisions of the Indentures and the Leases).

A Substitute Liquidity Facility may become effective, but only with the consent of the Certificate Insurer, on any Business Day, which shall be a Substitution Date. The Substitution Date shall be a date on or before the Stated Termination Date of the Liquidity Facility then in effect for the applicable series of 2008 Certificates. The Corporation shall cause a draft of any Substitute Liquidity Facility in substantially final form to be delivered to the Remarketing Agent for the applicable 2008 Certificates at least 30 days prior to the proposed Substitution Date and shall cause such draft and a commitment letter with respect thereto, together with written evidence from each Rating Agency of the short term rating on the applicable series of 2008 Certificates after the Substitution Date (notice of such substitution and request for such written evidence of such rating having been delivered to each Rating Agency at least 30 days prior to the proposed Substitution Date), to be delivered to the Trustee not less than 15 days prior to the proposed Substitution Date. On each Substitution Date, the Corporation, the District, the Trustee, the Remarketing Agent for the applicable series of 2008 Certificates, the related Certificate Insurer and the Tender Agent shall also receive (i) an opinion of counsel for the Substitute Liquidity Provider regarding

the enforceability of the Substitute Liquidity Facility in substantially the form delivered to the Tender Agent upon execution and delivery of the related Liquidity Facility then in effect for the applicable 2008 Certificates, (ii) a written opinion of Bond Counsel to the effect that the substitution of the Substitute Liquidity Facility for such Liquidity Facility then in effect for the applicable 2008 Certificates will not adversely affect the validity of the related 2008 Certificates, and (iii) the executed Substitute Liquidity Facility. On any Substitution Date on which a Substitute Liquidity Facility becomes effective as described in this paragraph (but not before such date), the Tender Agent and the Corporation shall consent to the cancellation of the related Liquidity Facility then in effect for the applicable 2008 Certificates, but only if all required payments to be made thereunder (including without limitation any payment required to be made pursuant to the applicable Indenture with respect to any 2008 Certificate tendered or deemed tendered) shall have been paid by such Liquidity Provider.

Immediate notice shall be given by the Tender Agent to the Liquidity Provider, the Certificate Insurer and the Remarketing Agent for the applicable series of 2008 Certificates, and to the Corporation, the District, the Trustee and each Rating Agency if no satisfactory Substitute Liquidity Facility shall be furnished to the Tender Agent as described under this caption no later than 30 days prior to the Stated Termination Date of the then current related Liquidity Facility for such 2008 Certificates.

No Substitute Liquidity Facility shall become effective for a series of 2008 Certificates if: (i) any related Liquidity Provider Certificates are then Outstanding, unless the Substitute Liquidity Facility provides for the purchase of such Liquidity Provider Certificates by the Liquidity Provider under the Substitute Liquidity Facility and payment of all other amounts then due and owing to the previous Liquidity Provider; or (ii) any amounts required by the applicable Indenture to be paid to the previous Liquidity Provider for the applicable 2008 Certificates as of such date shall not have been so paid, unless the Substitute Liquidity Facility provides for payment of all such amounts. Any assignment of a Liquidity Facility will be treated as a substitution.

Book-Entry Only System

The 2008 Certificates will be available only in book-entry form in the principal amount of \$100,000 or any integral multiple of \$5,000 in excess thereof. DTC will act as the initial Securities Depository for the 2008 Certificates. The ownership of one fully registered 2008A Certificate and one fully registered 2008B Certificate for each subseries, in the principal amount of each series or subseries as set forth on the cover page of this Official Statement, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix C - Book-Entry Only System.

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2008 CERTIFICATES, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the District nor the Trustee will have any responsibility or obligation to DTC's Direct Participants or Indirect Participants (each as defined in Appendix C), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the 2008 Certificates as further described in Appendix C to this Official Statement.

BASE RENTALS SCHEDULES

General. The following schedules set forth: (1) the estimated principal and interest components of the Base Rentals payable pursuant to the applicable Lease in each Fiscal Year; (2) the estimated amounts of the regularly scheduled fees constituting Base Rentals payable pursuant to the applicable Lease in each Fiscal Year; and (3) the estimated total Base Rentals payable pursuant to the applicable Lease in each Fiscal Year.

Assumptions and Estimates. Each of the Base Rentals schedules assume that the District exercises its option to renew the applicable Lease each year during the applicable Lease Term. Each Base Rentals schedule also assumes that interest is payable on the 2008 Certificates at a single interest rate equal to the rate the District is required to pay pursuant to the applicable Hedge Facility (4.859%) over the life of the applicable series of 2008 Certificates. The 2008 Certificates initially will be issued in a Weekly Rate Interest Rate Mode and each series may be converted to another Interest Rate Mode at any time as described in this Official Statement. Accordingly, the interest rate to be paid on the 2008 Certificates will not remain constant over the life of the 2008 Certificates. To the extent the average annual interest rate actually paid on a series of 2008 Certificates exceeds the average annual interest rate actually paid by the applicable Hedge Provider to the District pursuant to the related Hedge Facility, Base Rentals will be higher than shown in the table below. See “CERTAIN RISK FACTORS--Risks Related to Hedge Facilities.”

In addition to principal and interest on the 2008 Certificates and regularly scheduled payments pursuant to the applicable Hedge Facility, Base Rentals include the following items due in each year pursuant to the applicable Lease (each of which constitutes a component of Base Rentals pursuant to such Lease): Regularly Scheduled Liquidity Commitment Fees; regularly scheduled fees of the Remarketing Agent; regularly scheduled fees of the Custodian; regularly scheduled fees of the Tender Agent; and regularly scheduled fees of the Trustee. For a description of all of the components of Base Rentals, see “Payment of Base Rentals, Additional Rentals and Purchase Option Price - Base Rentals.”

The fees currently in effect have been included in the “Regularly Scheduled Fees” column in each of the following tables. Those fees include: (i) Liquidity Facility Fees; (ii) Remarketing Agent fees; (iii) Trustee fees (commencing in fiscal year 2009); and (iv) Tender Agent fees (commencing in fiscal year 2009). Other annual fees or other payments that may constitute Base Rentals in the future, but currently are not required to be paid, are not represented in the tables.

The numbers shown in the “Regularly Scheduled Fees” column in each table have been calculated assuming the payment of fees over the life of the applicable series of 2008 Certificates at the same level as the fees initially are being paid; however, those fees could change from time to time in the future. Liquidity Facility Fees may increase upon selection of a new Liquidity Provider or upon any District or Certificate Insurer credit rating downgrade as provided in the Initial Liquidity Facilities.

2008A Base Rentals. The following table sets forth the estimated Base Rentals for the 2008A Certificates (applying the assumptions described above).

Base Rentals Schedule - 2008A Certificates

Fiscal <u>Year</u>	Principal <u>Component</u>	Interest <u>Component</u>	Regularly Scheduled <u>Fees</u>	Total 2008A Base <u>Rentals</u>
2008	--	\$ 3,097,613	\$ 209,275	\$ 3,306,887
2009	--	21,865,500	2,015,109	23,880,609
2010	--	21,865,500	2,015,479	23,880,979
2011	--	21,865,500	2,015,479	23,880,979
2012	--	21,865,500	2,020,618	23,886,118
2013	--	21,865,500	2,015,109	23,880,609
2014	--	21,865,500	2,015,479	23,880,979
2015	--	21,865,500	2,015,479	23,880,979
2016	--	21,865,500	2,020,618	23,886,118
2017	--	21,865,500	2,015,109	23,880,609
2018	\$ 5,170,000	21,739,895	2,004,754	28,914,649
2019	8,900,000	21,398,064	1,974,057	32,272,121
2020	9,850,000	20,942,533	1,937,200	32,729,733
2021	10,860,000	20,439,384	1,885,880	33,185,263
2022	11,930,000	19,885,700	1,835,495	33,651,196
2023	13,070,000	19,278,325	1,779,843	34,128,169
2024	14,270,000	18,614,100	1,723,254	34,607,354
2025	15,555,000	17,889,502	1,652,241	35,096,742
2026	16,910,000	17,100,765	1,580,248	35,591,013
2027	18,350,000	16,244,123	1,501,724	36,095,847
2028	19,870,000	15,315,568	1,420,079	36,605,647
2029	21,490,000	14,310,727	1,324,221	37,124,948
2030	23,205,000	13,224,862	1,224,915	37,654,777
2031	25,010,000	12,053,478	1,117,491	38,180,970
2032	26,930,000	10,791,596	1,004,165	38,725,761
2033	28,960,000	9,433,749	877,086	39,270,835
2034	31,115,000	7,974,226	743,419	39,832,645
2035	33,395,000	6,406,956	599,693	40,401,649
2036	35,795,000	4,725,985	446,417	40,967,402
2037	38,355,000	2,924,511	280,247	41,559,758
2038	<u>41,010,000</u>	<u>996,338</u>	<u>99,805</u>	<u>42,106,142</u>
Total	\$450,000,000	\$491,577,499	\$45,369,989	\$986,947,488

2008B Base Rentals. The following table sets forth the combined estimated Base Rentals for the 2008B-1 Certificates and the 2008B-2 Certificates (applying the assumptions described above).

Base Rentals Schedule - 2008B Certificates

Fiscal	Principal	Interest	Regularly	Total
<u>Year</u>	<u>Component</u>	<u>Component</u>	<u>Scheduled</u>	<u>2008B Base</u>
			<u>Fees</u>	<u>Rentals</u>
2008	--	\$ 2,065,075	\$ 139,517	\$ 2,204,592
2009	--	14,577,000	1,344,739	15,921,739
2010	--	14,577,000	1,344,986	15,921,986
2011	--	14,577,000	1,344,986	15,921,986
2012	--	14,577,000	1,348,412	15,925,412
2013	--	14,577,000	1,344,739	15,921,739
2014	--	14,577,000	1,344,986	15,921,986
2015	--	14,577,000	1,344,986	15,921,986
2016	--	14,577,000	1,348,412	15,925,412
2017	--	14,577,000	1,344,739	15,921,739
2018	\$ 3,510,000	14,491,725	1,337,836	19,339,560
2019	5,925,000	14,262,501	1,317,090	21,504,592
2020	6,555,000	13,959,300	1,292,556	21,806,855
2021	7,235,000	13,624,272	1,258,395	22,117,666
2022	7,950,000	13,255,352	1,224,828	22,430,180
2023	8,705,000	12,850,719	1,187,741	22,743,460
2024	9,510,000	12,408,185	1,150,052	23,068,237
2025	10,365,000	11,925,322	1,102,725	23,393,047
2026	11,270,000	11,399,700	1,054,752	23,724,452
2027	12,225,000	10,828,889	1,002,417	24,056,306
2028	13,240,000	10,210,217	948,023	24,398,240
2029	14,315,000	9,540,768	884,148	24,739,916
2030	15,455,000	8,817,506	817,994	25,090,500
2031	16,670,000	8,037,029	746,442	25,453,471
2032	17,945,000	7,196,058	670,905	25,811,962
2033	19,305,000	6,291,069	586,219	26,182,287
2034	20,735,000	5,318,297	497,111	26,550,408
2035	22,250,000	4,273,976	401,324	26,925,300
2036	23,865,000	3,153,612	299,183	27,317,796
2037	25,560,000	1,952,832	188,376	27,701,208
2038	<u>27,410,000</u>	<u>665,926</u>	<u>68,038</u>	<u>28,143,964</u>
Total	\$300,000,000	\$327,721,329	\$30,286,655	\$658,007,984

SECURITY FOR THE CERTIFICATES

General

Each 2008 Certificate evidences an assignment of a right to receive a portion of the Base Rentals paid by the District under the applicable Lease. The Corporation has assigned its rights to receive Base Rentals and certain other moneys under each Lease to the Trustee pursuant to the respective Indentures, for the benefit of the Owners of the related 2008 Certificates and the other Persons to whom amounts are owed as components of Base Rentals under such Lease. As more fully described under the caption "CERTAIN RISK FACTORS," each Lease is subject to annual termination at the option of the District. The District may not terminate a Lease without terminating as to all of the Leased Property subject to that Lease. (However, the District may terminate one Lease without terminating the other Lease.) The term of each Lease and the schedule of payments of Base Rentals thereunder are designed to produce moneys sufficient to pay the principal of and interest on the applicable 2008 Certificates and all other amounts included in Base Rentals under such Lease when due if the District elects not to terminate such Lease for the next ensuing Fiscal Year. The District may also elect to purchase the Corporation's interest in the related Leased Property by payment of the Purchase Option Price, which is required to be sufficient to effect a defeasance of the related 2008 Certificates then outstanding, payment of all amounts then due from the Corporation to the Trustee, the Custodian, the Remarketing Agent, the Tender Agent, the 2008 Certificate Insurer, any Liquidity Provider, any Hedge Providers, any Auction Agent, and the Certificate Fund Investment Provider and a discharge of the applicable Indenture, as described below.

Each Lease contains a provision directing the Chief Financial Officer of the District (or any other officer at any time charged with the responsibility of formulating budget proposals with respect to any project under that Lease) to include in the annual budget proposals submitted to the Board, items for all payments of Base Rentals required under that Lease and all payments of Additional Rentals estimated to be due during the next ensuing Fiscal Year until such time, if any, as the District may determine to terminate that Lease. Each Lease further provides that it is the intention of the District that the decision to continue or to terminate that Lease is to be made solely by the Board and not by any other official or employee of the District.

Upon a termination of a Lease by reason of an Event of Nonappropriation or an Event of Default, the District is required to (i) within 90 days, vacate the Land and the Improvements associated with that Lease and (ii) if and to the extent the Board has appropriated funds for payment of Base Rentals and Additional Rentals payable during, or with respect to the District's use of the related Leased Property during, the period between termination of the Lease Term and the date the Land and Improvements are vacated pursuant to clause (i) above, the District shall pay such Base Rentals and Additional Rentals to the Corporation or, in the case of Additional Rentals, to the Person entitled thereto.

No series of 2008 Certificates constitutes an obligation of the District, and the District is not obligated by either Lease to make any payments in any fiscal year beyond the fiscal year for which funds are appropriated for the payment thereof or to make payments from any funds of the District other than funds appropriated for the payment of current expenditures. Except to the extent payable from: (1) amounts paid under the related Policy, (2) the proceeds of the 2008 Certificates of such series and the income from the investment thereof, (3) net proceeds under such Lease, or (4) moneys realized from the disposition of the related Leased Property, each series of 2008 Certificates is payable solely from Base Rentals to be paid by the District under the related Lease. All payment obligations of the District under the related Lease, including, without limitation, the District's obligation to pay Base Rentals, are from year to year only and do not constitute a multiple-fiscal year direct or indirect debt or other financial obligation of the District. Each Lease is subject to annual termination at the option of the District. Upon such termination, all payments from the District under the applicable Lease will terminate, and the related 2008 Certificates will be payable from such moneys, if any, as may be held by the Trustee under the applicable Indenture and any moneys made available from the disposition of the applicable Leased Property. Upon the

occurrence of an Event of Nonappropriation or an Event of Default under a Lease, there is no assurance of any payment of the related 2008 Certificates, all as more fully described herein.

The Leased Property

General. The Leased Property associated with each Lease consists of certain real property and facilities currently owned and operated by the District. The real property and facilities that will comprise the related Leased Property upon issuance of each series the 2008 Certificates are described generally below. The valuation methods used in the following table are described in more detail in “CERTAIN RISK FACTORS--Effect of a Termination of a Lease Term - Factors Affecting Value of Leased Property.” The District may make substitutions of Leased Property in accordance with the terms of the respective Leases. Portions of the Leased Property may be released from the applicable Lease as described in “INTRODUCTION--Security for the 2008 Certificates; Termination of Leases The Leased Property; Purchase Option Price” and in Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A LEASE - Release of Portions of the Leased Property.

Owners of the 2008 Certificates of any series should not assume that it will be possible to foreclose upon or otherwise dispose of the related Leased Property, or any portion thereof, for an amount equal to the respective principal amounts of such series of the 2008 Certificates plus accrued interest thereon. See “CERTAIN RISK FACTORS--Effect of a Termination of the Lease Term” for a description of some of the factors that may impact the value of the Leased Property.

2008A Leased Property. The 2008A Leased Property consists of one elementary/middle school campus, three middle schools, five high schools and the District’s administration building, together with associated land. Certain of the 2008A Leased Property will be transferred from securing the 1997 PCOPS to secure the 2008A Certificates contemporaneously with the closing on the 2008A Certificates. The “Building Value” in the following table represents the spring 2007 insurance replacement valuation of each building; the “Land Value” represents the District’s estimate of the market value of the land in 2007.

2008A Leased Property

<u>Building</u>	<u>Building Value</u>	<u>Land Value</u>	<u>Total Value</u>
Hill Middle School	\$ 14,461,085	\$ 7,704,893	\$ 22,165,978
Hamilton Middle School	16,216,827	14,322,528	30,539,355
Cory/Merrill Campus (elementary/middle school)	16,166,622	13,969,692	30,136,314
Rishel Middle School	14,152,284	9,900,317	24,052,601
Abraham Lincoln High School	30,714,400	19,957,450	50,671,850
Career Education Center (HS)	13,513,058	39,016,692	52,529,750
John F. Kennedy High School	29,590,476	24,975,562	54,566,038
Manual High School	32,682,537	19,560,182	52,242,719
Thomas Jefferson High School	34,348,152	32,460,912	66,809,064
Administration Building	<u>16,832,714</u>	<u>10,815,948</u>	<u>27,648,662</u>
Totals	\$218,678,155	\$192,684,155	\$411,362,331

Source: The District.

2008B Leased Property. The 2008B Leased Property consists of three middle schools, one grade 6-12 school, two high schools and an administrative building, together with associated land. Certain of the 2008B Leased Property will be transferred from securing the 1997 PCOPS to securing the 2008B Certificates contemporaneously with the closing on the 2008B Certificates. The “Building Value” in the following table represents the spring 2007 insurance valuation of each building; the “Land Value” represents the District’s estimate of the market value of the land in 2007.

2008B Leased Property

<u>Building</u>	<u>Building Value</u>	<u>Land Value</u>	<u>Total Value</u>
Grant Middle School	\$ 7,461,460	\$ 4,139,942	\$ 11,601,402
Skinner Middle School	21,295,202	7,380,806	28,676,008
Smiley Middle School	23,245,950	17,176,579	40,422,529
Martin Luther King (6-12)	18,865,762	15,838,416	34,704,178
East High School	34,792,896	50,552,251	85,345,147
West High School	36,276,634	35,182,976	71,459,610
Fox Street-Administration Building	<u>7,283,059</u>	<u>156,816</u>	<u>7,439,875</u>
Totals	\$149,220,963	\$130,427,786	\$279,648,749

Source: The District.

Future Uses of Leased Property. Nothing in the Leases prohibits the District from changing the existing uses of the facilities comprising the Leased Property at any time (for example, changing an existing school building to charter school use or otherwise changing the programming of an existing school building) nor is the District prohibited from ceasing to use the facilities comprising the Leased Property. However, pursuant to the Lease, the District cannot close any school included in the Leased Property unless Substitute Leased Property is included in the Leased Property in accordance with the provisions of the applicable Lease and the school to be closed is thereupon released from the Leased Property in accordance with the applicable Lease.

All of the Leased Property currently is in use for school purposes or school administration purposes and no plans currently exist to close any of the buildings comprising the Leased Property. However, it is not possible to predict at this time whether any facility comprising Leased Property under either of the Leases will be closed in the future; nor is it possible to predict to what uses, if any, the District will put any closed facilities.

Payment of Base Rentals, Additional Rentals and Purchase Option Price

Base Rentals. The District is obligated to pay Base Rentals relating to each series of 2008 Certificates (assuming the District does not terminate the related Lease, which it has an annual option to do), to the Certificate Fund Investment Provider on each July 11 while the Certificate Fund Investment Agreement is in effect. See “THE 2008 CERTIFICATES--Certificate Fund Investment Agreement.” The Base Rentals due on each payment date will then be paid to the Trustee by the Certificate Fund Investment Provider. The amount of Base Rentals due under each Lease will be reduced by any amounts on deposit in the applicable Certificate Fund (reflecting certain credits more particularly described in Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A LEASE - Payment of Base Rentals). Principal of and interest on each series of 2008 Certificates is expected to be paid annually from the Base Rentals paid under the related Lease. See “BASE RENTALS SCHEDULES.”

Each payment of Base Rentals is paid as, and represents payment of, the following: (i) principal of the applicable 2008 Certificates due in the Fiscal Year in which the Base Rental Payment is due (including, without limitation, any principal due on any Liquidity Provider Certificates pursuant to any Liquidity Facility); (ii) interest due on the applicable 2008 Certificates in such Fiscal Year (including, without limitation, any interest due on any Liquidity Provider Certificates pursuant to any Liquidity Facility); (iii) the Net Regularly Scheduled Hedge Payments, if any, with respect to the applicable 2008 Certificates due in such Fiscal Year; (iv) the Regularly Scheduled Liquidity Commitment Fees, if any, with respect to the applicable 2008 Certificates due in such Fiscal Year; (v) the regularly scheduled fees of the Remarketing Agent for the applicable 2008 Certificates for such Fiscal Year; (vi) the regularly scheduled fees of the Tender Agent, if any, for the applicable 2008 Certificates for such Fiscal Year; (vii)

the regularly scheduled fees of the Trustee for the applicable 2008 Certificates for such Fiscal Year; (viii) the regularly scheduled fees of the Custodian for such fiscal year; (ix) the regularly scheduled fess of the Auction Agent, if any, for such Fiscal Year; (x) any amounts payable to the Certificate Insurer to reimburse such Certificate insurer for any draws upon the applicable Qualified Reserve Fund Policy; and (xi) to the extent an amount has been appropriated to fund a deficiency in the Stabilization Account, a monthly amount equal to 1/12 of the amount so appropriated for the Fiscal Year in which such Base Rental Payment Date occurs.

Order of Application of Base Rentals. Upon receipt by the Trustee of each payment of Base Rentals, the Trustee shall apply the amount of each Base Rentals payment in the following manner and order:

(A) FIRST, the amount of such payment of Base Rentals designated and paid as interest and Net Regularly Scheduled Hedge Payments under the applicable Indenture (but with respect to the latter for the 2008B Base Rentals, only if the Hedge Facility Effective Date has occurred), as from time to time amended, plus the amount of any past due interest on the applicable Certificates (including, without limitation, any interest due on any Liquidity Provider Certificates pursuant to any Liquidity Facility), shall be deposited in the Interest Account of the Certificate Fund established under the applicable Indenture;

(B) SECOND, the portion of such payment of Base Rentals designated and paid as principal under the applicable Indenture, as from time to time amended pursuant hereto (including, without limitation, any principal due on any Liquidity Provider Certificates pursuant to any Liquidity Facility), shall be deposited in the Principal Account of the Certificate Fund established under the applicable Indenture;

(C) THIRD, all other amounts included in Base Rentals as described above, other than amounts appropriated to fund a deficiency in the Stabilization Account, shall be deposited in the Fee Retention Fund established under the applicable Indenture; and

(D) FOURTH, the amount appropriated to fund a deficiency in the applicable Stabilization Account shall be deposited in the applicable Stabilization Account.

The applicable Base Rentals shall be recalculated by the District and confirmed by the Trustee in the event of: (i) any partial redemption of the applicable 2008 Certificates prior to maturity; (ii) the issuance of any Additional Certificates pursuant to the Indenture; (iii) the effectiveness of any Hedge Facility not in effect prior to such recalculation; and (iv) any 2008 Certificates becoming Liquidity Provider Certificates (in order to provide for payment of such Liquidity Provider Certificates pursuant to the Indenture).

Payment of Additional Rentals. Each Lease generally requires that the District pay Additional Rentals directly to the Persons to which they are owed (which is the Trustee in the case of payments required to be made to fund the Reserve Fund) in immediately available funds in the amounts and on the dates on which they are due.

Purchase Option Price. Each Lease grants to the District the option to purchase the related Leased Property by paying to the Corporation an amount (the "Purchase Option Price") which, together with other amounts then on deposit in the related Certificate Fund and the related Reserve Fund that are available for such purpose, is sufficient (a) to pay (i) all the Applicable Outstanding 2008 Certificates at maturity, (ii) in immediately available funds, (A) the redemption price of all the applicable Outstanding Certificates in accordance with the redemption provisions of the applicable Indenture (to the extent such 2008 Certificates are at such time subject to redemption at the option of the Corporation) or (B) the amount necessary to defease all the Applicable Outstanding Certificates in accordance with the defeasance provisions of such Indenture; (b) to pay all Additional Rentals payable through the date of

conveyance of the applicable Leased Property to the District or its designee pursuant to the applicable Indenture; and (c) to pay all fees and expenses of the Trustee and the Corporation required for the conveyance of the applicable Leased Property and the payment, redemption or defeasance of the applicable Certificates (including all amounts payable by the Corporation to any Liquidity Provider under the applicable Liquidity Facility; all amounts payable to the Custodian pursuant to the Custodian Agreement; all amounts payable by the Corporation to the Auction Agent pursuant to the Auction Agreement, all amounts payable by the Corporation to the Certificate Insurer under the applicable Indenture, any Certificate Insurance Policy (including the applicable Policy) and the applicable Guaranty Agreement; all amounts payable by the Corporation to any Hedge Provider under the applicable Hedge Facility; all amounts payable by the Corporation to any Remarketing Agent under any Remarketing Agreement; and all amounts payable by the Corporation to the Certificate Fund Investment Provider under the Certificate Fund Investment Agreement).

The District may exercise its option to purchase the related Leased Property pursuant to the applicable Lease by (i) giving written notice to the Corporation, the Trustee and each Certificate Insurer and each Liquidity Provider prior to the end of the Scheduled Lease Term of such Lease (A) stating that the District intends to purchase such Leased Property pursuant to such Lease, (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 days after the delivery of such notice; (ii) paying the Purchase Option Price to the Corporation in immediately available funds on the closing date; and (iii) satisfying all requirements of the applicable Indenture for such purchase.

The Reserve Fund

General. Each Indenture establishes a Reserve Fund (the “Reserve Fund”) for the respective series of 2008 Certificates and any Additional Certificates executed and delivered under that Indenture. The “Reserve Fund Requirement” means: (A) with respect to the 2008A Certificates, an amount equal to \$41,839,825.28; (B) with respect to the 2008B Certificates, an amount equal to \$27,893,356.22; and (C) with respect to each series of Additional Certificates for which a deposit to either of the Reserve Funds is required, the amount set forth in the Supplemental Indenture authorizing the issuance of such Additional Certificates.

Upon the issuance of each series of 2008 Certificates, the District will deposit a separate Reserve Fund Policy into each Reserve Fund in satisfaction of the respective Reserve Fund Requirements. Each Reserve Fund Policy shall be held by the Trustee.

Nothing in either Indenture shall be construed as limiting the right of the Corporation to augment the applicable Reserve Fund or any account thereof with any other moneys which are legally available for payment of the principal of and interest on the related 2008 Certificates or to substitute for the required cash deposit one or more Qualified Reserve Fund Policies. Cash on deposit in the Reserve Fund shall be used before any draw is made on any Qualified Reserve Fund Policy on deposit therein. In the event that there is more than one Qualified Reserve Fund Policy on deposit therein, amounts will be drawn pursuant to each policy pro rata.

For a more detailed description of the Reserve Funds, including the application of moneys in the Reserve Funds, see Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A INDENTURE - Reserve Fund.

Reserve Fund Policies. Financial Security has provided a commitment to issue its municipal bond debt service reserve insurance policy (each a “Reserve Fund Policy”) for each series of the 2008 Bonds, each in the amount of the applicable Reserve Fund Requirement, for credit to the applicable Reserve Fund. Pursuant to each Reserve Fund Policy, Financial Security will unconditionally and irrevocably agree to pay to the Trustee, for the benefit of the Registered Owners, subject to the terms of the applicable Reserve Fund Policy, that portion of the principal of and interest on the applicable series of

2008 Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in each Reserve Fund Policy).

Financial Security will make payment as provided in the applicable Reserve Fund Policy to the Trustee on the later of the business day on which such principal and interest becomes Due for Payment or the business day next following the business day on which Financial Security shall have received Notice of Nonpayment, in a form reasonably satisfactory to it. Payment by Financial Security to the Paying Agent for the benefit of the Registered Owners shall, to the extent thereof, discharge the obligation of Financial Security under the applicable Reserve Fund Policy. Upon such payment, Financial Security shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the applicable Indenture.

The amount available under the applicable Reserve Fund Policy for payment shall not exceed the Policy Limit (as such term is defined in each Reserve Fund Policy), which shall never exceed the applicable Reserve Fund Requirement. The amount available at any particular time to be paid to the Trustee under the terms of the applicable Reserve Fund Policy shall automatically be reduced by any payment under such Reserve Fund Policy. However, after such payment, the amount available under the applicable Reserve Fund Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Financial Security by or on behalf of the Issuer.

For a further description of provisions applicable to the Reserve Fund Policies, see Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A INDENTURE - Rights of 2008A Certificate Insurer.

Certificate Insurance

The following information has been furnished by the Certificate Insurer for use in this Official Statement. Reference is made to Appendix E for a specimen of the Certificate Insurer's Policy. A separate Policy will be issued with respect to each series of 2008 Certificates.

Bond Insurance Policy. Concurrently with the issuance of the 2008 Certificates, Financial Security Assurance Inc. ("Financial Security") will issue a separate Municipal Bond Insurance Policy for each series of the 2008 Certificates (each, a "Policy" and collectively, the "Policies"). Each Policy guarantees the scheduled payment of principal of and interest on the applicable series of 2008 Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policies are not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc. Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2007, Financial Security's consolidated policyholders' surplus and contingency reserves were approximately \$2,703,119,716 and its total net unearned premium reserve was approximately \$2,274,576,959 in accordance with statutory accounting principles. At December 31, 2007, Financial Security's consolidated shareholder's equity was approximately \$2,962,301,379 and its total net unearned premium reserve was approximately \$1,796,984,819 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2007 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Official Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Official Statement and before the termination of the offering of the 2008 Certificates shall be deemed incorporated by reference into this Official Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policies do not protect investors against changes in market value of the applicable series of 2008 Certificates, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the 2008 Certificates or the advisability of investing in the 2008 Certificates. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the District the information presented under this caption for inclusion in the Official Statement.

Stabilization Account

General. Each Indenture creates a Stabilization Account in the Certificate Fund. The 2008A Stabilization Account initially will be funded with proceeds of the 2008A Certificates in an amount equal to \$1,800,000 (the “2008A Stabilization Account Requirement”). The 2008B Stabilization Account initially will be funded with proceeds of the 2008B Certificates in an amount equal to \$1,200,000 (the “2008B Stabilization Account Requirement,” and together with the 2008A Stabilization Account Requirement, the “Stabilization Account Requirement”).

Deposits. Thereafter, each Stabilization Account will be funded from (1) on any Interest Payment Date, the aggregate Hedge Facility Basis Excess from the applicable Hedge Facility, if any (except as otherwise described in “Accumulation of Moneys” below); (2) any Base Rentals paid by the District for deposit into such account as described in “Accumulation of Moneys” below; and (3) all other moneys delivered to the Trustee that are accompanied by instructions to deposit the same into the applicable Stabilization Account. The Corporation may augment amounts on deposit in the Stabilization Account with any other moneys which are legally available for the purposes described in “Use of Moneys” below.

Use of Moneys. Moneys in a Stabilization Account shall be transferred by the Trustee to the applicable Interest Account on any Interest Payment Date: (1) to the extent of any Hedge Facility Basis Deficiency from the related Hedge Facility on such date; and (2) if, after the transfer described in clause (1), the amount on deposit in the Interest Account on such date is insufficient to pay all interest on the applicable 2008 Certificates payable on such date, to the extent of such insufficiency.

Accumulation of Moneys. (A) Subject to the provisions described in (C) below, on any date on which the amount on deposit in the applicable Stabilization Account equals or exceeds the Stabilization Account Cap (\$2,100,000 with respect to the 2008A Certificates and \$1,400,000 with respect to the 2008B Certificates), amounts that would otherwise be transferred to the Stabilization Account as described in “Deposits” above shall instead be transferred to the applicable Interest Account and applied by the Trustee as a credit against the next succeeding Base Rental payment payable by the District pursuant to the applicable Lease.

(B) Income from the investment of moneys in each Stabilization Account shall be retained in such account until the amount on deposit therein equals or exceeds the applicable Stabilization Account Cap, and thereafter, subject to the provisions described in (C) below, shall be transferred upon receipt to the applicable Interest Account and applied by the Trustee as a credit against the next succeeding Base Rental payment payable by the District pursuant to the applicable Lease.

(C) Notwithstanding the foregoing, the District may, in its discretion, by notice delivered to the Trustee, elect that amounts described in (A) and (B) above be, as applicable, transferred to or retained in either Stabilization Account when the amount on deposit in such account equals or exceeds the Stabilization Account Cap.

Payments by the District. The District has agreed in each Lease that it will pay monthly, as a component of Base Rentals, 1/12 of the amount, if any, appropriated for replenishment of the Stabilization Account of the Certificate Fund for such Fiscal Year pursuant to the Lease. Upon receipt of each such payment, the Trustee shall deposit such amount to the applicable Stabilization Account.

Additional Certificates

So long as the Lease Term of the applicable Lease shall remain in effect and no Event of Nonappropriation or Event of Default under such Lease shall have occurred, one or more Series of Additional Certificates may be issued upon the terms and conditions provided in the related Indenture. The maturity dates, Interest Payment Dates and the interest payment provisions with respect to such Series of Additional Certificates shall be as provided in the Supplemental Indenture relating to such Series of Additional Certificates. Additional Certificates may be issued to provide funds to pay any one or more of the following: (i) Costs of the Project in excess of the amount available pursuant to each Indenture; (ii) the costs of refunding all or any portion of the applicable Outstanding Certificates; (iii) the costs of making at any time or from time to time such additions, modifications and improvements for or to the related Leased Property as the District may deem necessary or desirable; and (iv) costs of acquiring or improving any additional property that will be leased by the Corporation to the District pursuant to a lease agreement similar to the related Lease.

Additional Certificates may be issued only in accordance with the terms of the Indenture (including those described in the prior 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 applicable Indenture, the Additional Certificates shall be included in one or more new Series of Certificates, the related Leased Property shall include any property being financed by the Additional Certificates, and the applicable Certificates shall mean and include the Additional Certificates being issued as well as any applicable Certificates and applicable 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 Rate Mode of the Additional Certificates, provisions for the redemption of the Additional Certificates, if any, and the identification of any Liquidity Facility, Liquidity Provider, Hedge Facility, Hedge Provider, Certificate Insurer, Certificate Insurance Policy, Guaranty Agreement, Remarketing Agreement, Remarketing Agent, Broker-Dealer Agreement all may be as provided in the Supplemental Indenture rather than as provided in the applicable Indenture;

(ii) originally executed counterparts of an amendment to the applicable Lease providing for the addition to the applicable Leased Property of any property financed with the proceeds of the Additional Certificates;

(iii) 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;

(iv) 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 and that the issuance, sale and delivery of the Additional Certificates will not constitute an Event of Default under the applicable Indenture nor cause any violation of the covenants set forth in the applicable Indenture;

(v) a commitment or other evidence that the amount of the title insurance policy (described in Appendix B - Summary of Certain Provisions of the Indentures and the Leases - 2008A INDENTURE - Title Insurance) 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);

(vi) proceeds of such Additional Certificates or other legally available funds of the Corporation for deposit into the appropriate account within the applicable Reserve Fund, or other substitution for the cash deposit as described in the applicable Indenture, in an amount, if any, necessary to increase the amount on deposit in the appropriate account within the applicable Reserve Fund to the applicable Reserve Fund Requirement; and

(vii) a certificate from the Corporation Representative certifying that the Lease Revenues are expected to be sufficient to pay the principal of, premium, if any, and interest on the Additional Certificates and all other Outstanding applicable Certificates when due and such other obligations required to be paid from the Trust Estate when due.

No Additional Certificates, notes, certificates, contracts or any other obligations shall be issued by the Trustee if any Event of Default or Event of Nonappropriation shall have occurred and be continuing with respect to the applicable Outstanding Certificates. In determining that no Event of Default or Event of Nonappropriation shall have occurred and is continuing, the Trustee shall be entitled to rely on the provisions of the applicable Indenture and a certificate of the Corporation and of the District that no Event of Default nor Event of Nonappropriation shall have occurred and be continuing.

Each of the Additional Certificates issued pursuant to an Indenture shall (except as otherwise provided in that Indenture) be proportionately and ratably secured with the series of 2008 Certificates originally issued pursuant to that Indenture and all other issues of Additional Certificates, if any, issued pursuant to that Indenture, without preference, priority or distinction of any such Certificates or Additional Certificates over any other.

THE INITIAL LIQUIDITY FACILITIES

Certain provisions of the Initial Liquidity Facilities are summarized below, and each summary is qualified in its entirety by reference to the Liquidity Facilities. Copies of the Initial Liquidity Facilities are available from the sources listed in “INTRODUCTION--Additional Information.” Also see Appendix F - Initial Liquidity Provider Information.

The Initial Liquidity Provider is sometimes referred to as the “Bank” in this section of the Official Statement.

Commitment to Purchase Eligible Certificates

If Eligible Certificates are not remarketed by the applicable Remarketing Agent on the day the related series of 2008 Certificates are to be tendered, the Tender Agent is to give the Liquidity Provider notice as provided in the applicable Initial Liquidity Facility. Upon receipt of such notice, and upon the determination by the Initial Liquidity Provider that the conditions precedent to purchase specified in the respective Initial Liquidity Facility has been satisfied, the Initial Liquidity Provider is to transmit to the Trustee in immediately available funds an amount equal to the aggregate purchase price of such Eligible Certificates for which remarketing proceeds are not available as requested by the Trustee.

Each Liquidity Facility is to fund purchases of the applicable 2008 Certificates which are tendered but for which remarketing proceeds are not available, and does not support the payment of principal of, premium, if any, and interest on such 2008 Certificates as the same become due and payable. Under certain circumstances described below, purchases will not be made under the related Initial Liquidity Facility and, therefore, funds may not be available to purchase tendered 2008 Certificates. See “CERTAIN RISK FACTORS--Risks Related to the Liquidity Provider and the Liquidity Facilities.” *Neither of the Policies guarantees payment of the purchase price of the related tendered 2008 Certificates.*

The Initial Liquidity Facilities

Each Indenture requires the Corporation to maintain a Liquidity Facility at all times during which the applicable series of 2008 Certificates bears interest at a Variable Rate. The Trustee must be able to demand payment for the purchase price of tendered 2008 Certificates of the applicable series. No Liquidity Facility is required for 2008 Certificates bearing interest at the Auction Rate, the Floating Rate or the Fixed Rate.

Each Initial Liquidity Facility is scheduled to terminate on April 23, 2011, unless extended as described in “Extension of the Liquidity Facilities” below or terminated or suspended as described in “Events of Default and Remedies under the Liquidity Facilities” and “Termination of the Liquidity Facilities” below.

Subject to the terms and conditions of each Initial Liquidity Facility, the Initial Liquidity Provider agrees from time to time during the Commitment Period (as defined in each Liquidity Facility) to purchase, at the Purchase Price (defined below), Eligible Certificates (defined to mean 2008 Certificates of the related series which bear interest at a Variable Rate and which are not 2008 Liquidity Provider Certificates or 2008 Certificates owned by or held on behalf of or for the benefit of or for the account of the District or the Corporation) which are tendered pursuant to the Optional Tender or Mandatory Tender provisions of the applicable Indenture and which, in either case, the Remarketing Agent has been unable to remarket. The Liquidity Provider will pay the Purchase Price with its own funds.

The aggregate principal amount (or portion thereof) of any Eligible Certificate purchased by the Bank on any Purchase Date shall be an Authorized Denomination and, in any case, the aggregate principal amount of all Eligible Certificates purchased on any Purchase Date shall not exceed the

Available Principal Commitment (defined below) (calculated without giving effect to any purchase of Eligible Certificates by the Bank on such date) at 10:00 a.m., on such date. The aggregate amount of the Purchase Price comprising interest with respect to the Eligible Certificates (the “Interest Component”) purchased on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment (defined below) on such date and (ii) the actual aggregate amount of interest accrued with respect to each such Eligible Certificate, to but excluding such Purchase Date; provided that if the applicable Purchase Date is an Interest Payment Date the amount described in this clause (ii) shall be reduced by the amount of interest payable with respect to each such Eligible Certificate on such Interest Payment Date. All purchases of Eligible Certificates by the Bank pursuant to the applicable Initial Liquidity Facility shall be made by the Bank in immediately available funds with its own funds.

Term of the Liquidity Facilities; Extension of Expiration Date

The term of each Initial Liquidity Facility is the earliest to occur of (i) April 23, 2011 (the “Scheduled Expiration Date”); (ii) the Business Day following the date on which the Corporation reduces the Available Commitment to zero by delivery of a certification that the Interest Rate Mode has been converted to a non-Variable Rate Interest Rate Mode or that an Alternate Liquidity Facility has been delivered; (iii) the Business Day following any date on which the interest rate on all of the 2008 Certificates has been converted to any rate other than a Variable Rate; (iv) the Termination Date (see “Events of Default and Remedies under the Initial Liquidity Facilities - Remedies - Mandatory Tender Events” below); (v) the date of the occurrence of an Immediate Termination Event (see “Events of Default and Remedies Under the Initial Liquidity Facilities - Remedies” below); or (vi) the Business Day following the effective date of the Alternate Liquidity Facility in accordance with the applicable Indenture (the “Substitution Date”).

The Scheduled Expiration Date may be extended from time to time as provided in the Initial Liquidity Facility.

Certain Definitions

The following are some of the definitions used in the Initial Liquidity Facilities:

“Available Commitment” means on any day, the sum of the Available Principal Commitment and the Available Interest Commitment on such day, initially \$457,875,000 with respect to the 2008A Certificates and \$305,250,000 with respect to the 2008B Certificates.

“Available Principal Commitment” initially means \$450,000,000 with respect to the 2008A Certificates and \$300,000,000 with respect to the 2008B Certificates, and thereafter means such amount adjusted from time to time as follows: (a) downward by the amount of any mandatory or voluntary reduction of the Available Principal Commitment, (b) downward by the principal amount of any 2008 Certificates purchased by the Bank that become Liquidity Provider Certificates, and (c) upward by the principal amount of any 2008 Certificates theretofore purchased by the Bank which are remarketed and for which the Bank has received immediately available funds equal to the principal amount thereof and accrued interest thereon; provided that the Available Principal Commitment shall never exceed \$450,000,000 for the 2008A Certificates and \$300,000,000 for the 2008B Certificate. Any adjustments pursuant to clause (a), (b) or (c) above shall occur simultaneously with the event requiring such adjustment.

“Available Interest Commitment” initially means \$7,875,000 for the 2008A Certificates and \$5,250,000 for the 2008B Certificates (calculated based upon 35 days of interest calculated at an assumed rate of 18% per annum (based on a year of 360 days and actual days elapsed) and thereafter means such amount adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment pursuant to the definition of “Available Principal Commitment” bears to the Available Principal

Commitment prior to such reduction; and (b) upward by an amount that bears the same proportion to such amount as the amount of any increase in the Available Principal Commitment pursuant to clause (c) of the definition of “Available Principal Commitment” bears to the Available Principal Commitment prior to such increase; provided that after giving effect to such adjustment the Available Interest Commitment shall never exceed \$7,875,000 for the 2008A Certificates and \$5,250,000 for the 2008B Certificates. Any adjustments pursuant to clause (a) or (b) above shall occur simultaneously with the event requiring such adjustment.

“Debt” of any Person means, at any date, without duplication, (i) all obligations of such Person for borrowed money and reimbursement obligations which are not contingent, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services which purchase price is due twelve (12) months or more from the date of incurrence of the obligation in respect thereof, (iv) all obligations of such Person as lessee under capital leases, (v) all Debt of others Guaranteed by such Person, and (vi) all payment obligations of such Person, in addition to any obligations set forth in clauses (i) through (v) above, arising under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate futures contract, interest rate option contract or other similar arrangement and under any foreign exchange contract, currency swap agreement, foreign exchange futures contract, foreign exchange option contract, synthetic cap or other similar agreement; *provided* that it is understood that Debt does not include contingent obligations of such Person to reimburse any other Person in respect of surety bonds or letters of credit to the extent that such surety bonds or letters of credit support Debt of such Person.

“Default” shall mean any event or condition which, with the giving of notice or the lapse of time, or both would, unless cured or waived, become a Liquidity Facility Event of Default (defined below).

“Financing Documents” means the applicable Indenture, Lease, 2008 Certificates, Policy, the Official Statement, the Remarketing Agreement, and any other document or instrument related thereto or issued thereunder.

“Immediate Termination Event” means the occurrence of any Insurer Event of Default.

“Insurer Adverse Change” means the lowering of the Certificate Insurer’s claims-paying ability rating below the “AA-” rating category (or its equivalent) by S&P or the “Aa3” rating category (or its equivalent) by S&P or Moody’s.

“Insurer Event of Default” means any Event of Default described in paragraphs (a), (b)(i), (c), (d) or (n) under “Events of Default and Remedies Under the Initial Liquidity Facilities” below.

“Purchase Price” for purposes of each Initial Liquidity Facilities means the purchase price of the applicable 2008 Certificates required to be purchased by the Tender Agent with funds made available under the Initial Liquidity Facility, which purchase price shall be equal to the principal evidenced thereby plus accrued and unpaid interest evidenced thereby to the Purchase Date, if any, but shall in no event exceed the Available Commitment (defined below) on such Purchase Date.

Events of Default and Remedies Under the Initial Liquidity Facilities

Events of Default. Each of the following events shall constitute an event of default (a “Liquidity Facility Event of Default”) under the respective Initial Liquidity Facilities:

- (a) any principal or interest evidenced by the applicable 2008 Certificates (including 2008 Liquidity Provider Certificates, but excluding amounts required to be paid by the Bank to purchase 2008 Certificates under the applicable Initial Liquidity Facility) is not paid by the Corporation when due and such principal or interest is not paid by the Certificate Insurer when,

as, and in the amounts required to be paid pursuant to the terms of the applicable Policy, or the applicable Policy is surrendered, canceled, terminated, amended or modified in any material respect or a new Certificate Insurer is substituted for the Certificate Insurer as the Certificate Insurer without the Bank's prior written consent; or

(b) (i) any material provision of the applicable Policy relating to the obligation of the Certificate Insurer to make payments of principal and interest thereunder at any time for any reason ceases to be valid and binding on the Certificate Insurer in accordance with the terms of the applicable Policy or the New York Department of Insurance, or a court or other governmental authority of appropriate jurisdiction shall find or rule or shall enter an order, judgment or decree that the applicable Policy is not valid and binding on the Certificate Insurer or (ii) the Certificate Insurer shall (A) claim in writing that the applicable Policy is not valid and binding on the Certificate Insurer, (B) repudiate the Certificate Insurer's obligations under the Policy or (C) initiate legal proceedings seeking an adjudication that the applicable Policy, or any material provision thereof regarding the payment of principal or interest on related 2008 Certificates (including 2008 Liquidity Provider Certificates) is not valid and binding on the Certificate Insurer; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Certificate Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding shall not have been dismissed within sixty (60) days or such court enters an order granting the relief sought in such proceeding; or the New York Department of Insurance shall declare a moratorium on the payment of the Certificate Insurer's debts, or the Certificate Insurer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Certificate Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its Debts (provided for purposes of this definition, "Debt" shall not include any obligation of the Certificate Insurer under any insurance policy or surety bond) as they become due, or an order for rehabilitation, liquidation or dissolution of the Certificate Insurer shall be issued; or

(d) the Certificate Insurer shall fail to make any payment related to principal and interest when due under any insurance policy (other than the Policies) or surety bond issued by it insuring or supporting the payment of municipal obligations rated by any Rating Agency, and such failure shall continue for a period of 30 days (it being understood by the Bank that default for purposes of this paragraph (d) shall not mean a situation whereby the Certificate Insurer contests in good faith its liability under any such policy or policies in light of the claims made thereunder); or

(e) any representation or warranty made by the District in the Lease or under the applicable Initial Liquidity Facility or by the Corporation under or in connection with the applicable Initial Liquidity Facility or any of the Financing Documents to which it is a party shall prove to be untrue in any material respect on the date as of which it was made; or

(f) nonpayment of any amounts payable as commitment fees under the Initial Liquidity Facilities when due (together with interest thereon at the Default Rate), if such failure to pay when due shall continue for 10 days after written notice thereof to the Corporation and the Certificate Insurer by the Bank; or

(g) nonpayment of any other fees, or any other amount when due hereunder (together with interest thereon at a rate equal to the Default Rate), except to the extent that such nonpayment is the result of a lack of moneys available for payment thereof from the sources specified in the Initial Liquidity Facilities (see the reference to Appendix B in the prior paragraph), if such failure to pay when due shall continue for ten (10) Business Days after written notice thereof to the Trustee, the Corporation and the Certificate Insurer by the Bank; or

(h) the breach by the District of specified covenants contained in the Initial Liquidity Facilities (including covenants related to appropriation of Base Rentals pursuant to each of the Leases; agreements not to amend or terminate various agreements (other than the District's right to terminate each Lease); deviation from its investment policies in a manner than materially affects its ability to perform under the Leases or the Initial Liquidity Facilities; transfer, encumber or substitute property other than in accordance with the Leases; or permit the Policies to be surrendered, amended or terminated); or the breach by the Corporation of any of the terms or provisions of various covenants contained in the Initial Liquidity Facilities (including covenants related to: use of 2008 Certificate proceeds; appropriation of Base Rentals pursuant to each Lease; maintenance of insurance coverage in accordance with each Lease; maintenance of municipal bond insurance policies for each series of 2008 Certificates; and maintenance of long-term unenhanced credit ratings for the 2008 Certificates with at least two ratings agencies), as well as compliance with the negative covenants set forth in each of the Initial Liquidity Facilities; or

(i) the breach by the District or the Corporation of any of the other terms or provisions of the Initial Liquidity Facilities which is not remedied within thirty (30) days after written notice thereof shall have been received by the District or the Corporation, respectively, from the Bank; or

(j) the applicable Indenture shall terminate or cease to be of full force and effect, other than as a result of any prepayment in full of the related 2008 Certificates or provision for such prepayment in full in accordance with such Indenture or termination thereof in connection with a termination of the applicable Lease upon an Event of Nonappropriation; or

(k) an Insurer Adverse Change shall at any time occur and be continuing for a period of 30 consecutive days, or

(l) (i) the District shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate the District as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to the District or its Debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the District shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the District any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the District, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof, or (iv) the District shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the District shall generally not, or shall be unable to, or so admit in writing its inability to, pay its Debts; or

(m) a final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the District or the Corporation and shall be payable from the applicable Trust Estate and such judgment or order shall not have been satisfied, stayed or bonded pending appeal within a period of sixty (60) days from the date on which it was first so rendered; or

(n) the claims paying rating assigned to the Certificate Insurer is reduced below Investment Grade (“Baa3” (or its equivalent) or better by Moody’s and “BBB-” (or its equivalent) or better by S&P) by Moody’s and S&P or is suspended or withdrawn by each of Moody’s and S&P for credit related reasons.

Remedies. The following remedies are provided in each of the Initial Liquidity Facilities:

(a) Upon the occurrence of an Immediate Termination Event (i.e., events of default described in paragraphs (a), (b)(i), (c), (d) and (n) above, the Available Commitment and the obligation of the Bank to purchase 2008 Certificates shall immediately terminate without notice or demand or any other action on the part of the Bank, and thereafter the Bank shall be under no obligation to purchase 2008 Certificates. Promptly upon obtaining knowledge of any such Immediate Termination Event (whether from the District, the Trustee or otherwise), the Bank shall give the District, the Trustee and the Certificate Insurer written notice of such Immediate Termination Event; provided that the Bank shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the obligations of the Bank to purchase 2008 Certificates pursuant to the Initial Liquidity Facilities.

(b) Upon the occurrence of a Mandatory Tender Event (events of default described in paragraphs (f), (g) or (k) above), the Bank may terminate the Available Commitment by giving a written Notice of Mandatory Tender Event to the Tender Agent, specifying the date on which the Available Commitment shall terminate (the “Termination Date”), which shall be not less than thirty (30) days from the date of receipt of such notice by the Tender Agent, and on and after the Termination Date, the Bank shall be under no further obligation to purchase 2008 Certificates under the Initial Liquidity Facilities other than 2008 Certificates which are the subject of a Notice of Request for Purchase pursuant to the Initial Liquidity Facilities received by the Bank prior to the Termination Date and for which the tender is scheduled to occur prior to the Termination Date, and the Corporation shall forthwith, upon written request of the Bank, use its commercially reasonable efforts to convert all of the Series 2008A Certificates to an Interest Rate Mode other than a Variable Rate in accordance with the Indenture or obtain a Substitute Liquidity Facility, whereupon all such 2008 Certificates shall be remarketed and the Bank shall be repaid all obligations owed under the Initial Liquidity Facilities.

(c) Upon the occurrence of a Liquidity Facility Event of Default described in paragraph (b)(ii) hereof or an event which, with the giving of notice or passage of time or both, would constitute a Liquidity Facility Event of Default specified in (d) above, the obligation of the Bank under the Initial Liquidity Facilities to purchase 2008 Certificates shall be immediately and automatically suspended, without notice, and the Bank shall be under no further obligation to purchase 2008 Certificates unless and until the obligation of the Bank to purchase 2008 Certificates is reinstated as described below. Promptly upon obtaining knowledge of any such Liquidity Facility Event of Default or Default (whether from the District, the Trustee or otherwise), the Bank shall give the Corporation, the District, the Trustee and the Certificate Insurer written notice of such Liquidity Facility Event of Default or Default; *provided* that the Bank shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment and of the obligations of the Bank to purchase 2008 Certificates pursuant to the Initial Liquidity Facilities. The Corporation shall promptly, upon receipt of notice from the Bank or knowledge of such Liquidity Facility Event of Default or Default, as applicable, direct the Trustee to notify all owners of 2008 Certificates of any suspension of the obligation of the Bank to purchase 2008 Certificates as a result of the occurrence of such Liquidity Facility Event of Default or Default. If at any time prior to the earlier of (i) the Scheduled

Termination Date and (ii) the date that is three (3) years following the suspension of the obligation of the Bank to purchase 2008 Certificates, (x) the Default specified in (d) above which gave rise to such suspension is cured or ceases to be continuing within the applicable time period and (y) the obligation of the Bank to purchase 2008 Certificates under the Initial Liquidity Facilities has not otherwise terminated, then, upon written notice from the Trustee to the Bank to such effect, the obligation of the Bank to purchase 2008 Certificates under the Initial Liquidity Facilities shall be automatically reinstated. In the case of a Liquidity Facility Event of Default described in (b)(ii) above, if a court with jurisdiction to rule on the validity of the applicable Policy shall thereafter enter a final, nonappealable judgment that such Policy is not valid and binding on the Certificate Insurer, then the Available Commitment and the obligation of the Bank to purchase the related 2008 Certificates shall immediately terminate without notice or demand and thereafter the Bank shall be under no obligation to purchase such 2008 Certificates. Conversely, if a court with jurisdiction to rule on the validity of the applicable Policy shall find or rule that such Policy is valid and binding on the Certificate Insurer, then the Available Commitment and the obligations of the Bank under the Initial Liquidity Facilities shall thereupon be reinstated (unless the Commitment Period shall otherwise have expired or the Available Commitment shall otherwise have been terminated or suspended as provided in the Initial Liquidity Facilities). If the event which gave rise to the suspension of the obligations of the Bank to purchase 2008 Certificates under the Initial Liquidity Facilities has not been cured or ceases to exist prior to the three (3) year anniversary of such occurrence, then the obligations of the Bank to purchase 2008 Certificates shall be terminated upon written notice from the Bank to the Corporation, the District, the Trustee and the Certificate Insurer, and thereafter the Bank shall have no further obligations to purchase any 2008 Certificates; provided that the Bank shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the obligations of the Bank to purchase 2008 Certificates under the Initial Liquidity Facilities.

(d) Upon the occurrence of an event which with the passage of time would constitute a Liquidity Facility Event of Default described in (c) above, the obligation of the Bank to purchase 2008 Certificates under the Initial Liquidity Facilities shall be immediately and automatically suspended, without notice, and the Bank shall be under no further obligation hereunder to purchase 2008 Certificates, until the bankruptcy, insolvency or similar proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the obligations of the Bank hereunder to purchase 2008 Certificates shall be automatically reinstated and the terms of the Initial Liquidity Facilities shall continue in full force and effect (unless the obligation of the Bank to purchase 2008 Certificates under the Initial Liquidity Facilities shall otherwise have terminated or been suspended) as if there had been no such suspension.

(e) In addition to the rights and remedies set forth in the preceding paragraphs, upon the occurrence of any Liquidity Facility Event of Default described above, the Bank may petition a court of competent jurisdiction to issue a mandamus order to the District or the Corporation to compel specific performance of the covenants and agreements of the District or the Corporation contained herein, in the Lease or in the Indenture, or may pursue any other rights or remedies that it is entitled to pursue under the Initial Liquidity Facilities, the Financing Documents, applicable law or otherwise.

No remedy conferred upon the Bank is intended to be exclusive of any remedy herein or in any other agreement between the parties hereto or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity or by statute.

THE HEDGE FACILITIES

Certain provisions of the Hedge Facilities are summarized below, and each summary is qualified in its entirety by reference to the Hedge Facilities. Copies of the Hedge Facilities are available from the sources listed in “INTRODUCTION--Additional Information.”

General

Each of the Hedge Facilities is documented under the 1992 version of the International Swaps and Derivatives Association (ISDA) Master Agreement (Multicurrency-Cross Border) (the “Master Agreement”), which is supplemented and amended by a Schedule thereto (the “Schedule”) and a Credit Support Annex, including supplementary Paragraph 13-“Elections and Variables” thereto (the “Credit Support Annex”), as well as a separate Confirmation relating to each respective interest rate exchange transaction. The terms of each Hedge Facility, including each Master Agreement, Schedule and Credit Support Annex, are substantially similar.

Under the terms of each Credit Support Annex, the Corporation has no obligation to provide any collateral to the applicable Hedge Provider. Each Hedge Provider is obligated to provide collateral to the Corporation, however, in an amount equal to the full net termination value of the related Hedge Facility in the event the Hedge Provider is not rated at least “A-” by S&P or “A3” by Moody’s.

Swap Insurance

The obligations of the Corporation to make the periodic fixed payments due under each Hedge Facility are insured by Financial Security Assurance Inc. (“Financial Security”) pursuant to a separate financial guaranty policy relating to each respective Hedge Facility (each a “Swap Insurance Policy”).

Under the terms of each Hedge Facility, if any Event of Default or Termination Event (each as hereinafter described) occurs with respect to the Corporation or the Hedge Provider, except in limited circumstances, neither the Corporation nor the Hedge Provider may terminate the Hedge Facility without Financial Security’s consent, unless (i) with respect to an early termination by the Corporation, it would not owe any payment upon such termination or, if a payment would be owed, it has provided evidence reasonably satisfactory to Financial Security that funds are available to make such payment, or (ii) with respect to an early termination by the Hedge Provider, either (a) Financial Security has failed to perform under the related Swap Insurance Policy, or (b) an Insurer Event has occurred.

Under the terms of each Hedge Facility, an “Insurer Event” is defined as any of the following: (i) Financial Security is in conservation, liquidation or receivership under the New York Insurance Laws; or (ii) Financial Security claims-paying ability rating is below “A-” from S&P and its claims-paying ability or financial strength rating is below “A3” from Moody’s, or its claims-paying ability or financial strength rating from either S&P or Moody’s is withdrawn or suspended and not reinstated within 30 days (provided, however, that during such 30 day period Financial Security maintains a rating of “AA” from S&P or “Aa2” from Moody’s, whichever ratings service it is that has not withdrawn or suspended Financial Security’s rating); or (iii) Financial Security consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer the resulting, surviving or transferee entity fails to assume all the obligations of Financial Security under the related Swap Insurance Policy by operation of law or pursuant to an agreement reasonably satisfactory to the Hedge Provider; or (iv) entry of a non-appealable order of a court of competent jurisdiction that the related Swap Insurance Policy is invalid.

Events of Default and Termination Events; Remedies

Each of the Hedge Facilities contains events of default (“Hedge Events of Default”) and Termination Events with respect to the Corporation and the Hedge Provider that will allow the other party to terminate the applicable Hedge Facility prior to its stated termination date.

Hedge Events of Default. The Hedge Events of Default applicable to each party are as set forth in the Master Agreement, and include (i) failure to pay, (ii) breach of covenants and failure to cure within 30 days following notice from the other party, (iii) failure to comply with or perform under any “Credit Support Document,” which for the Corporation means the related Indenture, and for the Hedge Provider means the Credit Support Annex, (iv) material misrepresentations in the Hedge Facility or related Credit Support Document, (v) default under other derivative transactions between the parties (excluding the Certificate Fund Investment Agreement), (vi) default under other indebtedness (but limited to the related Indenture with respect to the Corporation), (vii) voluntary or involuntary bankruptcy, insolvency, receivership or similar occurrence, and (viii) a merger without assumption by the resulting entity of the obligations under the related Hedge Facility.

Termination Events. Termination Events consist of (i) with respect to each party, performance by such party under the Hedge Facility or any Credit Support Document applicable to such party becomes illegal; (ii) with respect to the Corporation only, (a) an Event of Non-Appropriation and (b) a modification to certain identified provisions of the Indenture for the related series of 2008 Certificates without the consent of the Hedge Provider, and as a result of such modification the ability of the Corporation to perform its obligations under the related Hedge Facility is materially adversely affected; and (iii) the Hedge Provider’s Credit Rating shall cease to be at least “BBB+” from S&P or “Baa1” from Moody’s, or the Hedge Provider shall cease to have a Credit Rating from S&P or Moody’s or such ratings are withdrawn or suspended for a reason other than that the Hedge Provider has elected, with the prior written consent of the Corporation, not to maintain a rating from such rating agencies, and the Hedge Provider has not, within thirty (30) days of such downgrade, withdrawal or suspension, assigned its rights and obligations under the Hedge Facility to a third party acceptable to the Corporation and Financial Security.

The occurrence of an Insurer Event and the failure of Financial Security to perform pursuant to the Swap Insurance Policy also constitute Termination Events pursuant to the Hedge Facilities.

Remedies. As described above under the sub-heading “Swap Insurance,” neither the Hedge Provider nor the Corporation is permitted to terminate the related Hedge Facility without the consent of Financial Security, except in limited circumstances.

Each Hedge Provider has agreed that, in connection with any Event of Default resulting from a breach of covenants or a misrepresentation by the Corporation, its only remedy shall be to seek specific performance or other equitable relief, and in no event shall the Hedge Provider have a right to terminate the related Hedge Facility or seek monetary damages based solely on such breach of covenants or misrepresentation.

Source of Payments Due Upon Early Termination. *The District has no obligation under the Leases to appropriate any money for, or to pay, any amount due upon early termination of either Hedge Facility.* Upon any early termination of a Hedge Facility by the Hedge Provider prior to the early termination of the related Lease, any payment due from the Corporation can only be satisfied from the portion, if any, of the Leased Property released from the lien of the related Indenture following the payment of certain amounts of Base Rentals or the payment or defeasance of certain amounts of the related series of 2008 Certificates, as described in the Indentures. Following termination of the related Lease, any amount due upon early termination of the related Hedge Facility may be satisfied from the value of the Leased Property, but only following the payment in full of all amounts due on the related series of 2008 Certificates.

See Appendix B - Summary of Certain Provisions of the Indentures and the Leases--2008A
INDENTURE - Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, Certificate
Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, Auction Agent
and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has
Ceased.

THE CORPORATION

General

The Corporation was formed in 1984 as a Colorado nonprofit corporation for the purpose of purchasing, leasing or otherwise acquiring real estate and personal property and constructing, installing or acquiring public improvements to be located thereon, all for the use and benefit of the District. The Corporation also was formed for the purpose of operating and maintaining such property and borrowing money to acquire such property.

Board of Directors

The Corporation is governed by a five-member board of directors. The persons currently on the board of directors and their positions on the board are as follows:

Name and Office	Term Expires
Lynn D. Coleman, President	9/30/12
James T. Holmes, Secretary	9/30/08
Sherry Eastlund, Director	9/30/10
Susan G. Edwards, Director	9/30/14
Michael C. Langley, Director	9/30/16

The directors of the Corporation have no private or proprietary interest in the Corporation. The members of the board of directors serve without compensation (except reimbursement of expenses), and no part of the Corporation's net earnings, income or assets (if any), inure to the benefit of any private entity or person.

Corporation's Limited Liability

The Corporation has agreed to enter into the two Leases with the District solely to facilitate the Financing Project and the Refunding Project. The Corporation has assigned its rights and interests under each Lease (with certain limited exceptions) to the Trustee for the benefit of the registered owners of the applicable series of 2008 Certificates. The Corporation is not liable for the payment of Base Rentals or Additional Rentals under either of the Leases, and the registered owners of the 2008 Certificates have no right to look to the Corporation for any payments of the 2008 Certificates or for any other payments. In addition, the Corporation has no control over the expenditure of the proceeds of the 2008 Certificates. Neither the Leases nor the Indentures creates any pecuniary liability on the part of the directors or officers of the Corporation.

THE DISTRICT

Organization and Description

The District is a body corporate and a political subdivision of the State which was originally organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 155 square miles with its boundaries coterminous with the boundaries of the County. The District had a certified enrollment figure of 73,866 students (headcount) as of October 1, 2007, making it the second-largest of the 178 school districts in the State.

School District Powers

The District is a body corporate with perpetual existence and may hold property in its name for any purpose authorized by law, may sue and be sued, and may be a party to contracts for any purpose authorized by law. State statutes grant to the Board the power to govern the District. General duties which the Board is required to perform include the following: to adopt policies and prescribe rules and regulations necessary and proper for the administration of the District; to employ all personnel required to maintain the operations and 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 or study in such programs; to adopt written policies, rules and regulations relating to 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 is also granted specific powers to be exercised in its judgment, including the powers to purchase, lease or rent undeveloped or improved property located within or outside District boundaries as the Board deems necessary for use as school sites, buildings, or structures, or for any school purpose authorized by law; 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 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.

Governing Board

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 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 office are as follows.

<u>Name and Office</u>	<u>Principal Occupation</u>	<u>Years of Service</u>	<u>Term Expires (November)</u>
Theresa Peña, President	Small business consultant	4.5	2011
Michelle Moss, Vice President	Retired teacher	6	2009
Jill Conrad, Secretary	Independent education consultant	2	2009
Bruce Hoyt, Treasurer	Investment Banker	4	2011
Arturo Jimenez, Member	Attorney	4 months	2011
Jeannie Kaplan, Member	Retired	2	2009
Kevin Patterson, Member	Denver Manager of General Services	6	2009

The Colorado constitution limits Board members to two consecutive terms. District voters may vote to eliminate, extend or change the term limits imposed by the constitution, but to date this has not been done.

Administration

Certain information concerning the background and experience of the District's Superintendent, Chief Operating Officer, and Chief Financial Officer is set forth below.

Superintendent - Michael Bennet. The Board of Education 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."

Michael Bennet was unanimously appointed Superintendent in July, 2005. Prior to joining the District, he served as Chief of Staff to Mayor John Hickenlooper at the City and County of Denver. Mr. Bennet moved to Denver in 1997 to serve as a managing director for the Anschutz Investment Company. Mr. Bennet also has served as Counsel to the Deputy Attorney General in the Clinton Administration, as a lawyer in private practice and as a judicial law clerk. He holds a B.A. degree in history, with honors, from Wesleyan University and a J.D. degree from Yale Law School.

Chief Operating Officer - Tom Boasberg. Mr. Boasberg was appointed Chief Operating Officer for the District in April 2007. Prior to joining the District, he worked in senior management for Level 3 Communications for eight years, most recently as Group Vice President for Corporate Development. Mr. Boasberg also has served as legal advisor to Reed Hundt, Chairman of the Federal Communications Commission, and as Chief of Staff to Martin Lee, Chairman of Hong Kong's largest political party. Mr. Boasberg graduated summa cum laude with a B.A. degree in history from Yale University and received his J.D. degree with distinction from Stanford Law School.

Chief Financial Officer - Velma A. Rose. Ms. Rose has been with the District for 21 years, the first four years as Budget Director and Executive Director of Budgetary Services, and since July 1990 as the Chief Financial Officer. The Chief Financial Officer has general oversight of general accounting and accounts payable, budgeting, disbursement, cash management, financial planning, debt management and risk management. Ms. Rose represents the District on the Colorado Department of Education's Financial Policies and Procedures Committee and on the Finance Council of the Colorado School Districts Self Insurance Pool (previously on its Board of Directors). Ms. Rose is also an active member of the Colorado Association of School Executives, the School Officials Division of the Council of Great City Schools, and the Special Education Fiscal Advisory Committee. Ms. Rose served as a Board of Education representative on the Board of Trustees of the Denver Public Schools Retirement System from 1997 to 2007 and currently is serving on the Audit Committee for the City and County of Denver. Prior to joining

the District, Ms. Rose had a career in public accounting for six years and served as Controller and Finance Director of the Regional Transportation District in Colorado for two years. Ms. Rose has been a member of the Government Finance Officers Association since 1985. Ms. Rose received her B.S. in Accounting in 1976 and her MBA in 1977, both from the University of Colorado. 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.

Curriculum and Instruction, Accreditation and Standardized Tests

General. 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.

Accreditation. The District is fully accredited by the Colorado Department of Education and is subject to periodic monitoring by the State to ensure continued compliance with accreditation standards. The District has never 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.

Standardized Tests. In recent years, all Colorado school districts have been required by State law to participate in the Colorado Student Assessment Program ("CSAP"). Pursuant to the CSAP, all public school students are given standardized tests in grades 3-10. The test is designed to measure student achievement in relationship to the Colorado Model Content Standards. These standards are expectations specifying what students should know at particular points in their education. As a result, CSAP provides a series of snapshots of student achievement in reading, writing, and math as they move through grades 3-10 (in addition, a separate Grade 5, 8 and 10 science test is also administered). CSAP test results are an important part of statewide school accreditation standards implemented in 1999. In addition, in 2001, the State began assigning individual schools a rating ranging from unsatisfactory to excellent based upon CSAP scores. If a school that receives an unsatisfactory rating does not improve within two years, the state board of education will review the operations of the public school to determine whether the public school will be allowed to continue to operate pursuant to its improvement plan, whether the improvement plan should be modified, or whether the public school should be converted to an independent charter school. Districts must pay charter schools the per-pupil funding amount (less actual amounts used to fund central administrative overhead services).

A public school that receives an "unsatisfactory" performance rating also may submit a voluntary restructuring plan to the state board of education. If the State board of education determines that the restructuring plan constitutes a major restructuring of the public school, the public school will be allowed to operate under the restructuring plan. If the public school receives an overall academic rating of "unsatisfactory" for two school years in any three year period after the year in which the public school submits its restructuring plan, the State board of education will review the operations of the public school as stated above and make the same determinations. If a public school voluntarily restructures, the district school board shall allow members of the community the opportunity to review and comment on the restructuring plan. The District currently has three unsatisfactory schools.

Another accountability measure is adequate yearly progress ("AYP") for purposes of the federal No Child Left Behind act. In order to demonstrate AYP, 100% of targets must be met; the District met 75.16% of its targets in 2006-07. Districts failing to meet AYP for specified periods are placed on corrective action status by the State Department of Education. The District is in its second year of corrective action under AYP. Last year, under Mr. Bennet's leadership, the District developed "The Denver Plan," a strategic compilation of research-based best practices created to guide the District in its efforts to bolster student achievement. The District submitted the Denver Plan to the State Department of

Education as its corrective action plan. Corrective action status currently does not affect either District finances or operations.

District Employees and Labor Relations

Employees. As of March 2008, the District employed approximately 11,324 personnel, 6,860 of whom are full-time and 4,464 of whom are part-time. Included in the total number of employees are 4,825 licensed and 6,499 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 March 2008, the certificated employees of the District held the following degrees:

<u>Degree Held</u>	<u>Percent of Certificated Staff</u>
Bachelor's	27.7%
Bachelor's plus (1)	22.3
Master's	24.5
Master's plus (1)	23.7
Doctorate/Master's Plus 75 hours	<u>1.8</u>
Total	<u>100.0%</u>

(1) Credit hours acquired toward an advanced degree

Approximately 65% of the District's teachers are non-probationary; the average salary for teachers is \$49,245. As of March 2008, the overall student/teacher ratio (based upon full-time equivalents) was 25:1.

Labor Relations. Teachers are employed by the District pursuant to contracts established by the Board. Approximately 65% 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 35% 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 representative 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, 2008 and August 31, 2010, respectively. DCTA contract negotiations are underway and are expected to be concluded in May 2008.

ProComp. The Denver Public Schools Professional Compensation System ("ProComp") is a comprehensive new compensation system that links teacher pay to the District's instructional mission. ProComp, designed in a partnership between the District and the DCTA, provides teacher bonuses and salary increases for student performance and encourages teachers to work in schools and assignments with the greatest need.

On November 1, 2005, District voters approved a \$25 million per year mill levy override (increased annually by inflation in future years) to pay the difference between the compensation paid pursuant to ProComp and what would have been paid pursuant to the DCTA collective bargaining agreement. Teachers hired before January 1, 2006, may choose to opt into ProComp or remain subject to

the salary schedule in the collective bargaining agreement; teachers hired after January 1, 2006, will be compensated according to ProComp.

Property tax revenues received from the 2005 mill levy override are deposited into the Denver Public Schools Professional Compensation System for Teachers Trust (the "Trust"), a special revenue fund operated pursuant to a trust agreement. The Trust manages ProComp funds and is intended to ensure that ProComp is financially stable over time. Among other duties, the Trust is required to: develop and maintain a long-term financial model of the ProComp system (that process has begun); maintain books and records, procure audits and actuarial analyses as required by the Trust agreement; and develop funding procedures based upon its determination of the financial stability of the Trust. The Trust has eight members, appointed according to the rules of the ProComp Agreement between the District and DCTA (which expires December 31, 2013). Three Trustees are representatives of the District; three are representatives of the DCTA; and two are representatives of the community. The community representatives are appointed by the agreement of the other six Trustees.

Benefits and Pension Matters

Employee Benefits. The District has developed a comprehensive compensation package for its employees. Available benefits include health, dental and vision, group life and accident, and disability insurance plans to which the District contributes a fixed amount. The District also offers sick leave benefits and other optional benefits. Workers' compensation and unemployment insurance are provided in accordance with state law.

Pension Plan. All of the District's full-time employees are members of the Denver Public Schools Retirement System, a multi-employer defined benefit pension plan (the "Plan"). The Plan is governed by an 11-member board of trustees. Generally, the Plan provides retirement benefits based upon years of service and age upon retirement. Payment levels are established by the board of trustees from time to time. Members currently are required to contribute 8% of gross covered salary to the Plan and the employer contribution rate for 2007 was 11.14% of gross covered salary. The funding policy approved by the Board in January 2006 provides that employer contributions for fiscal years beginning July 1, 2005, will increase over a four-year period so that by July 1, 2008, the contribution will equal the normal annual required contribution ("ARC") plus amortization of the unfunded actuarial accrued liability ("UAAL") over 30 years.

The Plan has an annual actuarial valuation. As of January 1, 2007 (the valuation date of the latest actuarial report), the Plan had a funded ratio (actuarial value of assets over actuarial accrued liability) of 88% and a UAAL of \$394.9 million. As described in "THE PLAN OF FINANCE--The Financing Project," and based upon certain assumptions that are generally described in that section, the District's actuary estimated that the UAAL was approximately \$397.8 million as of December 31, 2007. After completion of the Financing Project, the Plan is expected to be fully funded so that the District will no longer have any UAAL. However, the complete funding of the UAAL is based upon the assumptions and estimates described in "THE PLAN OF FINANCE--The Financing Project." Should those assumptions or estimates not be realized and should any UAAL remain unfunded after the Financing Project, responsibility for the remaining amount will be included in future District actuarial valuations and the District will be required to amortize the remaining amounts as determined by such future actuarial valuations. The District also will still be required to make ARC payments in the future as determined by future actuarial valuations. For additional information regarding the Plan, see Note 9 to the District's audited financial statements attached hereto as Appendix A. More detailed descriptions of the Plan and its finances may be found in the Plan's most recent Comprehensive Annual Financial Report for the year ended December 31, 2006. That report is available on the Plan's internet website, currently located at <http://www.dpsrs.org/FormsAndDocuments/FinancialAndPlanning.asp>.

Over the last several years, the District and the State's retirement system ("PERA") have engaged in discussions regarding the possibility of merging the Plan with PERA. A number of technical issues as

well as a determination of the costs of merging would need to be identified by the parties and agreed upon before any such merger could take place. District management is of the opinion that a merger could be beneficial to the District and its retirees if various issues can be resolved in a manner that the District considers reasonable or advantageous. Legislation recently was introduced in the General Assembly that authorizes (but does not require) the District, the Plan and PERA to pursue a merger. However, such legislation has not yet been introduced and as a result, it is not possible to predict whether it will be enacted or what terms and conditions may be included in any enacted bill. Nevertheless, the District expects that any merger would put it in a more favorable financial position than it currently is in and would not in any way remove or alter the District's responsibilities pursuant to the Leases.

Other Post-Employment Benefits. The District also offers other post-employment health and life insurance benefits to all employees who retired under the provisions of early, regular or disability retirement. As of June 30, 2007, 5,490 employees met the eligibility requirements. These benefits constitute other post-retirement benefits ("OPEB") for purposes of Governmental Accounting Standards Board Statement No. 45 ("GASB 45").

Detailed descriptions of the post-retirement benefits offered as well as actuarial information with respect to the District's OPEB liabilities can be found in Note 10 to the audited financial statements attached hereto as Appendix A. Subsequent to the information detailed in Note 10, the District obtained a newer valuation study of its OPEB liabilities (although the assumptions and methodologies described in Note 10 remain substantially similar). Pursuant to that study (dated August 15, 2007), the District's ARC as of July 1, 2007, was \$4,924,000. The District has established a Retiree Health Benefit Trust and has provided pay-as-you go funding each year. That funding (\$8,491,000 in fiscal year 2007) exceeds the ARC. Accordingly, the District currently does not have any UAAL with respect to its OPEB liabilities.

District Enrollment and Facilities

The following enrollment statistics are based on October student headcounts.

District Enrollment - Fall 2003 to 2007

<u>School Year</u>	<u>Enrollment</u>	<u>Percent Change</u>
2003-04	72,489	--
2004-05	72,901	0.7%
2005-06	73,066	0.2
2006-07	73,399	0.5
2007-08	73,866	0.6

Source: The District.

The District's current five-year enrollment forecast currently predicts slight growth through school year 2012. The forecast, which is based on statistical modeling, reflect an expected increase of approximately 375 students (K-12) over the fall 2007 K-12 of 69,167 students. These statistics are subject to change based upon numerous factors, including population shifts, changes in housing or economic conditions and other unforeseen factors. These figures exclude preschool/early childhood education numbers. In 2008-09, the District will begin to receive funds from a 0.12% sales tax rate increase approved by City voters in 2006 for the purpose of defraying the costs of expanded preschool programs in the City. At this time, it is not possible to predict what impact the sales tax revenues and expanded programs will have on District enrollment.

Facilities. For the 2007-08 school year, the District owns and operates (excluding closed buildings) a variety of facilities to accommodate its educational program for the community it serves, including 78 elementary schools and K-8 schools, 18 middle schools, 4 grade 6-12 schools, 10 high schools, two alternative education centers, one career education center, one adult opportunity school, one

all-District athletic facility, one outdoor education facility, one aircraft training center, three charter schools, a non-District operated expeditionary learning school and seven other support buildings (two transportation complexes, a service center, a data center, food service, educational support and administration facilities). The District owns a combined total of 144 facilities and approximately 2,428 acres of land. The District also owns numerous vehicles, including a fleet of school buses and maintenance and food service vehicles. Including the three charter school facilities described above, nineteen charter schools were approved by the District for the 2007-08 school year. Two additional charters are being considered for approval for the 2008-09 school year.

The District has closed several low attendance schools since 2005, including eight schools closed in 2007 based upon a facilities study and recommendations from a citizen advisory group. A study currently is underway concerning the possible sale of certain properties, but to date there are no firm plans to dispose of any buildings.

District Capital Plans

The District's most recent capital plan was a three-year capital improvements program formulated in 2003 by a Citizens Committee on Facility Needs. That plan resulted in voter approval of \$310.8 million in general obligation bonds which were issued in January 2004 to provide for the refunding of certain outstanding certificates of participation and to provide funds for the following planned District capital projects: building of two new schools to help the District keep pace with growth in northeast Denver, renovating and restoring schools, assisting two charter schools with construction costs, expanding Learning Landscapes, boosting technology systems, and strengthening core school infrastructures. The District currently is in the process of evaluating its future capital needs; however, no new capital improvement plan has yet been formulated.

The District has entered into agreements 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. Pursuant to those agreements, DURA and such other entities have agreed to reimburse the District from tax increment revenues for costs incurred in connection with the construction of an elementary school at Lowry and one elementary school at Stapleton; those reimbursements amount to \$1 million per year for each school and began in calendar year 2006. The agreements also require that DURA or other entities provide sites and fund the costs of constructing three additional elementary schools and a middle school or four K-8 schools at the Stapleton site from tax increment revenues derived by DURA from the redevelopment of the respective sites. DURA funded the second Stapleton school with the proceeds of tax increment bonds; that K-8 school opened in August 2006. Based upon spring 2007 enrollment projections, the third school is not expected to be needed until the 2010-11 school year. Those projections are in the process of being updated.

Insurance

The Board acts to protect the District against loss and liability by maintaining combined liability and property 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 11 of the District's financial statements attached hereto as Appendix A. For the prior three years, the amount of claims payments for property and liability insurance has not exceeded the amount of insurance coverage. The District also has a self-funded workers compensation program with the State. This program requires the District to pay the first \$500,000 of each loss; Midwest Employers Casualty Company is the insurance carrier for excess coverage. 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. The District has covenanted to maintain property and casualty insurance as described in "CERTAIN RISK FACTORS--Casualty Risk; Insurance Coverage Risk."

DISTRICT FINANCIAL OPERATIONS

Sources of School District Revenue

School Finance Act and Total Program Funding. School districts in Colorado are funded pursuant to the terms of the Public School Finance Act of 1994 (the “School Finance Act”). The amount of revenue capable of being earned by the District under the School Finance Act is determined by a formula (the “Total Program”) which is based upon pupil count, local costs of living, personnel costs, the size of the District, the number of at-risk pupils and the number of on-line pupils. The District’s revenue, in the amount allowed by the Total Program formula (“Total Program Funding”), is provided by (a) local sources of revenue, consisting of property taxes and specific ownership taxes (a State-imposed tax on motor vehicles which is shared with local governments) and (b) if necessary to fund any shortfall, State funds, in the form of State “equalization” payments. See “School Finance Act” below.

Additional Property Taxes. In addition to property taxes levied to fund a school district’s portion of Total Program Funding, school districts may impose certain other levies with the approval of local voters.

Override Levy. School districts are permitted to receive additional property taxes for general operating uses pursuant to a separate mill levy (an “override levy”). A school district’s override revenues cannot exceed, generally, 20% of its Total Program Funding, or \$200,000, whichever is greater. Override mill levies also increase a school district’s share of the specific ownership tax.

The District’s electors have approved override levies in 1988, 1998, 2003 and 2005. The overrides represent approximately 75% of the maximum amount of override revenues the District may receive. The 1998 and 2003 overrides are targeted to specific programs and the 2005 override is dedicated specifically to ProComp. See the Management Discussion and Analysis (Override Election Property Taxes) and Note 3 in the audited financial statements attached hereto as Appendix A for further information on the District’s override elections.

Bond Redemption Levy. School districts also may impose a separate mill levy for purposes of generating revenues for the Bond Redemption Fund described below. Property taxes imposed for the repayment of general obligation debt are received and accounted for separately from property taxes imposed to finance the Total Program and pursuant to override authorization. The District currently imposes a bond redemption mill levy for purposes of paying debt service on its general obligation bonds.

Special Building and Technology Levy. School districts may levy up to 10 mills (with voter approval) for not longer than 3 years to fund the purchase of land, the construction, purchase and maintenance of facilities and the purchase and installation of building security, instructional and informational technologies. The District currently does not impose this mill levy.

Transportation Levy. With voter approval, school districts may impose an additional mill levy to fund excess transportation costs. The proceeds of such mill levy are required to be deposited into the district’s transportation fund. The District currently does not impose this mill levy. In addition, school districts are authorized to impose and collect a fee from users of transportation services for the payment of excess transportation costs after notice and a hearing. Proceeds of that fee also must be deposited in the school district’s transportation fund.

Full-Day Kindergarten Levy. School districts may impose an additional mill levy to fund excess full-day kindergarten costs. The proceeds of such mill levy are required to be deposited into the district’s full-day kindergarten fund. The District currently does not impose a full-day kindergarten mill levy.

Other State Revenue - Categorical Programs. In addition to the State equalization payments made pursuant to the School Finance Act, school districts may receive State funding to pay for specific

programs designed to serve particular groups of students or particular student needs, such as transportation, language proficiency, expelled and at-risk students, special education, gifted and talented education, vocational education, small attendance centers and comprehensive health education. Such programs are known as “categorical” programs. The District receives various levels of State funding to pay for such programs.

Miscellaneous Revenue Sources. The District also receives revenue from investment earnings, specific State and federal grants, and other miscellaneous sources.

School Finance Act

General Description. The School Finance Act went into effect in 1994, and was designed to provide for a thorough and uniform system of public schools throughout the State. The School Finance Act requires that all school districts operate under the same finance formula and comply with the expenditure and maximum levy provisions set forth therein. The School Finance Act has been amended each year since its adoption.

Funding Formula. The School Finance Act establishes a formula to determine the amount of funding which each of the State’s 178 school districts will receive each year. Every school district in the State is allocated the same “base” dollar amount of per pupil funding, plus an addition for inflation and an addition required by the School Amendment, a constitutional amendment adopted in 2000 which is codified as Article IX, Section 17, of the Colorado Constitution. The School Amendment, as implemented by legislation adopted in 2001, requires that the statewide base per-pupil funding amount and the funding for categorical programs: (1) increase by the rate of inflation plus one percentage point for fiscal years 2001-02 through 2010-11, and (2) increase by at least the rate of inflation each year thereafter. The measure is funded from all revenues collected from 1/3 of 1% of the State’s existing income tax and exempts such funds from the revenue limitations of Article X, Section 20 of the State Constitution (“TABOR,” which is described in “LEGAL MATTERS--Certain Constitutional Limitations”). The legislature may appropriate funds only to increase funding in preschool through twelfth-grade education or for purposes specifically stated in the School Amendment. The funds may not be used to reduce the previous level of General Fund appropriations for Total Program Funding and categorical programs. In addition, the School Amendment requires the State to increase its General Fund appropriation by at least 5% in each year from fiscal year 2001-02 through 2010-11 (except in any year in which State personal income grows less than 4.5% between the previous two calendar years). Since adoption of the School Amendment, State personal income has grown less than 4.5% each year.

For the past five years, the School Finance Act provided for the following “base” amounts per pupil:

Historical “Base” Per Pupil Funding

<u>Fiscal Year</u>	<u>Amount</u>		<u>Total</u>	<u>Addition Due To:</u>
	<u>Base</u>	<u>Addition</u>		
2003-2004	\$4,441	\$129	\$4,570	Inflation (1.9%) plus School Amendment (1%)
2004-2005	4,570	96	4,666	Inflation (1.1%) plus School Amendment (1%)
2005-2006	4,666	51	4,717	Inflation (0.1%) plus School Amendment (1%)
2006-2007	4,718	146	4,864	Inflation (2.1%) plus School Amendment (1%)
2007-2008	4,864	224	5,088	Inflation (3.6%) plus School Amendment (1%)

Each school district is allowed to adjust the base per pupil amount pursuant to a formula set forth in the School Finance Act. Adjustments are allowed to account for differences between districts in the cost of living (the “cost of living factor”), school district size (the “size factor”) and personnel costs (the “personnel factor”). In addition, upward adjustments are allowed to be made in the per pupil funding for

each pupil qualifying as “at-risk” (generally defined as those students who qualify for the federal free lunch program (the “at-risk factor”)) and for each pupil enrolled in a district’s on-line program (the “on-line factor”). Notwithstanding these adjustments, in past years the General Assembly has established a minimum amount of per pupil funding each year. For the 2004-05 fiscal year, the minimum amount was \$5,627. The General Assembly did not establish a minimum amount of per pupil funding for 2005-06 or 2006-07; however, according to the State Department of Education, that amount also has increased by an amount equal to inflation plus the School Amendment amount. For 2007-2008, and budget years thereafter, the minimum per pupil funding amount will be calculated based upon a statutorily established “minimum per pupil funding base.” For 2007-2008, the minimum amount will be 94.3% of the “minimum per pupil funding base” and for 2008-2009 and budget years thereafter, the minimum amount will be 95% of the “minimum per pupil funding base.” “Minimum per pupil funding base” is determined by calculating for all school districts in the state an amount equal to funded pupil count minus on-line pupil enrollment multiplied by per pupil funding plus at-risk funding and dividing that amount by the statewide funded pupil count minus the statewide on-line pupil enrollment.

Legislation to amend the School Finance Act recently was introduced in the Colorado General Assembly. Among other items, the legislation currently proposes to increase the “base” per pupil funding to \$5,260.27 for fiscal year 2008-09, reflecting a base amount of \$5,087.61, plus an addition of \$172.66 to reflect 2.2% inflation and the 1% School Amendment increase and an additional \$9.86 from other State funding. The legislation currently also provides additional funding for kindergarten programs and adds available positions to existing preschool programs. The School Finance Amendment legislation is subject to additional hearings in the General Assembly and additional amendments are likely as the bill works its way through the legislative process. Accordingly, the terms of the legislation described above are subject to change or removal from the legislation.

The per pupil amount of funding is then multiplied by each school district’s “funded pupil count” to arrive at the school district’s “Total Program Funding.” “Funded pupil count” consists of the sum of a school district’s (a) pupil enrollment as calculated in October of the applicable school year (or, if the school district’s enrollment is declining, the pupil enrollment may be determined by using the average of the last two, three or four years’ October pupil counts), (b) on-line pupil enrollment, and (c) preschool enrollment as specified in the statute.

The School Finance Act restricts each school district’s annual Total Program Funding per pupil funding to no more than 125% of its prior year Total Program Funding per pupil. TABOR also restricts overall school district revenues to no more than 100% of the prior year revenue, adjusted for inflation and for pupil growth.

The School Finance Act also requires any fee collected by a school district for a specific purpose to be spent only for that purpose. For example, if a district imposes a \$100 fee for athletics, all money collected from that fee must be used for athletics. In addition, school districts must disclose whether a fee is voluntary or mandatory and what activities a child will be excluded from for failure to pay the fee. The District imposes various such fees.

Uses of Total Program Funding. The Board has the discretion to determine how the District’s Total Program Funding will be expended, except as follows: (1) at least \$180 of the per pupil funding must be used for instructional supplies and materials; (2) at least \$292 (up to \$800) must be used for capital or insurance reserves; and (3) 75% of the funding from at-risk students must be used for at-risk programs. The amounts specified in (1) and (2) above will apply for fiscal year 2007-2008 and will increase by the same percentage as the “base” amount per pupil for future fiscal years.

Local and State Shares of General Fund Revenues. The percentage of revenues derived from local and State sources for each school district varies depending upon the local tax base and other factors relevant to each district. For fiscal years 2005-06 and 2006-07, \$342,323,240 and \$342,432,146 (comprising approximately 59.6% and 58.3%), respectively, of the District’s General Fund revenue was

derived from local sources. For fiscal years 2005-06 and 2006-07, \$231,296,626 and \$243,942,772 (or approximately 40.2% and 41.5%), respectively, of the District's General Fund revenue was derived from State sources. The remainder of the District's General Fund revenue is derived from federal sources.

Local Sources. The District's share of the cost of its Total Program Funding is derived from its property tax mill levy (imposed in compliance with TABOR) and specific ownership tax receipts. Prior to 2007, the School Finance Act required each school district to reduce its mill levy by the number of mills required to stay within the property tax revenue limitations required by TABOR, regardless of whether the school district's voters had given approval to retain and spend revenues received in excess of the TABOR limitation. (The District's voters have given approval to retain revenues in excess of TABOR's limitations. See "LEGAL MATTERS--Certain Constitutional Limitations."). This requirement resulted in increases in the State's share of Total Program Funding even when individual districts were authorized by voters to increase the local share of Total Program Funding.

Prior to 2007, the School Finance Act limited each district's mill levy to the lesser of (i) the number of mills allowed to be levied under TABOR (regardless of voter approval); or (ii) the number of mills necessary to generate property tax revenue in an amount equal to Total Program Funding for the applicable budget year, less the minimum State aid and less the amount of specific ownership tax revenue paid to the district; or (iii) 27 mills.

Pursuant to 2007 amendments to the School Finance Act (the "Mill Levy Freeze"), the District's mill levy is limited to the lesser of the number of mills levied by the District for the immediately preceding property tax year or the limitations described in (i) or (ii) in preceding paragraph. An additional limitation exists for school districts which, unlike the District, have not obtained voter approval to retain and spend revenues in excess of the property tax revenue limitation imposed by TABOR. See "LEGAL MATTERS--Certain Constitutional Limitations." Because the Mill Levy Freeze was enacted subsequent to TABOR, it is unclear whether such limitation is valid pursuant to the terms of TABOR. Should a pending challenge to the Mill Levy Freeze be successful, the District's mill levy calculation will revert to the pre-2007 formula.

The District's General Fund mill levy is the largest source of revenue in the General Fund. The District's General Fund levy (which includes the proceeds of the District's mill levy overrides as well as delinquent taxes and interest) in fiscal years 2005-06 and 2006-07 produced approximately \$297.8 million and \$296.3 million, respectively, or approximately 51.9% and 50.5%, respectively, of total General Fund revenues in those years. For 2007-08, the District's supplemental budget has budgeted to receive approximately \$333.0 million or approximately 54.8% of the total revenue in the General Fund from the General Fund mill levy. The larger percentage of property tax revenues is a result of application of the Mill Levy Freeze.

Another source of General Fund local revenue received by the District is 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 records the specific ownership tax revenue attributable to its General Fund mill levy and its Bond Redemption Fund mill levy in the General Fund. The District received approximately \$28.6 million and \$29.5 million, respectively, in fiscal years 2005-06 and 2006-07 from specific ownership tax (approximately 5.0% of General Fund revenues for each year) and has budgeted (in the supplemental budget) to receive approximately \$30.0 million or 4.9% of General Fund revenues in the 2007-08 fiscal year.

Other sources of local revenue received by the District include interest earned on the District's investments, tuition, charges for services, transfers in from the Bond Redemption Fund and miscellaneous income.

State Sources. As described above, the District receives State funding for Categorical Programs (including special education, transportation and vocational education) as well as moneys necessary to fund Total Program Funding.

The State's share of the cost of the District's Total Program Funding each year is equal to the amount by which the Total Program Funding of the District exceeds for that year, assuming 100% collection, the District's local revenue amounts. Such amounts are referred to as State "equalization" payments. The following sets forth State equalization payments received by the District for the past five years.

State Equalization Payments

<u>Fiscal Year Ended June 30</u>	<u>Equalization Payment</u>
2003	\$188,862,276
2004	196,138,305
2005	204,402,130
2006	212,479,580
2007	224,424,365

Source: Derived from the District's comprehensive annual financial reports for fiscal years 2003-2007.

State equalization payments received by the District for the fiscal year ended June 30, 2006 and 2007, represented approximately 37.0% and 38.2%, respectively, of General Fund revenues. The District's supplemental budget reflects the receipt of approximately \$208,963,317 from State equalization payments in fiscal year 2007-08, representing approximately 34.4% of budgeted General Fund revenue. The reduction in State equalization payments is the result of application of the Mill Levy Freeze.

The State General Assembly is to make annual appropriations to fund the State's share of the Total Program Funding of all school districts. The availability of State funds to school districts may be affected by actions of the General Assembly and by the cash position of the State itself. The ability of the State to fund the Total Program Funding of all State school districts may be impacted by numerous factors beyond the control of the State and the District, including general economic conditions, unemployment, the rate of economic growth, and tourism. In the event that the State's appropriation for its share of the Total Program Funding of all school districts is not sufficient to fully fund such share, the State Department of Education must submit a request for a supplemental appropriation in an amount which will fully fund the State's share during the fiscal year in which such insufficiency occurs. If a supplemental appropriation is not made, the School Finance Act states that a percentage reduction in State aid to all school districts receiving State aid is to be made.

Changes to State Laws. Colorado's public school finance laws are subject to review and examination through the judicial process, and are subject to legislative changes as well. Appropriation decisions regarding the State's share of Total Program Funding are made on an annual basis by the State legislature. In 2004, 2005 and 2006, K-12 funding was included in large State budget cuts and it is possible that the General Assembly may cut public school funding as part of overall State spending cuts in the future. As a result, the District cannot anticipate with certainty all of the factors which may influence the financing of its future activities, including, without limitation, the impact of TABOR on the State's ability to finance its share of Total Program Funding.

Further, in January 2003, the Colorado General Assembly's Office of Legislative Legal Services issued an opinion stating that the School Amendment does not limit or restrict the General Assembly's ability to set the level of appropriations for public education or rescind a portion of the General Fund appropriation for Total Program Funding for public schools. This opinion is not binding and represents only the legal advice currently being provided to the General Assembly; however, it could be relied upon by the General Assembly to decrease the amount of State aid to public education in the future.

There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws (including but not limited to the School Finance Act), provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District.

Cash Flow Measures

Although the salaries of some District employees are paid over a 12-month period, and some District expenses occur on a relatively consistent monthly basis, most salaries and expenses of the District are incurred during the traditional school year of September through May. Most District revenue, however, is received from March through June, when property taxes are paid by District taxpayers. Accordingly, the District typically experiences cash flow shortages during the winter months.

Colorado school districts (including the District) typically address this problem by (i) borrowing funds from the State pursuant to a special State loan program designed to alleviate cash flow management problems (the “State Program,” described below); (ii) transferring funds to the general fund from other district funds on a short-term basis; or (iii) borrowing funds on a short-term basis through the issuance of tax anticipation notes.

Under the State Program, the State Treasurer is directed to provide sufficient funds in the form of no-interest or low-interest loans from the State general fund to any district which applies for such funds and which does not have moneys available for expenditure, in each month of the budget year, equal to at least one-twelfth of the amount of the Total Program Funding to which it is entitled for the fiscal year. There are certain limits on the receipt and use of such loans. Any district receiving a loan under this program must begin to repay the loan to the State when the monthly property tax revenues and State aid received exceed one-twelfth of the amount of Equalization Program Funding to which such district is entitled for the budget year, and all loans must be repaid prior to June 25 of the State fiscal year in which the loan was made. A lien in the amount of any loan attaches to any district property tax revenues (except Bond Redemption Fund revenues) collected during the State fiscal year (which runs from July 1 through June 30) in which the loan was made; that lien has priority over all other expenditures from such revenues until the loan is repaid in full. Districts receiving loans from the State Program also are subject to audit by the State and can be penalized through the withholding of State aid in the event an audit finds that loan proceeds were used in a manner not allowed by law. The State Legislature may change the terms of the State Program at any time or abolish it altogether.

State law allows the State to issue tax and revenue anticipation notes and to loan the proceeds of such notes to school districts under the State Program. Each district participating in the State note program must issue a note to the State Treasurer granting a first lien on all of the District’s General Fund ad valorem tax revenues received between March 1 and June 30; that lien has a priority over all other expenditures. Each participating school district must pay all of its General Fund tax revenues received between March 1 and June 30 to the State Treasurer until its note is paid in full. Accordingly, participating districts have no property tax revenues available to pay ongoing expenses until their notes are fully paid. Districts may borrow sufficient funds to cover their expenses during the time required to repay their notes.

The District historically has participated in the State Program and is again participating in fiscal year 2007-08. See Note 8 in the audited financial statements attached hereto as Appendix A.

School District Funds

The basic format for the financial operation of Colorado school districts is provided by State law, which creates the following funds: the General Fund, the Bond Redemption Fund, the Capital Reserve Fund, the Insurance Reserve Fund (which may be an internal service fund or an account in the General Fund to satisfy generally accepted accounting principles (“GAAP”), the Special Building and Technology Fund, the Transportation Fund, the Preschool and Kindergarten Program Fund and the Full-Day

Kindergarten Fund. Interpretive regulations of the State Board of Education also authorize the use of additional funds. Some school districts also maintain certain Special Revenue Funds, Enterprise Funds and Internal Service Funds. The bulk of the financial operations of most school districts, including the District, are conducted through the General Fund.

Pursuant to Section 22-44-113, C.R.S., school districts may borrow unencumbered moneys from any one fund, except the Bond Redemption Fund, for the use of another fund at any time. Moneys so borrowed must be authorized by resolution of the applicable board of education and be repaid not later than three months after the beginning of the following budget year. In the event moneys are not available to repay such borrowed funds, any amount equal to the moneys so borrowed may be expended from the General Fund to repay the loan.

General Fund. The General Fund contains all revenues of the District not attributable to its other established funds. The majority of these revenues are derived from the District's general property tax levy and from State aid. TABOR requires each district to establish emergency reserves constituting 3% of fiscal year spending. See "LEGAL MATTERS--Certain Constitutional Limitations." Pursuant to the School District Budget Law of 1964, as amended, the District's budget must ensure that this reserve requirement is met by holding unrestricted General Fund or cash fund emergency reserves. The District has budgeted and set aside reserves in compliance with the TABOR reserve requirement. Under TABOR, school districts are not allowed to use emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Effective July 1, 2004, the District entered into a Letter of Credit and Reimbursement Agreement (the "LOC") with JP Morgan Chase Bank, National Association for funding a portion of the District's TABOR emergency reserve. The LOC has been extended each year and now terminates on June 30, 2008, with two one-year options to extend (through June 30, 2010). The LOC funds a portion of the TABOR emergency reserve; the remainder (approximately \$1.7 million in fiscal year 2007-08) is held in the form of cash and represents emergency reserves attributable to the District's planned expenditures to its charter schools, a contract school and the Emily Griffith Opportunity School. Any draws or advances on the LOC are to be repaid by the District with any legally available funds of the District within the fiscal year in which they are made, and, under certain circumstances, are additionally secured by and may be repaid from the proceeds of certificates of participation in an amount equal to any unreimbursed drawings or advances. See Note 14 in the audited financial statements attached hereto as Appendix A for further information.

Bond Redemption Fund. The Bond Redemption Fund contains the revenues from property tax levies for the purpose of satisfying, when due, the principal and interest obligations on any debt of a school district. The Bond Redemption Fund may also include revenues from a tax levied for the purpose of making payments under certain installment purchase, lease, or rental agreements having a term of more than one year and for the purpose of obtaining the use of real property or equipment for school sites, buildings, or structures or for any other authorized school purpose. The District is required by law to select one or more commercial banks or depository trust companies, that have full trust powers, are located within the State and are members of the Federal Deposit Insurance Corporation, to act as third-party custodians to administer the Bond Redemption Fund, unless (i) the local county treasurer maintains the Bond Redemption Fund or (ii) the District places the funds in an escrow account with a financial institution eligible to receive public deposits pursuant to escrow instructions which are acceptable to the State Treasurer. The custodian is responsible for making payments from the Bond Redemption Fund.

Wells Fargo Bank, National Association currently serves as the District's custodian (the "Custodian") pursuant to a custodial agreement; all amounts on deposit in the Bond Redemption Fund have been transferred to the Custodian. The District is required to direct the County Treasurer to transfer to the Custodian all revenues from the property tax levied by the District for the payment of debt service. If the District receives any such revenues notwithstanding such direction, the District must transfer such revenues to the Custodian.

Capital Reserve Fund and Insurance Reserve Account. The Capital Reserve Fund and the Insurance Reserve Account (which may be an internal service fund or an account of the General Fund) receive the majority of funding from an allocation of a portion of the District's Total Program Funding. For fiscal year 2006-07, the required minimum allocation was \$279 per pupil and for 2007-08, the required minimum allocation is \$292 per pupil. The Board has the discretion to allocate that amount (not to exceed \$800 per pupil): (i) to the Capital Reserve Fund; (ii) to the Insurance Reserve Account (or to any other fund established solely for the management of risk-related activities); or (iii) between such funds. Expenditures from the Capital Reserve Fund are limited to long range capital expenditures such as acquisition of land or improvements; construction of structures; construction of additions; procurement of equipment; alterations, improvements, or additions; the acquisition of school buses or other equipment; and installment purchase agreements or lease agreements with an option to purchase.

The Insurance Reserve Fund is funded at the discretion of the Board. The Insurance Reserve Fund's purpose is to enable the school district to pay its insurance premiums which are not otherwise budgeted to be paid from the General Fund, and to enable the school district to raise the deductible limits on its insurance policies in order to lower the cost of those policies to the school district.

In addition to using capital reserves for capital expenditures, State statutes also allow school districts to borrow from the State to finance capital expenditures.

Special Building and Technology Fund. Colorado law authorizes school districts to maintain a Special Building and Technology Fund funded with revenues from a voter-approved special mill levy. See "Sources of School District Revenue--Additional Property Taxes - Special Building and Technology Levy" above. The District currently does not maintain such a fund.

Transportation Fund. The revenues from certain taxes and from certain State payments must be deposited in the transportation fund of the district. Expenditures from the fund are limited to payment of transportation costs. See "Sources of School District Revenue--Additional Property Taxes - Transportation Levy" above. The District currently does not maintain such a fund.

Preschool and Kindergarten Program Fund. Certain State moneys must be deposited in the Preschool and Kindergarten Program Fund of the school district (the Preschool Program Fund may be maintained as a discrete account within the General Fund). In addition, any other moneys of the district that may be used to pay the costs of providing preschool and kindergarten services directly to children enrolled in the district's preschool and kindergarten programs may be deposited in the Preschool and Kindergarten Program Fund of the district. Expenditures from the fund shall only be made to pay the costs of providing preschool and kindergarten services directly to children enrolled in the district's preschool and kindergarten program.

Full-Day Kindergarten Fund. The revenues from certain taxes must be deposited in the full-day kindergarten fund of the district. Expenditures from the fund are limited to payment of costs of providing full-day kindergarten. See "Sources of School District Revenue--Additional Property Taxes - Full-Day Kindergarten Levy" above. The District currently does not maintain such a fund.

Budget Process

General. The District is required by State law to adopt an annual budget which presents a complete financial plan for the ensuing fiscal year. At the time of adoption, the Board is required to adopt a resolution specifying the amount of money appropriated to each fund. The proposed budget and a statement describing the major objectives of the educational program for the ensuing fiscal year must be submitted to the Board no later than thirty days prior to the start of the fiscal year, i.e., on or before June 1. Within ten days after submission of the proposed budget, the Board must publish a notice stating that the proposed budget is available for inspection, that any District taxpayer may file or register objections to the proposed budget at any time prior to its adoption, and that the Board will consider

adoption of the proposed budget at a designated meeting of the Board. Formal adoption of the budget is required by resolution by the Board by June 30 of each year.

The District is prohibited from expending any moneys in excess of the amount appropriated by resolution for a particular fund. When money for a specific purpose, other than ad valorem taxes, subsequently becomes available, a supplemental budget for expenditures not to exceed the amount of said money may be adopted and appropriation of said money may be made therefrom. Such procedure is applied to unbudgeted revenues from State and federal sources.

The District is prohibited from providing for expenditures in excess of available revenues and beginning fund balances and requires boards of education to review the financial condition of its school district at least quarterly. Districts also are required to annually prepare an itemized reconciliation between the fiscal year-end fund balances based on the budgetary basis and the fiscal year-end fund balances based on a modified accrual basis of accounting (utilizing GAAP). Districts also must adopt a resolution authorizing and explaining any use of beginning fund balance authorized for expenditure in the budget.

Pursuant to the provisions of the School Finance Act, during any budget year, if the Board determines that the anticipated revenues specified in the budget and the amounts appropriated in the budget for expenditure exceed the actual revenues available to the district due, in whole or in part, to action by the general assembly or the governor relating to the State appropriation for the Total Program Funding under the School Finance Act, the Board may declare a fiscal emergency in such budget year. A declaration of emergency may only occur upon an affirmative vote of two-thirds of the members of the Board at a public meeting held after a duly noticed public hearing. If a fiscal emergency is declared, the Board may implement a reduction in salaries for all employees of the district on a proportional basis or may alter the work year of such employees. This reduction in salaries is permitted to be made notwithstanding provisions of State law which otherwise prohibit the Board from changing or modifying teacher salary schedules during a school year.

Budgeting for Fiscal Year 2008-09. The preliminary 2008-09 budget will be presented to the Board in May 2008 for final adoption in June 2008. District staff is in the process of projecting available resources and funding needs for the 2008-09 fiscal year for preparation of the preliminary budget. Like other school districts, the District faces fiscal challenges related to enrollment and funding allocations between regular and charter schools, funding its retirement plan (employer contributions are expected to be required to continue to increase over time) and budgeting employee compensation increases. The District cannot predict what resources will be available until legislative action is taken on the annual school finance bill, which has been introduced in the General Assembly but has not yet been finalized. In 2008-09, the District expects to realize approximately \$3.5 million in savings from the 2007 closure of eight schools (see "SECURITY FOR THE CERTIFICATES--The Leased Property - Future Uses of Leased Property" and "THE DISTRICT--Enrollment and Facilities - Facilities"). The District currently plans to allocate those savings over a two-to-three year period among the following uses: \$2.1 million to the schools receiving students from the closed schools; \$1 million in additional funding to ten underperforming schools; and \$400,000 as seed money for schools (particularly secondary schools) redesigned for the 2009 school year pursuant to successful responses to a March 2008 request for proposals (RFP) process. In 2008-09, the District also will receive funds from the 0.12% sales tax rate increase approved by City voters in 2006 for the purpose of defraying the costs of expanded preschool programs in the City. Utilizing that funding, the District plans to increase preschool offerings by 32% and full-day kindergarten offerings by 25% for the 2008-09 school year. The District will formulate a balanced proposed budget based upon these factors (among others) once the State funding level is known. The 2008-09 budget is expected to be presented to the Board for its consideration in late May of 2008.

General Fund Budget Summary and Comparison

The following table sets forth a comparison and summary of the final 2006-07 and the 2007-08 supplemental budget (adopted on February 21, 2008) for the District's General Fund compared to actual, unaudited (budgetary basis) results for the eight-month periods ending February 28, 2007, and February 29, 2008. The following table is presented in budgetary basis and is not intended to conform with GAAP.

Certain differences exist between the budgetary basis of reporting and the GAAP basis of reporting. The primary difference with respect to Colorado school districts relates to the reporting of teacher salaries. The salaries of teachers and certain other employees are paid over a 12-month period ending August 31; however, most salaries are earned over the traditional school year of September through May. Pursuant to GAAP, these salaries must be recorded as an expenditure of the District in the year they are earned rather than the year in which they are paid. However, for budgetary purposes, no liability is reflected for the earned but unpaid salaries (and associated benefits). Those amounts are treated as deferred and therefore generally are available for budgetary purposes. This accounts for one difference in expenditures reported on a GAAP basis versus expenditures reported on a budgetary basis.

In January 2005, the District adopted a policy requiring that a contingency reserve be set aside in the General Fund in an amount equal to 2% in fiscal year 2006-07 and 3% in fiscal year 2007-08 and later years. The District achieved 3% funding during fiscal year 2006-07 due to the availability of funds resulting from larger than expected beginning fund balance.

General Fund Budget Summary and Comparison - Budgetary Basis

	2006-07 Final Budget	Actual YTD Through 2/28/07(1)	2007-08 Supplemental Budget	Actual YTD Through 2/29/08(1)
<i>Beginning Fund Balance</i>	<u>\$127,185,141</u>	<u>\$127,185,141</u>	<u>\$138,020,424</u>	<u>\$138,020,424</u>
<i>Revenues</i>				
Local revenues	337,187,754	39,085,662	377,113,749	43,974,005
State revenues	234,928,576	166,016,850	217,840,061	154,612,485
Federal revenues	675,178	422,660	675,178	487,578
Other revenues	<u>10,325,141</u>	<u>614,999</u>	<u>11,672,966</u>	<u>834,498</u>
Total Revenue	<u>583,116,649</u>	<u>206,140,171</u>	<u>607,301,954</u>	<u>199,908,566</u>
Total Resources	<u>\$710,301,790</u>	<u>\$333,325,312</u>	<u>\$745,322,378</u>	<u>\$337,928,989</u>
<i>Commitments/Expenditures</i>				
Salaries (2)	\$295,484,146	\$194,168,377	\$317,460,424	\$204,464,344
Employee benefits (2)	69,985,270	43,260,904	78,736,797	54,264,367
Purchased professional services (3)	5,918,609	3,783,569	6,792,111	3,009,540
Purchased property services (3)	3,677,495	1,582,852	4,200,625	2,697,641
Other purchased services (3)	75,750,382	60,757,697	76,215,994	62,680,195
Supplies (3)	52,667,467	15,158,168	58,111,507	21,642,605
Property (3)	4,085,055	1,840,970	2,840,243	2,330,012
Interfund transfers	49,594,301	3,142,348	49,700,738	2,374,301
Indirect costs	369,658	--	528,491	--
Lease payments (4)	105,259,532	39,259,559	108,034,960	107,292,088
Other	533,256	250,743	360,295	215,908
Reserves (5)	<u>46,976,619</u>	<u>--</u>	<u>42,340,193</u>	<u>--</u>
Total Commitments/Expenditures	<u>\$710,301,790</u>	<u>\$363,205,188</u>	<u>\$745,322,378</u>	<u>\$460,971,002</u>
<i>Total Excess (Deficit) (6)(7)</i>	--	\$(29,879,876)	--	\$(123,042,013)

FOOTNOTES ON FOLLOWING PAGE.

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- (1) Unaudited. Reported on a budgetary basis.
 - (2) Increases are primarily due to compensation increase and a pension contribution rate increase.
 - (3) The combined increase in these categories is due primarily to a \$5.6 million increase in payments due to charter schools and contracted schools.
 - (4) Includes lease payments due on the 1997 PCOPS, the 2005A Certificates and the 2005B Certificates. In the 2006-07 budget, also includes 2005B Certificate proceeds reserved to redeem \$62,575,000 aggregate principal amount of the 1997 PCOPS. However, the redemption did not occur until January 7, 2008; the 2007-08 amount includes the reserved amount expended for that redemption.
 - (5) Includes the contingency reserve and TABOR reserve amounts.
 - (6) The deficits are due to the timing of tax revenue collections; deficits are covered with amounts borrowed pursuant to the State Program.
 - (7) The year-to-date deficit in fiscal year 2008 is significantly larger than the year-to-date deficit in the prior year for several reasons. First, "Lease Payments" for 2007-08 were larger as described in footnote (4) above. In addition, application of the Mill Levy Freeze has changed the timing of the receipt of significant amounts of District revenues. Prior to the Mill Levy Freeze, the District received more State equalization revenues (which are received monthly); the District now receives a greater portion of funds from property tax revenues, the bulk of which are received in February and June of each year.

Source: The District.

Accounting Records and Financial Statements

General. The District accounts for its financial operations in compliance with State law. All funds are audited on a July 1 to June 30 fiscal year. The annually audited financial statements must be submitted to the Board within five months after the end of the fiscal year and filed with the State auditor and the commissioner of education 30 days after receipt by the Board. If the District fails to file an audit report with the State auditor, the State auditor may, after notice to the District, notify the County Treasurer and authorize such treasurer to prohibit release of any moneys of the District until the District files the audit report with the State. The District's audit for the 2006-07 fiscal year was filed on time.

The District's audited Basic Financial Statements for the fiscal year ended June 30, 2007, are attached hereto as Appendix A. Those financial statements represent the most recent audited financial statements for the District.

Awards. 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, 2006, and has applied for these certificates for the year ended June 30, 2007. 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 22 consecutive fiscal years and has received the Certificate of Excellence from ASBO for the nine consecutive years.

History of General Fund Revenues, Expenditures, and Changes in Fund Balance

Set forth in the following table is a five-year comparative statement of revenues and expenditures of the District's General Fund, including the beginning and ending fund balances for each year. This information should be read together with the financial statements and accompanying notes of the District included as Appendix A hereto, which represent the most recent audited financial statements for the District. Financial statements for prior years can be obtained from the sources listed in "INTRODUCTION--Additional Information."

General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances(1)

	Fiscal Year Ended June 30,				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning Balance (GAAP)	\$ 13,290,139	\$(2,047,811)	\$9,298,874	\$81,548,604	\$85,009,369
Local Revenue Sources					
Property Taxes	237,338,944	262,842,969	264,615,955	297,773,910	296,328,888
Delinquent Taxes and Interest	394,466	370,561	415,940	313,319	146,653
Specific Ownership Tax	29,191,216	28,063,502	27,705,700	28,590,021	29,482,711
Tuition	178,793	678,360	710,619	890,625	1,011,407
Interest on Investments	937,600	945,886	1,576,432	4,343,383	5,525,117
Other Local Sources	<u>4,335,827</u>	<u>4,100,024</u>	<u>7,837,563</u>	<u>10,411,982</u>	<u>9,937,370</u>
Total Local	<u>272,376,846</u>	<u>297,001,302</u>	<u>302,862,209</u>	<u>342,323,240</u>	<u>342,432,146</u>
State Revenue Sources					
Finance Act	188,862,276	196,138,305	204,402,130	212,479,580	224,424,365
Vocational Education	815,451	859,136	772,835	722,209	538,612
Special Education	9,446,212	9,734,631	10,153,417	12,595,332	13,295,416
Transportation	4,838,286	4,727,636	4,588,495	4,286,308	4,202,041
Other State Sources	<u>6,528,016</u>	<u>562,049</u>	<u>773,710</u>	<u>1,213,197</u>	<u>1,482,338</u>
Total State	<u>210,490,241</u>	<u>212,021,757</u>	<u>220,960,587</u>	<u>231,296,626</u>	<u>243,942,772</u>
Federal Revenue Sources					
Total Federal Revenue	<u>654,826</u>	<u>694,187</u>	<u>745,604</u>	<u>758,733</u>	<u>746,727</u>
Total Revenue	<u>483,521,913</u>	<u>509,717,246</u>	<u>524,298,400</u>	<u>574,378,599</u>	<u>587,121,645</u>
Operating Transfers In	588,748	762,986	1,093,776	1,099,855	1,366,164
Proceeds from:					
Capital Lease	--	4,700,000	--	-	--
Certificates of Participation	<u>2,092,191</u>	<u>--</u>	<u>86,045,000</u>	<u>--</u>	<u>--</u>
TOTAL RESOURCES	<u>499,492,991</u>	<u>513,132,421</u>	<u>620,736,050</u>	<u>657,027,058</u>	<u>673,497,178</u>
Expenditures					
Current					
Instruction	271,451,095	269,426,915	283,890,101	300,321,073	308,016,937
Supporting Services	98,574,324	100,672,581	97,656,046	100,239,753	79,715,424
Business Supporting Services	68,284,060	74,122,283	74,350,512	84,587,553	97,653,962
Community Services	75,709	62,758	43,753	105,348	103,777
Capital Outlay	6,630,171	2,461,820	2,286,534	842,493	242,771
Debt Service	33,083,557	35,221,486	37,117,418	42,029,780	42,898,572
Issuance Cost of Debt	--	--	1,436,061	--	--
Total Expenditures	<u>478,098,916</u>	<u>481,967,843</u>	<u>496,780,425</u>	<u>528,126,000</u>	<u>528,631,443</u>
Refunded Certificates	--	1,959,397	22,665,028	--	--
Operating Transfers Out to:					
Capital Reserve Funds	14,795,058	14,492,658	14,431,797	14,607,469	15,379,457
ProComp Special Revenue Trust Fund	--	--	--	23,036,028	25,620,511
Other Funds	<u>8,646,828</u>	<u>5,413,649</u>	<u>5,310,196</u>	<u>6,248,192</u>	<u>8,447,993</u>
Ending Fund Balance (GAAP)	\$(2,047,811)	\$9,298,874	\$81,548,604	\$85,009,369	\$95,417,774
Salaries Earned but Unpaid (2)	36,897,046	40,658,832	39,982,566	42,658,232	42,401,161
Deferred Revenue (3)	10,178,715	9,486,146	8,793,577	8,101,008	7,408,439
Reserve for Encumbrances	(3,809,464)	(5,311,631)	(3,481,654)	(5,383,094)	(434,970)
Net Income Adjustments (4)	<u>(2,804,764)</u>	<u>(6,858,766)</u>	<u>(5,003,810)</u>	<u>(3,200,374)</u>	<u>(6,771,980)</u>
Budgetary Basis Fund Balance	<u>\$38,413,722</u>	<u>\$47,273,455</u>	<u>\$121,839,283</u>	<u>\$127,185,141</u>	<u>\$138,020,424</u>

FOOTNOTES ON FOLLOWING PAGE.

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- (1) Results are presented using generally accepted accounting principles (GAAP).
 - (2) In a July-June fiscal year, teachers (and certain 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.
 - (3) On a GAAP basis, under GASB Statement No. 34, the proceeds from forward delivery agreements are recognized as revenues over the terms of the District's 2001C general obligation bonds and the 1997 PCOPS.
 - (4) On a GAAP basis, capital lease and State transportation receivables are reported as revenues.

Source: Derived from the District's audited financial statements for the fiscal years ended June 30, 2003-2007.

Management's Discussion and Analysis of Recent Operating Results

Revenues. Total revenue from Fiscal Year 2003 through 2007 increased from \$483 million to \$587 million largely due to (i) School Finance Act funding increases attributable to enrollment growth and to increases in per pupil funding, and (ii) voter approved property taxes in November 2003 (\$20 million beginning calendar year 2004) to support various programs and November 2005 (\$25 million calendar year 2006 and \$25,525,000 calendar year 2007) to support the professional compensation system for teachers. School Finance Act formula funding is derived from three sources: state equalization, property taxes (25.541 mills for Fiscal Year 2007), and a portion of specific ownership taxes.

Local Sources. Revenues from local sources have increased during this period primarily due to increases in the assessed valuation upon which property taxes are collected, from \$7.782 billion to \$8.561 billion, and with mill levies permitted by State law. Property tax revenues also increased in Fiscal Year 2004 as a result of the 2003 mill levy override election (in addition to taxes paid by United Airlines due in Fiscal Year 2003) and again in Fiscal Year 2006 as a result of the 2005 mill levy override. Delinquent taxes have held steady the last four years, and specific ownership taxes were on the rise and then decreased in Fiscal Years 2003, 2004 and 2005 as a result of the downturn in the economy. Tuition revenues rose beginning in Fiscal Year 2004 due to the implementation of early childhood education tuition-based programs. Interest on investments fluctuate as interest rates in the market have changed, with the Fiscal Years 2005 through 2007 increase attributable to the investment of proceeds from the issuance of the 2005B Certificates (these proceeds are set aside for the purpose of redeeming certain of the 1997 PCOPS that were callable on December 15, 2007). Other local sources fluctuate from year to year. Fiscal Year 2005 includes \$1.11 million of swap premium proceeds related to the 2005B Certificates, plus \$2.85 million of charges for services to charter schools that in prior years were netted against payments to charter schools, while Fiscal Year 2006 included \$4 million received from United Airlines for property taxes due in Fiscal Year 2003.

State Sources. Revenues from State sources have increased since 2003 due to the increase in the State's share of School Finance Act funding (due to the overall increase in School Finance Act funding attributable to enrollment and per pupil funding increases. Special Education funding has increased due to the State's increase in its appropriation for this support; however, vocational education and transportation funding have remained flat.

Revenues from other State sources for Fiscal Year 2003 included \$3.8 million from the State to offset \$4 million in property tax revenues due from United Airlines, which was subject to bankruptcy court proceedings (the State offset the revenues on the condition that the District reimburse the State if and when United Airlines remitted these taxes), plus \$2.6 million of special State program appropriations for school improvement grants and charter school construction grants. Fiscal Year 2004 and 2005 amounts are only charter school construction grants. Fiscal Year 2006 also includes the \$3.8 million plus interest on property taxes received from United Airlines that was remitted to the State.

Federal Sources. Revenues from federal sources represents Fourth Army reimbursements for fifty percent of ROTC instructors' salaries.

Operating Transfers In. Beginning with Fiscal Year 2001, the District began transferring in a designated amount of interest earnings from the Bond Redemption Fund.

Capital Leases. Proceeds from Capital Leases include the effect of entering into a lease-purchase agreement for retrofit lighting equipment in Fiscal Year 2004.

Proceeds from Certificates of Participation. Proceeds from certificates of participation for Fiscal Year 2003 were the result of the June 2003 issuance of the \$20.5 million Variable Rate Certificates of Participation Series 2003 (the "2003 COP"), of which \$18.4 million was deposited in the Capital Reserve Fund to pay for the construction of a K-8 school in the Green Valley area and to purchase one or more parcels of land for future school sites in the Montbello area, in addition to the costs of issuance. The \$2.1 million deposited in the General Fund represented the Debt Service Reserve Fund and the Capitalized Interest, as the payments under the lease were ultimately to be borne by the General Fund. The term of the 2003 COP was 30 years, with the interest rate reset in a 35-day auction mode. The structure of the issuance was in anticipation of the passage of the November 2003 general obligation bond authorization election, the proceeds from the January 2004 bond issuance for which were used to defease the 2003 COP in addition to funding other capital projects.

In March of Fiscal Year 2005, the District issued the \$23.47 million 2005A Certificates as variable rate obligations and entered into a variable-to-fixed interest rate swap agreement for the purposes of effecting a synthetic fixed rate refunding of \$19.2 million of outstanding 1997 PCOPS in order to level out the PCOPs payment schedule for all years except three. The present value savings to the District from the refunding was \$2.9 million. At the same time, the \$62.575 million 2005B Certificates were issued while entering into a variable-to-fixed interest rate swaption agreement for the purposes of effecting a crossover refunding of the same amount of outstanding 1997 PCOPS that were callable in December 2007. The net proceeds from the 2005B Certificates, together with a portion of the swap premium funds from the counterparty, were deposited in a guaranteed investment contract ("gic"). Earnings from the gic were used to pay interest on the 2005B Certificate and related fees prior to December 2007, with the investment balance at December 2007 used to redeem \$62.575 million of callable 1997 PCOPS. The remaining swap premium funds from the counterparty are available to level out the payments in the three years not addressed by the refunding associated with issuance of the 2005A Certificates. As a result of these two transactions, the District not only reduced its future payments but also created a level payments schedule to provide for budget stability.

Expenditures. Expenditures from Fiscal Year 2003 through Fiscal Year 2007 increased from \$478 million to \$529 million due to inflation and enrollment growth. The Capital Outlay fluctuates from year to year. Debt Service is for (1) the equipment lease-purchase agreements, (2) the 1997 PCOPS (issued for the purpose of providing for the payment of the District's estimated unfunded actuarial accrued liability of \$377.8 million in July 1997 to its pension plan in addition to the costs of issuance) and the 2005A Certificates, and (3) the 2005B Certificates (these lease payments were offset by investment earnings from the 2005B Certificate proceeds).

Operating Transfers Out. The amount of funding to be transferred or allocated to the Capital Reserve Fund is stipulated in the Public School Finance Act. The minimum per pupil amount has increased from \$262 to \$279 per pupil. The transfer to the Pro Comp Special Revenue Trust Fund represents the 2005 mill levy override property taxes net of County Treasure collection fee. Other Funds Subsidies include funds to the Pupil Activity Fund to support the high school athletics program, to the second chance program at the District's Emily Griffith Opportunity School, and to the Special Revenue Fund for various educational programs.

Fund Balance. The Fund Balance on a generally accepted accounting principles (GAAP) basis was a negative figure for Fiscal Year 2003. As a result of GASB Statement No. 34, the GAAP accounting treatment changed for the recognition of revenue from the collection of proceeds from forward delivery agreements such that it is not to be recognized as revenues upon receipt as in the past, but rather

is to be recognized as revenues over the terms of the General Obligation Bonds, Series 2001C (the “2001C Bonds”) and the 1997 PCOPS. In Fiscal Year 2003, the District entered into forward delivery agreements (including the Certificate Fund Investment Agreement) whereby \$10.5 million in proceeds were received upfront for the present value of future reinvestment earnings from a portion of future Bond Redemption Fund property taxes for debt service on the 2001C Bonds and from a portion of future General Fund revenues allocated for the 1997 PCOPS. The \$10.2 million deferred revenue portion of these proceeds is reported as revenues on a budgetary basis, and, if it were not for this accounting treatment change, they would have been reported as revenues on a GAAP basis, resulting in a positive GAAP Fund Balance for Fiscal Year 2003.

Irrespective of the change in accounting treatment for the \$10.2 million of forward delivery agreement proceeds, Fiscal Year 2003 posed a challenge to the District, as a result of the downturn in the national, state and local economies post September 11, 2001, and subsequent national events. Unemployment rose, personal income and consumer spending dropped, all contributing to a reduction in state income and sales tax revenues leading to State rescissions of K-12 education funding, an end to increasing enrollments as jobs became unavailable to migrant and other workers, a reduction in automobile purchases and related specific ownership tax revenues, and the decline in interest rates, and, thus, investment earnings. All of these factors contributed to the unanticipated \$15.3 million draw down of fund balance in Fiscal Year 2003. Of this \$15.3 million, (1) \$5.4 million was due to enrollment being flat instead of increasing as projected, (2) specific ownership taxes were \$3.3 million less than projected, (3) interest earnings from General Fund and Bond Redemption Fund investments were \$0.8 million less than anticipated, (4) property tax abatements recovery was \$1.6 million less than that for the prior year, (5) the State rescinded on \$1.4 million in textbook funding that the District had pre-spent, (6) the State did not fund \$0.2 million of the United Airlines property taxes due in 2003, and (7) the remainder was attributable to planned use of Fund Balance.

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 \$30 million. The Fiscal Years 2005, 2006 and 2007 balance of \$121.8 million, \$127.2 million and \$138 million, respectively, include \$63.1 million of 2005B certificate proceeds. Of this fund balance, \$14.1 million, \$15.0 million, \$1.4 million, \$1.9 million and \$1.9 million represent the TABOR Emergency Reserve for Fiscal Years 2003, 2004, 2005, 2006 and 2007, respectively. Beginning with Fiscal Year 2005, a portion of the Emergency Reserve obligation has been satisfied with a letter of credit and reimbursement agreement. See “School District Funds - General Fund” above.

PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT

Ad Valorem Property Taxes

Property Subject to Taxation. Subject to the limitations imposed by TABOR (described in “LEGAL MATTERS--Certain Constitutional Limitations”), the Board has the power to certify to the City Council of the City and County of Denver, acting as the board of county commissioners of the City and County (the “Commissioners”), 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 property subject to taxation by the District. Both real and personal property are subject to taxation, but there are certain classes of property which are exempt. Exempt property includes, but is not limited to: property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; property used for charitable or religious purposes; nonprofit cemeteries; irrigation ditches, canals, and flumes used exclusively to irrigate the owner’s land; household furnishings and personal effects not used to produce income; 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; and works of art, literary materials and artifacts on loan to a political subdivision, gallery or museum operated by a charitable organization. The State Board of Equalization supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes.

Assessment of Property. Taxable property is first appraised by the County Assessor to determine its statutory “actual” value. This amount is then multiplied by the appropriate assessment percentage to determine each property’s assessed value. The mill levy of each taxing entity is then multiplied by this assessed value to determine the amount of property tax levied upon such property by such taxing entity. Each of these steps in the taxation process is explained in more detail below.

Determination of Statutory Actual Value. The County Assessor annually conduct appraisals in order to determine, on the basis of statutorily specified approaches, the statutory “actual” value of all taxable property within the county as of January 1. Most property is valued using a market approach, a cost approach or an income approach. Residential property is valued using the market approach, and agricultural property, exclusive of building improvements thereon, is valued by considering the earning or productive capacity of such lands during a reasonable period of time, capitalized at a statutory rate.

The statutory actual value of a property is not intended to represent its current market value, but, with certain exceptions, is determined by the County Assessor utilizing a “level of value” ascertained for each two-year reassessment cycle from manuals and associated data published by the State Property Tax Administrator for the statutorily-defined period preceding the assessment date. Real property is reappraised by the County Assessor’s office every odd numbered year. The statutory actual value is based on the “level of value” for the period one and one-half years immediately prior to the July 1 preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). For example, values for levy year 2007 are based on an analysis of sales and other information for the period January 1, 2005 to June 30, 2006. The following table sets forth the State Property Appraisal System for property tax levy years 2004 through 2008:

<u>Collection Year</u>	<u>Levy Year</u>	<u>Value Calculated As Of</u>	<u>Based on the Market Period</u>
2005	2004	July 1, 2002	Jan. 1, 2001 to June 30, 2002
2006	2005	July 1, 2004	Jan. 1, 2003 to June 30, 2004
2007	2006	July 1, 2004	Jan. 1, 2003 to June 30, 2004
2008	2007	July 1, 2006	Jan. 1, 2005 to June 30, 2006
2009	2008	July 1, 2006	Jan. 1, 2005 to June 30, 2006

The County Assessor may consider market sales from more than one and one-half years immediately prior to July 1 if there were insufficient sales during the stated market period to accurately determine the level of value.

Oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals are valued based on production levels rather than by the base year method. Public utilities are valued by the State Property Tax Administrator based upon the value of the utility's tangible property and intangibles (subject to certain statutory adjustments), gross and net operating revenues and the average market value of its outstanding securities during the prior calendar year.

Determination of Assessed Value. Assessed valuation, which represents the value upon which ad valorem property taxes are levied, is calculated by the County Assessor as a percentage of statutory actual value. The percentage used to calculate assessed valuation differs depending upon the classification of each property.

Residential Property. To avoid extraordinary increases in residential real property taxes when the base year level of value is changed, the State constitution requires the Colorado General Assembly to adjust the assessment rate of residential property for each year in which a change in the base year level of value occurs. This adjustment is constitutionally mandated to maintain the same percentage of the aggregate statewide valuation for assessment attributable to residential property which existed in the previous year (although, notwithstanding the foregoing, TABOR prohibits any valuation for assessment ratio increase for a property class without prior voter approval).

Pursuant to the adjustment process described above, the residential assessment rate is adjusted every two years, resulting in the following history of residential assessment rates since levy year 1989: 15.00% of statutory actual value (levy years 1989-90); 14.34% of statutory actual value (levy years 1991-92); 12.86% of statutory actual value (levy years 1993-94); 10.36% of statutory actual value (levy years 1995-96); 9.74% of statutory actual value (levy years 1997-98 and 1999-2000); 9.15% of statutory actual value (levy years 2001-02); and 7.96% of statutory actual value (levy years 2003-04 and 2005-06). In December 2007, the Colorado Legislative Council (the research division of the Colorado General Assembly) projected that the residential assessment rate will remain at 7.96% through levy year 2012. These projections are only an estimate, however, and are subject to change.

Non-residential property. All non-residential taxable property, with certain specified exceptions, is assessed at 29% of its statutory actual value. Producing oil and gas property is generally assessed at 87.5% of the selling price of the oil and gas.

Protests, Appeals, Abatements and Refunds. Property owners are notified of the valuation of their land or improvements, or taxable personal property and certain other information related to the amount of property taxes levied, in accordance with statutory deadlines. Property owners are given the opportunity to object to increases in the statutory actual value of such property, and may petition for a hearing thereon before the County's Board of Equalization. Upon the conclusion of such hearings, the County Assessor is required to complete the assessment roll of all taxable property and, no later than August 25th each year, prepare an abstract of assessment therefrom. The abstract of assessment and certain other required information is reviewed by the State Property Tax Administrator prior to October 15th of each year and, if necessary, the State Board of Equalization orders the County Assessor to correct assessments. The valuation of property is subject to further review during various stages of the assessment process at the request of the property owner, by the State Board of Assessment Appeals, the State courts or by arbitrators appointed by the Commissioners. On the report of an erroneous assessment, an abatement or refund must be authorized by the Commissioners; however, 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 in which the taxes were levied. Refunds or abatements of taxes are prorated among all taxing entities which levied a tax against the property.

Statewide Review. The Colorado General Assembly is required to cause a valuation for assessment study to be conducted each year in order to ascertain whether or not county assessors statewide have complied with constitutional and statutory provisions in determining statutory actual values and assessed valuations for that year. The final study, including findings and conclusions, must be submitted to the Colorado General Assembly and the State Board of Equalization by September 15th of the year in which the study is conducted. Subsequently, the Board of Equalization may order a county to conduct reappraisals and revaluations during the following property tax levy year. Accordingly, the District's assessed valuation may be subject to modification following any such annual assessment study.

Homestead Property Tax Exemption. A 2000 amendment to the State constitution enacted a homestead property tax exemption for qualifying senior citizens. Legislation adopted in 2003 to address the State's financial difficulties eliminated the application of that amendment until collection year 2007. The exemption is equal to 50% of the first \$200,000 of actual value of residential real property that is owner-occupied if the owner or his or her spouse is 65 years of age or older and has occupied such residence for at least 10 years. In years in which an exemption is available, the State is required to reimburse all local governments for the reduction in property tax revenue resulting from this exemption; therefore, it is not expected that this exemption will result in the loss of any property tax revenue to the District. There is no assurance, however, that the State reimbursement will be received in a time period which is sufficient to replace the reduced property tax revenue. In 2006, State voters extended this exemption to apply to homeowners who have served on active duty in the U.S. Armed Forces and who are rated 100% permanently disabled by the federal government due to a service-connected disability. This exemption became effective for property tax collection year 2008.

Taxation Procedure. The County Assessor is required to certify to the District the assessed valuation of property within the District no later than August 25th of each year. Subject to the limitations of TABOR, based upon the valuation certified by the County Assessor, the Board computes a rate of levy which, when levied upon every dollar of the valuation for assessment of property subject to the District's property tax, and together with other legally available District revenues, will raise the amount required by the District in its upcoming fiscal year. The District subsequently certifies to the Commissioners the rate of levy sufficient to produce the needed funds. Such certification must be made no later than December 15th of the property tax levy year for collection of taxes in the ensuing year. The property tax rate is expressed as a mill levy, which is the rate equivalent to the amount of tax per one thousand dollars of assessed valuation. For example, a mill levy of 25 mills would impose a \$250 tax on a parcel of property with an assessed valuation of \$10,000.

The Commissioners levy the tax on all property subject to taxation by the District. By December 22nd of each year, the Commissioners must certify to the County Assessor the levy for all taxing entities within the applicable county. If the Commissioners fail to so certify, it is the duty of the County Assessor to extend the levies of the previous year. Further revisions to the assessed valuation of property may occur prior to the final step in the taxing procedure, which is the delivery by the County Assessor of the tax list and warrant to the County Treasurer.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2007 are being collected in 2008. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty. Interest accrues on unpaid first installments at the rate of 1% per month from March 1 until the date of payment unless the whole amount is paid by April 30. If the second installment is not paid by June 15, the unpaid installment will bear interest at the rate of 1% per month from June 16 until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is to be paid in a single payment after the last day of April and is not so paid, the unpaid taxes will bear penalty interest at the rate of 1% per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to the District on a monthly basis. The payments to the District must be

made by the tenth of each month, and shall include all taxes collected through the end of the preceding month. The County Treasurer also is required to make a second monthly payment to the District on or before the twenty-fourth day of the months of March, May and June, reflecting taxes collected through the twentieth day of the respective month.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed from January 1st of the property tax levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the County Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of the tax lien on such realty. Delinquent personal property taxes are enforceable by distraint, seizure, and sale of the taxpayer's personal property. Tax sales of tax liens on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale. There can be no assurance that the proceeds of tax liens sold, in the event of foreclosure and sale by the County Treasurer, would be sufficient to produce the amount required with respect to property taxes levied by the District and property taxes levied by overlapping taxing entities, as well as any interest or costs due thereon. Further, there can be no assurance that the tax liens will be bid on and sold. If the tax liens are not sold, the County Treasurer removes the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed. When any real property has been stricken off to a county and there has been no subsequent purchase, the taxes on such property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and they may be canceled by the Commissioners after that time.

Overlap with Tax Increment Authorities. Colorado law allows the formation of public highway authorities. Pursuant to statute, the board of directors of a public highway authority is entitled to designate areas within the authority's boundaries as "value capture areas" to facilitate the financing, construction, operation or maintenance of highways constructed by the authority; an authority is entitled to capture a portion of the property taxes in such an area to support these purposes. No public highway authority currently exists within the County. If an authority were to be formed and a value capture area implemented in the future, it is impossible to predict the terms of the plan, including whether it would negatively impact the District's property tax revenues.

Similarly, the State law allows the formation of urban renewal authorities and downtown development authorities in areas which have been designated by the governing bodies of municipalities as blighted areas. Certain of the property within the District is included within the boundaries of DURA. With respect to that property (as well as any property included in the boundaries of a downtown development authority in the future that is subject to a renewal plan), the assessed valuation of such property that is taxable does not increase beyond the amount existing in the year prior to the adoption of the plan (other than by means of the general reassessment). Any increase above the "base" amount is paid to the applicable authority. See the table entitled "History of District Assessed Valuation" in "Ad Valorem Property Tax Data" below for information on the assessed valuation attributable to DURA. Currently, it is the State Department of Education's policy to provide State equalization funding to school districts in order to equalize amounts of taxes that would be lost as a result of tax increment areas. However, this policy could change at any time.

Ad Valorem Property Tax Data

A five year history of the District's assessed valuation and mill levies is set forth in the following tables.

History of District Assessed Valuations

Levy/Collection Year	Gross Assessed Valuation	Tax Increment Valuation (1)	Net Assessed Valuation	Percent Change
2003/2004	\$ 8,431,744,300	\$285,525,712	\$ 8,146,218,588	--
2004/2005	8,533,169,530	330,656,598	8,202,512,932	0.7%
2005/2006	8,943,168,220	399,491,120	8,543,677,100	4.2
2006/2007	9,034,550,220	473,118,166	8,561,432,054	0.2
2007/2008	10,660,627,490	635,601,651	10,025,025,839	17.1

(1) Represents the assessed valuation attributable to DURA.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports, 2003-2006; and the City and County of Denver Assessor's Office.

History of District's Mill Levy

Levy/Collection Year	General Fund Mill Levy	Debt Service Mill Levy	Mill Levy Override	Special Abatement(1)	Total Mill Levy
2003/2004	26.481	5.599	6.029	0.177	38.286
2004/2005	26.481	5.599	5.986	0.261	38.327
2005/2006	25.541	5.599	8.673	0.547	40.360
2006/2007	25.541	5.599	8.716	0.477	40.333
2007/2008	25.541	5.599	7.536	0.534	39.210

(1) Includes mills levied for abatement and credits pursuant to State law.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports, 2003-2006; and the District.

The following table sets forth a history of District ad valorem property tax collections.

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)	Total Tax Collection Rate
2002/2003	\$285,657,455	\$277,933,828	97.30%	\$704,661	\$278,638,489	97.54%
2003/2004	311,886,125	308,524,583	98.92	832,844	309,357,427	99.19
2004/2005(2)	314,377,713	311,162,279	98.98	(185,433)	310,976,846	98.92
2005/2006	344,822,808	340,539,148	98.76	841,482	341,380,630	99.00
2006/2007(2)	345,308,239	342,930,828	99.31	(652,788)	342,278,040	99.12
2007/2008(3)	393,081,263	152,148,390	--	(236,820)	151,911,570	--

(1) The County Treasurers' collection fees have not been deducted from these amounts. Figures do not include interest, fees and penalties.

(2) According to the County Treasurer's office, the negative amounts of delinquent tax collections in collection years 2005 and 2007 are attributable to various abatements.

(3) Collections from January 1, 2008 through March 24, 2008.

Sources: The District, and Treasury Division of the City and County of Denver.

The following table sets forth the 2007 certified assessed valuation of specific classes of real and personal property within the District. As shown below, residential and commercial property account for

the largest percentages of the District's assessed valuation, and therefore it is anticipated that owners of residential and commercial property will pay the largest percentages of ad valorem property taxes levied by the District.

Assessed Valuation of Classes of Property in the District - 2007

Class	2007 Assessed Valuation	Percent of Assessed Valuation	2007 Estimated "Actual" Valuation	Percent of "Actual" Valuation
Residential	\$4,394,658,070	41.23%	\$55,209,272,200	71.88%
Commercial	4,372,531,830	41.02	15,077,696,000	19.63
State Assessed	784,030,700	7.35	2,703,554,100	3.52
Personal Property	779,600,190	7.31	2,688,276,500	3.50
Vacant	198,397,040	1.86	684,127,800	0.89
Industrial	130,130,390	1.22	448,725,500	0.58
Oil and Gas	<u>1,279,270</u>	<u>0.01</u>	<u>1,462,000</u>	<u>0.00</u>
Total Gross A.V.	\$10,660,627,490	<u>100.00%</u>	<u>\$76,813,114,100</u>	<u>100.00%</u>
Less Tax Increment(1)	<u>(635,601,651)</u>			
Total Net A.V.	<u>\$10,025,025,839</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.

Source: City and County of Denver Assessor's Office.

Based upon the 2007 certified information, the following table presents the largest taxpayers within the District, measured by assessed value. No independent investigation has been made of and consequently there can be no representation as to the financial conditions of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District.

Largest Taxpayers in the District for 2007

Taxpayer Name	2007 Assessed Valuation	Percentage of Total Assessed Valuation (1)
Qwest Corp.	\$197,928,960	1.86%
Public Service Co.(nka Xcel Energy)	170,858,610	1.60
United Airlines Inc.	103,996,900	0.98
Callahan Capital Partners	96,501,170	0.90
Temple Hoyne Buell Foundation	75,205,850	0.71
Frontier Airlines	72,017,800	0.68
Republic Plaza Properties Partnership	71,893,180	0.67
LBA Realty Fund II Co. IV	69,151,890	0.65
Crescent Real Estate Funding	67,389,430	0.63
Transwestern Broadreach	<u>66,208,120</u>	<u>0.62</u>
TOTAL	<u>\$991,151,910</u>	<u>9.30%</u>

(1) Based on a 2007 certified assessed valuation of \$10,660,627,490 (gross value before deducting valuations attributable to DURA).

Source: City and County of Denver Assessor's Office.

Mill Levies Affecting Property Owners Within the District

In addition to the District's ad valorem property tax levy, owners of property within the District are obligated to pay taxes to other taxing entities in which their property is located. As a result, property owners within the District's boundaries may be subject to different mill levies depending upon the location of their property. The following table reflects a sample mill levy that may be imposed on certain properties within the District and is not intended to portray the mills levied against all properties within the areas shown. Property owners within the areas indicated may be subject to larger or smaller total mill levy than the samples given in the following table.

Sample Mill Levy Affecting District Property Owners

<u>Taxing Entity (1)</u>	<u>2007 Mill Levy(2)</u>
City and County of Denver	27.119
Urban Drainage and Flood Control District	<u>0.568</u>
Total Overlapping Sample Mill Levy	27.687
District	<u>39.210</u>
Total Sample Mill Levy	<u>66.897</u>

(1) The Regional Transportation District also overlaps the District, but does not assess a mill levy.

(2) One mill equals 1/10 of one percent. Mill levies certified in 2007 result in the collection of property taxes in 2008.

Source: City and County of Denver Assessor's Office.

Estimated Overlapping General Obligation Debt

In addition to the general obligation indebtedness of the District, other taxing entities are authorized to incur general obligation debt within boundaries which overlap or partially overlap the boundaries of the District. The following table sets forth the estimated overlapping general obligation debt chargeable to property owners within the District as of the date of this Official Statement. Additional taxing entities may overlap with the District in the future.

Estimated Overlapping General Obligation Debt

Entity(1)(2)	2007 Assessed Valuation(3)	Outstanding General Obligation Debt	Outstanding General Obligation Debt Chargeable to the District(4)	
			Percent	Debt
Bowles Metropolitan District	\$ 52,617,120	\$ 24,125,000	50.25%	\$ 12,122,813
Central Platte Valley Metro.	32,867,580	59,250,000	100.00	59,250,000
City and County of Denver	10,025,025,839	422,924,500	100.00	422,924,500
Denver Gateway Center Metro.	3,620,630	740,000	100.00	740,000
Denver Int'l. Bus. Center Metro. #1	17,337,280	11,540,000	100.00	11,540,000
Ebert Metropolitan District	62,155,660	87,830,000	100.00	87,830,000
Fairlake Metropolitan District	9,408,610	6,190,000	100.00	6,190,000
Gateway Regional Metro. District	41,269,090	605,000	100.00	605,000
Gateway Village G.I.D.	22,748,380	2,520,000	100.00	2,520,000
Goldsmith Metropolitan District (5)	474,912,760	26,020,000	51.18	13,317,036
Greenwood Metropolitan District	77,609,660	4,375,000	1.10	48,125
GVR Metropolitan District	83,930,810	9,350,000	100.00	9,350,000
Madre Metropolitan District No. 2	2,600,200	25,560,000	100.00	25,560,000
Mile High Business Center Metro. Dist.	7,676,320	5,000,000	100.00	5,000,000
North Washington Fire Prot. Dist. No. 3	409,345,220	5,585,000	1.33	74,281
Sand Creek Metropolitan District	139,759,280	53,335,000	26.94	14,368,449
SBC Metropolitan District	11,509,583	22,430,000	100.00	22,430,000
Section 14 Metropolitan District	59,923,320	9,330,000	23.01	2,146,833
South Denver Metro. District (6)	47,115,030	2,680,000	100.00	2,680,000
Southeast Public Improvement Metro.	1,804,867,668	7,480,000	13.49	1,009,052
TOTALS				<u>\$699,706,089</u>

- (1) The following entities also overlap the District, but have no reported general obligation debt outstanding: Broadway Station Metropolitan Districts Nos. 1, 2 and 3; Cherry Creek North Business Improvement District; Cherry Creek Subarea Business Improvement District; Clear Creek Valley Water and Sanitation District; Colfax Business Improvement District; Colorado International Center Metropolitan Districts Nos. 13 and 14; Denver Gateway Meadows Metropolitan District; Denver High Point at Dia Metropolitan District; Denver Suburban Water District; Downtown Denver Business Improvement District; First Creek Metropolitan District; Grant Water and Sanitation District; Greenwood Plaza Water District; Holly Hills Water and Sanitation District; Lakehurst Water and Sanitation District; Lochmoor Water and Sanitation District; Madre Metropolitan Districts Nos. 1 and 3; North Pecos Water and Sanitation District; North Washington Street Water and Sanitation District; Old South Gaylord Business Improvement District; Regional Transportation District; Sheridan Sanitation District No. 2; Town Center Metropolitan District; Urban Drainage and Flood Control District; Urban Drainage and Flood Control District - South Platte Levy; Valley Sanitation District; and West Colfax Business Improvement District. In addition, there are approximately 23 DURA redevelopment districts that overlap with the District. However, urban renewal districts are not authorized to issue general obligation debt and so are not accounted for in this table.
- (2) Park Creek Metropolitan District ("the District") has outstanding limited property tax supported revenue bonds of approximately \$214,980,000. The bonds are special, limited obligations of the District, payable solely by certain pledged revenues and are not considered general obligation bonds.
- (3) Assessed values certified in 2007 are for collection of ad valorem property taxes in 2008.
- (4) The percentage of each entity's outstanding debt chargeable to the District 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 debt for which property owners within the District are responsible will also change.
- (5) Includes the outstanding maturity value (\$7,550,000) of capital appreciation bonds.
- (6) South Denver Metropolitan District was dissolved in 1991; however, it continues to exist to provide for payment of its outstanding indebtedness.

Sources: Assessors' Offices of the City and County of Denver; and Adams, Arapahoe and Jefferson Counties; and individual taxing entities.

DISTRICT DEBT AND OTHER OBLIGATIONS

General Obligation Debt

“Debt” or “indebtedness” as used in this Official Statement means, generally, obligations backed by the full faith and credit of the District and secured by the unlimited power to levy ad valorem property taxes of the District. Debt refers only to principal amounts and not to the interest to become due thereon. Debt does not include debt that has been refinanced, obligations arising upon a contingency or obligations which do not extend beyond the fiscal year in which incurred.

Authorization. The Board has the power to contract indebtedness on behalf of the District for specific purposes authorized by statute relating to the acquiring, purchasing, constructing, enlarging, improving, remodeling, repairing, and equipping or furnishing of school grounds and buildings, and funding floating indebtedness. Debt may be incurred only by resolution which is irrevocable until such indebtedness has been fully paid, specifying the use of the funds, and providing for the levy of a tax which, together with other legally available revenues of the District, will be sufficient to pay the principal of and interest on such debt when due, subject to the limitations of the Amendment. No debt can be created unless the question of incurring the indebtedness has first been submitted to and approved by a majority of the registered electors of the District voting at an election held for that purpose.

Limitations on School District Indebtedness. The State Constitution provides that the General Assembly shall establish limitations on the authority of any political subdivision to incur general obligation indebtedness in any form. Bonded indebtedness of school districts is limited by Section 22-42-104 of C.R.S. In its 1994 session (as amended during its 1996, 1998 and 2007 sessions), the Colorado General Assembly established the limitation as the greater of (1) 20% of the latest valuation for assessment of the taxable property in such district or (2) 6% of the most recent determination of the actual value of property in such district, each as certified to the board of county commissioners. However, for districts whose enrollment has increased by 2.5% in each of the three preceding years or in three consecutive years that include the year in question, the limitation is the greater of 30% of the latest valuation for assessment or 6% of the most recent determination of actual value for bonded indebtedness authorized at the upcoming 2008 general election, and 25% of the latest valuation for assessment or 6% of the most recent determination of actual value for bonded indebtedness authorized at any other time. Because the 6% of actual valuation limitation and the 2.5% growth benchmark were enacted subsequent to TABOR, it is unclear whether such limitation is valid pursuant to the terms of TABOR. By law any obligations which have been refunded, either by immediate payment or redemption and retirement or by the placement of proceeds of refunding bonds in escrow, shall not be deemed outstanding for the purposes of determining compliance with debt limitations.

The District’s total legal debt limit (based upon a limitation of 20% of its 2007 assessed valuation of \$10,660,627,490 (which includes assessed valuations attributable to DURA)) is \$2,132,125,498. Based upon that debt limit calculation, the District has \$1,493,559,451 of remaining debt capacity. The District could utilize the remainder of the debt capacity, but only after receiving prior voter approval. The Board recently began the process of considering whether to ask voters for approval of approximately \$300 million in general obligation bonds at the November 2008 election for the purpose of funding necessary health, safety and maintenance improvements expected to arise over the next five years. These improvements include, but are not limited to: windows, roof repair and replacement, boilers, paving, fire sprinklers, structural repairs, and improvements to maintain compliance with applicable laws and codes. No decision to request voter approval has been made as of the date of this Official Statement.

Outstanding General Obligation Debt

As of the date of this Official Statement, the District has \$638,566,046.85 in general obligation debt outstanding, comprised of the following:

General Obligation Debt Outstanding

<u>General Obligation Bond Issue</u>	<u>Amount Outstanding</u>
Refunding Current Interest Bonds, Series 1994	\$26,945,000.00
Refunding Premium Capital Appreciation Bonds, Series 1994	4,382,871.85
Series 1999 Bonds	26,515,000.00
Qualified Zone Academy Bonds, Series 2001A and 2001B	7,998,175.00
Series 2001C Bonds	16,905,000.00
Series 2004A Bonds	300,625,000.00
Refunding Bonds, Series 2004B	42,015,000.00
Refunding Bonds, Series 2004C	83,670,000.00
Refunding Bonds, Series 2005A	<u>129,510,000.00</u>
Total	<u>\$638,566,047.85</u>

Source: The District.

Other District Obligations

General. 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 equipment with various lessors. As of January 1, 2008, the District had outstanding \$141,306 aggregate principal amount of capital lease-purchase obligations.

The District also has outstanding various equipment leases with lease terms from 24 to 180 months. As of June 30, 2007, the liability under those leases was \$2,667,557. The District also records a liability for compensated absences. See Notes 1(K) and 6 for a description of the compensated absence liability.

Certificates of Participation. The District has also entered into several lease purchase agreements with the Corporation. The following are the Corporation's outstanding certificates of participation payable from amounts payable by the District pursuant to related lease purchase agreements, as of January 1, 2008: (1) Certificates of Participation, Series 1996, currently outstanding in the aggregate principal amount of \$5,595,000 (the District currently pays base rentals on this lease from the Capital Reserve Fund); (2) the 1997 PCOPS, currently outstanding in the aggregate principal amount of \$179,483,038 (consisting of \$137,570,000 aggregate principal amount of current interest certificates and \$41,913,038 of capital appreciation certificates with a Value at Maturity of \$151,750,000 (Value at Maturity is equal to the original principal amount of the capital appreciation portion of the 1997 PCOPS plus all interest compounded thereon to maturity); (3) the 2005A Certificates, currently outstanding in the aggregate principal amount of \$23,470,000; and (4) the 2005B Certificates, currently outstanding in the aggregate principal amount of \$62,575,000.

After the Refunding Project, the 1997 PCOPS will remain outstanding in the aggregate principal amount of \$24,587,160 (consisting of \$13,875,000 aggregate principal amount of current interest certificates and \$10,712,160 of capital appreciation certificates with a Value at Maturity of \$39,595,000). After the Refunding Project, the 2005A Certificates and the 2005B Certificates will no longer be outstanding.

The following table illustrates the estimated Base Rentals payable by the District to the Corporation (which are used to pay debt service on the 1997 PCOPS) after the Refunding Project.

Base Rentals Remaining After Refunding Project - 1997 PCOPS

Fiscal	Principal	Interest	Total
<u>Year</u>	<u>Component</u>	<u>Component</u>	<u>1997 Base Rentals</u>
2008	--	\$ 478,505	\$ 478,505
2009	\$ 335,000	945,637	1,280,637
2010	1,425,000	885,672	2,310,672
2011	2,635,000	746,699	3,381,699
2012	3,985,000	518,836	4,503,836
2013	5,495,000	190,677	5,685,677
2014	2,150,668	4,759,332	6,910,000
2015	2,367,928	5,842,072	8,210,000
2016	2,558,633	6,986,367	9,545,000
2017	2,717,462	8,232,539	10,950,000
2018	<u>917,470</u>	<u>3,062,530</u>	<u>3,980,000</u>
Total	\$24,587,160	\$32,648,864	\$57,236,025

Swap Agreements. The Corporation has entered into interest rate exchange agreements (or “swaps”) with respect to the 2005A Certificates and the 2005B Certificates (the “2005 Swaps”). In general, the terms of each swap agreement provide that, on a same-day net-payment basis determined by reference to a notional amount equal to the principal amount of the applicable series of 2005 Certificates, the Corporation will pay a fixed interest rate on the notional amount. In return, the swap provider will pay a variable rate of interest on the same notional amount. The variable rates on each swap initially match the variable rates paid on the applicable series of certificates; however, upon the occurrence of various events, the rate paid pursuant to each swap could change. The District is obligated to pay base rentals (including regularly scheduled swap payments) on the 2005A Certificates and the 2005B Certificates regardless of whether sufficient amounts are received from the swap provider to do so. In addition, each swap may be terminated upon the occurrence of certain events. Should that occur, the Corporation may be obligated to pay a termination fee in an amount that cannot be determined at this time, but solely from its interest in the properties under each lease, subject to the provisions thereof and of each indenture. For detailed information on these swap agreements, see Note 7 in the audited financial statements attached hereto as Appendix A.

As part of the Refunding Project, the Corporation will cancel each of the 2005 Swaps and pay the associated termination payments. See “THE PLAN OF FINANCE.” The District will enter into the Hedge Facilities in connection with the issuance of the 2008 Certificates. See “INTRODUCTION--The Hedge Facilities” and “THE HEDGE FACILITIES.”

Selected Debt and Population Ratios

The following table sets forth certain debt ratios of the District as of the date of this Official Statement.

Selected Debt Ratios of the District as of the Date of this Official Statement

Population (1)	580,223
Direct Debt (2)	\$ 638,566,047
Overlapping Debt.....	<u>\$ 699,706,089</u>
Total Direct and Overlapping Debt	\$1,338,272,136
Per Capita Direct Debt.....	\$1,100.55
Per Capita Direct and Overlapping Debt	\$2,306.48
2007 Assessed Valuation (3)	\$10,025,025,839
Direct Debt to 2007 Assessed Valuation	6.37%
Direct and Overlapping Debt to 2007 Assessed Valuation	13.35%
2007 Estimated Statutory "Actual" Value (4)	\$76,813,114,100
Direct Debt to 2007 Estimated Statutory "Actual" Value	0.83%
Direct and Overlapping Debt to 2007 Estimated Statutory "Actual" Value.....	1.74%

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- (1) Estimated by the State Department of Local Affairs, Division of Local Government as of July 1, 2006 (most recent estimate available).
- (2) See "Outstanding General Obligation Debt" above.
- (3) Excludes the assessed valuation attributable to DURA.
- (4) This figure has been provided by the County Assessor and is calculated using a statutory formula under which assessed valuation is calculated as 7.96% of the statutory "actual" value of residential property and 29% of the statutory "actual" value of all other classes of property (with certain specified exceptions). Statutory "actual" value is not intended to represent market value. See "Ad Valorem Property Taxes" in this section.

Sources: City and County of Denver Assessor's Office and the District.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the County. It is intended only to provide prospective investors with general information regarding the District's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The District makes no representation as to the accuracy or completeness of data obtained from parties other than the District.

Population and Age Distribution

Population. The following table sets forth population statistics for Denver County, the Denver-Aurora Metro Core Based Statistical Area ("Denver-Aurora Metro") and the State of Colorado. The Denver-Aurora Metro is comprised of six metro counties and four bordering counties: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park. Between 2000 and 2006, the population of Denver County increased 4.6%, Denver-Aurora Metro increased 13.1% and the State increased 11.9%.

<u>Population</u>						
Year	Denver County	Percent Change	Denver- Aurora Metro	Percent Change	Colorado	Percent Change
1960	493,887	--	868,453	--	1,753,947	--
1970	514,678	4.2%	1,118,563	28.8%	2,209,596	26.0%
1980	492,694	(4.3)	1,450,768	29.7	2,889,735	30.8
1990	467,610	(5.1)	1,650,489	13.8	3,294,394	14.0
2000	554,636	18.6	2,157,756	30.7	4,301,261	30.6
2006	580,223	4.6	2,439,839	13.1	4,813,536	11.9

Source: Figures for 1960 through 2000 were obtained from the United States Department of Commerce, Bureau of Census; figures for 2006 are estimates provided by the Colorado Department of Local Affairs, Division of the Local Government, and are subject to periodic revision.

Age Distribution. The following table provides an age profile for the populations of Denver County, the Denver-Aurora Metro, the State, and the United States as of January 1, 2007.

<u>Age Distribution</u>				
Age	Denver County	Denver-Aurora Metro	Colorado	United States
0-17	22.5%	25.6%	25.0%	24.5%
18-24	8.2	8.7	9.7	9.9
25-34	17.8	15.2	15.2	13.4
35-44	16.4	15.7	15.0	14.4
45-54	13.8	15.0	14.7	14.4
55-64	10.1	10.3	10.2	10.7
65-74	5.4	5.2	5.5	6.5
75 and Older	5.8	4.3	4.7	6.2

Source: Trade Dimensions International, Inc. "Demographics USA 2007," County Edition.

Income

The following table sets forth the annual per capita personal income levels for the residents of Denver County, Denver-Aurora Metro, the State and the United States. Per capita personal income levels in the County have consistently exceeded the metro area, State and national levels during the period shown.

Annual Per Capita Personal Income(1)

Year	Denver County	Denver-Aurora Metro	Colorado	United States
2002	\$42,497	\$38,796	\$33,956	\$30,821
2003	42,710	38,640	33,989	31,504
2004	45,206	40,583	35,523	33,123
2005	47,652	42,369	37,600	34,757
2006	n/a	44,299(2)	39,491	36,714
2007(2)	n/a	n/a	41,042(2)	38,611(2)

(1) Subject to periodic revision.

(2) Preliminary.

Source: United States Department of Commerce, Bureau of Economic Analysis.

The following two tables reflect the Median Household Effective Buying Income (“EBI”), and also the percentage of households by EBI groups. EBI is defined as “money income” (defined below) less personal tax and nontax payments. “Money income” is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as “disposable” or “after-tax” income.

Median Household Effective Buying Income

Year	Denver County	Denver-Aurora Metro(1)	Colorado	United States
2003	\$37,261	--	\$43,510	\$38,035
2004	37,383	\$47,275	43,544	38,201
2005	38,523	48,239	44,489	39,324
2006	39,658	49,100	45,594	40,529
2007	39,615	49,067	45,477	41,255

(1) In 2004, Sales & Marketing Management, following the federal government’s Office of Management and Budget’s announced revisions to its geographic census definition, replaced Metropolitan Statistical Areas with Core Based Statistical Areas. No comparable prior history is available from this source.

Source: Sales & Marketing Management “Survey of Buying Power,” 2002-2005; and Trade Dimensions International, Inc. “Demographics USA 2007,” County Edition.

Percent of Households by Effective Buying Income Group - 2007

Effective Income Group	Buying	Denver County	Denver-Aurora Metro	Colorado	United States
Under \$24,999		27.6%	18.5%	22.0%	27.1%
\$25,000 - 49,999		35.1	32.7	33.7	33.8
\$50,000 - 74,999		18.1	22.5	21.3	19.9
\$75,000 - 99,999		10.2	14.2	12.7	10.5
\$100,000 or More		9.0	12.1	10.3	8.7

Source: Trade Dimensions International, Inc. "Demographics USA 2007," County Edition.

Employment

The following two tables set forth the number of individuals employed within selected City and County of Denver industries and Denver Metro Area industries which are covered by unemployment insurance. In 2006, the largest employment sector in Denver was government (comprising approximately 15.4% of the county's work force), followed, in order, by health care and social assistance; professional and technical services; accommodation and food services; and administrative and waste services. For the twelve-month period ended December 31, 2006, total average employment in the County increased 1.8% as compared to the same period ending December 31, 2005, while total average wages increased by 5.4% during the same time period.

Average Number of Employees Within Selected Industries – Denver County

Industry Title	2002	2003	2004	2005	2006	2007(1)
Agriculture, Forestry, Fishing, Hunting	102	104	118	124	123	111
Mining	3,723	3,798	4,051	3,958	4,772	5,738
Utilities	1,793	1,589	1,575	1,618	1,948	1,629
Construction	21,536	19,175	18,575	19,295	19,754	19,530
Manufacturing	26,043	24,666	24,081	23,675	22,878	22,597
Wholesale Trade	27,172	26,534	25,974	25,996	26,750	26,693
Retail Trade	28,453	27,489	26,922	26,729	26,733	27,085
Transportation and Warehousing	24,122	23,316	23,860	23,300	23,264	23,994
Information	22,062	20,375	19,097	16,982	16,681	16,015
Finance and Insurance	27,782	26,537	26,040	25,641	25,474	25,420
Real Estate, Rental and Leasing	11,199	11,093	10,870	10,751	10,884	10,741
Professional and Technical Services	35,388	34,249	34,593	35,545	37,511	38,550
Management of Companies/Enterprises	5,569	6,137	6,552	7,617	8,310	8,619
Administrative and Waste Services	32,496	30,569	31,518	32,977	33,725	35,448
Educational Services	8,095	8,018	8,241	8,465	8,698	8,863
Health Care and Social Assistance	40,318	40,801	40,226	40,236	40,844	41,757
Arts, Entertainment and Recreation	6,191	6,127	6,687	6,882	7,248	7,102
Accommodation and Food Services	33,919	33,585	34,288	35,510	36,775	37,675
Other Services	14,700	14,079	13,845	13,505	13,651	13,727
Non-classifiable	6	7	20	29	22	21
Government	<u>68,222</u>	<u>67,445</u>	<u>66,413</u>	<u>65,844</u>	<u>66,416</u>	<u>67,418</u>
Total	<u>438,891</u>	<u>425,692</u>	<u>423,547</u>	<u>424,677</u>	<u>432,459</u>	<u>438,730</u>

(1) Averages through 2nd quarter 2007.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

In 2006 the largest employment sector in the Denver Metro Statistical Area ("DMSA") was government (comprising approximately 13.8% of the metro area's work force), followed in order by retail trade; health care and social assistance; accommodations and food services; and professional and

technical services. (For this information, the Colorado Department of Labor and Employment continues to use the DMSA geographical designation which is comprised of Adams, Arapahoe, Broomfield, Denver, Douglas and Jefferson counties in lieu of the Denver-Aurora MSA designation referenced elsewhere in this Official Statement.) For the twelve month period ending December 31, 2006, total average employment in the DMSA increased by approximately 2.1% as compared to the same twelve month period ending December 31, 2005, while total average wages increased by 5.0% during the same time period.

Average Number of Employees Within Selected Industries - DMSA

Industry	2002	2003	2004	2005	2006	2007(2)
Agriculture, Forestry, Fishing, Hunting	2,024	1,855	1,715	1,903	1,952	1,545
Mining	5,127	4,977	5,141	5,093	6,193	7,444
Utilities	3,758	3,588	3,627	3,710	3,752	3,479
Construction	86,775	79,659	79,282	83,256	85,777	81,261
Manufacturing	74,956	70,821	71,684	72,091	71,877	70,925
Wholesale Trade	65,068	62,673	61,982	62,566	64,539	65,571
Retail Trade	122,675	120,298	120,474	123,825	124,192	125,007
Transportation & Warehousing	44,090	43,112	43,674	43,418	43,474	44,343
Information	60,094	54,470	51,314	48,424	47,705	47,537
Finance & Insurance	68,357	69,124	69,498	70,555	71,986	71,417
Real Estate, Rental & Leasing	25,830	26,095	26,167	25,968	26,210	26,128
Professional & Technical Services	86,505	83,527	85,268	89,744	92,914	96,623
Management of Companies/Enterprises	14,889	16,167	17,652	19,581	21,524	22,302
Administrative & Waster Services	79,912	77,318	79,613	82,048	84,596	87,668
Educational Services	13,976	14,320	15,007	15,882	16,632	17,443
Health Care & Social Assistance	94,987	97,297	99,445	101,523	104,329	107,087
Arts, Entertainment & Recreation	15,014	15,006	16,325	16,633	17,448	16,912
Accommodation & Food Services	94,076	93,785	95,880	98,586	101,689	103,205
Other Services	36,027	35,276	35,324	35,178	35,335	35,612
Non-Classifiable	23	23	59	69	85	56
Government	<u>160,443</u>	<u>160,755</u>	<u>159,994</u>	<u>161,286</u>	<u>163,379</u>	<u>166,150</u>
Total All Industries	<u>1,154,605</u>	<u>1,130,147</u>	<u>1,139,124</u>	<u>1,161,334</u>	<u>1,185,588</u>	<u>1,197,711</u>

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

The following table presents information on employment within Denver County, Denver-Aurora Metro, the State and the United States, for the period indicated. The annual unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends.

Labor Force and Employment(1)

	<u>Denver County</u>		<u>Denver-Aurora Metro</u>		<u>Colorado</u>		<u>United States</u>
	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Percent Unemployed</u>
<u>Year</u>							
2002	300,314	6.8%	1,249,572	5.9%	2,431,203	5.7%	5.8%
2003	300,708	7.3	1,271,117	6.4	2,463,161	6.1	6.0
2004	302,366	6.6	1,298,359	5.8	2,525,466	5.6	5.5
2005	302,534	5.8	1,316,488	5.2	2,568,101	5.1	5.1
2006	310,909	4.9	1,354,492	4.4	2,651,718	4.3	4.6
<u>Month of October(2)</u>							
2006	315,724	4.3%	1,376,199	3.9%	2,683,659	3.8%	4.4%
2007	319,250	3.8	1,393,006	3.5	2,732,789	3.4	4.8

(1) Figures for the County, Denver-Aurora Metro, and the State are not seasonally adjusted.

(2) Most current revised data available.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Monthly Labor Force Data.

Major Employers

The following table provides a brief description of selected major employers located within the Denver metropolitan area and their approximate number of employees. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted and, therefore, no representation can be made that such employers will continue to maintain their status as major employers in the area.

Selected Major Employers in the Denver Metropolitan Area - 2007

<u>Name of Employer</u>	<u>Product or Service</u>	<u>Estimated Number of Employees</u>
Denver Public Schools	Education	13,452
City and County of Denver	Government	12,975
Centura Health	Health care	12,000 (1)
Qwest Communications Int'l Inc.	Telecommunication	9,200 (1)
Jefferson County Public Schools	Education	9,098
Cherry Creek School District No. 5	Education	8,553
HCA-HealthOne LLC	Health care	8,500 (1)
Exempla Healthcare	Health care	7,191 (1)
United Airlines	Airline	5,273
University of Denver	University	5,126
IBM	Technology	5,000
EchoStar Communications Corp.	Telecommunication	5,000

(1) Figures represent total number of employees in the state of Colorado.

Source: The Denver Business Journal "Top 25 Book of Lists," December 2007/2008.

Retail Sales

The table set forth below provides information on retail sales within Denver, Denver-Aurora Metro, and the State, for the years indicated.

Retail Sales
(in thousands)

Year	City and County of Denver	Percent Change	Denver- Aurora Metro	Percent Change	Colorado	Percent Change
2002	\$17,241,512	--	\$56,769,859	--	\$103,777,621	--
2003	16,845,013	(2.3)%	57,327,070	1.0%	105,420,075	1.6%
2004	18,306,702	8.7	62,192,706	8.5	114,280,780	8.4
2005	19,907,656	8.7	66,294,012	6.6	122,907,090	7.5
2006	22,299,478	12.0	71,798,917	8.3	133,531,307	8.6
2007(1)	11,117,532	--	36,955,415	--	68,488,940	--

(1) Figures through June 2007.

Source: State of Colorado, Department of Revenue, Colorado Tax Statistics, "Retail Sales Summaries", 2002-2007.

Building Activity in the City and County

The following table provides a history of building permits issued for new residential and new commercial/industrial construction in Denver for the years indicated.

Building Permits Issued for New Structures in Denver

Year	<u>Single Family</u>		<u>Multi-Family (1)</u>		<u>Other – New(2)</u>	
	Permits	Value	Units	Value	Permits	Value
2002	1,555	229,151,072	3,364	171,955,163	1,374	175,390,205
2003	1,444	225,223,860	1,986	133,377,117	1,371	111,833,038
2004	1,444	273,664,017	2,654	201,832,104	1,283	129,804,168
2005	1,875	361,022,050	1,578	178,562,342	1,481	195,535,677
2006	1,691	382,987,663	1,949	206,055,658	1,287	143,390,769
2007(3)	619	147,556,251	1,796	259,841,407	523	110,263,380

(1) Includes hotels and motels.

(2) Includes recreational, religious, industrial, garages, service stations, medical, public works and utilities, office, educational, commercial and other new construction.

(3) Figures through June 2007.

Source: City and County of Denver, Public Works Department, Building Inspection Division.

Foreclosure Activity

The following table presents historical information on foreclosure filings. Such information represents the number of foreclosures set up, but it does not take into account the number of foreclosures which were filed and subsequently redeemed or withdrawn.

History of Foreclosures - Denver County

Year	Number of Foreclosures Filed	Percent Change
2003	2,500	--
2004	3,351	34.0%
2005	3,713	10.8
2006	5,162	39.0
2007	8,240	59.6

Source: Denver County Public Trustee.

TAX MATTERS

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 2008A Lease or the 2008B Lease, and received by the Owners of the 2008A Certificates and the 2008B Certificates, as the case may be, is includible in gross income for federal and State of Colorado income tax purposes. Bond Counsel has expressed no opinion regarding other federal or State of Colorado tax consequences arising with respect to the 2008 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 and State of Colorado income tax purposes of any moneys received by the Owners of the Certificates subsequent to such termination.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the 2008 Certificates under the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder (final and proposed) (the "Regulations"), and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the 2008 Certificates should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the 2008 Certificates.

In general, interest paid on the 2008 Certificates, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the 2008 Certificates, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Premium

An investor that acquires a 2008 Certificate for a cost greater than its remaining stated redemption price at maturity and holds the 2008 Certificate as a capital asset will be considered to have purchased the 2008 Certificate at a premium and, under Section 171 of the Code, must generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Regulations have been issued dealing with certain aspects of federal income tax treatment of premium, but such regulations do not fully address the method to be used to amortize premium on obligations such as the 2008 Certificates. Therefore, investors should consult their tax advisors regarding the tax consequences of amortizing premium.

Market Discount

An investor that acquires a 2008 Certificate for a price less than the adjusted issue price of such 2008 Certificate (or an investor who purchases a 2008 Certificate in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a 2008 Certificate originally issued at a discount, the amount by which the issue price of such 2008 Certificate, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a 2008 Certificate not originally issued at a discount, the amount by which the stated redemption price of such 2008 Certificate at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a 2008 Certificate will

generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a 2008 Certificate as ordinary income to the extent of any remaining accrued market discount (as described at “Sale or Other Dispositions” under this caption) or (ii) to elect to include such market discount and income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a 2008 Certificate with original issue discount, in proportion to the accrual of original issue discount.

An owner of a 2008 Certificate who acquired a 2008 Certificate at a market discount also may be required to defer, until the maturity date of such 2008 Certificate or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a 2008 Certificate in excess of the aggregate amount of interest (including original issue discount) includable in such owner’s gross income for the taxable year with respect to such 2008 Certificate. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the 2008 Certificate for the days during the taxable year on which the owner held the 2008 Certificate and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the 2008 Certificate matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions

If a 2008 Certificate is sold, redeemed prior to maturity or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the 2008 Certificate. The adjusted basis of a 2008 Certificate generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the 2008 Certificate and reduced by any amortized premium under Section 171 of the Code and by the payments on the 2008 Certificate (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss if the 2008 Certificate to which it is attributable is held as a “capital asset.” Currently, for corporations, capital gains are taxed at the same rate as ordinary income. However, for individuals and certain estates and trusts, the maximum capital gain rate applicable to the sale or exchange of capital assets held for more than one year is 15%. The tax rate is decreased to five-percent (5%) (and then to zero in 2008 through 2010) for individual holders in the 10% or 15% regular income tax brackets. The tax rates apply for both regular tax and alternative minimum tax and terminate on December 31, 2010.

Gain on the sale or other disposition of a 2008 Certificate that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued

during the period that the 2008 Certificate was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under “Market Discount”).

Backup Withholding

Payments of principal and interest (including original issue discount) on the 2008 Certificates, as well as payments of proceeds from the sale of the 2008 Certificates may be subject to the “backup withholding tax” under Section 3406 of the Code at a rate of 28% for tax years through 2010 and 31% for tax years 2011 and thereafter with respect to interest or original issue discount on the 2008 Certificates if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the Trustee certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors

An owner of a 2008 Certificate that is not a “United States person” (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a 2008 Certificate will generally not be subject to United States income or withholding tax in respect of a payment on a 2008 Certificate, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term “United States person” means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on 2008 Certificates owned by foreign investors. In those instances in which payments of interest on the 2008 Certificates continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of 2008 Certificates having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a 2008 Certificate.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts (“IRAs”) under the Code and persons who, with respect to any such plan or arrangement, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between such a plan or arrangement and a “party in interest” with respect to ERISA or a “disqualified person” within the meaning of the Code, including the acquisition by one from the other of a Certificate, could be viewed as violating those prohibitions. For example, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as IRAs and disqualified persons, and Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the District or any underwriter of the 2008 Certificates might be considered or might become a “party in interest” within the meaning of ERISA or a

“disqualified person” within the meaning of the Code with respect to any plan or arrangement subject to ERISA or Code Sections 4975 or 503, and prohibited transactions may arise if the 2008 Certificates are acquired by such plans or arrangements. In all events, fiduciaries of plans or arrangements subject to ERISA or the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the 2008 Certificates.

Treasury Circular 230 Disclosure

Any federal tax advice contained in this Official Statement was written to support the marketing of the 2008 Certificates and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the 2008 Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to obligations issued prior to enactment. Purchasers of the 2008 Certificates should consult their tax advisors regarding any pending or proposed tax legislation. The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the 2008 Certificates and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation.

The foregoing discussion of certain federal income tax consequences is for general information only and is not tax advice. Accordingly, each prospective owner of the 2008 Certificates should consult such prospective owner's own tax advisor with respect to the tax consequences to such prospective owners, including the tax consequences under the state, local, foreign and other tax laws, of the acquisition, ownership and disposition of the 2008 Certificates.

LEGAL MATTERS

Litigation

There is no litigation pending in any way contesting or affecting the validity or enforceability of the Leases and the Initial Liquidity Facilities against the District or that, if determined adversely to the District, would adversely affect the ability of the District to perform its obligations under the District Documents. In addition, the District's general counsel states that as of the date hereof, to the best of his knowledge, although the District is subject to certain pending or threatened litigation or administrative proceedings, these matters either are adequately covered by insurance or, to the extent not insured, the final settlement thereof is not expected to materially adversely affect the ability of the District to perform its obligations under the Leases and the Initial Liquidity Facilities or materially adversely affect the financial position of the District.

Sovereign Immunity

The Colorado Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S. (the “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 Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle, owned or leased by the public entity; the operation of any public hospital,

correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. 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 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; (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. The District may increase any maximum amount that may be recovered from the District for certain types of injuries. However, the District may not be held liable either directly or by indemnification for punitive or exemplary damages unless the District voluntarily pays such damages in accordance with State law. The District has not acted to increase the damage limitations in the Immunity Act.

The District may be subject to civil liability and damages including punitive or exemplary damages under federal laws, and it may not be able to claim sovereign immunity for actions founded upon federal laws. Examples of such civil liability include suits filed pursuant to Section 1983 of Title 42 of the United States Code, 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 federal and State antitrust laws. However, the Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

Approval of Certain Legal Proceedings

Legal matters relating to the issuance of the 2008 Certificates, as well as the treatment of interest on each series of the 2008 Certificates for purposes of federal and State income taxation, are subject to the approving legal opinion of Bond Counsel for each series. Such opinions, the forms of which are attached hereto as Appendix D, will be dated as of and delivered at closing. Sherman & Howard L.L.C. has acted as Special Counsel to the District in connection with the preparation this Official Statement. Certain legal matters will be passed upon for the District by its General Counsel. Certain legal matters pertaining to the Corporation will be passed upon by Kutak Rock LLP, Denver, Colorado. Certain legal matters will be passed upon for the 2008A Underwriter by Hogan & Hartson L.L.P, Denver, Colorado. Certain legal matters will be passed upon for the 2008B Underwriter by Kamlet Shepherd & Reichert, LLP, Denver, Colorado. Peck Shaffer & Williams, Denver, Colorado, is acting as counsel to the Trustee. Chapman and Cutler, LLP, Chicago, Illinois, is acting as counsel to the Initial Liquidity Provider. Certain legal matters will be passed upon for the Remarketing Agent by its in-house counsel. McKee Nelson LLP, New York, New York, is acting as counsel to the 2008A Hedge Provider. Certain legal matters will be passed upon for the 2008B-1 Hedge Provider by Cadwalader, Wickersham & Taft LLP, New York, New York. Certain matters will be passed upon for the 2008B-2 Hedge Facility Provider by its in-house counsel and by Kutak Rock LLP, Chicago, Illinois.

Certain Constitutional Limitations

General. At the general election on November 3, 1992, the voters of Colorado approved TABOR, a constitutional amendment which is codified as Article X, Section 20 of the Colorado Constitution. In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including the District (“local governments”), but does not apply to “enterprises,” defined as government-owned businesses authorized to issue revenue bonds and receiving under 10% of annual revenue in grants from all state and local governments combined.

Because some provisions of TABOR are unclear, litigation seeking judicial interpretation of its provisions has been commenced on numerous occasions since its adoption. Additional litigation may be commenced in the future seeking further interpretation of TABOR. No representation can be made as to the overall impact of TABOR on the future activities of the District, including its ability to generate sufficient revenues for its general operations, to undertake additional programs or to engage in any subsequent financing activities.

Voter Approval Requirements and Limitations on Taxes, Spending, Revenues, and Borrowing. TABOR requires voter approval in advance for: (a) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase, extension of an expiring tax, or a tax policy change causing a net tax revenue gain; (b) any increase in a local government's spending from one year to the next in excess of the limitations described below; (c) any increase in the real property tax revenues of a local government from one year to the next in excess of the limitations described below; or (d) creation of any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever, subject to certain exceptions such as the refinancing of obligations at a lower interest rate.

In the opinion of Bond Counsel, neither Lease constitutes a "multiple fiscal year obligation" which requires an election under the terms of TABOR.

TABOR limits increases in government spending and property tax revenues to, generally, the rate of inflation and a local growth factor which is based upon, for school districts, the percentage change in enrollment from year to year, and for non-school districts, the actual value of new construction in the local government. Unless voter approval is received, revenues collected in excess of these permitted spending limitations must be rebated. Debt service, however, can be paid without regard to any spending limits, assuming revenues are available to do so.

According to District administration officials, to date, the spending and revenue limits imposed by TABOR have not negatively affected the District. However, no representation can be made as to the overall impact of TABOR on the District's future operations.

Emergency Reserve Funds. TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves or taxes to compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. The District has budgeted and funded emergency reserves as required by TABOR. See "DISTRICT FINANCIAL OPERATIONS--School District Funds - General Fund."

Other Limitations. TABOR also prohibits new or increased real property transfer tax rates and local government income taxes. TABOR allows local governments to enact exemptions and credits to reduce or end business personal property taxes; provided, however, the local governments' spending is reduced by the amount saved by such action. With the exception of K-12 public education and federal programs, TABOR also allows local governments (subject to certain notice and phase-out requirements) to reduce or end subsidies to any program delegated for administration by the general assembly; provided, however, the local governments' spending is reduced by the amount saved by such action.

Police Power

The obligations of the District are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including bankruptcy.

RELATED PARTIES

J.P. Morgan Securities Inc., is acting as the 2008A Underwriter. JPMorgan Chase Bank, National Association, a related corporate entity, is acting as the 2008A Hedge Provider and also currently is the Certificate Fund Investment Provider (see "THE 2008 CERTIFICATES--Certificate Fund Investment Agreement") and the provider of the letter of credit securing the District's TABOR reserve fund (see "DISTRICT FINANCIAL OPERATIONS---School District Funds - General Fund"). Should JPMorgan Chase Bank, National Association or the associated corporate entities be unable or unwilling to perform under the various agreements for any reason, Owners of the 2008 Certificates may be adversely affected to an extent that cannot be determined at this time. JPMorgan Chase Bank, National Association, also acted as the 2005 Hedge Provider.

RBC Capital Markets Corporation has acted as the Financial Advisor to the District and as the Swap Advisor to the District in connection with the 2008 Hedge Facilities. RBC Capital Markets Corporation also is acting as the initial Remarketing Agent. Royal Bank of Canada, a related corporate entity, is the 2008B-2 Hedge Provider.

Should any of the entities (or associated corporate entities) be unable or unwilling to perform under the various agreements for any reason, Owners of the 2008 Certificates may be adversely affected to an extent that cannot be determined at this time.

RATINGS

Standard & Poor's Rating Group, a Division of McGraw-Hill, Inc. ("S&P"), and Moody's Investors Service ("Moody's") have assigned the 2008 Certificates the ratings shown on the cover page of this Official Statement. The insured ratings ("AAA" from S&P and "Aaa" from Moody's) are based on the issuance of the respective Policies by the Certificate Insurer concurrently with the issuance of the related 2008 Certificates. The short-term ratings ("A1+" from S&P and "VMIG-1" from Moody's) are based solely upon the ratings of the Liquidity Provider. S&P and Moody's also have assigned underlying ratings of "A+" and "A1," respectively, to the 2008 Certificates. An explanation of the significance of the S&P ratings may be obtained from S&P at 55 Water Street, New York, New York 10041. An explanation of the significance of any ratings given by Moody's may be obtained from Moody's at 99 Church Street, New York, New York 10007.

Such ratings reflect only the views of the respective rating agencies, and there is no assurance that any of the ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2008 Certificates. The District has not undertaken any responsibility to bring to the attention of the owners of the 2008 Certificates any proposed change in or withdrawal of such ratings once received or to oppose any such proposed revision.

INDEPENDENT AUDITORS

The basic financial statements of School District No. 1, in the City and County of Denver and State of Colorado, as of and for the fiscal year ended June 30, 2007, included in this Official Statement as Appendix A, have been audited by Clifton Gunderson LLP, independent certified public accountants, Greenwood Village, Colorado, as stated in their report appearing herein.

INITIAL REMARKETING AGENT

RBC Capital Markets Corporation has initially been appointed to serve as the Remarketing Agent for both the 2008A Certificates and the 2008B Certificates pursuant to the Indentures and a Remarketing Agreement dated as of April 24, 2008 between the Corporation and the Remarketing Agent (the

“Remarketing Agreement”). The Remarketing Agent may at any time resign and be discharged of its duties and obligations under the Remarketing Agreement, and the Remarketing Agent may be removed at any time at the direction of the District with the consent of Financial Security or at the direction of Financial Security, in accordance with the terms of the Indenture and the Remarketing Agreement). See Appendix B hereto for a description of certain provisions of each Indenture applicable to the Remarketing Agent, including qualifications of the Remarketing Agent and provisions related to the remarketing of 2008 Certificates.

UNDERWRITING

2008A Certificates. J.P. Morgan Securities Inc. (the “2008A Underwriter”) has agreed to purchase the 2008A Certificates under a 2008A Certificate Purchase Agreement between the Corporation and the 2008A Underwriter at a purchase price of \$448,954,238.00 (representing the par amount of the 2008A Certificates, less an underwriting discount of \$1,045,762.00). The 2008A Underwriter is committed to take and pay for all of the 2008A Certificates if any of such series are taken. The 2008A Certificates are being offered for sale to the public at the prices shown on the cover of this Official Statement. *The 2008A Underwriter is not responsible for underwriting the 2008B Certificates.*

2008B Certificates. Citigroup Global Markets Inc. (the “2008B Underwriter”) has agreed to purchase the 2008B Certificates under a 2008B Certificate Purchase Agreement between the Corporation and the 2008B Underwriter at a purchase price of \$299,449,352.27 (representing the par amount of the 2008B Certificates, less an underwriting discount of \$550,647.73). The 2008B Underwriter is committed to take and pay for all of the 2008B Certificates if any of such series are taken. The 2008BA Certificates are being offered for sale to the public at the prices shown on the cover of this Official Statement. *The 2008B Underwriter is not responsible for underwriting the 2008A Certificates.*

OFFICIAL STATEMENT CERTIFICATION

The preparation of this Official Statement and its distribution have been authorized by the Board. This Official Statement is hereby duly approved by the Board as of the date on the cover page hereof.

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

By: /s/ Theresa Peña
President, Board of Education

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APPENDIX A

**AUDITED BASIC FINANCIAL STATEMENTS OF THE DISTRICT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent auditors' report	II.1
Management's Discussion and Analysis	II.3
Basic Financial Statements:	II.13
Government-wide Financial Statements:	
Statement of Net Assets	II.14
Statement of Activities	II.15
Fund Financial Statements	
Balance Sheet – Governmental Funds	II.16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	II.18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	II.20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	II.22
Statement of Net Assets – Proprietary Funds	II.24
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	II.25
Statement of Cash Flows – Proprietary Funds	II.26
Statement of Fiduciary Net Assets – Fiduciary Funds	II.27
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	II.28
Notes to Basic Financial Statements	II.29
Required Supplementary Information:	II.79
Schedule of Revenues, Expenditures, Encumbrances and Changes in Fund Balance – Budget and Actual (Non-GAAP Budget Basis) – General Fund	II.80
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP Basis)	
Special Revenue Fund	II.82
ProComp Special Revenue Fund	II.83
Notes to Required Supplementary Information	II.84



Independent Auditor's Report

Board of Education

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of School District No. 1 in the City and County of Denver and State of Colorado (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, except for Pioneer Charter School. That portion of the discretely presented component units which we did not audit reflects total assets constituting 98% of the discretely presented component units' total assets at June 30, 2007 and 97% of the discretely presented component units' total revenues for the year ended June 30, 2007. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the District, are based solely on the reports of such other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Of the discretely presented component units, only the financial statements of the Pioneer Charter School, Ridge View Academy, and Challenges, Choices and Images Literacy and Technology Learning Center were audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II.3 through II.12 and II.80 through II.84 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Henderson LLP

Greenwood Village, Colorado
November 9, 2007

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

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2007

As management of Denver Public School District No. 1 in the City and County of Denver and State of Colorado (the "School District"), we offer readers of the School District's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that is presented in the letter of transmittal, which starts on page I.1 of this report.

Financial Highlights

- On the Statement of Net Assets, the School District's primary government net assets (liabilities) are reported as \$(293.7) million. This is primarily due to total long-term liabilities (due within one year and due after one year) of \$1,116.7 million. \$685.2 million of the long-term liabilities relate to bonds payable, which will be paid with Denver voter-approved future property tax collections that are restricted to the repayment of this debt and are not currently shown as assets. \$411.7 million of the long-term liabilities relate to taxable certificates of participation that were issued in 1997 and 2005 to advance fund pension related costs and \$6.6 million of certificates of participation that were issued in 1996.
- On the Statement of Activities general revenues accounted for \$617.4 million or 78 percent of the \$788.8 million in total primary government revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for \$171.4 million or 22 percent of total revenues.
- Outstanding long-term and current debt decreased to \$1,116.7 million from \$1,154.7 million in 2007 primarily due to the normal retirement of debt.
- On the Balance Sheet, fund balance of the School District's governmental funds, decreased by \$17.1 million resulting in an ending fund balance of \$245.6 million. This decrease is primarily due to the expenditure of general obligation bond proceeds in the building fund.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Statements

The government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net assets includes all of the School District's assets and liabilities, with the difference between the two reported as net assets to the exclusion of fiduciary funds. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2007

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and retiree's sick leave payable).

The government-wide financial statements consolidate the governmental and internal service activities that are supported from taxes and intergovernmental revenues. In the government-wide financial statements, the School District's activities are divided into two categories:

- ***Governmental activities:*** Most of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. Taxes and intergovernmental revenues principally support these activities.
- ***Business-type activities:*** The food service program is intended to recover all or a significant portion of their costs through fees, charges, and governmental reimbursements.

The government-wide financial statements include not only the School District itself (known as the primary government), but also the legally separate Denver Public Schools Foundation and charter schools as component units of the School District. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Denver School Facilities Leasing Corporation has been included as a blended component unit.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School District's operations, focusing on its most significant or "major" funds, not the School District as a whole. The School District has three kinds of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds: Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

The School District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, ProComp special revenue fund, the bond redemption (debt service) fund, the capital projects building fund and the capital reserve fund, all of which are considered to be major funds. Data for the other two governmental funds (pupil activity fund and permanent fund) is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds: The School District maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The School District uses enterprise funds to account for its food services fund. Internal service funds are an accounting device to accumulate and allocate costs internally among the School District's various functions. The School District uses internal service funds to account for its self insurance, DoTs (Department of Technology Services) service bureau, maintenance, and warehouse activities. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets for the general fund and special revenue fund.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. These are followed by schedules of revenues, expenditures, encumbrances and changes in fund balance – budget and actual (non-GAAP budget basis) for the School District's building and capital reserve fund. The schedules of revenue, expenditures, and changes in fund balance – budget and actual (GAAP basis) for the remaining funds follows next. The combining statements referred to earlier relating to the internal service funds are provided next.

The final schedules in this report provide additional information on the School District's agency fund and capital assets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

Financial Analysis of the School District as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the School District's financial position.

61% of the School District's assets are its investment in capital assets (e.g., land, buildings, and equipment). The School District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the School District's net assets (liabilities) as of June 30, 2007 and 2006, respectively (in millions):

	June 30, 2007			June 30, 2006		
	<u>Governmental</u>	<u>Business-</u>		<u>Governmental</u>	<u>Business-</u>	
	<u>activities</u>	<u>type</u>	<u>Total</u>	<u>activities</u>	<u>type</u>	<u>Total</u>
		<u>activities</u>			<u>activities</u>	
Current and other assets	\$ 350.2	\$ 8.6	\$ 358.8	\$ 377.2	\$ 9.8	\$ 387.0
Capital assets	<u>553.4</u>	<u>.7</u>	<u>554.1</u>	<u>535.0</u>	<u>.4</u>	<u>535.4</u>
Total assets	903.6	9.3	912.9	912.2	10.2	922.4
Long-term liabilities	1,066.3		1,066.3	1,107.4		1,107.4
Other liabilities	<u>139.1</u>	<u>1.2</u>	<u>140.3</u>	<u>146.0</u>	<u>.8</u>	<u>146.8</u>
Total liabilities	<u>1,205.4</u>	<u>1.2</u>	<u>1,206.6</u>	<u>1,253.4</u>	<u>.8</u>	<u>1,254.2</u>
Net assets:						
Invested in capital assets, net of related debt	173.1	.7	173.8	173.5	.4	173.9
Restricted	61.8		61.8	65.8		65.8
Unrestricted	<u>(536.7)</u>	<u>7.4</u>	<u>(529.3)</u>	<u>(580.5)</u>	<u>9.0</u>	<u>(571.5)</u>
Total net assets (liabilities)	<u>\$ (301.8)</u>	<u>\$ 8.1</u>	<u>\$ (293.7)</u>	<u>\$ (341.2)</u>	<u>\$ 9.4</u>	<u>\$ (331.8)</u>

Of the School District's net assets, \$46.3 million is restricted for the repayment of long-term liabilities. To calculate capital assets, net of related debt, the original long-term debt was evaluated to ascertain the amount of proceeds not spent, and of the amount spent, what portion of it had been used on capital assets versus maintenance projects and other non-capitalizable expenditures. That percentage was then applied to the outstanding long-term debt to determine the amount applicable to capital assets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

Governmental Activities

Following is a summary of the School District's change in net assets (in millions):

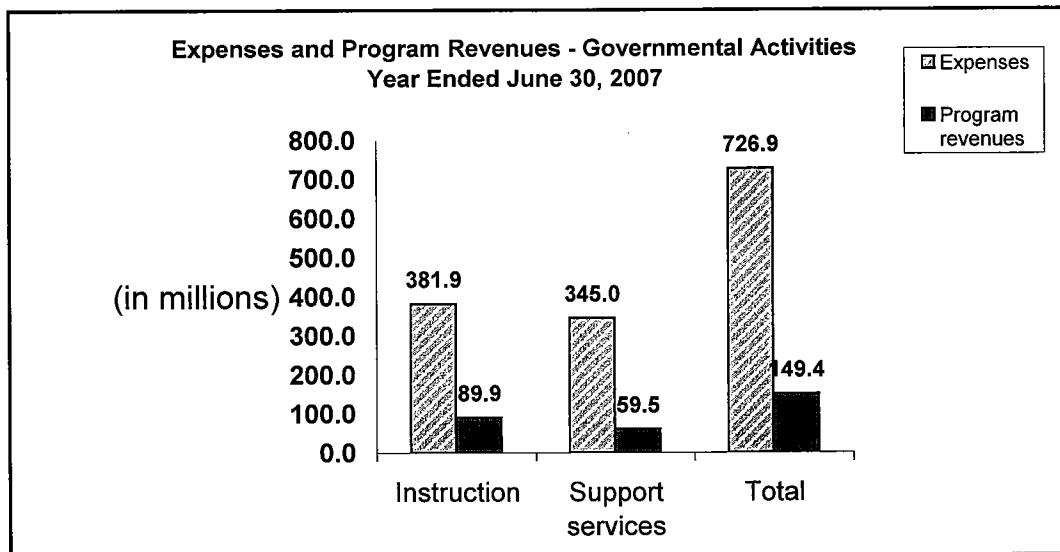
	Year ended June 30, 2007			Year ended June 30, 2006		
	<u>Governmental</u>	<u>Business-</u>		<u>Governmental</u>	<u>Business-</u>	
	<u>activities</u>	<u>type</u>	<u>Total</u>	<u>activities</u>	<u>type</u>	<u>Total</u>
		<u>activities</u>			<u>activities</u>	
Revenues						
Program revenues						
Charges for services	\$ 17.8	\$ 3.8	\$ 21.6	\$ 17.2	\$ 4.0	\$ 21.2
Operating grants, Contributions	131.6	18.2	149.8	105.0	17.2	122.2
General revenues						
Property taxes	342.0		342.0	346.3		346.3
Specific ownership taxes	29.5		29.5	28.6		28.6
State equalization	224.4		224.4	212.5		212.5
Other	<u>21.2</u>	<u>.3</u>	<u>21.5</u>	<u>16.7</u>	<u>.1</u>	<u>16.8</u>
Total revenues	<u>766.5</u>	<u>22.3</u>	<u>788.8</u>	<u>726.3</u>	<u>21.3</u>	<u>747.6</u>
Expenses						
Instruction	381.9		381.9	371.2		371.2
Supporting services						
Pupil support	24.2		24.2	26.6		26.6
Instructional support	51.5		51.5	49.7		49.7
General administration	3.9		3.9	3.7		3.7
School administration	38.0		38.0	37.8		37.8
Business services	4.8		4.8	7.6		7.6
Operation & maintenance	83.8		83.8	105.3		105.3
Pupil transportation	21.9		21.9	22.4		22.4
Central services	37.2		37.2	35.8		35.8
Other supporting services	4.0		4.0	7.8		7.8
Community services	3.0		3.0	2.6		2.6
Education for adults	13.1		13.1	13.1		13.1
Food service	.5	23.8	24.3	.4	21.9	22.3
Interest on long-term debt	<u>59.1</u>		<u>59.1</u>	<u>61.0</u>		<u>61.0</u>
Total supporting services	<u>345.0</u>	<u>23.8</u>	<u>368.8</u>	<u>373.8</u>	<u>21.9</u>	<u>395.7</u>
Total primary government	<u>726.9</u>	<u>23.8</u>	<u>750.7</u>	<u>745.0</u>	<u>21.9</u>	<u>766.9</u>
Excess (deficiency) in net assets						
Before transfers	39.6	(1.5)	38.1	(18.7)	(.6)	(19.3)
Transfers	<u>(.2)</u>	<u>.2</u>				
Change in net assets	39.4	(1.3)	38.1	(18.7)	(.6)	(19.3)
Net assets (liabilities) - beginning	<u>(341.2)</u>	<u>9.4</u>	<u>(331.8)</u>	<u>(322.5)</u>	<u>10.0</u>	<u>(312.5)</u>
Net assets (liabilities) - ending	<u>\$(301.8)</u>	<u>\$ 8.1</u>	<u>\$(293.7)</u>	<u>\$(341.2)</u>	<u>\$ 9.4</u>	<u>\$(331.8)</u>

The primary source of operating revenue for school districts comes from the Public School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$6,800.19 in the current fiscal year and \$6,618.71 in the prior fiscal year per funded student. In fiscal year 2007 the funded pupil count was 67,969.5 while fiscal year 2006 was 67,624.0. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 49 percent of this funding from state equalization while the remaining amounts come from property taxes and specific ownership tax. The School District's assessed valuation generated \$342 million in property taxes in fiscal year 2007 and \$346.3 million in fiscal year 2006; both include four election overrides, bond redemption and a share of SFA funding.

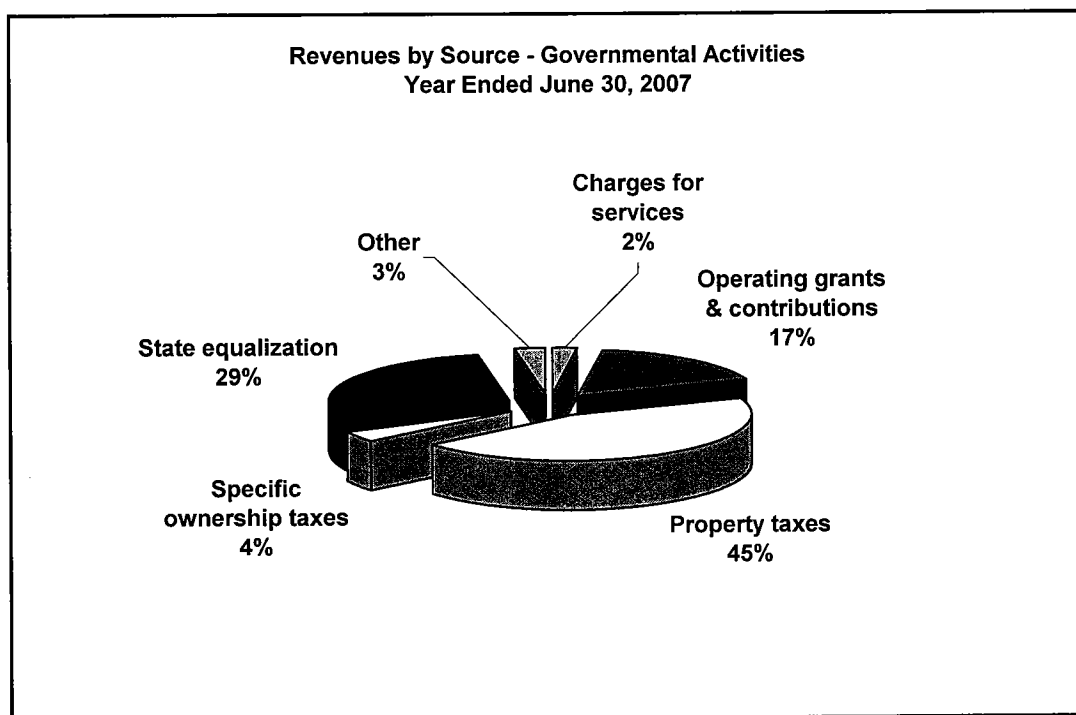
The cost of all governmental activities this year was \$726.9 million for the primary government.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007



The Governmental Activities as presented above are from the Statement of Activities on page II.15. The Program Revenues include both Charges for Services and Operating Grants and Contributions.



The Revenues by Source as presented above are from the Statement of Activities on page II.15.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2007

Business-Type Activities

Business-type activities are made up of the food services fund. This program had total revenues of \$22.3 million and expenses of \$23.8 million in fiscal year 2007, with \$21.3 million and \$21.9 million, respectively, in fiscal year 2006. Business-type activities receive no support from tax revenue.

Financial Analysis of the School District's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$245.6 million, a decrease of \$17.1 million in comparison with the prior year. This is primarily due to the capital projects – building fund decrease of \$49.5 million attributable to the spending of general obligation bond proceeds and the ProComp special revenue fund increase of \$22.4 million which is comprised of unspent voter approved taxes from the 2005 Mill Levy Override for future expenditures for the professional compensation system for teachers. The general fund, the special revenue fund, and the capital reserve fund each had a fund balance increase of \$10.4 million, \$3.9 million, and \$.4 million, respectively. At the same time, the bond redemption – debt service fund, and other governmental funds, each had a fund balance decrease of \$4.6 million and \$.05 million, respectively.

The general fund is the primary operating fund of the School District. At year end, \$4.4 million of the fund balance was reserved for encumbrances. Due to the timing of the summer break with the fiscal year end, many items are ordered prior to the break to ensure that they are available for the start of the ensuing school year.

The increase in the fund balance for the general fund was attributable to an increase in the general fund contingency reserve from 1% to 3% of budgeted expenditures. The special revenue fund's \$3.9 million increase was primarily due to a \$3.6 million grant received from the City for the purpose of funding parent liaisons over multiple years. The capital reserve fund's balance has remained relatively flat. However, the balance in the bond redemption – debt service fund decreased by \$4.6 million as planned when the School District restructured its existing debt in 2004 and 2005.

Proprietary funds

The School District's proprietary funds provide the same type of information found in the government-wide business-type activities financial statements, but in more detail. The fund statements show a column for internal service funds, which are included with the governmental activities for the government-wide financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

General Fund Budgetary Highlights

The School District's budget is prepared in accordance with state law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the general fund.

Differences between the original budget and final budget for the general fund, totaled an increase of \$29.8 million and can briefly be summarized as follows:

- \$6.4 million in reappropriations of June 30, 2007, balances for school programs
- \$5.7 million in additional salary turnover/hiring lag savings
- \$2.2 million in utility savings and less unemployment claims
- \$11.2 million in other beginning balance increases
- \$1.0 million one-time receipt of life insurance dividends
- \$1.9 million increase in tax abatement recovery
- \$1.1 million decrease in school finance act funding
- \$0.8 million increase in specific ownership taxes
- \$0.4 million increase in tuition
- \$1.3 million estimated increase in various other sources of revenue

The major differences between the School District's final budget and actual expenditures, relates to over \$38 million that were budgeted reserves which were not expected to be spent and the unexpended \$64 million of Series 2005B certificates of participation proceeds. The School District budgets in a manner such that beginning fund balance plus budgeted revenues equals budgeted expenditures. It is never the School District's intent to spend all funds and the ending actual expenditures were as anticipated.

Capital Assets and Debt Administration

Capital assets

The School District's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to \$554 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000.

The major capital asset event during the current fiscal year was the opening of three new schools in the fall of 2006.

The School District's total capital assets at June 30, 2007 and 2006, respectively, net of accumulated depreciation, were as follows (in millions):

	June 30, 2007			June 30, 2006		
	<u>Governmental</u>	<u>Business-</u>		<u>Governmental</u>	<u>Business-</u>	
	<u>activities</u>	<u>type</u>	<u>Total</u>	<u>activities</u>	<u>type</u>	<u>Total</u>
		<u>activities</u>			<u>activities</u>	
Land	\$ 54.2	\$	\$ 54.2	\$ 54.1	\$	\$ 54.1
Buildings and improvements	423.0		423.0	369.0		369.0
Construction in progress	30.5		30.5	61.6		61.6
Equipment, including leased	45.7	.7	46.4	50.3	.4	50.7
Total capital assets	<u>\$553.4</u>	<u>\$.7</u>	<u>\$554.1</u>	<u>\$535.0</u>	<u>\$.4</u>	<u>\$535.4</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2007

Additional information on the School District's capital assets can be found in note 5 to the basic financial statements.

Long-Term Debt

At June 30, 2007 and 2006, respectively, the School District's long-term debt consisted of the following (in millions):

	June 30, 2007			June 30, 2006		
	<u>Governmental</u>	<u>Business-</u>		<u>Governmental</u>	<u>Business-</u>	
	<u>activities</u>	<u>type</u>	<u>Total</u>	<u>activities</u>	<u>type</u>	<u>Total</u>
		<u>activities</u>			<u>activities</u>	
Capital lease obligations	\$ 2.7	\$	\$ 2.7	\$ 3.1	\$	\$ 3.1
Certificates of participation	418.3		418.3	434.4		434.4
General obligation bonds	685.2		685.2	707.0		707.0
Compensated absences	10.5		10.5	10.1		10.1
Loan payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>.1</u>	<u>0</u>	<u>.1</u>
Total	<u>\$1,116.7</u>	<u>\$ 0</u>	<u>\$1,116.7</u>	<u>\$1,154.7</u>	<u>\$.0</u>	<u>1,154.7</u>

The School District's long-term debt decreased during fiscal year 2007, primarily due to the normal retirement of debt.

Section 22-42-104 of the Colorado School law limits the amount of bonded indebtedness to the greater of 20% of the latest valuation for assessment of the taxable property in the School District, as certified by the County Assessor to the Board of County Commissioners, or 6% of the most recent determination of the actual value of the taxable property in the School District, as certified by the County Assessor to the Board of County commissioners. The School District's bonded debt limit at June 30, 2007, is \$4.0 billion.

Additional information on the School District's long-term debt can be found in note 6 to the basic financial statements.

Economic Factors

School Finance Act Funding

The largest source of revenue for the School District's operating funds is derived from the Public School Finance Act funding formula. In April 1994, the Colorado state legislature enacted the Public School Finance Act of 1994 which continued the goals of (1) establishing a financial base of support for public education, (2) moving toward a uniform mill tax levy for all school districts and (3) limiting the future growth of and reliance on the property tax to support public education. It establishes a statewide base per pupil funding and adjusts that amount for individual school districts by recognizing differences in (1) personnel costs, (2) nonpersonnel costs, (3) local cost of living, and (4) school district size. Additional funding is also provided to school districts based upon the presence of at-risk pupils. The sources of funding the Public School Finance Act formula amount include (1) a portion of the specific ownership taxes traditionally flowing to school districts in addition to (2) local property taxes and (3) state equalization payments. The School District's funding, based on this formula, increased by 1.85% and 2.66% per pupil for fiscal year 2006 and fiscal year 2007, respectively.

In November 2000, the Colorado voters approved Amendment 23, "Funding for Public Schools", which requires that the statewide base per pupil funding and the total State funding for categorical programs increase by at least the rate of inflation plus one-percent for the ten-year period beginning FY 2001-02, and by at least the rate of inflation thereafter. In addition, State revenues collected from a tax of one-third of one-percent on federal taxable income shall be

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

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2007

deposited into the State Education Fund. The State cannot use the State Education Fund monies to supplant the level of Public School Finance Act and categorical funding appropriated in the State general fund existing for FY 1999-2000; and, for the ten-year period through FY 2010-2011, the State must annually increase its State general fund support for Public School Finance Act funding by a minimum of five percent. This State minimum general fund growth is not required in any fiscal year that Colorado personal income grows by less than four and one-half percent between the two previous calendar years. The State Education Fund monies can be used to fund what additional amounts are needed as required by Amendment 23 and any remaining funds can be used to support certain educational programs, as appropriated by the State General Assembly. As a result of the passage of Amendment 23, School Finance Act formula funding has increased each year for the School District by approximately the rate of inflation plus one-percent plus enrollment growth. Enrollment, in this regard, had been growing slightly for the School District over the last few years and is expected to continue so in the near future.

Override Election Property Taxes

No school district may levy General Fund taxes at a rate greater than that allowed by the Public School Finance Act unless authorized to do so at a general election or at a special election in November in odd-numbered years. The maximum amount of the revenue increase may not exceed 20% of the formula amount or \$200,000, whichever is greater, plus an amount equal to the maximum dollar amount of property tax revenue that the School District could have generated for FY 2001-02 in a cost of living adjustment election. Specific ownership tax revenue attributable to an override levy and to a bond redemption levy that is not used to satisfy bonded indebtedness must be applied towards this override limit. In November 1988, 1998, 2003, and 2005, the voters of Denver approved overrides of \$12,099,253, \$17,000,000, \$20,000,000, and \$25,525,000 respectively, for an indefinite period of time. The 1998 measure is targeted to fund student literacy programs, technology and maintenance of school buildings; the 2003 measure is targeted to fund early childhood and extended kindergarten education, elementary arts, textbooks, school reform and maintenance of school buildings; while the 2005 measure is restricted for the ProComp special revenue fund for teacher compensation. The sum of these four election amounts approximates seventy-nine percent of the override limit.

Contacting the District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, parents, investors and creditors with a general overview of the School District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Department, Denver Public School District, 900 Grant Street, Denver, Colorado 80203.

BASIC FINANCIAL STATEMENTS

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

**Statement of Net Assets
June 30, 2007**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 129,638,044	\$ 4,310,071	\$ 133,948,115	\$ 13,061,441
Investments	25,365,516		25,365,516	
Deposits held by Denver Public Schools				1,103,820
Receivables:				
Taxes (net)	19,940,037		19,940,037	
Accounts	24,628,894	2,060,497	26,689,391	1,037,032
Other	198,256	47,409	245,665	5,118,944
Internal balances	18,761	(18,761)		
Due from Private Purpose Trust	8,166		8,166	
Inventory	1,295,493	2,265,774	3,561,267	
Deferred charges	5,342,605		5,342,605	97,516
Restricted investments	143,820,253		143,820,253	2,574,791
Total current assets	350,256,025	8,664,990	358,921,015	22,993,545
Noncurrent assets:				
Capital assets:				
Not subject to depreciation	84,713,411		84,713,411	1,206,947
Subject to depreciation	838,797,953	2,411,394	841,209,347	30,112,090
Less accumulated depreciation	(370,147,786)	(1,731,862)	(371,879,648)	
Total noncurrent assets	553,363,578	679,532	554,043,110	31,319,037
Total assets	903,619,603	9,344,522	912,964,125	54,312,582
LIABILITIES				
Current liabilities:				
Accounts payable	22,010,747	711,602	22,722,349	1,690,832
Accrued payroll	54,278,886	483,736	54,762,622	915,637
Accrued claims	2,660,000		2,660,000	168,303
Unearned revenue	9,843,014		9,843,014	178,132
Long-term liabilities due within one year:				
Capital lease obligations	526,421		526,421	90,000
Certificates of participation	25,351,417		25,351,417	
Compensated absences payable	2,015,254		2,015,254	25,168
Bonds payable	22,477,124		22,477,124	
Loan payable				2,424,033
Total current liabilities	139,162,863	1,195,338	140,358,201	5,492,105
Long-term liabilities due after one year:				
Capital lease obligations	2,141,136		2,141,136	9,665,000
Certificates of participation	392,923,588		392,923,588	
Compensated absences payable	8,470,878		8,470,878	215
Bonds payable	662,755,030		662,755,030	18,430,000
Loan payable				2,896,105
Total long-term liabilities	1,066,290,632		1,066,290,632	30,991,320
Total liabilities	1,205,453,495	1,195,338	1,206,648,833	36,483,425
NET ASSETS				
Invested in capital assets, net of related debt	173,129,371	679,532	173,808,903	2,066,603
Restricted for:				
Capital outlays	13,550,928		13,550,928	252,873
By donors				5,016,778
Bond redemption	46,281,386		46,281,386	883,108
Emergency reserve	794,647		794,647	1,321,946
Unrestricted (deficit)	(535,590,224)	7,469,652	(528,120,572)	8,287,849
Total net assets (liabilities)	\$ (301,833,892)	\$ 8,149,184	\$ (293,684,708)	\$ 17,829,157

See notes to the basic financial statements.

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

Statement of Activities
Year Ended June 30, 2007

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government:							
Governmental activities:							
Instruction:							
Regular	\$ 304,572,425	\$ 11,018,242	\$ 43,196,267	\$ (250,357,916)	\$	\$ (250,357,916)	
Special education	58,295,553	114,443	25,613,834	(32,567,276)		(32,567,276)	
Vocational	3,974,639		1,596,858	(2,377,781)		(2,377,781)	
Other	<u>15,022,315</u>	<u>542,872</u>	<u>7,760,990</u>	<u>(6,718,453)</u>		<u>(6,718,453)</u>	
Total instruction	<u>381,864,932</u>	<u>11,675,557</u>	<u>78,167,949</u>	<u>(292,021,426)</u>		<u>(292,021,426)</u>	
Supporting services:							
Pupil support	24,203,198		6,861,495	(17,341,703)		(17,341,703)	
Instructional support	51,530,878	54,091	27,800,517	(23,676,270)		(23,676,270)	
General administration	3,899,230		43,957	(3,855,273)		(3,855,273)	
School administration	37,986,274		1,647,967	(36,338,307)		(36,338,307)	
Business services	4,805,738	241,730	7,578	(4,556,430)		(4,556,430)	
Operation & maintenance	83,837,328	1,023,494	1,220,614	(81,593,220)		(81,593,220)	
Pupil transportation	21,934,799		4,989,845	(16,944,954)		(16,944,954)	
Central services	37,158,630	18,605	381,863	(36,758,162)		(36,758,162)	
Other support services	3,988,945			(3,988,945)		(3,988,945)	
Community services	2,976,324	142,366	1,128,050	(1,705,908)		(1,705,908)	
Education for adults	13,065,090	4,668,211	8,136,507	(260,372)		(260,372)	
Food services	472,309		1,206,228	733,919		733,919	
Interest on long-term debt	<u>59,186,288</u>			<u>(59,186,288)</u>		<u>(59,186,288)</u>	
Total support services	<u>345,045,031</u>	<u>6,148,497</u>	<u>53,424,621</u>	<u>(285,471,913)</u>		<u>(285,471,913)</u>	
Total governmental activities	<u>726,909,963</u>	<u>17,824,054</u>	<u>131,592,570</u>	<u>(577,493,339)</u>		<u>(577,493,339)</u>	
Business-type activities:							
Food services	<u>23,801,447</u>	<u>3,856,110</u>	<u>18,184,582</u>		<u>(1,760,755)</u>	<u>(1,760,755)</u>	
Total business-type activities	<u>23,801,447</u>	<u>3,856,110</u>	<u>18,184,582</u>		<u>(1,760,755)</u>	<u>(1,760,755)</u>	
Total primary government	<u>\$ 750,711,410</u>	<u>\$ 21,680,164</u>	<u>\$ 149,777,152</u>	<u>(577,493,339)</u>	<u>(1,760,755)</u>	<u>(579,254,094)</u>	
Component units:	<u>\$ 58,058,994</u>	<u>\$ 601,305</u>	<u>\$ 7,482,062</u>				<u>\$ (49,975,627)</u>
General revenues:							
Property taxes				341,943,644		341,943,644	1,656,922
Specific ownership taxes				29,482,711		29,482,711	
Payment in lieu of taxes				278,280		278,280	
State equalization				224,424,366		224,424,366	41,859,324
Interest and investment income				10,129,977	278,779	10,408,756	775,110
Other				10,792,728		10,792,728	8,524,382
Transfers				<u>(255,077)</u>	<u>255,077</u>		
Total general revenues				<u>616,796,629</u>	<u>533,856</u>	<u>617,330,485</u>	<u>52,815,738</u>
Changes in net assets				39,303,290	(1,226,899)	38,076,391	2,840,111
Net assets (liabilities) - beginning				<u>(341,137,182)</u>	<u>9,376,083</u>	<u>(331,761,099)</u>	<u>14,989,046</u>
Net assets (liabilities) - ending				<u>\$ (301,833,892)</u>	<u>\$ 8,149,184</u>	<u>\$ (293,684,708)</u>	<u>\$ 17,829,157</u>

See notes to the basic financial statements.

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

**Balance Sheet
Governmental Funds
June 30, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>ProComp Special Revenue</u>
ASSETS			
Assets:			
Cash and cash equivalents	\$ 46,971,195	\$ 13,481,263	\$ 44,213,743
Investments	25,361,535		
Receivables:			
Taxes	17,478,352		
Accounts	3,972,360	15,951,168	
Interest	80,741		
Due from other funds	9,995,850	484,230	621,348
Inventory	663,619		
Restricted investments	62,986,746		
Total assets	<u>\$ 167,510,398</u>	<u>\$ 29,916,661</u>	<u>\$ 44,835,091</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,726,137	\$ 1,617,745	\$ 7,292
Accrued payroll	48,214,001	6,064,885	
Due to other funds	621,348	8,114,275	857,716
Deferred revenue	15,531,138	2,158,484	
Total liabilities	<u>72,092,624</u>	<u>17,955,389</u>	<u>865,008</u>
Fund balances:			
Reserved for:			
Encumbrances	4,434,970	403,956	
Inventory	663,619		
Principal and interest on bonds payable			
Emergency reserve	1,898,467		
Unreserved, reported in:			
General fund	88,420,718		
Building fund			
Capital reserve fund			
Special revenue funds		11,557,316	43,970,083
Permanent fund			
Total fund balances	<u>95,417,774</u>	<u>11,961,272</u>	<u>43,970,083</u>
Total liabilities and fund balances	<u>\$ 167,510,398</u>	<u>\$ 29,916,661</u>	<u>\$ 44,835,091</u>

See notes to the basic financial statements.

<u>Bond Redemption</u>	<u>Building</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,670,185	\$ 1,020,478	\$ 12,069,848	\$ 46,501 3,981	\$ 121,473,213 25,365,516
2,461,685				19,940,037
	2,713,424	1,916,754	53,084	24,606,790
34,389	83,126			198,256
		2,475		11,103,903
				663,619
<u>44,901,027</u>	<u>35,932,480</u>			<u>143,820,253</u>
<u>\$ 51,067,286</u>	<u>\$ 39,749,508</u>	<u>\$ 13,989,077</u>	<u>\$ 103,566</u>	<u>\$ 347,171,587</u>
\$	\$ 8,016,330	\$ 438,149	\$ 18,770	\$ 17,824,423
	895,558		20,552	54,278,886
<u>1,278,775</u>				10,509,449
<u>1,278,775</u>	<u>8,911,888</u>	<u>438,149</u>	<u>39,322</u>	<u>18,968,397</u>
				<u>101,581,155</u>
	5,864,831	2,247,819		12,951,576
				663,619
49,788,511				49,788,511
				1,898,467
				88,420,718
	24,972,789			24,972,789
		11,303,109		11,303,109
			23,762	55,551,161
			40,482	40,482
<u>49,788,511</u>	<u>30,837,620</u>	<u>13,550,928</u>	<u>64,244</u>	<u>245,590,432</u>
<u>\$ 51,067,286</u>	<u>\$ 39,749,508</u>	<u>\$ 13,989,077</u>	<u>\$ 103,566</u>	<u>\$ 347,171,587</u>

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2007

Governmental funds total fund balance	\$ 245,590,432
Add:	
Deferred property tax revenue - Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements.	9,125,383
Non-internal service funds capital assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds. Total capital assets \$923,511,364 less internal service funds \$426,551	923,084,813
The costs to issue debt are reported as expenditures on the governmental fund statements while on the government-wide net assets they are amortized over the life of the debt as an increase in interest expense.	5,342,605
Internal service funds are used by management to charge costs of various activities to the general and other funds. The net asset balance of the internal service funds is included in the governmental activities statement of net assets.	4,917,846
Less:	
Non-internal service funds accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition. Total accumulated depreciation \$370,147,786 less internal service funds \$420,788	369,726,998
Non-internal service funds long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. Interest payable on long-term obligations also is not recorded in the governmental funds, but is reported in the statement of net assets. Long-term liabilities, current and long term portion.	1,116,660,848
Interest payable	<u>3,507,125</u>
Net liabilities	<u><u>\$(301,833,892)</u></u>

See notes to the basic financial statements.



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

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007

	General	Special Revenue	ProComp Special Revenue	Bond Redemption
REVENUES				
Taxes	\$ 325,958,252	\$	\$	\$ 47,796,562
Intergovernmental:				
State sources	243,942,772	9,887,192		
Federal sources	746,727	71,753,335		
Charges for services	1,011,407	8,901,671		
Investment income	5,525,117	20,982	1,317,906	1,696,221
Other local sources	9,937,370	15,792,861		
Total revenues	<u>587,121,645</u>	<u>106,356,041</u>	<u>1,317,906</u>	<u>49,492,783</u>
EXPENDITURES				
Current:				
Instruction:				
Regular	255,774,655	27,722,751	4,460,161	
Special education	45,995,219	12,249,600		
Vocational	2,976,509	934,060		
Other	3,270,554	9,687,746		
Total instruction	<u>308,016,937</u>	<u>50,594,157</u>	<u>4,460,161</u>	
Supporting services:				
Pupil support	17,233,674	6,916,857		
Instructional support	23,365,552	27,993,348		
General administration	3,663,578	119,788	88,550	
School administration	34,551,884	2,028,013		
Business services	3,646,158	586,370		
Operation & maintenance	46,390,165	374,045		
Pupil transportation	17,205,514	727,025		
Central services	30,412,125	787,149		
Other support services	900,736	3,088,209		
Total support services	<u>177,369,386</u>	<u>42,620,804</u>	<u>88,550</u>	
Community services	103,777	2,872,547		
Education for adults		13,065,090		
Capital outlay	242,771	194,477		
Debt service:				
Principal	21,682,762			20,935,000
Interest and fiscal charges	21,215,810			31,753,492
Total debt service	<u>42,898,572</u>			<u>52,688,492</u>
Total expenditures	<u>528,631,443</u>	<u>109,347,075</u>	<u>4,548,711</u>	<u>52,688,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,490,202</u>	<u>(2,991,034)</u>	<u>(3,230,805)</u>	<u>(3,195,709)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,366,164	7,158,420	25,620,511	
Transfers out	(49,447,961)	(250,000)		(1,366,164)
Proceeds from capital leases				
Total other financing sources (uses)	<u>(48,081,797)</u>	<u>6,908,420</u>	<u>25,620,511</u>	<u>(1,366,164)</u>
NET CHANGE IN FUND BALANCES	<u>10,408,405</u>	<u>3,917,386</u>	<u>22,389,706</u>	<u>(4,561,873)</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>85,009,369</u>	<u>8,043,886</u>	<u>21,580,377</u>	<u>54,350,384</u>
FUND BALANCES AT END OF YEAR	<u>\$ 95,417,774</u>	<u>\$ 11,961,272</u>	<u>\$ 43,970,083</u>	<u>\$ 49,788,511</u>

See notes to the basic financial statements.

Building	Capital Reserve	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$ 373,754,814
			253,829,964
			72,500,062
		472,019	10,385,097
1,446,246	119,583	3,922	10,129,977
	2,846,400		28,576,631
<u>1,446,246</u>	<u>2,965,983</u>	<u>475,941</u>	<u>749,176,545</u>
1,853,637		1,570	289,812,774
			58,244,819
			3,910,569
		2,051,461	15,009,761
<u>1,853,637</u>	<u></u>	<u>2,053,031</u>	<u>366,977,923</u>
			24,150,531
			51,358,900
			3,871,916
	59,758		36,639,655
	116,096		4,348,624
24,212,778	11,710,121		82,687,109
	686,610		18,619,149
629,475	1,209,110		33,037,859
			3,988,945
<u>24,842,253</u>	<u>13,781,695</u>	<u></u>	<u>258,702,688</u>
			2,976,324
			13,065,090
24,048,537	2,570,274	9,578	27,065,637
	1,452,214		44,069,976
	410,661		53,379,963
	1,862,875		97,449,939
<u>50,744,427</u>	<u>18,214,844</u>	<u>2,062,609</u>	<u>766,237,601</u>
<u>(49,298,181)</u>	<u>(15,248,861)</u>	<u>(1,586,668)</u>	<u>(17,061,056)</u>
	15,379,457	1,539,573	51,064,125
(255,077)			(51,319,202)
	249,180		249,180
<u>(255,077)</u>	<u>15,628,637</u>	<u>1,539,573</u>	<u>(5,897)</u>
(49,553,258)	379,776	(47,095)	(17,066,953)
80,390,878	13,171,152	111,339	262,657,385
<u>\$ 30,837,620</u>	<u>\$ 13,550,928</u>	<u>\$ 64,244</u>	<u>\$ 245,590,432</u>

SCHOOL DISTRICT NO. 1

IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Total net change in fund balances - governmental funds	\$ (17,066,953)
Add:	
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of capitalize assets is allocated over their estimated useful lives and reported as depreciation expense.	27,065,637
Revenue for donated capital assets at fair market value	19,620,244
Principal retirements - Retirements of principal outstanding on the School District's debt result in a reduction accumulated resources on the fund financial statements. The government-wide statements show these as reductions against the long-term liability. Includes \$2,858,021 premium amortization.	46,927,997
Internal service funds are used by management to charge costs of various activities to the general and other funds. The net gain of the internal service funds is included in the government-wide statement of activities.	2,715,617
Decrease in interest payable related to long-term liabilities.	57,135
Less:	
The costs to issue debt are reported as expenditures on the governmental fund statements while on the government-wide net assets they are amortized over the life of the debt as an increase in interest expense; this amount is the current year amortization.	416,618
Change in deferred property tax revenue - Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but are recognized on the government-wide financial statements.	2,328,459
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the current year depreciation.	28,297,845
The unamortized deferred losses on refunding of debt are not reported on the governmental fund statements while on the government-wide net assets they are amortized over the life of the debt as an increase in interest expense. Current year Deferred Loss on Refunding less Amortization - Loss on Refunding.	1,295,944
Net change in compensated absences - The change in this liability is not considered in the governmental fund statements but is included as a change in expense in the government-wide statement of activities.	374,700
Loss on disposal of capital assets.	44,722
General obligation bonds and capital leases - The issuance of debt and the execution of capital leases are recorded in the governmental fund statements as revenue. They are recorded as increased liabilities in the government-wide statement of activities.	249,180
Capital appreciation bonds, accretion of premium - has no effect on the governmental fund statements, but recorded as an expense on the government-wide statement of activities.	7,008,919
Governmental activities change in net asset	<u>\$ 39,303,290</u>

See notes to the basic financial statements.



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

Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities	Governmental Activities
	Enterprise Fund -Food Services Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,310,071	\$ 8,164,831
Receivables:		
Intergovernmental	2,060,497	
Other	47,409	22,104
Inventory	2,265,774	631,874
Total current assets	<u>8,683,751</u>	<u>8,818,809</u>
Capital assets:		
Equipment	2,411,394	426,551
Less accumulated depreciation	<u>(1,731,862)</u>	<u>(420,788)</u>
Net equipment	<u>679,532</u>	<u>5,763</u>
Total assets	<u>9,363,283</u>	<u>8,824,572</u>
LIABILITIES		
Current liabilities:		
Accounts payable	711,602	679,199
Accrued payroll	483,736	
Accrued claims		2,660,000
Due to other funds	<u>18,761</u>	<u>567,527</u>
Total liabilities	<u>1,214,099</u>	<u>3,906,726</u>
NET ASSETS		
Invested in capital assets, net of related debt	679,532	5,763
Unrestricted	<u>7,469,652</u>	<u>4,912,083</u>
Total net assets	<u>\$ 8,149,184</u>	<u>\$ 4,917,846</u>

See notes to the basic financial statements.

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2007

	Business-type Activities	Governmental Activities
	Enterprise Fund-Food Services Fund	Internal Service Funds
OPERATING REVENUES		
Food sales	\$ 3,821,284	\$
Billings to funds		10,861,179
Other		57,373
Total operating revenues	<u>3,821,284</u>	<u>10,918,552</u>
OPERATING EXPENSES		
Cost of goods:		
Purchased	8,877,183	1,863,724
Donated	121,965	
Salaries and employee benefits	11,316,608	610,991
Purchased professional & technical services		100,465
Purchased property services		19,107
Other purchased services		31,502
Utilities	294,241	
Supplies	1,709,224	196,810
Repairs and maintenance	370,227	
Rent	2,281	
Depreciation	184,496	60,557
Administrative services	467,647	
Other	457,575	2,551
Insurance		2,146,105
Claims		3,383,967
Total operating expenses	<u>23,801,447</u>	<u>8,415,779</u>
Operating income (loss)	<u>(19,980,163)</u>	<u>2,502,773</u>
NON-OPERATING REVENUES		
Reimbursements from government sponsored programs	17,086,021	
Donated commodities from federal government	1,098,561	
Insurance claims		193,040
Investment income	278,779	19,804
Other local services	34,826	
Total non-operating revenues	<u>18,498,187</u>	<u>212,844</u>
Net income (loss) before transfers	(1,481,976)	2,715,617
Transfers in	<u>255,077</u>	
CHANGE IN NET ASSETS	(1,226,899)	2,715,617
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>9,376,083</u>	<u>2,202,229</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 8,149,184</u>	<u>\$ 4,917,846</u>

See notes to the basic financial statements.

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

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007

	Business-Type Activities Enterprise Fund - Food Services Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 3,856,778	\$ 10,842,311
Payments to suppliers	(11,384,299)	(1,870,500)
Payments to employees	(11,266,296)	(613,249)
Internal activity - payments to other funds	144,996	(163,782)
Internal activity - payments from other funds		232,151
Claims and insurance		(5,430,072)
Other receipts	675,812	54,822
Net cash provided by (used in) operating activities	(17,973,009)	3,051,681
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grants/claims received	18,421,334	193,040
Transfers out		
Net cash provided by non-capital financing activities	18,676,411	193,040
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds on disposal of equipment		
Purchase of equipment	(424,110)	
Net cash used in capital & related financing activities	(424,110)	(13,798)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	2,476,496	
Investment income	278,779	19,804
Net cash provided by investing activities	2,755,275	19,804
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,034,567	3,250,727
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,275,504	4,914,104
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,310,071</u>	<u>\$ 8,164,831</u>
by operating activities:		
Operating income (loss)	\$ (19,980,163)	\$ 2,502,773
Adjustments to reconcile operating loss to net cash used in operating activities:		
Gain on disposal of equipment		
Other non-operating revenue	1,133,387	
Accounts receivable - Intergovernmental		
Accounts receivable - Other	35,494	(18,868)
Due from other funds	126,235	215,665
Inventory	178,623	7,611
Accounts payable	279,846	433,497
Accrued salaries earned but unpaid		
Deferred revenue		
Total adjustments	2,007,154	548,908
Net cash provided by (used in) operating activities	<u>\$ (17,973,009)</u>	<u>\$ 3,051,681</u>
Write-offs of equipment	(184,496)	(60,557)
NET EFFECT OF NON-CASH TRANSACTIONS	<u>\$ -</u>	<u>\$ -</u>
NON CASH OPERATING ACTIVITIES		
Donated commodities from federal government	<u>\$ 1,098,561</u>	

See notes to the basic financial statements.

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$16,489,427	\$ 1,919,308
Accounts receivable	200,868	
Interest receivable	46,517	
Total assets	<u>16,736,812</u>	<u>1,919,308</u>
LIABILITIES		
Accounts payable	21,340	
Due to other funds	8,166	
Due to student groups		1,919,308
Total liabilities	<u>29,506</u>	<u>1,919,308</u>
NET ASSETS HELD FOR INSURANCE AND OTHER PURPOSES	<u><u>\$16,707,306</u></u>	<u><u>\$</u></u>

See notes to the basic financial statements.

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year Ended June 30, 2007

	Private Purpose Trust Fund
ADDITIONS	
Contributions:	
COBRA members	\$ 339,073
Employer	9,641,013
Scholarship donations	76,549
Interest income	<u>870,960</u>
Total additions	<u>10,927,595</u>
DEDUCTIONS	
COBRA insurance	360,919
Medical and life insurance for retirees	7,973,099
Student scholarships	76,000
Education reimbursements	<u>4,963</u>
Total deductions	<u>8,414,981</u>
CHANGE IN NET ASSETS HELD FOR:	
COBRA insurance	(18,688)
Retiree insurance	2,491,929
Scholarships	10,146
Employee education reimbursement	<u>29,227</u>
Change in net assets	2,512,614
NET ASSETS AT BEGINNING OF YEAR	<u>14,194,692</u>
NET ASSETS AT THE END OF YEAR	<u><u>\$ 16,707,306</u></u>

See notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS



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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

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.

These financial statements present the School District (primary government) and its component units. The component units consist of discretely presented Charter Schools and the Denver Public Schools Foundation; and the blended Denver School Facilities Leasing Corporation (the DSFLC). The School District's component units are discussed below and are included in the School District's reporting entity because of the significance of their operational or financial relationships with the School District.

Blended Component Units - Denver School Facilities Leasing Corporation

The DSFLC 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 DSFLC, has influence over its operations and is ultimately responsible for any deficits or operating deficiencies. The certificates of participation issued by the DSFLC and its activities for the year are reflected in the accompanying government-wide financial statements of the School District. An evaluation of the DSFLC using the above considerations results in its blended inclusion in the accompanying financial statements. There are no separate financial statements available for the DSFLC.

Discretely Presented Component Units

Charter Schools - In 1993, the State of Colorado Legislature enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101," which permits the School District to contract with individuals and organizations for the operation of charter schools within the School District. The charter schools are financed by a portion of the School District's School Finance Act Revenues (based on student enrollment), mill levy override property tax dollars, and state and federal grants, as well as other revenues generated by the charter school. The School District's Board of Education must approve all charter school applications; however, they have their own separate governing boards. Separately issued financial statements are available from the individual charter schools. The charter schools

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

are discretely presented component units (Note 15) because of the significance of their financial relationship with the School District.

Denver Public Schools Foundation – In 1984 the Denver Public Schools Foundation (the “Foundation”) was incorporated as a widely based not-for-profit charitable organization whose educational purposes are to support the mission, goals and objectives of the School District. The Foundation is a discretely presented component unit because of the planned significance of the financial relationship with the School District.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display the information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds, and the component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are also included in the program expense reported for individual functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for major governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds (General Fund, Special Revenue Fund, Special Revenue ProComp Trust Fund, Bond Redemption Debt Service Fund, and the Capital Projects – Building Fund and Capital Reserve Fund) and the enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (excluding the Agency Fund) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the School District's governmental and business-type activities and component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues, such as property taxes and grants, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

The School District's agency funds apply the accrual basis of accounting, but do not have a measurement focus.

The accounts of the School District are organized on the basis of funds, 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 purpose for which they are to be spent and the means by which spending activities are controlled.

The School District reports the following major governmental funds:

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 Fund – The special revenue fund is used to account for the proceeds of specific revenue sources (other than private purpose trusts or major capital projects) that for the most part are legally restricted to expenditures for specified purposes.

Special Revenue ProComp Trust Fund – This special revenue fund is used to account for the proceeds of the voter-approved taxes from the 2005 Mill Levy Override. Its investments, and expenditures are for the professional compensation system for teachers.

Bond Redemption Fund (Debt Service Fund) - The bond redemption fund (debt service fund) accounts for the accumulation of resources for, and the payment of, principal and interest on long-term general obligation debt of the School District as a result of the issuance of general obligation bonds.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Capital Projects Building Fund – The capital projects building fund is used to account for financial resources to be used for the acquisition or construction and maintenance of major capital facilities.

Capital Reserve Fund – This fund is used to accumulate resources, primarily general fund support, for the acquisition, renovation and maintenance of capital assets as required by state statute.

The other governmental funds of the School District account for other resources whose use is restricted to a particular purpose and include the pupil activity fund and the permanent government fund.

Pupil Activity Fund – The pupil activity fund accounts for the revenue and expenditures of sponsoring athletic events at School District middle and high schools.

Permanent Government Fund – This fund is used to account for money and property given to the School District for which the principal must be preserved intact.

The School District reports its food service fund as its only enterprise fund.

Food Services Fund – The food services fund accounts for the revenue and expenses related to providing breakfasts and lunches to School District students and employees.

Additionally, the School District reports the following other fund categories:

Internal Service Funds – The internal service funds, which include the self-insurance fund, the DoTS service bureau fund, 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.

Private-Purpose Trust Funds – The private-purpose trust funds of the School District account for student and employee scholarships, COBRA insurance, and retiree health and life insurance.

Agency Fund – The agency fund of the School District represents the bank accounts maintained at each school to account for monies derived from school sponsored student activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to follow subsequent private-sector guidance.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Proprietary (enterprise and internal service) funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund and internal service funds are charges to customers for sales and services. Operating expenses for the enterprise fund and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources, as they are needed.

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 amounts reported in the financial statements and accompanying notes. 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 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. A public hearing is 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 fund's appropriation.
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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

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 certain other accruals, such as changes in accrued payroll are excluded for budgetary purposes in the General Fund, Building Fund, and Capital Reserve Fund. In addition, revenues are on the modified accrual basis except for forward delivery agreement proceeds, interest income, and the General Fund state transportation payment. Budgetary comparisons in this report for the General Fund, Building Fund and Capital Reserve Fund are presented on the non-GAAP budget 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. Encumbered appropriations are carried forward to the subsequent year's budget automatically.

F. Deposits and Investments

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits held in banks and other securities with original maturities of less than one week.

Investments are reported at fair value on the balance sheet. Money market instruments that have a remaining maturity at the 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 central warehouse for distribution to school lunchrooms.

The cost of inventory items issued is included in expenditures in the year of issuance (consumption method). Donated government commodities are recorded as inventory at the estimated fair market value at the time of donation.

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

H. Capital Assets

Capital assets resulting from expenditures in the governmental funds are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

Description	Governmental Activities	Business-type Activities
	<u>Estimated Lives</u>	<u>Estimated Lives</u>
Buildings and improvements	39 years	N/A
Furniture and equipment	7 years	7 years
Computer equipment	3-5 years	3-5 years
Buses	7 years	N/A
Other vehicles	5 years	5 years

I. 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, 2007, represent reimbursements and adjustments due but not transferred as of that date.

J. Accrued Payroll

The accrued payroll 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. Certain payroll taxes and part-time salaries which are payable at June 30 are also included.

K. Compensated Absences

The compensated absence liability, consisting of accumulated sick and vacation leave which vests and is payable upon retirement, is reported on the government-wide financial statements. Accumulated sick leave vests only at qualified retirement and vests at a rate determined by contract, which is less than the normal rate of pay. A qualified retiree can be paid for up to one work year's worth of accumulated sick leave. Retirees who accumulate vacation leave are compensated at their normal rate of pay for the balance at retirement. The total compensated absence liability has increased from a balance of \$10.11 million as of June 30, 2006, to a balance of \$10.49 million as of June 30, 2007. On the fund financial statements, compensated absence amounts are reported as expenditures or expenses, as appropriate, when paid.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

L. *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 in the fund financial statements since they do not constitute expenditures or liabilities.

M. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method which approximates the effective interest method. The appropriate payables are reported net of the applicable debt premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as issuance costs of bonds or certificates of participation.

In accordance with Section 22-45-103, CRS, the District's bond redemption fund custodian for fiscal year 2006-2007 was Bank of New York Trust Company, N.A., a third party. The amount held by the custodian at June 30, 2007, was \$48,571,212.

N. *Net Assets*

In the government-wide statements, net assets consist of assets invested in capital assets (net of related debt), restricted and unrestricted net assets. The restricted net assets are restricted by state statute for capital outlay, debt service, and emergency reserve.

The capital assets net of related debt is calculated by first comparing the total building fund expenditures since 1991 to the capitalized assets from the building fund for the same time frame which is 57.03% as of June 30, 2007. The related outstanding debt is then calculated as follows:

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Outstanding bonds payable	\$ 685,232,154
Less unamortized issuance costs	(3,997,112)
Less building fund balance	<u>(30,837,620)</u>
Adjusted bonds payable	650,397,422
Per cent of capitalized assets	57.03%
Bonds payable related to capital assets	<u>\$ 370,921,650</u>

Related Debt:

Bonds payable	\$ 370,921,650
1996 certificates of participation	6,645,000
Capital lease obligations	<u>2,667,557</u>
Total related debt	<u>\$ 380,234,207</u>

O. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Fund equity reserves have been established for encumbrances, inventories, principal and interest on bonds payable, and the emergency reserve.

2. CASH AND INVESTMENTS

Investments authorized by the Colorado Statutes and the School District's Investment Policy

The table below identifies the investment types that are authorized by the School District's investment policy (or CRS, where more restrictive). The table also identifies certain provisions of the School District's investment policy that address interest rate risk, credit risk and concentration of credit risk. The table does not address the investments of debt proceeds that are governed by the provisions of the debt agreements of the School District, rather than the general provisions of the School District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury and U.S. Agency Obligations or Securities	5 years	At least 20%	
Money Market Funds	13 months	Not more than 25%	5% of the portfolio
Prime Bankers Acceptances	3 years	Not more than 15%	5% of the portfolio
Commercial Paper	13 months	Not more than 20%	5% of the portfolio
World Bank Securities and General or Revenue Obligations of any State in the United States	3 years	Not more than 20%	
Local Government Investment Pool	5 years	At least 10%	
Repurchase Agreements (other than repurchase agreements for the investment of general obligation bond proceeds and certificates of deposit)	5 years	Not more than 20% at the time of purchase	
Certificates of Deposit	5 years	Not more than 15% at the time of purchase	5% of the portfolio

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

The Board of Education approved the investment in a Guaranteed Investment Contract (GIC) as an exception to the School District's investment policy.

Investments Authorized by Debt Agreements

The School District has entered into two forward delivery agreements with US Bank with maturity dates of December 2011 and December 2023 and one forward delivery agreement with JP Morgan Chase Bank with a maturity date of December 2018. The provisions of the contracts and not the School District's investment policy govern the forward delivery investments. Under the terms of the contracts, the School District recorded interest it received in advance as deferred revenue in the General Fund.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The School District manages its exposure to interest rate risk by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed by operations and debt service requirements.

The following table shows the distribution of the School District's investments by maturity, which displays the sensitivity of the fair values of the School District's investments (including investments held by bond trustee) to market rate fluctuations:

<u>Type of Security</u>	<u>Fair Value</u>	<u>Maturity</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
U.S. Agency Obligations	\$59,841,265	\$52,524,542	\$7,316,723	
External Investment Pools	102,473,883	102,473,883		
Money Market Funds	41,145,903	41,145,903		
Stocks	3,981			3,981
GIC	62,986,746	62,986,746		
Repurchase Agreement	31,354,792	31,354,792		
U.S. Treasury Obligations (forward delivery agreements)	10,421,297	10,421,297		
Total	<u>\$308,227,867</u>	<u>\$300,907,163</u>	<u>\$7,316,723</u>	<u>\$ 3,981</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The School District holds \$3,477,848 (6 % of its securities portfolio) in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association callable securities. The callable feature on these securities affects the fair values of these securities and makes the fair values of these securities highly sensitive to changes in interest rates. The School District assumes its callable investments will not be called.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings (not based on derivatives) without limitation. Other investments instruments including bank obligations, general obligation bonds and commercial paper are limited to at least one of the highest ratings categories of at least one nationally recognized rating agency.

State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in Rule 2a-7, as amended, as long as such rule does not increase the remaining maturities beyond a maximum of three years. The School District's investment policy adds further restrictions requiring money market funds to have a maximum maturity of 13 months, and have an average maturity of 90 days or less. As of June 30, 2007, the money market funds that the School District participated in were rated as follows:

<u>Financial Institution</u>	<u>Fund</u>	<u>Rating at June 30, 2007</u>
Wells Fargo	Prime Investment Money Market Fund	AAAm
Bank of New York	JPM Prime Money Market Fund	AAAm
Smith Barney	CITI Institutional Liquid (Reserve Class A)	Not Rated
UBS Paine Webber	UBS Select Money Market Fund Institutional Shares	AAAm

Standard and Poors rates all U.S. Agency Obligations as AAA. Certificates of Deposit held by the School District as of June 30, 2007, are not rated but are subject to the Public Deposit Protection Act collateralization requirements.

The School District invests in the Colorado Asset Surplus Fund Trust (CSAFE) and ColoTrust, local government investment funds, which are rated AAAm by Standard & Poors. The Colorado Division of Securities regulates these local government investment pools. The School District's position is that these pools are the same as the value of pool shares.

For repurchase agreements, the School District's investment policy requires that the agreement be collateralized as required by state law at a minimum of 102% of the purchase price plus accrued interest (on at least a weekly basis) and the collateral is delivered and held in a third party safekeeping account. The School District's policy does not limit the holding of securities by counterparties.

The GIC is not rated; however, it is insured as part of the contractual agreement. See note 7 for further discussion.

Concentration of Credit Risk

The School District places limits on the amount it may invest in any one issuer. The repurchase agreement and the GIC are not subject to the five percent restriction as they are governed by contractual restrictions and requirements. At June 30, 2007, the School District's investments

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

were concentrated in the following issuers: 1) Federal Home Loan Mortgage Corporation - \$20,215,547 (7%) and 2) Federal National Mortgage Association - \$35,634,469 (12%).

Custodial Credit Risks

Deposits

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 102% of the aggregate public depositories 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 of trust on real property.

Custodial credit risk is the risk that in the event of a bank failure, the School District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The School District does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$9,923,387 of the School District's bank balances of \$13,538,880 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through the Act. The carrying amount related to the School District's bank balances was \$13,314,752.

Reconciliation

The following is a reconciliation of cash and investments per this note to the basic financial statements:

Cash and investments per footnote presentation:	
Cash in bank – carrying amount	\$ 13,314,752
Investments	<u>308,227,867</u>
	<u>\$321,542,619</u>
Cash and investments per government-wide statement of net assets:	
Cash and cash equivalents	\$133,948,115
Investments	25,365,516
Restricted investments	143,820,253
Cash per the fiduciary net assets:	
Private purpose trust	16,489,427
Agency	<u>1,919,308</u>
	<u>\$321,542,619</u>

3. 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Property taxes levied for the general fund totaled \$297,372,777 in 2007. Included in this figure are 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 1.475 mills based on the mill levy limitations in the State constitutional amendment approved by voters in November 1992, and (2) \$17,000,000, \$20,000,000, and \$25,525,000, which were approved by voters in 1998, 2003 and 2005, respectively, and for which the mill levies are adjusted as the assessed valuation changes. General fund deferred revenues included \$7,846,607 of property taxes at June 30, 2007. Property taxes levied for the bond redemption fund totaled \$47,935,458 in 2007 and accounted for the entire bond redemption fund deferred revenue balance of \$1,278,775 at June 30, 2007. In accordance with the state statutes, 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.

4. FUND DISCLOSURES

Balances of interfund receivables, payables and transfers at June 30, 2007 are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 9,995,850	\$ 621,348	\$ 1,366,164	\$ 49,447,961
Special Revenue Fund	484,230	8,114,275	7,158,420	250,000
ProComp Special Reveune Fund	621,348	857,716	25,620,511	-
Bond Redemption Fund	-	-	-	1,366,164
Building Fund	-	895,558	-	255,077
Capital Reserve Fund	2,475	-	15,379,457	-
Non-major Funds:	-	-	-	-
Pupil Activity Fund	-	20,552	1,539,573	-
Permanent Fund	-	-	-	-
Enterprise - Food Services Fund	-	18,761	255,077	-
Internal Service Funds	-	567,527	-	-
Fiduciary Fund	-	8,166	-	-
Total	<u>\$ 11,103,903</u>	<u>\$ 11,103,903</u>	<u>\$ 51,319,202</u>	<u>\$ 51,319,202</u>

All interfund receivables and payables are the result of normal business and are expected to be paid in the current fiscal year. The majority of the School District transfers are from the general fund to various other funds as approved by the Board of Education in the approved annual budget to meet statutory requirements and support other School District programs.

The warehouse internal service fund had a fund deficit of \$28,669 as of June 30, 2007. Through a reduction in staff and other cost saving measures, the warehouse is planning to eliminate this deficit over the next year.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

5. CHANGES IN CAPITAL ASSETS

A summary of changes in governmental and business-type capital assets is as follows:

Governmental assets:	Land	Buildings and Improvements	Equipment	Construction In-Progress	Capital Leases	Total
Balance July 1, 2006	\$ 54,190,873	\$ 642,494,184	\$ 115,804,794	\$ 61,588,515	\$ 5,131,875	\$ 879,210,241
Additions		19,620,244	7,882,297	18,934,160	249,180	46,685,881
Transfers		50,000,137	370,106	(50,000,137)	(370,106)	-
Less – Retirements	-	-	2,384,758	-	-	2,384,758
Balance June 30, 2007	54,190,873	712,114,565	121,672,439	30,522,538	5,010,949	923,511,364
Less – Accumulated						
Depreciation	-	289,087,852	78,983,998	-	2,075,936	370,147,786
Ending net assets	<u>\$ 54,190,873</u>	<u>\$ 423,026,713</u>	<u>\$ 42,688,441</u>	<u>\$ 30,522,538</u>	<u>\$ 2,935,013</u>	<u>\$ 553,363,578</u>
Accumulated depreciation –						
July 1, 2006		\$ 273,535,604	\$ 68,735,650		\$ 1,858,165	\$ 344,129,419
Increases		15,552,248	12,218,278		587,877	28,358,403
Transfer			370,106		(370,106)	-
Decreases		-	2,340,036		-	2,340,036
Accumulated depreciation –						
June 30, 2007		<u>\$ 289,087,852</u>	<u>\$ 78,983,998</u>		<u>\$ 2,075,936</u>	<u>\$ 370,147,786</u>
Business-type assets:				Equipment		
Balance July 1, 2006				\$1,987,284		
Additions				424,110		
Less – Retirements				-		
Balance June 30, 2007				2,411,394		
Less – Accumulated depreciation				1,731,862		
Ending net assets				<u>\$ 679,532</u>		
Accumulated depreciation – July 1, 2006				\$1,547,366		
Increases				184,496		
Decreases				-		
Accumulated depreciation – June 30, 2007				<u>\$1,731,862</u>		

A summary of the governmental depreciation by function reported in the government-wide statement of activities is as follows:

Instruction	
Regular	\$14,675,968
Special education	12,118
Vocational	60,286
Supporting services	
Pupil support	27,270
Instructional support	157,365
General administration	24,279
School administration	1,308,071
Business services	512,700
Operation & maintenance	1,087,684
Pupil transportation	3,307,445
Central services	6,712,908
Food services	472,309
Total depreciation	<u>\$28,358,403</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

6. LONG-TERM LIABILITIES

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

	Capital Lease Obligations	Certificates of Participation	Compensated Absences	Bonds Payable	Loan Payable	Total
Payable at June 30, 2006	\$ 3,088,353	\$ 434,489,416	\$ 10,111,432	\$ 706,970,901	\$ 13,798	\$ 1,154,673,900
Additions	249,180		2,652,214			2,901,394
Accretion of capital interest		6,082,006		926,913		7,008,919
Amortization-Loss on Refunding		168,583		1,127,361		1,295,944
Amortization of premium				(2,858,021)		(2,858,021)
Reductions	(669,976)	(22,465,000)	(2,277,514)	(20,935,000)	(13,798)	(46,361,288)
Payable at June 30, 2007	<u>\$ 2,667,557</u>	<u>\$ 418,275,005</u>	<u>\$ 10,486,132</u>	<u>\$ 685,232,154</u>	<u>\$ -</u>	<u>\$ 1,116,660,848</u>
Due within one year	\$ 526,421	\$ 25,351,417	\$ 2,015,254	\$ 22,477,124	\$ -	\$ 50,370,216

Long-term liabilities at June 30, 2007 are comprised of the following:

Capital lease obligations:

The District has entered into various equipment leases with lease terms from 24 to 180 months and implicit interest rates between 3.39% and 5.00%. \$ 2,667,557

Certificates of participation:

1996 certificates of participation, varying interest rates of 5.00% to 5.70% payable in semiannual installments through 2011, principal due in annual installments of \$1,050,000 to \$2,075,000 through December 2011. 6,645,000

1997 taxable certificates of participation, varying interest rates of 6.67% to 7.32% payable in semiannual installments through 2018, principal due in annual installments of \$9,837,802 to \$33,632,470 through December 2018. 266,528,038

2005A taxable certificates of participation, weekly reset variable interest rates payable in monthly installments through 2018, principal due in annual installments of \$1,150,000 to \$9,350,000 in December of 2010 through 2013 and 2018. 23,470,000

2005B taxable certificates of participation, weekly reset variable interest rates payable in monthly installments through 2018, principal of \$32,715,000 and \$29,860,000 due December of 2017 and 2018 respectively. 62,575,000

Unamortized deferred loss on refunding (1,763,101)

Cumulative accretion of interest on Capital Appreciation Certificates at June 30, 2007. 60,820,068

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Bond issuances:

1994 General Obligation Refunding Current Interest Bonds, varying interest rates of 5.40% to 6.50% payable in semiannual installments through 2010, principal due in semiannual installments of \$5,175,000 to \$10,600,000 through December 2010. 37,545,000

1994 General Obligation Refunding Premium Capital Appreciation Bonds, issued to yield 5.10% to 5.45%, principal and interest payable in two remaining installments of \$10,670,000 and \$10,525,000 due December 2008 and December 2009 respectively. Principal value of the Premium Capital Appreciation Bonds. 4,382,871

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. 4,979,322

1999 General Obligation Bonds, varying interest rates of 4.10% to 5.50% payable in semiannual installments through 2023, principal due in annual installments of \$25,000 to \$3,385,000 through December 2023. 26,540,000

2001 General Obligation Qualified Zone Academy Bonds, interest rates of .75% to 1.10% payable in semiannual installments through 2015, principal due in balloon of \$7,998,175 in 2015. 7,998,175

2001C General Obligation Bonds, interest rate of 5.50% payable in semiannual installments through 2011, principal due in annual installments of \$2,755,000 to \$4,765,000 through December 2011. 19,660,000

2004 General Obligation Bonds, varying interest rates of 2.00% to 5.00% payable in semiannual installments through December 2028, principal due in annual installments of \$2,065,000 to \$22,665,000 through December 2028. 302,690,000

2004B General Obligation Refunding Bonds, varying interest rates of 3.00% to 5.00% payable in semiannual installments through December 2012, principal due in semiannual installments of \$65,000 to \$19,000,000 through December 2012. 42,115,000

2004C General Obligation Refunding Bonds, varying interest rates of 2.00% to 5.00% payable in semiannual installments through December 2018, principal due in annual installments of \$50,000 to \$18,400,000 December 2010 through December 2018. 83,670,000

2005A General Obligation Refunding Bonds, varying interest rates of 3.50% to 5.50% payable in semiannual installments through December 2023, principal due in annual installments of \$13,895,000 to \$26,735,000 through December 2023. 129,510,000

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Cumulative accretion of interest on Premium Capital Appreciation Bonds at June 30, 2007.	10,358,894
Unamortized bond premium.	30,313,390
Unamortized deferred loss on refunding	(14,530,498)
Compensated absences payable	<u>10,486,132</u>
Total	<u>\$1,116,660,848</u>

On November 3, 1998, and on November 4, 2003, the registered voters of Denver authorized the School District to issue \$305 million and \$310.8 million, respectively, of general obligation bonds. As of June 30, 2004, substantially all authorized 1998 bonds and all authorized 2003 bonds had been issued.

Annual debt service requirements to maturity are as follows (amounts in 000s):

<u>Year Ending</u>	<u>General Obligation Bonds</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30				
2008	22,477	30,940	25,351	19,586
2009	23,535	30,115	27,127	18,984
2010	23,369	29,562	29,087	17,075
2011	24,144	28,548	31,041	15,064
2012	25,191	27,363	33,936	12,918
2013-2017	162,409	116,705	134,896	48,286
2018-2022	204,010	73,729	136,837	9,448
2023-2027	155,730	24,420		
2028-2029	44,367	2,018		
Total	<u>\$685,232</u>	<u>\$363,400</u>	<u>\$418,275</u>	<u>\$141,361</u>

The annual requirements relating to capital leases as of June 30, 2007 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	526,421	113,461
2009	188,432	102,211
2010	176,245	93,633
2011	185,262	84,615
2012	194,741	75,137
2013-2017	1,133,746	215,642
2018	262,710	7,169
Total	<u>\$2,667,557</u>	<u>\$691,868</u>

The 1996 Certificates of Participation are to be paid from the capital projects fund - capital reserve fund; whereas the 1997 taxable certificates of participation are to be paid from the general fund. The capital lease obligations will be paid from the general fund. The bond obligations will be paid from the bond redemption fund.

The capital projects building fund balance of \$30,837,620 is from the issuance of Series 2001C and Series 2004 general obligation bonds and related interest earnings. At June 30, 2007, the School District had capital expenditure purchase commitments outstanding of \$5,864,831.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Capital Lease Obligations

The capital lease agreements are for technology and lighting retrofitting and 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 Government-wide financial statements. The current leases are obligations of the general fund and capital reserve fund. \$5,010,949 is the gross amount of the capital lease assets.

Defeasance of Certificates of Participation

In prior years, the School District defeased certain certificates of participation by placing the proceeds of the new 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, 2007, \$24,859,483 of outstanding certificates of participation is considered defeased.

Defeasance of General Obligation Bonds

In 2004 and as described previously in this note the School District defeased certain of the 1999 general obligation bonds by placing the proceeds of the new general obligation bonds 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, 2007, \$226,210,000 of refunded 1999 bonds are considered defeased.

Forward Delivery Agreements

In November 2002, the School District entered into a forward delivery agreement whereby it received \$.7 million for the general fund in exchange for the future earnings from the investment of future bond redemption fund property tax collections that will be levied to meet the debt service requirements for the 2001C general obligation bond issue. Of this \$.7 million, \$357,498 has been recognized as revenue, with the remaining amount to be recognized as revenue over the remaining life of the bond issue or through November 2012.

In February 2003, the School District entered into a forward delivery agreement whereby it received \$9.8 million for the general fund in exchange for the future earnings from the investment of future general fund revenues that will be used to meet the debt service requirements for the 1997 taxable pension certificates of participation issue. Of this \$9.8 million, \$2,759,063 has been recognized as revenue, with the remaining amount to be recognized as revenue over the remaining life of the issue or through December 2018.

Compensated Absences Payable

Compensated absences payable consists of accumulated sick leave time which vests and is payable upon retirement and accumulated vacation leave time which vests and is payable upon retirement or termination. On the fund financial statements, compensated absence amounts are reported as expenditures or expenses when paid. The estimated cost for fiscal year 2008 is \$2,015,254 based on recent history. The majority of these expenditures are paid by the general fund.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

7. DERIVATIVE INSTRUMENTS

Interest Rate Swap

Certificates of Participation Series 2005A

Swap Objective. The DSFLC entered into a cost-of-funds variable-to-fixed interest rate swap agreement (the "2005A Swap Agreement") with JP Morgan Chase Bank, N.A. in connection with the issuance of the Series 2005A taxable variable rate certificates of participation (the "2005A Certificates") on March 24, 2005, as a means of both (a) creating level annual lease payments for the School District for all years except fiscal years 2008-2009, 2015-2016 and 2016-2017 under the respective lease agreements dated as of July 1, 1997 and March 24, 2005 made by and between the DSFLC, as lessor, and the School District, as lessee, with respect to the outstanding Series 1997 taxable pension certificates of participation (the "1997 Certificates") and 2005A Certificates, respectively, and (b) lowering its financing costs when compared against fixed-rate certificates issued at the time of issuance of the 2005A Certificates. The intention of entering into the 2005A Swap Agreement was to effectively change the variable interest rate on the variable rate 2005A Certificates to a synthetic fixed interest rate (paid by the DSFLC under the 2005A Swap Agreement) of 5.235%.

Swap terms - The 2005A Certificates mature on, and the 2005A Swap Agreement terminates on, December 15, 2018, and the total notional amount of the swap equals the \$23,470,000 aggregate principal amount of the 2005A Certificates. Starting in fiscal year 2010-2011, the notional value of the swap declines by the same amount of the associated principal amortization of the 2005A Certificates. Because the 2005A Swap Agreement is initially a "cost-of-funds" swap, the DSFLC pays the swap counterparty, JPMorgan Chase Bank, N.A., a fixed payment of 5.235% and receives the variable payment due on the Series 2005A certificates.

Fair value - Because of the manner in which interest rates have changed since execution of the 2005A Swap Agreement, the swap had a positive fair value as of June 30, 2007. Because the interest rate on the 2005A Certificates adjust to changing interest rates, the 2005A Certificates do not have a corresponding fair value change. The fair value was determined by market prices quoted by the remarketing agent for the 2005A Certificates as of June 30, 2007. (see table below).

Counterparty credit risk - As of June 30, 2007, the DSFLC was exposed to credit risk in the amount of the fair value of the 2005 Swap Agreement with respect to the swap counterparty because the swap had a positive fair value. However, should interest rates change and the fair value of the swap becomes negative, the DSFLC would not be exposed to credit risk. To mitigate the potential for credit risk, if the swap counterparty's credit rating from either Standard & Poor's and Moody's Investors Service falls to "A-"/"A3", respectively or lower, and the fair value of the swap reaches certain threshold amounts, the fair value of the swap is required to be collateralized by the swap counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Swap Counterparty Data as of June 30, 2007

<u>Counterparty</u>	<u>Swap Notional Amount</u>	<u>Credit Rating; Outlook = Stable</u>		<u>Swap Fair Value</u>
		<u>Moody's</u>	<u>S&P</u>	
JP Morgan Chase Bank	\$23,470,000	Aaa	AA	\$538,413

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Basis risk - The 2005A Swap Agreement does not initially expose the DSFLC to basis risk (the risk that the variable rate paid at any point in time by the swap counterparty under the 2005A Swap Agreement will be less than the variable rate payable by the DSFLC at such point in time on the 2005A Certificates) because the 2005A Swap Agreement is initially a “cost-of-funds” swap under which the rate payable to the DSFLC by the swap counterparty is equal to the rate payable by the DSFLC on the 2005A Certificates (the “Cost-of-Funds Rate”). Upon the occurrence of certain events, however, the rate paid by the swap counterparty under the 2005A Swap Agreement may convert from the Cost-of-Funds Rate in effect from time to time to the One-Month London Interbank Offered Rate in effect from time to time. Such events include, without limitation: a drop in the credit rating on the 2005A Certificates to below AA-/Aa3; a drop in the credit rating of the School District to below BBB-/Baa3; an event of default or termination event by the DSFLC under the 2005A Swap Agreement, the trust indenture pursuant to which the 2005A Certificates are issued or the liquidity facility for the 2005A Certificates; the failure of the DSFLC to replace the provider under such liquidity facility or the remarketing agent for the 2005A Certificates upon the request of the swap counterparty; or the replacement of such liquidity provider or remarketing agent without the consent of the swap counterparty. Upon such conversion, the interest rate payable by the DSFLC on the 2005A Certificates at any given time may exceed the rate paid by the swap counterparty under the 2005A Swap Agreement.

Termination risk - The DSFLC may optionally terminate the 2005A Swap Agreement with the prior consent of the certificate insurer for the 2005A Certificates if the DSFLC has sufficient funds to pay any settlement amount due to the swap counterparty if at the time of the termination the 2005A Swap Agreement has a negative fair value. The 2005A Swap Agreement may also terminate if: (a) an event of default by the DSFLC under the 2005A Swap Agreement or a termination event under the 2005A Swap Agreement caused by the DSFLC occurs; and (b) the certificate insurer for the 2005A Certificates fails to pay amounts due to the swap counterparty from the DSFLC or such insurer enters into liquidation or similar proceedings, is downgraded to below A-/A3 or is merged into another entity which does not assume the insurance obligations of such insurer with respect to the 2005A Swap Agreement, or the insurance policy providing for such obligations is declared invalid by a court of competent jurisdiction. If the 2005A Swap Agreement is terminated, the Series 2005A certificates would no longer carry a synthetic fixed interest rate, and would be subject to the interest rate risk associated with variable rate certificates.

Interest Rate Swaption

Certificates of Participation Series 2005B

Swaption Objective - The Denver School Facilities Leasing Corporation (DSFLC) entered into a cost-of-funds variable-to-fixed interest rate swaption agreement (the “2005B Swaption Agreement”) with JP Morgan Chase Bank, N.A. in connection with the issuance of the Series 2005B taxable variable rate certificates of participation (the “2005B Certificates”) on March 24, 2005, as a means of both (a) applying an option premium payment to be received from the swap counterparty under the agreement to the School District’s lease payments obligations in fiscal years 2008-2009, 2015-2016 and 2016-2017 under the Lease Agreement dated March 24, 2005, between the DSFLC, as lessor, and the School District, as lessee, executed in connection with the 2005B Certificates (the “2005B Lease”) and the 1997 Lease and 2005A Lease described above, so as to provide lease payments for the District under such leases, taken collectively, which are level with the other fiscal years such leases are in effect, and (b) lowering its borrowing costs when compared against fixed-rate certificates issued at the time of issuance of the 2005B Certificates. The intention of entering into the 2005B Swaption Agreement was to

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

effectively change the variable interest rate on the variable rate 2005B Certificates to a synthetic fixed interest rate of 7.0% beginning December 15, 2007.

Swap terms - Under the 2005B Swaption Agreement, the swap counterparty, JP Morgan Chase Bank, N.A., will make a payment to the DSFLC for an option to cancel the 2005B Swaption Agreement on December 15, 2007. If the swap counterparty does not cancel the agreement on December 15, 2007, it will become effective on such date. If the 2005B Swaption Agreement becomes effective, it will terminate on December 15, 2018, the date of final maturity of the 2005B Certificates, and the total notional amount thereof equals the \$62,575,000 aggregate principal amount of the 2005B Certificates. Starting in fiscal year 2017-2018, the notional value of the swap declines by the same amount of the associated principal amortization of the 2005B Certificates. Because the 2005B Swaption Agreement is initially a “cost-of-funds” swap, the DSFLC will, upon the effectiveness of the agreement on December 15, 2007, pay the swap counterparty a fixed payment of 7.0% and receive the variable payment due on the Series 2005B Certificates. Whether the swaption agreement is cancelled or not, the DSFLC is to receive the \$8,100,000 swaption premium payment described above, of which \$1,110,000 was received upfront on March 24, 2005, for deposit, together with the net proceeds from the issuance of the 2005B Certificates, into a guaranteed investment contract maturing on December 15, 2007 (the “2005B Investment Contract”), and the remainder of which is to be received in fiscal years 2008-2009, 2015-2016 and 2016-2017 and applied as described above. If the swap counterparty’s credit rating falls below A-/A3, the present value of the premium due at the time will be collateralized by the counterparty with US government securities at a third party custodian. If the 2005B Swaption Agreement is not cancelled, the DSFLC intends to redeem, on December 15, 2007, \$62,575,000 of Series 1997 taxable pension certificates of participation that are callable on such date (the “Callable 1997 Certificates”) with the balance of the proceeds of the 2005B Certificates which are invested under the 2005B Investment Contract (See Note 6, Long Term Liabilities for disclosure on issuance of certificates of participation). If the 2005B Swaption Agreement is cancelled, the DSFLC intends to use such balance invested under the 2005B Investment Contract to redeem all of the outstanding 2005B Certificates.

Fair value - Because of the manner in which interest rates have changed since execution of the 2005B Swaption Agreement, the swap had a negative fair value as of June 30, 2007. Because the interest rate on the 2005B Certificates adjust to changing interest rates, the 2005B Certificates do not have a corresponding fair value change. The fair value was determined by market prices quoted by the remarketing agent for the 2005B Certificates as of June 30, 2007. (see table below).

Counterparty credit risk - As of June 30, 2007, the DSFLC was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the 2005B Swaption Agreement become positive, the DSFLC would be exposed to credit risk in the amount of the 2005B Swaption Agreement’s fair value. To mitigate the potential for credit risk, if the swap counterparty’s credit rating from either Standard & Poor’s and Moody’s Investors Service falls to “A-”/“A3”, respectively or lower, and the fair value of the swap reaches certain threshold amounts, the fair value of the swap is required to be

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

collateralized by the swap counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Swap Counterparty Data as of June 30, 2007

<u>Counterparty</u>	<u>Swap Notional Amount</u>	<u>Credit Rating; Outlook = Stable</u>		<u>Swap Fair Value</u>
		<u>Moody's</u>	<u>S&P</u>	
JP Morgan Chase Bank	\$62,575,000	Aaa	AA	(\$195,157)

Basis risk - The 2005B Swaption Agreement does not initially expose the DSFLC to basis risk (the risk that the variable rate paid at any point in time by the swap counterparty under the 2005B Swaption Agreement will be less than the variable rate payable by the DSFLC at such point in time on the 2005B Certificates), because the 2005B Swaption Agreement is initially a "cost-of-funds" swap under which the rate payable to the DSFLC by the swap counterparty is equal to the rate payable by the DSFLC on the 2005B Certificates (the "Cost-of-Funds Rate"). Upon the occurrence of certain events, however, the rate paid by the swap counterparty under the 2005B Swaption Agreement may convert from the Cost-of-Funds Rate in effect from time to time to the One-Month London Interbank Offered Rate in effect from time to time. Such events include, without limitation: a drop in the credit rating on the 2005B Certificates to below AA-/Aa3; a drop in the credit rating of the School District to below BBB-/Baa3; an event of default or termination event by the DSFLC under the 2005B Swap Agreement, the trust indenture pursuant to which the 2005B Certificates are issued or the liquidity facility for the 2005B Certificates; the failure of the DSFLC to replace the provider under such liquidity facility or the remarketing agent for the 2005B Certificates upon the request of the swap counterparty; or the replacement of such liquidity provider or remarketing agent without the consent of the swap counterparty. Upon such conversion, the interest rate payable by the DSFLC on the 2005B Certificates at any given time may exceed the rate paid by the swap counterparty under the 2005B Swap Agreement.

Termination risk - The DSFLC may optionally terminate the 2005B Swaption Agreement with the prior consent of the certificate insurer for the 2005B Certificates if the DSFLC has sufficient funds to pay any settlement amount due to the swap counterparty if at the time of the termination the 2005B Swaption Agreement has a negative fair value. The 2005B Swaption Agreement may also terminate if: (a) an event of default by the DSFLC under the 2005B Swaption Agreement or a termination event under the 2005B Swaption Agreement caused by the DSFLC occurs; and (b) the certificate insurer for the 2005B Certificates fails to pay amounts due to the swap counterparty from the DSFLC or such insurer enters into liquidation or similar proceedings, is downgraded to below A-/A3 or is merged into another entity which does not assume the insurance obligations of such insurer with respect to the 2005B Swaption Agreement, or the insurance policy providing for such obligations is declared invalid by a court of competent jurisdiction. If the swap is terminated, the 2005B Certificates would no longer carry a synthetic fixed interest rate, and would be subject to the interest rate risk associated with variable rate certificates.

8. SHORT-TERM DEBT

It was necessary for the School District to participate in the State of Colorado Interest-Free Loan Program by borrowing \$143,700,000 throughout the fiscal year in order to meet operating expenditures since property tax receipt of significant amounts are not received until March, April, May and June. The loan was repaid during the months of March and May.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

July 1, 2006			June 30, 2007
<u>Balance</u>	<u>Borrowed</u>	<u>Repayment</u>	<u>Balance</u>
\$0	\$143,700,000	\$143,700,000	\$0

9. PENSION PLAN

Plan Description

The School District contributes to the Denver Public Schools Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan (the Plan), to provide defined retirement, death and disability benefits to plan members and beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplementary information. A copy of the report can be obtained at the System's office at 3700 East Alameda Avenue, Suite 400, Denver, CO 80209. The Plan was established in 1945 through state statute.

Funding Policy

Employer contributions are based on the funding policy required by Plan provisions. The actuary of the System issues an annual report as of January 1 of each year. The School District adopts changes in the employer contribution rates for its fiscal year beginning 18 months after the date of the annual actuarial valuation report. The contribution rate for members during fiscal year 2007 was 8% and for the School District was 11.14% of gross covered salary. The funding policy was approved by the Board of Education in January 2006 provides that for employer contributions for fiscal years beginning July 1, 2005, the rate will increase over a four year period so that by July 1, 2008, it is normal cost plus amortization of the UAAL. The School District's contributions for the years ended June 30, 2007, 2006, and 2005 were \$34,785,579, \$29,312,127, and \$24,979,478, respectively.

10. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the School District provides post-retirement health insurance contributions and life insurance benefits, in accordance with the Board of Education Resolutions 1690 and 1643, respectively. The contributions and benefits are provided to all employees who retired under the provisions of early, regular, or disability retirement. Currently, approximately 5,490 retirees meet the eligibility requirement.

Health Insurance

Beginning in fiscal year 2004, in accordance with Board of Education action, the maximum monthly School District contribution for single coverage under the health insurance program is set at \$230 for retirees under age 65 or for retirees that only qualify for Part B Medicare. Retirees that qualify for both Part A and B of Medicare receive \$115 per month. Retirees, based on the above qualifications, receive either \$11.50 or \$5.75 per month per year of service for a maximum of \$230 or \$115, respectively. Retired employees may pay for their dependents on the health insurance program. Retirees have the option between two commercial health insurance providers or the Denver Public Schools Medical Care Plan, with the latter available for those ages 65 and over. In June 2005, the School District approved the establishment of a Retiree Health Benefit Trust, a single-employer plan, for which \$13 million was deposited on July 1, 2005, and the employer contribution rate was 1.19% of gross covered payroll for a total deposit of \$16,578,348 for fiscal year 2006. In fiscal year 2006-2007 the School District contributed \$9,640,593 to the Retiree Health Benefit Trust, which included a \$6 million lump sum contribution to increase Trust reserves, plus 1.19% of covered payroll. Plan participants do not make contributions to the plan. As of July 1, 2007 there were 8,252 plan participants of which

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

there were 4,088 retirees, 319 active participants (fully eligible) and 3,845 active participants (not fully eligible).

Approximately \$7,755,000 was expended from the Trust for the health insurance plan for retirees during the year ended June 30, 2007. In spring 2007, the School District obtained an actuarial report in preparation for the implementation of GASB Statement No. 45 on July 1, 2007. According to the actuarial report with a valuation date of July 1, 2007, the Annual Required Contribution (ARC) is \$4,023,000. The contributions for 2007-2008 will be the projected pay-as-you-go as that amount is higher than the calculated ARC.

The ARC was determined, using the "Projected Unit Credit" attribution method and is as of July 1, 2007. The significant actuarial assumptions used in the valuation as of July 1, 2007 were: (a) life expectancy of participants obtained from the 1994 Group Annuity Mortality Table applied on a gender-specific basis; (b) retirement age assumption based on annual probability applied on a gender-specific basis over the period of 50 to 70 years; (c) a discount rate of 8% assuming the employer will consistently contributed an amount equal to or greater than the ARC; (d) a plan participation assumption that 65% of all employees who are eligible for retiree benefits actually participate in the retiree benefit plan, assuming a one-time irrevocable election to participate is made at retirement; (e) a salary increase assumption of 4% per annum; and (f) the exclusion of the Medicare Part D employer subsidy.

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial calculations reflect a long-term perspective.

The following required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (c)	Funded Ratio (a)/(b)
7/1/07	\$ 11,810,000	\$ 51,392,000	\$ (39,582,000)	23%

Life Insurance

Life insurance benefits are provided to retirees depending on the date they are eligible to retire. Retirees who were eligible to retire prior to September 1, 1997, would receive two times annual earnings, with the amount reduced annually during the five-year period after their retirement date; at the end of the five year period the life insurance benefit remaining is final and paid out upon their death. Retirees who were eligible to retire after September 1, 1997, receive a flat dollar amount of \$10,000 payable at the time of their death. Life insurance benefits are not available to anyone who retires after January 1, 2006. A fund to pre-fund future life insurance for retired employees was established in 1978 and is held by the insurance carrier to be used only for the purpose of providing life insurance benefits. During the year ended June 30, 2007, the School District contributed \$2,301,851 to the insurance carrier. The accumulated balance of this

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Fund at June 30, 2007, totaled \$5,617,945. No actuarial report is available for the period ending June 30, 2007. However, an actuarial report was obtained in the spring of 2007 in anticipation of the implementation of GASB Statement No. 45 on July 1, 2007.

11. 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 73,381 students, employs approximately 12,000 people to accomplish these functions, and provides these services in over 150 facilities located throughout the City and County of Denver. Exposures to loss include theft of property, tort claims, errors and omissions on the part of School District employees or Board members, on the job injuries, and automobile liability claims.

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, 2007, the School District retained \$100,000 of each school entity liability loss and \$150,000 for each automobile 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, 2007, was a self-financed program with the State of Colorado. This program provided that the School District pay the first \$500,000 of each loss. General Fund money for the workers' compensation program was used to pay expenses and claims costs. The School District uses a third party claims administrator to process claims.

The schedule below represents the claims activity for the fiscal year and the liability for accrued claims (incurred but not reported) at year end. The goal is to retain the highest level of each loss that makes economical sense. The liability for all claims is \$2,660,000 at June 30, 2007.

	Beginning	Current Year	Claims	Year End
	<u>Liability</u>	<u>Claims and Change</u>	<u>Payment</u>	<u>Balance</u>
		<u>In Estimate</u>		
June 30, 2006	\$2,560,000	\$4,087,661	\$3,987,661	\$2,660,000
June 30, 2007	2,660,000	3,383,967	3,383,967	2,660,000

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

12. RELATED PARTIES

The District has an intergovernmental agreement with Douglas County School District RE-1, Arapahoe County School District No. 6 (Littleton Public Schools), Cherry Creek School District No. 5 and Aurora Public Schools to create a board of cooperative educational servers (BOCES) for the purpose of operating an expeditionary learning school, the Rocky Mountain School of Expeditionary Learning (RMSEL), a kindergarten through 12th grade school. RMSEL is a self governing organization with its own Board of Education. The six Board members consist of one school Board member from each of the participating districts and one member appointed by the sponsoring districts from the public at large.

By contract, the maximum number of students the RMSEL may serve is 321. These students must be residents of one of the five participating school districts. All students at RMSEL are included in the School District's enrollment number that is reported to the Colorado Department of Education for funding purposes. The School District receives the funding related to the RMSEL students and passes 100% of that funding on to RMSEL along with a portion of state and federal categorical aid as appropriate. That funding was \$2,203,407 for fiscal year 2007. RMSEL purchased special education services from the School District for \$127,980 for the same year.

RMSEL is located at 1700 South Holly, Denver in one of the School District's buildings. RMSEL leases that facility from the School District for \$150,000 per year.

13. 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 counsel, the School District's management has concluded that no significant adverse effect on the June 30, 2007, 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.

The District has several computer and copier lease agreements which 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 computer leases contain a provision whereby the title of the property will transfer at the end of the lease if the lease is not terminated, however the value of the computers is below the School District's capitalization threshold. The copiers are an operating lease and title will not be transferred to the School District. The current leases are primarily obligations of the general fund; however several other funds pay for copiers that they are using.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

14. 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.

Through fiscal years ending June 30, 2004, the School District had set aside cash and investments to satisfy its requirement to fund the Emergency Reserve. On June 17, 2004, the Board of Education of the School District approved a Letter of Credit ("LOC") and Reimbursement Agreement which would fund \$16.1 million of the School District's Emergency Reserve requirement. The Emergency Reserve amount associated with the net payments owed by the School District to contract schools pursuant to contracts with the School District in addition to the School District's Emergency Reserve related to planned spending by the Emily Griffith Opportunity School, will continue in the form of cash and investments. This LOC and Reimbursement Agreement with JPMorgan Chase Bank was for the initial term of the fiscal year beginning July 1, 2004 and was extended July 1, 2007 starting with an amount of \$21 million renewable for the fiscal years beginning July 1, 2008 and July 1, 2009. The LOC amount as of June 30, 2007 was \$20 million. If the School District identifies the need to increase the amount of the Emergency Reserve because additional revenues become available after the budget has been adopted, such amount of Emergency Reserve increase will be in the form of cash. If there ever is a declared emergency by the School District Board of Education that constitutionally qualifies for use of the Emergency Reserve, the School District will notify JPMorgan Chase Bank and obtain a draw down from the LOC to secure the necessary cash amount to address the cost of the emergency. The state constitution requires that any Emergency Reserve draw down during a fiscal year be restored for the next fiscal year. This would be required whether the School District maintained the Emergency Reserve in the form of cash or a LOC. In this case, JPMorgan Chase Bank would need to be reimbursed for the amount of any draw down from the LOC. If the School District is unable to obtain the funds to reimburse JPMorgan Chase Bank by within 30 days before the end of the fiscal year, or if the draw down is made during the last 30 days of the fiscal year and reimbursement is not made by the School District before the end of the fiscal year, the School District will have an option to enter into a Lease Purchase Agreement with the DSFLC to sell certificates of participation (COP) through the DSFLC to JPMorgan Chase Bank to satisfy the amount owed (to include draw downs and other fees and expenses) by the School District.

15. COMPONENT UNITS

The District's Foundation is included as a component unit. Separately issued financial statements are available from the Foundation at 900 Grant Street, Room 503, Denver, CO 80203.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Certain note disclosures for the Foundation have been excerpted from the Foundations' financial statements:

Long-Term Investments

Long-term investments are carried at estimated fair value and consist of certificates of deposit held for long-term purposes under the terms of the agreement with Denver Public Schools. At June 30, 2007, long-term investments included two certificates of deposit totaling \$1,700,000 with maturity dates through March 2008, and interest rates ranging from 4.64% to 5.21%.

Permanently Restricted Net Assets

In 1999, the Foundation entered into an agreement with Denver Public Schools under which the Foundation received \$1,000,000. The income and unrealized gains earned on the contribution is for unrestricted use in accordance with the purpose of the Foundation. The principal amount of the contribution cannot be spent by the Foundation for any purpose. In the event of bankruptcy or other specified events, the contribution may be required to be returned to Denver Public Schools. Under the terms of this agreement, the Foundation held \$1,000,000 of permanently restricted net assets at June 30, 2007, 2006 and 2005.

In addition, the School District has twenty Charter Schools, which are classified as component units. The Charter School addresses from which reports may be requested are:

Academy of Urban Learning, 835 E. 18th Ave, Denver, CO 80218
Challenges, Choices and Images, 1537 Alton Street, Aurora, CO 80010
Cole College Prep-a KIPP Transformation School, 3240 Humboldt St., Denver, CO 80205
Colorado High School, 1175 Osage Street, Suite #100, Denver, CO 80204
Community Challenge School, 948 Santa Fe Drive, Denver, CO 80204
Denver Arts and Technology Academy, 3752 Tennyson Street, Denver, CO 80211
Denver School of Science and Technology, 2000 Valencia Street, Denver, CO 80238
Highline Academy, 7808 Cherry Creek South Drive, Suite 304, Denver, CO 80231
KIPP Sunshine Peak Academy, 375 South Tejon Street, Denver, CO 80223
Life Skills Center of Denver, 1000 Cherokee Street, Denver, CO 80204
Northeast Academy, 4895 Peoria Street, Denver, CO 80239
Odyssey School, 8750 East 28th Avenue, Denver, CO 80238
Omar D. Blair—an Edison K-8 Charter School, 4905 Cathay Street, Denver, CO 80249
Pioneer Charter School, 3230 E. 38th Avenue, Denver, CO 80205
Ridge View Academy, 28101 A East Quincy Avenue, Watkins, CO 80137
Skyland Community High School, 3240 Humboldt Street, 2nd Floor, Denver, CO 80205
Southwest Early College, 3001 South Federal Boulevard, Box 114, Denver, CO 80236
Urban Learning Communities, 1062 Delaware, Denver, CO 80204
West Denver Preparatory, 1825 South Federal Boulevard, Denver, CO 80219
Wyatt Edison, 3620 Franklin Street, Denver, CO 80205

Certain note disclosures for the Charter Schools are as follows (from their separately – issued Charter School reports):

Significant Accounting Policies

The Charter Schools' financial information included with the School District's financial statements represents the government-wide financial statements for the Charter Schools. The government-wide financial statements for each of the Charter Schools are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Other accounting policies are similar to the School District.

Cash and Investments

Deposits held at June 30, 2007 were as follows:

	Carrying <u>Balance</u>	Bank Balance	
		Covered by FDIC Insurance or <u>Collateralized</u>	Uninsured – <u>Uncollateralized</u>
Academy of Urban Learning	\$ (34,969)	N/A	
Challenges, Choices and Images	40,268	\$40,268	
Cole College Prep	92,383	2,609	
Colorado High School	90,612	8,823	
Community Challenge School	289,702	289,702	
Denver Arts and Technology Academy	294,337	230,791	
Denver School of Science and Technology	1,754,836	1,869,592	
Highline Academy	229,983	300,900	
KIPP Sunshine Peak Academy	591,833	544,094	
Life Skills Center of Denver	101,174	103,174	
Northeast Academy	6,024	6,024	
Odyssey School	279,479	176,771	
Omar D Blair	443,106	100,000	378,724
Pioneer Charter School	768,957	768,957	
Ridge View Academy	1,183,169	1,201,279	
Skyland Community High School	42,996	N/A	
Southwest Early College	357,778	277,097	
Urban Learning Communities	132,539	100,000	92,680
West Denver Preparatory	49,728	1,157	
Wyatt-Edison	567,547	100,000	465,320

Charter schools are required to comply with State statutes which specify investment instruments meeting defined rating, maturity, custodial and concentration risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

At June 30, 2007, Academy of Urban Learning had \$109,341 invested in the Colorado Local Government Liquid Asset Trust (Colotrust). This Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating the Trust. The Trust is rated AAAM by Standard and Poor's. Investments of the Trust are limited to those allowed by State statutes.

At June 30, 2007, Colorado High School had \$117,910 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), which is registered with the State Securities Commissioner and operates similar to a money market fund. Colotrust is rated AAAM by Standard & Poor's.

At June 30, 2007 Denver Arts and Technology Academy had \$923,256 invested in a money market fund which invests exclusively in U.S. Treasury obligations and is rated AAAM by Standard and Poor's.

At June 30, 2007 Highline Academy had \$87,301 balance in equity in pooled cash of the District. Cash deposits are pooled with the District's cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds.

At June 30, 2007, Northeast Academy had \$427,652 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), which is registered with the State Securities Commissioner and operates similarly to a money market fund. Colotrust is rated AAAM by Standard and Poor's.

At June 30, 2007, Skyland Community High School had \$62,459 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. CSAFE is rated AAAM by Standard and Poor's. Investments of CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions.

Capital Assets

Changes in capital assets for the year ended June 30, 2007, are summarized as follows:

	<u>Balances</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2007</u>
Challenges, Choices and Images:				
Computer Software	\$ 3,939	\$ -	\$ -	\$ 3,939
Computer Equipment	88,331		-	88,331
Building	148,960	11,863,013	-	12,011,973
Land		2,943,600		2,943,600
Leasehold Improvements	49,254	-	-	49,254
Furniture and Equipment	<u>22,457</u>	<u>13,845</u>	<u>-</u>	<u>36,302</u>
	312,941	14,820,458	-	15,133,399
Accumulated depreciation	<u>(117,991)</u>	<u>(25,315)</u>	<u>-</u>	<u>(142,856)</u>
Net	<u>\$ 194,950</u>	<u>\$ 14,795,143</u>	<u>\$ -</u>	<u>\$ 14,990,543</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

	Balances July 1, 2006	Additions	Deletions	Balances June 30, 2007
Colorado High School:				
Building Improvements	\$ 122,432	\$ -	\$ -	\$ 122,432
Equipment	<u>30,198</u>	<u>-</u>	<u>-</u>	<u>30,198</u>
	152,630	-	-	152,630
Accumulated depreciation	<u>(58,847)</u>	<u>(18,283)</u>	<u>-</u>	<u>(77,130)</u>
Net	<u>\$ 93,783</u>	<u>\$ (18,283)</u>	<u>\$ -</u>	<u>\$ 75,500</u>
Community Challenge School:				
Building improvements	\$ 150,361	\$ -	\$ -	\$ 150,361
Equipment	<u>45,324</u>	<u>-</u>	<u>-</u>	<u>45,324</u>
	195,685	-	-	195,685
Accumulated depreciation	<u>(195,685)</u>	<u>-</u>	<u>-</u>	<u>(195,685)</u>
Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Denver Arts and Technology Academy:				
Capital Assets	\$ 6,547,134	\$ -	\$ -	\$ 6,547,134
Equipment	<u>30,150</u>	<u>-</u>	<u>-</u>	<u>30,150</u>
	6,577,284	-	-	6,577,284
Accumulated depreciation	<u>(401,526)</u>	<u>(198,918)</u>	<u>-</u>	<u>(598,444)</u>
Net	<u>\$ 6,175,758</u>	<u>\$ (198,918)</u>	<u>\$ -</u>	<u>\$ 5,978,840</u>
Denver School of Science and Technology:				
Land	\$ 980,000	\$ -	\$ -	\$ 980,000
Total not depreciated	980,000	-	-	980,000
Buildings	2,413,003	-	-	2,413,003
Vehicles	35,154	39,823	-	74,977
Equipment	<u>22,145</u>	<u>57,580</u>	<u>-</u>	<u>79,725</u>
	2,470,302	97,403	-	2,567,705
Accumulated depreciation	<u>(119,439)</u>	<u>(79,200)</u>	<u>-</u>	<u>(198,639)</u>
Net depreciated assets	2,350,863	(18,203)	-	2,369,066
Total capital assets, net	<u>\$ 3,330,863</u>	<u>\$ (18,203)</u>	<u>\$ -</u>	<u>\$ 3,349,066</u>
Highline Academy:				
Leasehold Improvements	\$ 806,191	\$ 5,013	-	811,204
Accumulated depreciation	<u>(121,118)</u>	<u>(135,471)</u>	<u>-</u>	<u>(256,589)</u>
Total capital assets, net	<u>\$ 685,073</u>	<u>\$ (130,458)</u>	<u>\$ -</u>	<u>\$ 554,615</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

	Balances July 1, 2006	Additions	Deletions	Balances June 30, 2007
KIPP Sunshine Peak Academy:				
Equipment	\$ 61,795	\$ -	\$ -	\$ 61,795
Building	<u>819,767</u>	<u>-</u>	<u>-</u>	<u>819,767</u>
	881,562	-	-	881,562
Accumulated depreciation	<u>(55,231)</u>	<u>(45,751)</u>	<u>-</u>	<u>(100,982)</u>
Net depreciated assets	826,331	(45,751)	-	780,580
 Total capital assets, net	<u>\$ 826,331</u>	<u>\$ (45,751)</u>	<u>\$ -</u>	<u>\$ 780,580</u>
 Northeast Academy:				
Equipment	\$ 120,021	\$ -	\$ -	\$ 120,021
Accumulated depreciation	<u>(8,929)</u>	<u>(16,956)</u>	<u>-</u>	<u>(25,885)</u>
Net	<u>\$ 111,092</u>	<u>\$ (16,956)</u>	<u>\$ -</u>	<u>\$ 94,136</u>
 Odyssey School:				
Vehicles	\$ 162,065	\$ 39,937	\$ (35,379)	\$ 166,623
Accumulated depreciation	<u>(65,091)</u>	<u>(18,332)</u>	<u>10,117</u>	<u>(73,306)</u>
Net	<u>\$ 96,974</u>	<u>\$ 21,605</u>	<u>\$ (25,262)</u>	<u>\$ 93,317</u>
 Omar D. Blair:				
Equipment	\$ 47,320	\$ -	\$ -	\$ 47,320
Accumulated depreciation	<u>(23,815)</u>	<u>(14,011)</u>	<u>-</u>	<u>(37,826)</u>
Net	<u>\$ 23,505</u>	<u>\$ (14,011)</u>	<u>\$ -</u>	<u>\$ 9,494</u>
 Ridge View Academy:				
Equipment	\$ 728,936	\$ 69,052	\$ -	\$ 797,988
Building Improvements	<u>623,715</u>	<u>-</u>	<u>-</u>	<u>623,715</u>
	1,352,651	69,052	-	1,421,703
Accumulated depreciation	<u>(365,821)</u>	<u>(270,750)</u>	<u>-</u>	<u>(636,571)</u>
Net	<u>\$ 986,830</u>	<u>\$ (201,698)</u>	<u>\$ -</u>	<u>\$ 785,132</u>
 Southwest Early College:				
Leasehold Improvements	\$ 85,043	\$ -	\$ -	\$ 85,043
Equipment	<u>7,000</u>	<u>15,257</u>	<u>-</u>	<u>22,257</u>
	92,043	15,257	-	107,300
Accumulated depreciation	<u>(38,218)</u>	<u>(21,461)</u>	<u>-</u>	<u>(59,679)</u>
Net	<u>\$ 53,825</u>	<u>\$ (6,204)</u>	<u>\$ -</u>	<u>\$ 47,621</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

	<u>Balances</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>June 30, 2007</u>
Urban Learning Communities:				
Equipment	\$ 79,527	\$ 961	\$ -	\$ 80,488
Vehicles	40,804	-	-	40,804
Furniture & fixtures	72,410	-	-	72,410
Leasehold improvements	1,810,898	-	-	1,810,898
Collections				
(Not Depreciable)	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
	2,009,639	961	-	2,010,600
Accumulated depreciation	<u>(1,616,150)</u>	<u>(236,080)</u>	<u>-</u>	<u>(1,852,230)</u>
Net	<u>\$ 393,489</u>	<u>\$ (235,119)</u>	<u>\$ -</u>	<u>\$ 158,370</u>
West Denver Preparatory:				
Construction in Progress	\$ -	\$ 11,687	\$ -	\$ 11,687
Building / Improvements	<u>2,278,436</u>	<u>187,599</u>	<u>-</u>	<u>2,466,035</u>
	2,278,436	199,285	-	2,477,722
Accumulated depreciation	<u>-</u>	<u>(123,302)</u>	<u>-</u>	<u>(123,302)</u>
Net	<u>\$ 2,278,436</u>	<u>\$ 75,984</u>	<u>\$ -</u>	<u>\$ 2,354,420</u>
Wyatt-Edison:				
Equipment	\$ 776,697	\$ 6,184	\$ -	\$ 782,881
Furniture & fixtures	205,562	51,283	-	256,845
Facilities improvements	360,893	-	-	360,893
Books & materials	614,697	74,907	-	689,604
Building	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
	3,957,849	132,374	-	4,090,223
Accumulated depreciation	<u>(2,131,449)</u>	<u>(132,318)</u>	<u>-</u>	<u>(2,263,767)</u>
Net	<u>\$ 1,826,400</u>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ 1,826,456</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Long-term Liabilities and Operating Leases

Academy of Urban Learning:

As of May 31, 2006, the school had entered into an operating lease with the following future minimum payments:

<u>Year ended June 30,</u>	
2008	98,291
2009	113,513
2010	124,386
2011	134,824
2012	<u>11,308</u>
Total	<u>\$482,322</u>

Challenges, Choices and Images:

As of June 30, 2007, the school had entered into operating leases with the following future minimum payments:

<u>Year ended June 30,</u>	
2008	236,279
2009	144,000
2010	<u>144,000</u>
Total	<u>\$524,279</u>

Colorado High School:

The school entered into an operating lease for classrooms and office space with a company partially owned by related parties. Lease payments ranging from \$8,000 to \$8,500 are due monthly through August 31, 2010. On September 1, 2007, the School renewed the lease through August 31, 2010, including monthly payments of \$10,000 plus “add ons” such as utilities. Future lease commitments for the existing lease are as follows:

<u>Year ended June 30,</u>	
2008	\$117,000
2009	120,000
2010	120,000
2011	<u>20,000</u>
Total	<u>\$377,000</u>

Community Challenge School:

The school entered into an operating lease with the following future minimum lease payments:

<u>Year ended June 30,</u>	
2008	<u>37,843</u>
Total	<u>\$37,843</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Denver Arts and Technology Academy:

Changes in long-term liabilities for the year-ended June 30, 2007, are as follows:

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2007</u>	Due within <u>one year</u>
Building Lease	\$8,340,000	\$ -	\$ 85,000	\$8,255,000	\$ 90,000
Note Payable	67,881	-	-	67,881	-
Total	<u>\$8,407,881</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$8,322,881</u>	<u>\$ 90,000</u>

Future minimum payments are as follows:

	<u>Building Lease</u>		
Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	90,000	656,450	746,450
2009	95,000	650,150	745,150
2010	100,000	643,500	743,500
2011	110,000	636,500	746,500
2012	115,000	628,800	743,800
2013-2016	735,000	2,989,600	3,724,600
2017-2021	1,085,000	2,643,600	3,728,600
2022-2026	1,595,000	2,134,800	3,729,800
2027-2031	2,355,000	1,384,000	3,739,000
2032-2034	<u>1,975,000</u>	<u>268,800</u>	<u>2,243,800</u>
Total	<u>\$8,255,000</u>	<u>\$12,636,200</u>	<u>\$20,891,200</u>

In December, 2003, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$8,320,000 Charter School Revenue Bonds, Series 2003A and \$95,000 Taxable Charter School Revenue Bonds, Series 2003B. Proceeds from the bonds were loaned to the Foundation under a lease agreement to construct the School's building. The School is obligated under a lease agreement to make monthly lease payments to the Foundation for use of the building. The Foundation is required to make equal lease payments to the Trustee, for payment of the bonds. Monthly principal and interest payments are due under the lease agreements, with interest accruing at rates ranging from 7% to 8%. The lease matures in June, 2034.

The school has a note payable of \$67,881 with the management company, Mosaica Education, Inc. Proceeds were used for operations and building improvements.

Denver School of Science and Technology:

The following is a summary of the School's long-term debt transactions for the year ended June 30, 2007:

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2007</u>	Due within <u>one year</u>
Building Lease	<u>\$1,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,500,000</u>	<u>\$ -</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

In October, 2004, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$1,500,000 Charter School Revenue Bonds, Series 2004. Proceeds from the bonds were loaned to the Building Corporation under a lease agreement to construct a student union, landscaping, and athletic fields at the school site. The school is obligated to make monthly lease payments to the Building Corporation for use of the building and fields. The Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrued at 5%. The lease matures in December 2013.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 75,000	\$ 75,000
2009	220,000	69,500	289,500
2010	230,000	58,250	288,250
2011	245,000	46,375	291,375
2012	255,000	33,875	288,875
2013-2014	550,000	27,750	577,750
Total	<u>\$1,500,000</u>	<u>\$310,750</u>	<u>\$1,810,750</u>

Highline Academy:

A summary of the Academy's long-term debt transactions for the year ended June 30, 2007 follows:

	Balances <u>6/30/06</u>	<u>Additions</u>	<u>Payments</u>	Balances <u>6/30/07</u>	Due Within <u>One year</u>
Loan Payable Series A	\$275,618	\$ -	\$105,051	\$170,567	\$118,897
Loan Payable Series B	349,708	-	45	349,663	48
Total	<u>\$625,326</u>	<u>\$ -</u>	<u>\$105,096</u>	<u>\$520,230</u>	<u>\$118,945</u>

Future debt service requirements for the loans are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	118,945	35,555	154,500
2009	133,244	21,256	154,500
2010	142,316	12,184	154,500
2011	125,725	3,471	129,196
Total	<u>\$520,230</u>	<u>\$72,466</u>	<u>\$592,696</u>

Future lease commitments are as follows:

<u>Year Ended June 30,</u>	
2008	\$ 433,480
2009	445,886
2010	456,529
2011	467,162
2012	39,004
Total	<u>\$1,842,061</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

KIPP Sunshine Peak Academy:

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2007:

	Balance <u>6/30/06</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>6/30/07</u>	Due Within <u>One Year</u>
Modular Loan	\$471,502	\$ -	\$34,321	\$437,181	\$ 39,220
Vehicle Loans	<u>18,192</u>	<u>-</u>	<u>6,341</u>	<u>11,851</u>	<u>6,222</u>
Total	<u>\$489,694</u>	<u>\$ -</u>	<u>\$40,662</u>	<u>\$449,032</u>	<u>\$ 45,442</u>

Future payments for the loans are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$45,442	\$30,823	\$76,265
2009	46,132	27,685	73,817
2010	46,211	24,499	70,710
2011	47,878	21,398	69,279
2012	51,169	18,107	69,279
2013-2015	<u>212,200</u>	<u>34,745</u>	<u>246,945</u>
Total	<u>\$449,032</u>	<u>\$157,257</u>	<u>\$606,289</u>

Odyssey School:

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2007.

	Balances <u>6/30/06</u>	<u>Additions</u>	<u>Payments</u>	Balances <u>6/30/07</u>	Due Within <u>One Year</u>
Vehicle Leases	\$26,171	\$ -	\$26,171	\$ -	\$ -
Compensated Absences	<u>11,376</u>	<u>-</u>	<u>11,161</u>	<u>215</u>	<u>-</u>
Total	<u>\$37,547</u>	<u>\$ -</u>	<u>\$37,332</u>	<u>\$215</u>	<u>\$ -</u>

In October 2002, the School entered into a 5-year lease to purchase two school buses. Vehicles in the amount of \$72,544 have been capitalized under this agreement. During the year ended June 30, 2007, the School paid the lease in full.

Ridge View Academy:

Following is a summary of long-term debt transactions for the year ended June 30, 2007:

	Balance <u>6/30/06</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>6/30/07</u>	Due Within <u>One Year</u>
Compensated Absences	<u>\$19,370</u>	<u>\$25,168</u>	<u>\$19,370</u>	<u>\$25,168</u>	<u>\$25,168</u>

Southwest Early College:

Long-term debt transactions for the year ended June 30, 2007 are summarized below:

	Balance <u>6/30/06</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>6/30/07</u>	Due Within <u>One Year</u>
Loan Payable - Landlord	<u>\$53,547</u>	<u>\$ -</u>	<u>\$16,966</u>	<u>\$36,581</u>	<u>\$17,834</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

The school executed a promissory note with the landlord to repay tenant finish costs in excess of the agreed lease terms. The note bears interest at the rate of 5% and is payable in 60 monthly installments of \$1,605, with the final payment due on July 1, 2009.

Future payments for the loan are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	17,834	1,424	19,258
2009	18,747	511	19,258
Total	<u>\$36,581</u>	<u>\$1,935</u>	<u>\$38,516</u>

Future minimum payments under the school facilities operating lease are as follows:

Year Ended June 30,	Payments
2008	576,862
2009	591,918
2010	49,431
Total	<u>\$1,218,211</u>

Urban Learning Communities:

Changes in long-term liabilities for the year-ended June 30, 2007, are as follows:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2007</u>
Bank loan	<u>\$172,525</u>	<u>\$147,173</u>	<u>\$197,525</u>	<u>\$122,173</u>

Urban Learning Communities has a note payable with a bank that is due June 2008. The note bears interest at 3.4%, with interest payments due quarterly.

The school entered into an operating lease with the following future minimum lease payments:

Year ended June 30,	
2008	<u>143,616</u>
Total	<u>\$143,616</u>

West Denver Preparatory:

Changes in long-term debt for the year ended June 30, 2007, were as follows:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Loans Payable	<u>\$2,094,000</u>	<u>\$ -</u>	<u>\$36,978</u>	<u>\$2,057,022</u>	<u>\$52,420</u>

On March 31, 2006, the School obtained two loans from Raza Development Fund, Inc., in the total amount of \$2,094,000, to purchase and remodel an educational facility. Loan principal of \$1,888,000 carries an interest rate of 7.07% and loan principal of \$206,000 carries an interest rate of 6.5%. Total principal and interest payments of \$14,717 and \$1,536, respectively, are due monthly, beginning November 1, 2006, with a balloon payment due in 2014.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Loan payments to maturity are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$52,420	\$142,616	\$195,036
2009	56,215	138,821	195,036
2010	60,285	134,751	195,036
2011	64,651	130,385	195,036
2012	69,333	125,703	195,036
2013-2014	<u>1,754,118</u>	<u>150,026</u>	<u>1,904,144</u>
Total	<u>\$2,057,022</u>	<u>\$822,302</u>	<u>\$2,879,324</u>

Wyatt-Edison:

Changes in long-term debt are as follows:

	<u>Balance</u>			<u>Balance</u>	
	<u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>	<u>Current</u>
Note Payable	<u>\$1,612,834</u>	<u>\$ -</u>	<u>\$92,034</u>	<u>\$1,514,800</u>	<u>\$1,514,800</u>

Future minimum payments of the loan with NCB Capital Corporation are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	<u>\$1,514,800</u>	<u>\$79,847</u>	<u>\$1,594,647</u>

Pension Plan

All Charter School employees participate in the Denver Public Schools Retirement System, which provides defined retirement, death, and disability benefits to participating employees.

Additional Notes

The first year of operation as a school for West Denver Preparatory is the 2006-2007 school year. The beginning balances were not represented on the School District's CAFR for year ended June 30, 2006.

Subsequent Event

On July 25, 2007, the Colorado Educational and Cultural Facilities Authority issued \$5,210,000 Charter School Revenue Bonds. Proceeds of the bonds were loaned to the Northeast Academy Building Corporation to purchase the education facilities currently used by the School. Concurrently, the School entered into a lease agreement with the Northeast Academy Building Corporation for use of the facilities through May 15, 2037, with annual payments ranging from \$293,000 to \$372,000.

Component units note continues on page II.70

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Component Units Net Asset Information	Denver Public Schools Foundation	Academy of Urban Learning	Challenges, Choices, and Images	Cole College Prep	Colorado High School
ASSETS					
Assets:					
Cash and investments	\$ 3,552,222	\$ 74,372	\$ 40,268	\$ 92,383	\$ 209,072
Deposit held by Denver Public Schools		12,084	65,033	6,805	27,550
Receivables:					
Accounts		101,516	357,000	25,000	
Grants					
Other	1,005,945	7,394	3,711,806		
Prepaid Expenses		7,394	500		9,271
Restricted investments	1,651,535				
Other current assets					5,000
Capital assets, net of accumulated depreciation:					
Not subject to depreciation	11,521				
Depreciable			14,990,543		75,500
TOTAL ASSETS	6,221,223	202,760	19,165,150	124,188	326,393
LIABILITIES					
Liabilities:					
Accounts payable	22,866	3,020	81,943	1,017	2,265
Grants payable	173,332				
Accrued payroll		19,783	98,593	17,851	45,264
Accrued liabilities					
Deferred revenue		11,254			
Due to Denver Public Schools				2,928	
Lease Deposit					
Noncurrent liabilities:					
Due within one year			552,419		
Due in more than one year			18,430,000		
TOTAL LIABILITIES	196,198	34,057	19,162,955	21,796	47,529
NET ASSETS					
Net Assets:					
Invested in capital assets, net of related debt			272,349		75,500
Debt service					
Restricted for emergencies		18,060	65,033	6,805	27,550
Restricted for capital outlays				5,098	
Restricted by donors for subsequent year	4,956,656				
Unrestricted (deficit)	1,068,369	150,643	(335,187)	90,489	175,814
TOTAL NET ASSETS (LIABILITIES)	\$ 6,025,025	\$ 168,703	\$ 2,195	\$ 102,392	\$ 278,864

Community Challenge School	Denver Arts & Technology Academy	Denver School of Science & Technology	Highline Academy	KIPP Sunshine Peak Academy	Life Skills Center of Denver	Subtotal
\$ 289,702	\$ 294,337	\$ 3,390,439	\$ 230,274	\$ 592,133	\$ 101,174	\$ 8,866,376
33,099	92,976	82,825	87,301	62,964	59,733	530,370
50	40,984	15,369	39,721	155		579,795
			26,108		162,923	189,031
						4,725,145
	1,782	2,339	46,560	8,804		76,650
	923,256					2,574,791
		67,019	73,980			145,999
	209,426	980,000				1,200,947
	5,978,840	2,369,066	554,615	780,580		24,749,144
<u>322,851</u>	<u>7,541,601</u>	<u>6,907,057</u>	<u>1,058,559</u>	<u>1,444,636</u>	<u>323,830</u>	<u>43,638,248</u>
	214,249	20,720	5,094	46,281	163,598	561,053
						173,332
20,132	103,043			180,727		485,393
	114,172	6,388				120,560
			46,560	35,000		92,814
338						3,266
			17,500			17,500
	90,000		118,945	45,442		806,806
	8,232,881	1,500,000	401,285	403,590		28,967,756
<u>20,470</u>	<u>8,754,345</u>	<u>1,527,108</u>	<u>589,384</u>	<u>711,040</u>	<u>163,598</u>	<u>31,228,480</u>
	(2,134,615)	1,849,066	34,385	331,548		428,233
	883,108					883,108
33,099		112,000	99,000	89,882	83,956	535,385
	40,148					45,246
						4,956,656
<u>269,282</u>	<u>(1,385)</u>	<u>3,418,883</u>	<u>335,790</u>	<u>312,166</u>	<u>76,276</u>	<u>5,561,140</u>
<u>\$ 302,381</u>	<u>\$ (1,212,744)</u>	<u>\$ 5,379,949</u>	<u>\$ 469,175</u>	<u>\$ 733,596</u>	<u>\$ 160,232</u>	<u>\$ 12,409,768</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Component Units Net Asset Information	Omar D Blair				
	Northeast Academy	Odyssey School	An Edison K-8 Charter School	Pioneer Charter School	Ridgeview Academy
ASSETS					
Assets:					
Cash and investments	\$ 433,676	\$ 279,479	\$ 443,106	\$ 768,957	\$ 1,183,169
Deposit held by Denver Public Schools	70,016	41,840		49,574	92,715
Receivables:					
Accounts		7,868	2,787	35,245	95,340
Grants					
Other	32,683				
Prepaid Expenses		15,962			
Restricted investments					
Other current assets		5,476			
Capital assets, net of accumulated depreciation:					
Not subject to depreciation					
Depreciable	94,136	93,317	9,494		785,132
TOTAL ASSETS	630,511	443,942	455,388	853,776	2,156,356
LIABILITIES					
Liabilities:					
Accounts payable	1,654	28,066	24,805	15,576	432,530
Grants payable					
Accrued payroll	70,410	10,556		126,249	
Accrued liabilities		9,757			
Deferred revenue	16,988	67,410			
Due to Denver Public Schools					
Lease Deposit					
Noncurrent liabilities:					
Due within one year					25,168
Due in more than one year		215			
TOTAL LIABILITIES	89,052	116,004	24,805	141,825	457,698
NET ASSETS					
Net Assets:					
Invested in capital assets, net of related debt	94,136	93,317	9,494		785,132
Debt service					
Restricted for emergencies	70,016	41,840	167,000	62,617	92,715
Restricted for capital outlays				181,977	
Restricted by donors for subsequent year				26,774	
Unrestricted (deficit)	377,307	192,781	254,089	440,583	820,811
TOTAL NET ASSETS (LIABILITIES)	\$ 541,459	\$ 327,938	\$ 430,583	\$ 711,951	\$ 1,698,658

Skyland Community High School	Southwest Early College	Urban Learning Communities	West Denver Preparatory	Wyatt- Edison	Total
\$ 105,455	\$ 357,778	\$ 132,694	\$ 49,728	\$ 441,023	\$ 13,061,441
23,508	70,173	80,020	19,080	126,524	1,103,820
150	140,934	32,024		142,889	1,037,032
20,610					209,641
					4,757,828
		4,904			97,516
					2,574,791
					151,475
		6,000			1,206,947
	47,621	152,370	2,354,420	1,826,456	30,112,090
149,723	616,506	408,012	2,423,228	2,536,892	54,312,582
13,808	328,288	76,869	11,589	2,496	1,496,734
					173,332
29,989	58,318	134,722			915,637
	37,986				168,303
920					178,132
					3,266
					17,500
	17,834	122,173	52,420	1,514,800	2,539,201
	18,747		2,004,602		30,991,320
44,717	461,173	333,764	2,068,611	1,517,296	36,483,425
	11,040	36,197	297,398	311,656	2,066,603
					883,108
23,508	70,173	80,612	19,080	159,000	1,321,946
25,650					252,873
		33,348			5,016,778
55,848	74,120	(75,909)	38,139	548,940	8,287,849
\$ 105,006	\$ 155,333	\$ 74,248	\$ 354,617	\$ 1,019,596	\$ 17,829,157

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Component Units Activities Information	Denver Public Schools Foundation	Academy of Urban Learning	Challenges, Choices, and Images	Cole College Prep	Colorado High School
Expenses:					
Instruction	\$	\$ 335,258	\$ 1,948,470	\$ 313,563	\$ 589,412
Supporting services		435,346	594,991	292,052	508,986
Depreciation			25,315		
Interest					
Program services	4,996,406				
Fundraising	268,257				
Management and general	370,524				
TOTAL EXPENSES	<u>5,635,187</u>	<u>770,604</u>	<u>2,568,776</u>	<u>605,615</u>	<u>1,098,398</u>
Program revenues:					
Charges for services			54,798	3,955	10,534
Operating/Capital grants and contributions		111,675	122,319	179,076	9,317
TOTAL PROGRAM REVENUES		<u>111,675</u>	<u>177,117</u>	<u>183,031</u>	<u>19,851</u>
NET PROGRAM EXPENSES	<u>(5,635,187)</u>	<u>(658,929)</u>	<u>(2,391,659)</u>	<u>(422,584)</u>	<u>(1,078,547)</u>
General revenues:					
Per pupil revenue		435,091	2,104,798	338,803	992,893
Capital construction funding		12,472	62,262		29,169
Property tax mill levy override		7,263	124,283	5,474	15,045
Investment earnings	352,475	4,252	6,514	609	11,994
Special Events	1,054,724				
Unrestricted grants and contributions	4,665,965	224,580			
Other	845,500	4,490		2,878	4,860
TOTAL GENERAL REVENUES	<u>6,918,664</u>	<u>688,148</u>	<u>2,297,857</u>	<u>347,764</u>	<u>1,053,961</u>
CHANGE IN NET ASSETS	1,283,477	29,219	(93,802)	(74,820)	(24,586)
BEGINNING NET ASSETS (LIABILITIES) - As Restated	<u>4,741,548</u>	<u>139,484</u>	<u>95,997</u>	<u>177,212</u>	<u>303,450</u>
ENDING NET ASSETS (LIABILITIES)	<u>\$ 6,025,025</u>	<u>\$ 168,703</u>	<u>\$ 2,195</u>	<u>\$ 102,392</u>	<u>\$ 278,864</u>

Community Challenge School	Denver Arts & Technology Academy	Denver School of Science & Technology	Highline Academy	KIPP Sunshine Peak Academy	Life Skills Center of Denver	Subtotal
\$ 783,829	\$ 1,603,500	\$ 2,110,814	\$ 1,661,375	\$ 1,937,637	\$ 723,281	\$ 12,007,139
432,415	1,324,611	1,365,699	1,521,562	994,610	1,749,091	9,219,363
						25,315
	660,575	75,000	44,799	36,185		816,559
	17,942					5,014,348
						268,257
						370,524
<u>1,216,244</u>	<u>3,606,628</u>	<u>3,551,513</u>	<u>3,227,736</u>	<u>2,968,432</u>	<u>2,472,372</u>	<u>27,721,505</u>
	20,440	141,077	117,807	60,936		409,547
189,888	303,422	2,131,641	225,989	558,559	252,184	4,084,070
<u>189,888</u>	<u>323,862</u>	<u>2,272,718</u>	<u>343,796</u>	<u>619,495</u>	<u>252,184</u>	<u>4,493,617</u>
<u>(1,026,356)</u>	<u>(3,282,766)</u>	<u>(1,278,795)</u>	<u>(2,883,940)</u>	<u>(2,348,937)</u>	<u>(2,220,188)</u>	<u>(23,227,888)</u>
1,121,425	2,869,870	2,275,328	2,923,456	2,196,259	2,135,416	17,393,339
33,173	84,692			64,977		286,745
14,664	172,758	54,858	153,133	31,936		579,414
15,404	48,700	150,997	10,338	39,193	2,370	642,846
						1,054,724
				45,884		4,936,429
<u>16,314</u>	<u>36,783</u>	<u>25,572</u>	<u>6,677</u>		<u>43,993</u>	<u>987,067</u>
<u>1,200,981</u>	<u>3,212,803</u>	<u>2,506,755</u>	<u>3,093,604</u>	<u>2,378,249</u>	<u>2,181,779</u>	<u>25,880,565</u>
174,625	(69,963)	1,227,960	209,664	29,312	(38,409)	2,652,677
<u>127,756</u>	<u>(1,142,781)</u>	<u>4,151,989</u>	<u>259,511</u>	<u>704,284</u>	<u>198,641</u>	<u>9,757,091</u>
<u>\$ 302,381</u>	<u>\$ (1,212,744)</u>	<u>\$ 5,379,949</u>	<u>\$ 469,175</u>	<u>\$ 733,596</u>	<u>\$ 160,232</u>	<u>\$ 12,409,768</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007

Component Units Activities Information	Northeast Academy	Odyssey School	Omar D Blair An Edison K-8 Charter School	Pioneer Charter School
Expenses:				
Instruction	\$ 1,410,612	\$ 1,141,777	\$ 2,598,635	\$ 1,329,236
Supporting services	1,314,729	571,786	2,996,938	771,473
Depreciation			14,011	
Interest				
Program services				
Fundraising				
Management and general				
TOTAL EXPENSES	<u>2,725,341</u>	<u>1,713,563</u>	<u>5,609,584</u>	<u>2,100,709</u>
Program revenues:				
Charges for services	56,808	92,764		
Operating/Capital grants and contributions	112,510	62,996	64,448	339,953
TOTAL PROGRAM REVENUES	<u>169,318</u>	<u>155,760</u>	<u>64,448</u>	<u>339,953</u>
NET PROGRAM EXPENSES	<u>(2,556,023)</u>	<u>(1,557,803)</u>	<u>(5,545,136)</u>	<u>(1,760,756)</u>
General revenues:				
Per pupil revenue	2,386,681	1,421,097	4,987,237	1,778,250
Capital construction funding	70,610	21,022	69,711	
Property tax mill levy override	157,568	112,226	280,899	137,008
Investment earnings	25,745	17,234	3,378	
Special Events				
Unrestricted grants and contributions	132,488	20,160		
Other	13,414	44,231		
TOTAL GENERAL REVENUES	<u>2,786,506</u>	<u>1,635,970</u>	<u>5,341,225</u>	<u>1,915,258</u>
CHANGE IN NET ASSETS	<u>230,483</u>	<u>78,167</u>	<u>(203,911)</u>	<u>154,502</u>
BEGINNING NET ASSETS (LIABILITIES) - As Restated	<u>310,976</u>	<u>249,771</u>	<u>634,494</u>	<u>557,449</u>
ENDING NET ASSETS (LIABILITIES)	<u>\$ 541,459</u>	<u>\$ 327,938</u>	<u>\$ 430,583</u>	<u>\$ 711,951</u>

<u>Ridgeview Academy</u>	<u>Skyland Community High School</u>	<u>Southwest Early College</u>	<u>Urban Learning Communities</u>	<u>West Denver Preparatory</u>	<u>Wyatt- Edison</u>	<u>Total</u>
\$ 2,863,907	\$ 617,943	\$ 1,075,267	\$ 2,153,912	\$ 677,442	\$ 3,547,869	\$ 29,423,739
1,974,983	375,227	1,642,446	691,558	685,203	1,733,563	21,977,269
					132,318	171,644
		2,292	14,362			833,213
						5,014,348
						268,257
						370,524
<u>4,838,890</u>	<u>993,170</u>	<u>2,720,005</u>	<u>2,859,832</u>	<u>1,362,645</u>	<u>5,413,750</u>	<u>58,058,994</u>
	5,813		36,373			601,305
<u>1,292,959</u>	<u>125,648</u>	<u>177,834</u>	<u>145,676</u>	<u>434,731</u>	<u>641,237</u>	<u>7,482,062</u>
<u>1,292,959</u>	<u>131,461</u>	<u>177,834</u>	<u>182,049</u>	<u>434,731</u>	<u>641,237</u>	<u>8,083,367</u>
<u>(3,545,931)</u>	<u>(861,709)</u>	<u>(2,542,171)</u>	<u>(2,677,783)</u>	<u>(927,914)</u>	<u>(4,772,513)</u>	<u>(49,975,627)</u>
3,260,897	877,282	2,461,522	2,380,287	689,535	4,223,197	41,859,324
		72,823		20,117		541,028
56,030	14,008	36,316		10,376	273,076	1,656,922
56,024	3,005	14,498	9,852	2,528		775,110
						1,054,724
		87,579		185,000	37,500	5,399,156
<u>52,845</u>	<u>2,121</u>	<u>19,298</u>	<u>154,045</u>	<u>65,626</u>	<u>190,827</u>	<u>1,529,474</u>
<u>3,425,796</u>	<u>896,416</u>	<u>2,692,036</u>	<u>2,544,184</u>	<u>973,182</u>	<u>4,724,600</u>	<u>52,815,738</u>
(120,135)	34,707	149,865	(133,599)	45,268	(47,913)	2,840,111
<u>1,818,793</u>	<u>70,299</u>	<u>5,468</u>	<u>207,847</u>	<u>309,349</u>	<u>1,067,509</u>	<u>14,989,046</u>
<u>\$ 1,698,658</u>	<u>\$ 105,006</u>	<u>\$ 155,333</u>	<u>\$ 74,248</u>	<u>\$ 354,617</u>	<u>\$ 1,019,596</u>	<u>\$ 17,829,157</u>



REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budget Basis)

General Fund

Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget to Actual</u>
REVENUES				
Taxes:				
Property taxes	\$ 294,574,346	\$ 295,287,730	\$ 296,328,888	\$ 1,041,158
Interest on delinquent taxes			146,653	146,653
Specific ownership taxes	<u>28,191,851</u>	<u>28,968,105</u>	<u>29,482,711</u>	<u>514,606</u>
Total taxes	<u>322,766,197</u>	<u>324,255,835</u>	<u>325,958,252</u>	<u>1,702,417</u>
Intergovernmental:				
State sources:				
Unrestricted grants-in-aid:				
State equalization	226,247,904	224,638,254	224,424,365	(213,889)
Restricted grants-in-aid:				
Special education	10,857,113	12,822,432	13,295,416	472,984
Transportation	4,735,808	4,214,051	4,202,041	(12,010)
Vocational education	709,735	593,696	538,612	(55,084)
Other state	<u>945,734</u>	<u>1,534,772</u>	<u>1,497,239</u>	<u>(37,533)</u>
Total state sources	<u>243,496,294</u>	<u>243,803,205</u>	<u>243,957,673</u>	<u>154,468</u>
Federal sources:	675,178	675,178	746,727	71,549
Charges for services - tuition	633,570	1,034,045	1,011,407	(22,638)
Investment income	3,242,071	3,242,071	4,791,043	1,548,972
Other local sources	<u>7,894,780</u>	<u>8,655,803</u>	<u>9,937,370</u>	<u>1,281,567</u>
TOTAL REVENUES	<u>578,708,090</u>	<u>581,666,137</u>	<u>586,402,472</u>	<u>4,736,335</u>

(Continued)

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

Schedule of Revenues, Expenditures, Encumbrances and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budget Basis)

General Fund

Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget to Actual</u>
EXPENDITURES AND ENCUMBRANCES				
Instruction:				
Regular	\$ 260,610,123	\$ 270,958,694	\$ 242,672,356	\$ 28,286,338
Special education	45,127,463	46,914,070	45,733,541	1,180,529
Vocational	3,173,543	3,661,267	3,017,422	643,845
Other	3,054,629	10,487,222	13,613,046	(3,125,824)
Total instruction	<u>311,965,758</u>	<u>332,021,253</u>	<u>305,036,365</u>	<u>26,984,888</u>
Support services:				
Pupil support	15,771,049	16,788,735	19,140,443	(2,351,708)
Instructional support	25,586,039	26,689,942	23,451,076	3,238,866
General administration	3,238,596	3,553,636	3,644,283	(90,647)
School administration	31,770,475	36,360,857	34,469,323	1,891,534
Business services	11,614,196	3,593,960	3,682,502	(88,542)
Operations & maintenance	45,975,919	46,778,330	46,719,090	59,240
Pupil transportation	18,310,243	19,080,842	17,036,284	2,044,558
Central services	19,967,550	29,183,540	30,087,749	(904,209)
Other services	369,658	518,110	900,736	(382,626)
Total support services	<u>172,603,725</u>	<u>182,547,952</u>	<u>179,131,486</u>	<u>3,416,466</u>
Community services	115,727	118,707	103,777	14,930
Contingency reserve	29,051,072	38,614,101		38,614,101
Compensation increase reserve	10,144,514			
Emergency reserve	1,711,972	1,711,972		1,711,972
Capital outlay	311,624	293,824	345,607	(51,783)
Debt service:				
Principal retirements	18,448,806	18,436,078	21,652,347	(3,216,269)
Interest and fiscal charges	21,083,074	21,095,802	21,215,810	(120,008)
Total debt service	<u>39,531,880</u>	<u>39,531,880</u>	<u>42,868,157</u>	<u>(3,336,277)</u>
Total expenditures and encumbrances	<u>565,436,272</u>	<u>594,839,689</u>	<u>527,485,392</u>	<u>67,354,297</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES				
	<u>13,271,818</u>	<u>(13,173,552)</u>	<u>58,917,080</u>	<u>72,090,632</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,103,137	1,450,512	1,366,164	(84,348)
Transfers out	(49,189,830)	(49,594,301)	(49,447,961)	146,340
Payment to refunded debt	(65,867,800)	(65,867,800)		65,867,800
Total other financing sources (uses)	<u>(113,954,493)</u>	<u>(114,011,589)</u>	<u>(48,081,797)</u>	<u>65,929,792</u>
NET CHANGE IN FUND BALANCE	<u>\$ (100,682,675)</u>	<u>\$ (127,185,141)</u>	10,835,283	<u>\$ 138,020,424</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>127,185,141</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 138,020,424</u>	

See notes to required supplementary budget information.

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

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (GAAP Basis)
Special Revenue Fund
Year ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget to Actual</u>
REVENUES				
Intergovernmental:				
State sources	\$ 8,035,560	\$ 9,762,795	\$ 9,887,192	\$ 124,397
Federal sources	77,556,426	89,936,625	71,753,335	(18,183,290)
Charges for services	9,128,410	9,123,251	8,901,671	(221,580)
Investment income	7,564	(1,833)	20,982	22,815
Other local sources	<u>21,990,243</u>	<u>18,655,018</u>	<u>15,792,861</u>	<u>(2,862,157)</u>
Total revenues	<u>116,718,203</u>	<u>127,475,856</u>	<u>106,356,041</u>	<u>(21,119,815)</u>
EXPENDITURES				
Instruction:				
Regular	31,952,488	35,416,282	27,722,751	7,693,531
Special education	12,259,644	12,468,885	12,249,600	219,285
Vocational	915,565	1,000,364	934,060	66,304
Other	<u>19,339,126</u>	<u>18,525,862</u>	<u>9,687,746</u>	<u>8,838,116</u>
Total instruction	<u>64,466,823</u>	<u>67,411,393</u>	<u>50,594,157</u>	<u>16,817,236</u>
Support services:				
Pupil support	7,331,146	8,480,346	6,916,857	1,563,489
Instructional support	28,304,053	34,124,916	27,993,348	6,131,568
General administration	39,762	74,557	119,788	(45,231)
School administration	1,682,564	1,852,241	2,028,013	(175,772)
Business services	287,492	527,013	586,370	(59,357)
Operations & maintenance	340,132	662,008	374,045	287,963
Pupil transportaion	1,263,696	1,263,696	727,025	536,671
Central services	876,575	861,052	787,149	73,903
Other support services	<u>3,350,212</u>	<u>3,852,893</u>	<u>3,088,209</u>	<u>764,684</u>
Total support services	<u>43,475,632</u>	<u>51,698,722</u>	<u>42,620,804</u>	<u>9,077,918</u>
Community services	6,300,890	6,554,510	2,872,547	3,681,963
Education for adults	14,097,004	14,620,794	13,065,090	1,555,704
Capital outlay	<u>2,247,526</u>	<u>2,334,032</u>	<u>194,477</u>	<u>2,139,555</u>
Total expenditures	<u>130,587,875</u>	<u>142,619,451</u>	<u>109,347,075</u>	<u>33,272,376</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(13,869,672)</u>	<u>(15,143,595)</u>	<u>(2,991,034)</u>	<u>12,152,561</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,492,514	7,349,709	7,158,420	(191,289)
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	
Total other financing sources	<u>7,242,514</u>	<u>7,099,709</u>	<u>6,908,420</u>	<u>(191,289)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (6,627,158)</u>	<u>\$ (8,043,886)</u>	3,917,386	<u>\$ 11,961,272</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>8,043,886</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 11,961,272</u>	

See notes to required supplementary budget information

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

Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (GAAP Basis)
ProComp Special Revenue Fund
Year ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES				
Investment income	\$ 1,085,137	\$ 1,086,284	\$ 1,317,906	\$ 231,622
Total revenues	<u>1,085,137</u>	<u>1,086,284</u>	<u>1,317,906</u>	<u>231,622</u>
EXPENDITURES				
Regular instruction	1,881,959	1,881,959	4,460,161	(2,578,202)
Support services:				
General administration	400,000	400,000	88,550	311,450
Reserves	<u>46,875,753</u>	<u>45,960,264</u>		<u>45,960,264</u>
Total expenditures	<u>49,157,712</u>	<u>48,242,223</u>	<u>4,548,711</u>	<u>43,693,512</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(48,072,575)	(47,155,939)	(3,230,805)	43,925,134
OTHER FINANCING SOURCES				
Transfers in	<u>25,218,286</u>	<u>25,575,562</u>	<u>25,620,511</u>	<u>44,949</u>
NET CHANGE IN FUND BALANCE	<u>\$ (22,854,289)</u>	<u>\$ (21,580,377)</u>	22,389,706	<u>\$ 43,970,083</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>21,580,377</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 43,970,083</u>	

See notes to required supplementary budget information

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

1. BUDGET BASIS OF ACCOUNTING

The schedule of revenue, expenditures, encumbrances and changes in fund balances - budget and actual has been prepared on the prescribed budget basis of accounting for the School District. For the general fund, 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 budget basis makes use of the cash basis of accounting for the general fund state transportation payment and forward delivery agreements.

A reconciliation of fund balance reported on the basis of GAAP and fund balance reported on the budget basis for the general fund is as follows:

	General Fund
GAAP basis	\$ 95,417,774
Add:	
Accrued payroll, exclusive of taxes payable	42,401,161
Deferred revenue for GAAP	7,408,439
Investment market value adjustment	57,997
Less:	
Encumbrances, net of inventory	4,434,970
Interest receivable	80,741
Transportation receivable	<u>2,749,236</u>
Non-GAAP budget basis	<u>\$138,020,424</u>

The Special Revenue and ProComp Special Revenue funds are budgeted on a GAAP basis, therefore the fund balances are the same.

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 budget basis of accounting. The most significant budgeted fund is the general fund.

Differences between the original budget and final budget for the general fund, totaled an increase of \$29.8 million and can briefly be summarized as follows:

- \$6.4 million in reappropriations as of June 30, 2007, balances for school programs
- \$5.7 million in additional salary turnover/hiring lag savings
- \$2.2 million in utility savings and less unemployment claims
- \$11.2 million in other beginning balance increases
- \$1.0 million one-time receipt of life insurance dividends
- \$1.9 million increase in tax abatement recovery
- \$1.1 million decrease in school finance act funding
- \$0.8 million increase in specific ownership taxes
- \$0.4 million increase in tuition
- \$1.3 million estimated increase in various other sources of revenue

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES AND THE LEASES

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES AND THE LEASES

Certain provisions of the 2008A Indenture, the 2008A Lease, the 2008B Indenture and the 2008B 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 provides information concerning the 2008 Certificates in the Term Rate Interest Rate Mode, the Weekly Rate Interest Rate Mode or the Monthly Rate Interest Rate Mode only. It is not intended for use in connection with any conversion of the 2008 Certificates to the Floating Rate Interest Rate Mode, the Auction Rate Interest Rate Mode or the Fixed Rate Interest Rate Mode.

This summary, the descriptions herein and the descriptions of provisions of the 2008A Indenture, the 2008A Lease, the 2008B Indenture and the 2008B Lease in the body of the Official Statement are qualified in all respects by reference to such documents. Copies of the 2008A Indenture, the 2008A Lease, the 2008B Indenture and the 2008B Lease may be obtained as described in “INTRODUCTION—Additional Information” in the body of the Official Statement.

2008A INDENTURE

Definitions

The following capitalized terms will have the following meanings in the summary of the 2008A Indenture in this Appendix:

“Additional Certificates” means any Certificates issued after the issuance of the 2008A Certificates as described in “SECURITY FOR 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; all amounts paid by the District to the Corporation to fund the Reserve Fund as described in “2008A LEASE—Payments to Reserve Fund” in this Appendix or to the Corporation to repay any draws made on any Qualified Reserve Fund Surety Bond on deposit in the Reserve Fund (except to the extent such amounts are required to be included in the calculation of Base Rentals as described in “2008A LEASE—Payment of Base Rentals in this Appendix); all amounts payable to the Trustee for its extraordinary fees, costs and expenses; all amounts payable to the 2008A Certificate Insurer under the Indenture and the Lease; and any Late Payment Fees; 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 .

“Acquired Property” means the 2008A Acquired Property and any other property acquired by the expenditure of proceeds of any Additional Certificates.

“Alternate Rate” means, as of any date, the One-Month LIBOR Rate for such date plus 1% per annum.

“Authorized Denomination” means, with respect to a Series of Certificates, if such Certificates are in a Variable Rate Interest Rate Mode, \$100,000 and \$5,000 multiples in excess thereof.

“Available Moneys” means, as applicable, with respect to the Redemption Price of the Certificates described in “THE 2008 CERTIFICATES – Redemption of 2008 Certificates” in the body of

this Official Statement, payment of the purchase price of Certificates tendered for purchase as described in ‘THE 2008 CERTIFICATES – Option Tenders for Purchase’ and – ‘Mandatory Tenders for Purchase’ in the body of this Official Statement, and defeasance of Certificates pursuant to the second paragraph of ‘2008A INDENTURE – Discharge of Indenture’ in this Appendix if and for so long as the Corporation is required to maintain a Liquidity Facility as described in ‘2008A INDENTURE – Liquidity Facility’ in this Appendix, the following:

(a) proceeds of the Certificates received contemporaneously with the issuance and sale of such Certificates from the Initial Purchasers thereof and held by the Trustee at all times since receipt of such proceeds in a separate and segregated account and not commingled with any other moneys held by the Trustee or in which only Available Moneys were at any time held, and the proceeds from the investment thereof;

(b) funds received by a Remarketing Agent as proceeds of the remarketing of Certificates to any person other than the District, the Corporation or an affiliate of the Corporation or the District, any person who is a guarantor of the payment of all or a portion of the principal or interest portions of the Base Rentals or the principal or interest on such Certificates (excluding the related Liquidity Provider and the Certificate Insurer) or any Person which is an ‘insider’ of the Corporation, the District, any such affiliate, or any such guarantor within the meaning of the United States Bankruptcy Code, which are held in a separate and segregated subaccount until applied;

(c) moneys realized under a Liquidity Facility in respect of such Certificates;

(d) moneys which have been on deposit with the Trustee as agent and bailee for the Owners for a period of at least 124 days (or one year in all cases if any moneys are paid either directly or indirectly by any Person who is an ‘insider,’ as defined in the United States Bankruptcy Code) and not commingled with any moneys so held for less than said period and during which no petition in bankruptcy is pending or has been filed by or against the Corporation (or other Persons who have made payment), under the United States Bankruptcy Code;

(e) proceeds of the issuance of refunding Certificates if, in the written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the District and the Trustee, the deposit and use of such proceeds will not constitute a voidable preference under Section 544 or Section 547 of the United States Bankruptcy Code in the case of bankruptcy of the Corporation, and that such ‘Available Moneys’ will not be recoverable from the payee thereof under the provisions of Section 550 of the United States Bankruptcy Code on account of the bankruptcy of any such party; or

(f) any other moneys if, in the written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the District, the Trustee and any Certificate Insurer, the deposit and use of such moneys will not constitute a voidable preference under Section 544 or Section 547 of the United States Bankruptcy Code in the case of bankruptcy of the Corporation, and that such Available Moneys will not be recoverable from the payee thereof under the provisions of Section 550 of the United States Bankruptcy Code on account of the bankruptcy of any such party; provided that such proceeds, moneys or income shall not be deemed to be Available Moneys or available for payment of the Certificates if, among other things an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment.

‘*Beneficial Owner*’ means a Person owning a Beneficial Ownership Interest in one or more Certificates, as evidenced to the satisfaction of the Trustee or the Tender Agent, as applicable.

“Beneficial Ownership Interest” means the beneficial right to receive payments and notices with respect to the Certificates which are held by the Securities Depository or its agent under a book-entry system.

“Base Rental Payment Date” means one of the dates in the “Base Rental Payment Date” column in Exhibit C to the Lease, as from time to time modified pursuant to the Indenture.

“Base Rentals” means the payments by the District as described in “2008A LEASE—Payment of Base Rentals” in this Appendix, for and in consideration of the right to use the Leased Property during the Lease Term.

“Bond Counsel” means (a) as of the date of issuance of the 2008A Certificates, Kutak Rock LLP, and (b) as of any other date, Kutak Rock LLP or such other attorneys selected by the District with nationally recognized expertise in the issuance of municipal securities.

“Book-entry form” or *“book-entry system”* means, with respect to the 2008A Certificates, a form or system, as applicable, under which (a) the Beneficial Ownership Interests may be transferred only through a book entry and (b) 2008A Certificates in fully registered and certificated form are registered only in the name of the Securities Depository or its nominee as Owner, with the physical 2008A Certificates “immobilized” in the custody of the Securities Depository or its agent. The book-entry system maintained by and the responsibility of the Securities Depository and not maintained by or the responsibility of the District or the Trustee is the record that identifies, and records the transfer of the interests of, the owners of book-entry interests in the 2008A Certificates.

“Business Day” means, with respect to any Series of Certificates, subject to the definition of “Business Day” with respect to Certificates in an Auction Period Rate Interest Rate Mode set forth in Appendix C-1 to the Indenture, any day other than a Saturday, a Sunday, a day on which commercial banks located in the District in which the Operations Center of the Trustee is located, or, if applicable, the respective principal offices of the Remarketing Agent or Tender Agent for such Certificates or the office of the Liquidity Provider for such Certificates at which requests for payment are made, are located, are required or authorized to remain closed, or a day on which the New York Stock Exchange is closed.

“Certificate Fund” means the special fund as described in “2008A INDENTURE—Certificate Fund” in this Appendix.

“Certificate Fund Investment Agreement” means the Certificate Fund Forward Delivery Agreement dated as of February 12, 2003, as amended by the First Amendment to Certificate Fund Forward Delivery Agreement dated as of March 24, 2005 and the Second Amendment to Certificate Fund Forward Delivery Agreement dated as of April 24, 2008, each by and among the Corporation, the Trustee and the Certificate Fund Investment Provider.

“Certificate Fund Investment Provider” means JPMorgan Chase Bank, National Association, in its capacity as provider under the Certificate Fund Investment Agreement.

“Certificate Insurance Policy” means any insurance policy issued by a Certificate Insurer insuring the payment when due of the principal of and interest on a Series of Certificates as provided in such policy.

“Certificate Insurer” means the issuer of any Certificate Insurance Policy with respect to a Series of Certificates.

“Certificate Purchase Agreement” means the agreement pursuant to which the Certificates of a Series are sold to the Initial Purchaser thereof.

“*Certificate Purchase Date*” means any Certificate Purchase Date as defined and provided for in “THE 2008 CERTIFICATES – Optional Tenders for Purchase” and “- Mandatory Tenders for Purchase” in the body of this Official Statement.

“*Certificate Purchase Fund*” means the special fund as described in “2008A INDENTURE—Certificate Purchase Fund” in this Appendix.

“*Certificates*” means, collectively, the 2008A Certificates and any Additional Certificates.

“*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.

“*Cost-of-Funds Swap*” means a Hedge Facility pursuant to which the Hedge Provider agrees to pay, with respect to any Certificates bearing interest at a Variable Rate, the actual interest borne by such Certificates (as the same may change pursuant to the terms of the Indenture). Any Hedge Facility that is a Cost-of-Funds Swap will cease to be a Cost-of-Funds Swap on and as of any date on which, pursuant to the terms thereof, the Regularly Scheduled Hedge Payments to be made by the Hedge Provider thereunder are not required to be paid in amounts equal to the actual interest borne by the related Certificates. The 2008A Hedge Facility is not initially a Cost-of-Funds Swap.

“*Costs*” or “*Costs of the Project*” means, with respect to each Project and the Certificates 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) the purchase price, and other costs incurred in connection with the purchase, of the Acquired Property or obtaining, or confirming, the title thereto;

(b) obligations incurred or assumed for labor, materials and equipment in connection with the Project;

(c) 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;

(d) 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;

(e) 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;

(f) all costs which are required to be paid under the terms of any Project Contract;

(g) all costs which are considered to be a part of the costs of the Project in accordance with generally accepted accounting principles;

(h) interest on the Certificates 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;

(i) payments to the Reserve Fund or any account thereof to establish or maintain the Reserve Fund Requirement;

(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, but not limited to, any fees and expenses of the Corporation prior to the Completion Date, any fees and expenses of the Initial Purchaser, the Trustee, any Remarketing Agent, the Tender Agent, the Auction Agent, any Liquidity Provider, any Hedge Provider, the Certificate Insurer, the Custodian, and the Certificate Fund Investment Provider 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.

“Custodial Agreement” means any custodial agreement entered into by and among the Corporation, the Custodian and a Hedge Provider with respect to any collateral required to be posted by such Hedge Provider pursuant to a credit support annex to the related Hedge Facility.

“Custodian” means the Trustee, acting in its capacity as custodian pursuant to any Custodial Agreement.

“Defeasance Securities” means: (a) cash, (b) non-callable direct obligations of the United States (“Treasuries”), (c) evidences of ownership or proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (d) subject to the prior written consent of the 2008A Certificate Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, (e) subject to the prior written consent of the 2008A Certificate Insurer, securities eligible for “AAA” defeasance under then existing criteria of S&P, or (f) any combination thereof.

“Default” means any Event of Default under any Liquidity Facility then in effect.

“Direct Participant” means a Participant as defined in the Letter of Representations.

“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 and the Trustee.

“Eligible Account” means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a short-term debt rating from S&P of at least “A-2” (or, if no short-term debt rating, a long-term debt rating from S&P of “BBB+”); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary fund son deposit similar to Title 12 of the U.S. Code of Federal Regulations Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

“Event of Default” means, with respect to the Lease, an event as described in “2008A LEASE—Events of Default and Remedies—Events of Default” in this Appendix and with respect to the Indenture, an event described in “2008A INDENTURE—Defaults and Remedies—Events of Default” in this Appendix.

“Event of Nonappropriation” means an event described in “2008A LEASE—Event of Nonappropriation” in this Appendix.

“Fee Retention Fund” means the special fund as described in “2008A INDENTURE—Fee Retention Fund” in this Appendix.

“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.

“Fixed Rate” means the fixed rate of interest per annum determined by the Remarketing Agent for any Series of Certificates, on the Interest Rate Determination Date immediately preceding the Fixed Rate Conversion Date for such Certificate, to be the lowest interest rate from the Fixed Rate Conversion Date to the final maturity date of such Certificates, in the judgment of such Remarketing Agent (taking into consideration current transactions and comparable securities with which such Remarketing Agent is involved or of which it is aware and prevailing financial market conditions) at which, as of such Interest Rate Determination Date, such Certificates could be remarketed at par, plus accrued interest (if any) on the Fixed Rate Conversion Date; provided that in no event shall the Fixed Rate exceed the Maximum Rate.

“Floating Rate” means the rate of interest per annum determined by the Remarketing Agent for a Series of Certificates on the Interest Rate Determination Date immediately preceding the applicable Interest Rate Adjustment Date, to be a per annum rate equal to (a) the Three Month LIBOR Rate for such period plus (b) a per annum spread equal to a certain number basis points; provided that in no event shall the Floating Rate exceed the Maximum Rate.

“Guaranty Agreement” means any agreement entered into by the Corporation and any Certificate Insurer relating to the obligations of the Corporation with respect to a Qualified Reserve Fund Policy issued by such Certificate Insurer.

“Hedge Facility” means any rate swap transaction, rate swap option or swaption transaction, basis swap transaction, cap transaction, floor transaction, collar transaction, or other similar transaction, which is intended to convert or limit the interest rate or debt service payable with respect to any Certificates.

“Hedge Facility Basis Deficiency” means the amount, if any, by which (a) the amount payable by a Hedge Provider pursuant to the related Hedge Facility on any Interest Payment Date with respect to the Series of Certificates to which such Hedge Facility relates is less than (b) the amount of interest payable by the Corporation pursuant to the related Hedge Facility on such Interest Payment Date.

“Hedge Facility Basis Excess” means the amount, if any, by which (a) the amount payable by a Hedge Provider pursuant to the related Hedge Facility on any Interest Payment Date with respect to the Series of Certificates to which such Hedge Facility relates exceeds (b) the amount of interest payable by the Corporation pursuant to the related Hedge Facility on such Interest Payment Date.

“Hedge Provider” means the counterparty to the Corporation under any Hedge Facility.

“Indenture” means the 2008A Mortgage and Indenture of Trust dated as of April 24, 2008 between the Corporation and the Trustee and any amendment or supplement thereto.

“Indirect Participant” means a person utilizing the book-entry system of the Securities Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

“Initial Purchaser” means (a) with respect to the 2008A Certificates, J.P. Morgan Securities Inc., and (b) with respect to any Additional Certificates, the purchasers designated as such in any Supplemental Indenture.

“Interest Mode Conversion Date” means the date on which the interest rate on the Certificates of any Series converts from the Interest Rate Mode applicable to such Certificates prior to such date to a new Interest Rate Mode. An Interest Mode Conversion Date is an Interest Rate Adjustment Date for the Interest Rate Mode in effect prior to such change.

“Interest Payment Date” or *“Interest Payment Dates”* means (a) for any Certificates in a Weekly Rate Interest Rate Mode, a Monthly Rate Interest Rate Mode or a Term Rate Interest Rate Mode, the 15th day of each calendar month following a month in which interest at such rate has accrued, commencing, with respect to the 2008A Certificates, on May 15, 2008, and (b) for any Liquidity Provider Certificates, the dates set forth therefor pursuant to the applicable Liquidity Facility, or, if no dates are set forth therein, the dates otherwise applicable pursuant to the provisions of this definition, and (f) for all Certificates, each Interest Mode Conversion Date, mandatory sinking fund redemption date therefor and the maturity date applicable thereto.

“Interest Rate Adjustment Date” means any date on which the interest rate on any Certificates may be adjusted (other than Liquidity Provider Certificates), either as the result of the conversion of the Interest Rate Mode for such Certificates to a different Interest Rate Mode, or by adjustment of the interest rate on such Certificates within the applicable Interest Rate Mode. The Interest Rate Adjustment Date shall be the Interest Mode Conversion Date and thereafter, for each succeeding Interest Rate Period: (a) the day following the last day of a Term Rate Period if such Certificates are in the Term Rate Interest Rate Mode; (b) the second day of a calendar month if such Certificates are in the Monthly Rate Interest Rate Mode; and (c) Wednesday of each week if such Certificates are in the Weekly Rate Interest Rate Mode.

“Interest Rate Determination Date” is defined in “THE 2008 CERTIFICATES—Interest Rate Modes—General” in the body of this Official Statement.

“Interest Rate Mode” means any of those modes of interest with respect to the Certificates permitted by the applicable Indenture, specifically the Weekly Rate, the Monthly Rate, the Term Rate, the Floating Rate, the Fixed Rate and the Auction Rate.

“*Interest Rate Period*” is defined in “THE 2008 CERTIFICATES—Interest Rate Modes—General” in the body of this Official Statement.

“*Late Payment Fee*” means a fee paid by the District to the Corporation as an Additional Rental for each day for which any amount of Base Rentals then due and owing shall not have been paid by the District, from and including the applicable Base Rental payment date, as specified in Exhibit C to the Indenture, to but excluding the date which is the earlier of (i) the date on which all Base Rentals and any Late Payment Fees then due and owing are paid by the District and (ii) the date on which the obligation to pay such Late Payment Fees shall have been satisfied pursuant to provisions as described in “2008A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2008A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, Auction Agent and Tender Agent with Respect to Portions of Leased Property In Which First Priority Interest Has Ceased” in this Appendix. The Late Payment Fee will be equal to the interest, computed at the rate of 1.0% over the Prime Rate (as published in the Wall Street Journal for such day), on an annualized basis, on the amount of such Base Rentals then due and unpaid on each such day.

“*Late Payment Fee Fund*” means the special fund created as described in “2008A INDENTURE—Late Payment Fee Fund” in this Appendix.

“*Lease*” means the 2008A Lease Agreement dated as of April 24, 2008 between the Corporation and the District and any amendment or supplement thereto.

“*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 as described in “2008A INDENTURE—Reserve Fund” in this Appendix; and (g) any other moneys to which the Trustee may be entitled for the benefit of the Owners.

“*Lease Term*” has the meaning as described in “2008A LEASE—Lease Term” in this Appendix.

“*Leased Property*” means the 2008A Leased Property and any other property that may be defined as part of the Leased Property by any Supplemental Indenture.

“*Letter of Representations*” means any Letter of Representations from the Corporation, the Trustee, the Tender Agent and the applicable Remarketing Agent to the Securities Depository in connection with the issuance of a Series of Certificates in a book-entry system, as supplemented and amended from time to time, or any blanket letter of representations from the Corporation to the Securities Depository relating to Certificates in a book-entry system, as supplemented and amended from time to time.

“*Liquidity Facility*” means the line of credit, surety bond, standby certificate purchase agreement, insurance policy or other agreement or instrument under which any Person (other than the District) undertakes to make or provide funds to pay the purchase price of any Series of Certificates tendered or deemed tendered for purchase which are not successfully remarketed, delivered to and received by the Tender Agent. All references to “Liquidity Facility” shall: (a) include any Substitute Liquidity Facility, (b) include any reimbursement agreement or similar agreement pursuant to which the Liquidity Facility is issued and (c) be of no effect with respect to a Series of Certificates at any time that the purchase price of such Certificates tendered or deemed tendered for purchase is not payable from a Liquidity Facility. Any assignment of the Liquidity Facility shall be treated as a substitution of the Liquidity Facility.

“*Liquidity Provider*” means the issuer of any Liquidity Facility then in effect.

“Liquidity Provider Certificates” means Certificates tendered or deemed tendered for purchase by the Owners thereof which have been purchased by the related Liquidity Provider under the related Liquidity Facility as described in “2008A INDENTURE - Delivery of Purchased 2008A Certificates or Beneficial Ownership Interests and Remarketing of 2008A Liquidity Provider Certificates” in this Appendix and held by or on behalf of such Liquidity Provider in accordance with such Liquidity Facility.

“Liquidity Provider Rate” means, when a Liquidity Facility is in effect, the rate specified as such under such Liquidity Facility.

“London Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the City of London, United Kingdom.

“Mandatory Liquidity Facility Tender” means the mandatory tender of Certificates (other than Certificates owned by or on behalf of the Corporation or the District and Liquidity Provider Certificates) described under “THE 2008 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Liquidity Facility Tender” in the body of this Official Statement upon receipt by the Tender Agent of notice from the Liquidity Provider for such Certificates given pursuant to the related Liquidity Facility that a Default for which the Liquidity Provider is permitted to terminate the Liquidity Facility upon prior notice has occurred and is continuing and giving the date of termination of such Liquidity Provider’s obligation to purchase such Certificates pursuant to the 2008A Liquidity Facility.

“Maximum Liquidity Provider Rate” means the maximum rate of interest to be borne by any Liquidity Provider Certificates pursuant to the related Liquidity Facility.

“Maximum Rate” means the lesser of 18% per annum or the maximum rate permitted by law.

“Monthly Rate” is defined in “THE 2008 CERTIFICATES—Interest Rate Modes—Interest Rate Modes” in the body of this Official Statement.

“Moody’s” means Moody’s Investor Service and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities credit rating agency, “S&P” shall be deemed to mean any other nationally recognized securities credit rating agency designated in a written notice to the Trustee, executed by the Corporation, at the written direction of the District, subject to the prior written consent of each Liquidity Provider and each Certificate Insurer.

“Net Regularly Scheduled Hedge Payment” means, with respect to any period for which Base Rentals are paid, the difference between (a) the Regularly Scheduled Hedge Payment required to be paid by the Corporation to each Hedge Provider during such period and (b) the Regularly Scheduled Hedge Payment required to be paid by each Hedge Provider to the Corporation for such period.

“Net Proceeds,” when used with respect to the 2008A Leased Property, means (a) the gross proceeds received from any event as described in “2008A LEASE—Replacement and Substitution of Equipment” or “2008A 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.

“One-Month LIBOR Rate” means the rate for deposits in U.S. dollars with a one-month maturity that appears on Telerate Page 3750 (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers’ Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the day that is two London Banking Days preceding the first day of such period, except that, if such rate does not appear on such page, the “One-Month LIBOR Rate” means a rate determined on the basis of the rates at which deposits in U.S. dollars for a One-Month maturity and in a principal amount of at least U.S. \$1,000,000

are offered at approximately 11:00 a.m. London time, on the day that is two London Banking Days preceding the first day of such period, to prime banks in the London interbank market by four major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the Remarketing Agent. The Remarketing Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the One-Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the One-Month LIBOR Rate will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Remarketing Agent, at approximately 11:00 a.m., New York City time, on the day that is two London Banking Days preceding the first day of such period for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a one-month maturity. If the banks in New York City selected by the Remarketing Agent are not then quoting rates for such loans, then the “One-Month LIBOR Rate” for the ensuing interest period will mean the One-Month LIBOR rate in effect in the immediately preceding interest period.

“*Operations Center*” means, with respect to the Trustee, the office of the Trustee at Minneapolis, Minnesota or such other or additional offices as may be specified by the Trustee in a notice to the District, each Liquidity Provider, each Hedge Provider, each Remarketing Agent, each Auction Agent and the Tender Agent.

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

“*Outstanding*” means all Certificates which have been executed and delivered, except:

- (a) Certificates canceled or which have been surrendered to the Trustee for cancellation;
- (b) Certificates deemed to be tendered in accordance with “2008A INDENTURE—General Provisions Relating to Tenders” in this Appendix;
- (c) Certificates in lieu of which other Certificates have been executed as described in “2008A INDENTURE—Mutilated, Lost, Stolen or Destroyed Certificates” and “—Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates” in this Appendix;
- (d) Certificates which have been redeemed as provided under the Indenture (including Certificates redeemed on payment of an amount less than the outstanding principal thereof and accrued interest thereon to the redemption date as described in “THE 2008 CERTIFICATES—Redemption of 2008 Certificates—Redemption of 2008A Certificates and 2008B Certificates in Whole Upon an Event of Nonappropriation or Event of Default);
- (e) Certificates which are due and for which the Trustee holds funds for the benefit of the Owner thereof as described in “2008A INDENTURE—Moneys to be Held in Trust” in this Appendix;
- (f) Certificates which are otherwise deemed discharged as described in “2008A INDENTURE—Discharge of Indenture” in this Appendix; and
- (g) Certificates owned by or on behalf of the Corporation and the District.

“*Owner*” of a Certificate means the registered owner of any Certificate as shown in the registration records of the Trustee.

“*Permitted Encumbrances*,” when used with respect to the 2008A Leased Property, has the meaning set forth in the Lease.

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

(a) (i) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”); (ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (iv) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated;

(b) Federal Housing Administration debentures;

(c) the following listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(i) Federal Home Loan Mortgage Corporation (FHLMC):

(A) Participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(B) Senior debt obligations;

(ii) Farm Credit Banks (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives): Consolidated system-wide bonds and notes;

(iii) Federal Home Loan Banks (FHL Banks): Consolidated debt obligations;

(iv) Federal National Mortgage Association (FNMA):

(A) Senior debt obligations;

(B) Mortgage-backed securities (excluding stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(v) Student Loan Marketing Association (SLMA): Senior debt obligations (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(vi) Financing Corporation (FICO): Debt obligations; and

(vii) Resolution Funding Corporation (REFCORP): Debt obligations;

(d) unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which, when acquired, are rated “A-1” or better by S&P;

(e) deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million;

(f) commercial paper (having original maturities of not more than 270 days) rated, when acquired, “A-1+” by S&P and “Prime-1” by Moody’s;

(g) money market funds rated “AAm” or “AAm-G” by S&P, or better;

(h) “State Obligations,” which means:

(i) direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which, when acquired, is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

(ii) direct general short-term obligations of any state agency or subdivision or agency thereof described in clause (h)(i) above and rated, when acquired, “A-1+” by S&P and “MIG-1” by Moody’s; and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in clause (h)(i) above and rated, when acquired, “AA” or better by S&P and “Aa” or better by Moody’s;

(i) pre-refunded municipal obligations rated, when acquired, “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity, or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(ii) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(iii) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(iv) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(v) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(vi) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) repurchase agreements: with (i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and at least “A2” by Moody’s; (ii) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (iii) any other entity rated “A” or better by S&P and Moody’s and acceptable to the Certificate Insurer; provided that:

(A) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

(B) the Trustee or a third party acting solely as agent therefor or for the Corporation (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(C) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(D) all other requirements of S&P in respect of repurchase agreements shall be met; and

(E) the repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Certificate Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Corporation or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in clause (j)(i) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA” by S&P and “Aa2” by Moody’s; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Certificates;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the Corporation and the Trustee agree in the Indenture to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iv) the Corporation or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Corporation and the Certificate Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Certificate Insurer;

(v) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (1) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Corporation, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (2) repay the principal of and accrued but unpaid interest on the investment; and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Certificate Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Corporation or Trustee;

(vi) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (which means that, in the case of bearer securities, the Holder of the Collateral is in possession); and

(vii) the investment agreement must provide that if during its term:

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Certificate Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate; and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate.

“*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 the 2008A Project 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 “2008A LEASE—District’s Purchase Option” in this Appendix.

“*Qualified Reserve Fund Policy*” means a surety bond, a letter of credit, 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 issued by an insurance company or other such financial institution rated, at the time such undertaking is entered into, in the highest rating category by S&P and Moody’s.

“*Rating Agency*” means each nationally recognized securities rating agency then maintaining a rating on the Certificates of any Series and initially means Moody’s and S&P.

“*Record Date*” means with respect to any Certificate in a Weekly Rate Interest Rate Mode, a Monthly Rate Interest Rate Mode or a Term Rate Interest Rate Mode, the Business Day immediately preceding an Interest Payment Date applicable to that Certificate.

“*Redemption Date*” means the date fixed for the redemption prior to their respective maturities of any Certificates in any notice of prior redemption or otherwise fixed and designated by the District.

“*Redemption Price*” means the principal amount of any Certificate plus the applicable premium, if any, payable upon the redemption thereof prior to the stated maturity date of such Certificate on a Redemption Date in the manner contemplated in accordance with the terms of such Certificate.

“*Regularly Scheduled Hedge Payments*” means the regularly scheduled payments by the Corporation or the applicable Hedge Provider, as applicable, which are, with respect to the 2008A Hedge Facility, described in Section 2 of the Confirmation which is included in the 2008A Hedge Facility, and, with respect to any other Hedge Facility, any equivalent payments to be made under such other Hedge Facility. “Regularly Scheduled Hedge Payments” do not include any other amounts payable pursuant to a Hedge Facility, including, without limitation, any fees or amounts payable by the Corporation in connection with a default under, or termination of, such Hedge Facility.

“*Regularly Scheduled Liquidity Commitment Fees*” means, with respect to the initial 2008A Liquidity Facility, the regularly scheduled payments by the Corporation made pursuant to Section 3.2(a) of the initial 2008A Liquidity Facility and any equivalent payments to be made under a Substitute Liquidity Facility, and, with respect to any other Certificates, means any equivalent payments to be made under any Liquidity Facility relating to such Certificates. “Regularly Scheduled Liquidity Commitment

Fees” do not include any other amounts payable pursuant to any Liquidity Facility, including, without limitation, any fees or amounts payable by the Corporation in connection with a default under, or termination of, such Liquidity Facility.

“*Remarketing Agent*” means a Person meeting the qualifications of “2008A INDENTURE—Qualifications of Remarketing Agent” in this Appendix and designated from time to time by the District to act as Remarketing Agent under “2008A INDENTURE—Remarketing Agent” in this Appendix and under a Remarketing Agreement then in effect between such Person and the Corporation.

“*Remarketing Agreement*” means an agreement between the Corporation and any Remarketing Agent governing the duties of such Remarketing Agent under the Indenture and with respect to the Series of Certificates the which such agreement relates, when such an agreement is in effect..

“*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 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 issues.

“*Reserve Fund*” means the special fund created as described in “2008A INDENTURE—Reserve Fund” in this Appendix and in “SECURITY FOR THE CERTIFICATES—Reserve Fund” in the body of this Official Statement.

“*Reserve Fund Requirement*” means (a) for the 2008A Certificates, an amount equal to \$41,839,825.28 and (b) for any Series of Additional Certificates for which a deposit to the Reserve Fund is required, the amount set forth in the Supplemental Indenture authorizing the issuance of such Certificates.

“*S&P*” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities credit rating agency, “S&P” shall be deemed to mean any other nationally recognized securities credit rating agency designated in a written notice to the Trustee, executed by the Corporation, at the written direction of the District, subject to the prior written consent of each Liquidity Provider and each Certificate Insurer.

“*Securities Depository*” means, with respect to the Certificates of a Series, any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in such Certificates, and to effect transfers of book entry interests in such Certificates in book entry form, and includes and means initially, with respect to the 2008A Certificates, The Depository Trust Company (a limited purpose trust company), New York, New York.

“*Series*” means the 2008A Certificates and any other series of Certificates designated as such by a Supplemental Indenture.

“*SIFMA Municipal Swap Index*” means The Securities Industry and Financial Markets Association® Municipal Swap Index as disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor, for the most recently preceding Business Day.

“*Special Record Date*” means a special date fixed to determine the names and addresses of Owners of Certificates for purposes of paying defaulted interest as described in “THE 2008 CERTIFICATES—Payment Provisions” in the body of this Official Statement.

“*Stabilization Account Cap*” initially means \$2,100,000; provided that such requirement may be increased by Supplemental Indenture in connection with the issuance of any Additional Certificates.

“*Stabilization Account Requirement*” initially means \$1,800,000; provided that such requirement may be increased by Supplemental Indenture in connection with the issuance of any Additional Certificates.

“*State*” means the state of Colorado.

“*Stated Termination Date*” means the stated date upon which any Liquidity Facility by its terms expires, as the same may be extended from time to time.

“*Substitute Liquidity Facility*” means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other agreement or instrument under which any Person (other than the District) undertakes to make or provide funds to pay the purchase price of a Series of Certificates tendered or deemed tendered for purchase which are not successfully remarketed, delivered to and received by the Tender Agent that: (a) replaces the then existing Liquidity Facility related to such Certificates; (b) is dated as of a date prior to the Stated Termination Date of such then existing Liquidity Facility; (c) expires on a date which is later (but not earlier) than the Stated Termination Date of such then existing Liquidity Facility, and has a stated amount equal to the sum of (i) the aggregate principal amount of the Certificates of such Series at the time Outstanding, plus not less than (ii) an amount equal to (A) 35 days’ interest on all Outstanding such Certificates if such Certificates bear interest at the Weekly Rate, or the Monthly Rate, or (B) if such Certificates bear interest at the Term Rate, the greater of (1) 35 days’ interest on all such Outstanding Certificates or (2) such number of days of interest on all outstanding such Certificates as may be required by each Rating Agency then maintaining a rating on such Certificates to continue its rating, in each case computed at the Maximum Rate; (d) meets the conditions therefor under the third paragraph of “2008A INDENTURE – Liquidity Facility”; and (e) is approved by the Certificate Insurer, if any, for such Series.

“*Substitute Liquidity Provider*” means the one or more commercial banks, trust companies, insurance companies or other entities which provide any Substitute Liquidity Facility.

“*Substitution Date*” means the day on which a Substitute Liquidity Facility becomes effective.

“*Supplemental Indenture*” means any indenture supplementing or amending the Indenture that is adopted as described in “2008A INDENTURE—Supplemental Indentures Not Requiring Consent of Owners” and “—Supplemental Indentures Requiring Consent of Owners” in this Appendix.

“*Tender Agent*” means the Trust Bank acting as tender agent with respect to the Certificates pursuant to “2008A INDENTURE—Tender Agent” in this Appendix.

“*Term Rate*” is defined in “THE 2008 CERTIFICATES—Interest Rate Modes—Interest Rate Modes” in the body of this Official Statement.

“*Term Rate Period*” is defined in “THE 2008 CERTIFICATES—Interest Rate Modes—Interest Rate Modes” in the body of this Official Statement.

“*Trust Bank*” means a commercial bank which is authorized to exercise and is exercising trust powers located within or without the State, and also means any branch of the Federal Reserve Bank.

“*Trust Estate*” means the property mortgaged, pledged and assigned to the Trustee pursuant to the granting clauses in the preambles to the Indenture. The Trust Estate does not include the Corporation Fund, the Certificate Purchase Fund, or any escrow accounts established as described in “2008A INDENTURE—Discharge of Indenture” in this Appendix.

“*Trustee*” means Wells Fargo Bank, National Association, acting in the capacity of trustee pursuant to the Indenture, and any successor thereto appointed 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.

“*2008A Acquired Property*” means the property acquired by the Corporation and subsequently leased to the District as the 2008A Leased Property pursuant to the Lease.

“*2008A Certificate Insurance Policy*” means the municipal bond insurance policy issued by the 2008A Certificate Insurer guaranteeing the scheduled payment of the principal of and interest on the 2008A Certificates when due as provided therein.

“*2008A Certificate Insurer*” means Financial Security Assurance Inc., a New York stock insurance company, and its successors and assigns, as Certificate Insurer for the 2008A Certificates.

“*2008A Certificate Purchase Agreement*” means the 2008A Certificate Purchase Agreement dated as of April 22, 2008 between the Corporation and the Initial Purchaser of the 2008A Certificates.

“*2008A Certificates*” means the Taxable Variable Rate Certificates of Participation, Series 2008A authorized by the Indenture as described in the body of this Official Statement.

“*2008A Custodial Agreement*” means the Custodial Agreement relating to the 2008A Hedge Facility, by and among the 2008A Hedge Provider, the Corporation, and the Custodian, as custodian.

“*2008A Hedge Facility*” means the Hedge Facility relating to the 2008A Certificates, consisting of the ISDA Master Agreement dated as of the date of the Indenture with respect to the 2008A Certificates, the Schedule to the Master Agreement dated as of the date of the Indenture and the Confirmation: Series 2008A relating thereto dated as of the date of the Indenture, each between the Corporation and the 2008A Hedge Provider.

“*2008A Hedge Provider*” means JPMorgan Chase Bank, National Association, in its capacity as counterparty to the Corporation under the 2008A Hedge Facility.

“*2008A Leased Property*” means the land described in Appendix B to the Indenture (which is the same land described in Appendix A to the Lease), and the improvements described in Appendix B to the Lease.

“*2008A Liquidity Facility*” means the Liquidity Facility relating to the 2008A Certificates, initially the Standby Purchase Agreement dated as of the date of the Indenture between the Corporation and the initial 2008A Liquidity Provider.

“*2008A Liquidity Provider*” means the provider of the 2008A Liquidity Facility, initially Dexia Crédit Local, acting through its New York Branch, and its successors and assigns.

“*2008A Liquidity Provider Certificates*” means Liquidity Provider Certificates held by the 2008A Liquidity Provider.

“*2008A Project*” means the application by the Corporation of the portion of the proceeds of the 2008A Certificates described in the Indenture to the acquisition by the Corporation of the 2008A Acquired Property and the defeasance of (a) the 1997 Certificates maturing in the years 2008, 2009,

2010, 2011, 2012, 2013, 2014, 2015 and 2016 and (b) all of the 2005A Certificates and 2005B Certificates.

“*2008A Remarketing Agent*” means the Person designated by the District to act as Remarketing Agent for the 2008A Certificates, initially RBC Capital Markets Corporation, and its successors and assigns.

“*2008A Remarketing Agreement*” means the Remarketing Agreement between the Corporation and the 2008A Remarketing Agent relating to the remarketing of the 2008A Certificates.

“*2008A Reserve Fund Policy*” means the Qualified Reserve Fund Policy issued by the 2008A Certificate Insurer guaranteeing certain payments into the Reserve Fund as provided therein and subject to the limitations set forth therein.

“*U.S. Government Securities Business Day*” means any day except for a Saturday, a Sunday, or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading U.S. government securities

“*Variable Rate*” means the Weekly Rate, the Monthly Rate or the Term Rate. “Variable Rate” does not include the Auction Rate, the Floating Rate or the Fixed Rate.

“*Weekly Rate*” is defined in “THE 2008 CERTIFICATES—Interest Rate Modes—Interest Rate Modes” in the body of this Official Statement.

2008A Certificate Details

The Certificates designated as the “Taxable Variable Rate Certificates of Participation, Series 2008A, evidencing proportionate and 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 2008A Lease Agreement dated as of April 24, 2008” (the “2008A Certificates”) will be issued in the aggregate principal amount of \$450,000,000. The 2008A Certificates will be dated as of the date of their issuance and will mature on December 15, 2037, subject to prior redemption as set forth in the Indenture. The 2008A Certificates will bear interest at a Variable Rate, a Floating Rate, an Auction Rate or a Fixed Rate, all as more specifically described in “THE 2008 CERTIFICATES—Interest Rate Modes” in the body of this Official Statement. The 2008A Certificates will bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from their date of issuance, payable initially on May 15, 2008 and thereafter on each Interest Payment Date. Interest will accrue on 2008A Liquidity Provider Certificates, if any, as provided in the Indenture and in the Liquidity Facility. No interest will accrue on any 2008A Certificates owned by or on behalf of the Corporation or the District. At no time will the 2008A Certificates (other than 2008A Liquidity Provider Certificates) bear interest at a rate higher than the Maximum Rate. At no time will any 2008A Liquidity Provider Certificates bear interest at a rate higher than the applicable Maximum Liquidity Provider Rate.

Limited Obligations

Each Certificate represents a proportionate and 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.

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 Series, date, interest rate and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee has 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 will first be surrendered to the Trustee. In the event that any such Certificate will 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

Records for the registration and transfer of Certificates will be kept by the Trustee which is appointed by the Indenture as 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 in the Indenture provided 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 will 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.

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.

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.

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. The foregoing provisions will not preclude an exchange or transfer of a Certificate in the case of an optional or mandatory tender as described in “THE 2008 CERTIFICATES—Optional Tenders for Purchase” or “—Mandatory Tenders for Purchase” in the body of this Official Statement.

Except as otherwise in the Indenture provided in the Indenture as described in “THE 2008 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement, in “2008A INDENTURE—Remarketing of Certificates” and “—Delivery of Purchased 2008A Certificates or Beneficial Ownership Interests and Remarketing of 2008A Liquidity Provider Certificates with respect to Beneficial Ownership Interests” in this Appendix and in this paragraph and as described in “2008A INDENTURE—Mutilated, Lost, Stolen or Destroyed Certificates”

in this Appendix, the person in whose name any Certificate is registered on the registration records kept by the Trustee will be deemed and regarded as the absolute owner thereof for the purpose of making payment of the principal thereof and interest thereon and for all purposes, and payment of or on account of the principal of, premium, if any, and interest on any Certificate will be made only to the Owner thereof or his or her legal representative, but such registration may be changed as provided in the Indenture. All such payments will be valid and effectual to discharge the liability upon such Certificate to the extent of the sum or sums paid.

The provisions of the 2008A Indenture described under this caption are subject to the provisions of the 2008A Indenture described under the next caption.

Book-Entry Form

Notwithstanding the provisions as described in “2008A INDENTURE—Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates” in this Appendix, the Certificates will be originally issued only to a Depository to be held by it or its agent in a book-entry system and: (i) the Certificates will be registered in the name of the Securities Depository or its nominee, as Owner, and immobilized in the custody of the Securities Depository or its agent; (ii) unless otherwise requested by the Securities Depository, there will be a single Certificate for each Series of Certificates; and (iii) the Certificates will not be transferable or exchangeable, except for transfer to another Depository or another nominee of a Depository, without further action by the District as described in the second paragraph below under this caption. While the Certificates are in Book-Entry Form, Certificates in the form of physical certificates will only be delivered to the Securities Depository or its agent.

So long as a book entry system is in effect for the Certificates, except as provided in the Indenture with respect to Beneficial Ownership Interests, the Corporation, the District, Trustee, any Remarketing Agent and the Tender Agent shall recognize and treat the Securities Depository, or its nominee, as the Owner of the Certificates for all purposes, including payment of the principal of, premium, if any, and interest on the Certificates (other than Liquidity Provider Certificates), giving of notices and enforcement of remedies. The crediting of payments of the principal of, premium, if any, and interest on the Certificates and the transmittal of notices and other communications by the Securities Depository to the Direct Participants in whose Depository account any Certificates are recorded and such crediting and transmittal by Direct Participants to Indirect Participants or Beneficial Owners and by Indirect Participants to Beneficial Owners are the respective responsibilities of the Securities Depository and the Direct Participants and the Indirect Participants and are not the responsibility of the Corporation, the District, the Trustee, any Remarketing Agent or the Tender Agent; provided, however, that the Corporation, the District and the Trustee understand that neither the Securities Depository or its nominee shall provide any consent requested of Owners of Certificates pursuant to the Indenture, and that the Securities Depository will mail an omnibus proxy (including a list identifying the Direct Participants) to the District or the Trustee which assigns the Securities Depository’s, or its nominee’s, voting rights to the Direct Participants to whose accounts at the Securities Depository the Certificates are credited (as of the record date for mailing of requests for such consents). If the District shall receive any such omnibus proxy, the District shall promptly provide such omnibus proxy (including the list identifying the Direct Participants attached thereto) to the Trustee, which shall treat such owners as Owners of the Certificates for purposes of obtaining any consents pursuant to the terms of the Indenture.

If any Depository determines not to continue to act as a Depository for the Certificates held in a book entry system or gives notice to the District that such Securities Depository shall no longer be registered or in good standing as a “clearing agency” under the Securities Exchange Act of 1934, as amended, and other applicable statutes and regulations, the District may attempt to have established a securities depository/book entry system relationship with another Depository under the Indenture. If the District does not or is unable to do so, the District and the Trustee, after the Trustee has made provision for notification of the Beneficial Owners by appropriate notice to the then Depository, shall permit withdrawal of the Certificates from the Securities Depository or its agent and shall authenticate and

deliver Certificates in fully registered form to the assignees of the Securities Depository or its nominee or to the Beneficial Owners. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing and delivering such replacement Certificates) of the District. Such replacement Certificates shall be in Authorized Denominations.

None of the Corporation, the District, the Trustee, any Remarketing Agent or the Tender Agent will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other Person not shown on the registration records of the Trustee as being an Owner with respect to: (i) the Certificates; (ii) the accuracy of any records maintained by the Securities Depository or any Direct Participant or Indirect Participant; (iii) the timely exercise by the Securities Depository or any Direct Participant or Indirect Participant of any direction by a Beneficial Owner in respect of its election to tender its interest in any Certificates; (iv) the timely or ultimate payment by the Securities Depository or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the purchase price of tendered Certificates or the principal of, premium, if any, and interest on the Certificates; (v) the delivery by any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to Owners; (vi) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of any Certificates; or (vii) any consent given or other action taken by the Securities Depository as Owner.

Cancellation of Certificates

Whenever any Outstanding Certificates are delivered to the Trustee for cancellation as provided in the Indenture, upon payment thereof or for or after replacement as described in “2008A INDENTURE—Mutilated, Lost, Stolen or Destroyed Certificates” and “2008A INDENTURE—Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates” in this Appendix, 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.

Certificate Fund

There is to be deposited into the Interest Account of the Certificate Fund (i) any accrued interest and capitalized interest received at the time of the issuance of any Certificates; (ii) that portion of each payment of Base Rentals made by or on behalf of the District which is designated and paid as the interest component thereof under the Lease, as the same may be amended pursuant to the Lease and as described in “THE 2008 CERTIFICATES—Calculation of Interest—Notice of Interest Rate and Base Rentals” in the body of this Official Statement, including the interest portion of the Purchase Option Price with respect to the Leased Property or any portion thereof paid by the District pursuant to the Lease; (iii) any amount transferred from the Reserve Fund to the Interest Account of the Certificate Fund, as described in “2008A INDENTURE—Reserve Fund” in this Appendix, 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; (iv) any Net Regularly Scheduled Hedge Payments made to the Corporation under a Hedge Facility; (v) any amount transferred from the Stabilization Account of the Certificate fund as described below; and (vi) 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.

There is to be deposited into the Principal Account of the Certificate Fund (i) that portion of each payment of Base Rentals made by or on behalf of the District which is designated and paid as the principal component thereof under the Lease, including the principal and redemption premium portion of the Purchase Option Price with respect to the Leased Property or any portion thereof paid by the District pursuant to the Lease; (ii) any portion of the Reserve Fund to be deposited into the Principal Account of the Certificate Fund, as described in “2008A INDENTURE—Reserve Fund” in this Appendix, 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 are to be used solely for the payment of interest on the Certificates and any Regularly Scheduled Hedge Payments required to be paid by the Corporation under a Hedge Facility, and moneys in the Principal Account of the Certificate Fund are to 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 in the Interest Account of the Certificate Fund after payment of the interest due on the Certificates and any such Regularly Scheduled Hedge Payments, such moneys may be used for the payment of principal of and premium, if any, due on the Certificates; (ii) moneys representing capitalized interest received at the time of the issuance of any series of Certificates shall be used solely to pay interest due on such Certificates and any such Regularly Scheduled Hedge Payments, and accrued interest received at the time of the issuance of any series of Certificates is to be used solely to pay the first interest due on such Certificates and the first of any such Regularly Scheduled Hedge Payments; (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 is to be used solely to pay the Redemption Price of Certificates; (iv) moneys transferred from any account of the Reserve Fund are to be used solely to pay the principal and interest due on the Certificates, the proceeds of which were used to fund such account, and any Regularly Scheduled Hedge Payments with respect to such Certificates; provided, further, that all moneys in the Certificate Fund are to 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; (v) income from the investment of moneys in the Interest Account of the Certificate Fund and the Principal Account of the Certificate Fund pursuant to the Certificate Fund Investment Agreement are to be applied and used in accordance with the Certificate Fund Investment Agreement; and (vi) income from the investment of moneys in the Stabilization Account of the Certificate Fund (which investment shall not be pursuant to the Certificate Fund Investment Agreement) shall be applied as provided in subsection (d) of this Section.

Stabilization Account of the Certificate Fund. There shall be deposited by the Trustee into the Stabilization Account of the Certificate Fund upon the receipt thereof: (A) an amount sufficient to establish the Stabilization Account Requirement from proceeds of the Series 2008A Certificates; (B) on any Interest Payment Date, the aggregate Hedge Facility Basis Benefit for such date, if any, except as provided in the third paragraph under this heading of “Stabilization Account of the Certificate Fund”; (C) any Base Rentals paid by the District for deposit into such account as set forth in the fourth paragraph under this heading of “Stabilization Account of the Certificate Fund”; and (D) all other moneys delivered to the Trustee that are accompanied by instructions to deposit the same into the Stabilization Account of the Certificate Fund. Nothing in the Indenture shall be construed as limiting the right of the Corporation to augment the Stabilization Account of the Certificate Fund with any other moneys which are legally available for the purposes of such account set forth in the second paragraph under this heading of “Stabilization Account of the Certificate Fund”.

Moneys in the Stabilization Account of the Certificate Fund shall be transferred by the Trustee to the Interest Account of the Certificate Fund on any Interest Payment Date: (A) to the extent of any Hedge Facility Basis Deficiency on such date; and (B) if, after the transfer described in clause (A), the amount

on deposit in the Interest Account of the Certificate Fund on such date is insufficient to pay all interest on Certificates payable on such date, to the extent of such insufficiency.

Subject to the last sentence of this paragraph, on any date on which the amount on deposit in the Stabilization Account of the Certificate Fund equals or exceeds the Stabilization Account Cap, amounts that would otherwise be transferred to the Stabilization Account of the Certificate Account pursuant to clause the second sentence of this paragraph shall instead be transferred to the Interest Account of the Certificate Fund and applied by the Trustee as a credit against the next succeeding Base Rental payment payable by the District as described in “2008A LEASE – Payment of Base Rentals” in this Appendix. Income from the investment of moneys in the Stabilization Account of the Certificate Fund shall be retained in such account until the amount on deposit therein equals or exceeds the Stabilization Account Cap, and thereafter, subject to the provisions of the last sentence of this paragraph, shall be transferred upon receipt to the Interest Account of the Certificate Fund and applied by the Trustee as a credit against the next succeeding Base Rental payment payable by the District as described in “2008A LEASE – Payment of Base Rentals” in this Appendix. Notwithstanding the first two sentences of this paragraph, the District may, in its discretion, by notice delivered to the Trustee, elect that amounts described in such subparagraphs be, as applicable, transferred to or retained in the Stabilization Account of the Certificate Fund when the amount on deposit in such account equals or exceeds the Stabilization Account Cap.

The District has agreed in the Lease that it will pay, as a component of Base Rentals, 1/12 of the amount, if any, appropriated for replenishment of the Stabilization Account of the Certificate Fund for such Fiscal Year pursuant the Lease. Upon receipt of each such payment, the Trustee will deposit such amount to the Stabilization Account of the Certificate Fund.

Reserve Fund

There is to be deposited into the appropriate account of the Reserve Fund, (i) 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 or the District; (ii) any Additional Rentals paid by the District for deposit into such account as set forth in the last paragraph under this caption; and (iii) all other moneys delivered to the Trustee that are accompanied by instructions to deposit the same into the Reserve Fund. Subject to “2008A INDENTURE – Investment of Moneys” and “- Rights of 2008A Certificate Insurer in this Appendix, nothing in the Indenture is to 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 to substitute for the cash deposit required to be maintained under the Indenture one or more Qualified Reserve Fund Policies. Cash on deposit in the Reserve Fund shall be used before any draw is made on any Qualified Reserve Fund Policy on deposit therein. In the event that there is more than one Qualified Reserve Fund Policy on deposit therein, amounts will be drawn upon each pro rata. The Reserve Fund Requirement with respect to the 2008A Certificates will initially be met by the deposit of the 2008A Reserve Fund Policy into the Reserve Fund.

Income derived from the investment of moneys in any account of the Reserve Fund (i) is to be retained in such account to the extent the amount therein is less than the Reserve Fund Requirement therefor; (ii) is to be used as described in the immediately succeeding paragraph to the extent required as described 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 Principal Account of the Certificate Fund to pay the principal of the corresponding Series of Certificates or to the Interest Account of the Certificate Fund to pay the interest on the corresponding Series of Certificates and any Regularly Scheduled Hedge Payments with respect to such Certificates; (B) used to pay fees and expenses of the Trustee, any Certificate Insurer, the Custodian, any Liquidity Provider, any Hedge Provider, any Remarketing Agent, any Auction Agent or the Tender Agent; (C) used to defease Certificates as described in “2008A INDENTURE—Discharge of Indenture” in this Appendix; or (D) used for any combination of (A), (B) and (C).

Moneys held in each account within the Reserve Fund are to 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 interest on the Certificates when due and any Regularly Scheduled Hedge Payments with respect to such Certificates, to the extent of any deficiency in the Interest Account of the Certificate Fund (but only after the transfer of all moneys in the Stabilization Account of the Certificate Fund) for such purpose; (ii) to the payment of the principal of the Certificates when due, to the extent of any deficiency in the Principal Account of the Certificate Fund for such purpose; (iii) at the option of the Trustee, upon the occurrence of an Event of Nonappropriation or an Event of Default, 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; (iv) except to the extent applied pursuant to clause (iii) of this subsection, upon the termination of the Lease Term by reason of the occurrence of an Event of Nonappropriation or an Event of Default under the Lease, proportionately to the redemption of the Certificates then Outstanding and the payment of interest thereon; or (v) to the extent the amount therein exceeds the Reserve Fund Requirement, at the option and direction of the Corporation, as provided in clauses (iii)(A), (B), (C), or (D) of the immediately preceding paragraph.

The District has agreed as described in “2008A LEASE—Payments to Reserve Fund” in this Appendix 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, or any draw has been made on any Qualified Reserve Fund Policy on deposit in the Reserve Fund, the District is to pay to the Trustee (i) as Additional Rentals all amounts required to restore the amount on deposit in such account to the Reserve Fund Requirement, or (ii) as Base Rentals, any amount necessary to reimburse the provider of such Qualified Reserve Fund Policy for such draw when required by the terms of such Qualified Reserve Fund Policy.

Nonpresentment of Certificates; Unclaimed Moneys

In the event any Certificate shall not be presented for payment when due, if funds sufficient to pay the principal or redemption Price, if applicable, and interest on such Certificate shall have been made available to the Trustee, or, with respect to the purchase price of any Certificate tendered for purchase here under, to the Tender Agent, for the benefit of the Owner thereof, it shall be the duty of the Trustee, or the Tender Agent, as the case may be, to hold such funds without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall 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 shall be transferred to the District after the expiration of five (5) years or, upon receipt by the Trustee of a written opinion of Bond Counsel that such funds may be released to the District on such earlier date, on any earlier date designated by the District, except that, with respect to any such moneys derived from drawings made or otherwise amounts paid under a Liquidity Facility, such moneys shall transferred to the Liquidity Provider if and to the extent any amounts are owed by the Corporation to the applicable Liquidity Provider for amounts drawn or otherwise paid under such Liquidity Facility. Thereupon, all liability of the Trust Estate with respect to such principal, Redemption Price, if applicable, interest and purchase price upon optional or mandatory tender, if applicable, shall cease.

Moneys to be Held in Trust

The Certificate Fund, the Reserve Fund and, except for the Late Payment Fee Fund, the Fee Retention Fund, the Certificate Purchase Fund and any escrow account established as described in “2008A INDENTURE—Discharge of Indenture” in this Appendix, 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. Any escrow account established as

described in “2008A INDENTURE—Discharge of Indenture” in this Appendix will be held by the Trustee for the benefit of the Owners of the Certificates to be paid therefrom as provided in the applicable escrow agreement. The Late Payment Fee Fund is to be held by the Trustee for the sole benefit of the Investment Provider as described in “2008A INDENTURE—Late Payment Fee Fund” in this Appendix. The Fee Retention Fund is to be held by the Trustee for the benefit of the Persons described in “2008A INDENTURE—Fee Retention Fund” in this Appendix as set forth therein. The Certificate Purchase Fund shall be held by the Tender Agent for the benefit of the Persons entitled to receive the payment of the purchase price of Certificates subject to optional or mandatory tender for purchase, as described in “2008A INDENTURE—Certificate Purchase Fund” in this Appendix.

Repayment to the District from the Trustee

After payment in full of the principal of, premium, if any, and interest on the Certificates, the fees and expenses of the Corporation, the Trustee, any Remarketing Agent, the Tender Agent, the Auction Agent and all other amounts required to be paid to the Custodian, any Certificate Insurer, any Liquidity Provider, any Hedge Provider and the Certificate Fund Investment Provider under the Indenture and under the Custodial Agreement, any Guaranty Agreement, any Liquidity Facility, any Hedge Facility and the Certificate Fund Investment Agreement, respectively, any remaining amounts held by the Trustee pursuant to the Indenture (other than the Late Payment Fee Fund and any escrow account established as described in “2008A INDENTURE—Discharge of Indenture” in this Appendix) is to be paid to the District.

Fee Retention Fund

The Indenture creates and establishes the Fee Retention Fund with the Trustee. The Fee Retention Fund is to be held by the Trustee for the sole benefit of the Persons other than the Owners (except that such Persons may include any Liquidity Provider, which may be an Owner of Liquidity Provider Certificates) to which amounts which are included in Base Rentals are due. There is to be deposited into the Fee Retention Fund all such amounts received by the Corporation from the District pursuant to the Lease immediately upon their receipt. Moneys in the Fee Retention Fund are to be invested as described in “2008A INDENTURE—Investment of Moneys” in this Appendix, and any earnings thereon are to be transferred to the Certificate Fund upon their receipt. The Trustee shall pay from the Fee Retention Fund any amounts on deposit therein when required by the Certificate Fund Investment Agreement, any Liquidity Facility, any Hedge Facility, any Remarketing Agreement, the Auction Agreement and any other document or instrument pursuant to which such amounts are payable.

Late Payment Fee Fund.

The Indenture creates and establishes the Fee Retention Fund with the Trustee. The Late Payment Fee Fund is to be held by the Trustee for the sole benefit of the Certificate Fund Investment Provider. There is to be deposited into the Late Payment Fee Fund all Late Payment Fees received by the Corporation from the District pursuant to the Lease immediately upon their receipt. Moneys in the Late Payment Fee Fund is to be invested as described in “2008A INDENTURE—Investment of Moneys” in this Appendix and is to be disbursed and used as provided in the Certificate Fund Investment Agreement.

Certificates Owned by the Corporation or the District; Liquidity Provider Certificates

Certificates owned by or on behalf of the Corporation or the District will not be subject to redemption. At any time the Corporation or the District may surrender any Certificates owned by or on behalf of the Corporation or District, as applicable, to the Trustee, which is promptly to cancel such Certificates.

The Corporation is to redeem any Liquidity Provider Certificates that are subject to mandatory redemption pursuant to the related Liquidity Facility, at the time or times required by such Liquidity

Facility at a Redemption Price of 100% of the principal amount of the 2008A Liquidity Provider Certificates to be redeemed plus accrued interest thereon, if any, as provided in such Liquidity Facility, to the Redemption Date; provided that such mandatory redemption schedule shall not require payment of any principal of Certificates on any date prior to the date on which such principal would be payable pursuant to the provisions of the Indenture or any Supplemental Indenture without the written consent of each Certificate Insurer. Such Liquidity Provider Certificates are to be redeemed by the Trustee as described without any notice from or direction by the District. Notwithstanding anything to the contrary in the Indenture, upon any redemption of less than all of the Outstanding Certificates of a Series, Liquidity Provider Certificates will be selected and redeemed prior to any other Certificates of such Series.

Limit on Remarketing

Any Certificate purchased as described in “THE 2008 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement from the date notice is given of redemption of such Certificate as described in “THE 2008 CERTIFICATES—Redemption of 2008 Certificates—Notice of Redemption” in the body of this Official Statement through the date for such redemption or from the date of notice of mandatory purchase of such 2008A Certificate as described in “THE 2008 CERTIFICATES—Mandatory Tenders for Purchase” in the body of this Official Statement through the date for such mandatory purchase will not be remarketed except to a buyer who has been notified at the time of such purchase of the requirement to deliver such Certificate for redemption to the Trustee on the Redemption Date or for purchase to the Tender Agent on the Certificate Purchase Date. No Certificates purchased as described in THE 2008 CERTIFICATES—Mandatory Tenders for Purchase – Mandatory Tender of 2008 Certificates Upon Delivery of Substitute Liquidity Facility” in the body of this Official Statement will be remarketed without the prior written direction of the Liquidity Provider.

A Remarketing Agent will not remarket any Certificate or Beneficial Ownership Interest to the Corporation, the District, any entity that is, to the actual knowledge of such Remarketing Agent, an affiliate of the Corporation or the District, any Person who, to the actual knowledge of such Remarketing Agent, is a guarantor of the payment of all or a portion of the principal or interest portions of the Base Rentals or the principal or interest with respect to such Certificates (excluding the related Liquidity Provider and the Certificate Insurer), or any Person which is an “insider” of the Corporation, the District, any such affiliate, or any such guarantor within the meaning of the United States Bankruptcy Code.

Neither the Trustee nor the Tender Agent shall be required to monitor the actions of any Remarketing Agent to ensure that its compliance with the previous paragraph, and, for the purposes described in the second paragraph of “2008A INDENTURE - Notice of Certificates Delivered for Purchase; Purchase of Certificates” in this Appendix, the Trustee and the Tender Agent may, in the absence of actual notice to the contrary, assume that no funds furnished to the Tender Agent by any Remarketing Agent constitute proceeds of the remarketing of any Certificates to Persons in violation of the previous paragraph.

General Provisions Relating to Tenders

The purchase price for each such Certificate or Beneficial Ownership Interest, or portion thereof, will be payable in lawful money of the United States of America by check of the Tender Agent, subject to the information provided in “THE 2008 CERTIFICATES – Book-Entry Only System” in the body of this Official Statement with respect to the payment of the purchase price with respect to Certificates held in Book-entry form, will equal the principal amount, or such portion thereof, to be purchased and accrued interest, if any, and will be paid in full on the applicable 2008A Certificate Purchase Date, subject to the provisions described in “2008A INDENTURE—Notice of Certificates Delivered for Purchase; Purchase of Certificates” in this Appendix.

While tendered Certificates are in the custody of the Tender Agent pending purchase under the provisions of this caption, the tendering Owners thereof will be deemed the Owners thereof for all purposes, and interest due on tendered Certificates through the day preceding the applicable 2008A Certificate Purchase Date is to be paid from the Certificate Fund as if such Certificates had not been tendered for purchase.

Notwithstanding anything in the Indenture to the contrary, any Certificate or Beneficial Ownership Interest or portion thereof tendered as described in THE 2008 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement will not be purchased if such Certificate or portion thereof matures or is redeemed on or prior to the applicable Certificate Purchase Date.

In the event that sufficient moneys are on deposit in the Certificate Purchase Fund to pay the applicable purchase price of any Certificate tendered for purchase or required to be tendered for purchase as provided in the Indenture, such tendered Certificate will be deemed to have been purchased whether or not delivered by the Owner thereof on the date such tendered Certificate is to be purchased. In the event any such purchased Certificate is not so delivered, the District will execute and the Trustee will authenticate and deliver a replacement Certificate of like date, tenor and denomination and in the same aggregate principal amount and in the applicable Interest Rate Mode as the Certificate deemed tendered for purchase and bearing a number not contemporaneously outstanding.

Subject to the Letter of Representations, for so long as the Certificates of a Series are held in Book-entry form, and the Owners of such Certificates may elect, or may be required, to tender such Certificates to the Tender Agent for purchase pursuant to the Indenture, the Beneficial Owner of any such Certificate, or a Direct Participant or an Indirect Participant acting on behalf of such Beneficial Owner, may submit any notice of tender in connection with any such optional tender right pertaining to any Certificate in which it has a Beneficial Ownership Interest, and such notice shall be given the same force and effect as a notice given by the Owner of such Certificate, if such notice is accompanied by (i) a written certification by such Beneficial Owner affirming its Beneficial Ownership Interest in such Certificate, setting forth the principal amount thereof, and identifying the Direct Participant or the Indirect Participant that has a record of such Beneficial Owner’s Beneficial Ownership Interest in such Certificate, or (ii) a written certification by a Direct Participant affirming it is acting on behalf of the Beneficial Owner of such Certificate, or on behalf of the Indirect Participant acting on behalf of such Beneficial Owner, affirming such Beneficial Owner has such Beneficial Ownership Interest in such Certificate, setting forth the principal amount thereof, and, if applicable, identifying the Indirect Participant that has a record of such Beneficial Owner’s Beneficial Ownership Interest in such Certificate, or (iii) a written certification by an Indirect Participant affirming it is acting on behalf of the Beneficial Owner of such Certificate, affirming such Beneficial Owner has such Beneficial Ownership Interest in such Certificate, and setting forth the principal amount thereof.

With respect to any Certificates held in Book-entry form, delivery of such Certificates to the Tender Agent in connection with any optional or mandatory tender pursuant to this caption will be effected by the making of, or the irrevocable authorization to make, appropriate entries on the books of the Securities Depository or any Direct Participant to reflect the transfer of the Beneficial Ownership Interest in such Certificate to the account of the Tender Agent, or to the account of a Direct Participant acting on behalf of the Tender Agent. With respect to any Certificate which is not held in Book-entry form, delivery of such Certificate to the Tender Agent in connection with any optional or mandatory tender pursuant to this caption is to be effected by physical delivery of such 2008A Certificate to the Tender Agent at its Principal Corporate Trust Office, accompanied by an instrument of transfer thereof, in a form satisfactory to the Tender Agent, executed in blank by the Owner thereof.

Investment of Moneys

In the Indenture, the Corporation irrevocably directs the Trustee to invest all moneys held as part of the Certificate Fund that are required by the Certificate Fund Investment Agreement to be invested according to the provisions thereof to be so invested by the Trustee without further direction from the District or the Corporation for so long as the Certificate Fund Investment Agreement remains in effect. Except for moneys in the Certificate Purchase Fund, all other moneys held as part of any other fund, account or subaccount created under the Indenture are to be deposited or invested and reinvested by the Trustee, at the written direction of the District, in Permitted Investments; provided, however, that the Trustee is to 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 are to be held by or under the control of the Trustee. The Trustee may make any and all such deposits or investments through its own investment department or the investment department of any Trust Bank or trust company under common control with the Trustee. Income from deposits or investments of moneys held in any escrow account established as described in “2008A 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 “2008A INDENTURE—Certificate Fund”, “—Reserve Fund”, “—Fee Retention Fund” and “Late Payment Fee Fund” in this Appendix, 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. Moneys in the Certificate Purchase Fund will not be invested. The Trustee is entitled to assume that any investment which at the time of purchase is a Permitted Investment, remains a Permitted Investment thereafter, absent receipt of written notice from the District or the Corporation to the contrary addressed to the Trustee. Except for moneys in the Certificate Purchase Fund, moneys for which the Trustee has received no investment direction will be held by the Trustee uninvested or invested by the Trustee in Permitted Investments described in clause (g) of the definition of Permitted Investments so long as the amounts so invested may be withdrawn on any Business Day at par. The Corporation acknowledges in the Indenture that to the extent the regulations of the Comptroller of the Currency or any other regulatory entity grant the Corporation or the District the right to receive brokerage confirmations of the security transactions as they occur, in the Indenture the Corporation specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Corporation and the District periodic cash transaction statement that include the detail for all investment transactions made by the Trustee under the Indenture. The Trustee will not be responsible or liable for any loss suffered in connection with any investment made by it in accordance with the terms of the Indenture.

Representations, Covenants and Warranties Regarding Execution, Delivery and Performance of Indenture

The Corporation represents, covenants and warrants in the Indenture that: (a) the Corporation (i) is a nonprofit corporation that is organized, validly existing and in good standing under the laws of the State, (ii) is duly qualified to do business in the State and (iii) is authorized, under its articles of incorporation and bylaws, action of its board of directors and applicable law, to own and manage its properties, to conduct its affairs in the State, to own the Leased Property, to lease the Leased Property to the District, to execute, deliver and perform its obligations under the Lease, to grant the Trust Estate to the Trustee and to execute, deliver and perform its obligations under the Indenture; (b) the grant of the Trust Estate to the Trustee pursuant to the Indenture is in the best interests of the Corporation; (c) the

execution, delivery and performance of the Indenture by the Corporation has been duly authorized by the Corporation; (d) the Indenture is a legal valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms, limited only 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; (e) the execution, delivery and performance of the terms of the Indenture by the Corporation does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitute a default under any of the foregoing, or, except as specifically provided in the Indenture or the Lease, result in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the Corporation; and (f) there is no litigation or proceeding pending or threatened against the Corporation or any other Person affecting the right of the Corporation to execute, deliver or perform its obligations under the Indenture.

Maintenance of Existence; Performance of Obligations

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 the covenant described under this caption 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.

The Corporation covenants in the Indenture that it 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.

Title Insurance

The Trustee will be provided with a standard title insurance policy insuring the Trustee's interest in the real estate included in the Leased Property, and if all or any portion of the Trustee'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 the insurable value of such real property. Such policy, or a binding commitment therefor, will be in a form approved by the District and will be provided to the Trustee concurrently with the initial delivery of any Certificates.

Sale or Encumbrance of Leased Property and Trust Estate

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 (i) will not sell or otherwise dispose of any of the Leased Property except as permitted in the Lease, and (ii) shall not create, permit or suffer to exist any lien, claim, encumbrance, charge or security interest in or to the Trust Estate or any part thereof, other than as expressly permitted by the Indenture with respect to the Leased Property pursuant to the Lease.

Rights of Trustee under Lease

The Corporation covenants in the Indenture for the benefit of the Owners and each Certificate Insurer 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, and such other Persons to whom any obligations secured by the Indenture are owed (subject to the priority described in the granting clauses of the Indenture), 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 (subject to Permitted Encumbrances) and the other property or property rights included in the Trust Estate, the grant of the Trust Estate to the Trustee under the Indenture and all the rights under the Indenture of the Owners and such other Persons to whom any obligations secured by the Indenture are owed (subject to the priority described in the granting clauses of the Indenture) against all claims and demands of all other Persons whomsoever, and authorizes the Trustee to take any and all such actions in this regard as the Trustee shall deem necessary or advisable. The Trustee and the Corporation agree to take such action (including, as applicable, the filing of UCC financing statements and continuations thereof) as is necessary from time to time to perfect or otherwise preserve the priority of the pledge of the Trust Estate under applicable law. Specifically, but not by way of limitation, the Trustee shall take all actions reasonably necessary to perfect any interest granted in the Trust Estate and is authorized and directed in the Indenture to make all recordings and file all necessary financing statements required for such perfection..

Duties of the Trustee

The Trustee accepts the trusts imposed upon it by the Indenture and agrees 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, if applicable, 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 and will have no implied duties or obligations under the Indenture. In case an Event of Default under the Indenture has occurred (which has not been cured or waived), the Trustee is to exercise such of the rights and powers vested in it by the Indenture, and use the degree of care and skill applicable to trustees of municipal bond issues under Colorado law.

(b) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties by or through attorneys, agents, receivers or employees and will not be answerable for the conduct of the same if the same shall have been selected reasonably and with due care, and will be entitled to act upon an Opinion of Counsel concerning all matters of trust of the Indenture 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 of 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 in the Indenture or in the Certificates (except in respect of the execution of the Certificates on behalf of the Trustee) and will not be responsible to any Person for the due execution, legality, validity, enforceability, genuineness, effectiveness or sufficiency of the Indenture with respect to any Person other than the Trustee. The Trustee will not be responsible for bringing any enforcement action to collect any Net Proceeds or for the validity of the execution by the Corporation of the Lease, the

Indenture, any Supplemental Indenture or any instruments of further assurance, or for the sufficiency of the security for the 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 Indenture or the Lease.

(d) The Trustee will not be accountable for the use or disposition of any Certificates by the Owners thereof. The Trustee may become the Owner of 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 will be conclusive and binding upon any 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 any loss other than that adjudicated by a court of competent jurisdiction to be due to 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 Events of Default described under subsections (a), (b) or (c) of "2008A INDENTURE – Events of Default" in this Appendix, unless a trustee representative in the corporate trust department of the Trustee has actual knowledge of such Event of Default or the Trustee shall be specifically notified in writing of such Event of Default by the Corporation, by the Owners of at least 10% in aggregate principal amount of Certificates then Outstanding, or by any other Person to whom any obligations secured by the Indenture are owed.

(i) All moneys received by the Trustee are to, until used or applied or invested as in the Indenture provided, 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 will 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 shall have no duty to collect, preserve, exercise or enforce rights in the Leased Property except as provided in the Indenture.

(l) 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.

(m) 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, 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 by the terms of the Indenture required, as a condition of such action by the Trustee.

(n) Before taking any action under the Indenture or the Lease to defend the rights of any of the Owners or Beneficial Owners, the Trustee may require that indemnity satisfactory to it be furnished by such Owners or Beneficial Owners, which indemnity will include payment of its fees, extraordinary expenses and other reasonable costs and expenses, including, but not limited to, its reasonable attorneys' fees, and protection against all liability, except liability which is adjudicated to have resulted from the Trustee's negligence or willful misconduct in connection with any such action. The Trustee will be under no obligation to institute any suit, to take any proceeding under the Indenture or the Lease, to enter any appearance or in any way defend any suit in which it may be defendant, or to take any steps in the execution of the trusts created by the Indenture or in the enforcement of any rights and powers under the Indenture, until it shall have been satisfied that payment of all fees and expenses, outlays and counsel fees and other reasonable disbursements in connection therewith, and satisfactory indemnity against all risk and liability has been provided for. However, the Trustee may, but will not be obligated to, begin suit, or appear in and defend any suit, or intervene, or do anything else in its judgment proper to be done by it as Trustee, without assurance or reimbursement or indemnity. In all such cases the Trustee will be reimbursed or indemnified by the Owners or Beneficial Owners for all fees, expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith, unless such liability or disbursement is adjudicated to have resulted from the negligence or willful misconduct of the Trustee.

(o) The Trustee will not be required to expend, advance, or risk its own funds or incur any financial liability in the performance of any duties or in the exercise of any of its rights or powers if it shall have reasonable grounds for belief that repayment of such funds or satisfactory indemnity against such risk or liability is not assured to it.

(p) The Trustee will not be personally liable for any debts contracted with respect to, damages to persons or to personal property injured or damaged in connection with, or for salaries or nonfulfillment of contracts with respect to, the Leased Property during any period in which it may be in possession of or managing the Leased Property. The Trustee will have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Certificates, other than information, statements or recitals supplied by or expressly approved by the Trustee for inclusion therein.

(q) The Trustee will not be liable for action taken at the direction of Owners done pursuant to the default and remedies provisions of the Indenture.

(r) The Trustee makes no representations as to and will have no responsibility for the sufficiency of insurance required under the Lease.

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

(t) Notwithstanding any other provision of the Indenture, the Trustee will not be obligated to perform any obligation under the Indenture and will not incur any liability for the nonperformance or breach of any obligation under the Indenture to the extent that the Trustee is delayed in performing, unable to perform or breaches such obligation because of Acts of God, war, terrorism, fire, floods, strikes, electrical outages, equipment or transmission failures, or other causes reasonably beyond its control.

(u) In the event funds transfer instructions are given (other than in writing at the time of the execution of the Indenture), whether in writing, by telecopier or otherwise, the Trustee is authorized to seek confirmation of such instructions by telephone call-back to the District Representative, and the Trustee may rely upon the confirmations of anyone purporting to be the District Representative. The Corporation and the Trustee acknowledge in the Indenture that such procedure is commercially reasonable.

(v) Subject to the limitations contained in the Indenture and solely in its capacity as Trustee under the Indenture, the Trustee shall comply with any requirements expressly imposed on it by the Lease.

Resignation or Replacement of Trustee

The Trustee may resign by giving written notice to the Corporation and each Certificate Insurer not less than 60 days before such resignation is to take effect. Notwithstanding any other provision of the Indenture, such resignation will take effect only upon the appointment as described in the next paragraph of a successor qualified as provided in the third paragraph of this caption. 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 Trustee may be removed at any time by the District, provided that no Event of Default or Event of Nonappropriation has occurred and is continuing under the Lease, in the event the District 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 District, 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 then Outstanding. Notwithstanding any other provision of the Indenture, such removal will take effect only upon the appointment as described in the next paragraph of a successor qualified as described in the third paragraph under this caption.

In case the 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 Outstanding by an instrument or concurrent instruments signed by such Owners, or their attorneys in fact duly appointed; provided that the Corporation may, unless an Event of Default shall have occurred and be continuing under the Indenture, appoint a successor by an instrument executed by order of the Corporation until a new successor shall be appointed by the Owners as in the Indenture authorized. 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 provided by the Owners of a majority in aggregate principal amount of the Certificates Outstanding.

Every successor must be a bank or trust company in good standing 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 \$75,000,000 and approved in writing by each Liquidity Provider and each Certificate Insurer. Any successor appointed under the Indenture must execute, acknowledge and deliver to the Corporation an instrument accepting such appointment under the Indenture, and thereupon such successor is to, 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 is to, nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts in the Indenture expressed, all the estates, properties, rights, powers and trusts of the predecessor, which is to 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. In case the present or any future Trustee will 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 Outstanding by an instrument or concurrent instruments signed by such Owners, or their attorneys in fact duly appointed; provided that the Corporation, unless an Event of Default shall have occurred and be continuing under the Indenture, appoint a successor may, by an instrument executed by order of the Corporation, appoint a successor until a new successor will be appointed by the Owners as in the Indenture authorized. 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 provided by the Owners of a majority in aggregate principal amount of the Certificates Outstanding.

The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor under the Indenture, together with all other instruments provided for in this caption are to 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.

Notwithstanding anything to the contrary contained in the Indenture, any resignation or removal of the Trustee as described in this section will have no effect upon the pledge of the Trust Estate made by the Indenture.

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 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 when the same shall become due and payable.

(c) Failure to pay on a Certificate Purchase Date amounts due to the Owner of any 2008A Certificates tendered or deemed tendered to the Tender Agent as described in “THE 2008 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement, except under any of the circumstances described in clauses (i), (ii)(A) and (ii)(B) of the seventh paragraph of “2008A INDENTURE—Delivery of Purchased Certificates or Beneficial Ownership Interests and Remarketing of Liquidity Provider Certificates” in this Appendix.

(d) The occurrence of an Event of Nonappropriation or an Event of Default under the Lease.

(e) Failure by the Corporation to cure any noncompliance with any other provision of the Indenture within 30 days after receiving notice from the Owners of at least a majority in principal amount of the then-Outstanding Certificates of such noncompliance, unless the Trustee

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 Trustee shall not withhold its consent to an extension of such time, such extension not to exceed an additional thirty (30) days without the consent of each Certificate Insurer, if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected.

Remedies of Trustee Upon the Occurrence of an Event of Default

(a) Upon the occurrence of any Event of Default described in the immediately preceding section, the Trustee may take whatever action at law or in equity may appear necessary or desirable to enforce the rights of the Owners and such other Persons to whom any obligations secured by the Indenture are owed (subject to the priorities and limitations set forth in the granting clauses of the Indenture and to subsection (e) below), including, but not limited to, exercising its rights as assignee of the Corporation's rights under the Lease and, as described in "2008A INDENTURE - Foreclosure; Purchase of Leased Property by Owner or Trustee; Application of Certificates Toward Purchase Price" in this Appendix, foreclosing on all or a portion of the Leased Property; except upon the occurrence of an Event of Default described in subsection (d) in the immediately preceding section, the Trustee:

(i) as promptly as commercially reasonably possible and as permitted by the provisions of the Indenture and of the Lease, shall give notice of such occurrence to the Owners, the 2008A Certificate Insurer, the Certificate Fund Investment Provider, any Liquidity Provider, any Hedge Provider, the Tender Agent, the Auction Agent, any Broker-Dealer and any Remarketing Agent;

(ii) 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 then Outstanding is required to, without any further demand or notice but subject the provisions of the Indenture described in "2008A Indenture—Duties of the Trustee" in this Appendix,, take one or any combination of the remedial steps described in "2008A LEASE—Events of Default and Remedies - Remedies" in this Appendix; and

(iii) shall be entitled to any moneys in any funds or accounts created hereunder (except any funds and accounts not included in the Trust Estate)

(b) No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy will be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute, including, without limitation, an action for mandamus.

(c) 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 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 shall deem most expedient in the interests of the Owners.

(d) Subject to the provisions described in "2008A INDENTURE – Majority of Owners May Control Proceedings" and "2008A INDENTURE – Rights of 2008A Certificate Insurer," the Trustee, as assignee of the rights of the Corporation under the Lease, will control all remedies available to the Corporation under the Lease.

(e) Notwithstanding any provision to the contrary contained in the Indenture, the Trustee shall exercise any and all remedies provided for by the Indenture for the equal and ratable

benefit of the Owners of all Certificates then Outstanding and the other Persons described in the paragraph “first” of the granting clauses of the Indenture; provided that, after, and only after, the principal of, premium, if any, and interest on all Outstanding Certificates, all other amounts due and owing to the Owners thereof and all other amounts described in such paragraph “first” of the granting clauses of the Indenture due and owing to such other Persons described in such paragraph “first” have been paid as required by the Indenture, the Trustee shall exercise any and all such remedies for the benefit of any Hedge Provider, any Liquidity Provider, the Trustee, the Custodian, any Certificate Insurer, any Remarketing Agent, the Auction Agent and the Tender Agent, and all amounts realized by the Trustee after payment of such amounts to the Owners and payment of such other amounts described in such paragraph “first,” shall be applied to the payment of all obligations owed to any Hedge Provider, any Liquidity Provider, the Trustee, the Custodian, any Certificate Insurer, any Remarketing Agent, the Auction Agent and the Tender Agent hereunder and under any Liquidity Facility, any Hedge Facility, the Custodial Agreement, any Guaranty Agreement, the Remarketing Agreement and the Auction Agreement to the extent of any amounts owed to such Persons described in paragraph “second” of the granting clauses of the Indenture; and provided further that, after, and only after, all such amounts described in paragraph “second” of the granting clauses of the Indenture due and owing to such Persons described above have been paid as required by the Indenture, the Trustee shall exercise any and all such remedies for the benefit of the Certificate Fund Investment Provider, and all amounts realized by the Trustee after payment of such amounts described in such paragraph “second,” shall be applied to the payment of all obligations described in paragraph “third” of the granting clauses of the Indenture owed to the Certificate Fund Investment Provider hereunder and under the Certificate Fund Investment Agreement. Except as described in “2008A INDENTURE - Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, the Auction Agent and Tender Agent with Respect to Portions of Leased Property In Which First Priority Interest Has Ceased” in this Appendix, the Trustee shall exercise no remedies for the benefit of any Person other than a Person to whom an amount is owed as a component of Base Rentals until all such amounts included as components of Base Rentals have been paid as required by the Indenture. If any of the Persons described in such paragraph “second” or any of the Persons described in such paragraph “third” shall receive moneys, distributions, proceeds or other funds or assets in violation of the provisions of this subsection (e) under any circumstances, such Person (i) shall hold such moneys, distributions, proceeds or other funds or assets as a constructive trust for the benefit of the Persons set forth above who are secured by a lien thereon senior to the lien securing the payment of any obligations owed to such Person under the Indenture; and (ii) as soon as practicable following receipt of any such moneys, distributions, proceeds or other funds or assets, shall transfer the same to the Trustee.

(f) 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.

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 the Lease 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 or Event of Nonappropriation has occurred of which the Trustee has been notified as described in “2008A INDENTURE—Duties of the Trustee” in this Appendix, or of which by the provisions of the Indenture described under that caption it is deemed to have notice, and the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding have made written request to the Trustee and have offered reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceedings in its own name; and such notification and request are declared by the Indenture 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 thereunder; it being understood and intended that no one or more Owners will 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 in the Indenture provided and that all proceedings at law or in equity are to be instituted, had and maintained in the manner in the Indenture provided and for the benefit of the Persons described in the granting clauses of the Indenture, subject to the priority set forth therein. Nothing contained in the Indenture will, however, affect or impair the right of any Owner to enforce the payment of the principal of or interest on any Certificate at and after the maturity thereof.

With respect to amounts described in paragraphs “*second*” and “*third*” of the granting clauses of the Indenture, none of the Trustee, the Custodian, any Certificate Insurer, any Remarketing Agent, the Auction Agent the Tender Agent, any Liquidity Provider, any Hedge Provider or the Certificate Fund Investment Provider, will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture (other than enforcement of remedies granted as described in “2008A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2008A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, Auction Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased” in this Appendix and, with respect to the Certificate Fund Investment Provider, for the enforcement of the pledge and lien on the Late Payment Fee Fund created for the benefit of the Certificate Fund Investment Provider under the Indenture) or for the execution of any trust of the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless the principal of, premium, if any, and interest on all Outstanding Certificates and any other amounts due and owing under the Indenture to the Owners thereof and to the other Persons described in the paragraph “*first*” of the granting clauses of the Indenture shall have been paid in full to such Owners and such other Persons pursuant to the provisions of the Indenture, nor unless a default has occurred of which the Trustee has been notified as described in “2008A INDENTURE—Duties of the Trustee” in this Appendix, or of which by “2008A INDENTURE—Duties of the Trustee” in this Appendix it is deemed to have notice, nor unless such default shall have become an Event of Default under the Indenture, and the Trustee, the Custodian, any Remarketing Agent, the Auction Agent, the Tender Agent, the Certificate Fund Investment Provider, any Liquidity Provider or any Hedge Provider, respectively, shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceedings in its own name, nor unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; such notification, request, offer of indemnity and consent or default are declared in the Indenture 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.

Amounts described in paragraphs “*first*,” “*second*” and “*third*” of the granting clauses of the Indenture, and the Persons to whom such amounts are owed, are described in paragraph (h) under “2008A INDENTURE—Remedies of Trustee Upon the Occurrence of an Event of Default.

Majority of Owners May Control Proceedings

Except as provided in “2008A INDENTURE—Rights of 2008A Certificate Insurer” in this Appendix, anything in the Indenture to the contrary notwithstanding, the Owners (including, without limitation, any Liquidity Provider, as Owner of any Liquidity Provider Certificates) of a majority in aggregate principal amount of the 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, except for any proceedings undertaken by the Trustee as described in “2008A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2008A Certificate Insurer, Certificate Fund Investment Provider, Trustee,

Custodian, Remarketing Agent, Auction Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased” in this Appendix, 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.

Waiver of Events of Default

Notwithstanding anything else to the contrary contained in the Indenture, the Trustee is to waive any Event of Default under the Indenture upon the written request of the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding; provided that if such Event of Default is an Event of Default described in “2008A INDENTURE—“Events of Default” in this Appendix, the Trustee shall have received the prior written consent to such waiver of all other Persons described in paragraphs “*first*,” “*second*” and “*third*” of the granting clauses of the Indenture; and provided further that there may 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 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, the Owners, any Certificate Insurer, any Liquidity Provider, any Hedge Provider, any Remarketing Agent, the Auction Agent, the Tender Agent, the Custodian and the Certificate Fund Investment Provider 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.

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 or Default or Breach 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, the Owners, any Certificate Insurer, any Liquidity Provider, any Hedge Provider, any Remarketing Agent, the Auction Agent, the Tender Agent, the Custodian, and the Certificate Fund Investment Provider will 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.

Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2008A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, Auction Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased

In the event that the right, title and interest of the Trustee in and to any one of the portions of the Leased Property listed in Exhibit D to the Lease shall have ceased and been discharged and satisfied with respect to all Persons to whom amounts are owed as described in paragraph “*first*” of the granting clauses of the Indenture, but not with respect to any of the Persons described in paragraph “*second*” of the granting clauses of the Indenture, as provided in “2008A INDENTURE—Discharge of Indenture” in this Appendix because any amount owing to any such Persons described in such paragraph “*second*” under the Indenture or under the Custodial Agreement, any Guaranty Agreement, any Liquidity Facility, any Hedge Facility, any Remarketing Agreement or the Auction Agreement, shall be unpaid, then, unless all amounts due to such Persons under the Indenture and thereunder shall have been paid by the next succeeding June 15, the Trustee is to, on such date, promptly foreclose and sell, or otherwise liquidate or dispose of, such portion of the Leased Property and is to apply the proceeds of such sale, liquidation or disposition to any amounts due to such Persons under the Indenture or thereunder, ratably as among themselves in proportion to the respective amounts then due to each. Any amounts realized from such sale, liquidation or disposition in excess of such amount due to such Persons are to be paid by the Trustee to the Certificate Fund Investment Provider if and to the extent of any amounts then due and owing to the Certificate Fund Investment Provider under the Indenture or under the Certificate Fund Investment Agreement, and after any such amounts have been paid, to the District as set forth in “2008A INDENTURE—Repayment to the District from the Trustee” in this Appendix.

In the event that the right, title and interest of the Trustee in and to any one of the portions of the Leased Property listed in Exhibit D to the Lease shall have ceased and been discharged and satisfied with respect to all Persons to whom amounts are owed as described in paragraphs “*first*” and “*second*” of the granting clauses of the Indenture, but not with respect to the Certificate Fund Investment Provider, as provided in “2008A INDENTURE—Discharge of Indenture” in this Appendix, because any amount described in paragraph “*third*” of the granting clauses of the Indenture owing under the Indenture or under the Certificate Fund Investment Agreement to the Certificate Fund Investment Provider shall be unpaid, then, unless all amounts due to the Certificate fund Investment Provider under the Indenture and thereunder shall have been paid by the next succeeding June 15, the Trustee is to, on such date, promptly foreclose and sell, or otherwise liquidate or dispose of, such portion of the Leased Property and is to apply the proceeds of such sale, liquidation or disposition to any amounts due to the Certificate Fund Investment Provider under the Indenture or thereunder. Any amounts realized from such sale, liquidation or disposition in excess of such amount due the Certificate Fund Investment Provider are to be paid by the Trustee to the District as set forth in “2008A INDENTURE—Repayment to the District from the Trustee” in this Appendix.

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 the Owners and will do so if requested in writing by the Owners of at least a majority in aggregate principal amount of Certificates Outstanding.

Foreclosure; 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, any such other Persons to whom any obligations secured by the Indenture are owed, 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 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 acquires 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 deems to be in the best interest of the Owners and such other Persons to whom any obligations secured by the Indenture are owed (subject to the priority set forth in the granting clauses of the Indenture), 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 it shall have been provided with indemnity satisfactory to it from the Owners of the Certificates and such other Persons to whom any obligations secured by the Indenture are owed 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.

Remarketing Agent

Prior to any date on which the Indenture requires any action to be taken by a Remarketing Agent with respect to a Series of Certificates, the District shall have appointed a Remarketing Agent for such Series. Any Remarketing Agent shall meet the qualifications set forth as described in “2008A INDENTURE—Qualifications of Remarketing Agent” in this Appendix. Any Remarketing Agent for a Series of Certificates will designate to the Liquidity Provider for such Certificates, the Trustee and the Tender Agent its principal office and signify its acceptance of the duties and obligations imposed upon it this caption by a written instrument of acceptance delivered to the District, such Liquidity Provider, the Tender Agent and the Trustee. In addition to its duties under “2008A INDENTURE—Remarketing of Certificates” and “—Delivery of Purchased 2008A Certificates or Beneficial Ownership Interests and Remarketing of 2008A Liquidity Provider Certificates” in this Appendix, each Remarketing Agent will agree particularly to:

(a) Compute the Weekly Rate, the Monthly Rate, the Floating Rate, the Term Rate and the Fixed Rate, as applicable (other than the initial rate with respect to the 2008A Certificates reflecting the rate provided for in the 2008A Certificate Purchase Agreement, or with respect to any other Series of Certificates, which shall be set forth in the Supplemental Indenture authorizing such Series and reflect the rate set forth in the related Certificate Purchase Agreement), and give notices of such computations to the Trustee, the Corporation and the District on the day after each applicable Interest Rate Determination Date, all in accordance with the Indenture.

(b) Keep such records with respect to all actions taken and all funds and securities received, held and delivered under the Indenture and the Remarketing Agreement as will be consistent with prudent industry practice and make such records available for inspection by the District, the Corporation, the Trustee, the applicable Liquidity Provider and the Tender Agent at all reasonable times.

(c) Provide to the District, the Corporation, the Trustee and the applicable Liquidity Provider notice of all determinations made by such Remarketing Agent pursuant to the Indenture including, but not limited to, interest rate determinations on a timely basis.

The Remarketing Agent will be entitled to advice of legal counsel on any matter relating to the Remarketing Agent's obligations under the Indenture and will be entitled to act upon the opinion of such counsel in the exercise of reasonable care in fulfilling such obligations.

Qualifications of Remarketing Agent

Each Remarketing Agent will be a member of the National Association of Securities Dealers, will have a capitalization of at least \$50,000,000, will have authority under applicable law to perform all the duties imposed upon it by the Indenture, and shall have been approved by the related Certificate Insurer and the Liquidity Provider for any Series of Certificates to be remarketed by such Remarketing Agent. Any Remarketing Agent for a Series of Certificates may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 30 days' notice of such resignation to the Corporation, the District, the Tender Agent, the Liquidity Provider for the related Series of Certificates and the Trustee. Notwithstanding the foregoing, such Remarketing Agent shall remain as Remarketing Agent under the Indenture until a successor is named, so long as the fees or expenses of such Remarketing Agent are paid under the related Remarketing Agreement, or such Remarketing Agent is not prohibited by law or regulation from performing the duties of such Remarketing Agent hereunder. Any Remarketing Agent for Certificates of a Series may be removed at any time by the District with the written consent of the Certificate Insurer for such Series, which consent shall not be unreasonably withheld, and will be removed at any time at the direction of the Certificate Insurer for such Series. To effect such removal, the District shall give at least thirty (30) days' notice of such removal to such Remarketing Agent, the Tender Agent, such Certificate Insurer, such Liquidity Provider and the Trustee.

Upon any resignation or removal of any Remarketing Agent, the departing Remarketing Agent will pay over, assign and deliver any moneys and Certificates held by it in such capacity to its successor or, if there is no successor, to the Trustee.

In the event that any Remarketing Agent resigns, or is removed or dissolved, or if the property or affairs of such Remarketing Agent are taken under the control of any state or Federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the District does not have appointed a successor Remarketing Agent, the Trustee, shall implement the purchase of Certificates pursuant to the applicable Liquidity Facility as described in "2008A INDENTURE – Payments under Liquidity Facility" in this Appendix until the appointment by the District of a successor Remarketing Agent; provided, however, that the Trustee will not remarket any Certificates or fix the interest rate for the any Certificates.

The Trustee, within 30 days of the resignation or removal of any such Remarketing Agent and within 30 days of the appointment of a successor Remarketing Agent, will give notice thereof by first class mail to each Rating Agency and to the Owners of the related Certificates.

Remarketing of Certificates

With respect to any Certificate Purchase Date for any Series of Certificates, no later than 11:00 a.m., prevailing New York City time, on the Business Day following receipt of an option to tender Certificates on any such Certificate Purchase Date based on provisions as described in "THE 2008 CERTIFICATES—Optional Tenders for Purchase" in the body of this Official Statement, the Tender Agent is to give notice to the related Remarketing Agent, the related Liquidity Provider, the Trustee and the District by telephone or telecopy, confirmed on the same day in writing, which states the name and address of each Owner or Beneficial Owner which has given such notice and the principal amount of such Certificates or Beneficial Ownership Interests to be tendered by such Owner or Beneficial Owner, and

Not later than 11:00 a.m., prevailing New York City time, on the date that is 10 days before any Certificate Purchase Date on which the Certificates of any Series are to be tendered as described in "THE 2008 CERTIFICATES—Mandatory Tenders for Purchase" in the body of this Official Statement, the

Tender Agent is to give notice to the related Remarketing Agent, the related Liquidity Provider, the Trustee and the District by telephone or telecopy, confirmed on the same day in writing, of the aggregate principal amount of such Certificates or Beneficial Ownership Interests which are deemed to be tendered on such Certificate Purchase Date.

Unless an Event of Default has occurred and is continuing, and the Certificate Insurer with respect to a Series of Certificates is in payment default under the related Certificate Insurance Policy, the Remarketing Agent for such Series is to use its best efforts subject to the provisions of the Remarketing Agreement to sell all Certificates of such Series for which it serves as Remarketing Agent or Beneficial Ownership Interests therein that are tendered or deemed tendered as described in “THE 2008 CERTIFICATES—Optional Tenders for Purchase,” “—Mandatory Tenders for Purchase—Mandatory Tender of 2008A Certificates Upon Conversion to a New Interest Rate Mode,” and “—Mandatory Tender Upon Delivery of Substitute Liquidity Facility” in the body of this Official Statement, and all Certificates of any such Series and Beneficial Ownership Interests therein that are described in the seventh paragraph of “2008A INDENTURE – Delivery of Purchased Certificates or Beneficial Ownership Interests and Remarketing of Liquidity Provider Certificates” in this Appendix for settlement on the applicable 2008A Certificate Purchase Date at par.

A Remarketing Agent will have the right to purchase, for its own account, any Certificate of any Series for which it serves as Remarketing Agent or Beneficial Ownership Interests therein (or portion thereof) tendered or deemed tendered as described in “THE 2008 CERTIFICATES—Optional Tenders for Purchase,” “—Mandatory Tenders for Purchase—Mandatory Tender of 2008A Certificates Upon Conversion to a New Interest Rate Mode,” and “—Mandatory Tender Upon Delivery of Substitute Liquidity Facility” in the body of this Official Statement, at and any Certificate of any such Series and Beneficial Ownership Interest therein that is described in the seventh paragraph of “2008A INDENTURE – Delivery of Purchased Certificates or Beneficial Ownership Interests and Remarketing of Liquidity Provider Certificates” in this Appendix 100% of the principal amount thereof, and thereafter to sell such Certificate or Beneficial Ownership Interest. Any such purchase will constitute a remarketing under the Indenture. Notwithstanding the foregoing, such Remarketing Agent is not to remarket any such Certificate as to which a notice of conversion from one type of Interest Rate Mode to another has been given unless such Remarketing Agent has advised the Person to whom the remarketing is made of the conversion and the occurrence of any events that are expected to result in a tender or redemption of such Certificates.

A Remarketing Agent shall not remarket any Certificate or Beneficial Ownership Interest in contravention of the provisions described in the second paragraph of “2008A INDENTURE – Limit on Remarketing” in this Appendix.

Purchasers of Certificates remarketed by the Remarketing Agent (or, if applicable, Beneficial Ownership Interests therein) shall be required to pay the purchase price thereof, by bank wire transfer, by no later than 11:00 a.m., prevailing New York City time, on the applicable Certificate Purchase Date. No later than 11:30 a.m. prevailing New York City time on each Certificate Purchase Date for any Series of Certificates, the Remarketing Agent for such Certificates shall pay to the Tender Agent by bank wire transfer, the proceeds theretofore received by such Remarketing Agent from the remarketing of such Certificates or Beneficial Ownership Interests tendered for purchase on such Certificate Purchase Date in accordance with the immediately preceding sentence; provided, that such Remarketing Agent may require the purchasers of the remarketed Certificates or Beneficial Ownership Interests to pay the purchase price plus accrued interest (if any) directly to the Tender Agent, by bank wire transfer. The Tender Agent shall deposit any such proceeds from the remarketing of such Certificates or Beneficial Ownership Interests in the account of the Certificate Purchase Fund established for such Series of Certificates, and moneys on deposit in the Certificate Purchase Fund shall in no case be considered to be or be assets of the District, the Corporation, or any of their affiliates or guarantors and shall be deemed pledged solely to pay the purchase price of the Certificates so remarketed. In no event will the Tender Agent be required to advance its own funds in connection with the sale or purchase of Certificates

Delivery of Purchased Certificates or Beneficial Ownership Interests and Remarketing of Liquidity Provider Certificates

At or before 11:30 a.m., prevailing New York time on any Certificate Purchase Date for a Series of Certificates, the Remarketing Agent for such Certificates, by telephonic or written advice, will notify the Corporation, the District, the Tender Agent, the Trustee and the related Liquidity Provider of: the principal amount of 2008A Certificates or Beneficial Ownership Interests to be sold by the Remarketing Agent as described in “2008A INDENTURE—Remarketing of Certificates” in this Appendix and the purchase price, names, addresses and social security numbers or other tax identification numbers of the proposed purchasers thereof; and the principal amount of such Certificates or Beneficial Ownership Interests tendered for purchase on such 2008A Certificate Purchase Date which will not be sold by the Remarketing Agent as described in “2008A INDENTURE—Remarketing of Certificates” in this Appendix. Any such telephonic advice is to be confirmed by written notice delivered or mailed on the same date as the telephonic advice. Any Certificates or Beneficial Ownership Interests purchased by the Tender Agent on a Certificate Purchase Date is to be delivered as follows:

Certificates sold by a Remarketing Agent as described in “2008A INDENTURE—Remarketing of Certificates” in this Appendix will be authenticated by the Trustee and delivered to the purchasers thereof. With respect to Beneficial Ownership Interests sold by a Remarketing Agent as described in “2008A INDENTURE—Remarketing of Certificates” in this Appendix, such Remarketing Agent and the Trustee are to take such actions as may be necessary to reflect the transfer of such Beneficial Ownership Interests to the purchasers thereof in the book-entry system maintained by the Securities Depository.

Any Certificates and Beneficial Ownership Interests not sold by the Remarketing Agent as described in “2008A INDENTURE—Remarketing of Certificates” in this Appendix when a Liquidity Facility is in effect for such Certificates shall be held as Liquidity Provider Certificates by the Tender Agent, as agent for the Liquidity Provider for such Certificates, subject to any instructions from such Liquidity Provider to deliver such Liquidity Provider Certificates to such Liquidity Provider (or at the direction of such Liquidity Provider) and to the pledge in favor of such Liquidity Provider created pursuant to the provisions of such Liquidity Facility. Any Liquidity Provider Certificates held by the Tender Agent shall not be released or transferred except to such Liquidity Provider or to such Remarketing Agent at the written direction of such Liquidity Provider as hereinafter provided in this Section. Any Certificates and Beneficial Ownership Interests not sold by such Remarketing Agent shall be deemed purchased by such Liquidity Provider upon application of the proceeds of such Liquidity Facility to pay the purchase price thereof.

Any Certificates (other than Liquidity Provider Certificates) delivered as provided in this Section shall be registered (or, if applicable, Beneficial Ownership Interests therein shall be recorded through the Securities Depository) in the manner directed by the recipient thereof. Liquidity Provider Certificates shall be registered (or recorded through the Securities Depository) in the name of the Liquidity Provider for such Certificates or its designee, as requested by such Liquidity Provider.

A Remarketing Agent shall use its best efforts to remarket Liquidity Provider Certificates of any Series for which it serves as Remarketing Agent; provided, however, such Remarketing Agent (A) shall not remarket any Liquidity Provider Certificates held as a result of a mandatory tender as described in “THE 2008 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender of 2008 Certificates Upon Stated Termination Date of Liquidity Facility” in the body of this Official Statement prior to receiving written notice from the Tender Agent that the applicable Liquidity Facility has been replaced with a Substitute Liquidity Facility which satisfies the provisions as described in “2008A INDENTURE—Liquidity Facility” in this Appendix, (B) shall not remarket any Liquidity Provider Certificates held by or for the Liquidity Provider as result of a purchase of the Certificates as described in “2008A INDENTURE – Mandatory Tenders for Purchase – Mandatory Liquidity Facility Tender” in the body of this Official Statement without the prior written direction to do so given by the applicable

Liquidity Provider to the Remarketing Agent, and (C) shall not effect the sale of any Certificates pursuant to a remarketing of Liquidity Provider Certificates without receipt by the Remarketing Agent of a written confirmation from the Tender Agent indicating that it has received written notice from such Liquidity Provider that the applicable Liquidity Facility has been reinstated to its required coverage as described in “2008A INDENTURE—Liquidity Facility”. Upon the remarketing of such Liquidity Provider Certificates, such Remarketing Agent shall notify such Liquidity Provider, the Trustee, the Tender Agent and the District of such remarketing, the name, address and social security or other tax identification number of the purchaser, and the Certificate Purchase Date on which the purchaser shall deliver the purchase price by bank wire transfer to the Tender Agent or such Remarketing Agent by 11:00 a.m., prevailing New York City time. Such notice shall also contain any additional information required by such Liquidity Facility.

No later than 11:30 a.m., prevailing New York City time on each Certificate Purchase Date for a Series of Certificates, the Remarketing Agent for such Certificates shall pay to the Tender Agent, by bank wire transfer, the proceeds received by such Remarketing Agent pursuant to the second paragraph in this section from the remarketing of Liquidity Provider Certificates of such Series on such Certificate Purchase Date; provided, that such Remarketing Agent may require the purchasers of such remarketed Liquidity Provider Certificates to pay the purchase price plus accrued interest (if any) directly to the Tender Agent by bank wire transfer. The Tender Agent shall deposit the proceeds of remarketing such Liquidity Provider Certificates in the account of the Certificate Purchase Fund established for such Series of Certificates and shall pay the Liquidity Provider for such Certificates such funds by bank wire transfer on such Certificate Purchase Date. In no case shall such funds be considered to be or be assets of the District or the Corporation. Such Liquidity Provider shall deliver any such Liquidity Provider Certificates held by the such Liquidity Provider (or evidence of Beneficial Ownership Interests in such Liquidity Provider Certificates) which have been so remarketed to the Tender Agent against payment on such Certificate Purchase Date. With respect to any such Liquidity Provider Certificates not so held by such Liquidity Provider, such Liquidity Provider shall direct the Tender Agent to release such Liquidity Provider Certificates which have been so remarketed to such Remarketing Agent against payment therefor on such Certificate Purchase Date. On such Certificate Purchase Date, the Trustee shall authenticate and deliver, if applicable, new Certificates of like Series, maturity date, Authorized Denomination and tenor, in replacement of the remarketed Liquidity Provider Certificates to the purchasers thereof.

If there are insufficient Available Moneys for the purchase of all Certificates and Beneficial Ownership Interests tendered for purchase as described in “THE 2008 CERTIFICATES – Optional Tenders for Purchase” and “THE 2008 CERTIFICATES – Mandatory Tenders for Purchase – Mandatory Tender of Certificates Upon Conversion to a New Interest Rate Mode” in the body of this Official Statement when (i) a Liquidity Facility is not in effect for such Certificates or has been suspended pursuant to the provisions thereof, (ii) a Liquidity Facility is in effect for such Certificates but (A) the available commitment for purchase of such Certificates thereunder is less than the principal amount of Certificates and Beneficial Ownership Interests so tendered or (B) the Liquidity Provider of such Liquidity Facility has failed to purchase all of such Certificates, then, in any such case, none of such Certificates shall be purchased by the Tender Agent from the Owner or Beneficial Owner, as appropriate, thereof and such Tender Agent shall notify the District, the Trustee, and the Remarketing Agent of such failure. Any such failure to provide for the payment of the purchase price of Certificates or Beneficial Ownership Interests therein when due upon the tender thereof as described in “THE 2008 CERTIFICATES – Optional Tenders for Purchase” and “THE 2008 CERTIFICATES – Mandatory Tenders for Purchase – Mandatory Tender of Certificates Upon Conversion to a New Interest Rate Mode” in the body of this Official Statement will not constitute a default by the Remarketing Agent under the Remarketing Agreement or the Indenture and will not constitute an Event of Default. On the date of such failure, the Interest Rate Mode for such Certificates will automatically, without notice or mandatory tender, convert to a Weekly Rate Interest Rate Mode. Such Remarketing Agent will thereafter, subject to the provisions of the Indenture, use its best efforts to remarket such Certificates or Beneficial Ownership Interests; provided that until such Remarketing Agent successfully so remarkets all of such Certificates or

Beneficial Ownership Interests, the Weekly Rate will be equal to the Maximum Rate. Upon the remarketing of such Certificates or Beneficial Ownership Interests, such Remarketing Agent will promptly notify the Trustee, the Tender Agent and the District of such remarketing.

Tender Agent

The Tender Agent will be appointed by the District, subject to the conditions as described in “2008A INDENTURE— Qualifications of Tender Agent; Resignation; Removal” in this Appendix. The Tender Agent will designate its principal corporate trust office and signify its acceptance of the duties and obligations imposed upon it under the Indenture by a written instrument of acceptance delivered to the District, the Trustee, each Liquidity Provider, each Certificate Insurer and each Remarketing Agent. By acceptance of its appointment under the Indenture, the Tender Agent agrees:

(a) to hold all Certificates (or, if applicable, Beneficial Ownership Interests therein) delivered to it under the Indenture, as agent and bailee of, and in escrow for the benefit of, the respective Owners which will have so delivered such Certificates (or, if applicable, Beneficial Ownership Interests therein) until moneys representing the purchase price of such Certificates (or, if applicable, Beneficial Ownership Interests therein) shall have been delivered to or for the account of or to the order of such Owners (or Beneficial Owners, as the case may be);

(b) to establish and maintain a separate segregated trust fund designated as the “Denver School Facilities Leasing Corporation Certificates of Participation Certificate Purchase Fund” (the “Certificate Purchase Fund”), and therein, a separate segregated account for each Series of Certificates, until such time as it has been discharged from its duties as Tender Agent under the Indenture;

(c) to hold all moneys (without investment thereof) delivered to it under the Indenture in the applicable account of the Certificate Purchase Fund for the purchase of Certificates (or, if applicable, Beneficial Ownership Interests therein) as described in “2008A INDENTURE—Remarketing of Certificates” in this Appendix as agent and bailee of, and in escrow for the benefit of, the Person which will have so delivered such moneys until the Certificates (or, if applicable, Beneficial Ownership Interests therein) purchased with such moneys will have been delivered to or for the account of such Person;

(d) to hold all Certificates (or, if applicable, Beneficial Ownership Interests therein) registered in the name of the new Owners thereof (or the new Beneficial Owners thereof, as the case may be) which have been delivered to it by the Trustee for delivery to the Remarketing Agent for such Certificates (or, if applicable, Beneficial Ownership Interests therein);

(e) to hold Certificates (or, if applicable, Beneficial Ownership Interests therein) for the account of each Liquidity Provider (or its nominee), or to deliver such Certificates to such Liquidity Provider, as described in “2008A INDENTURE— Delivery of Purchased Certificates or Beneficial Ownership Interests and Remarketing of Liquidity Provider Certificates” in this Appendix; and

(f) to keep such books and records with respect to the Certificates (or, if applicable, Beneficial Ownership Interests therein) as will be consistent with prudent industry practice and to make such books and records available for inspection by the District, the Trustee, each Liquidity Provider and each Remarketing Agent at all reasonable times.

The District is to cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued to enable the Tender Agent to perform its duties and obligations described immediately above. In the Indenture, the District instructs and authorizes the Tender Agent to take all actions, including the giving of notice to each Liquidity Provider as described in “2008A INDENTURE—

Notice of Certificates Delivered for Purchase; Purchase of Certificates” in this Appendix, specified to be taken by the Tender Agent in the Indenture.

The Tender Agent will never be required to advance its own funds to purchase any tendered Certificates.

Qualifications of Tender Agent; Resignation; Removal

The Tender Agent will be a trust company or bank with trust powers duly organized under the laws of the United States of America or any state or territory thereof and having a combined capital stock, surplus and undivided profits of at least \$75,000,000 and authorized by law to perform all the duties imposed upon it by the Indenture. The Tender Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 30 days’ written notice to the Corporation, the District, the Trustee, each Remarketing Agent and each Liquidity Provider. Such resignation shall take effect on the day a successor Tender Agent shall have been appointed by the District and shall have accepted such appointment. The Tender Agent may be removed at any time by an instrument signed by the District, filed with the Tender Agent, the Trustee, each Remarketing Agent and each Liquidity Provider; provided that such removal will take effect on the day a successor Tender Agent shall have been appointed by the District and shall have accepted such appointment. In the event of the resignation or removal of the Tender Agent, the departing Tender Agent is to pay over, assign and deliver each Liquidity Facility, and any Certificates and moneys held by it in such capacity to its successor.

Notice of Certificates Delivered for Purchase; Purchase of Certificates

As promptly as practicable, the Tender Agent will give telephonic or telecopy notice, promptly confirmed by a written notice specifying the principal amount of 2008A Certificates, if any, as to which it has received notice of tender for purchase as described in “THE 2008 CERTIFICATES—Optional Tenders for Purchase” in the body of this Official Statement, to the Liquidity Provider and Remarketing Agent for such Certificates, the Trustee, and the District. The Tender Agent will determine timely and proper delivery of Certificates pursuant to the Indenture and the proper endorsement of such Certificates. Such determination will be binding on the Owners of such Certificates, the Corporation, the District, such Remarketing Agent, the Trustee and such Liquidity Provider, absent manifest error. The Tender Agent will also give notice as described in “2008A INDENTURE—Remarketing of Certificates” in this Appendix.

Certificates of a Series required to be purchased as described in “THE 2008 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement will be purchased from the Owners thereof by the Tender Agent on the date and at the purchase price at which such Certificates are required to be purchased from moneys on deposit in the account of the Certificate Purchase Fund established for such Series. If the Remarketing Agent has notified the Tender Agent as described in “2008A INDENTURE—Delivery of Purchased Certificates or Beneficial Ownership Interests and Remarketing of Liquidity Provider Certificates” in this Appendix that such Certificates or Beneficial Ownership Interests will not be sold by such Remarketing Agent as described in “2008A INDENTURE—Remarketing of Certificates” in this Appendix, or if the Remarketing Agent has failed to deliver to the Tender Agent such notice in accordance with the first sentence of “2008A INDENTURE—Delivery of Purchased Certificates or Beneficial Ownership Interests and Remarketing of Liquidity Provider Certificates” in this Appendix, and if a Liquidity Facility is then in effect with respect to such Series of Certificates, then the Tender Agent will give the Liquidity Provider for such Series of Certificates notice in accordance with the requirements of such Liquidity Facility no later than 12:00 noon Eastern Time on the Certificate Purchase Date of the aggregate purchase price of the Certificates of such Series or Beneficial Ownership Interests therein tendered or deemed tendered which have not been successfully remarketed, for which the Tender Agent has not received remarketing proceeds or for which the Tender Agent has received no such notice and the Tender Agent shall draw or demand moneys under such Liquidity Facility in the amount equal to the difference between the purchase

price of such Certificates or Beneficial Ownership Interests coming due and the remarketing proceeds set forth in such notice from the Remarketing Agent and received by the Tender Agent. Notwithstanding any other provisions of the Indenture, neither the Tender Agent nor the Trustee will require any indemnity as a condition for making any such draw or demand. Such Liquidity Provider shall purchase such Certificates or Beneficial Ownership Interests which have not been successfully remarketed by 3:00 p.m. on the Certificate Purchase Date. For purposes of this paragraph, with respect to any Series of Certificates required to be purchased as described in “THE 2008 CERTIFICATES—Mandatory Tenders for Purchase – Mandatory Tender of 2008 Certificates Upon Delivery of Substitute Liquidity Facility” in the body of this Official Statement, all references to “Liquidity Facility” and “Liquidity Provider” shall mean the Liquidity Facility in effect with respect to such Series prior to the replacement thereof with the Substitute Liquidity Facility described in “THE 2008 CERTIFICATES—Mandatory Tenders for Purchase – Mandatory Tender of 2008 Certificates Upon Delivery of Substitute Liquidity Facility” in the body of this Official Statement.

The Tender Agent is to establish separate subaccounts within each account of the Certificate Purchase Fund for each deposit made into such account of the Certificate Purchase Fund so that (i) the Tender Agent may at all times ascertain the date of deposit of the funds in each subaccount, and (ii) the amounts derived from the source described in (a) above may be segregated from other sources and such amounts are not to be commingled with any funds from the source described in (b) above. The Tender Agent will pay the purchase price specified above of each 2008A Certificate tendered or deemed tendered for purchase from the sources specified above to the Owner thereof by 4:30 p.m., prevailing New York City time, on the Certificate Purchase Date, provided that such Owner has delivered such Certificate (with any necessary endorsements) to the principal corporate trust office of the Tender Agent no later than 4:00 p.m., prevailing New York City time, on such date.

In the event any Certificates purchased as provided under this caption are not be presented to the Tender Agent, the Tender Agent will segregate and hold the moneys for the purchase price of such 2008A Certificates in trust for the benefit of the former Owners of such Certificates, who will, except as provided in “2008A INDENTURE – Nonpresentment of Certificates: Unclaimed Moneys” in this Appendix, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the purchase price of such Certificates.

Certificate Purchase Fund

The Certificate Purchase Fund is to be held by the Tender Agent. The Certificate Purchase Fund will not be included in the Trust Estate and will not be deemed to be held by the Trustee. There will be deposited by the Tender Agent from time to time into the account of the Certificate Purchase Fund established with respect to each Series of Certificates the following moneys and payments of the purchase price of such Certificates tendered for purchase as described in “THE 2008 CERTIFICATES – Optional Tenders for Purchase” and “- Mandatory Tenders for Purchase” in the body of this Official Statement will be paid therefrom in the order of priority set forth below:

(a) Available Moneys representing moneys received upon the remarketing of such Certificates to any Person pursuant to “2008A INDENTURE—Remarketing of Certificates” and “- Delivery of Purchase Certificates or Beneficial Ownership Interest and Remarketing of Liquidity Provider Certificates” in this Appendix;

(b) Available Moneys representing moneys received by the Tender Agent drawn on or otherwise paid under the Liquidity Facility for such Series of Certificates to be applied to pay the purchase price of such Certificates tendered or deemed tendered for purchase which are not successfully remarketed or for which the Tender Agent has not received remarketing proceeds; provided, however, under no circumstances shall the tender Agent apply any moneys derived from such Liquidity Facility to purchase any Liquidity Provider Certificates or any Certificates owned by the Corporation or the District, any Person who, to the actual knowledge of the Tender

Agent, is a guarantor of the payment of all or a portion of the Certificates (excluding the Certificate Insurer), or any Person which is an “insider” of the Corporation, the District, any such affiliate, or any such guarantor within the meaning of the United States Bankruptcy Code;

(c) Available Moneys, if any, received by the Tender Agent from the Corporation or the District to the extent that moneys obtained pursuant to subparagraphs (a) or (b) above are insufficient on any date to pay the purchase price of Certificates of such Series that are tendered or deemed tendered for purchase which are not successfully remarketed; provided such moneys are Available Moneys; and

(d) Other moneys, if any, received by the Tender Agent from the Corporation or the District to the extent that moneys obtained pursuant to subparagraphs (a), (b) or (c) above are insufficient on any date to pay the purchase price of Certificates of such Series that are tendered or deemed tendered for purchase which are not successfully remarketed, which moneys shall not be commingled with other moneys held in the Certificate Purchase Fund unless and until such moneys shall have become Available Moneys.

Moneys in each account of the Certificate Purchase Fund are to be held in trust exclusively for the payment of the purchase price of Certificates of the Series to which such account relates that are tendered or deemed tendered for purchase; provided, however, under no circumstances will moneys made available pursuant to any Liquidity Facility be used to purchase any Liquidity Provider Certificates or any Certificates that to the actual knowledge of the Tender Agent are owned by the Corporation, the District or any of their affiliates, guarantors or insiders within the meaning of “2008A INDENTURE – Limit on Remarketing” in this Appendix, and provided further that any excess moneys contained in the Certificate Purchase Fund are, to the extent any amounts are owed to any Liquidity Provider under a Liquidity Facility, be paid by the Tender Agent to such Liquidity Provider. Moneys on deposit in the Certificate Purchase Fund will not be invested. Any moneys derived from any Liquidity Facility will not be commingled with any other moneys on deposit in the Certificate Purchase Fund. Each account of the Certificate Purchase Fund will be an Eligible Account.

In no case will the Tender Agent or the Trustee be obligated to provide any of its own moneys to pay the Purchase Price of any tendered Certificates.

Liquidity Facility

The Corporation covenants under the Indenture that at all times when the Certificates of a Series bear interest at a Variable Rate, the Corporation will maintain a Liquidity Facility in full force and effect. The Corporation authorizes and directs the Trustee and the Tender Agent to take all action necessary under any Liquidity Facility in accordance with the provisions of the Indenture and of such Liquidity Facility to obtain moneys to pay the purchase price of Tendered Certificates of the Series to which such Liquidity Facility relates if and when such Certificates are tendered and not remarketed or for which the Tender Agent has not received remarketing proceeds. The Corporation covenants and agrees that it will not take any action which will impair its rights or the rights of any other party under any such Liquidity Facility. Without limiting the generality of the foregoing, the Corporation covenants and agrees that it will not enter into any supplement or amendment to any Liquidity Facility which would have a material adverse effect on the District, the Corporation, any Owner, the Trustee, or the Certificate Insurer for such Series without such Person’s or Persons’ consent, or which would have a material adverse effect as to the validity of any Certificates.

A Liquidity Facility shall be reduced in whole or in part, as provided therein, upon the receipt by the related Liquidity Provider of a written request from the Tender Agent requesting that a specified amount of such Liquidity Facility be reduced, a copy of which written request shall be provided by the Tender Agent to the Trustee and the District. The Corporation shall not consent to a reduction in any Liquidity Facility to an amount less than the principal amount of the Certificates to which such Liquidity

Facility relates that is then Outstanding, plus interest thereon in an amount equal to not less than (a) thirty-five (35) days interest on all Outstanding such Certificates if such Certificates bear interest at the Weekly Rate or the Monthly Rate or (b) if such Certificates bear interest at the Term Rate, such number of days of interest on all Outstanding such Certificates as may be required by each Rating Agency then maintaining a rating on such Certificates to continue its rating, in each case computed at the Maximum Rate.

Prior to the date on which the Outstanding Certificates of any Series bear interest at the Fixed Rate, a Substitute Liquidity Facility may become effective, but only with the consent of the Certificate Insurer for such Series, on any Business Day, which shall be a Substitution Date. The Substitution Date shall be a date on or before the Stated Termination Date of the Liquidity Facility then in effect with respect to such Series of Certificates. The Corporation shall cause a draft of any Substitute Liquidity Facility in substantially final form to be delivered to the Remarketing Agent for such Certificates at least 30 days prior to the proposed Substitution Date and shall cause such draft and a commitment letter with respect thereto, together with written evidence from each Rating Agency of the short term rating on such Certificates after the Substitution Date (notice of such substitution and request for such written evidence of such rating having been delivered to each Rating Agency at least 30 days prior to the proposed Substitution Date), to be delivered to the Trustee not less than 15 days prior to the proposed Substitution Date. On each Substitution Date the Corporation, the District, the Trustee, the Remarketing Agent for such Series, the Certificate Insurer for such Series and the Tender Agent shall also receive (a) an opinion of counsel for the Substitute Liquidity Provider regarding the enforceability of the Substitute Liquidity Facility in substantially the form delivered to the Tender Agent upon execution and delivery of the Liquidity Facility then in effect for such Certificates, (b) a written opinion of Bond Counsel to the effect that the substitution of the Substitute Liquidity Facility for the Liquidity Facility then in effect for such Certificates will not adversely affect the validity of such Certificates, and (c) the executed Substitute Liquidity Facility. On any Substitution Date on which a Substitute Liquidity Facility becomes effective in accordance with the provisions of this Section (but not before such date), the Tender Agent and the Corporation shall consent to the cancellation of the Liquidity Facility then in effect for such Certificates, but only if all required payments to be made thereunder, including without limitation any payment required hereby with respect to any Certificates tendered or deemed tendered as described in "THE 2008 CERTIFICATES—Mandatory Tenders for Purchase – Mandatory Tender of 2008 Certificates Upon Delivery of Substitute Liquidity Facility" in the body of this Official Statement, shall have been paid by such Liquidity Provider.

Immediate notice shall be given by the Tender Agent to the Liquidity Provider, the Certificate Insurer and the Remarketing Agent for a Series of Certificates, and to the Corporation, the District, the Trustee and each Rating Agency if no satisfactory Substitute Liquidity Facility shall be furnished to the Tender Agent in accordance with this Section no later than 30 days prior to the Stated Termination Date of the then current Liquidity Facility for such Certificates.

No Substitute Liquidity Facility shall become effective for any Series of Certificates if: (a) any Liquidity Provider Certificates of such Series shall then be Outstanding, unless the Substitute Liquidity Facility provides for the purchase of such Liquidity Provider Certificates by such Substitute Liquidity Provider under the Substitute Liquidity Facility and payment of all other amounts then due and owing to the previous Liquidity Provider; or (b) any amounts required by the Indenture to be paid to the previous Liquidity Provider for such Certificates as of such date shall not have been so paid, unless the Substitute Liquidity Facility provides for payment of all such amounts.

Upon the Stated Termination Date of any Liquidity Facility, the Tender Agent will, if applicable, return such Liquidity Facility to applicable Liquidity Provider in accordance with the terms thereof.

Certificates bearing interest at the Fixed Rate, the Floating Rate or the Auction Rate shall not be required to have the benefit of a Liquidity Facility.

Payments under Liquidity Facility

During the term of any Liquidity Facility, the Tender Agent shall request the related Liquidity Provider to pay when due in accordance with the terms of such Liquidity Facility the purchase price of Certificates of the Series of Certificates to which such Liquidity Facility relates that are tendered or deemed tendered for purchase to the extent moneys described in “2008A INDENTURE—Certificate Purchase Fund” in this Appendix are not available therefor. Notwithstanding any provision to the contrary which may be contained in the Indenture, in computing the amount to be requested under such Liquidity Facility on account of the payment of the purchase price of such Certificates tendered or deemed tendered for purchase, the Tender Agent shall exclude any such amounts in respect of any such Certificates that are actually known by the Tender Agent to be Liquidity Provider Certificates or any Certificates that are actually known by the Tender Agent to be owned by or on behalf of the Corporation, the District or any of their affiliates, guarantors or insiders within the meaning of “2008A INDENTURE – Limit on Remarketing” in the Appendix on the date such payment is due.

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, in the opinion of the Trustee, such changes or other provisions are necessary or desirable and do not materially 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 “SECURITY FOR 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) in connection with the provision of a Qualified Reserve Fund Policy subsequent to the issuance of the 2008A Certificates, such additional terms relating thereto and to the administration thereof that, in the opinion of the Trustee, are necessary or desirable and do not materially adversely affect the interests of the Owners;
- (f) to implement a conversion of the interest rate on any Certificates, including but not limited to modifying, amending or supplementing the form of such Certificates to reflect, among other things, as applicable, a change in the designated title of such Certificates, the fixing of an annual rate of interest, the termination of the rights of any Owner to tender such Certificates for purchase and the fact that the purchase price of the Certificates is no longer payable out of moneys drawn under a Liquidity Facility;
- (g) in connection with the provision of a Substitute Liquidity Facility pursuant to the provisions of the Indenture, except with respect to notices to Owners of Outstanding Certificates and mandatory tender of Certificates, such additional terms relating thereto and to the

administration thereof that, in the opinion of the Trustee, are necessary or desirable and do not materially adversely affect the rights of the Owners;

(h) in connection with the termination of a Hedge Facility, the provision of a new Hedge Facility, the conversion of a Hedge Facility that is a Cost-of-Funds Swap to one which is not a Cost-of-Funds Swap, or the conversion of a Hedge Facility that is not a Cost-of-Funds Swap to one which is a Cost-of-Funds Swap, provided that such Supplemental Indenture must not materially adversely affect the rights of the Owners or any other Person described in the paragraph “*first*” or “*second*” of the granting clauses of the Indenture unless otherwise permitted as described under this caption or as described in “2008A INDENTURE—Supplemental Indentures Requiring Consent of Owners” in this Appendix;

(i) to provide for the appointment of a substitute Remarketing Agent, a substitute Tender Agent, a substitute Auction Agent or a successor Trustee; or

(j) to effect any other changes in the Indenture which, in the opinion of Bond Counsel, are necessary or desirable and do not materially adversely affect the rights of the Owners.

Supplemental Indentures Requiring Consent of Owners

Exclusive of Supplemental Indentures described under the immediately preceding caption, the written consent of the Owners of, and Certificate Insurer with respect to, not less than a majority in aggregate principal amount of the 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 Outstanding nothing in the Indenture contained will permit, or be construed as permitting:

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

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

(c) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, except as permitted in the Indenture;

(d) a reduction in the percentage of the aggregate principal amount of the Certificates required for consent to any Supplemental Indenture; or

(e) a change in the purchase price of Certificates which have been tendered or deemed tendered for purchase or which may be tendered for purchase, without the consent of the Owner of the Certificate.

If at any time the Corporation requests 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 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 Operations Center of the Trustee for inspection by all Owners. If, within 60 days or such longer period as will be prescribed by the Corporation following the mailing of such notice, the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding at the time of the execution of any such Supplemental

Indenture, or, with respect to the matters specified in paragraphs (a) through (d) of the immediately preceding paragraph, 100%, in aggregate principal amount of the affected Certificates Outstanding at the time of the execution of any such Supplemental Indenture will have consented to and approved the execution thereof as provided in the Indenture, no Owner thereafter 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 Indentures

The Trustee is authorized to join with the Corporation in the execution of any Supplemental Indenture entered into in accordance with the immediately preceding two 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 in accordance with the provisions of the immediately preceding two captions will thereafter form a part of the Indenture; and all the terms and conditions contained in any such Supplemental Indenture will 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 the 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 2008A 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) for the purpose of modifying Base Rentals or Additional Rentals required to be paid under the Lease 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 in “2008A INDENTURE—Supplemental Indentures Not Requiring Consent of Owners” and “2008A INDENTURE—Supplemental Indentures Requiring Consent of Owners” in this Appendix, such additional terms relating to provisions of the Supplemental Indenture that, in the opinion of the Trustee, are necessary or desirable and do not materially adversely affect the rights of the Owners;
- (g) 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 described in “2008A INDENTURE—Security for the Certificates—Certificate Fund” and “—Reserve Fund” in this Appendix, and (ii) does not reduce the value of the Leased Property;

(h) to effect any change to any Project permitted by, and in accordance with the terms of, the Lease; or

(i) to effect any other changes in the Lease or any Project Document which, in the opinion of the Trustee, are necessary or desirable and, 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 “2008A INDENTURE—Supplemental Indentures Requiring Consent of Owners” in this Appendix. If at any time the Corporation requests 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 described in “2008A INDENTURE—Supplemental Indentures Requiring Consent of Owners” in this Appendix. 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 Operations Center of the Trustee for inspection by all Owners; provided, however, that no amendment to the Lease pursuant to “2008A INDENTURE – Amendments, etc., of the Lease Not Requiring Consent of Owners” in this Appendix or this section will be consented to if the amendment would result in an extension of the maturity of any Certificate, a reduction in the principal of or rate of interest on any Certificate, a privilege or priority of any Certificate over any other Certificate, or a reduction in the aggregate principal amount of the Certificates the consent of the Owners of which shall be required for consent to such amendment under this section, unless each Owner so affected shall have provided to the Trustee its prior written consent thereto.

If at any time the Corporation shall request the Trustee to enter into any amendment, change or modification of the Lease for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution of such amendment, change or modification of the Lease to be mailed to the Owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed amendment, change or modification of the Lease and shall state that copies thereof are on file at the Operations Center of the Trustee for inspection by all Owners. If, within sixty (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 in aggregate principal amount of the Certificates Outstanding at the time of the execution of any such amendment, change or modification of the Lease, or, with respect to the matters specified in the proviso of the first paragraph of this section, 100% in aggregate principal amount of the affected Certificates Outstanding at the time of the execution of any such amendment, change or modification of the Lease shall have consented to and approved the execution thereof as provided in the Indenture, no Owner thereafter shall 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.

Consent of Liquidity Provider, Hedge Provider and Certificate Fund Investment Provider

Subject to the provisions set forth as described in “2008A INDENTURE—References to Liquidity Provider, Remarketing Agent and Hedge Provider” in this Appendix, a Supplemental Indenture or any amendment, change or modification of the Lease which adversely affects the rights and obligations of the Certificate Fund Investment Provider, any Liquidity Provider or any Hedge Provider under the Indenture will not become effective unless and until the same shall have consented in writing to the thereof. The Trustee shall cause notice of the proposed execution and delivery of any a Supplemental Indenture or any amendment, change or modification of the Lease, together with a copy thereof and, if

required by the first sentence of this caption, a written consent form to be signed by the Certificate Fund Investment Provider, such Liquidity Provider or such Hedge Provider, as applicable, to be mailed by first class mail, postage prepaid to such Person at least 30 days prior to the proposed date of execution and delivery thereof.

Discharge of Indenture

If, when the Certificates secured by the Indenture 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 shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable hereunder, including sums to be paid to any Certificate Insurer pursuant to the Indenture and any Guaranty Agreement and to the Custodian, any Liquidity Provider, any Hedge Provider, the Certificate Fund Investment Provider, the Trustee, any Remarketing Agent, the Auction Agent and the Tender Agent pursuant to the provisions of the Indenture and any Custodial Agreement, any Liquidity Facility, any Hedge Facility, the Certificate Fund Investment Agreement, any Remarketing Agreement and the Auction Agreement, 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, the Owners, any such Certificate Insurer, any such Liquidity Provider, any such Hedge Provider, the Custodian, the Certificate Fund Investment Provider, any such Remarketing Agent, the Auction Agent and the Tender Agent hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall 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 shall execute such documents as may be reasonably required by the Corporation and shall turn over to (or to the order of) the Corporation any surplus in any fund, account or subaccount created under the Indenture, except the Late Payment Fee Fund, the Fee Retention Fund and the Certificate Purchase Fund and any escrow accounts theretofore established pursuant to this Section. The foregoing notwithstanding, if principal of, premium, if any, and interest due and payable upon all of the Certificates and all other amounts payable as a component of Base Rentals shall be paid, but any other amounts due to any Certificate Insurer, the Certificate Fund Investment Provider, any Liquidity Provider, any Hedge Provider, the Trustee, the Custodian, any Remarketing Agent, the Auction Agent or the Tender Agent shall not have been so paid or such provision made for such payment, 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 for the benefit of the Owners and the other Persons to whom amounts are owed as components of Base Rentals shall thereupon cease, terminate and become void and be discharged and satisfied only with respect to such amounts, and 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 for the benefit of any such Certificate Insurer, the Certificate Fund Investment Provider, any such Liquidity Provider, any such Hedge Provider, the Trustee, the Custodian, any such Remarketing Agent, the Auction Agent and the Tender Agent shall continue for the benefit of any such Certificate Insurer, any such Liquidity Provider, any such Hedge Provider, the Trustee, the Custodian, any such Remarketing Agent, the Auction Agent and the Tender Agent, ratably as among themselves in proportion to the respective amounts then due to each, and, on a basis subordinate in all respects thereto as set forth in the granting clauses of the Indenture, for the benefit of the Certificate Fund Investment Provider, until the earlier of the payment of all such amounts due or the satisfaction of such payment obligations as described in “2008A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, Auction Agent and Tender Agent with Respect to Portions of Leased Property In Which First Priority Interest Has Ceased” in this Appendix.

All or any portion of the Outstanding Certificates will prior to the maturity or redemption date thereof be deemed to have been paid (“defeased”) within the meaning and with the effect expressed in this caption if (i) in case said 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 in accordance with the provisions summarized in “2008A INDENTURE—Mandatory Sinking Fund Redemption of 2008A Certificates” in this Appendix, (ii) there shall have been deposited in trust for the exclusive benefit of the Owners of such Certificates, either Available Moneys in an amount which shall be sufficient, or Defeasance Securities purchased with Available Moneys, 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 exclusively for the benefit of the Owners of such Certificates at the same time, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on such Certificates on and prior to the redemption date or maturity date thereof, as the case may be and (iii) the Trustee shall have received (A) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Certificate Insurer verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or redemption date (a “Verification”), (B) an escrow agreement governing the application of such moneys and Defeasance Securities, (C) an opinion of Bond Counsel to the effect that such Certificates are no longer Outstanding under the Indenture, and (D) a certificate of discharge of the Trustee with respect to the Certificates. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this Section or principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Certificates coming due on or prior to the maturity or redemption thereof; provided any cash received from such principal or interest payments on such Defeasance Securities deposited in trust, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on such Certificates on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificates shall be deemed paid as aforesaid, such Certificates shall 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.

Prior to any discharge of the Indenture pursuant to this caption or the defeasance of any Certificates pursuant to this caption becoming effective, there will have been delivered to the Corporation, the District and the Trustee a written opinion of Bond Counsel, addressed to the Corporation, the District and the Trustee, to the effect that all requirements of the Indenture for such discharge or defeasance, as applicable, have been complied with.

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

A Certificate bearing interest at a Variable Rate shall be deemed to be paid within the meaning of this Section only if the following conditions are satisfied:

(a) the District has deposited with the Trustee or other Trust Bank the amounts required by the second paragraph under this caption (provided that such deposit shall assume an interest rate equal to the Maximum Rate for periods during for which the actual interest rate on such Certificate cannot be determined);

(b) the Certificate will not be then currently subject to a conversion to a different Interest Rate Mode prior to their maturity or prior prepayment, and the District irrevocably waives, to the satisfaction of the Trustee, its right to convert the Interest Rate Mode for such Certificate, and, if the Certificate is in a Term Rate Interest Rate Mode, its right to change the Term Rate Period applicable thereto; and

(c) if the Certificate is in a Variable Rate Mode: (A) if applicable, the Trustee shall have received written confirmation from each Liquidity Provider that no amounts are owed to

such Liquidity Provider under or in connection with any Liquidity Facility relating to such Certificate, and written confirmation that such Liquidity Facility has been returned to the Liquidity Provider and canceled; and (B) either (i) such Certificate shall be called for prepayment on or prior to the next date upon which such Certificate is subject to purchase as described in “THE 2008 CERTIFICATES – Optional Tenders for Purchase” in the body of this Official Statement or the Tender Agent shall have received irrevocable written instructions from the District to cancel any Certificates tendered for purchase as described under “THE 2008 CERTIFICATES – Optional Tenders for Purchase” in the body of this Official Statement prior to the stated maturity date or earlier Prepayment Date therefor, upon payment of the Purchase Price thereof from the moneys deposited with the Trustee as described in the second paragraph under this caption, and the verification report delivered to the Trustee as described in the second paragraph under this caption will reflect payment of such purchase price of any Certificates tendered for purchase as described under “THE 2008 CERTIFICATES – Optional Tenders for Purchase” in the body of this Official Statement; or (2) the Corporation shall have received confirmation from S&P that such defeasance will not cause its rating on the Certificates defeased to be decreased or withdrawn.

Notwithstanding the provisions of this caption: (i) amounts of principal of and interest on any Certificates paid by the applicable Certificate Insurer under the related Certificate Insurance Policy shall not be deemed to have been paid for purposes of the Indenture and such Certificates shall remain Outstanding and such amounts shall continue to be due and owing until paid or otherwise satisfied as described in “2008A INDENTURE - Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, the Auction Agent and Tender Agent with Respect to Portions of Leased Property In Which First Priority Interest Has Ceased” in this Appendix; and (ii) the Indenture shall not be discharged unless all amounts due or to become due to a Certificate Provider under the Indenture or under the related Certificate Insurance Policy have been paid in full or duly provided for.

References to Liquidity Providers, Remarketing Agents, Hedge Providers, Auction Agent and Broker-Dealers

References in the Indenture to any Liquidity Provider are effective only so long as such Liquidity Provider has not defaulted under its obligations with respect to the respective Liquidity Facility and no Liquidity Provider Certificates with respect to such Liquidity Facility are Outstanding. References in the Indenture to any Remarketing Agent and Tender Agent will be effective only so long as the Certificates bear interest at a Variable Rate. References in the Indenture to any Hedge Provider will be effective only so long as a Hedge Facility is in effect with respect to any Certificates and such Hedge Provider has not defaulted under its obligations with respect to the respective Hedge Facility; except that such limitation shall not impair any right of such Hedge Provider to any payment required by such Hedge Facility to be paid upon termination of such Hedge Facility, or the pledge of and lien on the Trust Estate granted to such Hedge Provider by the Indenture (as such pledge and lien shall be otherwise limited by the provisions of the Indenture).

Rights of 2008A Certificate Insurer

Each Owner of a 2008A Certificate, by its purchase of such 2008A Certificate, grants to the 2008A Certificate Insurer all the rights and privileges described under this caption as a condition to, and in consideration for, the 2008A Certificate Insurer's delivery of the 2008A Certificate Insurance Policy.

The following provisions shall govern notwithstanding any other provision of the Indenture other than the provision described in “2008A INDENTURE - References to Liquidity Providers, Remarketing Agents, Hedge Providers, Auction Agent and Broker-Dealers” in this Appendix

(a) The 2008A Certificate Insurer shall be an expressly intended third party beneficiary of the Indenture and shall be deemed to be the sole Owner of the 2008A Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the 2008A Certificates are entitled to take pursuant to this Indenture pertaining to (i) Events of Defaults and remedies under the Indenture and, as described in “2008A INDENTURE – Events of Default” and “-Remedies on Default” in this Appendix, under the Lease, (ii) the duties and obligations of the Trustee, (iii) any purpose for which the Lease provides that the 2008A Certificate Insurer shall be deemed to be the Owner of the 2008A Certificates and (iv) granting or withholding any consent wherever Owner consent is required. No amendment to the Indenture or the Lease that adversely affects the rights of the 2008A Certificate Insurer hereunder or thereunder shall be effective without the written consent of the 2008A Certificate Insurer.

(b) The rights granted to the 2008A Certificate Insurer under the Indenture or the Lease to request, consent to or direct any action are rights granted to the 2008A Certificate Insurer in consideration of its issuance of the 2008A Certificate Insurance Policy. Any exercise by the 2008A Certificate Insurer of such rights is merely an exercise of the 2008A Certificate Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners nor does such action evidence any position of the 2008A Certificate Insurer, positive or negative, as to whether Owner consent is required in addition to consent of the 2008A Certificate Insurer.

(c) The 2008A Certificate Insurer shall be provided with the following information:

(i) annual audited financial statements of the District within 180 days after the end of the District’s fiscal year (together with a certification of the District that it is not aware of any default or Event of Default under the Indenture), and the District’s annual budget within 30 days after the approval thereof, together with such other information, data or reports as the 2008A Certificate Insurer shall reasonably request from time to time;

(ii) notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (A) withdrawals of amounts in excess of the Reserve Fund Requirement, and (B) withdrawals in connection with a refunding of Certificates;

(iii) notice of any Event of Default known to the Trustee or the Corporation within five Business Days after knowledge thereof;

(iv) prior notice of the advance refunding or redemption of any of the 2008A Certificates, including the principal amount, maturities and CUSIP numbers thereof;

(v) notice of the resignation or removal of the Trustee, and the appointment of, and acceptance of duties by, any successor thereto;

(vi) notice of the commencement of any proceeding by or against the Corporation or the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”);

(vii) notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the 2008A Certificates;

(viii) a full original transcript of all proceedings relating to the execution of any amendment, supplement or waiver to the Lease and the Indenture; and

(ix) all reports, notices and correspondence to be delivered to Owners under the terms of the Lease and the Indenture.

(d)

(i) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date with respect to the 2008A Certificates (a "Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the 2008A Certificates due on such Payment Date, the Trustee shall give notice to the 2008A Certificate Insurer and to its designated agent (if any) (the "2008A Certificate Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the 2008A Certificates due on such Payment Date, the Trustee shall make a claim under the 2008A Certificate Insurance Policy and give notice to the 2008A Certificate Insurer and the 2008A Certificate Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the 2008A Certificates and the amount required to pay principal of the 2008A Certificates, confirmed in writing to the 2008A Certificate Insurer and the 2008A Certificate Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and 2008A Certificate delivered with the 2008A Certificate Insurance Policy.

(ii) The Trustee will designate any portion of payment of principal on 2008A Certificates paid by the 2008A Certificate Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2008A Certificates registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement 2008A Certificate to the 2008A Certificate Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement 2008A Certificate shall have no effect on the amount of principal or interest payable by the Corporation on any 2008A Certificate or the subrogation rights of the 2008A Certificate Insurer.

(iii) The Trustee will keep a complete and accurate record of all funds deposited by the 2008A Certificate Insurer into the Policy Payments Account (as defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any 2008A Certificate. The 2008A Certificate Insurer will have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(iv) Upon payment of a claim under the 2008A Certificate Insurance Policy, the Trustee will establish a separate special purpose trust account for the benefit of the Owners of the 2008A Certificates referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the 2008A Certificate Insurance Policy in trust on behalf of the Owners of the 2008A Certificates and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts will be disbursed by

the Trustee to the Owners of the 2008A Certificates in the same manner as principal and interest payments are to be made with respect to the 2008A Certificates under the sections of the Indenture regarding payment of 2008A Certificates. It will not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary otherwise set forth in the Indenture, the Corporation agrees to pay to the 2008A Certificate Insurer (i) a sum equal to the total of all amounts paid by the 2008A Certificate Insurer under the 2008A Certificate Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the 2008A Certificate Insurer until payment thereof in full, payable to the 2008A Certificate Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). As used in this caption, "Late Payment Rate" means the lesser of (A) the greater of (I) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank (or its successor) at its principal office in the City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank or its successor) plus 3%, and (II) the then applicable highest rate of interest on the 2008A Certificates, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Corporation covenants and agrees in the Indenture that payment of the Insurer Reimbursement Amounts is secured by a lien on and pledge of the Trust Estate and payable from the Trust Estate on a parity with the payment of principal of and interest due on the 2008A Certificates as a component of Base Rentals under the Lease.

(v) Funds held in the Policy Payments Account will not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Certificate payment date will promptly be remitted to the 2008A Certificate Insurer.

(e) The 2008A Certificate Insurer shall, to the extent it makes any payment of principal of or interest on the 2008A Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2008A Certificate Insurance Policy. Each obligation of the Corporation to the 2008A Certificate Insurer under the Indenture or the Lease will survive discharge or termination of the Indenture or the Lease.

(f) The Corporation shall pay or reimburse the 2008A Certificate Insurer, but solely from the Trust Estate, subject to the priorities set forth in the Granting Clauses of the Indenture, any and all charges, fees, costs and expenses which the 2008A Certificate Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense, or preservation of any rights or security in the Indenture or the Lease, (ii) the pursuit of any remedies under the Indenture or the Lease or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture or the Lease whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or the Lease or the transactions contemplated thereby, other than amounts resulting from the failure of the 2008A Certificate Insurer to honor its obligations under the 2008A Certificate Insurance Policy. The 2008A Certificate Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or the Lease.

(g) After payment of reasonable expenses of the Trustee, the application of funds realized upon default will be applied to the payment of expenses of the Corporation only after the payment of all amounts for which a pledge of and lien on the Trust Estate is pledged pursuant to the Granting Clauses of the Indenture and all amounts required to restore the Reserve Fund to the Reserve Fund Requirement.

(h) The 2008A Certificate Insurer will be entitled to pay principal or interest on the Certificates that shall become Due for Payment (as defined in the 2008A Certificate Insurance Policy) but shall be unpaid by reason of Nonpayment (as defined in the 2008A Certificate Insurance Policy) by the Corporation and any amounts due on the Certificates as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the 2008A Certificate Insurer has received a Notice of Nonpayment (as defined in the 2008A Certificate Insurance Policy) or a claim upon the 2008A Certificate Insurance Policy.

(i) Upon the occurrence of any redemption described in “THE 2008 CERTIFICATES – Redemption of 2008 Certificates – Redemption of 2008 Certificates in Whole Upon an Event of Nonappropriation or Event of Default” in the body of this Official Statement, the selection of 2008A Certificates to be redeemed will be subject to the approval of the 2008A Certificate Insurer.

(j) In the event that the 2008A Certificate Insurer is in payment default under the 2008A Certificate Insurance Policy or the 2008A Certificate Insurance Policy is no longer in effect (and all amounts due to the 2008A Certificate Insurer are then paid in full), all references in the Indenture to the 2008A Certificate Insurer and all provisions in the Indenture for the benefit of the 2008A Certificate Insurer will be of no effect.

(k) No contract will be entered into or any action taken by which the rights of the 2008A Certificate Insurer or security for or sources of payment of the 2008A Certificates may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the 2008A Certificate Insurer.

(l) No Additional Certificates will be issued as described in “SECURITY FOR THE CERTIFICATES – Additional Certificates” in the body of this Official Statement without the written consent of the 2008A Certificate Insurer unless otherwise permitted by the 2008A Certificate Insurer.

(m) No Qualified Reserve Fund Policy other than the 2008A Reserve Fund Policy will be deposited in the account of the Reserve Fund established for the 2008A Certificates without the written consent of the 2008A Certificate Insurer.

(n) Notwithstanding subsection (e) in “2008A INDENTURE – Events of Default” in this Appendix, no extension of the period provided for therein will exceed 60 days unless the 2008A Certificate Insurer will have consented in writing to such extension.

(o) Any Verification referred to in (ii)(B) of the second paragraph of “2008A INDENTURE – Discharge of Indenture” in this Appendix and each opinion referred to in (ii)(C) of the second paragraph of “2008A INDENTURE – Discharge of Indenture” in this Appendix will be acceptable in form and substance, and will be addressed, to the Corporation, the Trustee and the 2008A Certificate Insurer. The 2008A Certificate Insurer will be provided with final drafts of such Verification and opinion and the certificate of discharge of the Trustee referred to in (ii)(D) of the second paragraph of “2008A INDENTURE – Discharge of Indenture” in this Appendix not less than five Business Days prior to the funding of the related escrow account.

(p) The 2008A Liquidity Facility may not be extended unless, at the time of such extension, the short-term rating assigned by S&P to the 2008A Liquidity Provider is at least “A-1” or the short-term rating assigned by Moody’s to the 2008A Liquidity Provider is at least “VMIG-1,” except with the prior written consent of the 2008A Certificate Insurer. The Corporation will notify the 2008A Certificate Insurer of any decision not to request extension of the term of the 2008A Liquidity Facility at least 90 days prior to its expiration.

(q) The Corporation will, within 120 days following any of the following events, convert the Interest Rate Mode for the 2008A Certificates to a Fixed Rate Interest Rate Mode, unless the 2008A Certificate Insurer will otherwise permit or direct: (i) failure of the 2008A Liquidity Provider to purchase 2008 Certificates when required by the Indenture; (ii) upon expiration or termination of the 2008A Liquidity Facility if there is on such date no Substitute Liquidity Facility therefor; (iii) if 2008A Certificates are held as Liquidity Provider Certificates for 45 days or more in any Fiscal Year; (iv) if, for three consecutive dates on which 2008A Certificates are permitted to be tendered by the Owners thereof pursuant to the Indenture (or, with respect to 2008A Certificates that are Liquidity Provider Certificates, three consecutive dates that would be dates on which such tenders are permitted if such 2008A Certificates were not Liquidity Provider Certificates), the 2008A Remarketing Agent is unable to remarket all of the 2008A Certificates in accordance with the provisions of the Indenture; (v) if 2008A Certificates bear interest at the Maximum Rate, or if 2008A Liquidity Provider Certificates bear interest at the Maximum Liquidity Facility Rate, for a period of 30 consecutive days; or (vi) if the Corporation fails to replace the 2008A Liquidity Facility when required by the Indenture or thereby.

(r) Except as provided in the immediately preceding subsection, and except for any other conversion to a Fixed Rate Interest Rate Mode, any conversion of the Interest Rate Mode for the 2008A Certificates will require the prior consent of the 2008A Certificate Insurer.

(s) So long as any Certificates are Outstanding, the Corporation shall not, without the written consent of the 2008A Certificate Insurer, incur any debt that is recourse to the Corporation; provided that any obligation payable solely from the Trust Estate under the Indenture, or payable solely from any from any other trust estate of substantively similar composition to the Trust Estate, is declared in the Indenture not to constitute debt that is recourse to the Corporation.

Payment Provisions With Respect to 2008A Reserve Fund Policy

(a) The Corporation will cause the District to repay, as Additional Rentals under the Lease, any draws under the 2008A Reserve Fund Policy and the Corporation will pay all related reasonable expenses incurred by the 2008A Certificate Insurer. Interest will accrue and be payable on such draws and expenses from the date of payment by the 2008A Certificate Insurer at the Late Payment Rate. As used in this caption, "Late Payment Rate" means the lesser of (i) the greater of (A) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the District of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%; and (B) the then applicable highest rate of interest on the 2008A Certificates; and (ii) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate will be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate will be the publicly announced prime or base lending rate of such national bank as the 2008A Certificate Insurer will specify. Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") will commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to one-twelfth of the aggregate of Policy Costs related to such draw. Amounts in respect of Policy Costs paid to the 2008A Certificate Insurer will be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the 2008A Certificate Insurer on account of principal due, the coverage under the 2008A Reserve Fund Policy will be increased by a like amount, subject to the terms of the 2008A Reserve Fund Policy.

(b) If the Corporation shall fail to pay any Policy Costs in accordance with the requirements of the immediately preceding paragraph, the 2008A Certificate Insurer shall be

entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture, except as otherwise provided in the Indenture in the sections relating to defaults and remedies.

(c) Payment of any Policy Costs will be made prior to replenishment of any cash amounts on deposit in the Reserve Fund.

(d) The Indenture will not be discharged until all Policy Costs owing to the 2008A Certificate Insurer have been paid in full. Subject to the provisions of the Lease, the Corporation's obligation to pay such amounts will expressly survive payment in full of the 2008A Certificates.

(e) The Trustee will ascertain the necessity for a claim upon the 2008A Reserve Fund Policy and will provide notice to the 2008A Certificate Insurer in accordance with the terms of the 2008A Reserve Fund Policy at least five Business Days prior to each date upon which interest or principal is due with respect to the 2008A Certificates.

Notices to S&P and Moody's

Upon the happening of any of the following events, the Trustee shall provide prompt notice (with a copy to the Remarketing Agent) to Moody's and S&P are to be provided notice of such event: (a) expiration, termination, extension, and substitution of any Liquidity Facility; (b) redemption in whole of the Certificates; (c) conversion of any Certificates to a Term Rate Interest Rate Mode, Fixed Rate Interest Rate Mode or Auction Rate Interest Rate Mode (or any other Interest Rate Modes not covered by the 2008A Liquidity Facility then in effect); (d) the execution and delivery of any Supplemental Indenture, any amendment to the Lease, and any amendment of any Liquidity Facility; (e) substitution of the Trustee, the Tender Agent, the Auction Agent, any Remarketing Agent or any Broker-Dealer pursuant to the Indenture; (f) defeasance of any Certificates as described in "2008A INDENTURE—Discharge of Indenture" in this Appendix; (g) any mandatory tender pursuant to provisions described in this Appendix; and (h) any other information that Moody's or S&P may reasonably request in order to maintain its then-current rating on any of the Certificates.

Further Assurances and Corrective Instruments

The Corporation and the Trustee agree that so long as the Indenture is in full force and effect, the Corporation and the Trustee will have full power to carry out the acts and agreements provided for in the Indenture and they will from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements to the Indenture and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Trust Estate, or for otherwise carrying out the intention of or facilitating the performance of the Indenture.

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.

2008A LEASE

The District will lease the 2008A Leased Property from the Corporation pursuant to the 2008A Lease. This section contains a brief summary of some of the principal terms of the 2008A Lease.

Definitions

The following capitalized terms will have the following meanings in the summary of the 2008A Lease in this Appendix:

“Additional Certificates” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“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; all amounts paid by the District to the Corporation to fund any deficiency in the Reserve Fund as described in “2008A LEASE – Payments to Reserve Fund and Stabilization Account of the Certificates Fund” in this Appendix; all amounts payable to the Trustee for its extraordinary fees, costs and expenses; all amounts payable to a Certificate Insurer under the Indenture and the Lease; and any Late Payment Fees; 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.

“Auction Agent” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Auction Agreement” is defined “2008A INDENTURE—Definitions” in this Appendix.

“Base Rentals” means the payments by the District as described in “2008A LEASE—Payment of Base Rentals” in this Appendix, for and in consideration of the right to use the Leased Property during the Lease Term.

“Base Rental Payment Date” means one of the dates in the “Base Rental Payment Date” column in Exhibit C of the Lease, as such dates may be from time to time modified pursuant to the Lease, including any modification made by a notice delivered to the District as described in “2008A INDENTURE—2008A Certificate Details” in this Appendix.

“Board” means the Board of Education of the District.

“Bond Counsel” means (a) as of the date of initial delivery of the 2008A Certificates, Kutak Rock LLP, and (b) as of any other date, Kutak Rock LLP or such other attorneys selected by the District with nationally recognized expertise in the issuance of municipal securities.

“Business Day” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Certificate Fund” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Certificate Fund Investment Agreement” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Certificate Fund Investment Provider” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Certificate Insurance Policy” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Certificate Insurer” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Certificates” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Continuing Disclosure Undertaking” means any certificate, agreement or other undertaking delivered by the District in connection with the issuance or remarketing of a Series of Certificates, which constitutes an undertaking pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “Rule”).

“Corporation” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Corporation Representative” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Cost-of-Funds Swap” is defined in “2008A INDENTURE—Definitions” in this Appendix.

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

“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 and the Trustee 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 and the Trustee.

“Event of Default” means an event as described in “2008A LEASE—Events of Default and Remedies – Events of Default” in this Appendix.

“Event of Nonappropriation” means an event as described in “2008A LEASE—Event of Nonappropriation” in this Appendix.

“Fee Retention Fund” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Fiscal Year” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Fixed Rate” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Floating Rate” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“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.

“Guaranty Agreement” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Hedge Facility” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Hedge Provider” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“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 “2008A LEASE—Modification and Substitution of Leased Property” or “2008A LEASE—Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property” in this Appendix, and less any Improvements released from the Lease as described in “2008A LEASE—Release of Portions of the Leased Property” in this Appendix.

“Indenture” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“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 Term” means the period commencing on the date the Certificates are issued and ending on June 30, 2008.

“Insurance Consultant” means the Person providing any policy of insurance as described in “2008A LEASE – Taxes, Utilities and Insurance” in this Appendix, including, if applicable, the School Districts Self Insurance Pool; provided that if such Person informs the District that it is incapable of performing the obligations of the Insurance Consultant as described in “2008A LEASE – Taxes, Utilities and Insurance” in this Appendix or if the requirements described in “2008A LEASE – Taxes, Utilities and Insurance” in this Appendix are met through a self-insurance program maintained by the District, the Insurance Consultant shall be a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance of the types described in “2008A LEASE – Taxes, Utilities and Insurance” in this Appendix.

“Interest Payment Date” or *“Interest Payment Dates”* is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Land” means the land described in Exhibit A to the Lease, less any portion thereof released from the Lease as described in “2008A LEASE—Release of Portions of the Leased Property” in this Appendix.

“Late Payment Fee” means a fee paid by the District to the Corporation as an Additional Rental for each day for which any amount of Base Rentals then due and owing shall not have been paid by the District, from and including the applicable Base Rental Payment Date, as specified in Exhibit C to the Lease, to but excluding the date which is the earlier of (i) the date on which all Base Rentals and any Late Payment Fees then due and owing are paid by the District and (ii) the date on which the obligation to pay such Late Payment Fees shall have been satisfied as described in “2008A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, Certificate Insurer, Certificate Fund Investment Provider, Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, Auction Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased” in this Appendix. The Late Payment Fee will be equal to the interest, computed at the rate of 1.0% over the Prime Rate (as published in *The Wall Street Journal* for such day), on an annualized basis, on the amount of such Base Rentals then due and unpaid on each such day.

“Lease” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Lease Term” has the meaning as set forth in “2008A LEASE—Lease Term” in this Appendix.

“Leased Property” means the Land and the Improvements.

“Liquidity Facility” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Liquidity Provider” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Liquidity Provider Certificate” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Maximum Liquidity Provider Rate” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Maximum Rate” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Moody’s” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Net Proceeds” means (a) the gross proceeds received from any event as described in “2008A 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.

“Net Regularly Scheduled Hedge Payment” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Outstanding” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Owner” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“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 “2008A 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 to the Trustee and each Certificate Insurer will not adversely affect the value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted as described in “2008A 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 of the Leased Property, provided that the total of all amounts secured by such purchase money security interests shall not exceed three percent of the value of the Leased Property at the time of the grant of each such security interest; (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, impair title to the Leased Property.

“Person” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Project” is defined as the “2008A Project” in “2008A INDENTURE—Definitions” in this Appendix.

“Purchase Option Price” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Qualified Reserve Fund Policy” means a surety bond issued by an insurance company rated in the highest rating category by S&P and Moody’s.

“Qualifying Hedge Provider” means a Hedge Provider whose unsecured long-term debt is rated at least A3 from Moody’s and A- from S&P.

“Regularly Scheduled Hedge Payments” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Regularly Scheduled Liquidity Commitment Fees” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Remarketing Agent” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Remarketing Agreement” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“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” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“Reserve Fund” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“S&P” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“*Scheduled Lease Term*” means the period from the commencement of the Lease Term as described in “2008A LEASE—Lease Term” in this Appendix.

“*School Districts Self Insurance Pool*” means the Colorado School Districts Self Insurance Pool, a public entity self-insurance pool created pursuant to the authority of Section 24-10-115.5, C.R.S., as amended, or any successor statute, and any successor thereto governed by the provisions of such statute or any successor statute.

“*Stabilization Account*” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“*Stabilization Account Requirement*” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“*State*” means the State of Colorado.

“*Tender Agent*” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“*Trust Estate*” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“*Trustee*” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“*2008A Certificate Insurance Policy*” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“*2008A Certificate Insurer*” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“*2008 Certificates*” is defined in “2008A INDENTURE—Definitions” in this Appendix.

“*Variable Rate*” is defined in “2008A INDENTURE—Definitions” in this Appendix.

Representations, Covenants and Warranties by Corporation

The Corporation represents, covenants and warrants in the Lease that:

(a) The Corporation (i) is a Colorado nonprofit corporation that is duly organized, validly existing and in good standing under the laws of the State, (ii) is duly qualified to do business in the State, (iii) is the owner of the Leased Property and (iv) is authorized, under its articles of incorporation and bylaws, action of its board of directors and applicable law, to own the Leased Property, to lease the Leased Property to the District and to execute, deliver and perform its obligations under the Lease.

(b) The lease of the Leased Property to the District pursuant to the Lease is in the best interests of the Corporation.

(c) The execution, delivery and performance of the Lease by the Corporation has been duly authorized by the Corporation.

(d) Upon the execution and delivery of the Lease by the Corporation and the District, the Lease will be a legal, valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms, limited as to enforcement only 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 and its governmental bodies of the police power inherent in the sovereignty of the State 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.

(e) The execution, delivery and performance of the terms of the Lease by the Corporation does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitute a default under any of the foregoing or, except as specifically provided in the Lease or the Indenture, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Corporation.

(f) There is no litigation or proceeding pending or threatened against the Corporation or any other Person affecting the right of the Corporation to execute, deliver or perform its obligations under the Lease.

(g) The Corporation acknowledges and recognizes that the Lease will be terminated upon the occurrence of an Event of Nonappropriation, and that a failure by the District to appropriate funds in a manner that results in an Event of Nonappropriation is solely within the discretion of the Board.

Representations, Covenants and Warranties by District

The District represents, covenants and warrants that:

(a) The District is a political subdivision of the State duly organized and validly existing under the laws of the State.

(b) The District has transferred the Leased Property to the Corporation pursuant to a special warranty deed dated April 24, 2008 under the authority granted by Section 22-32-110(1)(e), C.R.S.

(c) The District is authorized, under Section 22-32-110(1)(b), C.R.S., to lease the Leased Property from the Corporation and to execute, deliver and perform its obligations under the Lease.

(d) The lease of the Leased Property from the Corporation pursuant to the Lease serves a public purpose and is in the best interests of the District and its residents.

(e) The execution, delivery and performance of the Lease by the District has been duly authorized by the District.

(f) Upon the execution and delivery of the Lease by the District and the Corporation, the Lease will be a legal, valid and binding obligation of the District, enforceable against the District in accordance with its terms, limited as to enforcement only 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 and its governmental bodies of the police power inherent in the sovereignty of the State 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.

(g) The execution, delivery and performance of the terms of the Lease by the District does not and will not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitute a default under any of the foregoing or, except as specifically provided in the Lease or the Indenture, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the District.

(h) There is no litigation or proceeding pending or threatened against the District or any other Person affecting the right of the District to execute, deliver or perform its obligations under the Lease.

(i) The District will recognize economic and other benefits by the leasing of the Leased Property pursuant to the Lease; the Leased Property is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the District's purpose and operations; the District expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Lease Term.

(j) The Base Rentals payable in each Fiscal Year during the Lease Term are not more than the fair value of the use of the Leased Property during such Fiscal Year. The Base Rentals and Additional Rentals payable in each Fiscal Year during the Lease Term do not exceed a reasonable amount so as to place the District under an economic compulsion (i) to continue the Lease beyond any Fiscal Year, (ii) not to exercise its right to terminate the Lease at any time through an Event of Nonappropriation or (iii) to exercise any of its options to purchase the Leased Property under the Lease. The Purchase Option Price is the District's best estimate of the fair purchase price of the Leased Property at the time of exercise of the District's option to purchase the Leased Property by paying the Purchase Option Price. The Scheduled Lease Term and the final maturity of the Certificates do not exceed the weighted average useful life of the Improvements or any other real property improvements currently located on the Land. In making the representations, covenants and warranties set forth above in this subsection, the District has given due consideration to the Project, the purposes for which the Leased Property will be used by the District, the benefits to the District from the use of the Leased Property, the District's options to purchase the Leased Property under the Lease and the terms of the Lease governing the use of, and the District's options to purchase, the Leased Property.

(k) The District presently intends and expects to continue the Lease annually until title to the Leased Property is acquired by the District pursuant to the Lease; but this representation does not obligate or otherwise bind the District.

(l) The District is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(m) The District has appropriated sufficient moneys in its general fund or its capital reserve fund to pay the Base Rentals payable in the current Fiscal Year and the Additional Rentals estimated to be payable in the current Fiscal Year and, upon commencement of the Lease Term, such moneys will be encumbered to pay such Base Rentals and Additional Rentals.

Demising Clause; Enjoyment of Leased Property

The Corporation demises and leases to the District, and the District leases from the Corporation, the right, title and interest of the Corporation in and to the Leased Property in accordance with the terms of the Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

The Corporation covenants that, during the Lease Term and so long as no Event of Default shall have occurred and be continuing, the District shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Corporation, except as expressly required or permitted by the Lease.

Lease Term

The Lease Term will be comprised of the Initial Term and successive one-year Renewal Terms, subject to the provisions of the Lease described under this caption. The Lease Term will expire upon the

earliest of any of the following events: (a) the last day of the month in which the final Base Rental payment is scheduled to be paid in accordance with Exhibit C to the Lease, as modified from time to time pursuant to the Lease; (b) June 30 of the Initial Term or any Renewal Term during which an Event of Nonappropriation has occurred (or, as described in “2008A LEASE—Event of Nonappropriation” in this Appendix with respect to certain Events of Nonappropriation, the date of such Event of Nonappropriation); (c) the purchase of the Leased Property by the District pursuant to provisions as described in “2008A LEASE—District’s Purchase Option; or (d) the termination of the Lease following an Event of Default in accordance with provisions as described in “2008A LEASE—Events of Default” in this Appendix.

Effect of Termination of Lease Term

Upon termination of the Lease Term:

(a) 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 will continue until they are discharged in full; and

(b) If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the District's right to possession of the Leased Property under the Lease will terminate and (i) the District is to, within 90 days, vacate the Land and the Improvements; and (ii) if and to the extent the Board 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 to pay such Base Rentals and Additional Rentals to the Corporation or, in the case of Additional Rentals, to the Person entitled thereto.

Payment of Base Rentals

The District is required to, subject only to the other provisions of the Lease, pay Base Rentals to the Trustee, as the Corporation’s assignee and mortgagee pursuant to the terms of the Indenture, during the Lease Term in immediately available funds in the amounts and on the dates set forth in Exhibit C to the Lease, as such Exhibit C may be modified from time to time pursuant to the Lease, or in such other amounts and on such other dates as may be specified in any notice from the Trustee delivered to the District as described in “THE 2008 CERTIFICATES—Calculation of Interest—Notice of Interest Rate and Base Rentals” in the body of this Official Statement, which notice shall be deemed to have modified Exhibit C to the Lease upon the delivery thereof, which payments shall be reduced by the credits described below in this subsection; provided, however, that, if any amount is appropriated by the Board in a supplemental appropriation as described in “2008A LEASE—Event of Nonappropriation” in this Appendix, the District is to, subject only to the other provisions of the Lease, immediately pay such amount to Trustee, as the assignee and mortgagee of the Corporation pursuant to the terms of the Indenture, as a portion of the Base Rentals due under the Lease, such amount being deemed to modify Exhibit C under the Lease upon such appropriation and payment. There is to 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) any accrued interest and capitalized interest from the sale of Certificates (provided that such amounts may only be credited against the interest component of such Base Rentals at the times and in the amounts set forth in the Indenture), (ii) earnings from the investment of moneys in the Certificate Fund, (iii) Net Regularly Scheduled Hedge Payments received, or with respect to Regularly Scheduled Hedge Payments from a Qualifying Hedge Provider, expected to be received, by the Corporation on or before the Interest Payment Date immediately following such Base Rental Payment Date, and (iv) 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. Not less than five Business Days prior to each Base Rental Payment Date, the

Corporation is to cause the Trustee to 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 five-Business Day period, such amounts are to be carried over to be applied as a reduction of the Base Rentals payable on the next succeeding Base Rental Payment Date.

Each payment of Base Rentals is paid as, and represents payment of, the following: (i) principal of the Certificates due in the Fiscal Year in which the Base Rental Payment is due (including, without limitation, any principal due on any Liquidity Provider Certificates pursuant to any Liquidity Facility); (ii) interest due on the Certificates in such Fiscal Year (including, without limitation, any interest due on any Liquidity Provider Certificates pursuant to any Liquidity Facility); (iii) the Net Regularly Scheduled Hedge Payments, if any, with respect to such Certificates due in such Fiscal Year; (iv) the Regularly Scheduled Liquidity Commitment Fees, if any, due in such Fiscal Year; (v) the regularly scheduled fees of any Remarketing Agent, if any, under any Remarketing Agreement for such Fiscal Year; (vi) the regularly scheduled fees of the Tender Agent, if any, for such Fiscal Year; (vii) the regularly scheduled fees of the Trustee for such Fiscal Year; (viii) the regularly scheduled fees of the Custodian for such Fiscal Year; and (ix) the regularly scheduled fees of the Auction Agent, if any, under the Auction Agreement for such fiscal year; (x) any amounts payable by the Corporation to any Certificate Insurer pursuant to the Indenture or a Guaranty Agreement to reimburse such Certificate Insurer for any draws upon the related Qualified Reserve Fund Policy (including any interest on the amount of such draws as set forth in such Article II); and (xi) to the extent an amount has been appropriated to fund a deficiency in the Stabilization Account of the Certificate Fund, an amount equal to 1/12 of the amount so appropriated for the Fiscal Year in which such Base Rental Payment Date occurs. Exhibit C to the Lease, as from time to time modified pursuant to the Lease, sets forth each such component of each payment of Base Rentals; provided that a notice from the Trustee to the District pursuant to the Indenture may specify a different amount for each such component. Upon receipt by the Trustee of each payment of Base Rentals, the Trustee shall 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 and Net Regularly Scheduled Hedge Payments under Exhibit C, as from time to time amended pursuant to the Lease, including pursuant to an amendment deemed to have been made pursuant to the provisions of the Lease described in the first paragraph under this caption by a notice from the Trustee pursuant to provisions as described in "THE 2008 CERTIFICATES—Calculation of Interest—Notice of Interest Rate and Base Rentals" in the body of this Official Statement, plus the amount of any past due interest on the Certificates (including, without limitation, any principal due on any Liquidity Provider Certificates pursuant to any Liquidity Facility), is to be deposited in the Interest Account of the Certificate Fund;

(ii) SECOND, the portion of such payment of Base Rentals designated and paid as principal under Exhibit C, as from time to time amended pursuant to the Lease, including pursuant to an amendment deemed to have been made pursuant to the provisions of the Lease described in the first paragraph under this caption by a notice from the Trustee pursuant to provisions as described in "THE 2008 CERTIFICATES—Calculation of Interest—Notice of Interest Rate and Base Rentals" in the body of this Official Statement (including, without limitation, any interest due on any Liquidity Provider Certificates pursuant to any Liquidity Facility), is to be deposited in the Principal Account of the Certificate Fund; and

(iii) THIRD, all other amounts included in Base Rentals as described above, other than the amount described in clause (xi) thereof, are to be deposited in the Fee Retention Fund; and

(iv) FOURTH, the amount described in clause (xi) above shall be deposited in the Stabilization Account of the Certificate Fund

The Base Rentals set forth in Exhibit C to the Lease are to be recalculated by District and confirmed by the Trustee in the event of: (i) any partial redemption of the Certificates prior to maturity; (ii) the issuance of any Additional Certificates pursuant to provisions as described in “SECURITY FOR THE CERTIFICATES—Additional Certificates” in the body of this Official Statement; (iii) the effectiveness of any Hedge Facility not in effect prior to such recalculation; and (iv) any Certificates becoming Liquidity Provider Certificates, so as to provide for payment of such Liquidity Provider Certificates pursuant to provisions as described in “2008A INDENTURE—Certificate Details” in this Appendix.

Payment of Additional Rentals

The District will, subject to limitations described in the second paragraph under “2008A LEASE—Taxes, Utilities and Insurance” in this Appendix and the second paragraph under “2008A Lease—Limitations on Disposition and Encumbrances on Leased Property” in this Appendix, 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 Stabilization Account of the Certificate Fund as described in “2008A LEASE—Payments to Reserve Fund” in this Appendix, 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 to the limitations described in the second paragraph under “2008A LEASE—Taxes, Utilities and Insurance” in this Appendix and the second paragraph under “2008A Lease—Limitations on Disposition and Encumbrances on Leased Property” in this Appendix, and the obligation of the District to pay Additional Rentals during the Lease Term will, subject to the limitations contained in the Lease, be absolute and unconditional and will be payable when due without abatement or any right of set off, recoupment or counterclaim the District might have against the Corporation, the Trustee, or any other Person and whether or not the Leased Property is accepted for use or is used by the District or available for use by the District, whether as a result of damage, destruction, condemnation, defect in title or failure in consideration or otherwise. 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.

Event of Nonappropriation

(a) The officer of the District who is responsible for formulating budget proposals with respect to payments of Base Rentals and Additional Rentals is directed by the Lease to include the following amounts in each annual budget proposal submitted to the Board during the Lease Term, it being the intention of the District that any decision to continue or to terminate the Lease will be made solely by the Board, in its sole discretion, and not by any other department, agency or official of the District:

(i) the entire amount of Base Rentals payable during the Fiscal Year to which such annual budget relates (net of any amount for which a credit exists as described in “2008A LEASE—Payment of Base Rentals” in this Appendix is determinable as of the date such budget proposal is so submitted), consisting of the sum of:

(A) the principal component of such Base Rentals, as set forth in Exhibit C to the Lease, as the same may be amended as described in “2008A LEASE—Payment of Base Rentals” in this Appendix;

(B) as appropriate:

(1) with respect to any Base Rentals relating to Certificates bearing interest at a Term Rate for which the Fiscal Year to which such appropriation relates shall fall within a single Term Rate Period, the interest component of such Base Rentals, as set forth in Exhibit C to the Lease, as the same may be amended as described in “2008A LEASE—Payment of Base Rentals” in this Appendix;

(2) with respect to any Base Rentals relating to Certificates (other than Liquidity Provider Certificates) bearing interest at a Variable Rate with respect to which there is in effect a Cost-of-Funds Swap, the amount payable by the Corporation under such Cost-of-Funds Swap, as set forth in Exhibit C to the Lease, as the same may be amended as described in “2008A LEASE—Payment of Base Rentals” in this Appendix;

(3) with respect to any Base Rentals relating to Certificates (other than Liquidity Provider Certificates) bearing interest at a Variable Rate for which there is in effect a Hedge Facility that is not a Cost-of-Funds Swap, the amount payable by the Corporation under such Hedge Facility, as set forth in Exhibit C to the Lease, as the same may be amended as described in “2008A LEASE—Payment of Base Rentals” in this Appendix, plus 15 basis points, but not in excess of the Maximum Rate;

(4) with respect to any Base Rentals relating to Certificates (other than Liquidity Provider Certificates) bearing interest at a Variable Rate for which there is not in effect a Hedge Facility, the interest component resulting from the application of the average of interest rates borne by such Certificates during the immediately preceding 12-month period (or, prior to 12 months following the commencement of the Lease Term, the average of interest rates borne by such Certificates since such commencement), plus 100 basis points, but not in excess of the Maximum Bank Rate; or

(5) with respect to any Base Rental relating to Certificates that are Liquidity Provider Certificates, the interest component resulting from the greater of:

(a) (1) with respect to any period during which the related Liquidity Facility requires such Certificates to bear interest at a fixed rate (including, without limitation, the Maximum Liquidity Provider Rate), the application of such rate to such period and (2) with respect to any period during which the related Liquidity Facility requires such Certificates to bear interest at a formula rate, the application of the average of the rate that would have been borne under such formula rate applicable at the time of such appropriation had such Certificates been Liquidity Provider Certificates bearing interest at such

formula rate during the immediately preceding 12-month period, plus 100 basis points, but not in excess of the Maximum Liquidity Provider Rate; or

(b) the application of the average of interest rates borne by such Certificates during the immediately preceding 12-month period (or, prior to 12 months following the commencement of the Lease Term, the average of interest rates borne by such Certificates since such commencement), plus 100 basis points, but not in excess of the Maximum Liquidity Provider Rate; and

(C) if, on the date of adoption of such budget measure, the amount on deposit in the Stabilization Account of the Certificate Fund is less than the then-applicable Stabilization Account Requirement, an amount equal to such deficiency; and

(D) the amounts payable as the components of Base Rentals as described in the second paragraph under “2008A LEASE—Payment of Base Rentals” in this Appendix during such Fiscal Year; and

(ii) the entire amount of Additional Rentals estimated to be payable during the next ensuing Fiscal Year.

(b) An Event of Nonappropriation will be deemed to have occurred:

(i) on June 30 of any Fiscal Year if the District has, as of 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, as set forth above under this caption; or

(ii) if, by any date in any Fiscal Year on which the actual interest due on the Certificates exceeds (A) the amount that has been appropriated for the payment of such interest during such Fiscal Year as described above under this caption plus (B) amounts on deposit in the Stabilization Account of the Certificate Fund, the District has (X) failed, for any reason, to adopt a supplemental appropriation for such amount (which, if such event occurs because a Hedge Facility in effect with respect to any Certificates constituted a Cost-of-Funds Swap at the time of such appropriation has, during such Fiscal Year, ceased to be a Cost-of-Funds Swap, shall be a supplemental appropriation meeting the requirements above) and (Y) actually failed to pay Base Rentals in the amount of such actual interest due; or

(iii) if:

(A) an event described in the first paragraph of “2008A LEASE—Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property” in this Appendix has occurred,

(B) the Net Proceeds received as a consequence of such event are not sufficient to repair, restore, modify, improve or replace the Leased Property as described in described in “2008A LEASE—Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property” in this Appendix; and

(C) the District has not appropriated amounts sufficient to proceed under clause (i) of the third paragraph of “2008A LEASE—Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property” in this Appendix 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, on June 30 of the Fiscal Year in which such event occurred or on June 30 of any subsequent Fiscal Year in which such insufficiency became apparent, as applicable.

(c) Notwithstanding paragraph (b) under this caption, the Trustee may, with the written consent of each Certificate Insurer and each Liquidity Provider, waive any Event of Default under the Indenture resulting from an Event of Nonappropriation if the failure to appropriate under paragraph (b) under this caption is cured by the District within a reasonable time.

(d) In the event that the District shall determine to exercise its annual right not to renew the Lease for the next succeeding Fiscal Year, the District is to give written notice to such effect to the Corporation, the Trustee, each Liquidity Provider and each Certificate Insurer not later than April 1 of the then-current 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.

(e) The District is to furnish the Corporation and the Trustee with copies of all appropriation measures relating to Base Rentals, Additional Rentals or the Purchase Option Price and a certificate from a District Representative stating that all appropriations for Base Rentals and Additional Rentals have or have not been made for the ensuing Fiscal Year, promptly upon the adoption of such appropriation measures by the Board, but not later than 30 days following the adoption thereof by the Board, or in the case of a certificate stating that such appropriations have not been made, not later than the last day of the then-current Fiscal Year; provided however, that a failure to furnish copies of such measures 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.

(f) The Trustee may conclusively rely upon and will be fully protected from all liability in relying upon the District’s and the Corporation’s determinations, calculations, certifications and instructions required as described under this caption and the Trustee will have no responsibility to independently make any calculations or determinations or to review or monitor the District’s or the Corporation’s determinations and instructions required as described under this caption.

Limitations on Obligations of the District

The Lease specifically provides that:

(a) Payment of Base Rentals and Additional Rentals by the District 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 for a Renewal Term upon the occurrence of an Event of Nonappropriation;

(c) No provision of the Certificates, the Indenture or the Lease may 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; and

(e) No provision of the Lease is to 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 shall apply to any other lease purchase agreement or amendment to the Lease entered into by the District in connection with the issuance of Additional Certificates.

Taxes, Utilities and Insurance

The District will pay, as Additional Rentals, all of the following expenses with respect to the Leased Property:

(a) 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;

(b) all gas, water, steam, sewer, electricity, heat, power and other utility charges incurred in connection with the Leased Property;

(c) 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

(d) 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.

Except for Permitted Encumbrances, 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 first notifies the Corporation, each Certificate Insurer and the Trustee 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 or any Certificate Insurer notifies the District and the Trustee 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 or the Trustee 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 is to 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 and the Trustee will cooperate fully with the District in any such contest.

The insurance policies provided as described above under this caption may be provided by one or more private or public insurance companies or organizations, by the School Districts Self Insurance Pool, or through a self-insurance program, subject to the following conditions: (a) if the insurance is provided by a private or public insurance company or organization: (i) each insurance policy is to contain 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) each insurance policy is to name the District, the Corporation and the Trustee as insureds or additional insureds, (3) each insurance policy is to be so written or endorsed as to make losses, if any, payable to, the District, the Corporation and the Trustee, as their respective interests may appear, (4) each insurance policy is to explicitly waive any co-insurance penalty and (5) each insurance policy is to 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, the Corporation or the Trustee without first giving written notice thereof to the District, the Corporation 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, is to be delivered to the Trustee and the each Certificate Insurer prior to the issuance of any Certificates, a certificate evidencing the continuation of such insurance will be provided to the Trustee and each Certificate Insurer annually following the issuance of the such Certificates and copies of any new insurance policies are to be provided to the Trustee and each Certificate Insurer 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 required by above 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 are to be first applied to repair or replace the Leased Property; and (d) unless waived by each Certificate Insurer, each such insurance policy is to be provided by a commercial insurer rated "A" or higher by S&P; and

If the insurance is provided by the School Districts Self Insurance Pool or through a self-insurance program maintained by the District: (a) an Insurance Consultant will initially and annually certify to the Corporation and each Certificate Insurer that (1) the reserves supporting such pool or self-insurance program, as applicable, are held by an independent custodian and are adequate for the purposes of such program, taking into account the replacement value of Leased Property for such Fiscal Year and (2) such pool or self-insurance program, as applicable, is maintained on an actuarially sound basis; (b) in the event the self-insurance program is discontinued, the actuarial soundness of the program, as established annually by such independent insurance consultant, must be maintained by the District; and (c) with respect to a self-insurance program, the District has received the approval of each Certificate Insurer.

The District will cause an Insurance Consultant to annually, within 60 days after the end of each Fiscal Year, review the coverage of the policies of insurance maintained under this caption and to make recommendations thereon to the District, with copies to the Corporation and the Trustee, and the District 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, is to 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 “2008A LEASE—Modification of Leased Property” and “—Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property” in this Appendix.

Inspection Rights

The Corporation, the Trustee, any Certificate Insurer and the duly authorized agents of each have the rights (but have no obligation), on reasonable notice to the District, at all reasonable times, to examine and inspect the Leased Property (subject to the terms of the Lease and such regulations as may be imposed by the District for security purposes) and to examine the books, records, reports and other papers of the District with respect to the 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

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.

Notwithstanding the immediately preceding paragraph, if the District first notifies the Corporation, the Trustee and each Certificate Insurer 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 or any Certificate Insurer notifies the District and the Trustee that, in the opinion of Independent Counsel, whose fees are to be paid by the District as Additional Rentals, by failing to discharge or satisfy such item the interest of the Corporation or the Trustee 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 and the Trustee will cooperate fully with the District in any such contest.

Granting of Easements

As long as no Event of Nonappropriation or Event of Default has happened and is continuing, the Corporation and the Trustee will, at the request of the District, upon receipt of a copy of the instrument of grant or release, as applicable, referred to below and a written application signed by the District Representative requesting such instrument and stating that such grant or release is a Permitted Encumbrance and will not adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

- (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 under 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 thereunder, 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 under paragraph (a) or (b) under this caption.

Subleasing by District

The District may, with the written consent of each Certificate Insurer and subject to the limitations described in “2008A LEASE—Transfer of District’s Interest in Lease and Leased Property Prohibited” in this Appendix, (i) 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 (ii) 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.

Modification and Substitution of Leased Property

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, (B) will become part of the Leased Property, and (C) shall become subject to the Indenture; (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; provided that if the value thereof is materially higher than prior thereto, the District will have received a written opinion of Bond Counsel to the effect that such additions, modifications or improvements will not adversely affect the validity of the Lease or cause the District to violate Article X, Section 20 of the State Constitution or other applicable law; 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.

So long as no Event of Default or Event of Nonappropriation has occurred and is continuing, the Corporation and the Trustee will release all or any portion of the Leased Property, and will 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 of: (i) a written request of the District Representative for such release, describing the portion of the Leased Property to be released; (ii) if there is to be any property to be substituted for the Leased Property or portion thereof to be released (as used in this Section, the “Substitute Leased Property”) a special warranty deed to the Corporation, subject only to Permitted Encumbrances, to the Substitute Leased Property; (iii) an amendment to the Lease reflecting the substitution of such property; and (iv) the written consent of each Certificate Insurer and each Liquidity Provider.

Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property

If (a) the Leased Property (or any portion thereof) is destroyed or damaged by fire or other casualty, (b) 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, (c) a breach of warranty or any material defect with respect to the Leased Property (or any portion thereof) becomes apparent or (d) 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 are to be deposited into a special trust fund held by the Trustee.

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 by the District promptly to repair, restore, modify, improve or replace the Leased Property (or portion thereof) and any excess is to be delivered to the District.

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:

(a) The District will, within 90 days of the Trustee's receipt of such Net Proceeds, elect either:

(i) to use the Net Proceeds promptly to repair, restore, modify or improve or replace the damaged, destroyed or taken Leased Property (or portion thereof) with property such that the Leased Property when repaired, restored, modified or improved is, or if the Leased Property (or any portion thereof) is replaced, the replacement property is, of a value equal to or in excess of the value of the Leased Property (or applicable portion thereof) immediately prior to the occurrence of such event, and to pay (subject to the Lease) as Additional Rentals the costs thereof in excess of the amount of the Net Proceeds; or

(ii) to pay (subject to the nonappropriation provisions of the Lease) the Purchase Option Price, in which case the Net Proceeds are to be delivered to the District.

(b) If, by June 30 of the Fiscal Year during which 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 (i) or (ii) clause (a) of this subsection, an Event of Nonappropriation will be deemed to have occurred.

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, the Trustee and each Certificate Insurer.

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 nonappropriation provisions of the Lease.

Condemnation by District

The District agrees 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, plus any fees and expenses of the Trustee and the Corporation required for the conveyance of the Leased Property and the payment, redemption or defeasance of the Certificates (including other fees and expenses and payable by the Corporation to the Trustee under the Indenture, all amounts payable by the Corporation to any Liquidity Provider under any Liquidity Facility, all amounts payable by the Corporation to any Hedge Provider under any Hedge Facility, all amounts

payable by the Corporation to the Custodian pursuant to the Custodial Agreement, all amounts payable to the Auction Agent pursuant to the Auction Agreement, all amounts payable by the Corporation to the any Certificate Insurer under the Indenture, any Certificate Insurance Policy or any Guaranty Agreement, all amounts payable by the Corporation to any Remarketing Agent under any Remarketing Agreement, and all amounts payable by the Corporation to the Certificate Fund Investment Provider under the Certificate Fund Investment Agreement), minus a proportionate share of the cash and Permitted Investments 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, plus any fees and expenses of the Trustee and the Corporation required for the conveyance of the Leased Property and the payment, redemption or defeasance of the Certificates (including other fees and expenses and payable by the Corporation to the Trustee under the Indenture, all amounts payable by the Corporation to any Liquidity Provider under any Liquidity Facility, all amounts payable by the Corporation to any Hedge Provider under any Hedge Facility, all amounts payable by the Corporation to the Custodian pursuant to the Custodial Agreement, all amounts payable to the Auction Agent pursuant to the Auction Agreement, all amounts payable by the Corporation to any Certificate Insurer under the Indenture, any Certificate Insurance Policy and any Guaranty Agreement, all amounts payable by the Corporation to any Remarketing Agent under any Remarketing Agreement, and all amounts payable by the Corporation to the Certificate Fund Investment Provider under the Certificate Fund Investment Agreement), minus a proportionate share of the cash and Permitted Investments 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 damage the Leased Property, in which case it will become part of the Leased Property.

District's Purchase Option

The Lease grants the District the option to purchase the Leased Property by paying to the Corporation an amount (the "Purchase Option Price") 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 (i) pay all the Outstanding Certificates at maturity, (ii) pay, in immediately available funds, (A) the redemption price of all the Outstanding Certificates in accordance with the redemption provisions of the Indenture (to the extent such Certificates are at such time subject to redemption at the option of the Corporation) or (B) the amount necessary to defease all the Outstanding Certificates in accordance with the defeasance provisions of the Indenture; (b) to pay all Additional Rentals payable through the date of conveyance of the Leased Property to the District or its designee, and (c) to pay all fees and expenses of the Trustee and the Corporation required for the conveyance of the Leased Property and the payment, redemption or defeasance of the Certificates (including other fees and expenses and payable by the Corporation to the Trustee under the Indenture, all amounts payable by the Corporation to any Liquidity Provider under any Liquidity Facility, all amounts payable by the Corporation to any Hedge Provider under any Hedge Facility, all amounts payable by the Corporation to the Custodian pursuant to the Custodial Agreement, all amounts payable to the Auction Agent pursuant to the Auction Agreement, all amounts payable by the Corporation to any Certificate Insurer under the Indenture, any Certificate Insurance Policy and any Guaranty Agreement, all amounts payable by the Corporation to any Remarketing Agent under any Remarketing Agreement, and all amounts payable by the Corporation to the Certificate Fund Investment Provider under the Certificate Fund Investment Agreement).

The District may exercise its option to purchase the Leased Property by (i) giving written notice to the Corporation, the Trustee, each Certificate Insurer and each Liquidity Provider 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 days after the delivery of such notice; (ii) paying the Purchase Option Price to the Corporation in immediately available funds on the closing date; and (iii) satisfying all requirements of the Indenture for such purchase.

Upon the closing of any purchase of the Leased Property pursuant to the District's exercise of its purchase option and delivery by the Corporation to the Trustee of the Purchase Option Price to be applied by the Trustee in accordance with the provisions of the Indenture, the Corporation is to 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.

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 under this caption have been paid and all requirements of the Indenture for such transfer and conveyance shall have been met, 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 "2008A LEASE—District's Purchase Option" in this Appendix without any additional payment by the District.

Release of Portions of the Leased Property

Subject to the provisions as described in "2008A LEASE—Limitations on Release of Real Property" in this Appendix, when the principal component of Base Rentals paid by the District, plus the principal amount of any Certificates redeemed through optional redemption, or the total principal amount of Certificates paid or deemed to be paid as described in "2008A INDENTURE—Discharge of Indenture" in this Appendix, equals the applicable amount set forth in Exhibit D to the Lease, and all Additional Rentals then due and owing from the District to the Corporation shall have been paid by the District, the cost of the corresponding portion of the Leased Property set forth in Exhibit D will be deemed to have been fully amortized and the Lessor and the Trustee is to release such portion of the Leased Property from the Lease and the lien thereon granted to the Trustee pursuant to the Indenture.

Upon a release of a portion of the Leased Property pursuant to this caption, the Corporation is to 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 items described in "2008A LEASE—District's Purchase Option" in this Appendix.

Limitations on Release of Real Property

The District acknowledges in the Lease that the Corporation has granted a lien on the Leased Property pursuant to the Indenture in favor of the Persons described in the granting clauses of the Indenture, subject to the terms thereof, and the District and the Corporation further acknowledge and agree that, notwithstanding the provisions of the Lease, the Corporation and the Trustee will not, except in accordance with the second paragraph of "2008A LEASE – Modification and Substitution Leased Property" in this Appendix, release any portion of the Leased Property from the Lease until all amounts then due and owing from the Corporation as provided therein shall have been paid by the Corporation or the obligation to pay the same shall have been deemed satisfied pursuant to provisions of the Indenture described in "2008A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge

Provider, 2008A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, Auction Agent and Tender Agent with Respect to Portions of Leased Property In Which First Priority Interest Has Ceased” in this Appendix; provided that if any such obligation to pay any amount is deemed satisfied pursuant to provisions as described in “2008A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2008A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, Auction Agent and Tender Agent with Respect to Portions of Leased Property In Which First Priority Interest Has Ceased” in this Appendix, any amounts remaining after such satisfaction pursuant to provisions as described in “2008A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2008A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent, Auction Agent and Tender Agent with Respect to Portions of Leased Property In Which First Priority Interest Has Ceased” in this Appendix is to be released to the District in lieu of the release of the applicable portion of the Leased Property.

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 is to 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, leeching, 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

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.

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.

Payments to Reserve Fund

The District is to pay to the Trustee as Additional Rentals all amounts required as described in “2008A INDENTURE—Reserve Fund” in this Appendix to be deposited into the Reserve 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 where the period from the date of purchase thereof to the maturity date is in excess of five years.

Closure of Schools Included in the Leased Property

The District shall not close any school included in the Leased Property unless Substitute Leased Property is included in the Leased Property in accordance with the provisions of the Lease described in “2008A LEASE – Modification and Substitution of Leased Property” and the school to be closed is thereupon released from the Leased Property as described in “2008A LEASE – Modification and Substitution of Leased Property”.

Events of Default and Remedies

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;
- (b) Failure by the District to pay any Additional Rental, other than Late Payment Fees, for which funds have been specifically appropriated when due, or if such Additional Rental is payable to a Person other than the Corporation, a Liquidity Provider, any Certificate Insurer or the Trustee (or the designee of any of such Persons), and nonpayment thereof has, or may have, a material adverse effect upon the Certificates, the Leased Property or the interest of the Corporation 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 “Effect of Termination of Lease Term” above in this section;
- (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 is made in violation of the provisions of the Lease described in “THE LEASE—Transfer of District’s Interest in Lease and Leased Property Prohibited” in this Appendix;
- (e) An order of decree by a court of competent jurisdiction declaring the District bankrupt under federal bankruptcy law or appointing a receiver of all or any material portion of the District’s assets or revenues is entered with the consent or acquiescence of the District or is entered without the consent or acquiescence of the District but is not vacated, discharged or stayed within 60 days after it is entered; or
- (f) 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), (d) or (e) 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 or a Certificate Insurer, unless the Corporation and such Certificate Insurer 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 is not to withhold its consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected; provided further, however, that such period shall not exceed 60 days after such written notice without the prior written consent of each Certificate Insurer.

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

(a) The District will be obligated to pay Base Rentals and Additional Rentals only during the Lease Term, except to the extent otherwise described in “2008A LEASE— Effect of Termination of Lease Term” in this Appendix; and

(b) 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 will be entirely within the discretion of the District.

Remedies. Whenever any Event of Default has happened and is continuing, the Corporation may, subject to the provisions of the Indenture, take one or any combination of the following remedial actions:

(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 “2008A LEASE— Effect of Termination of Lease Term” in this Appendix;

(b) Re-enter or re-let all or any portion of the Leased Property, or sell or otherwise dispose of 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 “2008A LEASE— Effect of Termination of Lease Term” in this Appendix; (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, less any rentals or other payments paid by any purchaser, lessee or sublessee of all or any portion of the Leased Property under any agreement or disposition made by the Corporation pursuant to subsection (b) of this caption; 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 this Appendix 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 the Lease, subject, however, to the limitations on the obligations of the District described the next paragraph and in “2008A

LEASE—Limitations on Obligations of the District” in this Appendix and the limitations on the obligations of the Corporation described in “2008A Lease—Limitations on Obligations of the Corporation” in this Appendix.

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) and (ii) above.

No Remedy Exclusive

Subject to the provisions of the Lease described in the immediately preceding paragraph, no remedy in the Lease conferred upon or reserved to the Corporation 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, it will not be necessary to give any notice, other than such notice as may be required by the Lease.

Late Payment Fees

The District and the Corporation agree in the Lease that, in the event the Board appropriates Base Rentals for any Fiscal Year, but the District does not pay the Base Rentals on or before the appropriate payment date set forth in Exhibit C to the Lease in the amount set forth in therein, the Corporation will incur damages, the amount of which are difficult to ascertain. Accordingly, the District and the Corporation have agreed in the Lease: (i) to liquidate such damages in advance in the amount of the Late Payment Fee; (ii) that the District will pay the Late Payment Fee to the Corporation as an Additional Rental, subject to all limitations contained in the Lease on the payment of Additional Rentals by the District, including, without limitation, the limitations of the nonappropriation provisions of the Lease; and that (iii) such amount represents the District’s and Corporation’s reasonable estimate of the potential actual damages such late payment would cause to the Corporation. In the event that any Late Payment Fee is due and owing from the District to the Corporation, the Superintendent of the District (or any other officer at any time charged with formulating budget proposals) is directed by the Lease to include in a supplemental appropriation the amount of such Late Payment Fee; it being the intention of the Board that any decision to pay such Late Payment Fee as an Additional Rental under the Lease will be made solely by the Board and not by any other official of the District. Notwithstanding any other provision of the Lease, a failure by the District to appropriate the Late Payment Fee will not constitute an Event of Default under the Lease.

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 will 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 or under any other agreement secured by the Indenture or otherwise with respect to the Certificates, 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.

Waivers

The Corporation may, with the written consent of each Certificate Insurer, waive any Event of Default under the Lease and its consequences. In the event that any agreement contained under 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.

In the event the Corporation waives any Event of Default described in paragraph (a) under “2008A LEASE—Events of Default and Remedies Under the Lease—Events of Default” in this Appendix, any subsequent payment by the District of Base Rentals then due and owing are to 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, pursuant to the Indenture, assign 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) to the Trustee in trust for the benefit of the Owners and the other Persons described in paragraph “first” of the granting clauses to the Indenture, and, on a basis subordinate in all respects thereto as described in the Indenture, for the benefit of the Trustee, any Remarketing Agent, the Tender Agent, the Auction Agent, any Liquidity Provider, any Hedge Provider and (on a further subordinated basis as set forth in the Indenture) the Certificate Fund Investment Provider. 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 is not to, except as provided in 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

Except as otherwise permitted as described in “2008A LEASE—Subleasing by District” in this Appendix with respect to subleases, grants or uses of the Leased Property or the next 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.

Notwithstanding the limitations described in 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 following the payment (a) by the District to the Corporation of the Purchase Option Price or all Base Rentals scheduled to be paid through the end of the Scheduled Lease Term and all other amounts required to be paid as a condition of such conveyance pursuant to the Lease, and (b) the payment or defeasance of all the Certificates in accordance with the Indenture and the payment by the Corporation of all such other amounts as provided in the Indenture.

Acknowledgment of Indenture

In the Lease, the District states that it has received a copy of, and acknowledges the terms of, the Indenture.

Rights of 2008A Certificate Insurer

Notwithstanding any other provision of the Lease or of the Indenture, so long as the 2008A Certificates are Outstanding and the 2008A Certificate Insurer is not in payment default under the 2008A Certificate Insurance Policy: (a) the 2008A Certificate Insurer is an express third party beneficiary of the Lease and will be deemed to be the sole Owner of the 2008A Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the 2008A Certificates are entitled to take, including (i) exercising all rights of the Owners of the 2008A Certificates with respect to remedies as described in “2008A LEASE – Remedies” in this Appendix other than as described in “2008A INDENTURE – Rights of the 2008A Certificate Insurer” in this Appendix, (ii) exercising any right to consent to a release or substitution of all or any portion of the Leased Property as described in “2008A LEASE – Modification and Substitution of Leased Property” in this Appendix, (iii) exercising any right to consent to an amendment, modification or change to the Leased Property Release Schedule attached to the Lease and (iv) granting or withholding any consent wherever Owner consent is required; (b) there will be no acceleration of the payment obligations of the District under the Lease; and (c) there will be no amendment, change, modification or alteration of the Lease without the written consent of the 2008A Certificate Insurer.

References to Liquidity Provider

References in the Lease and in the Indenture to any Liquidity Provider will be effective only so long as such Liquidity Provider has not defaulted under its obligations under the related Liquidity Facility and not all of the Certificates bear interest at a Fixed Rate or the Auction Rate; provided that, notwithstanding the foregoing, such references will remain effective so long as any Liquidity Provider Certificates remain Outstanding.

Undertaking to Provide Ongoing Disclosure

The District will execute a Continuing Disclosure Undertaking in connection with the issuance or remarketing of a Series of Certificates if, at the time of issuance or remarketing, a Continuing Disclosure Undertaking is required by the Rule and the District covenants for the benefit of the Owners and Beneficial Owners of such Series of Certificates to comply with the terms of any Continuing Disclosure Undertaking. Notwithstanding anything in the Lease to the contrary, any failure by the District to perform its obligations described under this caption will not constitute an Event of Default pursuant to “2008A LEASE – Events of Default and Remedies” in this Appendix, and the rights and remedies provided in 2008A LEASE – Events of Default and Remedies” in this Appendix will not apply to any such failure. Neither the Corporation nor the Trustee will have any power or duty to enforce this the provisions described under this caption. Unless otherwise required by law, no Owner or Beneficial Owner of any Certificate will be entitled to damages for the District’s non-compliance with its obligations described under this caption; provided, however, the Beneficial Owners of any Certificates may enforce specific performance of the obligations contained under this caption by any judicial proceeding available

2008B INDENTURE AND 2008B LEASE

The 2008B Indenture and the 2008B Lease are identical to the 2008A Indenture and 2008A Lease except for (a) the differences in the specific terms of the 2008A Certificates and 2008B Certificates, (b) the differences between the 2008A Leased Property and the 2008B Leased Property described in the body of this Official Statement, (c) the differences in Base Rental Payments and Additional Rental Payments relating to differences in the 2008A and 2008B Certificates and Leased Property, (d) the amounts

deposited into the funds and accounts held under the 2008A Indenture and the 2008B Indenture, and (e) the fact that there are separate Liquidity Facilities, Hedge Facilities and Certificate Insurance Policies for the 2008A Certificates and the 2008B Certificates, as further described in the body of this Official Statement. See “2008A INDENTURE” and “2008A LEASE” in this Appendix. The following definitions, in addition to those referenced in “2008A INDENTURE” in this Appendix, apply to the 2008B Indenture and the 2008B Lease.

“*Indenture*” means the 2008B Mortgage and Indenture of Trust dated as of April 24, 2008 between the Corporation and the Trustee and any amendment or supplement thereto.

“*Lease*” means the 2008B Lease Agreement dated as of April 24, 2008 between the Corporation and the District and any amendment or supplement thereto.

“*Leased Property*” means the 2008B Leased Property and any other property that may be defined as part of the Leased Property by any Supplemental Indenture.

“*Project*” means the 2008B Project and any other project that may be defined as a Project by any Supplemental Indenture

“*Regularly Scheduled Hedge Payments*” means the regularly scheduled payments by the Corporation or the applicable Hedge Provider, as applicable, which are, (a) with respect to the 2008B-1 Hedge Facility, described in Section 2 of the Confirmation which is included in the 2008B-1 Hedge Facility, (b) with respect to the 2008B-2 Hedge Facility, described in Section 2 of the Confirmation which is included in the 2008B-2 Hedge Facility, and, (c) with respect to any other Hedge Facility, any equivalent payments to be made under such other Hedge Facility. “Regularly Scheduled Hedge Payments” do not include any other amounts payable pursuant to a Hedge Facility, including, without limitation, any fees or amounts payable by the Corporation in connection with a default under, or termination of, such Hedge Facility.

“*Regularly Scheduled Liquidity Commitment Fees*” means, (a) with respect to the initial 2008B-1 Liquidity Facility, the regularly scheduled payments by the Corporation made pursuant to Section 3.2(a) of the initial 2008B-1 Liquidity Facility and any equivalent payments to be made under a Substitute Liquidity Facility, (b) with respect to the initial 2008B-2 Liquidity Facility, the regularly scheduled payments by the Corporation made pursuant to Section 3.2(a) of the initial 2008B-2 Liquidity Facility and any equivalent payments to be made under a Substitute Liquidity Facility, and, (c) with respect to any other Certificates, means any equivalent payments to be made under any Liquidity Facility relating to such Certificates. “Regularly Scheduled Liquidity Commitment Fees” do not include any other amounts payable pursuant to any Liquidity Facility, including, without limitation, any fees or amounts payable by the Corporation in connection with a default under, or termination of, such Liquidity Facility.

“*Reserve Fund Requirement*” means (a) for the 2008B Certificates, an amount equal to \$27,893,356.22 and (b) for any Series of Additional Certificates for which a deposit to the Reserve Fund is required, the amount set forth in the Supplemental Indenture authorizing the issuance of such Certificates.

“*Series*” means the 2008B Certificates and any other series of Certificates designated as such by a Supplemental Indenture.

“*2008B Acquired Property*” means the property acquired by the Corporation and subsequently leased to the District as the 2008B Leased Property pursuant to the Lease.

“*2008B Certificate Insurance Policy*” means the municipal bond insurance policy issued by the 2008B Certificate Insurer guaranteeing the scheduled payment of the principal of and interest on the 2008B Certificates when due as provided therein.

“*2008B Certificate Insurer*” means Financial Security Assurance Inc., a New York stock insurance company, and its successors and assigns, as Certificate Insurer for the 2008B Certificates.

“*2008B Certificate Purchase Agreement*” means the 2008B Certificate Purchase Agreement dated as of April 22, 2008 between the Corporation and the Initial Purchaser of the 2008B Certificates.

“*2008B Certificates*” means, collectively the 2008B-1 Certificates and the 2008B-2 Certificates authorized by the Indenture as described in the body of this Official Statement.

“*2008B-1 Certificates*” means the Taxable Variable Rate Certificates of Participation, Series 2008B-1 as described in the body of this Official Statement.

“*2008B-2 Certificates*” means the Taxable Variable Rate Certificates of Participation, Series 2008B-2 as described in the body of this Official Statement.

“*2008 Custodial Agreement*” means, collectively, the 2008B-1 Custodial Agreement and the 2008B-2 Custodial Agreement.

“*2008B-1 Custodial Agreement*” means the Custodial Agreement relating to the 2008B-1 Hedge Facility, by and among the 2008B-1 Hedge Provider, the Corporation, and the Custodian, as custodian.

“*2008B-2 Custodial Agreement*” means the Custodial Agreement relating to the 2008B-2 Hedge Facility, by and among the 2008B-2 Hedge Provider, the Corporation, and the Custodian, as custodian.

“*2008B Hedge Facility*” means, collectively, the 2008B-1 Hedge Facility and the 2008B-2 Hedge Facility

“*2008B-1 Hedge Facility*” means the Hedge Facility relating to the 2008B-1 Certificates, consisting of the ISDA Master Agreement dated as of the date of the Indenture with respect to the 2008B-1 Certificates, the Schedule to the Master Agreement dated as of the date of the Indenture and the Confirmation: Series 2008B-1 relating thereto dated as of the date of the Indenture, each between the Corporation and the 2008B-1 Hedge Provider.

“*2008B-2 Hedge Facility*” means the Hedge Facility relating to the 2008B-2 Certificates, consisting of the ISDA Master Agreement dated as of the date of the Indenture with respect to the 2008B-2 Certificates, the Schedule to the Master Agreement dated as of the date of the Indenture and the Confirmation: Series 2008B-2 relating thereto dated as of the date of the Indenture, each between the Corporation and the 2008B-2 Hedge Provider.

“*2008B-1 Hedge Provider*” means Bank of America, in its capacity as counterparty to the Corporation under the 2008B-1 Hedge Facility.

“*2008B-2 Hedge Provider*” means RBC Capital Markets, in its capacity as counterparty to the Corporation under the 2008B-2 Hedge Facility.

“*2008B Leased Property*” means the land described in Appendix B to the Indenture (which is the same land described in Appendix A to the Lease), and the improvements described in Appendix B to the Lease.

“*2008B Liquidity Facility*” means the Liquidity Facility relating to the 2008B Certificates, initially the Standby Purchase Agreement dated as of the date of the Indenture between the Corporation and the initial 2008B Liquidity Provider.

“*2008B Liquidity Provider*” means the provider of the 2008B Liquidity Facility, initially Dexia Crédit Local, acting through its New York Branch, and its successors and assigns.

“2008B Liquidity Provider Certificates” means Liquidity Provider Certificates held by the 2008B Liquidity Provider.

“2008B Project” means the application by the Corporation of the portion of the proceeds of the 2008A Certificates described in the Indenture to the acquisition by the Corporation of the 2008B Acquired Property and the defeasance of (a) the 1997 Certificates maturing in the years 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016 and (b) all of the 2005A Certificates and 2005B Certificates.

“2008B Remarketing Agent” means the Person designated by the District to act as Remarketing Agent for the 2008B Certificates, initially RBC Capital Markets Corporation, and its successors and assigns.

“2008B Remarketing Agreement” means the Remarketing Agreement between the Corporation and the 2008B Remarketing Agent relating to the remarketing of the 2008B Certificates.

“2008B Reserve Fund Policy” means the Qualified Reserve Fund Policy issued by the 2008B Certificate Insurer guaranteeing certain payments into the Reserve Fund as provided therein and subject to the limitations set forth therein.

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

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APPENDIX C

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the 2008 Certificates. The 2008 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 security certificate will be issued for each maturity of each series of the 2008 Certificates, each in the aggregate principal amount of such series and maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 2008 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2008 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. Beneficial Owners are, however, 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 2008 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 2008 Certificates, except in the event that use of the book-entry system for the 2008 Certificates is discontinued.

To facilitate subsequent transfers, all 2008 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 2008 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008 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. Beneficial Owners of 2008 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2008 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the 2008 Certificate documents. For example, Beneficial Owners of 2008 Certificates may wish to ascertain that the nominee holding the 2008 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2008 Certificates within an issue 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 any other DTC nominee) will consent or vote with respect to the 2008 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. 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 2008 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the 2008 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 Trustee on 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 Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds 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 Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its 2008 Certificates purchased or tendered, through its Participant, to the Tender Agent and the Remarketing Agent, and shall effect delivery of such 2008 Certificates by causing the Direct Participant to transfer the Participant's interest in the 2008 Certificates, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of 2008 Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2008 Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2008 Certificates to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the 2008 Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2008 Certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2008 Certificates will be printed and delivered to DTC.

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

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2008 CERTIFICATES, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE 2008 CERTIFICATES WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

The District and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the 2008 Certificates registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the 2008 Certificates, giving any notice permitted or required to be given to registered owners under the Indenture, including any notice of redemption, registering the transfer of 2008 Certificates, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The District and the Trustee will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the 2008 Certificates under or through DTC or any DTC Direct Participant, Indirect Participant or other person not shown on the records of the Trustee as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Direct Participant or Indirect Participant regarding ownership interests in the 2008 Certificates; the payment by DTC, any DTC Direct Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the 2008 Certificates; the delivery to any DTC Direct Participant, Indirect Participant or any Beneficial Owner of any notice which is permitted or required to be given to registered owners under the Authorizing Document, including any notice of redemption; the selection by DTC, any DTC Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the 2008 Certificates; or any consent given or other action taken by DTC as a registered owner.

As long as the DTC book-entry system is used for the 2008 Certificates, the Trustee will give any notice of redemption or any other notices required to be given to registered owners of 2008 Certificates only to DTC or its nominee. Any failure of DTC to advise any DTC Direct Participant, of any DTC Direct Participant to notify any Indirect Participant, of any DTC Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2008 Certificates called for redemption or of any other action premised on such notice.

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APPENDIX D

FORMS OF BOND COUNSEL OPINIONS

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APPENDIX D

FORMS OF BOND COUNSEL OPINIONS

April 24, 2008

School District No. 1, in the City and
County of Denver and State of Colorado
Wells Fargo Bank, National Association
J.P. Morgan Securities Inc.
Dexia Credit Local
Financial Security Assurance Inc.

\$450,000,000

**Denver School Facilities Leasing Corporation
Taxable Variable Rate Certificates of Participation, Series 2008A
evidencing proportionate and 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
2008A Lease Agreement dated as of April 24, 2008**

Ladies and Gentlemen:

We have been engaged by School District No. 1, in the City and County of Denver and State of Colorado (the "District") to act as bond counsel in connection with the issuance of the captioned certificates (the "2008A Certificates"). The 2008A Certificates are being issued pursuant to a 2008A Mortgage and Indenture of Trust dated as of April 24, 2008 (the "2008A Indenture") between Denver School Facilities Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and evidence proportionate and undivided interests in the right to receive certain revenues payable by the District under a 2008A Lease Agreement dated as of April 24, 2008 (the "2008A Lease") between the Corporation, as lessor, and the District, as lessee. Capitalized terms used but not defined herein have the meanings assigned to them in the 2008A Indenture and the 2008A Lease.

We have examined the Constitution and laws of the State of Colorado and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery of the 2008A Indenture by the Trustee and have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion, dated the date hereof, of John Kechriotis, counsel to the District, including, but not limited to, the legal conclusions stated in such opinion as to the authorization, execution and delivery by the District of the 2008A Lease.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The District has the power to enter into and perform its obligations under the 2008A Lease.
2. The 2008A Lease has been duly authorized, executed and delivered and is a legal, valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The 2008A Certificates evidence legal, valid and binding assignments of undivided interests in the right to receive payments, as provided in the 2008A Certificates and the 2008A Indenture, from Base Rentals payable by the District under the 2008A Lease, which payments include portions designated and paid as interest and principal, as provided in the 2008A Lease.

4. Interest on the 2008A Certificates is includable in gross income for federal and State of Colorado income tax purposes. We express no other opinion regarding any other tax consequences arising with respect to the 2008A Certificates under the laws of the United States, the State of Colorado or any other jurisdiction.

The rights of the Owners of the 2008A Certificates and the enforceability of the 2008A Certificates and the 2008A 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.

This opinion is limited to the matters specifically set forth above and we offer no other opinion or advice as to any other aspect of the transaction generally described herein. In particular, but without limitation, we offer no opinion or advice as to the enforceability of the 2008A Indenture against the Trustee; the enforceability of any insurance policy, standby bond purchase agreement, reserve fund insurance agreement or ISDA Master Agreement and related credit support annexes, schedules and confirmations (collectively, "Swap Documents") with respect to the 2008A Certificates or any insurance policy with respect to Swap Documents; legal title to the Leased Property; the creditworthiness or financial condition of the District, the Corporation, the Trustee or the issuer of any insurance policy, standby bond purchase agreement, reserve fund insurance agreement or Swap Documents with respect to the 2008A Certificates or the issuer of any insurance policy with respect to Swap Documents; the accuracy or completeness of the statements made in connection with the offer and sale of the 2008A Certificates; the compliance by the District, the Corporation or any other person with the Blue Sky or securities laws of any state; or the ability of the District to apply amounts on deposit in any particular fund or account of the District for the purpose of making payments under the 2008A Lease.

This opinion is based solely on the Constitution and laws of the State of Colorado, the other items described in the second paragraph hereof and the assumptions set forth herein; and we have no obligation to update or supplement this opinion based on or with respect to changes in any of such items or based on or with respect to other events or circumstances that occur after the date hereof.

This opinion is solely for the benefit of the addressees in connection with the original issuance of the 2008A Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

The delivery of this opinion does not create an attorney-client relationship between Kutak Rock LLP and any person or entity other than the District.

Respectfully submitted,

April 24, 2008

School District No. 1, in the City and
County of Denver and State of Colorado
Wells Fargo Bank, National Association
Citigroup Global Markets Inc.
Dexia Credit Local
Financial Security Assurance Inc.

\$300,000,000
Denver School Facilities Leasing Corporation
Taxable Variable Rate Certificates of Participation, Series 2008B
evidencing proportionate and 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
2008B Lease Agreement dated as of April 24, 2008

Ladies and Gentlemen:

We have been engaged by School District No. 1, in the City and County of Denver and State of Colorado (the "District") to act as bond counsel in connection with the issuance of the captioned certificates (the "2008B Certificates"). The 2008B Certificates are being issued pursuant to a 2008B Mortgage and Indenture of Trust dated as of April 24, 2008 (the "2008B Indenture") between Denver School Facilities Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), and evidence proportionate and undivided interests in the right to receive certain revenues payable by the District under a 2008B Lease Agreement dated as of April 24, 2008 (the "2008B Lease") between the Corporation, as lessor, and the District, as lessee. Capitalized terms used but not defined herein have the meanings assigned to them in the 2008B Indenture and the 2008B Lease.

We have examined the Constitution and laws of the State of Colorado and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery of the 2008B Indenture by the Trustee and have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion, dated the date hereof, of John Kechriotis, counsel to the District, including, but not limited to, the legal conclusions stated in such opinion as to the authorization, execution and delivery by the District of the 2008B Lease.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The District has the power to enter into and perform its obligations under the 2008B Lease.
2. The 2008B Lease has been duly authorized, executed and delivered and is a legal, valid and binding obligation of the District enforceable against the District in accordance with its terms.
3. The 2008B Certificates evidence legal, valid and binding assignments of undivided interests in the right to receive payments, as provided in the 2008B Certificates and the 2008B Indenture,

from Base Rentals payable by the District under the 2008B Lease, which payments include portions designated and paid as interest and principal, as provided in the 2008B Lease.

4. Interest on the 2008B Certificates is includable in gross income for federal and State of Colorado income tax purposes. We express no other opinion regarding any other tax consequences arising with respect to the 2008B Certificates under the laws of the United States, the State of Colorado or any other jurisdiction.

The rights of the Owners of the 2008B Certificates and the enforceability of the 2008B Certificates and the 2008B 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.

This opinion is limited to the matters specifically set forth above and we offer no other opinion or advice as to any other aspect of the transaction generally described herein. In particular, but without limitation, we offer no opinion or advice as to the enforceability of the 2008B Indenture against the Trustee; the enforceability of any insurance policy, standby bond purchase agreement, reserve fund insurance agreement or ISDA Master Agreement and related credit support annexes, schedules and confirmations (collectively, "Swap Documents") with respect to the 2008B Certificates or any insurance policy with respect to Swap Documents; legal title to the Leased Property; the creditworthiness or financial condition of the District, the Corporation, the Trustee or the issuer of any insurance policy, standby bond purchase agreement, reserve fund insurance agreement or Swap Documents with respect to the 2008B Certificates or the issuer of any insurance policy with respect to Swap Documents; the accuracy or completeness of the statements made in connection with the offer and sale of the 2008B Certificates; the compliance by the District, the Corporation or any other person with the Blue Sky or securities laws of any state; or the ability of the District to apply amounts on deposit in any particular fund or account of the District for the purpose of making payments under the 2008B Lease.

This opinion is based solely on the Constitution and laws of the State of Colorado, the other items described in the second paragraph hereof and the assumptions set forth herein; and we have no obligation to update or supplement this opinion based on or with respect to changes in any of such items or based on or with respect to other events or circumstances that occur after the date hereof.

This opinion is solely for the benefit of the addressees in connection with the original issuance of the 2008B Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

The delivery of this opinion does not create an attorney-client relationship between Kutak Rock LLP and any person or entity other than the District.

Respectfully submitted,

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS:

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____

Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

APPENDIX F

INITIAL LIQUIDITY PROVIDER INFORMATION

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APPENDIX F

INITIAL LIQUIDITY PROVIDER INFORMATION

Dexia Credit Local

Dexia Credit Local (“Dexia”) is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of over 24 billion euros as of December 31, 2007, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group’s first line of business - public and project finance and financial services for the public sector. Dexia has recognized expertise in local public sector financing and project finance. It is backed by a network of specialized banks, which employ over 3,500 professionals. Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union as well as Central Europe, the United States of America and Canada. Dexia also has operations in Latin America, the Asian-Pacific Region including Australia, and the countries around the Mediterranean.

Dexia is a bank with its principal office located in La Défense, France. In issuing the facility, Dexia will act through its New York Branch, which is licensed by the Banking Department of the State of New York as an unincorporated branch of Dexia Credit Local, Paris. Dexia is the leading local authority lender in Europe, funding its lending activities in 2007 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2007, total funding raised by Dexia and Dexia Municipal Agency was 18.2 billion euros.

The Dexia Group is the owner of Financial Security Assurance Holdings Ltd. (“FSA Holdings”), the holding company for Financial Security Assurance Inc., a leading financial guaranty insurer.

As of December 31, 2007, Dexia had total consolidated assets of 345 billion euros, outstanding medium and long-term loans to customers of 285.1 billion euros and shareholders’ equity of over 6.29 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 991 million euros. These figures were determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2007, the exchange rate was 1.0000 euro equals 1.4721 United States dollar. Such exchange rate fluctuates from time to time.

Dexia is rated Aa1 long-term and P-1 short-term by Moody’s, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Credit Local, New York Branch, 445 Park Avenue, 8th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

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