

OFFICIAL STATEMENT DATED MARCH 17, 2005

**NEW ISSUE
BOOK ENTRY ONLY**

RATINGS: S&P: "AAA/A-1+"

Moody's: "Aaa/VMIG-1"

See: "RATINGS"

INSURANCE: Ambac Assurance Corporation

Interest on the 2005 Certificates is includable in gross income for federal and Colorado income tax purposes. See "CERTAIN INCOME TAX CONSEQUENCES."

\$23,470,000

TAXABLE VARIABLE RATE CERTIFICATES OF PARTICIPATION, SERIES 2005A

Evidencing Undivided Interests in the Right to Receive Certain Revenues Payable
under a 2005A Lease Agreement dated as of March 24, 2005, by and between

SCHOOL DISTRICT NO. 1,

IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
and DENVER SCHOOL FACILITIES LEASING CORPORATION

\$62,575,000

TAXABLE VARIABLE RATE CERTIFICATES OF PARTICIPATION, SERIES 2005B

Evidencing Undivided Interests in the Right to Receive Certain Revenues Payable
under a 2005B Lease Agreement dated as of March 24, 2005, by and between

SCHOOL DISTRICT NO. 1,

IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
and DENVER SCHOOL FACILITIES LEASING CORPORATION

2005A Certificates Dated: Date of Delivery

2005A Certificates Due: December 15, 2018

Initial Interest Rate Mode: Weekly

CUSIP© Number: 24919P FL 3

Price: 100%

2005B Certificates Dated: Date of Delivery

2005B Certificates Due: December 15, 2018

Initial Interest Rate Mode: Weekly

CUSIP© Number: 24919P FM 1

Price: 100%

The Taxable Variable Rate Certificates of Participation, Series 2005A (the "2005A Certificates") evidence undivided interests in the right to receive certain revenues pursuant to an annually renewable 2005A Lease Agreement, dated as of March 24, 2005 (the "2005A 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 2005A Certificates are issued pursuant to a 2005A Mortgage and Indenture of Trust dated as of March 24, 2005 (the "2005A Indenture"), between the Corporation and J.P. Morgan Trust Company, National Association, Denver, Colorado, as trustee (the "Trustee").

The Taxable Variable Rate Certificates of Participation, Series 2005B (the "2005B Certificates," and together with the 2005A Certificates, the "2005 Certificates") evidence undivided interests in the right to receive certain revenues pursuant to an annually renewable 2005B Lease Agreement, dated as of March 24, 2005 (the "2005B Lease," and collectively with the 2005A Lease, the "Leases"), by and between the Corporation, as lessor, and the District, as lessee. The 2005B Certificates are issued pursuant to a 2005B Mortgage and Indenture of Trust dated as of March 24, 2005 (the "2005B Indenture," and collectively with the 2005A Indenture, the "Indentures") between the Corporation and the Trustee.

The 2005 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 2005 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 2005 Certificates. See "THE 2005 CERTIFICATES--Book-Entry Only System." Principal on the 2005 Certificates is payable upon surrender of the 2005 Certificates at the principal operations office of the Trustee. See "THE 2005 CERTIFICATES."

The 2005 Certificates will bear interest in one or more Variable Rate Modes unless converted to the Fixed Rate. The two series of 2005 Certificates may bear interest from time to time in different Interest Rate Modes. Each series of 2005 Certificates initially will bear interest at a Weekly Rate. Interest on the 2005 Certificates bearing interest at a Weekly Rate will be payable on the fifteenth day of each calendar month following a month in which interest at such rate has accrued, commencing on April 15, 2005. Interest will be determined and adjusted as described herein. *This Official Statement provides information concerning the 2005 Certificates prior to conversion to the Fixed Rate and should not be relied upon for information in connection with any conversion to the Fixed Rate.*

Each series of 2005 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 2005 CERTIFICATES--Redemption of 2005 Certificates." The 2005 Certificates also are subject to optional tender and mandatory tender for purchase at par as described in "THE 2005 CERTIFICATES--Optional Tenders for Purchase" and "Mandatory Tenders for Purchase."

The 2005A Certificates are being issued to: (i) refund a portion of the District's outstanding Taxable Pension Certificates of Participation, Series 1997; (ii) purchase a financial guaranty insurance policy and a reserve fund insurance policy; and (iii) pay the costs of issuing the 2005A Certificates. See "THE PLAN OF FINANCE."

The 2005B Certificates are being issued to: (i) purchase a guaranteed investment contract; (ii) purchase a financial guaranty insurance policy and a reserve fund insurance policy; and (iii) pay the costs of issuing the 2005B Certificates. See "THE PLAN OF FINANCE."

None of the Leases, the 2005 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 2005 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 financial guaranty insurance policy relating to each series of 2005 Certificates (each a "Policy"), (ii) the proceeds of the sale of the applicable series of 2005 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 2005 Certificates will be payable during the applicable Lease Term (as defined in each of the Leases) solely from a portion of the Base Rentals (as defined in each of the Leases) to be paid by or on behalf of the District under the Lease to which such series of 2005 Certificates relates and the income from certain investments. All payment obligations of the District under each of the Leases, 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 2005 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 2005 Certificates.* See "SECURITY FOR THE CERTIFICATES."

Payment of the principal of and interest on each series of the 2005 Certificates when due will be guaranteed by a separate Policy to be issued simultaneously with the delivery of the 2005 Certificates by Ambac Assurance Corporation. See "SECURITY FOR THE CERTIFICATES--Certificate Insurance."

Ambac

Under a separate Standby Certificate Purchase Agreement for each series of 2005 Certificates (collectively, the "Initial Liquidity Facilities"), JPMorgan Chase Bank, National Association (the "Initial Liquidity Provider") is obligated to pay the Purchase Price of the applicable series of 2005 Certificates tendered or deemed tendered for purchase but not remarketed as described herein. Each of the Initial Liquidity Facilities may be suspended or terminated without prior notice under certain circumstances described herein. See "THE INITIAL LIQUIDITY FACILITIES."

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 2005 Certificates is exempt from the continuing disclosure provisions of Rule 15c2-12 (defined herein) upon issuance. See "INTRODUCTION--Exemption from Continuing Disclosure."

The 2005 Certificates are offered when, as, and if issued and accepted by the Underwriter subject to the approval of legality of the 2005 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. RBC Dain Rauscher Inc., Denver, Colorado, is acting as Financial Advisor to the District. Certain legal matters will be passed upon for the District by its General Counsel. Certain legal matters will be passed upon for the Underwriter and the Initial Liquidity Provider by Hogan & Hartson L.L.P., Denver, Colorado. It is expected that the 2005 Certificates will be available for delivery through the facilities of DTC, on or about March 24, 2005.

JPMorgan

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 2005 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 2005 Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the District or the Underwriter. 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 2005 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 Underwriter. 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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 2005 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 2005 Certificates and may not be reproduced or used in whole or in part for any other purpose.

The 2005 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 2005 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 2005 CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE 2005 CERTIFICATES, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE 2005 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Trustee assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

DENVER SCHOOL FACILITIES LEASING CORPORATION

Board of Directors

Lynn D. Coleman, President
Thayne McKnight, Vice President
James T. Holmes, Secretary
Sherry Eastlund, Director
Susan G. Edwards, Director

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

Board of Education

President	Lester R. Woodward
Vice President	Rev. Lucia Guzman
Secretary	Michelle Moss
Treasurer	Kevin Patterson
Member	Elaine Gantz Berman
Member	Bruce Hoyt
Member	Theresa K. Pena

Administrative Officials

Superintendent	Jerome F. Wartgow
Assistant Superintendent for	
Budget and Finance	Richard H. Allen
Chief Financial Officer	Velma A. Rose

General Counsel

Mary Ellen McEldowney, Esq.

FINANCIAL ADVISOR TO THE DISTRICT

RBC Dain Rauscher Inc.
Denver, Colorado

TRUSTEE, ESCROW BANK AND TENDER AGENT

J.P. Morgan Trust Company, National Association
Denver, Colorado

UNDERWRITER/REMARKETING AGENT

JPMorgan Securities Inc.
Denver, Colorado

BOND COUNSEL

Kutak Rock LLP
Denver, Colorado

SPECIAL COUNSEL

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

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OFFICIAL STATEMENT

\$23,470,000

TAXABLE VARIABLE RATE CERTIFICATES OF PARTICIPATION, SERIES 2005A

**Evidencing Undivided Interests in the Right to Receive Certain Revenues Payable
under a 2005A Lease Agreement dated as of March 24, 2005, by and between**

SCHOOL DISTRICT NO. 1,

**IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
and DENVER SCHOOL FACILITIES LEASING CORPORATION**

\$62,575,000

TAXABLE VARIABLE RATE CERTIFICATES OF PARTICIPATION, SERIES 2005B

**Evidencing Undivided Interests in the Right to Receive Certain Revenues Payable
under a 2005B Lease Agreement dated as of March 24, 2005, by and between**

SCHOOL DISTRICT NO. 1,

**IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO
and DENVER SCHOOL FACILITIES LEASING CORPORATION**

INTRODUCTION

General

This Official Statement, including the cover page and appendices, is furnished in connection with the issuance and sale of \$23,470,000 aggregate principal amount of Taxable Variable Rate Certificates of Participation, Series 2005A (the “2005A Certificates”) and \$62,575,000 aggregate principal amount of Taxable Variable Rate Certificates of Participation, Series 2005B (the “2005B Certificates,” and collectively with the 2005A Certificates, the “2005 Certificates”).

The 2005A Certificates evidence undivided interests in the right to receive certain revenues payable under a 2005A Lease Agreement dated as of March 24, 2005 (the “2005A Lease”), between School District No. 1, in the City and County of Denver and State of Colorado (the “District”), as lessee, and Denver School Facilities Leasing Corporation (the “Corporation”), as lessor. The 2005A Certificates are issued pursuant to a 2005A Mortgage and Indenture of Trust, dated as of March 24, 2005 (the “2005A Indenture”), between the Corporation and J.P. Morgan Trust Company, National Association, Denver, Colorado (the “Trustee”).

The 2005B Certificates evidence undivided interests in the right to receive certain revenues payable under a 2005B Lease Agreement dated as of March 24, 2005 (the “2005B Lease”), between the District, as lessee, and the Corporation, as lessor. The 2005B Certificates are issued pursuant to a 2005B Mortgage and Indenture of Trust, dated as of March 24, 2005 (the “2005B Indenture”), between the Corporation and the Trustee.

The 2005A Lease and the 2005B Lease are referred to collectively as the “Leases” and the 2005A Indenture and the 2005B Indenture are referred to collectively as the “Indentures.” The terms of each of the Leases and Indentures are substantially similar; unless otherwise indicated, descriptions of the terms of the Leases apply to the 2005A Lease and the 2005B Lease, and descriptions of the terms of the Indentures apply to the 2005A Indenture and the 2005B Indenture.

Notwithstanding the fact that each Lease and each Indenture are discussed collectively in some instances, it should be noted that the use herein of the terms "2005 Certificates," "Leases," "Indentures" to collectively refer to the 2005A Certificates and 2005B Certificates, the 2005A Lease and the 2005B Lease, and the 2005A Indenture and 2005B 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 2005 Certificates) is for the convenience of the reader only. The 2005A Certificates are secured solely as provided in the 2005A Indenture and the 2005B Certificates are secured solely as provided in the 2005B Indenture. It is not necessary for the District, the Trustee or any other party to take the same action under each of the Leases or each of the Indentures at the same time. Certain other capitalized terms used herein are defined in Appendix B hereto.

The offering of the 2005 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 2005 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 appendices, is unauthorized.

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 certified assessed valuation for 2004 (for collection of taxes in 2005), net of the assessed valuation attributable to certain tax increment districts located within the District's boundaries, is \$8,202,512,932. The District's enrollment for Fall 2004 was 72,901 students (headcount). See "THE DISTRICT."

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 and, with respect to the 2005B Indenture, amounts invested pursuant to the guaranteed investment contract described in "THE PLAN OF FINANCE--The 2005B Refunding Project") to the Trustee for the benefit of the registered owners of the series of 2005 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 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 2005 Certificates will not have the right to look to the Corporation for any payment of the 2005 Certificates, the interest thereon, or for any other payments. See “THE CORPORATION.”

Purpose

The 2005A Certificates. The proceeds of the 2005A Certificates are being used to: (i) refund \$19,194,482.50 aggregate principal amount of the District’s Taxable Pension Certificates of Participation, Series 1997 (the “1997 PCOPS”), currently outstanding in the aggregate principal amount of \$325,292,521; (ii) purchase a financial guaranty insurance policy and a reserve fund insurance policy; and (iii) pay the costs of issuing the 2005A Certificates. See “THE PLAN OF FINANCE--The 2005A Refunding Project.”

The 2005B Certificates. The proceeds of the 2005B Certificates are being used to: (i) purchase a guaranteed investment contract for the purposes described in “THE PLAN OF FINANCE--The 2005B Refunding Project;” (ii) purchase a financial guaranty insurance policy and a reserve fund insurance policy; and (iii) pay the costs of issuing the 2005B Certificates. See “THE PLAN OF FINANCE--The 2005B Refunding Project.”

Authority for Issuance

The 2005 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 2005 Certificates; Termination of Leases

General. The 2005A Certificates are payable solely from lease revenues pursuant to the 2005A Lease (the “2005A Lease Revenues”) as, when and if the same are received by the Trustee pursuant to the 2005A Lease. The 2005B Certificates are payable solely from lease revenues pursuant to the 2005B Lease (the “2005B Lease Revenues,” and collectively with the 2005A Lease Revenues, the “Lease Revenues”) as, when and if the same are received by the Trustee pursuant to the 2005B Lease. The Lease Revenues received pursuant to each of the Leases are to be held in trust by the Trustee for that purpose in the manner and to the extent provided in the related Indenture. The issuance of the 2005 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, as that term is defined in each of the Indentures, 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 includes an amount equal to the principal and interest due on the related 2005 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 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 2005 Certificates also are payable, in certain circumstances, from amounts received pursuant to the financial guaranty insurance policy to be issued with respect to such series of 2005 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 2005 Certificate deposited with or by the Trustee in the applicable Certificate Fund to pay accrued or capitalized interest on the related 2005 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 of the Leases 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, title defect, or 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 school buildings and the land upon which they are situated are subject to the 2005A Lease and the 2005A Indenture (the “2005A Leased Property”) and the 2005A Certificates (in addition to any additional certificates issued pursuant to the 2005A Indenture) have a lien on the 2005A Leased Property encumbered by the 2005A Indenture. Certain school buildings and the land upon which they are situated are subject to the 2005B Lease and the 2005B Indenture (the “2005B Leased Property,” and when discussed generally or collectively with the 2005A Leased Property, the “Leased Property”) and the 2005B Certificates (in addition to any additional certificates issued pursuant to the 2005B Indenture) have a lien on the 2005B Leased Property encumbered by the 2005B Indenture. See “SECURITY FOR THE CERTIFICATES--The Leased Property” for a description of the 2005A Leased Property and the 2005B Leased Property.

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 2005 Certificates are paid or defeased. See Appendix B hereto.

Certificate Insurance. Payment of the principal of and interest on each series of 2005 Certificates when due will be guaranteed by a separate Policy to be issued simultaneously with the delivery of the respective series of 2005 Certificates by Ambac Assurance Corporation (“Ambac Assurance” 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 - The Reserve Fund Insurance Policies” and “SECURITY FOR THE CERTIFICATES--Certificate Insurance” has been furnished by Ambac Assurance 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. Each series of 2005 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 Insurance Policy”) provided by the Certificate Insurer in the amount of the respective Reserve Fund Requirement. See “SECURITY FOR THE CERTIFICATES--Reserve Fund.” Each Reserve Fund Insurance Policy will be held by the Trustee.

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 Summaries 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.

Neither the 2005 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 2005 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 2005 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 2005 Certificates bears interest at a Variable Rate, the Corporation is required to maintain a Liquidity Facility with respect to such series of 2005 Certificates to provide liquidity support for such 2005 Certificates. Payment of the purchase price for each series of 2005 Certificates upon mandatory or optional tender for purchase as described in each Indenture is secured by amounts available pursuant to two separate standby certificate purchase agreements (each an “Initial Liquidity Facility” and collectively, the “Initial Liquidity Facilities”)

issued by JPMorgan Chase Bank, National Association (the “Initial Liquidity Provider”). See “THE INITIAL LIQUIDITY FACILITIES.”

Notwithstanding the foregoing, upon the satisfaction of certain conditions set forth in each Indenture, no Liquidity Facility is required to be maintained with respect to the related series of 2005 Certificates. See “THE INITIAL LIQUIDITY FACILITIES--Liquidity Facility Not Required in Certain Circumstances.”

Furthermore, the Term Rate mode does not automatically constitute a “Covered Mode” for which the purchase price upon tender will be paid pursuant to the Liquidity Facilities. If the Trustee submits a request to convert either series of 2005 Certificates to the Term Rate mode, the Initial Liquidity Provider will reasonably consider the request to increase the Available Interest Commitment (defined herein) for such series; provided, however, the Initial Liquidity Provider shall not be obligated to so consider any increase in the Available Interest Commitment in the event that an Event of Default shall have occurred under the applicable Initial Liquidity Facility. Should the Initial Liquidity Provider not approve an increase in the Available Interest Commitment, and if the conditions described in “THE INITIAL LIQUIDITY FACILITIES--Liquidity Facility Not Required in Certain Circumstances” cannot be met, the District will be required to obtain a Substitute Liquidity Facility with respect to the series of 2005 Certificates in order to convert them to the Term Rate. In that instance, Owners of the affected series of 2005 Certificates would be required to tender their 2005 Certificates for mandatory purchase. See “THE 2005 CERTIFICATES--Mandatory Tenders for Purchase.”

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 2005 Certificates. *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.* Notwithstanding the foregoing, the Certificate Insurer is required to continue to pay the scheduled principal of and interest on the applicable series of 2005 Certificates pursuant to the related Policy. See “SECURITY FOR THE CERTIFICATES--Certificate Insurance.”

The 2005 Certificates; Prior Redemption

The 2005 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 2005 Certificates will mature and bear interest (initially at a Weekly Interest Rate) as set forth on the cover page of this Official Statement. The Weekly Interest Rate initially borne by either series of 2005 Certificates may be changed at the option of the District in accordance with the terms of the

applicable Indenture upon notice to the Owners of the applicable series of 2005 Certificates, including the applicable Securities Depository, if any, or its nominee, the applicable Remarketing Agent, the applicable Liquidity Provider and the applicable Certificate Insurer, to a different Variable Rate or to a fixed interest rate (the “Fixed Rate”), as described below. Each series of 2005 Certificates may bear interest from time to time in a different Interest Rate Mode. The payment of principal and interest on the 2005 Certificates is described in “THE 2005 CERTIFICATES.”

The 2005 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 2005 Certificates. Purchases of 2005 Certificates are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2005 Certificates. See “THE 2005 CERTIFICATES--Book-Entry Only System.”

Each series of 2005 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 the applicable Indenture. See “THE 2005 CERTIFICATES--Redemption of 2005 Certificates.”

While the 2005 Certificates bear interest at a Variable Rate, the 2005 Certificates may be tendered for purchase on certain dates upon demand of the Owner thereof. The 2005 Certificates also are subject to mandatory tender for purchase. See “THE 2005 CERTIFICATES--Optional Tenders for Purchase” and “Mandatory Tenders for Purchase.” Each of the Indentures provides for the remarketing by the Remarketing Agent, initially JPMorgan Securities Inc. (the “Remarketing Agent”), of the applicable series of 2005 Certificates tendered or deemed tendered by the Owners. If the proceeds of remarketing are not sufficient to purchase the 2005 Certificates tendered for purchase, the Trustee is required to draw on the applicable Liquidity Facility to pay the applicable purchase price.

The Hedge Facilities

The Corporation is expected to enter into two separate interest rate exchange transactions with respect to the 2005 Certificates with JPMorgan Chase Bank, National Association (the “Hedge Provider”). See “RELATED PARTIES.” The Corporation and the Hedge Provider will execute a single 1992 ISDA (International Swaps and Derivatives Association, Inc.) Master Agreement and a Schedule and Credit Support Annex thereto governing each hedge transaction (collectively, the “Master Hedge Documents”). The Corporation and the Hedge Provider also will enter into a Confirmation dated as of March 10, 2005, relating to the interest rate exchange transaction with respect to the 2005A Certificates (with the Master Hedge Documents, the “2005A Hedge Facility”) and a Confirmation dated as of March 10, 2005, relating to the interest rate exchange transaction with respect to the 2005B Certificates (with the Master Hedge Documents, the “2005B Hedge Facility,” and collectively with the 2005A Hedge Facility, the “Hedge Facilities”).

In general, the terms of each Hedge Facility 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 Hedge Provider will pay a variable rate of interest on the same notional amount. The

2005A Hedge Facility is effective on March 24, 2005 and terminates on December 15, 2018. Subject to the cancellation option described below, the 2005B Hedge Facility is effective December 15, 2007 and terminates on December 15, 2018. The 2005B Hedge Facility may be canceled by the Hedge Provider prior to its effective date (the "Cancellation Option"). In return for the Cancellation Option, the Hedge Provider will pay the District an aggregate premium in the amount of \$8,100,000. Of that premium amount, \$1,110,000 will be paid simultaneously with the issuance of the 2005B Certificates and will be invested in the Investment Agreement, \$55,000 will be paid on July 11, 2009, \$1,195,000 will be paid on July 11, 2015 and the remainder (\$5,740,000) will be paid on July 11, 2016. Those payments are required to be made notwithstanding any prior cancellation of the 2005B Hedge Facility pursuant to the Cancellation Option. The District expects to use a portion of the premium to pay a portion of the principal and interest due on the 1997 PCOPS on December 15, 2009, December 15, 2015 and December 15, 2016; however, the District is not obligated to use the premium to pay such debt service.

The agreement by the Hedge Provider to make payments under each of 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 2005 Certificates may differ from the amount paid by the Hedge Provider to the Corporation in respect of the related Hedge Facility, and under certain circumstances, the Hedge Facilities may be terminated prior to their stated termination dates. See "CERTAIN RISK FACTORS--Risks Related to Hedge Facilities." Neither the owners of the 2005 Certificates nor any other person other than the Corporation will have any rights under either Hedge Facility or against the Hedge Provider. The regular interest payments payable to the Hedge Provider constitute a component of Base Rentals payable by the District under the respective Leases and are pledged by the Corporation as part of the respective Trust Estates under each of the Indentures. 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, with respect to the 2005A Certificates, in Appendix B "2005A Indenture--Remedies of Trustee Upon the Occurrence of an Event of Default" and "--Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent and Tender Agent with Respect to Portions of Leased Property In Which First Priority Interest Has Ceased" and with respect to the 2005B Certificates, Appendix B "2005B Indenture--Remedies of Trustee Upon the Occurrence of an Event of Default" and "--Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent and Tender Agent with Respect to Portions of Leased Property In Which First Priority Interest Has Ceased" hereto, and 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 Ambac Assurance pursuant to a separate surety 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.

Notwithstanding anything to the contrary described in this Official Statement, the Corporation shall have no obligation to make any payment with respect to the 2005B Hedge Facility, and, except with respect to the enforcement of any remedies specifically granted pursuant to the 2005B Indenture, the Hedge Provider shall have no right to enforce any such payment obligation or the pledge of and lien on the Trust Estate created pursuant to the 2005B Indenture granted for its benefit pursuant to and subject to the limitations of the granting clauses thereof, or to cause the Trustee to enforce the same, unless and until the 2005B Hedge Facility becomes effective as described above and the Hedge Provider does not exercise the Cancellation Option (the “Hedge Facility Effective Date”).

Tax Status

Interest on the 2005 Certificates is includable in gross income for federal and Colorado income tax purposes. See “CERTAIN INCOME TAX CONSEQUENCES.”

Professionals

Kutak Rock LLP, Denver, Colorado, has acted as bond counsel to the District in connection with issuance of the 2005 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 Dain Rauscher Inc., Denver, Colorado, has acted as Financial Advisor to the District. The fees of Kutak Rock LLP, Sherman & Howard L.L.C. and RBC Dain Rauscher will be paid only from 2005 Certificate proceeds at closing. JPMorgan Securities Inc., Denver, Colorado, has acted as Underwriter to the District (See “UNDERWRITING”) and will also act as remarketing agent (the “Remarketing Agent”) with respect to the 2005 Certificates. J.P. Morgan Trust Company, National Association, Denver, Colorado, will act as Trustee and Tender Agent and also will act as the Escrow Bank in connection with the 2005A Refunding Project. See “THE PLAN OF FINANCE.” Certain legal matters will be passed upon for the Underwriter and the Initial Liquidity Provider by Hogan & Hartson L.L.P, Denver, Colorado. Certain mathematical computations regarding the 2005A Escrow Account (defined herein) will be verified by Causey Demgen & Moore Inc., certified public accountants, Denver, Colorado. See “THE PLAN OF FINANCE--The 2005A Refunding Project - Verification of Mathematical Computations.” Deloitte & Touche LLP, Independent Auditors, has audited the basic financial statements of the District which are attached hereto as Appendix A. See “INDEPENDENT AUDITORS.” Also see “RELATED PARTIES” herein.

Exemption from Continuing Disclosure

No continuing disclosure will be provided in connection with the issuance of the 2005 Certificates based on the exemptions from the continuing disclosure requirements as set forth in Rule 15c2-12(c) promulgated under the Securities Exchange Act of 1934, as amended.

However, the District will covenant in each Lease to comply with any applicable ongoing disclosure requirements with respect to the 2005 Certificates that may be imposed upon them or otherwise relating to the 2005 Certificates in the future by the Securities and Exchange Commission (“SEC”) or any other regulatory body. In the event that the 2005 Certificates are

converted to any interest rate mode with a term longer than 270 days (including the Term Rate mode with a Term Rate Period longer than 270 days), the District will covenant in each Lease to comply with the SEC's requirements regarding continuing disclosure in effect at the time of such conversion and, in particular, the requirements of SEC Rule 15c2-12(b)(5) (the "Rule") relating to continuing disclosure.

The District currently is obligated, in connection with continuing disclosure undertakings entered into with respect to other outstanding securities, to annually file certain financial information and operating data relating to the District with the national information repositories as required by the Rule.

Additional Information

This Introduction is only a brief summary of the provisions of the 2005 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 2005 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 and the Underwriter upon request to:

The District:

Velma A. Rose
School District No. 1
(Denver Public Schools)
900 Grant Street, Room 305
Denver, Colorado 80203
Telephone: (720) 423-3226.

The Underwriter:

JPMorgan Securities Inc
270 Park Avenue, 6th Floor
New York, New York 10017
Attn: Municipal Short Term Group
Telephone: (212) 834-7175.

CERTAIN RISK FACTORS

The purchase of the 2005 Certificates involves special risks and the 2005 Certificates may not be appropriate investments for all types of investors.

While the Policies insure the scheduled payment of principal and interest on the respective series of 2005 Certificates, and while each Initial Liquidity Facility supports payment of the purchase price for the related 2005 Certificates tendered for purchase, the payment of principal and interest on the 2005 Certificates or the purchase option price for tendered 2005 Certificates is based solely on the general credit of the Certificate Insurer and the Initial Liquidity Provider (but only so long as the Initial Liquidity Facilities are in effect), respectively. If either of these entities becomes insolvent or defaults on its payment obligations, Owners of the 2005 Certificates may become general unsecured creditors of such entity, and timely payment of the principal and interest on the 2005 Certificates will 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).

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 2005 Certificates and, in each case, could affect the market price of the 2005 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 2005 Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of such risks.*

Nonappropriation

Prospective purchasers of the 2005 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 2005 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).

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 School Finance Act or Amendment 23 (the "School Amendment") (see "DISTRICT FINANCIAL OPERATIONS--School Finance Act"), the general economy and tax collections. It is impossible to predict whether current economic conditions will continue or to predict how such 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. 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 regularly scheduled payments under the respective Hedge Facilities, various regularly scheduled fees associated with each series of 2005 Certificates are payable as Base Rentals and have the same priority on such payments as the principal and interest on the 2005 Certificates. Those fees include: fees due to any Liquidity Provider pursuant to the Liquidity Facilities; Remarketing Agent fees; Tender Agent fees; Custodian fees; and any amounts payable by the Corporation to the applicable Certificate Insurer pursuant to the applicable Reserve Fund Surety Bond Guaranty Agreement to reimburse the Certificate Insurer for any draws upon the applicable Reserve Fund Surety Bond. See "SECURITY FOR THE CERTIFICATES--The Reserve Fund - Debt Service Reserve Fund Ambac Assurance Surety Bonds." The District may not determine to appropriate only that portion of Base Rentals that comprises principal and interest on the respective series of 2005 Certificates; if any amounts are appropriated pursuant to the respective Leases, the appropriation must include the payment of principal and interest on the related 2005 Certificates as well as all other amounts included in Base Rentals. See "BASE RENTALS SCHEDULE."

Effect of a Termination of the Lease Term

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. See Appendix B "2005A LEASE--Events of Default Defined" AND "2005B LEASE--Events of Default Defined" for a discussion of the Events of Default and Remedies under each of the Leases.

All property, funds and rights acquired by the Trustee upon the termination of a Lease upon the occurrence of an Event of Nonappropriation, an Event of Default or any other event upon which such Lease will terminate (see Appendix B - "2005A LEASE--Termination of the Lease" and "2005B LEASE--Termination of the Lease" with respect to each series of 2005 Certificates), along with other moneys then held by the Trustee under the related Indenture and available to pay the related 2005 Certificates, are required to be used to redeem those 2005 Certificates, if and to the extent any such moneys are realized.

Owners of the 2005 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 2005 Certificates then outstanding plus accrued interest thereon. Because the Leased Property will consist of school buildings, land sites and related improvements of particular design and use for school purposes, the Leased Property may not be easily converted to alternate uses. In addition, certain of the school buildings comprising the Leased Property have been designated as historic preservation sites; it may be difficult or impossible to acquire building permits in order to convert those schools to other uses. The District's insurer values all District properties at least every three years; the value of the buildings comprising each piece of Leased Property (set forth later in this Official Statement) represents the insurance valuation of the buildings for 2004; the value of the land comprising the Leased Property is a District estimate of the market value in 2004. Other than the appraisals of the

school buildings for insurance purposes, no appraisals of the Leased Property have been completed. The cumulative value of the Leased Property subject to the 2005A Lease currently exceeds the principal amount of the 2005A Certificates; however, the cumulative value of the Leased Property subject to the 2005B Lease is approximately \$3.5 million less than the principal amount of the 2005B Certificates. See “SECURITY FOR THE CERTIFICATES--The Leased Property.” The value of 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 2005 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 2005 Certificates secured by such Leased Property.*

IF EITHER SERIES OF 2005 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 2005 CERTIFICATES PURSUANT TO THE APPLICABLE INDENTURE; AND UPON SUCH A PARTIAL PAYMENT, NO OWNER OF ANY 2005 CERTIFICATE OF THE APPLICABLE SERIES WILL HAVE ANY FURTHER CLAIMS FOR PAYMENT UPON THE CORPORATION, THE TRUSTEE OR THE DISTRICT.

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 of the Leases 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 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 2005 Certificates except from funds otherwise available to the Trustee under the related Indenture. See “SECURITY FOR THE CERTIFICATES.”

Inability to Obtain Substitute Liquidity Facility

Each Initial Liquidity Facility expires on March 24, 2008. 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 any series of 2005 Certificates upon the terms required by the respective Lease and the respective Indenture until and including the final maturity dates of such 2005 Certificates or until the interest rate on such 2005 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 2005 Certificates prior to maturity at a price of par. The

mandatory purchase of such 2005 Certificates on such a mandatory bond purchase date may not be waived. See “THE 2005 CERTIFICATES--Mandatory Tenders for Purchase.”

Risk of Suspension or Termination of Liquidity Provider’s Obligations

Upon the occurrence of certain events (including the occurrence of an Event of Default or an Event of Nonappropriation under the applicable Lease or an Event of Default under the applicable Indenture or certain events related to the Certificate Insurer), the Liquidity Provider may *immediately* suspend or terminate its obligations to purchase 2005 Certificates pursuant to the applicable Liquidity Facility without prior notice to the Owners. Those events are detailed in “THE 2005 CERTIFICATES--Mandatory Tenders for Purchase - Termination of Liquidity Provider’s Obligations” and “THE INITIAL LIQUIDITY FACILITIES--Events of Default and Remedies under the Liquidity Facility - Remedies.”

Risk of Redemption or Purchase At Par Prior to Maturity

In considering whether the 2005 Certificates might be redeemed or purchased prior to maturity, owners of the 2005 Certificates should consider the information included in this Official Statement under the headings “THE 2005 CERTIFICATES--Redemption of 2005 Certificates” and “THE 2005 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

Pursuant to each Hedge Facility, the Corporation will make payments to the Hedge Provider based on a notional amount equal to the principal amount of the related series of 2005 Certificates and a fixed rate (5.235% with respect to the 2005A Hedge Facility and 7% with respect to the 2005B Hedge Facility) and initially the Corporation will receive payments from the Hedge Provider based on the same notional amount and a variable rate equal to the actual interest rate borne by the respective series of the 2005 Certificates. However, upon the occurrence of certain events (consisting of certain credit events, liquidity events or remarketing events described in more detail in “THE HEDGE FACILITIES--Alternate Floating Rate Events”), the variable rate payable by the Hedge Provider to the Corporation will be based on the London Interbank Offered Rate (“LIBOR”) for a duration of one month, as such rate is reset and published each month, rather than the actual interest rate borne by the 2005 Certificates. Amounts received from the Hedge Provider when LIBOR is the rate used to determine such payments may be substantially different than the amount of interest payable on the applicable series of 2005 Certificates and may not be sufficient to pay the interest on the applicable series of 2005 Certificates when due. Nonetheless, the District remains obligated to pay all Base Rentals pursuant to the applicable Lease during any fiscal year for which it has made an appropriation regardless of whether amounts received from the Hedge Provider pursuant to the related Hedge Facility are sufficient to pay the interest due on the applicable series of 2005 Certificates. See “BASE RENTALS SCHEDULES.”

In addition, each of the Hedge Facilities may be terminated prior to its stated termination dates upon the occurrence of certain Events of Default or Termination Events. See “THE HEDGE FACILITIES--Events of Default and Termination Events; Remedies.”

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, a Certificate Fund Forward Delivery Agreement (described in “THE 2005 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), a guaranteed investment contract (see “THE PLAN OF FINANCE--The 2005B Refunding Project), the Policies and a Letter of Credit and Reimbursement Agreement with respect to constitutionally required reserve funds (see “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 payment of principal and interest on the 2005 Certificates or otherwise negatively impact the District’s cash flow or overall finances to such an extent that the payment of Base Rentals could be compromised.

Effect of Termination on Exemption from Registration

Bond Counsel has disclaimed any opinion as to the transferability of 2005 Certificates under the federal securities laws after a termination of the related Lease, and, upon such termination, there is no assurance that registered owners of such 2005 Certificates would be able to transfer their interests without compliance with federal securities laws.

Condemnation Risk

In the mid-1990’s, the City of Sheridan, Colorado (“Sheridan”) exercised its eminent domain powers to acquire property it previously had leased under an annually terminable lease purchase agreement. By condemnation, Sheridan sought to acquire the property 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 eventually vacated the building in favor of the trustee. Sheridan eventually reached a settlement with the trustee and reacquired possession of the administration 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

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 2005 Certificates, if such 2005 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."

Insurance 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 2005 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 Immunities 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. See "2005A LEASE--Taxes, Utilities and Insurance" and "2005B LEASE--Taxes, Utilities and Insurance" in Appendix B with respect to each series of 2005 Certificates for a description of the requirements of a qualified self-insurance pool. The District currently maintains the insurance described in "THE DISTRICT--Insurance." There 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 2005 Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date.

Future 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 section entitled "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 presently is a limited market for the 2005 Certificates, and there can be no assurance or guaranty that a secondary market for the 2005 Certificates will be maintained or that sufficient information will be publicly available to permit the maintenance of such a market. Accordingly, each potential investor should be prepared to hold its 2005 Certificates to maturity.

THE PLAN OF FINANCE

Uses of Certificate Proceeds

The proceeds from the sale of the 2005 Certificates are expected to be applied in the following manner. The uses of the 2005 Certificate proceeds are described in further detail in “The 2005A Refunding Project” and “The 2005B Refunding Project” below.

Uses of Certificate Proceeds

	<u>Amount</u>
PROCEEDS:	
Principal amount of the 2005A Certificates	\$23,470,000
Principal amount of the 2005B Certificates	<u>62,575,000</u>
Total Proceeds	<u>\$86,045,000</u>
USES OF PROCEEDS:	
Deposit to 2005A Escrow Account	\$22,665,028
Purchase of guaranteed investment contract	61,926,126
Costs of issuance (including Underwriter’s discount, Policy premiums, surety bond premiums, initial Remarketing Agent fees and Initial Liquidity Facility fees)	<u>1,453,846</u>
Total	<u>\$86,045,000</u>

Source: The Underwriter.

The 2005A Refunding Project

General. The District will use a portion of the 2005A Certificate proceeds to advance refund \$19,194,482.50 aggregate principal amount of the 1997 PCOPS, including (i) portions of the current interest 1997 PCOPS maturing on each of December 15, 2007, 2008, 2009 and 2018 (representing a total aggregate principal amount of \$18,325,000), and (ii) portions of the capital appreciation 1997 PCOPS maturing on December 15, 2014 and 2015 (representing an original principal amount of \$869,482.50)(collectively, the “Refunded Certificates”). The District will deposit a portion of the 2005A Certificate proceeds into a separate account (the “2005A Escrow Account”) to be held by the Escrow Bank pursuant to an escrow agreement dated as of March 24, 2005. The amounts deposited with the Escrow Bank will be invested in federal securities maturing at such times and in such amounts as required to provide funds sufficient to pay: (i) the interest on the current interest portion of the Refunded Certificates as it becomes due on and after the date of delivery of the 2005A Certificates through December 15, 2007; (ii) the principal of the current interest portion of the Refunded Certificates as it becomes due upon prior redemption on December 15, 2007, together with a premium equal to 2% of the principal amount of the current interest portion of the Refunded Certificates so redeemed; and (iii) the Value at Maturity (a total of \$3,165,000, which is equal to the original principal amount of the capital appreciation portion of the Refunded Certificates plus all interest compounded thereon to maturity) of the capital appreciation portion of the Refunded Certificates at maturity on December 15, 2014 and December 15, 2015.

Verification of Mathematical Computations. Prior to the delivery of the 2005A 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 the Underwriter, relating to the adequacy of the maturing principal amounts of and interest due on the United States government obligations held in the 2005A Escrow Account and interest to be earned thereon to pay all of the principal of and interest on the current interest portion of the Refunded Certificates and the Value at Maturity of the capital appreciation portion of the Refunded Certificates.

The 2005B Refunding Project

The District will use a portion of the 2005B Certificate proceeds, together with a portion of the premium paid by the Hedge Provider with respect to the 2005B Hedge Facility to purchase a guaranteed investment contract (the “Investment Agreement”). MBIA Inc., a Connecticut corporation, is the Investment Agreement provider (the “Investment Agreement Provider”). The Investment Agreement Provider’s payment obligations under the Investment Agreement will be insured by a separate insurance policy to be issued to the Trustee concurrently with the execution of the Investment Agreement by MBIA Insurance Corporation, an insurance company that currently carries a triple-A rating. That insurance policy will be issued solely for the benefit of the Trustee; the Owners of the 2005 Certificates will have no rights pursuant to the policy.

The Investment Agreement will terminate in accordance with its terms on December 15, 2007. The rate on the Investment Agreement is equal to LIBOR minus four basis points. Moneys may be withdrawn from the Investment Agreement prior to the 15th day of each month (the Interest Payment Date while the 2005B Bonds bear interest at a Weekly Rate or a Monthly Rate). The amounts withdrawn will be deposited into the Corporation Account created in the 2005B Indenture and will be used to pay interest on the 2005B Certificates, together with applicable remarketing, liquidity, trustee and tender agent fees and expenses until December 15, 2007 (the call date for \$62,575,000 aggregate principal amount of the 1997 PCOPS maturing on December 15, 2018). That principal amount of the 1997 PCOPS maturing on December 15, 2018 is referred to herein as the “Designated 1997 PCOPS.” There is no assurance that amounts available in the Corporation Account will be sufficient to pay the interest on the 2005B Certificates on any payment date; nonetheless, the District remains obligated to pay all Base Rentals pursuant to the 2005B Lease during any fiscal year for which it has made an appropriation regardless of whether amounts received pursuant to the Investment Agreement are sufficient to pay the interest due on the 2005B Certificates.

Simultaneously with the issuance of the 2005B Certificates, the Corporation will enter into the 2005B Hedge Facility, which is a forward-starting fixed interest rate swap. On December 15, 2007, the Hedge Provider will have a one-time right to cancel the 2005B Hedge Facility. Should that occur, the District may use the proceeds of the 2005B Certificates invested in the Investment Agreement to either defease the outstanding 2005B Certificates or refund the Designated 1997 PCOPS. If the Hedge Provider does not exercise the Cancellation Option, the District intends to refund the Designated 1997 PCOPS with the proceeds of the 2005B Certificates (previously invested in the Investment Agreement) on December 15, 2007 (the “Designated 1997 PCOPS Refunding Date”), and thereafter will use payments made pursuant to the 2005B Hedge

Facility to pay interest on the 2005B Certificates. See “INTRODUCTION--The Hedge Facilities” and “THE HEDGE FACILITIES.”

THE 2005 CERTIFICATES

General

The 2005 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 2005 Certificates will be dated and will mature as set forth on the cover page of this Official Statement. Each 2005 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 2005 Certificates, from the date of the original issuance of the 2005 Certificates until payment of the principal or redemption price thereof shall have been made or provided for.

The 2005 Certificates will be issued only in fully registered form and will initially be registered in the name of “Cede & Co.,” as nominee for The Depository Trust Company, New York, New York (“DTC”), the securities depository for the 2005 Certificates. Purchases by beneficial owners of the 2005 Certificates (“Beneficial Owners”) are to be made in book-entry only form. Beneficial Owners will not receive certificates evidencing their ownership of the 2005 Certificates. See “Book-Entry Only System” under this caption. So long as DTC or its nominee, Cede & Co., is the Registered Owner of the 2005 Certificates, payments of the principal of, premium, if any, and interest 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 2005 Certificates are the responsibility of the DTC Participants.

Payment Provisions

The principal of each 2005 Certificate shall be payable at the Operations Center of the Trustee upon presentation and surrender of the 2005 Certificate. Payment of interest on any 2005 Certificate (other than a 2005 Certificate purchased by a Liquidity Provider pursuant to a Liquidity Facility, a “2005 Liquidity Provider Certificate”) shall be made to the Person who is the Owner thereof at the close of business on the Record Date (defined in Appendix B) 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. Notwithstanding the foregoing and while the 2005 Certificates are held by a Depository or its agent, interest on any 2005 Certificate (other than a 2005 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 Depository. 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. Such 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 2005 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 2005 Certificate by such alternative means as may be mutually agreed to in writing between the Owner of such 2005 Certificate and the Trustee. If any 2005 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.

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; that agreement will be amended by a First Amendment to Certificate Forward Delivery Agreement to be dated as of March 24, 2005 (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. As amended, the Forward Delivery Agreement will apply to the 2005A Base Rentals (including payment of principal and interest due on the 2005A Certificates and the various other fees as discussed in “CERTAIN RISK FACTORS--Sources of Base Rental and Additional Rental Payments”) and the 2005A Certificates as well as the 1997 PCOPS. Further, if the Hedge Provider does not exercise its Cancellation Option with respect to the 2005B Hedge Facility and a portion of the proceeds of the 2005B Certificates are used by the Corporation to refund the Designated 1997 PCOPS (as described in “THE PLAN OF FINANCE--The 2005B Refunding Project”), the Forward Delivery Agreement, as amended, also will apply to the 2005B Base Rentals (including payment of principal and interest due on the 2005B Certificates and the various other fees discussed herein) and the 2005B Certificates.

Notwithstanding anything to the contrary in this Official Statement, the Corporation shall have no obligation to make any payment with respect to the Certificate Fund Investment Agreement and the Certificate Fund Investment Provider shall have no right to enforce any such payment obligation or the pledge of and lien on the 2005B Trust Estate or to cause the Trustee to enforce the same, unless and until the Designated 1997 PCOPS Refunding Date shall have occurred.

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 6 to the District’s audited financial statements attached hereto as Appendix A.

Interest Rate Modes

General. The 2005 Certificates initially will bear interest at the Weekly Rate. The first Interest Payment Date on the 2005 Certificates will be April 15, 2005.

The 2005 Certificates may bear interest in one of several different Interest Rate Modes: the Weekly Rate, the Monthly Rate or the Term Rate (each a “Variable Rate”) or the Fixed Rate (collectively, the “Interest Rate Modes”). All of the certificates within a series of 2005 Certificates must bear interest in the same Interest Rate Mode at all times. However, the separate series of 2005 Certificates may bear interest in different Interest Rate Modes at any given time. The Interest Rate Modes are described more specifically below. The interest rate borne by the 2005 Certificates (other than 2005 Liquidity Provider Certificates) shall not exceed the lesser of 18% per annum or the maximum rate permitted by law (the “Maximum Rate”).

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

“Interest Payment Date” or “Interest Payment Dates” means (a) while the 2005 Certificates bear interest at a Weekly Rate or a Monthly Rate, the fifteenth day of each calendar month following a month in which interest at such rate has accrued, commencing with April 15, 2005, (b) while the 2005 Certificates bear interest at a Term Rate or a Fixed Rate, each June 15 and December 15, (c) for any 2005 Liquidity Provider Certificates, the dates set forth therefor pursuant to the Liquidity Facility, or, if no dates are set forth therein, the dates otherwise applicable pursuant to the provisions of this definition, and (d) for all 2005 Certificates, each Interest Mode Conversion Date and mandatory sinking fund redemption date therefor and the maturity date thereof.

“Interest Rate Adjustment Date” means any date on which the interest rate on the 2005 Certificates may be adjusted (other than 2005 Liquidity Provider Certificates), either as the result of the conversion of the interest rate on the 2005 Certificates to a different Interest Rate Mode, or by adjustment of the interest rate on the 2005 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 the 2005 Certificates bear interest at the Term Rate; (b) the sixteenth day of a calendar month if the 2005 Certificates bear interest at the Monthly Rate; and (c) Wednesday of each week if the 2005 Certificates bear interest at the Weekly Rate.

“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 the 2005 Certificates has been determined by the Remarketing Agent 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 Weekly Rate, the Monthly Rate, the Term Rate and the Fixed Rate follow.

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 2005 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 2005 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.

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 the notice delivered pursuant to the Indenture, 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 2005 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 the Remarketing Agent has been removed or has resigned and no successor has been appointed, or the 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 2005 Certificates bearing interest at the Term Rate which, with respect to the initial Term Rate Period, shall commence on the applicable Interest Rate Adjustment Date and end on the date which is specified in the notice delivered pursuant 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 pursuant to the Indenture or a new Term Rate Period pursuant to the Indenture; provided that the Term Rate Period immediately following the initial Term Rate Period shall (unless such a notice shall be delivered providing for a different such Term Rate Period) be a multiple of a six-month Term Rate Period which is not more than six months longer than the initial Term Rate Period.

Fixed Rate. “Fixed Rate” means the fixed rate of interest per annum determined by the Remarketing Agent, on the Interest Rate Determination Date immediately preceding the Fixed Rate Conversion Date, to be the lowest interest rate from the Fixed Rate Conversion Date to the final maturity date of the 2005 Certificates, 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 2005 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.

Calculation of Interest

General. Interest on the 2005 Certificates shall be calculated on the basis of a year of 365 or 366 days, as applicable, for the number of days actually elapsed so long as interest is payable at a Weekly Rate or a Monthly Rate and shall be calculated on the basis of a 360-day year of twelve 30-day months so long as interest is payable at a Term Rate or a Fixed Rate. Any calculation of the interest rate to be borne by the 2005 Certificates shall be rounded to the nearest one-hundredth of one percent (0.01%).

Rate Determination Conclusive. The determination of the Variable Rates or the Fixed Rate for the 2005 Certificates by the Remarketing Agent shall be conclusive and binding upon the District, the Trustee, the Liquidity Provider, the Hedge Provider and the Owners of the 2005 Certificates.

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 amount 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 Business Day 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 2005 Certificates, the Trustee shall, in preparing the notices described in the prior paragraph: (1) deem the dates on which the Certificate Fund Investment Agreement requires the Corporation to make scheduled deposits thereunder to be the Base Rental Payment Dates under the Indenture; and (2) deem the amount of interest to be due on the 2005 Certificates on each of such Base Rental Dates 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 with respect to the 2005 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 2005 Certificates but a Hedge Facility is in effect with respect to the 2005 Certificates, the Trustee shall, in preparing the notices required by the previous paragraph: (1) deem the dates on which the Hedge Facility requires the Corporation to make Regularly Scheduled Hedge Payments to be the Base Rental Payment Dates under the Indenture; and (2) deem the amount of interest to be due on the 2005 Certificates on each of such Base Rental Dates to be the amount of the Regularly Scheduled Hedge Payment payable by the Corporation under the Hedge Facility with respect to the 2005 Certificate on such date.

In the event that the Base Rental Payments Dates and the amount of Base Rentals payable on each such Base Rental Payment Date is determined as described in the prior paragraph and such amount payable on any such Base Rental Payment Date is at any point prior to the next such Base Rental Payment Date determined by the Trustee to be insufficient to pay all amounts described in the Lease prior to such next 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.

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 2005 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 (i) the most recently published rate established for One Month London Interbank Offered Rates (“LIBOR”) or any successor index and (ii) if any such rate is not available, the last published rate.

Summary of Certain Provisions of the 2005 Certificates

The following table provides a brief summary of various provisions of the Indentures applicable while the 2005 Certificates bear interest in a Variable Rate mode.

Summary of Certain Provisions of the 2005 Certificates

Interest Rate Mode	Weekly Rate	Monthly Rate	Term Rate
Interest Payment Dates	15th day of each calendar month following a month in which interest at such rate has accrued.	15th day of each calendar month following a month in which interest at such rate has accrued.	Each June 15 and December 15
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 sixteenth day of the calendar month.	The day following the last day of a Term Rate Period.
Interest calculated based on:	Year of 365/366 days	Year of 365/366 days	360-day year consisting of twelve 30-day months
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.	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.

Interest Rate Mode Conversion

Variable Rate Mode Conversion. On any Interest Mode Conversion Date on or after the first Interest Rate Adjustment Date following the issuance of the 2005 Certificates, the 2005 Certificates bearing interest at a Variable Rate may be converted to a different Variable Rate Interest Rate Mode upon receipt by the Trustee, the Tender Agent, the Remarketing Agent and the 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 2005 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. Such direction to convert the interest rate on the 2005 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 2005 Certificates shall be converted (and, if the conversion shall 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 (unless no Liquidity Facility is required pursuant to the Indentures), and (ii) a written certificate of the Remarketing Agent stating that it has received certifications, opinions or other evidence reasonably satisfactory to it that there has been or will be compliance with any applicable state or Federal securities law requirements; provided that such certificate and any such certifications, opinions or other evidence shall not be required with respect to a conversion from the Weekly Rate Interest Rate Mode to the Monthly Rate Interest Rate Mode or from the Monthly Rate Interest Rate Mode to the Weekly Rate Interest Rate Mode. If the 2005 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 2005 Certificates will bear interest at the Term Rate, then the interest coverage period for the Liquidity Facility shall be such number of days of interest on all outstanding 2005 Certificates as may be required by each Rating Agency then maintaining a rating on the 2005 Certificates to continue its rating, in each 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 2005 Certificates will remain the Interest Rate Mode then in effect for the 2005 Certificates (and, if such Interest Rate Mode is a Term Rate, the Term Rate Period shall remain the Term Rate Period then in effect) without regard to any proposed conversion and the 2005 Certificates will continue to be subject to 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 shall have 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 the 2005 Certificates bear interest at a Term Rate, the 2005 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 of “Variable Rate Mode Conversion” above shall 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 the 2005 Certificates be converted and shall not specify a different Interest Rate Mode to which the 2005 Certificates will be converted.

Fixed Rate Conversion. On any Interest Mode Conversion Date on or after the first Interest Rate Adjustment Date for the 2005 Certificates, the 2005 Certificates bearing interest at a Variable Rate may be converted to the Fixed Rate upon receipt by the Trustee, the Tender Agent, 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 2005 Certificates to the Fixed Rate. Upon conversion of the interest rate on the 2005 Certificates to the Fixed Rate, the Liquidity Facility will terminate. Such direction to convert the interest rate on the 2005 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. Notwithstanding any provision described in this paragraph, 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 such reason or any other reason, the Interest Rate Mode for the 2005 Certificates will remain as the Interest Rate Mode then in effect for the 2005 Certificates without regard to any proposed conversion and the 2005 Certificates will continue to be subject to 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 shall have sent any notice to Owners regarding the proposed conversion as described in the next paragraph, 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.

Notice of Conversion. If the interest rate on the 2005A Certificates is proposed to be converted to a different Interest Rate Mode as described above, at least 10 days prior to the Interest Mode Conversion Date the Tender Agent shall notify the Liquidity Provider, the Trustee, the Remarketing Agent and the Owners of all Outstanding 2005 Certificates by first-class mail of the proposed Interest Mode Conversion Date, the Interest Rate Mode to which the 2005 Certificates shall be converted and that upon such Interest Mode Conversion Date all 2005 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 “Non-Weekly Rate Optional Tender” and “Weekly Rate Optional Tender” below, as applicable; or (B) in the case of any other conversion from one Variable Rate Interest Rate Mode to another Variable Rate Interest Rate Mode, mandatory tender as described in “Mandatory Tender of 2005 Certificates Upon Conversion to a New Interest Rate Mode” below.

For 2005 Certificates bearing interest at a Term Rate that are proposed to be converted to a different Term Rate Period as described above, at least 15 days prior to the proposed date of such conversion, the Tender Agent shall notify the Liquidity Provider, the Trustee, the Remarketing Agent and the Owners of all Outstanding 2005 Certificates by first class mail of the proposed conversion, the Term Rate Period to which the 2005 Certificates shall be converted and

that upon such conversion all 2005 Certificates shall be subject to optional tender as described in “Non-Weekly Rate Optional Tender” below.

Redemption of 2005 Certificates

Redemption of 2005A Certificates and 2005B Certificates in Whole Upon an Event of Nonappropriation or Event of Default. Each series of 2005 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 the 2005A Certificate Insurer, at a redemption price determined as described in the following paragraph, 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 for 2005A Certificates. The redemption price for any redemption of 2005A Certificates described in the prior paragraph shall be the lesser of:

(i) the sum of (A) the principal amount of the 2005A 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 2005A Certificate Insurer, the Remarketing Agent and the Tender Agent pursuant to the 2005A Indenture or to the 2005A Custodial Agreement, any Liquidity Facility, any Hedge Facility, the 2005A Reserve Fund Surety Bond Guaranty Agreement, the 2005A Remarketing Agreement and the 2005A Tender Agent Agreement, respectively; and (D) any other amounts owed by the Corporation to the Certificate Fund Investment Provider pursuant to the 2005A Indenture or to the Certificate Fund Investment Agreement; or

(ii) the sum of (A) the amount, if any, received by the Trustee or the Corporation from the exercise of remedies under the 2005A 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 2005A Trust Estate for payment of the redemption price of the 2005A Certificates,

which amounts 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 2005A 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.

Redemption Price for 2005B Certificates. The redemption price for any redemption of 2005B Certificates as described in the first paragraph of this section shall be the lesser of:

- (i) the sum of (A) the principal amount of the 2005B 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, the 2005B Certificate Insurer, the Remarketing Agent and the Tender Agent pursuant to the 2005B Indenture or to the Custodial Agreement, any Liquidity Facility, the 2005B Reserve Fund Surety Bond Guaranty Agreement, the Remarketing Agreement and the Tender Agent Agreement, respectively; (D) subject to the provisions of the 2005B Indenture described in “2005B INDENTURE--Initial Hedge Facility Effectiveness” in Appendix B hereto, any other amounts owed by the Corporation to any Hedge Provider pursuant to the 2005B Indenture or to any 2005B Hedge Facility, and (E) on and after the Designated 1997 PCOPS Refunding Date and subject to the provisions of the 2005B Indenture described in “2005B INDENTURE--Designated 1997 PCOPS Refunding,” if it occurs, any other amounts owed by the Corporation to the Certificate Fund Investment Provider pursuant to the 2005B Indenture or to the Certificate Fund Investment Agreement; or
- (ii) the sum of (A) the amount, if any, received by the Trustee or the Corporation from the exercise of remedies under the 2005B 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 2005B Trust Estate for payment of the redemption price of the 2005B Certificates,

which amounts shall be, first, allocated ratably among the Owners and the Persons described in clause (i)(B) in proportion to the respective amounts described in clauses (i)(A) and (B) above then due and owing to each, second, if any amounts remain after payment of such amounts, shall be allocated among any Hedge Provider, any Liquidity Provider, the Trustee, the Custodian, the 2005B Certificate Insurer, the Remarketing Agent and the Tender Agent ratably as among themselves in proportion to any remaining amounts then due to each, respectively, and, third, if any amounts remain after payment of such amounts, shall be paid to the Certificate Fund Investment Provider to the extent of any amount then due to it; provided that the initial Hedge Provider shall have no right to any payments under the 2005B Indenture unless and until the Hedge Facility Effective Date shall have occurred and any such rights shall otherwise be subject to the provisions of the 2005B Indenture; and provided further that the Certificate Fund Investment Provider shall have no right to any payments under the 2005B Indenture unless and until the Designated 1997 PCOPS Refunding Date shall have occurred and any such rights shall otherwise be subject to the provisions of the 2005B Indenture.

Provisions Applicable to the 2005A Certificates and the 2005B Certificates. 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.

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 for 2005A Certificates” and “Redemption Price for 2005B Certificates” above. If the funds then available to the Trustee are sufficient to pay the redemption price described in clause (i) 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 “2005A INDENTURE--Events of Default Defined” and “2005B INDENTURE--Events of Default Defined” in Appendix B hereof with respect to each series of 2005 Certificates), 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. Each series of 2005 Certificates is subject to redemption prior to maturity at the option of the District as described below.

Weekly Rate or Monthly Rate. If the applicable series of 2005 Certificates bears interest at the Weekly Rate or the Monthly Rate, such 2005 Certificates (other than 2005 Certificates owned by or on behalf of the Corporation or the District) 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 2005 Certificate redeemed in part shall be \$100,000 or more) 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.

Term Rate. If the applicable series of 2005 Certificates bears interest at the Term Rate, such 2005 Certificates (other than 2005 Certificates owned by or on behalf of the Corporation or the District) 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 2005 Certificate redeemed in part shall be \$100,000 or more) 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.

Notwithstanding the provisions of the prior two paragraphs, any optional redemption of 2005 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 2005A Certificates to be redeemed as of the date set for such redemption.

Mandatory Sinking Fund Redemption - 2005A Certificates. The 2005A Certificates are subject to mandatory sinking fund redemption by lot on December 15 of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date:

<u>December 15</u>	<u>Principal Amount</u>
2010	\$ 5,235,000
2011	4,740,000
2012	2,995,000
2013	1,150,000
2018 (maturity)	9,350,000

At its option, to be exercised on or before the forty-fifth day next preceding each sinking fund redemption date, the District may (i) purchase and cancel any 2005A Certificates with the same maturity date as the 2005A Certificates subject to such sinking fund redemption and (ii) receive a credit in respect of its sinking fund redemption obligation for any 2005A Certificates with the same maturity date as the 2005A 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 2005A 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 2005A Certificates to be redeemed by operation of such sinking fund on such date shall be accordingly reduced.

Mandatory Sinking Fund Redemption - 2005B Certificates. The 2005B Certificates are subject to mandatory sinking fund redemption by lot on December 15 of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date:

<u>December 15</u>	<u>Principal Amount</u>
2017	\$32,715,000
2018 (maturity)	29,860,000

At its option, to be exercised on or before the forty-fifth day next preceding each sinking fund redemption date, the District may (i) purchase and cancel any 2005B Certificates with the same maturity date as the 2005B Certificates subject to such sinking fund redemption and (ii) receive a credit in respect of its sinking fund redemption obligation for any 2005B Certificates with the same maturity date as the 2005B 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 2005B 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 2005B 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 2005 Certificates are called for redemption at one time, the selection of 2005 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 2005 Certificates for redemption so as to assure that after such redemption no Owner shall retain 2005 Certificates in an aggregate amount less than \$100,000 if the 2005 Certificates then bear interest at a Variable Rate; and provided further that if less than all of an Outstanding 2005 Certificate in a book-entry system is to be called for redemption, the Trustee shall give notice to the Depository or the nominee of the Depository that is the Owner of such 2005 Certificate, and the selection of the Beneficial Ownership Interest in that 2005 Certificate to be redeemed shall be at the sole discretion of the Depository and its Direct Participants and its Indirect Participants. In the case of a partial redemption of a series of 2005 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 2005 Certificate in the amount of such Unit. If it is determined that one or more, but not all, of the Units represented by a 2005 Certificate are to be called for redemption, then upon notice of redemption of a Unit or Units of 2005 Certificates, the Owner of that 2005 Certificate shall surrender the 2005 Certificate to the Trustee (a) for payment of the Redemption Price of the Unit or Units of 2005 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 2005 Certificate or 2005 Certificates of the same series, in Authorized Denominations, aggregating a principal amount equal to the unredeemed portion of, and bearing interest at the same rate as, the 2005 Certificate surrendered.

Notwithstanding anything to the contrary in the respective Indentures, any 2005 Liquidity Provider Certificates (or Beneficial Ownership Interest therein) shall be selected for redemption as described above prior to the selection of any other 2005 Certificates of the same series.

Notice of Redemption. Notice of any prior redemption described above under "Optional Redemption," "Mandatory Sinking Fund Redemption - 2005A Certificates" and "Mandatory Sinking Fund Redemption - 2005B Certificates" shall be given by the Trustee on behalf of the District to the Owners of the series of 2005 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 5 days prior to the Redemption Date in

the case of the optional redemption of 2005 Certificates bearing interest at the Weekly Rate or the Monthly Rate; (2) not less than 5 days prior to the Redemption Date in the case of the mandatory sinking fund redemption of 2005 Certificates bearing interest at a Weekly Rate or a Monthly Rate; (3) 30 days prior to the Redemption Date in the case of the optional redemption of 2005 Certificates bearing interest at the Term Rate; and (4) 30 days prior to the Redemption Date in the case of the mandatory sinking fund redemption of 2005 Certificates bearing interest at the Term Rate.

Such notice shall specify the number or numbers of the 2005 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 2005 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 2005 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 2005 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 2005 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 2005 Certificate or 2005 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 2005 Certificate or 2005 Certificates so called for redemption. No further interest shall accrue on the principal of any such 2005 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.

2005 Certificates Owned by the Corporation or the District. 2005 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 2005 Certificates owned by or on behalf of the Corporation or the District, as applicable, to the Trustee, which shall promptly cancel such 2005 Certificates. Notwithstanding anything to the contrary in the respective Indentures, upon any redemption of less than all of a series of 2005 Certificates Outstanding, related 2005 Liquidity Provider Certificates shall be selected and redeemed prior to any other 2005 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 2005 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 2005A Certificates and 2005B 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 2005 Certificates of such series or portions thereof thus called for redemption shall no longer accrue after the date fixed for redemption.

Optional Tenders For Purchase

Non Weekly Interest Rate Optional Tender. While the 2005 Certificates of a series (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) bear interest at the Monthly Rate or the Term Rate, on each Interest Rate Adjustment Date (each a “2005 Certificate Purchase Date”) each Owner and each Beneficial Owner shall have the option to tender for purchase at 100% of the principal amount thereof plus accrued interest to the purchase date, if any, all of such 2005 Certificates owned by such Owner or all Beneficial Ownership Interests owned by such Beneficial Owner, as applicable, or (in either case) such lesser principal amount thereof (in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof, provided that the untendered portion of any 2005 Certificate or Beneficial Ownership Interest shall be \$100,000 or more in principal amount) as such Owner or Beneficial Owner may specify in accordance with the terms, conditions and limitations set forth in the related Indenture and as 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 2005 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 2005 Certificates are to be purchased on such 2005 Certificate Purchase Date pursuant to the terms hereof, and (4) that such notice is irrevocable.

Weekly Rate Optional Tender. While the 2005 Certificates of a series (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) bear interest at the Weekly Rate, each Owner and each Beneficial Owner shall have the option to tender for purchase on any Business Day at 100% of the principal amount thereof plus accrued interest, if any, to the purchase date (a “2005 Certificate Purchase Date”) all of such 2005 Certificates owned by such Owner or all Beneficial Ownership Interests owned by such Beneficial Owner, as applicable, or (in either case) such lesser principal amount thereof (in denominations of \$100,000 or integral multiples of \$5,000 in excess thereof, provided that the untendered portion of any 2005 Certificate or Beneficial Ownership Interest shall be \$100,000 or more in principal amount) as such Owner or Beneficial Owner may specify in accordance with the terms, conditions and limitations set forth in the related Indenture and as 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 2005 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 2005 Certificates are to be purchased on such 2005 Certificate Purchase Date pursuant to the terms of the Indenture, and (4) that such notice is irrevocable.

Tender Notice Irrevocable. Any 2005 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 2005 Certificates to the Tender Agent. Subject to the right of such non-delivering Owners to receive the purchase price of such 2005 Certificates and interest accrued thereon to the day preceding the applicable 2005 Certificate Purchase Date, such 2005 Certificates shall be null and void and the Trustee shall authenticate and deliver new 2005 Certificates in replacement thereof pursuant to the remarketing of such 2005 Certificates or the delivery of such 2005 Certificates to the Liquidity Provider in lieu of remarketing such 2005 Certificates as described in the Indenture. Any Beneficial Owners who have elected to tender Beneficial Ownership Interests shall be obligated to transfer such Beneficial Ownership Interests on the records of the Depository.

Upon the giving of the notice by the Owner or Beneficial Owner as described above with respect to 2005 Certificates or portions of 2005 Certificates, the Owner's tender of such 2005 Certificates or portions thereof or the Beneficial Owner's tender of Beneficial Ownership Interests or portions thereof shall be irrevocable. Upon receipt of the 2005 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 2005 Certificate so delivered or deemed tendered is to be purchased, the Trustee shall, pursuant to the applicable Indenture, authenticate one or more 2005 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 2005 Certificate or 2005 Certificates to such Owner.

Mandatory Tenders for Purchase

Mandatory Tender of 2005 Certificates Upon Conversion to a New 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 2005 Certificates to a different Interest Rate Mode in accordance with the provisions of the applicable Indenture, all of that series of 2005 Certificates (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) 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 "2005 Certificate Purchase Date") at a price of 100% of the principal amount thereof, plus accrued interest (if any) to such 2005 Certificate Purchase Date.

Notwithstanding anything in the prior paragraph to the contrary, mandatory tender of 2005 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 2005 Certificates may still elect to tender their 2005 Certificates for purchase pursuant to the provisions described above in "Optional Tenders for Purchase."

At least 15 days prior to such 2005 Certificate Purchase Date pursuant to the Indenture, the Tender Agent shall notify the Owners of all Outstanding 2005 Certificates of the applicable series (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by

or on behalf of the Corporation or the District) by first class mail of the conversion to the new Interest Rate Mode and advise the Owners that all such 2005 Certificates (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) shall be subject to mandatory tender on such 2005 Certificate Purchase Date.

Any 2005 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 2005 Certificates or Beneficial Owners of such Beneficial Ownership Interests to receive the purchase price of such 2005 Certificates or Beneficial Ownership Interests and interest accrued thereon to the 2005 Certificate Purchase Date.

Mandatory Tender of 2005 Certificates Upon Stated Termination Date of Liquidity Facility. Each series of 2005 Certificates (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) 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”)(a “2005 Certificate Purchase Date”), at a price of 100% of the principal amount thereof plus accrued interest (if any) to such 2005 Certificate Purchase Date unless, at least 20 days prior to any such 2005 Certificate Purchase Date, the Liquidity Provider with respect to such 2005 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 2005 Certificate Purchase Date pursuant to the applicable Indenture, the Tender Agent shall notify the Owners of all Outstanding 2005 Certificates of the applicable series (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) by first-class mail of the Stated Termination Date and advise the Owners that all such 2005 Certificates (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) shall be subject to mandatory tender on such 2005 Certificate Purchase Date.

Any 2005 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 2005 Certificates or Beneficial Owners of such Beneficial Ownership Interests to receive the purchase price of such 2005 Certificates or Beneficial Ownership Interests and interest accrued thereon to the 2005 Certificate Purchase Date.

Mandatory Tender of 2005 Certificates Upon Delivery of Substitute Liquidity Facility. Each series of the 2005 Certificates (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) and Beneficial Ownership Interests are subject to mandatory tender in whole on the Business Day that is 5 Business Days prior to the date of delivery of a Substitute Liquidity Facility with respect to such series (a “2005

Certificate Purchase Date") at a price of 100% of the principal amount thereof plus accrued interest to such 2005 Certificate Purchase Date.

At least 15 days prior to the proposed date of the delivery of such a Substitute Liquidity Facility with respect to a series of 2005 Certificates, the Tender Agent shall notify the Remarketing Agent, the 2005 Liquidity Provider and the Owners of all affected Outstanding 2005 Certificates (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) by first-class mail that such a Substitute Liquidity Facility is to be provided and that all such 2005 Certificates (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) shall be subject to mandatory tender on such 2005 Certificate Purchase Date.

Any 2005 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 2005 Certificates or Beneficial Owners of such Beneficial Ownership Interests to receive the purchase price of such 2005 Certificates or Beneficial Ownership Interests and interest accrued thereon to the 2005 Certificate Purchase Date.

Mandatory Liquidity Facility Tender. During the period a Liquidity Facility is required by the applicable Indenture, the related 2005 Certificates (other than 2005 Liquidity Provider Certificates and 2005 Certificates owned by or on behalf of the Corporation or the District) are subject to Mandatory Liquidity Facility Tender by the Owners thereof. "Mandatory Liquidity Facility Tender" means the mandatory tender of the applicable series of 2005 Certificates (other than 2005 Certificates owned by or on behalf of the Corporation or the District and 2005 Liquidity Provider 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 under that Liquidity Facility has occurred and is continuing and the date of termination of the Liquidity Provider's obligation to purchase 2005 Certificates of such series pursuant to that Liquidity Facility.

The affected 2005 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 2005 Certificates pursuant to the related Liquidity Facility (a "2005 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, accrued interest to the 2005 Certificate Purchase Date. The Tender Agent shall give notice of a Mandatory Liquidity Facility Tender promptly upon the receipt by the Tender Agent of a written notice from the Liquidity Provider of the Mandatory Liquidity Facility Tender.

Any 2005 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 2005 Certificates or Beneficial Owners of such Beneficial Ownership Interests to receive the purchase price of such 2005 Certificates or Beneficial Ownership Interests and interest accrued thereon to the 2005 Certificate Purchase Date.

Termination 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 Liquidity Provider to purchase the related series of 2005 Certificates under the terms of such Liquidity Facility, then the Tender Agent shall as soon as practicable thereafter notify Owners of all affected 2005 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 2005 Certificates with moneys available under such Liquidity Facility or the Tender Agent's ability to purchase such 2005 Certificates with moneys available under such Liquidity Facility has been suspended pursuant to such Liquidity Facility, as applicable; and (c) the Liquidity Provider is under no obligation to purchase such 2005 Certificates or to otherwise advance moneys to fund the purchase of such 2005 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. 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.

Book-Entry Only System

The 2005 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 2005 Certificates. The ownership of one fully registered 2005 Certificate for each maturity in a series, as set forth on the cover page of this Official Statement, in the aggregate principal amount of such maturity coming due thereon, 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 2005 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 2005 Certificates as further described in Appendix C to this Official Statement.

BASE RENTALS SCHEDULES

2005A Base Rentals

The following schedule sets forth: (1) the estimated principal and interest components of the Base Rentals payable pursuant to the 2005A Lease; (2) the estimated amounts of the regularly scheduled fees constituting Base Rentals payable pursuant to the 2005A Lease; and (3) the estimated total Base Rentals payable pursuant to the 2005A Lease. The 2005A Base Rentals schedule assumes that the District exercises its option to renew the 2005A Lease each year during the 2005A Lease Term. The 2005A Base Rentals schedule also assumes interest payable at a single interest rate equal to the rate the District is required to pay pursuant to the 2005A Hedge Facility (5.235%) over the life of the 2005A Certificates.

Base Rentals Schedule - 2005A Certificates

Fiscal <u>Year</u>	Principal <u>Component(1)</u>	Interest <u>Component(2)</u>	Regularly Scheduled <u>Fees(3)</u>	Total 2005A Base <u>Rentals</u>
2005	--	\$ 276,447	--	\$ 276,447
2006	--	1,228,655	\$ 53,461	1,282,115
2007	--	1,228,655	53,461	1,282,115
2008	--	1,228,655	53,461	1,282,115
2009	--	1,228,655	53,461	1,282,115
2010	--	1,228,655	53,461	1,282,115
2011	\$ 5,235,000	1,091,628	47,833	6,374,461
2012	4,740,000	830,533	37,110	5,607,643
2013	2,995,000	628,069	28,795	3,651,864
2014	1,150,000	519,574	24,339	1,693,913
2015	--	489,473	23,103	512,575
2016	--	489,473	23,103	512,575
2017	--	489,473	23,103	512,575
2018	--	489,473	23,103	512,575
2019	<u>9,350,000</u>	<u>244,736</u>	<u>13,051</u>	<u>9,607,788</u>
Total	\$23,470,000	\$11,692,150	\$510,840	\$35,672,990

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- (1) Reflects mandatory sinking fund payments as described in "THE 2005 CERTIFICATES--Redemption of 2005 Certificates - Mandatory Sinking Fund Redemption - 2005A Certificates."
- (2) Assumes interest payable at a single interest rate (5.235%), which is the fixed rate payable by the District to the Hedge Provider pursuant to the terms of the 2005A Hedge Facility. See "CERTAIN RISK FACTORS--Risks Related to Hedge Facilities."
- (3) Represents the following items due in each Fiscal Year pursuant to the 2005A Lease (each of which constitute a component of Base Rentals pursuant to the 2005A Lease) as estimated by the Underwriter: Net Regularly Scheduled Hedge Payments; 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. The fees in this column have been calculated at an assumed rate of 0.215% per annum (estimated liquidity and remarketing), plus Trustee and Tender Agent fees assumed at \$3,000 per annum. No fees are regularly scheduled for the Custodian at this time. The numbers in this column have been calculated assuming the payment of fees over the life of the 2005A Certificates at the same level as the fees initially due; however, those fees could change from time to time in the future.

2005B Base Rentals

The following schedule sets forth: (1) the estimated principal and interest components of the Base Rentals payable pursuant to the 2005B Lease; (2) the estimated amounts of the regularly scheduled fees constituting Base Rentals payable pursuant to the 2005B Lease; and (3) the estimated total Base Rentals payable pursuant to the 2005B Lease. The 2005B Base Rentals schedule assumes that the District exercises its option to renew the 2005B Lease each year during the 2005B Lease Term. The 2005B Base Rentals schedule also assumes (1) that interest will be payable on the 2005B Certificates at a rate of 3.25% (as estimated by the Underwriter) through expiration of the Investment Agreement on December 15, 2007 and (2) that interest will be payable at a single interest rate equal to the rate the District is required to pay pursuant to the 2005B Hedge Facility (7.0%) over the remaining life of the 2005B Certificates. The 2005B Certificates are variable rate certificates initially outstanding in at a Weekly Rate; accordingly, the rate on the 2005B Certificates will not be 3.25% through December 15, 2007, but will fluctuate. To the extent the average rate payable on the 2005B Certificates through December 15, 2007 exceeds 3.25%, the Base Rentals will be higher than shown here.

Base Rentals Schedule - 2005B Certificates

Fiscal <u>Year</u>	Principal <u>Component</u>	Interest <u>Component(1)</u>	Regularly Scheduled <u>Fees(2)</u>	Total 2005B Base <u>Rentals</u>
2005	--	\$ 457,580	--	\$ 457,580
2006	--	2,033,688	\$137,536	2,171,224
2007	--	2,033,688	137,536	2,171,224
2008	--	3,206,969	137,536	3,344,505
2009	--	4,380,250	137,536	4,517,786
2010	--	4,380,250	137,536	4,517,786
2011	--	4,380,250	137,536	4,517,786
2012	--	4,380,250	137,536	4,517,786
2013	--	4,380,250	137,536	4,517,786
2014	--	4,380,250	137,536	4,517,786
2015	--	4,380,250	137,536	4,517,786
2016	--	4,380,250	137,536	4,517,786
2017	--	4,380,250	137,536	4,517,786
2018	\$32,715,000	3,235,225	102,368	36,052,593
2019	<u>29,860,000</u>	<u>1,045,100</u>	<u>35,100</u>	<u>30,940,200</u>
Total	\$62,575,000	\$51,434,498	\$1,787,902	\$115,797,401

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- (1) Assumes interest payable at an estimated rate of 3.25% through December 15, 2007 and thereafter at an interest rate equal to 7.0%, which is the fixed rate payable by the District to the Hedge Provider pursuant to the terms of the 2005B Hedge Facility. See "CERTAIN RISK FACTORS--Risks Related to Hedge Facilities."
- (2) Represents the following items due in each Fiscal Year pursuant to the 2005B Lease (each of which constitute a component of Base Rentals pursuant to the 2005B Lease) as estimated by the Underwriter: Net Regularly Scheduled Hedge Payments; 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. The fees in this column have been calculated at an assumed rate of 0.215% per annum (estimated liquidity and remarketing), plus Trustee and Tender Agent fees assumed at \$3,000 per annum. No fees are regularly scheduled for the Custodian at this time. The numbers in this column have been calculated assuming the payment of fees over the life of the 2005B Certificates at the same level as the fees initially due; however, those fees could change from time to time in the future.

SECURITY FOR THE CERTIFICATES

General

Each 2005 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 of the Leases to the Trustee pursuant to the respective Indentures, for the benefit of the Owners of the related 2005 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 2005 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 2005 Certificates then outstanding, payment of all amounts then due from the Corporation to the Trustee, the Custodian, the Remarketing Agent, the Tender Agent, the 2005 Certificate Insurer, any Liquidity Provider and Hedge Providers (if the Hedge Facility Effective Date has occurred, with respect to the 2005B Certificates), and the Certificate Fund Investment Provider (if, with respect to the 2005B Certificates, the Designated 1997 Certificates Refunding Date has occurred) 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.

**NEITHER SERIES OF 2005 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 RELATED POLICY, (2) THE PROCEEDS OF THE 2005 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 2005 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 2005 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 2005 CERTIFICATES, ALL AS MORE FULLY DESCRIBED HEREIN.

Payment of Base Rentals and Purchase Option Price

Base Rentals. The District is obligated to pay Base Rentals relating to each series of 2005 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 2005 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. Principal of and interest on each series of 2005 Certificates is expected to be paid annually from the Base Rentals paid under the related Lease. See "BASE RENTALS SCHEDULES." *Notwithstanding the foregoing, the District is obligated to pay Base Rentals under the 2005B Lease to the Certificate Fund Investment Provider only if the Designated 1997 PCOPS Refunding Date has occurred. See "THE PLAN OF FINANCE-The 2005B Refunding Project."*

Each payment of Base Rentals is paid as, and represents payment of, the following: (i) principal of the applicable Certificates due in the Fiscal Year in which the Base Rental Payment is due; (ii) interest due on the applicable Certificates in such Fiscal Year; (iii) the Net Regularly Scheduled Hedge Payments with respect to the applicable Certificates due in such Fiscal Year; (iv) the Regularly Scheduled Liquidity Commitment Fees with respect to the applicable Certificates due in such Fiscal Year; (v) the regularly scheduled fees of the Remarketing Agent for the applicable Certificates for such Fiscal Year; (vi) the regularly scheduled fees of the Tender Agent for the applicable Certificates for such Fiscal Year; (vii) the regularly scheduled fees of the Trustee for the

applicable Certificates for such Fiscal Year; (viii) the regularly scheduled fees of the Custodian for such fiscal year; and (ix) the regularly scheduled fees of the Custodian for such Fiscal Year. *Notwithstanding the foregoing, with respect to the 2005B Lease, Base Rentals will include amounts described in (iii) above only if the Hedge Facility Effective Date has occurred.*

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 the applicable Indenture (but with respect to the latter for the 2005B 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, shall be deposited in the Interest Account of the Certificate Fund established under the applicable Indenture;

(ii) 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, shall be deposited in the Principal Account of the Certificate Fund established under the applicable Indenture; and

(iii) THIRD, all other amounts included in Base Rentals as described above shall be deposited in the Fee Retention Fund established under the applicable Indenture.

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 all the Applicable Outstanding Certificates at maturity, to redeem all the Applicable Outstanding Certificates in accordance with the redemption provisions of the applicable Indenture or 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 the 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 Certificate Insurer under the applicable Indenture and the applicable Reserve Fund Surety Bond Guaranty Agreement; all amounts payable by the Corporation to the Hedge Provider under the applicable Hedge Facility (with respect to the 2005B Lease, only on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the 2005B Lease described in "2005B LEASE--Initial Hedge Facility Effectiveness"); and all amounts payable by the Corporation to the Certificate Fund Investment Provider under the Certificate Fund Investment Agreement (with respect to the 2005B Lease, on and after the Designated 1997 PCOPs Refunding Date, if it occurs, and subject to the provisions of the 2005B Lease described in "2005B LEASE--Designated 1997 PCOPs Refunding"))).

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 and the Trustee 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 40 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 Leased Property

General. The Leased Property associated with each of the Leases 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 2005 Certificates are described generally below. The District may make substitutions of Leased Property in accordance with the terms of the respective Indentures. Portions of the Leased Property may be released from the applicable Lease as described in Appendix B - “2005A LEASE--Release of Portions of the Leased Property” and “2005B LEASE--Release of Portions of the Leased Property” with respect to each series of 2005 Certificates.

Owners of the 2005 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 2005 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.

2005A Leased Property. The 2005A Leased Property consists of two school buildings and associated land that currently secure the 1997 PCOPS. The 2005A Leased Property will be transferred from securing the 1997 PCOPS to securing the 2005A Certificates contemporaneously with the closing on the 2005A Certificates. The “Building Value” in the following table represents the 2004 insurance valuation of each building; the “Land Value” represents the District’s estimate of the market value of the land in 2004.

School	Building Value	Land Value	Total Value
Cole Middle School	\$12,427,242	\$1,467,101	\$13,894,343
Gove Middle School	9,854,746	1,808,611	<u>11,663,357</u>
Total			\$25,557,700

2005B Leased Property. The 2005B Leased Property consists of five school buildings and associated land; these schools do not currently secure any outstanding District certificates of participation. The “Building Value” in the following table represents the 2004 insurance valuation of each building; the “Land Value” represents the District’s estimate of the market value of the land in 2004.

Building	Land	Total
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<u>School</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>
Kunsmiller Middle School	\$11,165,302	\$2,404,512	\$13,569,814
Lake Middle School	12,643,493	1,968,912	14,612,405
Horace Mann Middle School	12,194,306	1,237,104	13,431,410
Baker Middle School	10,991,960	1,359,072	12,351,032
Contemporary Learning Academy	4,712,847	435,600	<u>5,148,447</u>
Total			\$59,113,108

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. The Board has announced that it will close Gove Middle School at the end of the 2004-05 school year. District staff also has recommended the closure of Baker Middle School at the end of the 2005-05 school year; however, no Board action has yet been taken on that recommendation. Gove and Baker have the two smallest middle school enrollments in the District. At this time, the District has no plans to convert Gove to other uses. Decisions to close schools and decisions as to future uses of those facilities are complicated issues that will require further Board and staff discussion as well as public input. It is not possible to predict at this time whether Baker or any other 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.

The Reserve Fund

General. Each Indenture establishes a Reserve Fund (the “Reserve Fund”) for the respective series of 2005 Certificates and any Additional Certificates executed and delivered under that Indenture. The “Reserve Fund Requirement” means: (A) with respect to the 2005A Certificates, an amount equal to \$614,327.25; (B) with respect to the 2005B Certificates, an amount equal to \$2,190,125.00; 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 2005 Certificates, the District will deposit a Reserve Fund Insurance Policy (also referred to herein as a “Surety Bond”) into each Reserve Fund in satisfaction of the respective Reserve Fund Requirements. Each Reserve Fund Insurance 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 2005 Certificates or to substitute for the cash deposit required to be maintained under the related Indenture with a letter of credit, Qualified Reserve Fund Surety Bond, insurance policy, agreement guaranteeing payment, or other undertaking by a financial institution to insure that cash in the amount otherwise required to be maintained under each of the Indentures will be available as needed.

See Appendix B - “2005A INDENTURE--Reserve Fund” and ““2005B INDENTURE--Reserve Fund” with respect to each series of 2005 Certificates for a more detailed description of the Reserve Funds, including the application of moneys in the Reserve Funds.

Debt Service Reserve Fund Ambac Assurance Surety Bonds. Each Indenture requires the establishment of a Reserve Fund in an amount equal to the applicable Reserve Fund Requirement (described under “General” above). Each Indenture authorizes the Corporation to obtain a Surety Bond in place of fully funding the applicable Reserve Fund. Accordingly, application has been made to Ambac Assurance Corporation (“Ambac Assurance”) for the issuance of a separate Surety Bond for the purpose of funding each Reserve Fund. Each series of 2005 Certificates will only be delivered upon the issuance of such Surety Bond. The premium on each Surety Bond is to be fully paid at or prior to the issuance and delivery of the related series of 2005 Certificates. Each Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the related series of 2005 Certificates when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on such 2005 Certificates, but in no event exceeding the applicable Surety Bond Coverage, as defined in the applicable Surety Bond.

Pursuant to the terms of each Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of such Surety Bond and the Corporation is required to reimburse Ambac Assurance for any draws under such Surety Bond with interest at a market rate. Upon such reimbursement, the applicable Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the applicable Surety Bond Coverage. The reimbursement obligation of the Corporation has the same priority as the Corporation’s obligations to pay Base Rentals with respect to the 2005 Certificates.

In the event the amount on deposit or credited to the applicable Reserve Fund exceeds the amount of the related Surety Bond, any draw on the related Surety Bond shall be made only after all the funds in the related Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the applicable Reserve Fund, in addition to the amount available under the related Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the “Additional Funding Instrument”), draws on the related Surety Bond and the related Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. Each Indenture provides that the related Reserve Fund shall be replenished in the following priority: (i) principal and interest on the applicable Reserve Fund Surety Bond and on any related Additional Funding Instrument shall be paid from Base Rentals, as provided in the related Lease, on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the related Reserve Fund to the required level, after taking into account the amounts available under the applicable Reserve Fund Surety Bond and any related Additional Funding Instrument shall be deposited from Additional Rentals, as provided in the related Lease.

The Surety Bonds do not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent.

For further information about Ambac Assurance, see “Certificate Insurance” below.

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 2005 Certificates.

Payment Pursuant to Financial Guaranty Insurance Policy. Ambac Assurance has made a commitment to issue a separate financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to each series of 2005 Certificates effective as of the date of issuance of the 2005 Certificates. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the applicable series of 2005 Certificates which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Corporation (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of each series of the 2005 Certificates and, once issued, cannot be canceled by Ambac Assurance.

Each Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2005 Certificates of a series become subject to mandatory redemption and insufficient funds are available for redemption of all such outstanding 2005 Certificates, Ambac Assurance will remain obligated to pay principal of and interest on outstanding such 2005 Certificates on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of a series of 2005 Certificates, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a 2005 Certificate which has become Due for Payment and which is made to a Holder by or on behalf of the Corporation has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon either Financial Guaranty Insurance Policy, payment of principal requires surrender of the related 2005 Certificates to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2005 Certificates to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the applicable 2005 Certificate, appurtenant coupon, if any, or right to payment of principal or interest on such 2005 Certificate and will be fully subrogated to the surrendering Holder's rights to payment.

The Financial Guaranty Insurance Policy does not insure against loss relating to payments of the purchase price of 2005 Certificates upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of 2005 Certificates upon tender by a registered owner thereof.

Ambac Assurance Corporation. Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,329,000,000 (unaudited) and statutory capital of \$5,224,000,000 (unaudited) as of December 31, 2004. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the 2005 Certificates. No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of either Policy due to nonappropriation of funds by the Lessee.

Ambac Assurance makes no representation regarding the 2005 Certificates or the advisability of investing in the 2005 Certificates and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the headings "SECURITY FOR THE CERTIFICATES--The Reserve Funds - Debt Service Reserve Fund Ambac Assurance Surety Bonds" and "SECURITY FOR THE CERTIFICATES--Bond Insurance."

Available Information. The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668 0340.

Incorporation of Certain Documents by Reference. The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004;
2. The Company's Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004;
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004;
4. The Company's Current Report on Form 8-K dated July 21, 2004 and filed on July 22, 2004;
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2004 and filed on August 9, 2004;
6. The Company's Current Report on Form 8-K dated August 19, 2004 and filed on August 20, 2004;

7. The Company's Current Report on Form 8-K dated October 20, 2004 and filed on October 20, 2004;

8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2004 and filed on November 9, 2004;

9. The Company's Current Report on Form 8-K dated November 12, 2004 and filed on November 12, 2004; and

10. The Company's Current Report on Form 8-K dated January 26, 2005 and filed on January 26, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

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 issues 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 on such Additional Certificates shall be as provided in the Supplemental Indenture relating to such Additional Certificates. Additional Certificates may be issued to provide funds to pay any one or more of the following: (i) Costs of the Project in excess of the amount available in the separate account created by the District therefor pursuant to each of the Indentures; (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; provided that (A) no Additional Certificates shall be issued under either Indenture without the written consent of the Certificate Insurer, except for Additional Certificates issued for purposes described in clause (ii) of this subsection where such issuance results in a reduction in the present value of the principal and interest payable on the applicable series of Certificates.

Additional Certificates may be issued only in accordance with the prior paragraph 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 related Leased Property shall include any property being financed by the Additional Certificates, and that 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 Payment Dates for the Additional Certificates, the rate or rates of interest

on the Additional Certificates, and provisions for the redemption thereof, if any, all may be as provided in the Supplemental Indenture rather than as provided in the applicable Indenture;

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

(iii) a written opinion of Bond Counsel to the effect that the issuance of the Additional Certificates and the execution thereof have been duly authorized, that all conditions precedent to the delivery thereof have been fulfilled 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;

(iv) a commitment or other evidence that the amount of the title insurance policy required by the applicable Indenture will be increased, if necessary, to reflect the amount of the Additional Certificates and all other Outstanding applicable Certificates (or such lesser amount as shall be the maximum insurable value of the real property included in the related Leased Property);

(v) 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;

(vi) 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

(vii) A written order to the Trustee by the Corporation to deliver the Additional Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified sum plus accrued interest.

No Additional Certificates, notes, certificates, contracts or any other obligations shall be issued by the Trustee: (i) if any Event of Default or Event of Nonappropriation shall have occurred and be continuing with respect to the applicable Outstanding Certificates; or (ii) except with the prior written consent of the Liquidity Provider. 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 2005 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 Hedge Facilities are available from the sources listed in “INTRODUCTION--Additional Information.” Also see Appendix F--Initial Liquidity Provider Information.

The Initial Liquidity Facilities

Except as described below in “Liquidity Facility Not Required in Certain Circumstances,” each Indenture requires the Corporation to maintain a Liquidity Facility at all times during which the applicable series of 2005 Certificates bears interest at a Variable Rate. (Notwithstanding the foregoing, the Initial Liquidity Facilities do not automatically cover interest while the related 2005 Certificates bear interest in a Term Rate mode; the Initial Liquidity Provider will consider covering such interest upon application from the Trustee.) Pursuant to the related Initial Liquidity Facility, the Trustee must be able to demand payment for the purchase price of tendered 2005 Certificates of the applicable series. No Liquidity Facility is required for 2005 Certificates bearing interest at a Fixed Rate.

Each Initial Liquidity Facility is scheduled to terminate on March 24, 2008, 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, with immediately available funds, 2005 Certificates of the related series which bear interest at a Covered Rate and which are not 2005 Bank Certificates or Certificates owned by or held on behalf of, for the benefit of or for the account of, the District or the Corporation or any Affiliate of the District or the Corporation (“Eligible 2005 Certificates”) 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.

“Covered Rate” for purposes of each Initial Liquidity Facility means, with respect to any related 2005 Certificate, the Weekly Rate, the Monthly Rate and, in the event the Initial Liquidity Provider approves an increase in the Available Interest Commitment as described such Initial Liquidity Facility, the Term Rate.

“Purchase Price” for purposes of each Initial Liquidity Facilities means, with respect to any related Eligible 2005 Certificate as of any date, 100% of the principal amount of such Eligible 2005 Certificate plus (if the Purchase Date is not an Interest Payment Date) accrued and unpaid interest thereon to the Purchase Date, but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any such Eligible 2005 Certificate is also an Interest Payment Date for such Eligible 2005 Certificate, the Purchase Price for such Eligible 2005 Certificate shall not include accrued but unpaid interest on such Eligible 2005 Certificate; and

provided, further, in no event shall the Purchase Price of any related 2005 Certificate include any premium owed with respect to any such 2005 Certificate or any Defaulted Interest.

The aggregate principal amount (or portion thereof) of all related 2005 Certificates purchased on any Purchase Date, together with the aggregate principal amount of all 2005 Bank Certificates then Outstanding, shall not exceed the Available Principal Commitment (calculated without giving effect to any purchase of such 2005 Certificates by the Initial Liquidity Provider on such date) at 10:00 a.m., New York time, on such date. The aggregate amount of the Purchase Price comprising interest on such 2005 Certificates (the "Interest Component") purchased on any Purchase Date shall not exceed the lesser of (a) the Available Interest Commitment on such date and (b) the actual aggregate amount of interest accrued on each such 2005 Certificate to but excluding such Purchase Date. The amount of the commitment provided by each Initial Liquidity Facility is equal to the Available Principal Commitment plus the Available Interest Commitment.

"Available Principal Commitment" means initially the aggregate principal amount of the applicable series of 2005 Certificates Outstanding and, thereafter, means such initial amount adjusted from time to time as follows: (a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the applicable Initial Liquidity Facility; (b) downward by the principal amount of any Covered Certificates purchased by the Initial Liquidity Provider pursuant to the applicable Initial Liquidity Facility; and (c) upward by the principal amount of any Covered Certificates theretofore purchased by the Liquidity Provider pursuant to the applicable Initial Liquidity Facility which are remarketed (or deemed to be remarketed) pursuant to such Initial Liquidity Facility by the Remarketing Agent and for which the Bank Owner has received immediately available funds equal to the principal amount thereof and accrued interest thereon; provided, however, that the sum of (i) the Available Principal Commitment for the 2005A Certificates plus (ii) the aggregate principal amount of 2005A Certificates shall never exceed \$23,470,000 and the sum of (i) the Available Principal Commitment for the 2005B Certificates plus (ii) the aggregate principal amount of 2005B Certificates shall never exceed \$62,575,000. Any adjustment to the Available Principal Commitment pursuant to clause (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

"Available Interest Commitment" means: for the 2005A Certificates, an amount equal to \$405,098.63 and for the 2005B Certificates, an amount equal to \$1,080,061.64 (each amount equals 35 days' interest on the Available Principal Commitment for the applicable series of Covered 2005 Certificates based upon an assumed rate of interest of 18% per annum for such Covered Certificates, and a 365- or 366-day year, as applicable, for the number of days actually elapsed, as such amount shall be 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, in accordance with clause (a) or (b) of the definition of Available Principal Commitment, bears to the initial Available Principal Commitment; and (b) downward by an amount equal to any decrease in the Available Interest Commitment approved by the Initial Liquidity Provider in connection with a conversion of such Covered Certificates from a Term Rate to a Weekly Rate or a Monthly Rate, as provided in the respective Initial Liquidity Facility; and (c) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment, in accordance with clause (c) of the definition of Available Principal Commitment, bears to the initial Available Principal Commitment; and (d) upward by an

amount equal to any increase in the Available Interest Commitment approved by the Initial Liquidity Provider in connection with a conversion of the Covered Certificates to a Term Rate, as provided in the applicable Initial Liquidity Facility.

The Available Interest Commitment initially provided under the respective Initial Liquidity Facility may be increased, if approved by the Initial Liquidity Provider, in the event that the related Covered Certificates shall be the subject of a conversion to a Term Rate. In the event that the Trustee submits a request to the Initial Liquidity Provider for an increase in the Available Interest Commitment to accommodate a conversion of a series of Covered Certificates to a Term Rate, and if such request and the related increase in the portion of Base Rentals representing the Commitment Fee shall have been approved by the District, the Initial Liquidity Provider shall reasonably consider the request to increase the Available Interest Commitment; provided, however, the Initial Liquidity Provider shall not be obligated to so consider any increase in the Available Interest Commitment in the event that an Event of Default shall have occurred under the related Initial Liquidity Facility.

Commitment to Purchase Eligible Certificates

If Eligible Certificates are not remarketed by the applicable Remarketing Agent on the day the related series of 2005 Certificates are to be tendered, the Trustee is to give the Liquidity Provider notice as provided in the respective 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 2005 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 2005 CERTIFICATES AS THE SAME BECOME DUE AND PAYABLE. UNDER CERTAIN CIRCUMSTANCES DESCRIBED HEREIN, PURCHASES WILL NOT BE MADE UNDER THE RELATED INITIAL LIQUIDITY FACILITY AND, THEREFORE, FUNDS MAY NOT BE AVAILABLE TO PURCHASE TENDERED 2005 CERTIFICATES. NEITHER OF THE POLICIES GUARANTEES PAYMENT OF THE PURCHASE PRICE OF RELATED TENDERED 2005 CERTIFICATES.

Reductions of Available Commitment

Upon (i) any redemption, repayment or other payment of all or any portion of the principal amount of the Covered Certificates so that such Covered Certificates shall cease to be Outstanding, the aggregate Available Principal Commitment shall automatically be reduced by the principal amount of such Covered Certificates so redeemed, repaid or otherwise deemed paid, as the case may be, as confirmed by a certificate to that effect delivered by the Trustee to the Initial Liquidity Provider, (ii) any reduction in the Available Interest Commitment due to a conversion of the Covered Certificate from a Term Rate to the Weekly Rate or the Monthly Rate, as confirmed by a certificate delivered by the Trustee to the Initial Liquidity Provider, (iii) the close of business on

the Business Day following the Uncovered Mode Date, or (iv) cancellation of the applicable Initial Liquidity Facility in accordance with the applicable Indenture, the aggregate Available Principal Commitment shall automatically be reduced to zero and, in the case of (i), (iii) or (iv), the Available Interest Commitment shall also be simultaneously reduced as provided in the definition thereof; provided, however, that in the event any action described in clause (i), (iii) or (iv) above results in a reduction of the Available Commitment to zero, all Obligations, including without limitation, all principal and interest evidenced by 12005 Bank Certificates and all amounts payable under Article III of the related Initial Liquidity Facility, shall be paid to the Initial Liquidity Provider at or prior to the time of said reduction as provided in the applicable Indenture.

The Available Commitment shall automatically terminate at 5:00 p.m., New York time, on the Substitution Date. With respect to the Obligations owed to the Initial Liquidity Provider under the related Initial Liquidity Facility and the performance by the Trustee of such Initial Liquidity Facility, the Trustee shall comply with the requirements of the related Indenture with respect to the delivery of a Substitute Liquidity Facility.

Term of the Liquidity Facilities; Extension of Expiration Date

The term of each Initial Liquidity Facility is until the later of: (a) the last day of the Commitment Period, which means the period from the Effective Date to and including the earliest of (i) the Expiration Date (defined below), (ii) the date on which no related Eligible 2005 Certificates are Outstanding, (iii) the close of business on the Business Day following the Uncovered Mode Date, (iv) the close of business on the thirtieth (30th) day following the date on which a Notice of Termination Date is received by the Trustee pursuant to such Liquidity Facility, or if such thirtieth (30th) day is not a Business Day, the next succeeding Business Day, and (v) the date on which the Available Commitment has been reduced to zero or terminated in its entirety pursuant to such Liquidity Facility; and (b) the payment in full of the principal of and interest on all related 2005 Bank Certificates and all Obligations due under the applicable Liquidity Facility.

“Expiration Date” means the later of (a) 5:00 p.m., New York time, on March 24, 2008 or, if such day is not a Business Day, the Business Day next preceding such day, and (b) 5:00 p.m., New York time, on the last day of any extension of such date pursuant to the Initial Liquidity Facility or, if such last day is not a Business Day, the Business Day next preceding such day. The Expiration Date may be extended from time to time, at the request of the Trustee made no earlier than sixty (60) days prior to the Expiration Date, by agreement in writing between the Trustee and the Initial Liquidity Provider (the period from the preceding Expiration Date to such new Expiration Date being herein sometimes called the “Extended Bank Purchase Period”). The Extended Bank Purchase Period may itself be extended in a like manner for additional periods. The Initial Liquidity Provider has no obligation to agree to any Extended Bank Purchase Period. If the Initial Liquidity Provider, in its sole and absolute discretion, determines to extend any such period, the Initial Liquidity Provider shall give written notice of the election to extend to the District, the Trustee and the Remarketing Agent at least thirty (30) days prior to the expiration of the then applicable Expiration Date. At the time of any extension, the Initial Liquidity Provider may, in its sole and absolute discretion, renegotiate terms and conditions of the applicable Liquidity Facility, including the Commitment Fee and the Bank Rate.

Events of Default and Remedies under the Initial Liquidity Facilities

Events of Default. The following are events of default under each Initial Liquidity Facility:

(a) An Event of Default or an Event of Nonappropriation shall have occurred under the related Lease or the related Indenture, resulting in an insufficiency of funds to timely pay the principal of and interest on the applicable 2005 Certificates and the Certificate Insurer shall default in its obligations under the applicable Policy; or

(b) The applicable Policy shall no longer be in full force and effect or the Certificate Insurer shall be downgraded by each Rating Agency then maintaining a rating of the Certificate Insurer below investment grade, or become insolvent or shall file a petition seeking relief under the Bankruptcy Act or shall be the subject of an involuntary filing under the Bankruptcy Act; or

(c) The Certificate Insurer shall contest the validity of the applicable Policy; or

(d) The Certificate Insurer shall fail to make any payment when due under any bond insurance policy (other than the Policies) or surety bond issued by it insuring or supporting the payment of municipal obligations rated by Moody's, S&P or Fitch, and such failure shall continue for a period of ten (10) Business Days (it being understood by the Initial Liquidity Provider that default for purposes of the provisions described in this subsection (d) shall not include a situation in which the Certificate Insurer contests in good faith its liability under any such policy or policies in light of the claims made thereunder); or

(e) the Trustee otherwise shall fail to pay when due any other amount owed to the Initial Liquidity Provider pursuant to the applicable Initial Liquidity Facility (other than amounts described above); or

Additional events of default under each of the Initial Liquidity Facilities include, but are not limited to the following: (1) failure by the Trustee to pay any amount owing to the Initial Liquidity Provider under the applicable Initial Liquidity Facility (specifically, upfront fees, commitment fees and other fees, increased cost/reduced return payments, and other costs, taxes and expenses) within five (5) Business Days after the same shall become due; (2) material incorrectness or untruths in representations and warranties made in various documents, including the applicable Initial Liquidity Facility and Lease; (3) defaults in the performance or observance of specific covenants (relating to prompt payment by the Trustee, redemption of Bank Certificates prior to other 2005 Certificates, and the assurance that no prior liens on the respective Trust Estates will be created, among other items) set forth in the applicable Initial Liquidity Facility (after expiration of any applicable grace period) or material defaults in the due performance of any other term, covenant or agreement contained in the applicable Initial Liquidity Agreement remaining unremedied for 30 days after receipt of notice by the Corporation or the Trustee, as applicable; (4) one or more final, nonappealable judgments against the property subject to the applicable Indenture for the payment of money, and not covered by insurance, or attachments against such property, the operation or result of which, individually or in the aggregate, equal or exceed \$1,000,000 shall remain unpaid or

undismissed for a period of thirty (30) days; (5) invalidity or unenforceability of material provisions of the applicable Initial Liquidity Facility; (6) S&P, Moody's or Fitch shall (i) withdraw, suspend or reduce below "AA" for S&P or "Aa2" for Moody's or "AA" for Fitch the Certificate Insurer's long-term rating concerning financial strength, or (ii) withdraw, suspend or reduce below "BBB-" for S&P or "Baa3" for Moody's or "BBB-" for Fitch, the District's unenhanced, long-term general obligation credit rating, other than as a result of debt maturity, redemption, defeasance, non-application or non-provision of information; or (7) any uncured event of default under the applicable Indenture or any Related Documents.

Remedies. Upon the occurrence of any of the above events, the Initial Liquidity Provider may take any one or more of the following actions:

(a) *Immediate Termination.* In the case of any event of default specified in (a), (b) or (d) under "Events of Default" above, the Available Commitment shall immediately be reduced to zero, in which case the obligations of the Initial Liquidity Provider under the applicable Initial Liquidity Facility shall immediately terminate and expire without requirement of notice by the Initial Liquidity Provider.

(b) *Immediate Suspension.* In the case of any event of default specified in (c) under "Events of Default" above, and for so long as the events specified therein continue (a "Suspension Event"), the obligation of the Initial Liquidity Provider to purchase related Eligible 2005 Certificates under the applicable Initial Liquidity Facility shall be immediately suspended without notice or demand and thereafter the Initial Liquidity Provider shall be under no obligation to purchase such Eligible 2005 Certificates until the Available Commitment is reinstated as described below. If the Suspension Event is not cured within thirty (30) days following the occurrence of such default, then the Available Commitment and the obligation of the Initial Liquidity Provider to purchase such Eligible 2005 Certificates shall immediately terminate without notice or demand and thereafter the Initial Liquidity Provider shall be under no further obligation to purchase such Eligible 2005 Certificates. If such default is remedied within thirty (30) days of the occurrence thereof and the Available Commitment has not otherwise expired or been suspended or terminated, then the Available Commitment and the obligation of the Initial Liquidity Provider to purchase such Eligible 2005 Certificates shall be reinstated. In the case of each Suspension Event, the Trustee shall immediately notify all affected 2005 Certificate holders of the suspension and/or termination of both the Available Commitment and the obligation of the Initial Liquidity Provider to purchase such Eligible 2005 Certificates.

(c) Upon the occurrence of any event of default, the Initial Liquidity Provider shall have all remedies provided at law or equity, including, without limitation, specific performance; and in addition, the Initial Liquidity Provider, in its sole discretion, may do one or more of the following: (i) in the event of a default described in 1(a) or (b) above, declare all obligations of the Trustee to the Initial Liquidity Provider under the applicable Liquidity Facility to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind, all of which are hereby expressly waived; (ii) the Initial Liquidity Provider shall give written notice of such event of default and termination of the applicable Initial Liquidity Facility (a "Notice of Termination Date") to the District, the Corporation, the Trustee, the Tender Agent, the Certificate Insurer and the

Remarketing Agent requesting a Default Tender. The obligation of the Initial Liquidity Provider to purchase related 2005 Certificates shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and, on such date, the Available Commitment shall terminate and the Initial Liquidity Provider shall be under no obligation under the applicable Liquidity Facility to purchase related 2005 Certificates; (iii) require immediate purchase of 2005 Bank Certificates by the Trustee; (iv) exercise any right or remedy available to it under any other provision of the applicable Initial Liquidity Facility; or (v) exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity; provided, however, the Initial Liquidity Provider shall not have the right to terminate its obligation to purchase related 2005 Certificates except as described in this paragraph. Notwithstanding anything to the contrary herein, no failure or delay by the Initial Liquidity Provider in exercising any right, power or privilege under the applicable Liquidity Facility, under the Related Documents or under the respective 2005 Certificates and no course of dealing between the Trustee and the Initial Liquidity Provider shall operate as a waiver nor shall any single or partial exercise preclude any other or further exercise or the exercise of any other right, power or privilege. The rights and remedies provided in the related Initial Liquidity Facility shall be cumulative and not exclusive of any rights or remedies which the Initial Liquidity Provider would otherwise have.

(d) In addition to the foregoing, upon the occurrence of any event of default under the applicable Initial Liquidity Facility, all Obligations due and payable under such Initial Liquidity Facility shall bear interest at the Default Rate (as defined in such Initial Liquidity Facility).

Covenants under the Initial Liquidity Facilities

Each of the Initial Liquidity Facilities contains certain additional covenants and agreements of the Corporation which are different than those summarized in Appendix B hereto (see “2005A INDENTURE--Representations, Covenants and Warranties Regarding Execution, Delivery and Performance of Indenture” and “2005B INDENTURE--Representations, Covenants and Warranties Regarding Execution, Delivery and Performance of Indenture” therein with respect to each series of 2005 Certificates) with respect to the Indentures and the Leases. Defaults under the related Indenture or Lease also could constitute an event of default under the related Initial Liquidity Facility. The covenants and agreements contained in each of the Initial Liquidity Facilities are for the benefit only of the Initial Liquidity Provider and may be waived at any time in the sole discretion of the Initial Liquidity Provider or amended at any time in accordance with the amendment provisions of the applicable Initial Liquidity Facility. The affirmative covenants of the Corporation and the Trustee set forth in each Initial Liquidity Facility include, but are not limited to, the following: a covenant to punctually pay all amounts due under the Initial Liquidity Facility from the applicable Trust Estate; a covenant to keep adequate books and records with respect to each Trust Estate and make them available for examination; a covenant to select all 2005 Bank Certificates subject to redemption prior to selecting any other related 2005 Certificates (except as otherwise provided); covenants regarding the procurement of Substitute Liquidity Facilities; a covenant to maintain each Policy; an agreement to abide by the covenants in the Related Documents; a District covenant to maintain a long-term general obligation credit rating with at least two rating agencies; covenants related to amendments to any Related Documents; and a District covenant not to create

any lien on the applicable Trust Estate other than liens granted to the Trustee and the related 2005 Certificate holders, or liens or encumbrances permitted under the related Indenture.

Substitute Liquidity Facility

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 2005 Certificates meeting the requirements of the related Indenture (each, a “Substitute Liquidity Facility”).

A Substitute Liquidity Facility may become effective 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. The Corporation shall cause a draft of any Substitute Liquidity Facility in substantially final form to be delivered to the Remarketing Agent 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 2005 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 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, (ii) an opinion of Bond Counsel to the effect that the substitution of the Substitute Liquidity Facility for such Liquidity Facility then in effect will not adversely affect the validity of the related 2005 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.

Immediate notice shall be given by the Tender Agent to the Liquidity Provider, the Corporation, the District, the Trustee and the Remarketing Agent 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 unless the requirements described in “Liquidity Facility Not Required in Certain Circumstances” below are satisfied.

No Substitute Liquidity Facility shall become effective if: (i) any related 2005 Liquidity Provider Certificates are then Outstanding, unless the Substitute Liquidity Facility provides for the purchase of such 2005 Liquidity Provider Certificates by the Liquidity Provider under the Substitute Liquidity Facility; or (ii) any amounts required by the applicable Indenture to be paid to the previous Liquidity Provider as of such date shall not have been so paid.

Liquidity Facility Not Required in Certain Circumstances

The 2005 Certificates of either series bearing interest at a Variable Rate are not required to have the benefit of a Liquidity Facility if, prior to the Stated Termination Date of the applicable Liquidity Facility then in effect, there is delivered to the District and the Trustee: (i) an opinion of Bond Counsel to the effect that the expiration or termination of the Liquidity Facility then in effect with respect to such 2005 Certificates will not adversely affect the validity or enforceability of the related 2005 Certificates in accordance with their terms; and (ii) written evidence from each Rating Agency then maintaining a rating on the related 2005 Certificates that the short term rating on such 2005 Certificates following the expiration or termination of the related Liquidity Facility will not be reduced or withdrawn from such rating on such 2005 Certificates immediately prior to such expiration or termination. 2005 Certificates bearing interest at the Fixed Rate shall not be required to have the benefit of a Liquidity Facility.

Upon satisfaction of the requirements described in the previous paragraph, the Liquidity Facility then in effect shall be cancelled on the date specified by the District and all related 2005 Certificates shall be subject to mandatory purchase.

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. Under the terms of the Credit Support Annex, the Corporation has no obligation to provide any collateral to the Hedge Provider. The Hedge Provider is obligated to provide collateral to the Corporation, however, in an amount equal to the full net termination value of the Hedge Facilities 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 Ambac Assurance pursuant to a separate surety 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 Ambac Assurance’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 Ambac Assurance that funds are available to make such payment, or (ii) with respect to an early termination by the Hedge Provider, either (a) Ambac Assurance 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) Ambac Assurance is in conservation, liquidation or receivership under the New York Insurance Laws; or (ii) Ambac Assurance fails to have a claims-paying ability rating of “A-“ or higher from S&P or a financial strength rating of “A3” or higher from Moody’s, or its rating from either S&P or Moody’s is withdrawn or suspended and not reinstated within 30 days; or (iii) Ambac Assurance 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 Ambac Assurance under the related Swap Insurance Policy; 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 and Termination Events with respect to the Corporation and the Hedge Provider that will allow the other party to terminate the Hedge Facilities prior to their stated termination date.

Events of Default. The 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 Facilities or related Credit Support Documents, (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, and (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 2005 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.

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 Ambac Assurance, except in limited circumstances, 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 Ambac Assurance that funds are available to make such payment, or (ii) with respect to an early termination by the Hedge Provider, either (a) Ambac Assurance has failed to perform under the related Swap Insurance Policy, or (b) an Insurer Event has occurred. In addition, the 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 2005 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 2005 Certificates. See the Appendix B sections entitled “2005A INDENTURE--Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased” and “2005B INDENTURE--Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased” with respect to each Indenture.

Alternative Floating Rate Events

Under the terms of each Hedge Facility, the Hedge Provider is obligated to make periodic payments calculated at a floating rate to the Corporation equal to the corresponding amount of interest due on the related series of 2005 Certificates. Notwithstanding the foregoing, however, upon the occurrence and continuation of certain events (each, an “Alternative Floating Rate Event”), the periodic floating payments to be made by the Hedge Provider will be calculated using an alternative floating rate index equal to one-month LIBOR rather than the rate of interest borne by the related series of 2005 Certificates. Upon the occurrence and continuation of an Alternative Floating Rate Event, the amount paid by the Hedge Provider under the related Hedge Facility may not be sufficient to pay in full the amount of interest due on the related series of 2005 Certificates. See “CERTAIN RISK FACTORS--Risks Related to Hedge Facilities.”

Under each Hedge Facility, the Alternative Floating Rate Events are: a Credit Event, a Liquidity Event or a Remarketing Event, each as described below.

Credit Event. A Credit Event means the occurrence of any of the following events: (i) the credit rating applicable to the related series of 2005 Certificates falls below “AA-“ from S&P and “Aa3” from Moody’s or is withdrawn for credit related reasons; or (ii) the credit rating of the District falls below “BBB-“ from S&P or “Baa3” from Moody’s or is withdrawn for credit related reasons; or (iii) an Event of Default or Termination Event with respect to the Corporation occurs under the related Hedge Facility (provided, however, that with respect to an Event of Default resulting from a breach of covenants or a misrepresentation, such Event of Default must reasonably be expected, in the sole judgment of the Hedge Provider exercised in good faith, to adversely affect the interest rate on the related series of 2005 Certificates), or (iv) an Event of Default has occurred and is continuing under the related Indenture.

Liquidity Event. A Liquidity Event means the occurrence of any of the following events: (i) the short-term rating applicable to the related series of 2005 Certificates falls below “A-1” from S&P and “VMIG-1” from Moody’s or is withdrawn for credit related reasons; or (ii) the Corporation substitutes or replaces the Liquidity Provider for the related series of 2005 Certificates without the prior written consent of the Hedge Provider; or (iii) the Corporation or the District refuses to replace or substitute or permit the replacement or substitution of the Liquidity Provider for the related series of 2005 Certificates within 90 days of receipt of a written request provided by

the Hedge Provider to the Corporation and the District; or (iv) any Event of Default under the related Liquidity Facility occurs and is continuing, and as a result of which the related series of 2005 Certificates have become 2005 Liquidity Provider Certificates under the terms of such Liquidity Facility.

Remarketing Event. A Remarketing Event means the occurrence of any of the following events: (i) the Remarketing Agent shall be unable to remarket the related series of 2005 Certificates in accordance with the terms of the related Indenture; or (ii) the Corporation or the District refuses to comply or permit compliance with a request by the Hedge Provider to change the Interest Rate Mode for the related series of 2005 Certificates; or (iii) the Corporation substitutes or replaces the Remarketing Agent for the related series of 2005 Certificates without the prior written consent of the Hedge Provider; or (iv) the unscheduled redemption or other reduction of the outstanding principal amount of the related series of 2005 Certificates to an amount less than \$10,000,000.

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 directors of the Corporation have no private or proprietary interest in the Corporation. The board of directors serves without compensation (except reimbursement of expenses) and no part of the Corporation's net earnings, income or assets inures to the benefit of any private entity or person. The persons currently on the board of directors and their positions on the board are as follows:

<u>Name and Office</u>	<u>Term</u>	<u>Expires</u>
Lynn D. Coleman, President		9/30/12
Thayne McKnight, Vice President		9/30/06
James T. Holmes, Secretary		9/30/08
Sherry Eastlund, Director		9/30/10
Susan G. Edwards, Director		9/30/14

The directors of the Corporation have no private or proprietary interest in the Corporation. 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 2005A Refunding Project and the 2005B Refunding Project. The Corporation has assigned its rights and interests under each of the Leases (with certain limited exceptions) to the Trustee for the benefit of the registered owners of the applicable series of 2005 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 2005 Certificates have no right to look to the Corporation for any payments of the 2005 Certificates or for any other payments. In addition, the Corporation has no control over the expenditure of the proceeds of the 2005 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 72,901 students (headcount) as of October 1, 2004, 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 of the District residing within their respective director-districts. The Board is a policy-making body whose primary functions are to establish policies for the District, provide for the general operation and personnel of the District and oversee the property, facilities and financial

affairs of the District. Members of the Board serve without compensation. The present Board members, their offices on the Board, principal occupations, lengths of service on the Board, and terms of office are as follows.

<u>Name</u>	<u>Office</u>	<u>Principal Occupation</u>	<u>Years of Service</u>	<u>Term Expires (November)</u>
Lester R. Woodward	President	Attorney	6	2005
Rev. Lucia Guzman	Vice President	Small Business Owner	5	2007
Michelle Moss	Secretary	Retired Teacher	3	2005
Kevin Patterson	Treasurer	City Planner	3	2005
Elaine Gantz Berman	Director	Board of Education	7	2005
Bruce Hoyt	Director	Investment Banker	1	2007
Theresa K. Pena	Director	Small Business Consultant	1	2007

The Colorado constitution limits Board members to two consecutive terms (beginning with terms which commenced after January 1, 1995). 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, assistant superintendent for finance and budget and chief financial officer is set forth below.

Superintendent. 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."

Jerome F. Wartgow has been the Superintendent of the District since June 11, 2001. Prior to joining the District, he was the President and Chief Executive Officer of the International Training & Education Alliance, Inc., the founding President of the Colorado Community College & Occupational Education System, the Executive Director of the Auraria Higher Education Center, the Deputy Executive Director and Acting Executive Director of the Colorado Commission on Higher Education, a University Professor at the Governor's State University, Illinois, and Dean of Students of the International School of Bangkok in Thailand. He received his Ph.D. in Philosophy from the University of Denver in 1972, his M.A. in Education from the University of Hawaii in 1967, and his B.S. from the University of Wisconsin - Superior in 1964.

Dr. Wartgow serves on the Board of Directors of the Denver Chamber of Commerce, the Denver Zoo, Junior Achievement, The Education Foundation, and the Denver Public Schools Foundation, among others.

On February 7, 2005, Dr. Wartgow announced his resignation as Superintendent effective June 30, 2005. The Board has met to consider the matter of his replacement and is expected to choose a search firm to assist in locating candidates to replace Dr. Wartgow.

Assistant Superintendent for Budget and Finance. Richard H. Allen has 32 years of experience in governmental finance positions. All but two of these years have been related to financial affairs in public higher education. Prior to being appointed as assistant superintendent, he was Vice President of Administrative Services at Pikes Peak Community College, Vice President for Finance of the Community Colleges of Colorado, Associate Vice President for Budget and Finance of the Community Colleges of Colorado, Assistant Budget Director of the University of Colorado, Assistant Director for Finance of the Colorado Commission of Higher Education, Senior Staff Associate at the National Center of Higher Education Management Systems as well as holding junior budget analyst positions in the state of Michigan.

Mr. Allen is a graduate of the University of California-Santa Cruz in economics. He also earned a Master of Public Policy degree from the University of Michigan.

Chief Financial Officer. Velma A. Rose has been with the District for 18 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 Advisory Committee on Governmental Accounting for the Office of the State Auditor. Ms. Rose serves as a Board of Education representative on the Board of Trustees of the Denver Public Schools Retirement System.

Prior to joining the District, Ms. Rose had a career in public accounting for six years and served as Controller and 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.

The District is fully accredited by the Colorado Department of Education (“CDE”) for the six year term effective beginning July 1, 2001, and is subject to periodic monitoring by the State to ensure continued compliance with accreditation. The District has never 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 8 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 three years, the local board of education is required to begin the process of converting the school to a charter school. School districts must pass through to charter schools the per-pupil funding amount (less actual amounts used to fund central administrative overhead services). The District currently has nine unsatisfactory schools. On August 2, 2004, CDE reported that one of the nine unsatisfactory schools had received its third unsatisfactory designation. Although student achievement had improved during the 2003-04 school year, the improvement was not sufficient to avoid such designation. Under the State’s accountability law, CDE received proposals in fall 2004 from entities interested in operating the school as a charter school effective for the three years beginning with the 2005-06 school year. CDE selected KIPP, or Knowledge Is Power Program, to run the charter school; the Board approved the contract with KIPP in mid-February.

The Governor has recognized the District as the most improved school district in the State for two years in a row. Given that recognition, the District does not have any indication that the 2004 CSAP results for that particular school will adversely affect the District’s accreditation status.

District Employees and Labor Relations

Employees. As of the fall of 2004, the District employed approximately 11,554 personnel; 6,843 of which are full-time and 4,711 of which are part-time. Included in the total number of employees are 4,809 licensed and 6,745 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 November 1, 2004, the certificated employees of the District held the following degrees:

<u>Degree Held</u>	<u>Percent of Certificated Staff</u>
Bachelor's	25.7%
Bachelor's plus (1)	22.7
Master's	23.7
Master's plus (1)	26.2
Doctorate/Master's Plus 75 hours	<u>1.7</u>
Total	<u>100.0%</u>

(1) Credit hours acquired toward an advanced degree

Approximately 69% of the District's teachers are non-probationary; the average salary for teachers is \$44,329. As of November 1, 2004, the overall student/teacher ratio (based upon full-time equivalents) was 25:1.

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

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. The employer contribution rate is fixed at 2.90% of covered salary for the period from July 1, 2000 through June 30, 2010. That rate is required to increase to fund any unfunded actuarial accrued liabilities (UAAL) accumulating during that time; the increase is the amount required to amortize the UAAL over 30 years. Pursuant to the Plan's funding policy, changes to the employer rate become effective on the July 1 that is 18 months after the end of the calendar year on which the actuarial valuation was based. For calendar year 2003, the blended employer rate was 3.94%. The Plan has an annual actuarial valuation. As of December 31, 2003 (the latest actuarial report), the Plan had a funded ratio (actuarial value of assets over actuarial accrued liability) of 90.6% and a UAAL of \$262 million. For the fiscal year ended June 30, 2004, the cost to the District for pension contributions was \$8,917,840. For additional information regarding the Plan, see Note 8 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, 2003. That report is available on the Plan's internet website at http://dpsrs.org/ACTUALPAGES/PDF_FILES/2003WEBCAFR.PDF. Also see "DISTRICT FINANCIAL OPERATIONS--Retirement and Pension Matters" for a description of future District plans with respect to the Plan.

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 31% 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, 2005 and August 31, 2006, respectively. Contract discussions with the DCTA have begun.

District Enrollment and Facilities

The following enrollment statistics are based on October student counts.

District Enrollment - Fall 2000 to 2004

<u>School Year</u>	<u>Enrollment</u>	<u>Percent Change</u>
2000-01	70,956	--
2001-02	72,437	1.5%
2002-03	72,617	0.2
2003-04	72,489	(0.2)
2004-05	72,901	0.7

Source: The District.

Facilities. The District owns and operates a variety of facilities to accommodate its educational program for the community it serves, including a central administrative facility, 89 elementary schools, 20 middle 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, a current and a future facility for the school of the arts, three charter schools, a non-District operated expeditionary learning school and six other support buildings (transportation, warehouse, data center, food service, educational support and administration facilities). The District owns a combined total of 137 facilities and approximately 1,728 acres of land. The District also owns numerous vehicles, including a fleet of school buses and maintenance and food service vehicles. In addition to the schools listed above, seventeen charter schools have been approved by the District for the 2004-05 school year.

District Capital Plans

In January 2003, the District convened a Citizens Committee on Facility Needs to review capital needs of the District for a potential general obligation bond referendum in November 2003. After months of review and analysis of data by the Committee and then the Board, in September 2003, the District approved the placement on the November 2003 ballot of a request for voter authorization to issue an additional \$310.8 million in general obligation bonds. Those bonds

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 the popular Learning Landscapes, boosting technology systems, and strengthening core school infrastructures. This initiative supports a three-year capital improvements program, with plans to go before the voters after three years for any additional needs.

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 under which DURA and such other entities have agreed to reimburse the District for costs incurred by the District in connection with the construction of an elementary school at the Lowry site and an elementary school at the Stapleton site and to fund costs of constructing three additional elementary schools and a middle school or four K-8 schools at the Stapleton site from tax increment revenues derived from the redevelopment of the respective sites. In May 2004, DURA issued \$275 million of revenue bonds, of which \$19.6 million is earmarked to fund the second District school at Stapleton which is scheduled to open as a K-8 school in August 2006.

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 10 of the District’s financial statements attached hereto as Appendix A. The District also has a self-financed 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. However, there can be no assurance that the District will continue to maintain this level of coverage.

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 and most recently in 2003. At the 2003 election, the District’s voters approved the imposition of an additional ad valorem tax levy to increase District tax revenues by up to \$20 million annually, beginning with the 2003-04 budget year. The funds received from the override levy are to be used to provide art/music teachers in all elementary schools, purchase new textbooks, increase funding for repairs and maintenance, expand all-day kindergarten and early childhood education classes, improve high school graduation rates, and improve academic performance in under-performing schools.

Bond Redemption Levy. School districts also may impose a separate mill levy for purposes of generating revenues for the Bond Redemption Fund. 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. School districts may impose an additional mill levy to fund excess transportation costs with voter approval. 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.

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 that requires that all school districts operate under the same finance formula and are subject to 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 a constitutional amendment adopted in 2000 (the "School Amendment"). 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 TABOR. 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

Fiscal Year	Amount			Addition Due To:
	Base	Amount	Addition	Total
2000-01	\$3,878	\$124	\$4,002	Inflation (3.2%)
2001-02	4,002	200	4,202	Inflation (4.0%) plus School Amendment (1%)
2002-03	4,202	240	4,442	Inflation (4.7%) plus School Amendment (1%)
2003-04	4,442	128	4,570	Inflation (1.9%) plus School Amendment (1%)
2004-05	4,570	96	4,666	Inflation (1.1%) 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” (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, the General Assembly establishes a minimum amount of per pupil funding each year. For the 2003-04 fiscal year, this minimum amount was \$5,511. For the 2004-05 fiscal year, this minimum amount is \$5,627.

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 prior years’ October pupil counts), (b) on-line pupil enrollment, and (c) preschool enrollment.

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 \$165 of the per pupil funding must be used for instructional supplies and materials; (2) at least \$268 (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.

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 2002-03 and 2003-04, approximately \$272.4 million and \$297 million (comprising 56.3% and 58.3%), respectively, of the District's General Fund revenues (excluding transfers in), was derived from local sources. For fiscal years 2002-03 and 2003-04, approximately \$210.5 million and \$212 million (or 43.5% and 41.6%), respectively, of the District's General Fund revenues (excluding transfers in), was derived from State sources.

Local Sources. The District's share of the cost of its Total Program Funding is derived from its property tax mill levy (in compliance with TABOR) and specific ownership tax receipts. The District's mill levy is limited by the School Finance Act to the lesser of (i) the number of mills levied by the District for the immediately preceding property tax year; or (ii) the number of mills that will generate property tax revenue in an amount equal to the District's 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 school district; or (iii) the number of mills that may be levied by the District under the property tax revenue limitation imposed on the district under TABOR. See "LEGAL MATTERS--Certain Constitutional Limitations." In addition, the District imposes "override" mill levies, as explained above under "Sources of District Revenue--Additional Property Taxes - Override Levy."

The District's General Fund levy in the 2002-03 fiscal year produced \$237,338,944 or 49.1% of the total revenue in the General Fund (excluding transfers in), representing the largest source of revenue to the District. The District's 2003-04 General Fund levy produced \$262,842,969 or 51.6% of the total revenue in the General Fund (excluding transfers in). The District anticipates that the 2004-05 General Fund levy will produce approximately \$266,123,950, or approximately 50.8%, of the total revenue in the October 2004 Amended Budget for the General Fund (excluding transfers in).

Other sources of local revenue received by the District include the District's share of the annual specific ownership tax levied by the State on owners of motor vehicles and interest income earned on the District's investments. The District received \$29,191,216 and \$28,063,502 from such sources in the 2002-03 and 2003-04 fiscal year and has budgeted to receive \$28,063,502 from such sources in the 2004-05 fiscal year.

State Sources. 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 table sets forth State equalization payments received by the District since the 2000 fiscal year:

State Equalization Payments

<u>Fiscal Year Ended June 30</u>	<u>Equalization Payment</u>
2000	\$140,119,759
2001	151,256,895
2002	167,496,256
2003	188,862,276
2004	196,138,305

Source: Derived from the District's comprehensive annual financial reports for fiscal years 2000-2004.

State equalization payments received by the District for the fiscal year ended June 30, 2003, represented 39.1% of General Fund revenues (excluding transfers in), and for the fiscal year ended June 30, 2004, represented 38.5% of General Fund revenues (excluding transfers in). The District anticipates receiving \$206,965,111 from State equalization payments in 2004-05, representing 39.5% of the October 2004 Amended Budget General Fund revenue (excluding transfers in).

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.

The State experienced an economic downturn in recent years and instituted large budget cuts (including cuts to K-12 funding) for fiscal years 2003, 2004 and 2005 (the current fiscal year). The Legislature is expected to make significant additional budget cuts for fiscal year 2006 during its 2005 session. On January 27, 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.

The Office of State Planning and Budgeting (the "OSPB") prepares quarterly revenue estimates for the State covering a six-year period. The forecasts are based on historical patterns, with economic and policy changes explicitly included in the models that forecast revenue growth.

Currently, the OSPB is forecasting for Fiscal Year 2004-05 through Fiscal Year 2009-10. Copies of such forecasts can be obtained by contacting the OSPB at the Governor's Office of State Planning and Budgeting, 200 East Colfax, Room 111, Denver, Colorado 80203, or by telephone at (303) 866-3317. Alternatively, the quarterly revenue estimates can be accessed on the State's website at: http://www.state.co.us/gov_dir/govnr_dir/ospb/index.html. *None of the content of the quarterly revenue estimates, the State's website, or any of the links contained on the State's website, is incorporated into this Official Statement or made a part hereof by such reference.*

Future Changes to State Laws; Pending Legislation. 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. As described above, K-12 funding has been included in 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. 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.

In 2003, new legislation was adopted to allow the State to issue tax and revenue anticipation notes and to use the proceeds of such notes to loan 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. That may result in significantly larger borrowings than in previous years. The District participated in the State Program in fiscal year 2003-04, and is participating in the 2004-05 fiscal year.

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 principle), the Special Building and Technology Fund, the Transportation Fund and the Preschool Program 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, beginning with fiscal year 2003-04, the budget of the District is required to 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 fiscal year 2004-05 for \$16.1 million of the District’s TABOR emergency reserve, in addition to the \$1.4 million of the TABOR emergency reserve held in the form of cash. See “RELATED PARTIES.” The LOC terminates at the end of the fiscal year 2004-05 and is renewable for two succeeding fiscal years, after which the District can request it be extended for a future term with optional renewable terms. 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.

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. Beginning July 1, 2003, all school districts were required 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 school district’s Bond Redemption Fund, unless (i) the local county treasurer maintains the school district’s Bond Redemption Fund or (ii) beginning August 4, 2004, the school 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. J.P. Morgan Trust Company, National Association, acts as the District’s custodian. See “RELATED PARTIES.”

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 2004-05, the required minimum allocation is \$268 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 Program Fund. Certain State moneys must be deposited in the Preschool 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 services directly to children enrolled in the district’s preschool program may be deposited in the Preschool Program Fund of the district. Expenditures from the fund shall only be made to pay the costs of providing preschool services directly to children enrolled in the district’s preschool program.

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 General Assembly passed legislation, effective for fiscal year 2004, that prohibits districts 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. The legislation also requires districts 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 Generally Accepted Accounting Principles). The legislation also requires the adoption of 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.

2005-06 Budget. The District staff is in the early stages of projecting available resources and funding needs for the 2005-06 fiscal year. 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 also faces increasing payments on the 1997 PCOPS until 2008; completion of the 2005A Refunding Project and the 2005B Refunding Project is expected to produce substantially level debt service on the 1997 PCOPS, the 2005A Certificates and the 2005B Certificates starting in 2008. The District cannot predict what resources will be available until legislative action is taken on the annual school finance bill. That bill was introduced in the State legislature on March 10, 2005; however, no action has yet been taken. The District will formulate a balanced proposed budget, making expenditure adjustments as necessary, based upon these factors (among others) once the State funding level is known. The 2005-06 budget is expected to be presented to the Board for its consideration in late May of 2005.

General Fund Budget Summary and Comparison

The following table sets forth a comparison and summary of the 2003-04 and 2004-05 budgets for the District's General Fund compared to actual, unaudited (budgetary basis) results for the six-month periods ending December 31, 2003 and December 31, 2004. The following table is presented in budgetary basis and is not intended to conform with generally accepted accounting principles ("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.

Further information relating to the General Fund as well as certain other funds of the District, may be found in the basic financial statements of the District for the fiscal year ended June 30, 2004, attached hereto as Appendix A.

General Fund Budget Summary and Comparison - Budgetary Basis

	2003-04 Final <u>Budget</u>	Actual Six Months Through <u>12/31/03(1)</u>	2004-05 Amended <u>Budget(2)</u>	Actual Six Months Through <u>12/31/04(1)</u>
Beginning Fund Balance	\$38,413,722	\$38,413,722	\$47,442,115	\$47,442,115
Revenue				
Local revenues	298,379,909	19,896,347	299,801,437	21,110,383
State revenues (3)	212,332,159	112,340,839	223,453,983	112,099,950
Federal	<u>678,680</u>	<u>283,295</u>	<u>694,187</u>	<u>292,443</u>
Total Revenue	<u>511,390,748</u>	<u>132,520,481</u>	<u>523,949,607</u>	<u>133,502,776</u>
Total Resources	<u>\$549,804,470</u>	<u>\$170,934,203</u>	<u>\$571,391,722</u>	<u>\$180,944,891</u>
Expenditures, Transfers and Reserves				
Salaries (4)	307,321,474	153,644,885	298,238,776	146,392,681
Employee Benefits (5)	54,360,414	42,494,927	60,662,409	29,285,530
Purchased Services (6)	49,198,200	32,217,202	72,977,841	51,922,737
Supplies (6)	47,670,878	12,234,983	40,755,581	9,355,580
Property	6,379,253	2,040,712	2,305,272	1,383,956
Other Expenses	821,974	222,346	1,803,120	1,059,474
Interfund Transfers (7)	21,524,666	12,413,708	21,704,448	8,887,158
Pension COPs Lease Payments	33,298,252	34,219,871	35,134,937	35,134,937
2003 COPs Lease Payments	2,092,191	--	--	--
Contingency Reserve	12,150,770	--	36,414,067	--
TABOR Emergency Reserve	<u>14,986,398</u>	<u>--</u>	<u>1,395,271</u>	<u>--</u>
Total General Fund Appropriations	<u>\$549,804,470</u>	<u>\$289,488,634</u>	<u>\$571,391,722</u>	<u>\$283,422,053</u>

- (1) Unaudited; reported on a budgetary basis.
- (2) The Board amended the 2004-05 budget on October 7, 2004. The amendments to the adopted budget were necessary to account for the unaudited beginning balance, the impact of the 2005 Certified assessed valuation, and revisions to other estimated revenues and expenditures.
- (3) Annual and year-to-date increase is due to an increase in State equalization payments.
- (4) Annual and year-to-date decrease in salaries is primarily due to the reduction in work force necessary to balance the budget.
- (5) Annual increase in benefits is due to an increase in negotiated benefits and in the pension contribution rate.
- (6) Aggregate increase in purchased services and supplies is primarily attributable to implementation of the 2003 mill levy override programs, and the increase in payments due charter schools and contracted schools.
- (7) The timing of interfund transfers varies depending on the timing of the funding need in the receiving fund.

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 District. 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 2003-04 fiscal year was filed on time.

The District's audited Basic Financial Statements for the fiscal year ended June 30, 2004, are attached hereto as Appendix A.

Governmental Accounting Standards Board Statement 34. Governmental Accounting Standards Board Statement 34 ("GASB 34") required that the District's financial statements comply with certain new requirements beginning in the fiscal year ending June 30, 2002.

GASB 34 changed financial reporting standards for governmental entities in several ways. The District is now required to provide a management discussion and analysis to introduce the basic financial statements and provide an analytical overview of the District's financial activities. The District also is required to provide supplemental schedules showing actual fund performance as compared to the original budget for that fund (in addition to the final budget information previously shown). The District distinguishes between reserved and unreserved categories when reporting its fund balances. The District also now reports depreciation on general fixed assets. Finally, the District is required to provide government-wide financial statements, consisting of a statement of net assets and a statement of activities for all funds (except fiduciary funds) prepared using the accrual basis of accounting. This GASB 34 requirement results in the inclusion in the government-wide financial statements of certain long-term liabilities (compensated absences and general obligation debt, for example) that are not offset by current revenues.

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, 2003 and will apply for these certificates for the year ended June 30, 2004. Such certificates are the highest form of recognition in the area of governmental finance reporting and are awarded to governmental entities whose comprehensive annual financial reports are judged to conform substantially to program standards. The District has received a Certificate of Achievement from GFOA for the last 19 consecutive fiscal years and has received the Certificate of Excellence from ASBO for the last six 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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Beginning Balance	\$ 3,006,672	\$ 10,182,555	\$ 14,585,345	\$ 13,290,139	\$(2,047,811)
Local Revenue Sources					
Property Taxes	220,549,973	226,801,359	239,193,447	237,338,944	262,842,969
Delinquent Taxes and Interest	343,995	(531,563)	419,692	394,466	370,561
Specific Ownership Tax	27,843,154	29,539,651	30,218,797	29,191,216	28,063,502
Tuition	266,253	601,367	880,475	178,793	678,360
Interest on Investments	2,326,574	2,384,645	1,131,659	937,600	945,886
Other Local Sources	<u>4,770,958</u>	<u>9,850,047</u>	<u>3,623,896</u>	<u>4,335,827</u>	<u>4,100,024</u>
Total Local	<u>256,100,907</u>	<u>268,645,506</u>	<u>275,467,966</u>	<u>272,376,846</u>	<u>297,001,302</u>
State Revenue Sources					
Finance Act	140,119,759	151,256,895	167,496,256	188,862,276	196,138,305
Vocational Education	695,373	743,362	672,616	815,451	859,136
Special Education	8,165,446	8,383,896	8,753,621	9,446,212	9,734,631
Transportation	4,539,834	4,484,716	4,515,850	4,838,286	4,727,636
Other State Sources	<u>72,640</u>	<u>175,240</u>	<u>7,806,641</u>	<u>6,528,016</u>	<u>562,049</u>
Total State	<u>153,593,052</u>	<u>165,044,109</u>	<u>189,244,984</u>	<u>210,490,241</u>	<u>212,021,757</u>
Federal Revenue Sources					
Other Federal Revenue	<u>502,402</u>	<u>545,496</u>	<u>574,854</u>	<u>654,826</u>	<u>694,187</u>
Total Federal	<u>502,402</u>	<u>545,496</u>	<u>574,854</u>	<u>654,826</u>	<u>694,187</u>
Total Revenue	<u>410,196,361</u>	<u>434,235,111</u>	<u>465,287,804</u>	<u>483,521,913</u>	<u>509,717,246</u>
Operating Transfers In					
Proceeds from Capital Lease	--	1,830,000	891,625	588,748	762,986
Proceeds from Certificates of Participation	--	433,337	370,106	--	4,700,000
Total Resources	<u>413,203,033</u>	<u>446,681,003</u>	<u>481,134,880</u>	<u>499,492,991</u>	<u>513,132,421</u>
Expenditures					
Current					
Instruction	210,063,896	224,211,820	258,094,529	271,451,095	269,426,915
Supporting Services	73,650,957	80,421,470	90,876,619	98,574,324	100,672,581
Business Supporting Services	55,484,005	62,147,248	62,354,697	68,284,060	74,122,283
Community Services	--	--	46,239	75,709	62,758
Nonprogrammed Charges (2)	7,070,474	6,901,297	--	--	--
Capital Outlay	7,474,769	6,979,538	1,242,482	6,630,171	2,461,820
Debt Service	<u>30,523,286</u>	<u>31,621,795</u>	<u>31,553,786</u>	<u>33,083,557</u>	<u>35,221,486</u>
Total Expenditures	<u>384,267,387</u>	<u>412,283,168</u>	<u>444,168,352</u>	<u>478,098,916</u>	<u>481,967,843</u>
Refunded 2003 Certificates	--	--	--	--	1,959,397
Operating Transfers Out					
To Insurance and Capital Reserve Funds	12,150,305	12,883,753	14,101,171	14,795,058	14,492,658
To General Fund Subsidies	<u>6,602,786</u>	<u>6,928,737</u>	<u>9,575,218</u>	<u>8,646,828</u>	<u>5,413,649</u>
Ending Fund Balance	<u>10,182,555</u>	<u>14,585,345</u>	<u>13,290,139</u>	<u>(2,047,811)</u>	<u>9,298,874</u>
Salaries Earned but Unpaid (3)	33,654,985	35,213,064	34,509,368	36,897,046	40,658,832
Deferred Revenue (4)	--	--	--	10,178,715	9,486,146
Reserve for Encumbrances	(2,992,838)	(3,921,675)	(4,928,204)	(3,809,464)	(5,311,631)
Net Income Adjustments (5)	<u>(2,164,973)</u>	<u>(2,732,441)</u>	<u>(2,792,694)</u>	<u>(2,804,764)</u>	<u>(6,858,766)</u>
Budgetary Basis Fund Balance	<u>\$38,679,729</u>	<u>\$43,144,293</u>	<u>\$40,078,609</u>	<u>\$38,413,722</u>	<u>\$47,273,455</u>

- (1) Results are presented using generally accepted accounting principles (GAAP).
- (2) Beginning in 2001-02, Nonprogrammed Charges are included in Instruction.
- (3) 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.
- (4) 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.
- (5) On a GAAP basis, capital lease and State transportation receivables are reported as revenues.

Source: The District's audited financial statements for the fiscal years ended June 30, 2000 through 2004.

Management's Discussion and Analysis of Recent Operating Results

The following section provides an analysis of the recent operating results of the District according to the District's management.

Revenues. Total revenue from Fiscal Year 2000 through 2004 increased from \$410 million to \$510 million largely due to the School Finance Act funding increases attributable to enrollment growth and to increases in per pupil funding. School Finance Act formula funding is derived from three sources: state equalization, property taxes (26.481 mills for Fiscal Year 2004), and a portion of specific ownership taxes.

Revenues from local sources have increased during this period primarily due to increases in the assessed valuation upon which property taxes are collected, from \$6.190 billion to \$8.146 billion, and with mill levies permitted by state law. Property tax revenues declined in Fiscal Year 2002-03 due to the \$4 million due from the United Airlines that is subject to bankruptcy court proceedings (see discussion below on revenues from other state sources). Property tax revenues increased in Fiscal Year 2003-04 as a result of the 2003 mill levy override election in addition to taxes paid by United Airlines. Delinquent taxes tend to fluctuate from year to year, and specific ownership taxes were on the rise and then took a dip in Fiscal Years 2003 and 2004 as a result of the downturn in the economy. Tuition revenues supporting the District's Montessori programs are now recorded in the Special Revenue Fund. Interest on investments fluctuate as interest rates in the market have changed. Other local sources fluctuate from year to year. Fiscal Year 2000 includes \$1.6 million of proceeds from the demutualization of a health insurance provider, whereas Fiscal Year 2001 includes \$7 million of proceeds from entering into a forward delivery agreement with respect to a portion of future Bond Redemption Fund property tax reinvestment earnings.

Revenues from state sources have increased since 2000 due to the increase in the State's share of Public School Finance Act funding (due to the overall increase in Finance Act funding attributable to enrollment and per pupil funding increases). Vocational education funding fluctuates from year to year due to the State's manner of appropriation. Special Education funding has increased due to the State's increase in its appropriation for this support; however, transportation funding has remained flat. Revenues from other state sources for Fiscal Year 2002 includes \$7.7 million of special state program appropriations for textbooks, school improvement grants, schools for excellence awards, teacher pay incentive grants, charter school construction grants, and summer school grants. Fiscal Year 2003 includes \$3.8 million from the state to offset the \$4 million in property tax revenues due from United Airlines that is subject to bankruptcy court proceedings (if and when United Airlines remits these taxes, the District is to reimburse the state) plus \$2.6 million of special state program appropriations for school improvement grants and charter school construction grants.

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, with \$1.8 million in Fiscal Year 2001 and lower levels thereafter due to the decline in interest rates.

Proceeds from Capital Leases include the effect of entering into equipment lease-purchase agreements for technology in Fiscal Years 2001 and 2002 and retrofit lighting equipment in Fiscal Year 2004.

Proceeds from Certificates of Participation are the result of the June 2003 issuance of the \$20.5 million Variable Rate Certificates of Participation Series 2003 (the “2003 COPS”), 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 represents the Debt Service Reserve Fund and the Capitalized Interest, as the debt service is to ultimately be borne by the General Fund. The term of the 2003 COPs 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 bonds for which were used to refinance the 2003 COPS in addition to other capital projects.

Expenditures. Expenditures from Fiscal Year 2000 through Fiscal Year 2004 increased from \$384 million to \$482 million due to inflation and enrollment growth. Nonprogrammed charges, representing tuition paid to state institutions for Denver-resident students with special needs that cannot be served by the District, were reclassified to Instruction in Fiscal Year 2002, as part of the reporting changes in support of Governmental Accounting Standards Board Statement No. 34. The Capital Outlay fluctuates from year to year as the District’s needs change. Debt Service is for the equipment lease-purchase agreements and the 1997 PCOPS, the latter of which was for the purpose of providing for the payment of all the District’s estimated amount of its then-unfunded actuarial accrued liability of \$377.8 million to its pension plan in addition to the costs of issuance.

Operating Transfer Out. The amount of funding to be transferred or allocated to the Capital Reserve and Self-Insurance Funds is stipulated in the Public School Finance Act. The minimum per pupil amount has increased from \$229 to \$262 per pupil. The Self-Insurance Fund is classified as an Internal Service Fund in accordance with Government Accounting Standards Board (GASB) Statement No. 10, thus charging this portion of the General Fund’s contribution as Business Supporting Services instead of an Operating Transfer Out. Other General Fund Subsidies include funds to the Pupil Activity Fund, to the second chance program at the District’s Emily Griffith Opportunity School, and to the Capital Reserve Fund from a portion of the taxes collected from the 1998 mill levy election.

Fund Balance. The Fund Balance on a generally accepted accounting principles (GAAP) basis was a negative figure for Fiscal Year 2003. As a result of GASB 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 (see other local sources in Fiscal Year 2001), but rather is to be recognized as revenues over the terms of the General Obligation Bonds (GOB) Series 2001C and the 1997 PCOPS. In Fiscal Year 2003, the District entered into forward delivery agreements 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 the GOB Series 2001C debt service and from a portion of future General Fund revenues allocated for the 1997 PCOPS debt service (see “THE 2005

CERTIFICATES--Certificate Fund Investment Agreement"). 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 \$10.2 million of the proceeds from entering into forward delivery agreements, Fiscal Year 2003 posed a challenge to the District, as a result of the downturn in the national, state and local economies, as a result of 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 was \$.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 \$.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. Of this fund balance, \$12.3 million, \$12.18 million, \$13.18 million \$14.1 million and \$14.99 million represent the state constitutionally required (TABOR) Emergency Reserve for Fiscal Years 2000, 2001, 2002, 2003, and 2004 respectively.

Retirement and Pension Matters

In its 2003 session, 2003, the Colorado General Assembly passed legislation, subsequently signed by the Governor, that authorized the merger of the State's retirement system ("PERA") and the District's retirement system effective January 1, 2005, subject to certain restrictions (including a requirement that on July 1, 2004, both retirement systems and the District continued to collectively support the merger and a requirement that the financial impact be affordable to the District). The three parties to the merger (the District, the District's retirement system and PERA) entered into a merger agreement prior to a June 29, 2004, vote by the PERA Board of Trustees to terminate the agreement. PERA's board determined that such termination was in the best interest of PERA's membership. The three parties, however, are continuing to collaborate regarding a possible merger in the future. They have identified a number of technical issues that need to be resolved and are close to determining the costs of these issues.

Legislation to extend authorization of the merger was introduced as Senate Bill 05-171 ("SB 171") on February 1, 2005. If passed by the Legislature and signed by the Governor, SB

171 would extend the authorized effective date of a merger of the District's retirement system into PERA to January 1, 2007. The new bill includes: modifications of the reasons for which the merger may be terminated, provisions governing the transfer of District retirement system assets and payment of liabilities by the District, and provisions governing liability insurance related to a merger. SB 171 retains the requirement that the merger be affordable to the District; that determination will be based upon actuary information as of December 2006.

Through forward delivery agreement transactions closed in November 2002 and February 2003, funds have been received to provide (together with funds from a subsequent 2003-04 General Fund allocation and a 2004-05 restructuring of the TABOR Emergency Reserve) most of the estimated funding needed for the up-front State Health Trust Fund contribution that will be required in conjunction with the merger. It is still the District management's opinion that the merger is deemed to be in the best interests of both the District and its current and future active and retired employees, and would provide for portability of employees between the District and other entities that participate in PERA. It is not possible to predict at this time whether SB 171 will pass or be signed by the Governor, nor is it possible to predict whether the merger will take place or its financial impact on the District. Should the merger go forward, the District has the option of issuing additional pension certificates of participation to fund a portion of the District's costs.

PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT

Ad Valorem Property Taxes

Property Subject to Taxation. Subject to the limitations imposed by Article X, Section 20 of the State constitution (the Taxpayers Bill of Rights or “TABOR,” described in “LEGAL MATTERS--Certain Constitutional Limitations”), the Board has the power to certify to 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 (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. Each 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 each 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 2003 and 2004 will be based on an analysis

of sales and other information for the period January 1, 2001 to June 30, 2002. The following table sets forth the State Property Appraisal System for property tax levy years 1999 through 2004:

<u>Collection Year</u>	<u>Levy Year</u>	<u>Value Calculated As Of</u>	<u>Based on the Market Period</u>
2000	1999	July 1, 1998	Jan. 1, 1997 to June 30, 1998
2001	2000	July 1, 1998	Jan. 1, 1997 to June 30, 1998
2002	2001	July 1, 2000	Jan. 1, 1999 to June 30, 2000
2003	2002	July 1, 2000	Jan. 1, 1999 to June 30, 2000
2004	2003	July 1, 2002	Jan. 1, 2001 to June 30, 2002
2005	2004	July 1, 2002	Jan. 1, 2001 to June 30, 2002

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). In December 2004, the Colorado Legislative Council (the research division of the Colorado General Assembly) projected that the residential assessment rate will remain the same (7.96%) for levy years 2005-06, and will decline to approximately 7.62% for levy years 2007-08 and to approximately 7.39% for levy years 2009-10. Such reductions are, however, only projections 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. According to legislation implementing the amendment, for property tax years commencing on January 1, 2002 and for property tax years commencing on or after January 1, 2006, 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. For property tax years commencing on and after January 1, 2003 but before January 1, 2006, the exemption is 50% of zero dollars of actual value (i.e., the exemption has been eliminated for those years). In years when 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.

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 2004 are being collected in 2005. 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 particular 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 distress, 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 the Denver Urban Renewal Authority ("DURA"). With respect to the property included in the boundaries of an urban renewal authority or downtown development authority in the future and 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 charts.

History of District Assessed Valuations

<u>Levy/ Collection Year</u>	<u>Gross Assessed Valuation</u>	<u>Tax Increment Valuation</u>	<u>Net Assessed Valuation</u>	<u>Percent Increase</u>
2000/2001	6,491,837,060	150,009,160	6,341,827,900	--
2001/2002	7,885,465,670	189,076,260	7,696,389,410	21.4%
2002/2003	8,001,311,020	218,789,413	7,782,521,607	1.1
2003/2004	8,431,744,300	285,525,712	8,146,218,588	4.7
2004/2005	8,533,169,530	330,656,598	8,202,512,932	0.7

Sources: District's 2004 Comprehensive Annual Financial Report; and the City and County of Denver Assessor's Office.

History of District's Mill Levy

<u>Levy/Collection Year</u>	<u>General Fund Mill Levy</u>	<u>Debt Service Mill Levy</u>	<u>Mill Levy Override</u>	<u>Special Abatement(1)</u>	<u>Total Mill Levy</u>
2000/2001	31.244	5.599	4.589	0.195	41.627
2001/2002	27.274	5.599	3.781	0.313	36.967
2002/2003	27.274	5.599	3.739	0.093	36.705
2003/2004	26.481	5.599	6.029	0.177	38.286
2004/2005	26.481	5.599	5.986	0.261	38.327

(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, 2000-2004; and the District.

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

Property Tax Collections for the District

<u>Levy/Collection Year</u>	<u>Taxes Levied</u>	<u>Current Tax Collections(1)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collected(1)</u>
1999/2000	\$257,610,887	\$255,229,161	99.1%	\$788,626(2)	\$254,440,535
2000/2001	263,991,270	262,026,212	99.3	369,721	262,395,933
2001/2002	284,512,427	281,845,665	99.1	902,803	282,748,468
2002/2003	285,657,455	277,933,828	97.3	704,661	278,638,489
2003/2004	311,886,125	308,524,583	98.9	832,844	309,357,427
2004/2005	314,377,713	--(3)	--	--(3)	--(3)

- (1) The County Treasurers' collection fees have not been deducted from these amounts. Figures do not include interest, fees and penalties.
- (2) Includes abatements in excess of \$800,000 on prior years' taxes due. The District certified a mill levy for collection of the abated amounts in 2001 (for collection of taxes in 2002) as allowed by law.
- (3) Property taxes for levy year 2004 are not yet due.

Sources: District 2004 Comprehensive Annual Financial Report, the District; and the City and County of Denver Treasurer's Office.

The following table sets forth the 2004 certified assessed valuation of specific classes of real and personal property within the District. As shown below, commercial property accounts for the largest percentage of the District's assessed valuation, and therefore it is anticipated that owners of commercial property will pay the largest percentage of ad valorem property taxes levied by the District.

Assessed Valuation of Classes of Property in the District - 2004

<u>Class</u>	<u>2004 Assessed Valuation(1)</u>	Percent of		<u>Percent of Gross “Actual” Valuation</u>
		<u>Gross Assessed Valuation</u>	<u>2004 Estimated “Actual” Valuation</u>	
Commercial	\$3,753,004,900	43.99%	\$13,018,526,800	20.70%
Residential	3,669,393,410	43.00	46,060,073,100	73.22
State Assessed	743,201,900	8.71	2,563,249,300	4.07
Industrial	225,623,840	2.64	784,457,200	1.25
Vacant	141,095,160	1.65	479,392,300	0.76
Oil and Gas	774,470	0.01	885,100	0.00
Agricultural	<u>75,850</u>	<u>0.00</u>	<u>261,600</u>	<u>0.00</u>
Total Gross	<u>8,533,169,530</u>	<u>100.00%</u>	<u>\$62,906,845,400</u>	<u>100.00%</u>
Less Tax Increment(1)	<u>(330,656,598)</u>			
Total Net	<u>\$8,202,512,932</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 2004 certified information available from the County Assessor's Office, the following chart presents the largest taxpayers within the District, measured by assessed value. A determination of the largest taxpayers can be made only by manually reviewing individual tax records. Therefore, it is possible that owners of several small parcels may have an aggregate assessed value in excess of those set forth in the following chart. Furthermore, the taxpayers shown in the chart may own additional parcels within the District not included herein.

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 2004

<u>Taxpayer Name</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation (1)</u>
Qwest Corp.	\$192,009,280	2.34%
Public Service Company (2)	156,599,060	1.91
United Airlines Inc.	118,761,100	1.45
Equity Office Properties	91,540,330	1.12
AT&T	87,821,600	1.07
Crescent Real Estate Equities	78,896,780	0.96
Republic Plaza Properties Partnership	76,998,420	0.94
Columbia-Healthone LLC	58,319,910	0.71
Temple Hoyne Buell Foundation	54,892,760	0.67
Ascent Arena Co. LLC	<u>46,769,320</u>	<u>0.57</u>
TOTAL	<u>\$962,608,560</u>	<u>11.74%</u>

- (1) Based on a 2004 certified assessed valuation of \$8,202,512,932 (net of assessed valuation attributable to DURA).
(2) Now known as Excel Energy.

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

On December 9, 2002, UAL Corp., the parent company of United Airlines, filed for federal bankruptcy court protection under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court in Chicago, Illinois. Among the obligations for which UAL sought protection was its property taxes due to the District in collection year 2003. Such taxes amount to \$3,992,148.39 for the District's General Fund levy and \$718,576.44 for its Bond Redemption Fund Levy. Of these amounts, \$404,247.39 and \$72,763.48, respectively, were subsequently paid (through November 28, 2003). There is no assurance that the District will be able to collect any of the remaining taxes in the future. UAL has not yet sought protection from the obligation to pay property taxes levied for the District in any future fiscal year, but may do so in the future during the pendency of the bankruptcy proceedings. In the fall of 2004, UAL requested that the bankruptcy court classify remaining unpaid taxes as unsecured claims. That reclassification would have the effect of reducing the priority of the unpaid taxes; entities owed property taxes would be paid last in priority along with other unsecured creditors. Denver has objected to that reclassification; however, it is not known what the outcome of UAL's motion will be. If the unpaid property taxes are reclassified, it is likely that amounts paid, if any, will be substantially less than the amounts owed.

In response to the shortfall experienced by the District due to UAL's nonpayment of such taxes in Fiscal Year 2002-2003, the District made application to the Colorado Department of Education for a distribution from its contingency fund. The Department of Education responded with a distribution to the District of \$767,309 in February 2003, which the District deposited in its General Fund. In addition, the state legislature appropriated an additional \$3,000,000 in the Spring of 2003 which was remitted by the Department of Education to the District in June 2003. There is no assurance or likelihood that the Department of Education will be able to make similar

distributions to the District in future fiscal years if UAL seeks protection from the obligation to pay property taxes levied for the District in any future fiscal year.

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>2004 Mill Levy(2)</u>
City and County of Denver	25.471
Urban Drainage and Flood Control District	<u>0.604</u>
Total Overlapping Sample Mill Levy	26.075
District	<u>38.327</u>
Total Sample Mill Levy	<u>64.402</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 2004 result in the collection of property taxes in 2005.

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)	2004 Assessed Valuation(3)	Outstanding General Obligation Debt	Outstanding General Obligation Debt Chargeable to the District(4)	
			Percent	Debt
Bowles Metropolitan District	\$ 47,240,700	\$ 24,320,000	50.98%	\$ 12,398,336
Central Platte Valley Metro.	42,553,960	38,905,000	100.00	38,905,000
City and County of Denver (5)	8,202,512,932	374,040,000	100.00	374,040,000
Denver Gateway Center Metro.	8,073,40	865,000	100.00	865,000
Denver Int'l. Bus. Center Metro. #1	11,374,580	8,065,000	100.00	8,065,000
Ebert Metropolitan District	28,989,830	36,330,000	100.00	36,330,000
Fairlake Metropolitan District	23,063,680	7,795,000	100.00	7,795,000
Gateway Regional Metro. District	25,865,580	1,100,000	100.00	1,100,000
Gateway Village G.I.D.	21,508,240	2,780,000	100.00	2,780,000
Goldsmith Metropolitan District (6)	448,559,250	37,595,000	47.78	17,962,891
Greenwood Metropolitan District	70,965,460	6,125,000	1.50	91,875
GVR Metropolitan District	78,869,080	10,925,000	100.00	10,925,000
North Washington Fire Prot. Dist. No. 3	370,370,930	6,320,000	0.98	61,936
Sand Creek Metropolitan District	90,750,700	44,620,000	30.61	13,658,182
SBC Metropolitan District	37,749,390	22,745,000	100.00	22,745,000
Section 14 Metropolitan District	46,766,750	10,830,000	24.46	2,649,018
South Denver Metro. District (7)	40,210,200	3,460,000	100.00	3,460,000
Southeast Public Improvement Metro.	1,632,090,790	7,925,000	12.99	<u>1,029,457</u>
TOTALS				<u>\$554,861,695</u>

- (1) The following entities also overlap the District, but have no reported general obligation debt outstanding: Cherry Creek North Business Improvement District; Cherry Creek Subarea Business Improvement District; Clear Creek Valley Water and Sanitation District; Colfax-on-the-Hill Business Improvement District; Denver Suburban Water District; Downtown Denver Business Improvement District; First Creek Metropolitan District; Greenwood Plaza Water District; Holly Hills Water and Sanitation District; Lakehurst Water and Sanitation District; Lochmoor Water and Sanitation District; 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; Southwest Commons General Improvement District; Town Center Metropolitan District; Urban Drainage and Flood Control District; Urban Drainage and Flood Control District - South Platte Levy; Valley Sanitation District; and Westerly Creek Metropolitan District. Grant Water and Sanitation District has an outstanding general obligation debt of \$2,580,000 which is supported by the district's investments; the district assesses no mill levy.
- (2) Park Creek Metropolitan District ("the District") has outstanding limited property tax supported revenue bonds of approximately \$99,000,000. The bonds are special, limited obligations of the District, payable solely by pledged revenues and are not considered general obligation bonds. The pledged revenues consist of amounts payable to the District from the Denver Urban Renewal Authority derived from revenues collected pursuant to a limited mill levy imposed on property in the District's Service Area by the Westerly Creek Metropolitan District, and amounts to be received by the District from the City of Denver under certain circumstances.
- (3) Assessed values certified in 2004 are for collection of ad valorem property taxes in 2005.
- (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) City and County of Denver outstanding debt amount does not include an accretion value of \$9,110,000 for several mini-bonds; nor does it include water bonds of \$117,375,000 issued in behalf of Denver Water Department.
- (6) Includes outstanding maturity value (\$17,655,000) of certain capital appreciation bonds of this district.
- (7) South Denver Metropolitan District was dissolved in 1991; however, it continues to exist to provide for payment of its outstanding indebtedness consisting of approximately \$3,460,000 of general obligation refunding bonds issued in October 1998.

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 irrepealable 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 and 1998 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; provided, however, that for districts whose enrollment has increased by 2.5% in each of the three preceding years, the limitation is the greater of 25% of the latest valuation for assessment or 6% of the most recent determination of actual value. Because the 6% of actual valuation limitation and the 2.5% growth benchmark were enacted subsequent to the Amendment, it is unclear whether such limitation is valid pursuant to the terms of the Amendment. 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 2004 assessed valuation of \$8,533,169,530 (which includes assessed valuations attributable to the Denver Urban Renewal Authority)) is \$1,706,633,906. Based upon that debt limit calculation, the District will have \$1,002,776,897 of remaining debt capacity. The District could utilize the remainder of the debt capacity, but only with prior voter approval.

Outstanding General Obligation Debt

As of January 1, 2005, the District had \$703,857,009 in general obligation debt outstanding, comprised of the following:

General Obligation Debt Outstanding

<u>Bond Issue</u>	<u>Amount</u>
	<u>Outstanding</u>
1994 Current Interest Bonds	\$58,925,000
1994 Capital Appreciation Bonds	7,068,834
1999 Bonds	168,485,000
2001A Bonds	4,382,775
2001B Bonds	3,615,400
2001C Bonds	28,540,000
2004A Bonds	306,690,000
2004B Bonds	42,480,000
2004C Bonds	<u>83,670,000</u>
Total	<u>\$703,857,009</u>

Source: The District

Other Obligations of the District

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. In addition, the District has entered into a lease-purchase agreement for delivery of energy-efficient lighting retrofit equipment; that lease-purchase agreement currently has a principal amount of approximately \$4.5 million outstanding. As of January 1, 2005, the outstanding principal amount of all of the District's lease-purchase agreements (including the lighting retrofit lease) was \$6,466,629.

The District has also entered into several lease purchase agreements with the Denver School Facilities Leasing Corporation. The following are the Corporation's outstanding certificates of participation payable from amounts payable by the District pursuant to such lease purchase agreements, as of January 1, 2005: (1) Certificates of Participation, Series 1996 (outstanding in the aggregate principal amount of \$8,540,000); and (2) the 1997 PCOPS, currently outstanding in the aggregate principal amount of \$325,292,521 (without taking the issuance of the 2005 Certificates or the 2005A Refunding Project into account). The 1997 PCOPS consist of \$282,510,000 of current interest certificates and \$42,782,521 of capital appreciation certificates with a Value at Maturity of \$154,915,000 (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). For more information on the outstanding certificates of participation, see the District's financial statements appended hereto.

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

Direct Debt (1)	\$ 703,857,009
Overlapping Debt	\$ <u>554,861,695</u>
Total Direct and Overlapping Debt	\$1,258,718,704
2004 Assessed Valuation (2)	\$8,533,169,530
Direct Debt to 2004 Assessed Valuation	8.25%
Direct and Overlapping Debt to 2004 Assessed Valuation	14.75%
2004 Estimated Statutory “Actual” Value (3)	\$62,906,845,400
Direct Debt to 2004 Estimated Statutory “Actual” Value	1.12%
Direct and Overlapping Debt to 2004 Estimated Statutory “Actual” Value ...	2.00%

(1) See “Outstanding General Obligation Debt” above.

(2) Includes the assessed valuation attributable to DURA.

(3) 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 City and County of Denver. 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 a history of the population of the City and County of Denver ("Denver") and the State. Between 2002 and 2003, Denver's population increased by 0.9% and the State's population increased 1.4%.

<u>Population</u>				
<u>Year</u>	<u>Denver</u>	<u>Percent Change</u>	<u>Colorado</u>	<u>Percent Change</u>
1960	493,887	--	1,753,947	--
1970	514,678	4.2%	2,209,596	26.0%
1980	492,694	(4.3)	2,889,735	30.8
1990	467,610	(5.1)	3,294,394	14.0
2000	554,636	18.6	4,301,261	30.6
2001	560,365	1.0	4,446,529	3.4
2002	560,882	0.1	4,521,484	1.7
2003	566,173	0.9	4,586,455	1.4

Sources: Figures for 1960 through 2000 were obtained from the United States Department of Commerce, Bureau of the Census; figures for 2001-2003 are estimates provided by the Colorado Department of Local Affairs, Division of Local Government, and are subject to periodic revision.

Age Distribution. The following table provides an age profile for the populations of Denver, the State, and the United States as of December 31, 2003.

Age Distribution - 2003

<u>Age</u>	<u>Denver</u>	<u>Colorado</u>	<u>United States</u>
0-17	22.8%	25.4%	25.1%
18-24	8.9	9.9	9.9
25-34	19.9	14.9	13.6
35-49	22.3	23.9	22.7
50 and Older	26.1	25.9	28.7

Source: Sales & Marketing Management "Survey of Buying Power," 2004 edition.

Income

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

Per Capita Personal Income

<u>Year</u>	<u>Denver</u>	<u>Colorado</u>	<u>United States</u>
1998	\$33,005	\$28,784	\$26,883
1999	35,068	30,492	27,939
2000	39,153	33,371	29,847
2001	40,343	34,003	30,527
2002	40,448	33,723	30,906

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 as reported in Sales & Marketing Management, "Survey of Buying Power." EBI is a classification developed by Sales & Marketing Management. EBI is defined as "money income" (which includes 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) less personal tax and nontax payments. Deductions are made for personal federal, state and local income taxes, 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

<u>Year(1)</u>	<u>Denver</u>	<u>Colorado</u>	<u>United States</u>
1999	\$30,572	\$37,335	\$37,233
2000	32,877	39,741	39,129
2001	42,540	44,050	38,365
2002	37,261	43,510	38,035
2003	37,383	43,544	38,201

(1) The Median Household EBI figures for 1999-2000 are based on the 1990 United States Census. In 2002, Sales & Marketing Management began calculating EBI based on three-year combinations of the Census Bureau's monthly Current Population Survey data. As a result, 2001 and 2002 Median Household EBI figures are not directly comparable to those for prior years.

Source: Sales & Marketing Management "Survey of Buying Power," 2000-2004.

Percent of Households by Effective Buying Income Group - 2003

<u>Effective Buying Income Group</u>	<u>Denver</u>	<u>Colorado</u>	<u>United States</u>
Under \$20,000	22.0%	16.8%	22.3%
\$20,000 - 34,999	24.8	22.2	23.3
\$35,000 - 49,999	18.6	19.1	19.0
\$50,000 and Over	34.6	41.9	35.4

Source: Sales & Marketing Management "Survey of Buying Power," 2004 edition.

Employment

The following table shows the number of individuals employed within selected City and County of Denver industries which are covered by unemployment insurance. In 2003, the largest employment sector in the County was services, followed, in order, by government; transportation, communications and public utilities; and finance, insurance and real estate. For the twelve-month period ended December 31, 2003, total average employment in the County decreased 3.0 percent as compared to the same period ending December 31, 2002. Total average wages increased by 2.8 percent during the same time period.

Average Number of Employees Within Selected Industries- Denver

	<u>1999</u>	<u>2000</u>	<u>2001(1)</u>	<u>2002(1)</u>	<u>2003(1)</u>	<u>2004(2)</u>
Agriculture, Forestry & Fisheries	1,950	2,141	90	102	104	105
Mining	4,096	4,137	3,636	3,723	3,798	3,843
Construction	19,755	22,557	22,907	21,536	19,175	17,820
Manufacturing	34,054	33,705	29,185	26,043	24,666	23,579
Transportation, Communication and Public Utilities	44,800	46,064	57,002	47,977	45,280	44,619
Wholesale Trade	32,979	32,514	29,315	27,172	26,534	25,817
Retail Trade	59,231	60,442	29,650	28,453	27,489	26,549
Finance, Insurance & Real Estate	39,328	40,211	42,320	38,981	37,630	36,652
Services	155,081	162,106	184,074	176,676	173,564	170,672
Non-Classifiable	5	8	2	6	7	14
Government	<u>64,363</u>	<u>65,255</u>	<u>65,450</u>	<u>68,222</u>	<u>67,445</u>	<u>66,366</u>
Total	<u>455,642</u>	<u>469,140</u>	<u>463,631</u>	<u>438,891</u>	<u>425,692</u>	<u>416,034</u>

- (1) In 2001, the Colorado Department of Labor and Employment, following a decision by the United States Bureau of Labor Statistics, adopted the North American Industrial Classification System ("NAICS"). The NAICS coding is not directly comparable to the Standard Industrial Classification used in prior years. No historical time series data using the NAICS coding is available.
- (2) Figures are through the first quarter of 2004.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Colorado Employment and Wages.

The following table presents information on employment within the City and County of Denver, 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.

Year	<u>Labor Force and Employment (1)</u>				United States Percent <u>Unemployed</u>	
	<u>City/County of Denver</u>		<u>Colorado</u>			
	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>		
1999	275,869	3.1%	2,264,105	2.9%	4.2%	
2000	298,680	3.0	2,358,403	2.8	4.0	
2001	288,613	4.5	2,381,497	3.7	4.7	
2002	293,368	7.1	2,437,413	5.7	5.8	
2003	302,697	7.4	2,477,874	6.0	6.0	
<u>Month of October(2)</u>						
2003	306,455	6.8%	2,504,569	5.5%	6.0%	
2004	315,433	5.5	2,559,468	4.6	5.5	

- (1) Figures for the County 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, Colorado Labor and Industry Focus.

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 - 2004

<u>Name of Employer</u>	<u>Product or Service</u>	<u>Estimated Number of Employees</u>
Denver Public Schools	Education	14,173
City and County of Denver	Government	12,963
Jefferson County Public Schools	Education	12,403
Qwest Communications International Inc.	Telecommunication Services	11,900
Centura Health	Health Care Services	11,840
HCA-HealthOne LLC	Health Care Services	9,100
Cherry Creek School District No. 5	Education	8,750
United Airlines (1)	Airlines	6,299
Exempla Healthcare	Health Care Services	5,747
University of Denver	Higher Education	5,617
EchoStar Communications Corp.	Broadcasting and Cable TV	5,000
Lockheed Martin Space Systems	Astronautics	4,500

- (1) On December 9, 2002, United Airlines filed for federal bankruptcy protection under Chapter 11 of the Bankruptcy Code in the U.S. Bankruptcy Court in Chicago, Illinois. Reorganizing proceedings are currently pending. See also "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT--Ad Valorem Property Tax Data."

Source: The Denver Business Journal "Top 25 Book of Lists," December 2004.

Retail Sales

The table set forth below provides information on retail sales within the City and County of Denver and State of Colorado for the years indicated.

Retail Sales
(in thousands)

<u>Year</u>	<u>Denver</u>	<u>Percent Change</u>	<u>Colorado</u>	<u>Percent Change</u>
1999	\$15,448,578	--	\$ 90,455,588	--
2000	17,523,713	13.4%	101,008,296	11.7%
2001	17,809,391	1.6	102,633,648	1.6
2002	17,241,512	(3.2)	103,777,621	1.1
2003	16,845,012	(2.3)	105,420,075	1.6
2004(1)	13,249,949	--	82,152,423	--

(1) Figures are for January through September 2004.

Source: State of Colorado, Department of Revenue, Sales Tax Statistics, 1999-2004.

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 for the City and County of Denver for the years indicated.

Building Permits Issued for New Structures in Denver

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family(1)</u>		<u>Other - New(2)</u>	
	<u>Permits</u>	<u>Value</u>	<u>Units</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
1999	1,782	\$205,486,948	1,617	\$106,683,943	986	\$110,355,883
2000	1,348	150,979,550	2,522	179,824,167	1,146	183,286,959
2001	1,006	144,239,117	3,944	220,492,397	962	166,556,413
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(3)	1,314	247,094,181	2,577	194,463,931	1,200	117,694,063

(1) Includes apartment, condominium, duplex, and townhome residences.

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

(3) Figures are for January through November 2004.

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 filed, but it does not take into account the number of foreclosures which were filed and subsequently redeemed or withdrawn.

History of Foreclosures - Denver

<u>Year</u>	<u>Number of Foreclosures Filed</u>	<u>Percent Change</u>
1999	859	--
2000	924	7.6%
2001	1,134	22.7
2002	1,742	53.6
2003	2,501	43.6
2004	3,359	34.3

Source: Public Trustee's Office of the City and County of Denver.

CERTAIN INCOME TAX CONSEQUENCES

The following is a general discussion of certain state and federal income tax consequences of the purchase, ownership and disposition of the 2005 Certificates.

With respect to the federal income tax consequences, this discussion is based on the Internal Revenue Code of 1986, as amended (the “Code”), as well as final temporary and proposed Treasury Regulations (the “Regulations”) and administrative and judicial decisions as of the date hereof, all of which are subject to change or possible differing interpretation. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances including certain types of investors subject to special treatment under the federal income tax laws. The following discussion is directed solely to holders of the 2005 Certificates that hold their 2005 Certificates as capital assets within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the 2005 Certificates. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the “Service”) with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

State Income Tax Matters

Interest on the 2005 Certificates is includable in gross income for Colorado income tax purposes.

Payment of Interest

In general, all interest payments on the 2005 Certificates will be includable in the Owner’s gross income as ordinary interest income in accordance with such Owner’s regular method of accounting for federal income tax purposes. For cash basis Owners, such payments will be includable in income when received (or when made available for receipt, if earlier). For accrual basis Owners, such payments will be includable in income when all events necessary to establish the right to receive such payments have occurred.

Backup Withholding

Under Section 3406 of the Code, an owner of the 2005 Certificate may, under certain circumstances, be subject to “backup withholding” on payments of current or accrued interest on the 2005 Certificate. This withholding applies if the owner of the 2005 Certificate: (a) fails to furnish to the appropriate party such owner’s social security number or other taxpayer identification number (“TIN”); (b) furnishes the Trustee an incorrect TIN; (c) fails to properly report interest or dividends; or (d) under certain circumstances, fails to provide such owner’s securities broker with a certified statement, signed under penalty of perjury that the TIN provided is correct and that such owner is not subject to backup withholding. The withholding rate expressed as a percentage of the reportable payments, which include interest payments, is 28%.

Backup withholding will not apply, however, with respect to payments made to certain owners of the 2005 Certificates. Owners of the 2005 Certificate should consult their tax advisors regarding their qualification for such exemption from withholding and the procedure for obtaining such an exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations

Under Sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United State business. Assuming the interest received by the beneficial owner of the 2005 Certificate is not treated as effectively connected income within the meaning of Section 864 of the Code, such interest will be subject to 30% withholding, or any other rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if (a) the owner provides a statement to the Trustee certifying, under penalty of perjury, that such owner is not a United States person and providing the name and address of the owner; (b) such interest is treated as not effectively connected with the owner's United States trade or business; (c) interest payments are not made to a person within a foreign country which the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (d) interest payable with respect to the 2005 Certificates is not deemed contingent interest within the meaning of the portfolio debt provision; and (e) the owner claiming the portfolio interest exemption is not deemed to be a foreign bank that acquired the 2005 Certificate pursuant to an extension of credit entered into in the ordinary course of its banking business.

Assuming payments on the 2005 Certificates are treated as portfolio interest within the meaning of Sections 871 and 881 of the Code, then no backup withholding is required with respect to owners who have furnished Form W-8BEN (or a substitute form), provided neither the Corporation nor the Trustee has actual knowledge that such person is a United States person.

Unrelated Business Taxable Income

Entities otherwise exempt from federal income tax under Section 501 of the Code will be subject to tax on their income derived from an unrelated trade or business. Under Section 512(d) of the Code, in general, interest may be excluded from the calculation of unrelated business taxable income. Based upon the foregoing and assuming that an owner does not incur acquisition indebtedness within the meaning of Section 514(c) of the Code in connection with its purchase of the 2005 Certificates, the interest on such 2005 Certificates may be excluded from the calculation of unrelated business taxable income by tax-exempt owners.

ERISA

The Employees 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 under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code.

All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any 2005 Certificate.

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 2005 Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to debt issued prior to enactment. Purchasers of the 2005 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 2005 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 2005 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 2005 Certificates.

LEGAL MATTERS

Litigation

There is no litigation now pending which questions the validity of the 2005 Certificates or any proceedings the District has taken with respect to the issuance or sale thereof. In addition, the District's general counsel states that as of the date hereof, to the best of their 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 financial position of the District or the payment of the 2005 Certificates.

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 2005 Certificates, as well as the treatment of interest on the 2005 Certificates for purposes of federal and State income taxation, are subject to the approving legal opinion of Bond Counsel. Such opinion, the form of which is attached hereto as Appendix D, will be dated as of and delivered at closing. Certain legal matters will be passed upon by Sherman & Howard L.L.C. as special counsel to the District in connection with the preparation this Official Statement. Certain legal matters pertaining to the Corporation will be passed upon by Kutak Rock LLP, Denver, Colorado. Certain legal matters pertaining to the organization and operation of the District will be passed upon by its general counsel. Certain legal matters will be passed upon for the Underwriter and the Liquidity Provider by Hogan & Hartson L.L.P., Denver, Colorado.

Certain Constitutional Limitations

At the general election on November 3, 1992, the voters of Colorado approved a constitutional amendment which is codified as Article X, Section 20, of the Colorado Constitution (the Taxpayers Bill of Rights, or “TABOR”). 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.

The District is entering into the Leases without voter approval based on Colorado court cases holding that annually appropriated lease purchase agreements such as the Leases do not constitute multiple-fiscal year financial obligations. On October 7, 2003, litigation was filed in the District Court for the City and County of Denver challenging the constitutionality of a State law authorizing two State agencies to enter into annually appropriated lease-purchase agreements for capital facilities. The challenge is based, in part, on an assertion that such lease-purchase agreements would constitute "multiple fiscal year direct or indirect debt or other financial obligations" requiring advance voter approval under TABOR. On January 7, 2004, the Denver District Court held that the State law at issue did not violate TABOR. On May 5, 2004, the case was appealed to the Colorado Court of Appeals, which heard oral arguments on March 8, 2005. The Colorado Court of Appeals has not yet issued its opinion in the case. An adverse decision of a court in the above-mentioned litigation could adversely affect the market price of the 2005 Certificates, could adversely affect the decision of the District to annually appropriate moneys in the future to pay Base Rentals under the Leases and to renew the Leases, and could cause the validity of the Leases to be challenged in the future.

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 OBLIGATIONS--School District Funds.”

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

JPMorgan Chase Bank, National Association, New York, New York, and associated corporate entities will act as the Underwriter, the Remarketing Agent, the Trustee, the Tender Agent, the Initial Liquidity Provider and the Hedge Provider for each series of 2005 Certificates and also will act as the Escrow Bank for the 2005A Refunding Project. In addition, JPMorgan Chase Bank, National Association or a related entity currently is the Certificate Fund Investment Provider (see “THE 2005 CERTIFICATES--Certificate Fund Investment Agreement”), the provider of the letter of credit securing the District’s TABOR reserve fund (see “DISTRICT FINANCIAL OPERATIONS---School District Funds - General Fund”), and the custodian of the District’s Bond Redemption Fund (see “DISTRICT FINANCIAL OPERATIONS--School District Funds - Bond Redemption 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 2005 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 2005 Certificates the ratings shown on the cover page of this Official Statement. The insured ratings are based on the issuance of the respective Policies concurrently with the issuance of the related 2005 Certificates. The short-term ratings are based upon the rating of the Liquidity Provider. 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 2005 Certificates. The District has not undertaken any responsibility to bring to the attention of the owners of the 2005 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 the 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, 2004, included in this Official Statement as Appendix A, have been audited by Deloitte & Touche LLP, Independent Auditors, as stated in their report therein (which report expresses an unqualified opinion and includes an explanatory paragraph related to recorded prior period adjustments to eliminate the accrual for net pension obligation and to properly capitalize premiums and issue costs).

UNDERWRITING

JPMorgan Securities Inc. (the "Underwriter") has agreed to purchase the 2005A Certificates under a Certificate Purchase Agreement between the Corporation and the Underwriter at a purchase price of \$23,431,222.81 (representing the par amount of the 2005A Certificates, less an underwriting discount of \$38,777.19).

The Underwriter has agreed to purchase the 2005B Certificates under a Certificate Purchase Agreement between the Corporation and the Underwriter at a purchase price of \$62,472,240.95 (representing the par amount of the 2005B Certificates, less an underwriting discount of \$102,759.05).

The Underwriter is committed to take and pay for all of the 2005 Certificates of each series if any of such series are taken and so long as 2005 Certificates of the other series are delivered. The 2005 Certificates are being offered for sale to the public at the prices shown on the cover of this Official Statement.

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/ Lester R. Woodward
President, Board of Education

APPENDIX A

Audited Basic Financial Statements of the District as of and for the year ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2004, which collectively comprise the District's basic financial statements as listed in the foregoing table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 reflect total assets constituting 98% of discretely presented component units' total assets at June 30, 2004 and 93% of discretely presented component units' total revenues for the year ended June 30, 2004. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report 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. 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 provides a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of 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, 2004, 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.

As described in Note 6 to the basic financial statements, the District recorded prior period adjustments to eliminate the accrual for a net pension obligation and to properly capitalize premiums and issuance costs.

The management's discussion and analysis and budgetary comparison information on pages II.3 through II.13 and II.65 through II.69 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information

is the responsibility of the District's management. 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.

Deloitte & Touche LLP

November 9, 2004

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2004

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, 2004. 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 \$(294.7) million. This is primarily due to the long-term liabilities of \$1,242 billion. \$729.0 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. \$340.4 million of the long-term liabilities relate to certificates of participation that were issued in 1997 to advance fund pension related costs.
- On the Statement of Activities general revenues accounted for \$542.5 million or 80 percent of the \$681.1 million in total revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for \$138.6 million or 20 percent of total revenues.
- Outstanding long-term and current debt increased to \$1,153.3 billion from \$905.1 million in 2003 primarily due to the issuance of \$310.8 million in general obligation bonds.
- On the Balance Sheet fund balance of the School District's governmental funds, increased by \$259.8 million resulting in an ending fund balance of \$380.8 million. This increase is primarily due to new general obligation bond proceeds in the building fund.
- The School District, as well as two of the charter schools, identified prior period adjustments. The primary government's net adjustment of \$15.7 million related to long-term liabilities as discussed further on page II.6 and in Note 6. The charter schools' information is contained in Note 15.

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,

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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.

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

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government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The School District maintains seven 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, 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 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 remaining funds. 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.

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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.

48% 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, 2004 and 2003, respectively (in millions):

	June 30, 2004			June 30, 2003		
	<u>Governmental</u> <u>activities</u>	<u>Business-</u> <u>type</u> <u>activities</u>	<u>Total</u>	<u>Governmental</u> <u>activities</u>	<u>Business-</u> <u>type</u> <u>activities</u>	<u>Total</u>
Current and other assets	\$477.8	\$10.7	\$ 488.5	\$218.9	\$11.5	\$230.4
Capital assets	<u>458.2</u>	<u>.7</u>	<u>458.9</u>	<u>433.2</u>	<u>.8</u>	<u>434.0</u>
Total assets	936.0	11.4	947.4	652.1	12.3	664.4
Long-term liabilities	1,116.6		1,116.6	868.9	.2	869.1
Other liabilities	<u>124.4</u>	<u>1.1</u>	<u>125.5</u>	<u>123.7</u>	<u>1.3</u>	<u>125.0</u>
Total liabilities	1,241.0	1.1	1,242.1	992.6	1.5	994.1
Net assets:						
Invested in capital assets, net of related debt	164.0	.7	164.7	133.4	.8	134.2
Restricted	84.8		84.8	84.3		84.3
Unrestricted	<u>(553.8)</u>	<u>9.6</u>	<u>(544.2)</u>	<u>(558.2)</u>	<u>10.0</u>	<u>(548.2)</u>
Total net assets (liabilities)	<u><u>\$(305.0)</u></u>	<u><u>\$10.3</u></u>	<u><u>\$(294.7)</u></u>	<u><u>\$(340.5)</u></u>	<u><u>\$10.8</u></u>	<u><u>\$(329.7)</u></u>

Of the School District's net assets, \$67.8 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.

During fiscal year 2004 the School District identified two prior period adjustments. In 2003 the School District's pension was changed to be a cost-sharing multiple employer plan, but pension expense for the year was recorded as if the plan were still a single employer plan. Therefore an adjustment to beginning net assets was required to remove the \$18.4 million Net Pension Obligation. In 2002 the School District issued certain bonds for which the related premium was not properly capitalized and the issuance costs were not properly deferred, therefore a net adjustment to beginning net assets was required of \$2.7 million at the government-wide level.

Effective July 1, 2003, the School District adopted Governmental Accounting Standards Board Statement No. 39 (GASB 39) "Determining Whether Certain Organizations Are Component Units." In connection with that adoption, the School District has included the Foundation for the first time as a discretely presented component unit. That inclusion resulted in a cumulative effect of implementing GASB 39 for the Foundation's beginning net assets of \$2 million.

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Governmental Activities

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

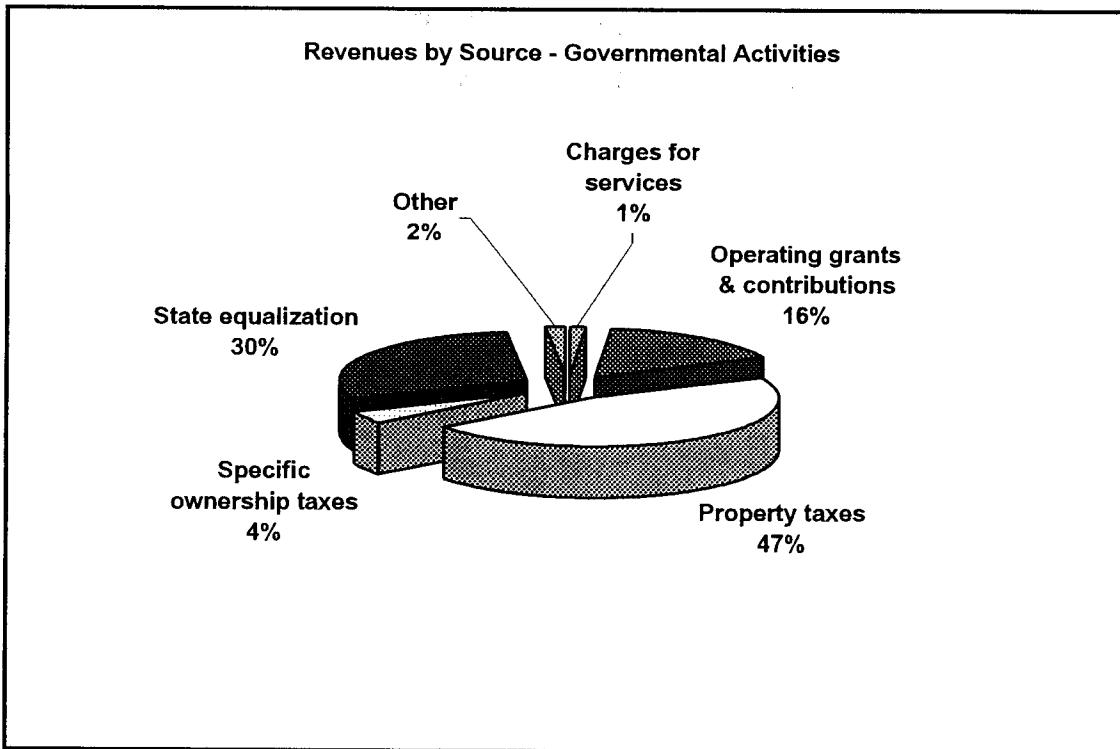
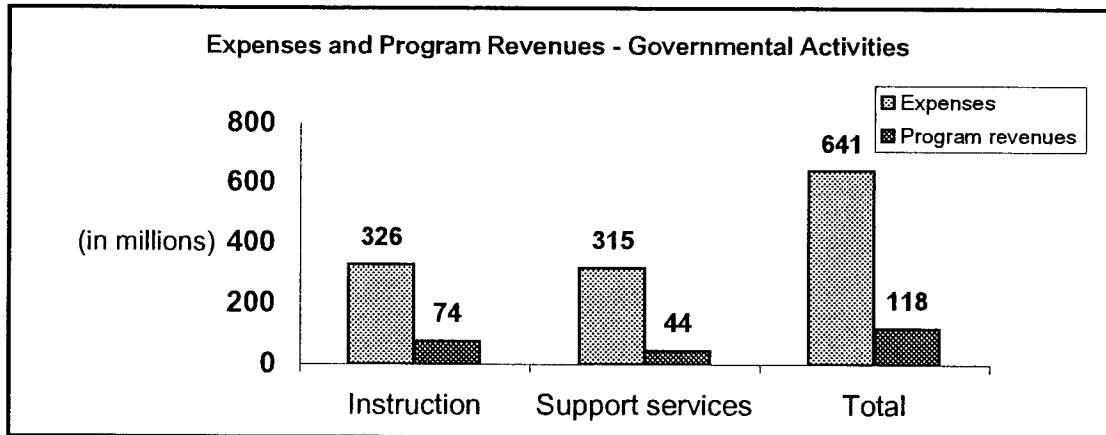
	Year ended June 30, 2004			Year ended June 30, 2003		
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenues						
Program revenues						
Charges for services	\$ 9.6	\$ 4.6	\$ 14.2	\$ 10.4	\$ 4.9	\$ 15.3
Operating grants, contributions	108.8	15.6	124.4	110.1	14.8	124.9
General revenues						
Property taxes	306.8		306.8	280.6		280.6
Specific ownership taxes	28.1		28.1	29.2		29.2
State equalization	196.1		196.1	188.9		188.9
Other	11.4	.1	11.5	11.1	.1	11.2
Transfers	(.1)	.1		(.3)	.3	
Total revenues	660.7	20.4	681.1	630.0	20.1	650.1
Expenses						
Instruction	325.6		325.6	337.3		337.3
Supporting services						
Pupils	22.7		22.7	25.5		25.5
Instructional support	48.7		48.7	47.8		47.8
General administration	4.2		4.2	4.1		4.1
School administration	36.9		36.9	37.5		37.5
Business services	11.2		11.2	10.9		10.9
Operation & maintenance	66.1		66.1	59.9		59.9
Pupils transportation	23.0		23.0	22.0		22.0
Central services	28.6		28.6	24.2		24.2
Other supporting services	2.9		2.9	3.8		3.8
Community services	3.2		3.2	3.4		3.4
Education for adults	9.6		9.6	9.8		9.8
Food service	.4	21.0	21.4	.4	20.6	21.0
Interest on long-term debt	<u>57.7</u>		<u>57.7</u>	<u>52.0</u>		<u>52.0</u>
Total supporting services	<u>315.2</u>	<u>21.0</u>	<u>336.2</u>	<u>301.3</u>	<u>20.6</u>	<u>321.9</u>
Total primary government	<u>640.8</u>	<u>21.0</u>	<u>661.8</u>	<u>638.6</u>	<u>20.6</u>	<u>659.2</u>
Change in net assets	<u>\$ 19.9</u>	<u>\$ (.6)</u>	<u>\$ (19.3)</u>	<u>\$ (8.6)</u>	<u>\$ (.5)</u>	<u>\$ (9.1)</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 \$6,397.37 in the current fiscal year and \$6,231.65 in the prior fiscal year per funded student. In fiscal year 2004 the funded pupil count was 67,781.7 while fiscal year 2003 was 68,000.3. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 45 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 \$306.8 million in property taxes in fiscal year 2004 and \$280.6 million in fiscal year 2003; both include a share of SFA funding plus three election overrides and bond redemption.

The cost of all governmental activities this year was \$640.8 million for the primary government.

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Business-Type Activities

Business-type activities are made up of the food services fund. This program had total revenues of \$20.4 million and expenses of \$21.0 million in fiscal year 2004, with \$20.1 million and \$20.6 million, respectively, in fiscal year 2003. 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 \$380.8 million, an increase of \$259.8 million in comparison with the prior year. This is primarily due to the capital projects – building fund increase of \$259.1 million attributable to the new general obligation bond proceeds and the capital reserve fund decrease of \$9.8 million related to the construction of a new charter school with the 2003 certificate of participation proceeds. The general fund and other governmental funds had fund balance increases of \$11.3 million and \$.1 million, respectively. At the same time, the special revenue fund and bond redemption – debt service fund each had a fund balance decrease of \$.4 million, and \$.5 million, respectively.

The general fund is the primary operating fund of the School District. At year end, \$5.3 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 primarily attributable to the unexpended taxes collected from the successful passage of the election override in November 2003.

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.

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.

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Differences between the original budget and final budget for the general fund, totaled an increase of \$32.3 million and can briefly be summarized as follows:

- \$5.3 million in reappropriations as of June 30, 2003, balances for school programs
- \$2.1 million Capitalized Interest and Debt Service Reserve fund for the 2003 COP's transferred to the general fund
- \$3.8 million in other beginning balance increases
- \$19.4 million increase in property taxes from November 2003 mill levy override
- \$.4 million reduction in specific ownership taxes attributable to local economic conditions
- \$.4 million recovery of a portion of the 2003 property taxes due from United Airlines
- \$.7 million increase in anticipated property tax abatements recovery
- \$2.0 million increase in the state and property tax share of School Finance Act formula funding due to greater than anticipated enrollment and at-risk counts
- \$.3 million decrease in anticipated indirect cost reimbursements from federal grants
- \$.5 million reduction in projected ECE tuition due to reduction in number of classrooms
- \$.2 million in other net reductions

The major difference between the School District's final budget and actual expenditures, relates to over \$27 million that were budgeted reserves which were not expected to be spent. 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, 2004, amounted to \$458.9 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 substantial completion of a new charter school that was opened in August of 2004.

The School District's total capital assets at June 30, 2004, net of accumulated depreciation, were as follows (in millions):

	June 30, 2004			June 30, 2003		
	Business-		Total	Business-		Total
	Governmental	type		activities	activities	
Land	\$ 45.2	\$	\$ 45.2	\$ 41.7	\$	\$ 41.7
Buildings and improvements	355.9		355.9	314.9		314.9
Construction in progress	20.9		20.9	48.2		48.2
Equipment, including leased	36.2	.7	36.9	28.4	0.8	29.2
Total capital assets	<u>\$458.2</u>	<u>\$0.7</u>	<u>\$458.9</u>	<u>\$433.2</u>	<u>\$0.8</u>	<u>\$434.0</u>

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

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Long-Term Debt

At June 30, 2004 and 2003, respectively, the School District's long-term debt consisted of the following (in millions):

	June 30, 2004			June 30, 2003		
	<u>Governmental</u>	<u>Business-type activities</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type activities</u>	<u>Total</u>
	\$ 7.4	\$	\$ 7.4	\$ 4.5	\$	\$ 4.5
Capital lease obligations	393.3		393.3	426.9		426.9
Certificates of participation	746.8		746.8	449.0		449.0
General obligation bonds	5.8		5.8	6.2		6.2
Compensated absences				18.2	.2	18.4
Net pension obligation	.1		.1	.1		.1
Loan payable						
Total	<u>\$1,153.4</u>	<u>\$.0</u>	<u>\$1,153.4</u>	<u>\$904.9</u>	<u>\$.2</u>	<u>\$905.1</u>

The School District's long-term debt increase during fiscal year 2004, primarily due to the issuance of \$310.8 million in general obligation bonds and \$7.7 million of current period expense relating to the accretion of interest on capital appreciation 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, 2004, is \$3.7 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 6.17% and 2.66% per pupil for fiscal year 2003 and fiscal year 2004, respectively. The School District's funded pupil count was flat for fiscal year 2003 and fiscal year 2004. Each year, the State General Assembly is required to appropriate its share of the statewide aggregate Public School Finance Act funding amount. For fiscal year 2003 and fiscal year 2004, the statewide State's share was 59.69% and 61.05% respectively. This increase in the state's share is a function of TABOR's limits on local mill levies and property tax revenue growth, as discussed below.

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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 fiscal year 2002, 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 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 fiscal year 2000; and, for the ten-year period through fiscal year 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 and legislative changes to the formula, with a calendar year 2003 inflation rate of 1.1%, the School District's Public School Finance Act funding for fiscal year 2005 is expected to increase by 1.96% per pupil. The additional one-percent increase in statewide base per pupil funding alone will provide an additional \$4.3 million. The School District's funded pupil count is anticipated to be higher in the amended budget. The State's share of Public School Finance Act funding is 61.76%.

As stated above, the local share of the aggregate Public School Finance Act funding is to be paid from (1) school district property taxes levied at a rate defined by the Public School Finance Act of 1994, as amended, in accordance with Article X, Section 20 of the State constitution (and certified no later than December 15) and (2) specific ownership taxes. Specific ownership tax revenue is defined as the amount of such revenue received by the School District in the prior fiscal year excluding any such revenue attributable to a bond redemption levy or override levy. Because of the impact of Article X, Section 20 of the State constitution ("TABOR") passed by the voters of Colorado in November 1992, the State's goal of achieving a uniform mill levy across all school districts has not been achievable. If a school district's assessed valuation grows at a rate greater than the combined change in the prior year Boulder-Denver consumer price index and the school district's enrollment, then the school district is required to reduce its mill levy. As statewide properties are reassessed every other year and Colorado has been experiencing a boom in real estate development and values, Denver's assessed valuation grew by 1.12% for the 2002 tax year (property tax collections due in 2003) and by 4.67% for the 2003 tax year (property tax collections due in 2004), causing the general fund mill levies (before the effect of the November 2003 successful mill levy override election) to decline. In addition, if a school district is experiencing a decline in specific ownership taxes, then actual total funding support decreases. The School District's specific ownership tax collections declined from fiscal year 2003 to 2004.

The State funds its share of each school district's Public School Finance Act funding by paying the difference between the school district's formula amount and the amount of local property taxes to be collected by the school district, assuming no delinquencies, plus local specific ownership taxes. The effect of this formula is to make school districts increasingly dependent upon the State for the funding of public education.

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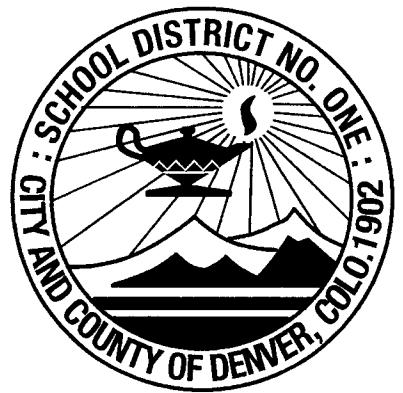
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Override Election Property Taxes

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. 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 the 20% override limit. In November 1988, 1998, and 2003, the voters of Denver approved overrides of \$12,099,253, \$17,000,000, and \$20,000,000 respectively, for an indefinite period of time. The 1998 measure is targeted to fund student literacy programs, technology and maintenance of school buildings; while the 2003 measure is targeted to fund early childhood and extended kindergarten education, elementary arts, textbooks, school reform and maintenance of school buildings. The sum of these three election amounts represents more than half of the 20% 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
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**Statement of Net Assets
June 30, 2004**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 75,681,571	\$ 5,965,200	\$ 81,646,771	\$ 3,087,804
Investments	51,488,009		51,488,009	
Deposits held by Denver Public Schools				432,361
Receivables:				
Taxes (net)	21,159,008		21,159,008	
Accounts	18,533,908	2,835,573	21,369,481	377,469
Other	779,985	566	780,551	312,619
Internal balances	39,044	(39,044)		
Inventory	1,523,626	1,959,689	3,483,315	
Deferred charges	2,944,365		2,944,365	
Restricted cash	2,564,777		2,564,777	
Restricted investments	303,038,822		303,038,822	4,930,064
Total current assets	<u>477,753,115</u>	<u>10,721,984</u>	<u>488,475,099</u>	<u>9,140,317</u>
Noncurrent assets:				
Capital assets:				
Not subject to depreciation	66,037,937		66,037,937	239,135
Subject to depreciation	685,605,935	1,990,425	687,596,360	13,118,521
Less accumulated depreciation	<u>(293,450,200)</u>	<u>(1,259,338)</u>	<u>(294,709,538)</u>	<u>(3,552,375)</u>
Total noncurrent assets	<u>458,193,672</u>	<u>731,087</u>	<u>458,924,759</u>	<u>9,805,281</u>
Total assets	<u>935,946,787</u>	<u>11,453,071</u>	<u>947,399,858</u>	<u>18,945,598</u>
LIABILITIES				
Current liabilities:				
Accounts payable	21,576,800	310,740	21,887,540	1,876,841
Accrued payroll	50,434,299	451,537	50,885,836	318,093
Accrued claims	2,560,000		2,560,000	461,870
Due to private purpose trust fund	120,647		120,647	
Deferred revenue	12,901,448	381,117	13,282,565	196,335
Long-term liabilities due within one year:				
Capital lease obligations	1,985,050		1,985,050	25,751
Certificates of participation	15,955,000		15,955,000	
Compensated absences payable	1,049,156		1,049,156	
Bonds payable	17,824,000		17,824,000	
Loan payable	<u>15,698</u>		<u>15,698</u>	<u>599,975</u>
Total current liabilities	<u>124,422,098</u>	<u>1,143,394</u>	<u>125,565,492</u>	<u>3,478,865</u>
Long-term liabilities due after one year:				
Capital lease obligations	5,462,800		5,462,800	8,481,899
Certificates of participation	377,342,972		377,342,972	
Compensated absences payable	4,765,269		4,765,269	
Bonds payable	728,938,237		728,938,237	
Loan payable	<u>30,885</u>		<u>30,885</u>	<u>2,390,834</u>
Total long-term liabilities	<u>1,116,540,163</u>		<u>1,116,540,163</u>	<u>10,872,733</u>
Total liabilities	<u>1,240,962,261</u>	<u>1,143,394</u>	<u>1,242,105,655</u>	<u>14,351,598</u>
NET ASSETS				
Invested in capital assets, net of related debt	164,043,119	731,087	164,774,206	763,781
Restricted for:				
Capital outlays				96,767
By donors				1,362,672
Debt service	67,787,708		67,787,708	1,275,202
TABOR	16,986,398		16,986,398	470,060
Unrestricted (deficit)	<u>(553,832,699)</u>	<u>9,578,590</u>	<u>(544,254,109)</u>	<u>625,518</u>
Total net assets (liabilities)	<u>\$ (305,015,474)</u>	<u>\$ 10,309,677</u>	<u>\$ (294,705,797)</u>	<u>\$ 4,594,000</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 Activities

Year Ended June 30, 2004

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
Instruction:						
Regular	\$ 188,779,028	\$ 2,422,602	\$ 24,529,267	\$ (161,827,159)	\$	\$ (161,827,159)
Special education	49,088,650	138,072	22,727,008	(26,223,570)		(26,223,570)
Vocational	6,910,730		1,837,203	(5,073,527)		(5,073,527)
Other	80,805,715	614,860	21,872,177	(58,318,678)		(58,318,678)
Total instruction	<u>325,584,123</u>	<u>3,175,534</u>	<u>70,965,655</u>	<u>(251,442,934)</u>		<u>(251,442,934)</u>
Supporting services:						
Pupils	22,743,888		3,333,423	(19,410,465)		(19,410,465)
Instructional support	48,647,683		8,116,408	(40,531,275)		(40,531,275)
General administration	4,166,223			(4,166,223)		(4,166,223)
School administration	36,940,767		598,320	(36,342,447)		(36,342,447)
Business services	11,198,515		362,208	(10,836,307)		(10,836,307)
Operation & maintenance	66,060,183		684,952	(65,375,231)		(65,375,231)
Pupils transportation	23,038,733		4,886,850	(18,151,883)		(18,151,883)
Central services	28,647,325		9,995,708	(18,651,617)		(18,651,617)
Other support services	2,939,086		2,815,918	(123,168)		(123,168)
Community services	3,222,596	3,073,771	427,998	279,173		279,173
Education for adults	9,573,321	3,359,500	6,639,355	425,534		425,534
Food services	405,163			(405,163)		(405,163)
Interest on long-term debt	<u>57,637,906</u>			<u>(57,637,906)</u>		<u>(57,637,906)</u>
Total support services	<u>315,221,389</u>	<u>6,433,271</u>	<u>37,861,140</u>	<u>(270,926,978)</u>		<u>(270,926,978)</u>
Total governmental activities	<u>640,805,512</u>	<u>9,608,805</u>	<u>108,826,795</u>	<u>(522,369,912)</u>		<u>(522,369,912)</u>
Business-type activities:						
Food services	21,003,190	4,602,023	15,580,610		(820,557)	(820,557)
Total business-type activities	<u>21,003,190</u>	<u>4,602,023</u>	<u>15,580,610</u>		<u>(820,557)</u>	<u>(820,557)</u>
Total primary government	<u>\$ 661,808,702</u>	<u>\$ 14,210,828</u>	<u>\$ 124,407,405</u>	<u>(522,369,912)</u>	<u>(820,557)</u>	<u>(523,190,469)</u>
Component units:	<u>\$ 24,822,333</u>	<u>\$ 310,608</u>	<u>\$ 3,054,665</u>			<u>\$ (21,457,060)</u>
General revenues:						
Property taxes			306,835,379		306,835,379	226,600
Specific ownership tax			28,063,502		28,063,502	
Payment in lieu of taxes			129,496		129,496	
State equalization			196,138,305		196,138,305	17,999,572
Interest and investment income			4,411,234	63,673	4,474,907	85,015
Other			6,868,999		6,868,999	3,932,312
Transfers			(97,288)	97,288		
Total general revenues and transfers			<u>542,349,627</u>	<u>160,961</u>	<u>542,510,588</u>	<u>22,243,499</u>
Changes in net assets			19,979,715	(659,596)	19,320,119	786,439
Net assets (liabilities) - beginning			(340,460,986)	10,746,869	(329,714,117)	1,570,264
Cummulative effect of GASB 39 (Note 1)						2,016,169
Prior period adjustment (Note 6 & 15)			<u>15,465,797</u>	<u>222,404</u>	<u>15,688,201</u>	<u>221,128</u>
Net assets (liabilities) - ending			<u>\$ (305,015,474)</u>	<u>\$ 10,309,677</u>	<u>\$ (294,705,797)</u>	<u>\$ 4,594,000</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, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Bond Redemption</u>
ASSETS			
Assets:			
Cash and cash equivalents	\$ 42,029,339	\$ 8,529,870	\$ 21,537,086
Investments			44,783,813
Receivables:			
Taxes	18,348,648		2,810,360
Accounts	5,014,855	13,450,762	
Interest	65,449		261,656
Due from other funds	9,027,478	4,495,077	
Inventory	777,183		
Restricted cash	580,992	1,983,785	
Restricted investments	3,363,375		
Total assets	<u>\$ 79,207,319</u>	<u>\$ 28,459,494</u>	<u>\$ 69,392,915</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities:			
Accounts payable	\$ 4,660,401	\$ 757,117	\$
Accrued payroll	45,763,816	4,659,105	
Due to other funds		12,436,901	1,801
Deferred revenue	19,484,228	2,790,924	1,603,406
Total liabilities	<u>69,908,445</u>	<u>20,644,047</u>	<u>1,605,207</u>
Fund balances:			
Reserved for:			
Encumbrances	5,311,646	1,977,113	
Inventory	777,183		
Principal and interest on bonds payable			67,787,708
Emergency reserve	14,986,398		
Unreserved, reported in:			
General fund	(11,776,353)		
Building fund			
Capital reserve fund			
Special revenue funds		5,838,334	
Permanent fund			
Total fund balances	<u>9,298,874</u>	<u>7,815,447</u>	<u>67,787,708</u>
Total liabilities and fund balances	<u>\$ 79,207,319</u>	<u>\$ 28,459,494</u>	<u>\$ 69,392,915</u>

See notes to the basic financial statements.

<u>Building</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 257,868	\$ 88,226	\$ 145,274	\$ 72,587,663
	6,704,196		51,488,009
			21,159,008
452,880	2,946	63,899	18,532,462
2,584			779,985
			13,525,139
			777,183
			2,564,777
<u>292,599,565</u>	<u>7,071,900</u>	<u>3,982</u>	<u>303,038,822</u>
<u>\$ 293,312,897</u>	<u>\$ 13,867,268</u>	<u>\$ 213,155</u>	<u>\$ 484,453,048</u>
\$ 9,646,881	\$ 1,656,481	\$ 3,438	\$ 16,724,318
5,154		6,224	50,434,299
181,253	1,623		12,621,578
			23,878,558
<u>9,833,288</u>	<u>1,658,104</u>	<u>9,662</u>	<u>103,658,753</u>
20,176,639	2,702,514	13,063	30,180,975
			777,183
			67,787,708
	2,000,000		16,986,398
			(11,776,353)
263,302,970	7,506,650		263,302,970
			7,506,650
			5,994,286
		155,952	
		34,478	34,478
<u>283,479,609</u>	<u>12,209,164</u>	<u>203,493</u>	<u>380,794,295</u>
<u>\$ 293,312,897</u>	<u>\$ 13,867,268</u>	<u>\$ 213,155</u>	<u>\$ 484,453,048</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, 2004**

Governmental funds total fund balance	\$ 380,794,295
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.	10,977,110
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 \$751,643,872 less internal service funds \$420,561	751,223,311
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.	2,944,365
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.	273,909
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 \$293,450,200 less internal service funds \$200,546	293,249,654
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.	
Total long-term liabilities \$1,153,369,067 less internal service funds \$46,583	1,153,322,484
Interest payable	<u>4,656,326</u>
Net liabilities	<u><u>\$(305,015,474)</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, 2004**

	General	Special Revenue	Bond Redemption	Building
REVENUES				
Taxes	\$ 291,277,032	\$	\$ 45,138,839	\$
Intergovernmental:				
State sources	212,021,757	11,274,443		
Federal sources	694,187	51,678,012		
Charges for services	678,360	8,387,323		
Investment income	945,886	7,244	790,104	2,511,635
Other local sources	4,100,024	14,974,834	18,938	
Total revenues	509,717,246	86,321,856	45,947,881	2,511,635
EXPENDITURES				
Current:				
Instruction:				
Regular	166,186,619	9,810,162		1,709,616
Special education	41,115,673	7,967,309		
Vocational	5,807,771	1,054,666		
Other	56,316,852	22,375,598		
Total instruction	269,426,915	41,207,735		1,709,616
Supporting services:				
Pupils	19,438,879	3,279,570		
Instructional support	24,244,285	24,296,505		
General administration	4,050,608	62,127		
School administration	33,606,983	2,165,399		
Business services	8,620,150	610,787		
Operation & maintenance	44,231,342	999,209		10,508,932
Pupils transportation	19,331,826	685,600		
Central services	20,849,283	755,367		1,766,001
Other support services	421,508	2,453,023		64,555
Total support services	174,794,864	35,307,587		12,339,488
Community services	62,758	3,159,838		
Education for adults		9,573,321		
Capital outlay	2,461,820	1,092,137		15,309,326
Debt service:				
Principal	13,778,313		20,010,000	
Interest and fiscal charges	21,443,173		25,636,590	
Total debt service	35,221,486		45,646,590	
Issuance costs of certificates of participation				2,567,124
Total expenditures	481,967,843	90,340,618	45,646,590	31,925,554
Excess (deficiency) of revenues over (under) expenditures	27,749,403	(4,018,762)	301,291	(29,413,919)
OTHER FINANCING SOURCES (USES)				
Transfers in	762,986	3,918,280		100,000
Transfers out	(19,906,307)	(247,913)	(762,986)	(97,289)
Proceeds from capital leases	4,700,000			
Proceeds from sale of bonds				313,586,170
Payment to refunded certificates of participation	(1,959,397)			(25,071,482)
Total other financing sources (uses)	(16,402,718)	3,670,367	(762,986)	288,517,399
Net change in fund balances	11,346,685	(348,395)	(461,695)	259,103,480
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	(2,047,811)	8,163,842	68,249,403	24,376,129
FUND BALANCES AT END OF YEAR	\$ 9,298,874	\$ 7,815,447	\$ 67,787,708	\$ 283,479,609

See notes to the basic financial statements.

Capital Reserve	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
		336,415,871
		223,296,200
		52,372,199
	543,122	9,608,805
155,277	1,088	4,411,234
3,876,592		22,970,388
<u>4,031,869</u>	<u>544,210</u>	<u>649,074,697</u>
	1,451	177,707,848
		49,082,982
		6,862,437
	2,113,265	80,805,715
	<u>2,114,716</u>	<u>314,458,982</u>
		22,718,449
		48,540,790
		4,112,735
		35,772,382
62,249		9,293,186
9,452,071		65,191,554
(41,682)		19,975,744
1,033,232		24,403,883
		2,939,086
<u>10,505,870</u>		<u>232,947,809</u>
		3,222,596
		9,573,321
15,887,663		34,750,946
1,289,271		35,077,584
<u>735,256</u>		<u>47,815,019</u>
<u>2,024,527</u>		<u>82,892,603</u>
		2,567,124
<u>28,418,060</u>	<u>2,114,716</u>	<u>680,413,381</u>
<u>(24,386,191)</u>	<u>(1,570,506)</u>	<u>(31,338,684)</u>
14,538,363	1,597,578	20,917,207
		(21,014,495)
		4,700,000
		313,586,170
		(27,030,879)
<u>14,538,363</u>	<u>1,597,578</u>	<u>291,158,003</u>
(9,847,828)	27,072	259,819,319
<u>22,056,992</u>	<u>176,421</u>	<u>120,974,976</u>
\$ 12,209,164	\$ 203,493	\$ 380,794,295

**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, 2004

Total net change in fund balances - governmental funds	\$ 259,819,319
Add:	
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense.	34,934,625
Governmental funds do not report donated assets. In the statement of activities the value of those assets is recorded as a donation.	13,324,808
Principal retirements - Retirements of principal outstanding on the School District's debt result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these as reductions against the long-term liability. Includes \$352,283 premium amortization.	35,429,867
Payment to defease certificates of participation - Payments to defease School District's debt result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these principal amounts as reductions against the long-term liability.	26,560,000
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.	2,567,124
Net change in sick leave - The change in the sick leave liability is not considered in the governmental fund statements but is included as a change in expense in the governmental-wide statement of activities.	336,966
Less:	
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.	1,516,990
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.	92,569
Increase in interest payable related to long-term liabilities.	1,878,515
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.	23,048,136
Loss on disposal of capital assets.	144,749
Internal service funds are used by management to charge costs of various activities to the general and other funds. The net loss of the internal service funds is included in the government-wide statement of activities.	292,658
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.	318,286,170
Capital appreciation bonds, accretion of premium - has no effect on the governmental fund statements, but is recorded as an expense on the government-wide statement of activities.	<u>7,733,207</u>
Governmental activities change in net assets	<u>\$ 19,979,715</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, 2004**

	Business-type Activities	Governmental Activities
	Enterprise Fund - Food Services Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,965,200	\$ 3,093,908
Receivables:		
Intergovernmental	2,835,573	
Other	566	1,446
Due from other funds		95,000
Inventory	<u>1,959,689</u>	<u>746,443</u>
Total current assets	10,761,028	3,936,797
Capital assets:		
Equipment	1,990,425	420,561
Less accumulated depreciation	<u>(1,259,338)</u>	<u>(200,546)</u>
Net equipment	<u>731,087</u>	<u>220,015</u>
Total assets	<u>11,492,115</u>	<u>4,156,812</u>
LIABILITIES		
Current liabilities:		
Accounts payable	310,740	196,156
Accrued payroll	451,537	
Accrued claims		2,560,000
Due to other funds	39,044	1,080,164
Deferred revenue	381,117	
Current loan payable		15,698
Total current liabilities	<u>1,182,438</u>	<u>3,852,018</u>
Long-term liabilities:		
Loan payable		30,885
Total liabilities	<u>1,182,438</u>	<u>3,882,903</u>
NET ASSETS		
Invested in capital assets, net of related debt	731,087	173,432
Unrestricted	<u>9,578,590</u>	<u>100,477</u>
Total net assets	<u>\$ 10,309,677</u>	<u>\$ 273,909</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, 2004

	Business-type Activities	Governmental Activities
	Enterprise Fund - Food Services Fund	Internal Service Funds
OPERATING REVENUE:		
Food sales	\$ 4,240,541	\$
Billings to funds		9,329,133
Other		641,213
Total operating revenues	<u>4,240,541</u>	<u>9,970,346</u>
OPERATING EXPENSES		
Cost of goods:		
Purchased	6,092,331	1,802,035
Donated	1,610,450	
Salaries and employee benefits	10,153,313	1,495,271
Purchased professional & technical services		218,904
Purchased property services		310,735
Other purchased services		65,616
Utilities	179,571	
Supplies	1,759,554	248,764
Repairs and maintenance	66,778	
Rent	14,274	
Depreciation	195,006	78,781
Administrative services	539,017	
Other	392,896	6,482
Insurance		2,148,483
Claims		3,888,014
Total operating expenses	<u>21,003,190</u>	<u>10,263,085</u>
Operating income (loss)	(16,762,649)	(292,739)
NON-OPERATING REVENUES		
Reimbursements from government sponsored programs	14,717,820	
Donated commodities from federal government	862,790	
Investment income	63,673	81
Other local services	361,482	
Total non-operating revenues	<u>16,005,765</u>	<u>81</u>
Net income (loss) before operating transfers	(756,884)	(292,658)
Transfer from the Building fund	<u>97,288</u>	
Change in net assets	(659,596)	(292,658)
Total net assets - beginning of year	10,746,869	485,694
Prior period adjustment	<u>222,404</u>	<u>80,873</u>
Total net assets - end of year	<u>\$ 10,309,677</u>	<u>\$ 273,909</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, 2004**

	Business-Type Activities	Governmental Activities
	Enterprise Fund - Food Services Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 3,020,930	\$ 9,450,015
Payments to suppliers	(10,121,643)	(4,625,239)
Payments to employees	(10,151,691)	(1,495,271)
Internal activity - payments to other funds	107,349	501,908
Claims		(3,888,014)
Other receipts (payments)	<u>831,376</u>	<u>634,731</u>
Net cash provided by (used in) operating activities	<u>(16,313,679)</u>	<u>578,130</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grants received	14,717,820	
Transfer from building fund	<u>97,288</u>	
Net cash provided by non-capital financing activities	<u>14,815,108</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Reduction in loan payable		(14,424)
Purchase of equipment	<u>(144,092)</u>	<u>(6,786)</u>
Net cash used in capital & related financing activities	<u>(144,092)</u>	<u>(21,210)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	63,673	81
Net cash provided by investing activities	<u>63,673</u>	<u>81</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,578,990)	557,001
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,544,190	2,536,907
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,965,200</u>	<u>\$ 3,093,908</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	\$ (16,762,649)	\$ (292,739)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	195,006	78,781
Other non-operating revenue	1,224,272	
Changes in operating assets and liabilities:		
Accounts receivable	(1,098,198)	120,882
Due from other funds	(128,741)	345,513
Inventory	194,850	94,771
Accounts payable	(54,518)	74,527
Accrued payroll	1,622	
Due to other funds	236,090	156,395
Deferred revenue	<u>(121,413)</u>	
Total adjustments	<u>448,970</u>	<u>870,869</u>
Net cash provided by (used in) operating activities	<u>\$ (16,313,679)</u>	<u>\$ 578,130</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Donated food commodities	\$ 862,790	
Acquisition of food commodities through food donations	(862,790)	
Adjustment to record write-offs of equipment		
to accumulated depreciation	195,006	\$ 78,781
Write-offs of equipment	<u>(195,006)</u>	<u>(78,781)</u>
NET EFFECT OF NON-CASH TRANSACTIONS	<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 Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$4,556,958	\$ 1,699,143
Due from other funds	<u>120,647</u>	
Total assets	<u>4,677,605</u>	<u>1,699,143</u>
LIABILITIES		
Accounts payable	137,597	
Retiree health insurance claims incurred but not paid	729,118	
Due to student groups		<u>1,699,143</u>
Total liabilities	<u>866,715</u>	<u>\$ 1,699,143</u>
NET ASSETS HELD FOR INSURANCE AND OTHER PURPOSES		<u>\$3,810,890</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, 2004**

	Private Purpose Trust Fund
ADDITIONS	
Contributions:	
Retirees and COBRA members	\$ 2,790,050
Employer	1,472,678
Scholarship donations	70,701
Interest income	<u>35,158</u>
Total additions	<u>4,368,587</u>
DEDUCTONS	
COBRA insurance	466,301
Medical, dental, and life insurance for retirees	4,295,827
Student scholarships	94,259
Education reimbursements	<u>14,567</u>
Total deductions	<u>4,870,954</u>
Change in net assets held for:	
COBRA insurance	15,465
Retiree insurance	(487,677)
Scholarships	(22,047)
Employee education reimbursement	(8,108)
Net assets at beginning beginning of year	<u>4,313,257</u>
Net assets ending end of year	<u>\$ 3,810,890</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, 2004

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 (primarily 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 School District's component units are discussed below and are included in the School District's reporting entity because of the significance of its operational or financial relationships with the School District.

Blended Component Units - Denver School Facilities Leasing Corporation

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

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) and mill levy override property tax dollars, 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

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

have their own separate governing boards. Separately issued financial statements are available from the individual charter schools. The charter schools 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.

Effective July 1, 2003, the School District adopted Governmental Accounting Standards Board Statement No. 39 (GASB 39) *“Determining Whether Certain Organizations Are Component Units.”* In connection with that adoption, the School District has included the Foundation for the first time. That inclusion resulted in an increase to the beginning net assets of \$2,016,169 representing the cumulative effect of implementing GASB 39.

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, 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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.

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.

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.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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 – is used to accumulate resources, primarily general fund support, for the acquisition, renovation and maintenance of capital assets as designated 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 – accounts for the revenue and expenditures of sponsoring athletic events at School District middle and high schools.

Permanent Government 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 proprietary fund.

Food Services Fund – The food services fund accounts for the revenue and expenditures 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.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and 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

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IN THE CITY AND COUNTY OF DENVER AND STATE OF COLORADO

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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.

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. Public hearings are conducted at the administration building to obtain taxpayer comments.
3. A balanced budget and appropriation resolution must be adopted by June 30. The School District cannot expend monies in excess of the amount appropriated for an individual fund unless an amended or supplemental budget is approved by resolution. In addition, any further change in legally allowable transfers between funds requires approval by Board resolution.
4. The School District's Board of Education or management can modify the budget by line item within the total funds appropriation.
5. Mill levies must be certified to the City and County of Denver by December 15.
6. Formal budgetary integration is employed as a management control device during the year for all funds.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are recorded as expenditures and 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 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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 school lunchrooms and at the central warehouse for distribution to school lunchrooms.

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

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

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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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 <u>Estimated Lives</u>	Business-type Activities <u>Estimated Lives</u>
Buildings and improvements	39 years	N/A
Furniture and equipment	7 years	7 years
Computer equipment	3 years	3 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, 2004, 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 decreased from a balance of \$6.15 million as of June 30, 2003, to a balance of \$5.81 million as of June 30, 2004. On the fund financial statements, compensated absence amounts are reported as expenditures or expenses, as appropriate, when paid.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

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.

In accordance with Section 22-45-103, CRS, the District's bond redemption fund custodian for fiscal year 2003-2004 was JP Morgan Institutional Trust Services, a third party. The amount held by the custodian at June 30, 2004, was \$66,320,899.

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 debt service and TABOR (emergency reserve).

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

Cash and Cash Equivalents

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

At June 30, 2004, the carrying amount of the School District's deposits was \$10,388,909 and the bank balance was \$10,608,663. Of the total bank balance, \$3,574,347 was covered by federal depository insurance, and the remaining \$7,034,316 was collateralized with securities held by the banks in their trust departments in the School District's name.

Investments

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

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

In June 2003, the District entered into a \$4,700,000 Lease Purchase Agreement ("Lease") with GE Capital Public Finance Inc. for the installation by Excel Energy of district-wide energy-efficient lighting retrofit equipment. These funds were placed in an irrevocable trust with the escrow agent for the benefit of the Lease. As of June 30, 2004, the remaining funds of \$3,363,375 are in a money market fund and thus included in the School District's restricted investments. These funds are restricted for payment by the escrow agent to Excel Energy as installations are completed at individual buildings. If not all funds are used for this purpose, the remaining balance will be applied towards the outstanding principal of the Lease.

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

	<u>Category 1</u>	<u>Fair Value</u>
U.S. Government Securities	\$ 51,729,996	\$ 51,729,996
Commercial Paper	9,799,596	9,799,596
Money Market (uncategorized)		95,102,787
Investment Pool (uncategorized)		22,123,870
Corporate Stock	3,982	3,982
Repurchase Agreements	255,845,340	255,845,340
Total		<u>\$434,605,571</u>

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

The reported value of the SEC registered pool assets is the same as the fair value of the pool shares. The pool assets consist only of investments authorized by Colorado Statutes, as listed above. Colorado Statutes require that securities underlying repurchase agreements must have a market value at least equal to the cost of the repurchase agreement. The market value of the collateral underlying the repurchase agreements as of June 30, 2004, was \$267,785,993.

The following is a reconciliation of cash and investments per this note to the basic financial statements:

Cash and investments per footnotes presentation:

Cash in bank – carrying amount	\$ 10,388,909
Investments	<u>434,605,571</u>
	<u><u>\$ 444,994,480</u></u>

Cash and investments per government-wide statement of net assets:

Cash and cash equivalents	\$ 81,646,771
Restricted investment in securities	303,038,822
Restricted cash	2,564,777
Investments	51,488,009

Cash per fiduciary net assets:

Private purpose trust	4,556,958
Agency	<u>1,699,143</u>
	<u><u>\$ 444,994,480</u></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.

Property taxes levied for the general fund totaled \$266,275,447 in 2004. 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 1.555 mills based on the mill levy limitations in the State constitutional amendment approved by voters in November 1992, and (2) \$17,000,000 and \$20,000,000 which were approved by voters in 1998 and 2003, respectively, and for which the mill levies are adjusted as the assessed valuation changes. General fund deferred revenues included \$9,373,704 of property taxes at June 30, 2004. Property taxes levied for the bond redemption fund totaled \$45,610,678 in 2004 and accounted for the entire bond redemption fund deferred revenue balance of \$1,603,406 at June 30, 2004. 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

4. FUND DISCLOSURES

Balances of interfund receivables, payables and transfers at June 30, 2004 are as follows:

Fund	Due From	Due To	Net Transfers
			In (Out)
General Fund	\$ 9,027,478	\$	\$(19,143,321)
Special Revenue Fund	4,495,077	12,436,901	3,670,367
Bond Redemption Fund		1,801	(762,986)
Building Fund	2,584	181,253	2,711
Capital Reserve Fund		1,623	14,538,363
Non-major Funds:			
Pupil Activity Fund			1,597,578
Enterprise - Food Services Fund		39,044	97,288
Internal Service Funds	95,000	1,080,164	
Fiduciary Fund	120,647		
Total	<u>\$ 13,740,786</u>	<u>\$ 13,740,786</u>	<u>\$ -</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 \$382,446 as of June 30, 2004. Through a reduction in staff and other cost saving measures, the warehouse is planning to eliminate this deficit over the next three years.

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, 2003	\$ 41,698,106	\$ 548,260,548	\$ 57,017,700	\$ 48,167,784	\$ 10,377,901	\$ 705,522,039
Additions and Transfers	3,450,000	53,841,127	16,916,420	(27,277,953)	1,336,626	48,266,220
Less - Retirements	-	-	2,144,387	-	-	2,144,387
Balance June 30, 2004	45,148,106	602,101,675	71,789,733	20,889,831	11,714,527	751,643,872
Less - Accumulated Depreciation	-	246,204,503	39,627,586	-	7,618,111	293,450,200
Ending net assets	<u>\$ 45,148,106</u>	<u>\$ 355,897,172</u>	<u>\$ 32,162,147</u>	<u>\$ 20,889,831</u>	<u>\$ 4,096,416</u>	<u>\$ 458,193,672</u>
Accumulated depreciation						
- July 1, 2003		\$ 233,377,539	\$ 32,952,362		\$ 5,993,019	\$ 272,322,920
Increases		12,826,964	8,674,861		1,625,092	23,126,917
Decreases		-	1,999,637		-	1,999,637
Accumulated depreciation - June 30, 2004		<u>\$ 246,204,503</u>	<u>\$ 39,627,586</u>		<u>\$ 7,618,111</u>	<u>\$ 293,450,200</u>

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Business-type assets:	Equipment
Balance July 1, 2003	\$1,887,626
Additions	150,487
Less – Retirements	47,688
Balance June 30, 2004	1,990,425
Less – Accumulated depreciation	1,259,338
Ending net assets	<u>\$ 731,087</u>
Accumulated depreciation – July 1, 2003	\$1,105,625
Increases	195,006
Decreases	41,293
Accumulated depreciation – June 30, 2004	<u>\$1,259,338</u>

A summary of the governmental depreciation by function reported in the government-wide statement of activities is as follows:

Instruction	
Regular	\$11,204,832
Special education	5,668
Vocational	48,293
Supporting services	
Pupils	25,439
Instructional support	106,893
General administration	53,488
School administration	1,164,254
Business services	1,789,365
Operation & maintenance	1,106,048
Pupils transportation	3,062,989
Central services	4,154,485
Food services	405,163
Total depreciation	<u>\$23,126,917</u>

6. LONG-TERM LIABILITIES

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

	Capital	Lease Obligations	Certificates Of Participation	Bonds Payable	Compensated Absences	Net Pension Obligation	Loan Payable	Total
Payable at July 1, 2003	\$ 4,535,434	\$ 426,929,337	\$449,034,447	\$ 6,151,391	\$ 18,380,519	\$ 61,007	\$ 905,092,135	
Prior period adjustments				2,979,331		(18,380,519)		(15,401,188)
Additions	4,700,000			313,586,170	1,513,806			319,799,976
Accretion of capital interest		6,208,635		1,524,572				7,733,207
Amortization of premium				(352,283)				(352,283)
Reductions	(1,787,584)	(39,840,000)	(20,010,000)	(1,850,772)		-	(14,424)	(63,502,780)
Payable at June 30, 2004	<u>\$ 7,447,850</u>	<u>\$ 393,297,972</u>	<u>\$746,762,237</u>	<u>\$ 5,814,425</u>	<u>\$ -</u>	<u>\$ 46,583</u>	<u>\$ 1,153,369,067</u>	
Due within one year	\$ 1,985,050	\$ 15,955,000	\$ 17,824,000	\$ 1,049,156	\$ -	\$ 15,698	\$ 36,828,904	

During fiscal year 2004 the School District identified two prior period adjustments. In 2003 the School District's pension was changed to be a cost-sharing multiple employer plan, but pension expense for the year was recorded as if the plan were still a single employer plan. Therefore an

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adjustment to beginning net assets was required to remove the \$18,158,115 and \$222,404 Net Pension Obligation from the government and business-type activities, respectively. In 2002 the School District issued certain bonds for which the related premium was not properly capitalized and the issuance costs were not properly deferred, therefore adjustments to beginning net assets were required to record the \$2,979,331 premium and to defer the \$287,013 issuance costs at the government-wide level.

Long-term liabilities at June 30, 2004 is comprised of the following:

Capital lease obligations:

The District has entered into various equipment leases with lease terms from 36 to 180 months and implicit interest rates between 3.39% and 5.0%. \$ 7,447,850

Certificates of participation:

1996 certificates of participation, varying interest rates of 5.0% to 5.7% payable in semiannual installments through 2011, principal due in annual installments of \$900,000 to \$2,075,000 through December 2011. 9,490,000

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 \$10,235,772 to \$42,307,470 through December 2018

Cumulative accretion of interest on Capital Appreciation Certificates at June 30, 2004.

Bond issuances:

1994 General Obligation Refunding Current Interest Bonds, varying interest rates of 5.4% to 6.50% payable in semiannual installments through 2012, principal due in semiannual installments of \$1,690,000 to \$27,365,000 through December 2012.

1994 General Obligation Refunding Premium Capital Appreciation Bonds, issued to yield 5.00% to 5.45%, principal and interest payable in four installments of \$10,000,000, \$10,050,000, \$10,670,000 and \$10,525,000 at December 2004, December 2006, December 2008 and December 2009 respectively. Principal value of the Premium Capital Appreciation Bonds.

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.

1999 General Obligation Bonds, varying interest rates of 3.60% to 5.50% payable in semiannual installments through 2023, principal due in annual installments of \$25,000 to \$32,290,000 through December 2023.

2001 General Obligation Qualified Zone Academy Bonds, interest rates of .75% to 1.1% payable in semiannual installments through 2015, principal due in balloon of \$7,998,175 in 2015.

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2001C General Obligation Bonds, interest rate of 5.5% payable in semiannual installments through 2011, principal due in annual installments of \$1,740,000 to \$5,375,000 through December 2011.	30,280,000
2004 General Obligation Bonds, varying interest rates of 2.0% to 5.0% payable in semiannual installments through December 2028, principal due in annual installments of \$1,980,000 to \$22,665,000 through December 2028.	310,800,000
Cumulative accretion of interest on Premium Capital Appreciation Bonds at June 30, 2004.	15,880,963
Unamortized bond premium.	5,030,930
Compensated absences payable	5,814,425
Loan payable	<u>46,583</u>
Total	<u>\$1,153,369,067</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 have been issued.

Annual debt service requirements to maturity are as follows (amounts in 000s):

<u>Year Ending</u>	<u>General Obligation</u>		<u>Certificates of Participation</u>	
	<u>Bonds</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30				
2005	\$ 17,824	\$ 38,058	\$ 15,955	\$ 20,571
2006	22,313	33,312	19,050	19,417
2007	20,295	37,277	22,465	18,039
2008	21,038	31,706	26,250	16,411
2009	20,967	36,701	30,430	14,506
2010-2014	125,061	145,862	142,387	42,266
2015-2019	182,994	103,009	136,761	20,244
2020-2024	231,800	52,834		
2025-2029	<u>104,470</u>	<u>12,109</u>		
Total	<u>\$746,762</u>	<u>\$490,868</u>	<u>\$393,298</u>	<u>\$151,454</u>

The annual requirements relating to capital leases as of June 30, 2004 are as follows:

Years Ending June 30,	Principal	Interest
2005	\$1,985,050	\$306,159
2006	694,236	243,361
2007	671,004	215,827
2008	512,048	189,726
2009	283,522	172,837
2010-2014	1,650,618	631,177
2015-2018	<u>1,651,372</u>	<u>174,064</u>
Total	<u>\$7,447,850</u>	<u>\$1,933,151</u>

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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 \$283,479,609 is from the issuance of \$310,800,000 in general obligation bonds and related interest earnings. At June 30, 2004, the School District had capital expenditure purchase commitments outstanding of \$20,176,639.

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. \$10,377,901 is the gross amount of the capital lease assets.

Defeasance of Certificates of Participation

On January 29, 2004, the School District advance refunded the outstanding Series 2000 Certificates of Participation (COP's) and the 2001 COP's for \$1,430,000 and \$4,630,000, respectively, with an average interest rate of 5.4385% and 4.9612%, respectively, with the proceeds from the issuance of Series 2004 general obligation bonds dated January 29, 2004, with an average interest rate of 4.5328%. The defeased certificates are not considered a liability of the School District since sufficient funds of \$6,517,124 (\$1,571,352 for the 2000 COP's and \$4,945,772 for the 2001 COP's), were deposited with the escrow agent and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased certificates when due. At June 30, 2004, \$6,060,000 (\$1,430,000 and \$4,630,000 from the 2000 and 2001 COP's, respectively) of certificates of participation are considered defeased. Total debt service payments on the refunding debt will be \$8,947,506 (\$1,940,776 through December 2018, for the 2000 COP's and \$7,006,730 through December 2020 for the 2001 COP's) for a decrease of \$504,748 (\$145,122 on the 2000 COP's and \$359,626 on the 2001 COP's) from the debt service on the refunded certificates of \$9,452,254 (\$2,085,898 through December 2018 for 2000 COP's and \$7,366,356 through December 2020 for the 2001 COP's); however, the School District will experience an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$422,175 (\$122,110 and \$300,065, respectively, on the 2000 and 2001 COP's).

On January 29, 2004, the School District advance refunded the outstanding variable rate Series 2003 COP's, or \$20.5 million, with \$20,692,802 of proceeds from the issuance of Series 2004 general obligation bonds dated January 29, 2004, with total debt service payments on the refunding debt of \$20,699,306 due in February 2004. There was no economic gain on the 2003 COP's.

At June 30, 2004, \$25,225,000 of outstanding certificates of participation is 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

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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, \$119,166 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, \$919,688 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 leave time which vests and is payable upon retirement. On the fund financial statements, compensated absence amounts are reported as expenditures or expenses when paid. The estimated cost for fiscal year 2005 is \$1,049,156 based on recent history. The majority of these expenditures are paid by the general fund.

Loans

The warehouse fund has entered into a financing agreement to purchase a printing press. The future debt requirements are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2005	\$15,698	\$3,357
June 30, 2006	17,086	1,970
June 30, 2007	13,799	493
Total	<u>\$46,583</u>	<u>\$5,820</u>

7. SHORT-TERM DEBT

It was necessary for the School District to participate in the State of Colorado Interest-Free Loan Program by borrowing \$187,400,000 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, May and June 2004.

July 1, 2003			June 30, 2004
<u>Balance</u>	<u>Borrowed</u>	<u>Repayment</u>	<u>Balance</u>
\$0	\$187,400,000	\$187,400,000	\$0

8. 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 1301 Pennsylvania Street, Suite 700, Denver, CO 80203-5015. The Plan was established in 1945 through state statute.

Funding Policy

Employer contributions are based on the funding policy required by Plan provisions. The employer contribution rate is fixed at 2.9% of covered salary for the period from July 1, 2000

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through June 30, 2010. Should unfunded actuarial accrued liabilities (UAAL) accumulate during this period, the employer contribution rate each year will increase by the amount required to amortize the UAAL over 30 years. 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 2004 was 8% and for the School District was 4.98% of gross covered salary. The School District's contributions for the years ended June 30, 2004, 2003, and 2002 were \$15,699,579, \$9,501,516, and \$8,917,840, respectively.

9. 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 5,329 retirees meet the eligibility requirement.

Health Insurance

Effective July 1, 1998, in accordance with Board of Education action, the maximum monthly School District contributions for single coverage under the health insurance program was set at \$144.27. Beginning fiscal year 2003 this was increased to \$282. Thus, the maximum monthly contribution is \$11.28 for each year of accredited service but not more than \$282. Retired employees may pay for their dependents on the health insurance program. Retirees have the option between two commercial health insurance plans or the Denver Public Schools Medical Care Plan, with the latter available for those ages 65 and over. Expenditures for post-retirement health care contributions are recognized on a pay-as-you-go basis. Approximately \$7,558,767 was expended on the health insurance program for retirees during the year ended June 30, 2004.

For the School District's retirees Medical Care Plan, at June 30, 2004, the School District has an accrued balance of \$729,118 for estimated claims incurred but not paid or reported. This activity is accounted for in the Private Purpose Trust Fund. A summary of changes in the estimated liability is as follows:

		Current Year		
	Beginning Liability	Claims and Change In Estimate	Claims Payment	Year End Balance
June 30, 2003	\$601,669	\$3,045,746	\$2,918,297	\$729,118
June 30, 2004	729,118	4,136,500	4,136,500	729,118

Life Insurance

The full premium cost for the life insurance program for retired employees after August 31, 1996 is paid out of the insurance carrier fund. A fund to pre-fund future life premiums for retired employees was established in 1978 and is held by the insurance carrier to be used only for the purpose of providing continued life insurance. The accumulated balance of this Fund at June 30, 2004, totaled \$4,565,281. No actuarial report is available.

10. RISK MANAGEMENT

The School District's risk management program deals with the efficient operations of the commercial insurance programs that provide financial protection to the School District. These programs include property insurance, several lines of liability insurance, and workers' compensation insurance. There have been no significant changes in the insurance programs

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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 72,489 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, 2004, 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, 2004, 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 \$2,560,000 at June 30, 2004.

Current Year				
	<u>Beginning Liability</u>	<u>Claims and Change In Estimate</u>	<u>Claims Payment</u>	<u>Year End Balance</u>
June 30, 2003	\$2,500,000	\$3,313,721	\$3,313,721	\$2,500,000
June 30, 2004	2,500,000	3,948,014	3,888,014	2,560,000

11. RELATED PARTIES

The District has an intergovernmental agreement with Douglas County School District RE-1, Arapahoe County School District No. 6 (Littleton Public Schools) and Cherry Creek School District No. 5 to create a board of cooperative educational servers (BOCES) for the purpose of operating an expeditionary learning school, the Rocky Mountain Expeditionary Learning (RMSEL), a kindergarten through 12th grade school. RMSEL is a self governing organization with its own Board of Education. The five 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.

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By contract, the maximum number of students the RMSEL may serve is 321. These students must be residents of one of the four 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 funding for the gifted and talented. That funding was \$2,057,168 for fiscal year 2004. RMSEL purchased special education services from the School District for \$112,671 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.

12. 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, 2004, 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.

13. 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

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from its restrictions the borrowings and fiscal operations of "enterprises". Enterprises are defined to include government owned businesses authorized to issue their own revenue bonds and receiving under 10% of their grants from all Colorado State and local governments combined. The amendment also requires the establishment of an "Emergency Reserve" equal to three percent of fiscal year spending excluding debt service. As of June 30, 2004, the School District has established an emergency reserve of approximately \$15.0 million and \$2 million in the general fund and capital reserve fund, respectively.

14. SUBSEQUENT EVENTS

On May 6, 2004, the Board of Education of the School District approved \$42,480,000 of Series 2004B General Obligation Refunding Bonds which forward refunded \$44,505,000 of Series 1994A General Obligation Refunding Bonds that are callable on December 1, 2004. The date and delivery of the Series 2004B General Obligation Refunding Bonds is September 2, 2004. The refunding will provide the School District future savings to its Bond Redemption Fund of approximately \$3 million or net present value savings to the School District of approximately \$2.1 million, which is equivalent to 4.773% of the refunded bonds.

On October 7, 2004, the Board of Education of the School District approved \$85,360,000 of Series 2004C General Obligation Refunding Bonds which advance refunded \$84,315,000 of Series 1999 General Obligation Bonds. The date and delivery of the Series 2004C General Obligation Refunding Bonds are October 1, 2004, and October 14, 2004, respectively. The refunding will provide the School District future savings to its Bond Redemption Fund of approximately \$4.4 million or net present value savings to the School District of approximately \$3.4 million, which is equivalent to 4.045% of the refunded bonds.

On May 6, 2004, the Board of Education of the School District approved an amendment to its Stapleton School Funding Agreement ("the Agreement") with the Denver Urban Renewal Authority ("DURA"). Included in the Agreement are provisions for DURA to refund the School District with tax increment revenues beginning in 2006 for the School District general obligation bond funded K-8 school which opened in August 2003 at Stapleton, in addition to funding the cost of the next four schools (three elementary schools and a middle school, any and all of which could be K-8 schools) from the proceeds of DURA tax increment financing revenue bonds. DURA issued \$275 million on May 19, 2004, of which approximately \$19.6 million is earmarked to pay for the design and construction of the K-8 school scheduled to be open in Stapleton in August 2006.

For fiscal years ending June 30, 1993, through June 30, 2004, the School District had set aside cash and investments to satisfy its requirement to fund the TABOR 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 TABOR Reserve requirement. The remaining approximately \$1.4 million, representing the TABOR Reserve amount associated with the net payments owed by the School District to charter schools and contract schools pursuant to contracts with the School District in addition to the School District's TABOR 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 is for the initial term of the fiscal year beginning July 1, 2004, and renewable for the fiscal years beginning July 1, 2005 and July 1, 2006. In June 2005 and 2006, when the School District adopts the budget for the ensuing fiscal year, if the School District elects to extend the LOC, the School District will need to identify the amount of

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TABOR Reserve and related amount of LOC needed for the next budget year. If, during the fiscal year beginning July 1, 2004, the School District identifies the need to increase the amount of the TABOR Reserve because additional revenues become available after the budget has been adopted, such amount of TABOR 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 TABOR 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 TABOR Reserve draw down during a fiscal year be restored for the next fiscal year. This would be required whether the School District maintained the TABOR 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 Denver School Facilities Leasing Corporation (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 711, Denver, CO 80203. 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 cash and certificates of deposit held for long-term purposes under the terms of the agreement with Denver Public Schools. At June 30, 2004, long-term investments included cash of \$85,006 and eight certificates of deposit totaling \$914,994 with maturity dates ranging from November 24, 2004, to February 7, 2006, and interest rates ranging from 1.25% to 6.70%.

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, 2004 and 2003.

In addition, the School District has twelve Charter Schools, which are classified as component units. The Charter School addresses from which reports may be requested are:

Challenges, Choices and Images, 1537 Alton Street, Aurora, CO 80010
Colorado High School, 1175 Osage Street, Denver, CO 80204
Community Challenge School, 948 Santa Fe Drive, Denver, CO 80204
Denver Arts and Technology Academy, 3752 Tennyson Street, Denver, CO 80211
KIPP Sunshine Peak Academy, 2880 West Holden Place, Denver, CO 80204

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Life Skills Center of Denver, 1000 Cherokee Street, Denver, CO 80204
Odyssey School, 8750 East 28th Avenue, Denver, CO 80238
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, 5900 East 39th Avenue, Denver, CO 80207
Urban Learning Communities, 1062 Delaware, Denver, CO 80204
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 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, 2004, were as follows:

	Bank Balance		
	Carrying Balance	Covered by FDIC Insurance or Collateralized	Uninsured – Uncollateralized
Challenges, Choices & Images	\$ 19,840	\$103,838	\$
Colorado High School	39,229	39,819	
Community Challenge School	44,994	62,017	
Denver Arts & Technology Academy	41,959	47,280	
KIPP Sunshine Peak Academy	252,936	290,792	
Life Skills Center of Denver	27,359	39,683	
Odyssey School	13,521	39,645	
Pioneer Charter School	273,440	273,516	
Ridge View Academy	727,552	100,000	655,706
Skyland Community High School	12,734	13,791	
Urban Learning Communities	106,734	179,614	
Wyatt-Edison	408,319	100,000	310,480

In addition, at June 30, 2004, Colorado High School, Denver Arts and Technology Academy, Odyssey School, and Urban Learning Communities held uncategorized investments in the amount of \$36,998, \$3,930,064, \$202,815, and \$1,372, respectively.

At June 30, 2004, Denver Arts and Technology Academy had cash and investments of \$2,543,429, representing unspent bond proceeds restricted in the Capital Projects Fund; cash and investments of \$1,386,635 representing capitalized interest and debt service reserve were restricted in the Debt Service Fund.

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Capital Assets

Changes in capital assets for the year ended June 30, 2004, are as follows:

	Balances <u>July 1, 2003</u>	Additions	Deletions	Balances <u>June 30, 2004</u>
Challenges, Choices & Images:				
Computer Software	\$ 3,939	\$ -	\$ -	\$ 3,939
Computer Equipment	60,107	27,724	-	87,831
Furniture and Equipment	<u>10,963</u>	<u>12,000</u>	<u>-</u>	<u>22,963</u>
	75,009	39,724	-	114,733
Accumulated Depreciation	(36,979)	(20,587)	-	(57,566)
Net	<u>\$ 38,030</u>	<u>\$ 19,137</u>	<u>\$ -</u>	<u>\$ 57,167</u>
Colorado High School:				
Construction in progress	\$ 7,280	\$ -	\$ 7,280	\$ -
Building Improvements	-	122,432	-	122,432
Equipment	<u>30,198</u>	<u>-</u>	<u>-</u>	<u>30,198</u>
	37,478	122,432	7,280	152,630
Accumulated Depreciation	(6,039)	(16,242)	-	(22,281)
Net	<u>\$ 31,439</u>	<u>\$ 106,190</u>	<u>\$ 7,280</u>	<u>\$ 130,349</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	(133,884)	(40,409)	-	(174,293)
Net	<u>\$ 61,801</u>	<u>\$ (40,409)</u>	<u>\$ -</u>	<u>\$ 21,392</u>
Denver Arts & Technology Academy:				
Construction in progress	\$ -	\$ 4,740,988	\$ -	\$ 4,740,988
Building improvements	755,194	20,795	-	775,989
Equipment	<u>377,837</u>	<u>4,732</u>	<u>-</u>	<u>382,569</u>
	1,133,031	4,766,515	-	5,899,546
Accumulated depreciation	(159,724)	(80,618)	-	(240,342)
Net	<u>\$ 973,307</u>	<u>\$ 4,685,897</u>	<u>\$ -</u>	<u>\$ 5,659,204</u>
KIPP Sunshine Peak Academy				
Equipment	\$ -	\$ 16,013	\$ -	\$ 16,013
Accumulated depreciation	-	(2,002)	-	(2,002)
Net	<u>\$ -</u>	<u>\$ 14,011</u>	<u>\$ -</u>	<u>\$ 14,011</u>
Odyssey School:				
Vehicles	\$ 176,011	\$ -	\$ (16,599)	\$ 159,412
Accumulated depreciation	(28,023)	(19,927)	5,187	(42,763)
Net	<u>\$ 147,988</u>	<u>\$ (19,927)</u>	<u>\$ (11,412)</u>	<u>\$ 116,649</u>

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	Balances <u>July 1, 2003</u>	Additions	Deletions	Balances <u>June 30, 2004</u>
Ridge View Academy:				
Equipment	\$ 25,850	\$ 590,584	\$ -	\$ 616,434
Accumulated depreciation	(2,348)	(7,326)	-	(9,674)
Net	<u>\$ 23,502</u>	<u>\$ 583,258</u>	<u>\$ -</u>	<u>\$ 606,760</u>
Urban Learning Communities:				
Equipment	\$ 58,537	\$ 7,075	\$ -	\$ 65,612
Vehicles	40,804	-	-	40,804
Furniture & fixtures	87,003	-	-	87,003
Leasehold improvements	1,804,340	5,058	-	1,809,398
Collections	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
	<u>1,996,684</u>	<u>12,133</u>	<u>-</u>	<u>2,008,817</u>
Accumulated depreciation	(958,133)	(197,614)	-	(1,155,747)
Net	<u>\$1,038,551</u>	<u>\$ (185,481)</u>	<u>\$ -</u>	<u>\$ 853,070</u>
Wyatt-Edison:				
Equipment	\$ 927,033	\$ 208,446	\$ (353,827)	\$ 781,652
Furniture & fixtures	204,519	-	-	204,519
Facilities improvements	360,893	-	-	360,893
Books & materials	465,403	135,767	-	601,170
Building	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
	<u>3,957,848</u>	<u>344,213</u>	<u>(353,827)</u>	<u>3,948,234</u>
Accumulated depreciation	(1,963,727)	(223,565)	346,719	(1,840,573)
Net	<u>\$1,994,121</u>	<u>\$ 120,648</u>	<u>\$ (7,108)</u>	<u>\$2,107,661</u>

Long-term Liabilities and Operating Leases

Challenges, Choices & Images:

As of June 30, 2004, the school had entered into operating leases with the following future minimum payments:

2005	\$240,673
2006	249,462
2007	161,577
2008	144,000
2009	<u>144,000</u>
	<u>\$939,712</u>

As of June 30, 2004, the school had an unsecured note payable of \$96,353 at 7%, due on September 25, 2004.

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Colorado High School:

The school has entered into an operating lease with the following future minimum lease payments:

Year ended June 30,	
2005	\$ 98,000
2006	100,400
2007	100,800
2008	<u>16,800</u>
Total	<u>\$316,000</u>

Community Challenge School:

The school has entered into an operating lease with the following future minimum lease payments:

Year ended June 30,	
2005	<u>\$ 26,400</u>

Denver Arts and Technology Academy:

Changes in long-term liabilities for the year-ended June 30, 2004, are as follows:

	Balance <u>July 1, 2003</u>	Additions	Payments	Balance <u>June 30, 2004</u>	Due within <u>one year</u>
Building Lease	\$ -	\$8,415,000	\$ -	\$8,415,000	\$ -
Note Payable	1,148,959	-	331,137	817,822	363,165
Capital Leases	<u>100,884</u>	<u>-</u>	<u>100,884</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,249,843</u>	<u>\$8,415,000</u>	<u>\$432,021</u>	<u>\$9,232,822</u>	<u>\$363,165</u>

Future minimum payments are as follows:

<u>Building Lease</u>				
Year ended	June 30,	Principal	Interest	Total
	2005	\$ -	\$ 668,600	\$ 668,600
	2006	75,000	668,600	743,600
	2007	85,000	662,600	747,600
	2008	90,000	656,450	746,450
	2009	95,000	650,150	745,150
	2010-2014	585,000	3,138,000	3,723,000
	2015-2019	860,000	2,867,200	3,727,200
	2020-2024	1,265,000	2,463,200	3,728,200
	2025-2029	1,865,000	1,869,200	3,734,200
	2030-2034	<u>3,495,000</u>	<u>992,000</u>	<u>4,487,000</u>
	Total	<u>\$8,415,000</u>	<u>\$14,636,000</u>	<u>\$23,051,000</u>

<u>Note Payable</u>			
Year ended	June 30,	Principal	Interest
	2005	\$363,165	\$55,659
	2006	393,308	25,516
	2007	<u>61,349</u>	<u>1,150</u>
	Total	<u>\$817,822</u>	<u>\$82,325</u>
			<u>\$900,147</u>

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KIPP Sunshine Peak Academy:

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2004:

Note Payable	Balance	<u>Additions</u>	<u>Payments</u>	Balance	Due Within
	<u>6/30/03</u>			<u>6/30/04</u>	<u>One Year</u>
Note Payable	<u>\$ _____ -</u>	<u>\$11,013</u>	<u>\$583</u>	<u>\$10,430</u>	<u>\$2,480</u>
Year ended June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2005		\$ 2,480	\$ 782	\$ 3,262	
2006		2,696	566	3,262	
2007		2,932	330	3,262	
2008		<u>2,322</u>	<u>80</u>	<u>2,402</u>	
Total		<u>\$10,430</u>	<u>\$1,758</u>	<u>\$12,188</u>	

The Academy entered into an agreement for the lease of premises from June 1, 2004, to May 2004, including monthly payments of \$5,245. In May 2004, the Academy renewed its lease on a month-to-month basis with monthly payments of \$6,210. The Academy plans to move to new facilities in early 2005.

Odyssey School:

Changes in long-term liabilities for the year-ended June 30, 2004, are as follows:

Vehicle lease	Balance	<u>Additions</u>	<u>Payments</u>	Balance	Due within
	<u>July 1, 2003</u>			<u>June 30, 2004</u>	<u>one year</u>
Vehicle lease	<u>\$115,804</u>	<u>\$ _____ -</u>	<u>\$23,154</u>	<u>\$92,650</u>	<u>\$25,751</u>

Future minimum payments are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$25,751	\$11,156	\$ 36,907
2006	29,519	7,388	36,907
2007	27,304	3,037	30,341
2008	<u>10,076</u>	<u>299</u>	<u>10,375</u>
Total	<u>\$92,650</u>	<u>\$21,880</u>	<u>\$114,530</u>

Urban Learning Communities:

Changes in long-term liabilities for the year-ended June 30, 2004, are as follows:

Bank loans	Balance	<u>Additions</u>	<u>Payments</u>	Balance	Due within
	<u>July 1, 2003</u>			<u>June 30, 2004</u>	<u>one year</u>
Bank loans	<u>\$324,245</u>	<u>\$ _____ -</u>	<u>\$51,720</u>	<u>\$272,525</u>	<u>\$50,000</u>

Future minimum payments are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 50,000	\$12,552	\$ 62,552
2006	<u>222,525</u>	<u>2,843</u>	<u>225,368</u>
Total	<u>\$272,525</u>	<u>\$15,395</u>	<u>\$287,920</u>

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The school has entered into operating leases with the following future lease payments:

Year ended June 30,

2005	\$215,409
2006	214,194
2007	214,194
2008	147,243
2009	4,980
Total	<u>\$796,020</u>

Wyatt-Edison:

Changes in long-term liabilities for the year-ended June 30, 2004, are as follows:

	Balance July 1, 2003	Additions	Payments	Balance June 30, 2004	Due within one year
Loan payable	<u>\$ 1,876,762</u>	<u>\$ _____</u>	<u>\$83,083</u>	<u>\$1,793,679</u>	<u>\$87,977</u>

Future minimum payments of the loan are as follows:

Year ended June 30,	Principal	Interest	Total
2005	\$ 87,977	\$ 95,136	\$ 183,113
2006	92,869	90,244	183,113
2007	98,033	85,080	183,113
2008	<u>1,514,800</u>	<u>79,846</u>	<u>1,594,646</u>
Total	<u>\$1,793,679</u>	<u>\$350,306</u>	<u>\$2,143,985</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.

Prior Period Adjustments

Denver Arts and Technology Academy: As of July 1, 2003, the school restated the General Fund fund balance and accounts payable by \$185,880 in order to remove accounts payable related to prior years that were no longer owed by the school.

Urban Learning Communities: Urban Learning Communities' beginning net asset balance and beginning fund balance are corrected to include an additional \$35,248 of TABOR deposits held by the School District on behalf of Urban Learning Communities. In prior years, Urban Learning Communities considered this amount as reserved for Urban Learning Communities by the School District, but part of the School District's equity rather than Urban Learning Communities' equity.

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Component Units Net Asset Information	Denver Public Schools Foundation	Challenges, Choices, and Images	Colorado High School	Community Challenge School	Denver Arts & Technology Academy
ASSETS					
Assets:					
Cash and investments	\$ 883,683	\$ 19,840	\$ 76,227	\$ 44,994	\$ 41,959
Deposit held by Denver Public Schools		26,368	19,074	11,202	59,092
Receivables:					
Accounts		93,863	1,014	837	
Grants			126,942		
Restricted investments	1,000,000				3,930,064
Other current assets	125,402	6,015			25,866
Capital assets, net of accumulated depreciation:					
Not subject to depreciation					233,135
Depreciable	5,883	57,167	130,349	21,392	5,659,204
TOTAL ASSETS	2,014,968	203,253	353,606	78,425	9,949,320
LIABILITIES					
Liabilities:					
Accounts payable	36,650	12,000	17,804	667	1,062,569
Accrued payroll		28,370	36,631	4,866	96,115
Accrued liabilities					278,683
Deferred revenue			58,653		93,666
Due to Denver Public Schools				38,007	
Noncurrent liabilities:					
Due within one year		96,353			363,165
Due in more than one year					8,869,657
TOTAL LIABILITIES	36,650	136,723	113,088	43,540	10,763,855
NET ASSETS					
Net Assets:					
Invested in capital assets, net of related debt		57,167	130,349	21,392	(710,120)
Debt service					1,275,202
Restricted for emergencies		26,368	22,100	12,700	
Restricted for capital outlays					
Restricted by donors for subsequent year	1,299,557				
Unrestricted (deficit)	678,761	(17,005)	88,069	793	(1,379,617)
TOTAL NET ASSETS (LIABILITIES)	\$1,978,318	\$ 66,530	\$240,518	\$ 34,885	\$ (814,535)

KIPP Sunshine Peak Academy	Life Skills Center of Denver	Odyssey School	Pioneer Charter School	Ridgeview Academy	Skyland Community High School	Urban Learning Communities	Wyatt-Edison	Total
\$253,236 26,644	\$27,359 37,371	\$216,336 32,900	\$268,831 49,574	\$ 727,552 74,669	\$ 12,734 10,849	\$ 106,734 84,618	\$ 408,319	\$ 3,087,804 432,361
64,563		2,230		101,125	4,826	1,901	107,110	377,469 126,942 4,930,064 185,677
4,476		18,343				5,575		
<u>14,011</u> <u>362,930</u>	<u>64,730</u>	<u>116,649</u> <u>386,458</u>	<u>318,405</u>	<u>606,760</u> <u>1,510,106</u>	<u>28,409</u>	<u>6,000</u> <u>847,070</u>	<u>2,107,661</u> <u>2,623,090</u>	<u>239,135</u> <u>9,566,146</u> <u>18,945,598</u>
29,492 53,448	13,094	10,960 2,606	673 78,855	493,013 14,570	6,464 2,632	60,461	85,758	1,829,605 318,093 461,870 196,335 47,236
36,189		16,147 7,439				167,040 388		
2,480 7,950		25,751 66,899				50,000 222,525	87,977 1,705,702	625,726 10,872,733 14,351,598
<u>129,559</u>	<u>13,094</u>	<u>129,802</u>	<u>88,757</u>	<u>507,583</u>	<u>9,484</u>	<u>500,026</u>	<u>1,879,437</u>	
3,581		23,999	50,108	606,760		580,545		763,781 1,275,202
33,000	37,371	45,000		79,120 26,107	20,000	72,562	121,839	470,060 96,767 1,362,672
196,790	<u>14,265</u>	<u>187,657</u>	<u>85,979</u>	<u>290,536</u>	<u>(1,075)</u>	<u>(141,449)</u>	<u>621,814</u>	<u>625,518</u>
<u>\$233,371</u>	<u>\$51,636</u>	<u>\$256,656</u>	<u>\$229,648</u>	<u>\$1,002,523</u>	<u>\$ 18,925</u>	<u>\$ 551,872</u>	<u>\$ 743,653</u>	<u>\$ 4,594,000</u>

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Component Units Activities Information	Denver Public Schools Foundation	Challenges, Choices, and Images	Colorado High School	Community Challenge School	Denver Arts & Technology Academy
Expenses:					
Instruction	\$	\$ 850,787	\$359,814	\$ 280,412	\$ 1,294,446
Supporting services		321,647	494,558	390,111	938,760
Depreciation		20,587			
Interest					480,279
Program services	2,054,465				
Fundraising	186,744				
Management and general	83,645				
Write-off of uncollectible promise to give	24,780				
TOTAL EXPENSES	<u>2,349,634</u>	<u>1,193,021</u>	<u>854,372</u>	<u>670,523</u>	<u>2,713,485</u>
Program revenues:					
Charges for services		57,725	15,430		22,481
Operating grants and contributions		193,387	203,260	255,100	68,200
TOTAL PROGRAM REVENUES	<u>—</u>	<u>251,112</u>	<u>218,690</u>	<u>255,100</u>	<u>90,681</u>
NET PROGRAM EXPENSES	<u>(2,349,634)</u>	<u>(941,909)</u>	<u>(635,682)</u>	<u>(415,423)</u>	<u>(2,622,804)</u>
General revenues:					
Per pupil revenue		891,705	682,169	402,455	1,994,434
Capital construction funding		44,195	33,134	21,893	97,036
Property tax mill levy override		13,343			
Investment earnings	39,761	290	423	1,850	16,318
Rental income					
Special Events	871,881				
Contributions	1,400,141				
Other					
TOTAL GENERAL REVENUES	<u>2,311,783</u>	<u>949,533</u>	<u>734,164</u>	<u>430,640</u>	<u>2,227,284</u>
CHANGE IN NET ASSETS	<u>(37,851)</u>	<u>7,624</u>	<u>98,482</u>	<u>15,217</u>	<u>(395,520)</u>
BEGINNING NET ASSETS (LIABILITIES)		58,906	142,036	19,668	(604,895)
Cummulative effect of GASB 39	2,016,169				
Prior period Adjustment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>185,880</u>
ENDING NET ASSETS (LIABILITIES)	<u>\$1,978,318</u>	<u>\$ 66,530</u>	<u>\$240,518</u>	<u>\$ 34,885</u>	<u>\$ (814,535)</u>

KIPP Sunshine Peak Academy	Life Skills Center of Denver	Odyssey School	Pioneer Charter School	Ridgeview Academy	Skyland Community High School	Urban Learning Communities	Wyatt-Edison	Total
\$ 803,427 349,948	\$ 509,242 794,395	\$ 924,643 548,109	\$1,169,335 609,236	\$1,965,116 1,210,514	\$ 409,113 246,997	\$ 2,235,609 367,643	\$3,273,321 1,385,307 223,565 15,778	\$14,075,265 7,657,225 244,152 496,057 2,054,465 186,744 83,645 24,780
1,153,375	1,303,637	1,472,752	1,778,571	3,175,630	656,110	2,619,030	4,882,193	24,822,333
21,343 165,113 186,456	69,155 12,370 81,525	9,645 370,536 380,181	4,432 785,220 785,220	110,397 168,096 278,493	310,608 3,054,665 3,365,273			
(966,919)	(1,291,639)	(1,391,227)	(1,398,390)	(2,390,410)	(371,660)	(2,340,537)	(4,340,826)	(21,457,060)
904,160 43,998 7,518 2,744	1,276,537 63,887 5,828 4,521	1,275,598 62,079 34,349 50,053	1,409,701 522,935	2,557,455 18,285	371,600 700	2,168,555 6,062 15,928	4,065,203 194,220 115,509 1,571 85,015 15,928 871,881	17,999,572 1,101,662 226,600 85,015 15,928 871,881 1,400,141
202,686 1,161,106	(2,977) 1,343,275	59,496 1,436,043	1,459,754	71,257 3,162,422	390,585	21,453 2,211,998	48,409 4,424,912	542,700 22,243,499
194,187	51,636	44,816	61,364	772,012	18,925	(128,539)	84,086	786,439
39,184		211,840	168,284	230,511	-	645,163	659,567	1,570,264
						35,248		2,016,169 221,128
\$ 233,371	\$ 51,636	\$ 256,656	\$ 229,648	\$1,002,523	\$ 18,925	\$ 551,872	\$ 743,653	\$ 4,594,000



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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance - <u>Final Budget to</u> <u>Actual</u>
REVENUES				
Taxes:				
Property taxes	\$ 244,448,435	\$ 264,774,978	\$ 262,842,969	\$ (1,932,009)
Interest on delinquent taxes			370,561	370,561
Motor vehicle taxes	<u>28,905,628</u>	<u>28,462,271</u>	<u>28,063,502</u>	<u>(398,769)</u>
Total taxes	<u>273,354,063</u>	<u>293,237,249</u>	<u>291,277,032</u>	<u>(1,960,217)</u>
Intergovernmental:				
State sources:				
Unrestricted grants-in-aid:				
State equalization	189,020,401	196,344,901	196,138,305	(206,596)
Restricted grants-in-aid:				
Special education	9,586,811	9,616,921	9,734,631	117,710
Transportation	4,826,749	4,957,767	4,673,655	(284,112)
Vocational education	719,060	839,881	859,136	19,255
Other state	<u>5,699,919</u>	<u>572,689</u>	<u>562,049</u>	<u>(10,640)</u>
Total state sources	<u>209,852,940</u>	<u>212,332,159</u>	<u>211,967,776</u>	<u>(364,383)</u>
Federal sources:	545,784	678,680	694,187	15,507
Charges for services - tuition	1,197,000	737,000	678,360	(58,640)
Investment income	500,200	305,200	253,317	(51,883)
Other local sources	<u>4,253,572</u>	<u>3,326,326</u>	<u>4,100,024</u>	<u>773,698</u>
TOTAL REVENUES	<u>489,703,559</u>	<u>510,616,614</u>	<u>508,970,696</u>	<u>(1,645,918)</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, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget to Actual</u>
EXPENDITURES AND ENCUMBRANCES				
Instruction:				
Regular instruction	\$ 189,866,285	\$ 181,000,185	\$ 167,351,106	\$ 13,649,079
Special education Instruction	38,936,937	40,031,557	40,842,302	(810,745)
Vocational education	1,667,562	5,090,133	5,838,606	(748,473)
Other instruction	<u>34,445,321</u>	<u>61,356,058</u>	<u>56,235,964</u>	<u>5,120,094</u>
Total instruction	<u>264,916,105</u>	<u>287,477,933</u>	<u>270,267,978</u>	<u>17,209,955</u>
Support services:				
Pupils	16,936,660	18,389,734	19,256,477	(866,743)
Instructional support	17,544,610	25,098,364	23,905,193	1,193,171
General administration	3,771,126	4,057,493	4,055,342	2,151
School administration	30,807,363	33,190,536	33,050,510	140,026
Business services	7,577,264	8,505,817	10,197,810	(1,691,993)
Central services	18,183,026	17,996,702	20,659,732	(2,663,030)
Operations and maintenance	43,324,268	44,593,588	44,205,093	388,495
Pupil transportation	18,054,433	19,230,497	19,657,076	(426,579)
Other services	<u>783,051</u>	<u>610,543</u>	<u>421,508</u>	<u>189,035</u>
Total support services	<u>156,981,801</u>	<u>171,673,274</u>	<u>175,408,741</u>	<u>(3,735,467)</u>
Community services	57,500	42,500	62,261	(19,761)
Contingency reserve	11,316,219	12,211,410		12,211,410
Salary increase reserve	10,566,421			
Emergency reserve	13,800,276	14,986,398		14,986,398
Capital outlay	5,067,317	6,373,144	1,089,054	5,284,090
Debt service:				
Principal retirements	9,895,000	12,434,702	12,310,000	124,702
Interest expense	<u>23,403,252</u>	<u>21,677,745</u>	<u>21,424,060</u>	<u>253,685</u>
Total expenditures and encumbrances	<u>496,003,891</u>	<u>526,877,106</u>	<u>480,562,094</u>	<u>46,315,012</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>(6,300,332)</u>	<u>(16,260,492)</u>	<u>28,408,602</u>	<u>44,669,094</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	588,748	774,134	762,986	(11,148)
Transfers out	(21,498,716)	(21,524,666)	(18,352,458)	3,172,208
Payment to refunded certificates of participation		<u>(1,402,698)</u>	<u>(1,959,397)</u>	<u>(556,699)</u>
Total other financing uses	<u>(20,909,968)</u>	<u>(22,153,230)</u>	<u>(19,548,869)</u>	<u>2,604,361</u>
NET CHANGE IN FUND BALANCE	<u>\$ (27,210,300)</u>	<u>\$ (38,413,722)</u>	<u>8,859,733</u>	<u>\$ 47,273,455</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>38,413,722</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 47,273,455</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, Encumbrances and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budget Basis)
Special Revenue Fund
Year ended June 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Final Budget to Actual</u>
REVENUES				
Intergovernmental:				
State sources	\$ 11,750,988	\$ 11,111,250	\$ 11,274,443	\$ 163,193
Federal sources	55,804,944	61,766,598	51,666,523	(10,100,075)
Charges for services	7,785,588	8,426,280	8,387,323	(38,957)
Investment income	75,000	37,085	7,244	(29,841)
Other local sources	<u>27,097,040</u>	<u>25,509,273</u>	<u>14,974,834</u>	<u>(10,534,439)</u>
Total revenues	<u>102,513,560</u>	<u>106,850,486</u>	<u>86,310,367</u>	<u>(20,540,119)</u>
EXPENDITURES AND ENCUMBRANCES				
Instruction:				
Regular instruction	20,301,372	20,757,224	9,929,577	10,827,647
Special education instruction	6,577,617	8,207,635	7,901,791	305,844
Vocational education	869,178	750,616	1,057,078	(306,462)
Other instruction	<u>28,581,342</u>	<u>25,902,158</u>	<u>22,768,953</u>	<u>3,133,205</u>
Total instruction	56,329,509	55,617,633	41,657,399	13,960,234
Support Services:				
Pupils	4,213,587	3,767,290	3,307,648	459,642
Instructional support	24,533,846	28,978,334	24,326,662	4,651,672
General administration	151,111	128,452	62,127	66,325
School administration	1,942,369	2,560,485	2,180,114	380,371
Business services	492,903	610,732	610,854	(122)
Operations & maintenance	977,945	917,997	982,986	(64,989)
Pupils transportation	141,934	637,102	685,600	(48,498)
Central services	1,006,497	263,685	756,650	(492,965)
Other support services	<u>3,860,797</u>	<u>3,008,216</u>	<u>2,453,023</u>	<u>555,193</u>
Total support services	37,320,989	40,872,293	35,365,664	5,506,629
Community services	13,936,672	4,001,914	3,168,535	833,379
Education for Adults		10,237,648	9,446,389	791,259
Capital outlay	<u>4,319,218</u>	<u>5,486,564</u>	<u>(390,430)</u>	<u>5,876,994</u>
Total expenditures and encumbrances	<u>111,906,388</u>	<u>116,216,052</u>	<u>89,247,557</u>	<u>26,968,495</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND ENCUMBRANCES				
	(9,392,828)	(9,365,566)	(2,937,190)	6,428,376
OTHER FINANCING SOURCES				
Transfers in	3,507,116	3,910,366	3,918,280	7,914
Transfers out		(240,000)	(247,913)	(7,913)
Total other financing sources	<u>3,507,116</u>	<u>3,670,366</u>	<u>3,670,367</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,885,712)</u>	<u>\$ (5,695,200)</u>	733,177	<u>\$ 6,428,377</u>
FUND BALANCE AT BEGINNING OF YEAR			5,695,200	
FUND BALANCE AT END OF YEAR			<u>\$ 6,428,377</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, 2004

1. BUDGET BASIS OF ACCOUNTING

The statement 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. 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.

A reconciliation of fund balances reported on the basis of GAAP and fund balances reported on the budget basis is as follows:

	General Fund	Special Revenue Fund
GAAP basis	\$ 9,298,874	\$7,815,447
Add:		
Accrued payroll, exclusive of taxes payable	40,658,832	4,659,105
Deferred revenue for GAAP	9,486,146	2,790,924
Less:		
Encumbrances, net of inventory	5,311,631	
Grant accounts receivable for GAAP		8,837,099
Transportation and capital lease receivable	6,858,766	
Non-GAAP budget basis	<u>\$47,273,455</u>	<u>\$6,428,377</u>

Colorado statutes require that fixed budgets be legally adopted for all funds. For budgeting and appropriation purposes, operating transfers are reported as revenue and expenditures. Budgets for all funds have been prepared on the 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 \$32.3 million and can briefly be summarized as follows:

- \$5.3 million in reappropriations as of June 30, 2003, balances for school programs
- \$2.1 million Capitalized Interest and Debt Service Reserve fund for the 2003 COP's transferred to the general fund
- \$3.8 million in other beginning balance increases
- \$19.4 million increase in property taxes from November 2003 mill levy override
- \$.4 million reduction in specific ownership taxes attributable to local economic conditions
- \$.4 million recovery of a portion of the 2003 property taxes due from United Airlines
- \$.7 million increase in anticipated property tax abatements recovery
- \$2.0 million increase in the state and property tax share of School Finance Act formula funding due to greater than anticipated enrollment and at-risk counts
- \$.3 million decrease in anticipated indirect cost reimbursements from federal grants
- \$.5 million reduction in projected ECE tuition due to reduction in number of classrooms
- \$.2 million in other net reductions

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES AND THE LEASES

Certain provisions of the 2005A Indenture, the 2005A Lease, the 2005B Indenture and the 2005B Lease are summarized in the body of the Official Statement and are not summarized in this Appendix. This summary should be read in conjunction with the material in the body of the Official Statement describing provisions of such documents.

This summary, the descriptions herein and the descriptions of provisions of the 2005A Indenture, the 2005A Lease, the 2005B Indenture and the 2005B Lease in the body of the Official Statement are qualified in all respects by reference to such documents. Copies of the 2005A Indenture, the 2005A Lease, the 2005B Indenture and the 2005B Lease may be obtained as described in “INTRODUCTION—Additional Information” in the body of the Official Statement.

2005A INDENTURE

Definitions

The following capitalized terms will have the following meanings in the summary of the 2005A Indenture in this Appendix:

“*Additional Certificates*” means any Certificates issued after the issuance of the 2005A 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 “2005A 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 “2005A 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 2005A 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 2005A Acquired Property and any other property acquired by the expenditure of proceeds of any Additional Certificates.

“*Authorized Denomination*” means with respect to the 2005A Certificates (i) if the 2005A Certificates bear interest at a Variable Rate, \$100,000 and \$5,000 multiples in excess thereof, and (ii) if the 2005A Certificates bear interest at the Fixed Interest Rate, \$5,000 and integral multiples thereof.

“*Available Moneys*” means (a) proceeds of the 2005A Certificates received contemporaneously with the issuance and sale of the 2005A Certificates from the original 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) moneys realized under a Liquidity Facility,

and funds received by the Remarketing Agent as proceeds of the remarketing of 2005A Certificates to any person other than the District, the Corporation or any affiliate thereof, which are held in a separate and segregated subaccount until applied, (c) 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, (d) 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 (e) any other moneys 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 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 will 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, with respect to the 2005A Certificates, a Person owning a Beneficial Ownership Interest therein, 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 2005A Certificates which are held by the 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 “2005A 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 2005A 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 2005A Certificates, a form or system, as applicable, under which (a) the Beneficial Ownership Interests may be transferred only through a book entry and (b) physical 2005A Certificates in fully registered form are registered only in the name of the Depository or its nominee as Owner, with the physical 2005A Certificates “immobilized” in the custody of the Depository or its agent. The book-entry system maintained by and the responsibility of the 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 2005A Certificates.

“Business Day” means 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 or the principal office of the Remarketing Agent or the principal corporate trust office of the Tender Agent or the principal office of Liquidity Provider 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 “2005A 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, 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 Purchase Fund” means the special fund as described in “2005A INDENTURE—Certificate Purchase Fund” in this Appendix.

“Certificates” means the 2005A 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 initial Hedge Facility with respect to the 2005A Certificates is 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, the Remarketing Agent, the Tender Agent, the Liquidity Provider, the Hedge Provider, the 2005A 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 the Corporation and the Custodian with respect to any collateral required to be posted by a Hedge Provider pursuant to a credit support annex to any Hedge Facility and, initially means the Custodial Agreement in Connection with

ISDA Master Agreement, dated as of March 24, 2005, by and among the initial Hedge Provider, the Corporation, and J.P. Morgan Trust Company, National Association, as custodian.

“*Custodian*” means the custodian appointed pursuant to any Custodial Agreement and initially means J.P. Morgan Trust Company, National Association, in its capacity as custodian.

“*Defeasance Securities*” means investments which are included in clauses (a) and (b) of the definition of “Permitted Investments” and which provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (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).

“*Default*” means any Event of Default under any Liquidity Facility then in effect.

“*Depository*” means 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 2005A Certificates, and to effect transfers of book entry interests in 2005A Certificates in book entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“*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.

“*Event of Default*” means, with respect to the Lease, an event as described in “2005A LEASE—Events of Default and Remedies—Events of Default” in this Appendix and with respect to the Indenture, an event described in “2005A INDENTURE—Defaults and Remedies—Events of Default” in this Appendix.

“*Event of Nonappropriation*” means an event described in “2005A LEASE—Event of Nonappropriation” in this Appendix.

“*Fee Retention Fund*” means the special fund as described in “2005A INDENTURE—Fee Retention Fund” in this Appendix.

“*First Optional Redemption Date*” means, with respect to optional redemption of 2005A Certificates bearing interest at a Fixed Interest Rate, the first June 1 after the Fixed Rate Conversion Date on which the 2005A Certificates may be redeemed, as determined as described in “THE 2005 CERTIFICATES—Redemption of 2005 Certificates—Optional Redemption” in the body of this Official Statement.

“*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” is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—Interest Rate Modes” in the body of this Official Statement.

“Fixed Rate Conversion Date” means the Interest Mode Conversion Date from and after which the 2005A Certificates bear interest at the Fixed Interest Rate, as that date is established as described in “THE 2005 CERTIFICATES—Interest Rate Mode Conversion” in the body of this Official Statement.

“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 and initially means, with respect to the 2005A Certificates, the ISDA Master Agreement dated as of March 10, 2005 and effective March 24, 2005 with respect to the 2005A Certificates, together with the Schedule to the Master Agreement dated March 10, 2005 and effective March 24, 2005, and the Confirmation: Current Starting-Series 2005A relating thereto dated March 10, 2005, and effective March 24, 2005, between the Corporation and JPMorgan Chase Bank, National Association, as initial Hedge Provider with respect to the 2005A Certificates.

“Hedge Provider” means the counterparty to the Corporation under any Hedge Facility and, initially with respect to the 2005A Certificates, means JPMorgan Chase Bank, National Association.

“Indenture” means the 2005A Mortgage and Indenture of Trust dated as of March 24, 2005 between the Corporation and the Trustee and any amendment or supplement thereto.

“Indirect Participant” means a person utilizing the book-entry system of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

“Initial Purchaser” means (a) with respect to the 2005A 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 2005A Certificates converts from the Interest Rate Mode applicable to the 2005A 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”* is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—General” in the body of this Official Statement.

“Interest Rate Adjustment Date” is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—General” in the body of this Official Statement.

“Interest Rate Determination Date” is defined in “THE 2005 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 2005A Certificates permitted by the Indenture, specifically, the Weekly Rate, the Monthly Rate, the Term Rate and the Fixed Rate.

“Interest Rate Period” is defined in “THE 2005 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 “2005A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005A INDENTURE—Late Payment Fee Fund” in this Appendix.

“Lease” means the 2005A Lease Agreement dated as of March 24, 2005 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 “2005A 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 “2005A LEASE—Lease Term” in this Appendix.

“Leased Property” means the 2005A Leased Property and any other property that may be defined as part of the Leased Property by any Supplemental Indenture.

“Letter of Representations” means the Letter of Representations from the District, the Corporation, the Trustee, the Tender Agent and the Remarketing Agent to the Depository in connection with the issuance of the 2005A 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 2005A 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” will: (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 at any time that the purchase price of 2005A Certificates tendered or deemed tendered for purchase is not payable from a Liquidity Facility. The initial Liquidity Facility with respect to the 2005A Certificates is the 2005A Standby Certificate Purchase Agreement dated as of March 24, 2005 between the Corporation and JPMorgan Chase Bank, National Association, as initial Liquidity Provider.

“Liquidity Provider” means the issuer of the Liquidity Facility then in effect, if any, and initially with respect to the 2005A Certificates means JPMorgan Chase Bank, National Association, as issuer of the initial Liquidity Facility.

“Liquidity Provider Rate” means, when a Liquidity Facility is in effect, the rate specified as such under such Liquidity Facility, but in no event in excess of the Maximum Liquidity Provider Rate.

“Mandatory Liquidity Facility Tender” means the mandatory tender of 2005A Certificates (other than 2005A Certificates owned by or on behalf of the Corporation or the District and 2005A Liquidity Provider Certificates) described under “THE 2005 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 given pursuant to the Liquidity Facility that a Default has occurred and is continuing and the date of termination of the Liquidity Provider’s obligation to purchase 2005A Certificates pursuant to the Liquidity Facility.

“Maximum Liquidity Provider Rate” means the maximum rate of interest to be borne by 2005A Liquidity Provider Certificates pursuant to any Liquidity Facility.

“Maximum Rate” means the lesser of 18% per annum or the maximum rate permitted by law.

“Monthly Rate” is defined in “THE 2005 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.

“Net Proceeds,” when used with respect to the 2005A Leased Property, means (a) the gross proceeds received from any event as described in “2005A LEASE—Replacement and Substitution of Equipment” or “2005A LEASE—Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property” in this Appendix, *minus* (b) all expenses incurred in the collection of such gross proceeds or award.

“Operations Center” means, with respect to the Trustee, the office of the Trustee at Dallas, Texas or such other or additional offices as may be specified by the Trustee in a notice to the District, the Liquidity Provider, the Hedge Provider, the Remarketing 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 “2005A INDENTURE—General Provisions Relating to Tenders” in this Appendix;

(c) Certificates in lieu of which other Certificates have been executed as described in “2005A 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 2005 CERTIFICATES—Redemption of 2005 Certificates—Redemption of 2005A Certificates and 2005B 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 "2005A INDENTURE—Moneys to be Held in Trust" in this Appendix;

(f) Certificates which are otherwise deemed discharged as described in "2005A 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 2005A Leased Property, has the meaning set forth in the Lease.

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

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(b) Obligations of, or obligations guaranteed as to principal and interest by , the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including:

- United States Treasury Obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

(c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligation of other Government Sponsored Agencies approved by the 2005A Certificate Insurer

(e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing no more than 360 calendar days after the date of purchase (Ratings on holding companies are not considered as the rating of the bank.);

(f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(g) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(h) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state and which are:

(i) not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(ii) either:

(A) are rated, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's; or

(B) are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) under this definition, which escrow may be applied only to the payment of such principal or interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal or interest and redemption premium, if any, on the bonds or other obligations described in this paragraph (i) on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(i) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of at least "A2/A" or higher by both Moody's and S&P; and

(j) Any investment agreement or other form of investment approved in writing by the 2005A Certificate Insurer.

The value of the above investments will be determined as follows:

(x) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued at fair market value. The Trustee is to determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers will include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

(y) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus, accrued interest thereon; and

(z) As to any investment not specified above: the value thereof established by prior agreement among the District, the Trustee, and the 2005A Certificate Insurer.

"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 2005A 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 "2005A LEASE—District's Purchase Option" in this Appendix.

"Qualified Reserve Fund Surety Bond" means a surety bond issued by an insurance company rated 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 2005A Certificates and initially means Moody's and S&P.

"Record Date" means (a) with respect to any 2005A Certificate bearing interest at a Weekly Rate or a Monthly Rate, the Business Day immediately preceding an Interest Payment Date applicable to that 2005A Certificate, and (b) with respect to any 2005A Certificate bearing interest at a Term Rate or a Fixed Rate, the June 1 or December 1 next preceding the Interest Payment Date.

"Redemption Date" means the date fixed for the redemption prior to their respective maturities of any 2005A Certificates in any notice of prior redemption or otherwise fixed and designated by the District.

“Redemption Price” means, when used with respect to a 2005A Certificate, the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof prior to the stated maturity date of such security on a Redemption Date in the manner contemplated in accordance with the terms of such 2005A 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 Initial Hedge Facility, payable as described in Section 3 of the Confirmation: Current Starting-Series 2005A which is included in the initial Hedge Facility, on and after the Hedge Facility Effective Date and subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix, and, with respect to any substitute Hedge Facility, any equivalent payments to be made under such substitute Hedge Facility. “Regularly Scheduled Hedge Payments” do not include any other amounts payable pursuant to the Hedge Facility, including, without limitation, any fees or amounts payable by the Corporation in connection with a default under, or termination of, the Hedge Facility.

“Regularly Scheduled Liquidity Commitment Fees” means the regularly scheduled payments by the Corporation made pursuant to Section 2.7(b) of the initial Liquidity Facility and any equivalent payments to be made under any substitute Liquidity Facility. “Regularly Scheduled Liquidity Commitment Fees” do not include any other amounts payable pursuant to the Liquidity Facility, including, without limitation, any fees or amounts payable by the Corporation in connection with a default under, or termination of, the Liquidity Facility.

“Remarketing Agent” means the Person meeting the qualifications of “2005A INDENTURE—Qualifications of Remarketing Agent” in this Appendix and designated from time to time by the District to act as Remarketing Agent under “2005A INDENTURE—Remarketing Agent” in this Appendix and under the Remarketing Agreement then in effect.

“Remarketing Agreement” means the agreement governing the duties of the Remarketing Agent 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 “2005A 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 2005A Certificates, an amount equal to \$614,327.25 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.

“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 2005 CERTIFICATES—Payment Provisions” in the body of this Official Statement.

“State” means the state of Colorado.

“Stated Termination Date” means (a) the stated date upon which the Liquidity Facility by its terms expires, 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 “2005A INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix.

“Substitute Liquidity Provider” means the one or more commercial banks, trust companies, insurance companies or other entities which provide the Substitute Liquidity Facility.

“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 2005A Certificates tendered or deemed tendered for purchase which are not successfully remarketed, delivered to and received by the Tender Agent (a) replacing the then existing Liquidity Facility, (b) dated as of a date prior to the Stated Termination Date of the then existing Liquidity Facility, (c) expiring on a date which is later (but not earlier) than the Stated Termination Date of the then existing Liquidity Facility, and having a stated amount equal to the sum of (i) the aggregate principal amount of 2005A Certificates at the time Outstanding, plus not less than (ii) an amount equal to (A) 35 days’ interest on all Outstanding 2005A Certificates if the 2005A Certificates bear interest at the Weekly Rate or the Monthly Rate or (B) if the 2005A Certificates bear interest at the Term Rate, such number of days of interest on all outstanding 2005A Certificates as may be required by each Rating Agency then maintaining a rating on the 2005A Certificates to continue its rating, in each case computed at the Maximum Rate, and (d) accompanied by an opinion of Bond Counsel to the effect that the delivery thereof is authorized or permitted by the terms of the Indenture; provided, however, an extension of the Stated Termination Date of the existing Liquidity Facility will not be deemed a Substitute Liquidity Facility if there is delivered to the District, the Trustee, the Tender Agent and the Remarketing Agent an opinion of counsel for the Liquidity Provider regarding the enforceability of such Liquidity Facility in form and substance reasonably acceptable to the Corporation and the Trustee.

“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 “2005A 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 the Tender Agent Agreement and “2005A INDENTURE—Tender Agent” in this Appendix.

“Tender Agent Agreement” means the agreement, if any, governing the duties of the Tender Agent when such an agreement is in effect. For any period during which the Trustee is acting as Tender Agent and the duties, fees and expenses of the Tender Agent are set forth in the Trustee’s agreement regarding its fees and expenses with the Corporation or the District, the “Tender Agent Agreement” will mean such agreement.

“Term Rate” is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—Interest Rate Modes” in the body of this Official Statement.

“Term Rate Period” is defined in “THE 2005 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 “2005A INDENTURE—Discharge of Indenture” in this Appendix.

“Trustee” means J.P. Morgan Trust Company, 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.

“2005A Acquired Property” means the property acquired by the Corporation and subsequently leased to the District as the 2005A Leased Property pursuant to the Lease.

“2005A Certificate Insurance Policy” means the financial guaranty insurance policy issued by the 2005A Certificate Insurer insuring the payment when due of the principal of and interest on the 2005A Certificates as provided therein.

“2005A Certificate Insurer” means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, and its successors and assigns.

“2005A Certificate Purchase Date” means any 2005A Certificate Purchase Date as defined and described in “THE 2005 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement.

“2005A Certificates” means the Certificates authorized by the Indenture as described in the body of this Official Statement.

“2005A 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.

“2005A Liquidity Provider Certificates” means 2005A Certificates tendered or deemed tendered for purchase by the Owners thereof which have been purchased by the Liquidity Provider under the Liquidity Facility pursuant to provisions as described in “2005A INDENTURE—Delivery of Purchased 2005A Certificates or Beneficial Ownership Interests and Remarketing of 2005A liquidity Provider Certificates” in this Appendix and held by or on behalf of the Liquidity Provider in accordance with the Liquidity Facility.

“2005A Project” means the acquisition by the Corporation of the 2005A Acquired Property and the defeasance of the Taxable Pension Certificates of Participation, Series 1997, originally issued to provide funds for the acquisition by the Corporation of the properties constituting the 2005A Acquired Property.

“*2005A Reserve Fund Surety Bond*” means the Qualified Reserve Fund Surety Bond issued by the 2005A Certificate Insurer guaranteeing certain payments into the Reserve Fund as provided therein and subject to the limitations set forth therein.

“*2005A Reserve Fund Surety Bond Guaranty Agreement*” means the Guaranty Agreement dated as of March 4, 2005 between the Corporation and the 2005A Certificate Insurer relating to the 2005A Reserve Fund Surety Bond.

“*Variable Rate*” means any interest rate to be borne on the 2005A Certificates other than the Fixed Rate.

“*Weekly Rate*” is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—Interest Rate Modes” in the body of this Official Statement.

2005A Certificate Details

The Certificates designated as the “Taxable Variable Rate Certificates of Participation, Series 2005A, evidencing undivided interest in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado under a 2005A Lease Agreement dated as of March 24, 2005A” (the “2005A Certificates”) will be issued in the aggregate principal amount of \$23,470,000. The 2005A Certificates will be dated as of the date of their issuance and will mature on December 15, 2018, subject to prior redemption as set forth in the Indenture. The 2005A Certificates will bear interest at a Variable Rate or the Fixed Rate, all as more specifically described in “THE 2005 CERTIFICATES—Interest Rate Modes” in the body of this Official Statement. The 2005A Certificates will initially bear interest at the initial Weekly Rate for the initial Interest Rate Period. The 2005A 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 on April 15, 2005 and thereafter on each Interest Payment Date. Interest will accrue on 2005A Liquidity Provider Certificates, if any, as provided in the Indenture and in the Liquidity Facility, if any. No interest will accrue on any 2005A Certificates owned by or on behalf of the Corporation or the District. At no time will the 2005A Certificates (other than 2005A Liquidity Provider Certificates) bear interest at a rate higher than the Maximum Rate. At no time will any 2005A Liquidity Provider Certificates bear interest at a rate higher than the Maximum Liquidity Provider Rate.

Limited Obligations

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

Mutilated, Lost, Stolen or Destroyed Certificates

In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like date, 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 Trustee 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 2005A Certificate in the case of an optional or mandatory tender as described in “THE 2005 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 2005 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement, in “2005A INDENTURE—Remarketing of 2005A Certificates” and “—Delivery of Purchased 2005A Certificates or Beneficial Ownership Interests and Remarketing of 2005A Liquidity Provider Certificates with respect to Beneficial Ownership Interests” in this Appendix and in this paragraph and as described in “2005A 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 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 2005A Indenture described under this caption are subject to the provisions of the 2005A Indenture described under the next caption.

Book-Entry Form

Notwithstanding the provisions as described in “2005A INDENTURE—Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates” in this Appendix, the 2005A 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 2005A Certificates will be registered in the name of the Depository or its nominee, as Owner, and immobilized in the custody of the Depository or its agent; (ii) unless otherwise requested by the Depository, there will be a single 2005A Certificate for the 2005A Certificates; and (iii) the 2005A 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 2005A Certificates are in Book-Entry Form, 2005A Certificates in the form of physical certificates will only be delivered to the Depository or its agent.

So long as a book-entry system is in effect for the 2005A Certificates, except as described under this caption with respect to Beneficial Ownership Interests, the District, Trustee and Tender Agent will recognize and treat the Depository, or its nominee, as the Owner of the 2005A Certificates for all purposes, including payment of the principal of, premium, if any, and interest on the 2005A Certificates (other than 2005A 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 2005A Certificates and the transmittal of notices and other communications by the Depository to the Direct Participants in whose Depository account the 2005A 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 Depository and the Direct Participants and the Indirect Participants and are not the responsibility of the District, the Trustee or the Tender Agent; provided, however, that the District and the Trustee understand that neither the Depository or its nominee will provide any consent requested of Owners of 2005A Certificates pursuant to the Indenture, and that the Depository will mail an omnibus proxy (including a list identifying the Direct Participants) to the District or the Trustee which assigns the Depository's, or its nominee's, voting rights to the Direct Participants to whose account at the Depository the 2005A Certificates are credited (as of the record date for mailing of requests for such consents). If the District receives any such omnibus proxy, the District will promptly provide such omnibus proxy (including the list identifying the Direct Participants attached thereto) to the Trustee, which will treat such owners as Owners of the 2005A 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 2005A Certificates held in a book-entry system, 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, will permit withdrawal of the 2005A Certificates from the Depository or its agent and will authenticate and deliver 2005A Certificate certificates in fully registered form to the assignees of the Depository or its nominee or

to the Beneficial Owners. Such withdrawal, authentication and delivery will be at the cost and expense (including costs of printing or otherwise preparing and delivering such replacement 2005A Certificates) of the District. Such replacement 2005A Certificates will be in the Authorized Denominations.

Neither the District, the Trustee nor 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 2005A Certificates; (ii) the accuracy of any records maintained by the Depository or any Direct Participant or Indirect Participant; (iii) the timely exercise by the 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 the 2005A Certificates; (iv) the timely or ultimate payment by the Depository or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the purchase price of tendered 2005A Certificates or the principal of, premium, if any, and interest on the 2005A 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 the 2005A Certificates; or (vii) any consent given or other action taken by the 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 “2005A INDENTURE—Mutilated, Lost, Stolen or Destroyed Certificates” and “2005A 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 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 2005 CERTIFICATES—Calculation of Interest—Notice of Interest Rate and Base Rentals” in the body of this Official Statement; (iii) any portion of the Reserve Fund to be deposited into the Interest Account of the Certificate Fund, as described in “2005A 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 Regularly Scheduled Hedge Payments made to the Corporation under a Hedge Facility; and (v) 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 the District which is designated and paid as the principal component thereof under the Lease; (ii) any portion of the Reserve Fund to be deposited into the Principal Account of the Certificate Fund, as described in "2005A 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; and (v) income from the investment of moneys in the Certificate Fund pursuant to the Certificate Fund Investment Agreement are to be applied and used in accordance with the Certificate Fund Investment Agreement.

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) all amounts paid by the District pursuant to 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. 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, subject to the provisions described in "2005A INDENTURE—Investment of Moneys" in this Appendix, to substitute for the cash deposit required to be maintained under the Indenture a letter of credit, Qualified Reserve Fund Surety Bond, insurance policy, agreement guaranteeing payment, or other undertaking by a financial institution to insure that cash in the amount otherwise required to be maintained under the Indenture will be available as needed. The Reserve Fund Requirement with respect to the 2005A Certificates will initially be met by the deposit of the 2005A Reserve Fund Surety Bond 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, the 2005A Certificate Insurer, the Custodian, the Liquidity Provider, the Hedge Provider, the Remarketing Agent or the Tender Agent; (C) used to defease Certificates as described in “2005A 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 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 “2005A 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 Surety Bond on deposit in the Reserve Fund, the District is to pay to the Trustee as Additional Rentals or Base Rentals, respectively, all amounts required to restore the amount on deposit in such account to the Reserve Fund Requirement or to repay the provider of such Qualified Reserve Fund Surety Bond for such draw when required by the Lease.

Nonpresentment of Certificates

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

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 “2005A 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 “2005A 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 “2005A 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 “2005A INDENTURE—Fee Retention Fund” in this Appendix as set forth therein. The Certificate Purchase Fund is to be held by the Tender Agent for the benefit of those Persons described in “2005A 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, the Remarketing Agent, the Tender Agent and all other amounts required to be paid to the Custodian, the 2005A Certificate Insurer, any Liquidity Provider, any Hedge Provider and the Certificate Fund Investment Provider under the Indenture and under the Custodial Agreement, the 2005A Reserve Fund Surety Bond 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 “2005A 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 the 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 “2005A 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, the Remarketing Agreement, the Tender Agent 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 “2005A INDENTURE—Investment of Moneys” in this Appendix and is to be disbursed and used as provided in the Certificate Fund Investment Agreement.

**Optional Redemption of 2005A Certificates
in Fixed Rate Interest Rate Mode**

After the Fixed Rate Conversion Date the 2005A Certificates (other than 2005A Certificates owned by or on behalf of the Corporation or the District) are subject to redemption, at the option of the District, on or after the First Optional Redemption Date, in whole or in part (in integral multiples of \$5,000) on any Business Day at a Redemption Price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption. The First Optional Redemption Date will be determined in accordance with the following schedule:

<u>Original Length of Period From Fixed Rate Conversion Date _____ Until <u>Maturity Date</u></u>	<u>First Optional Redemption Date</u>
More than 12 years	December 15 immediately after 9th anniversary of Fixed Rate Conversion Date
More than 10 years but not more than 12 years	December 15 immediately after 7th anniversary of Fixed Rate Conversion Date
More than 8 years but not more than 10 years	December 15 immediately after 5th anniversary of Fixed Rate Conversion Date
More than 5 years but not more than 8 years	December 15 immediately after 3rd anniversary of Fixed Rate Conversion Date

Notwithstanding the forgoing provisions described under this caption, on or prior to the Fixed Rate Conversion Date, the District may deliver to the Trustee an alternative redemption schedule setting forth a different date or dates on which 2005A Certificates may be redeemed after the Fixed Rate Conversion Date and a redemption price or prices payable on such different Redemption Date or Dates if the District delivers to the Trustee an opinion of Bond Counsel to the effect that the alternative schedule of redemption will not adversely affect the validity or enforceability of the 2005A Certificates in accordance with their terms.

**2005A Certificates Owned by the Corporation
or the District; 2005A Liquidity Provider Certificates.**

2005A 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 2005A Certificates owned by or on behalf of the Corporation or District, as applicable, to the Trustee, which is promptly to cancel such 2005A Certificates.

The Corporation is to redeem 2005A Liquidity Provider Certificates that are subject to mandatory redemption pursuant to the Liquidity Facility, at the time or times required by the Liquidity Facility at a Redemption Price of 100% of the principal amount of the 2005A Liquidity Provider Certificates to be redeemed plus accrued interest, if any, thereon to the Redemption Date. The 2005A 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 2005A Certificates Outstanding, 2005A Liquidity Provider Certificates will be selected and redeemed prior to any other 2005A Certificates.

Limit on Remarketing

Any 2005A Certificate purchased as described in “THE 2005 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 2005A Certificate as described in “THE 2005 CERTIFICATES—Redemption of 2005 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 2005A Certificate as described in “THE 2005 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 2005A Certificate for redemption to the Trustee on the Redemption Date or for purchase to the Tender Agent on the 2005A Certificate Purchase Date. Tendered 2005A Certificates will not be remarketed to the District, the Corporation, or any of their affiliates or guarantors (other than the Liquidity Provider). The Trustee and the Tender Agent will not be required to monitor the actions of the Remarketing Agent to ensure that it will not remarket any 2005A Certificates to the District and, for the purposes as described in “2005A INDENTURE—Notice of 2005A Certificates Delivered for Purchase; Purchase of 2005A 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 the Remarketing Agent constitute proceeds of the remarketing of any 2005A Certificates to the District.

General Provisions Relating to Tenders

The purchase price for each such 2005A Certificate or Beneficial Ownership Interest, or portion thereof, will be payable in lawful money of the United States of America by check, 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 2005A Certificate Purchase Date, subject to the provisions described in “2005A INDENTURE—Notice of 2005A Certificates Delivered for Purchase; Purchase of 2005A Certificates” in this Appendix.

While tendered 2005A 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 2005A Certificates through the day preceding the applicable 2005A Certificate Purchase Date is to be paid from the 2005A Certificate Fund as if such 2005A Certificates had not been tendered for purchase.

Notwithstanding anything in the Indenture to the contrary, any 2005A Certificate or Beneficial Ownership Interest or portion thereof tendered as described in THE 2005 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement will not be purchased if such 2005A Certificate or portion thereof matures or is redeemed on or prior to the applicable 2005A 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 2005A Certificate tendered for purchase or required to be tendered for purchase as provided in the Indenture, such tendered 2005A Certificate will be deemed to have been purchased whether or not delivered by the Owner thereof on the date such tendered 2005A Certificate is to be purchased. In the event any such purchased 2005A Certificate is not so delivered, the District will execute and the Trustee will authenticate and deliver a replacement 2005A Certificate of like date, tenor and denomination and in the same aggregate principal amount and in the applicable Interest Rate Mode as the 2005A Certificate deemed tendered for purchase and bearing a number not contemporaneously outstanding.

With respect to any 2005A Certificates held in Book-entry form, delivery of such 2005A 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 Depository or any Direct Participant to reflect the transfer of the Beneficial Ownership Interest in such 2005A 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 2005A Certificate which is not held in Book-entry form, delivery of such 2005A 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 2005A 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 2005A 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 “2005A 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 “2005A 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.

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 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 is to be provided with a standard owner's title insurance policy insuring the Corporation's title to the real estate included in the Leased Property, and if all or any portion of the Corporation's title to the real estate included in the Leased Property is a leasehold interest, then also insuring the title of the owner of such real estate, subject only to Permitted Encumbrances, in an amount not less than the lesser of either the Outstanding amount of Certificates or the insurable value of such real property. Such policy, or a binding commitment therefor, will be provided to the Trustee, with a copy to the 2005A Certificate Insurer, concurrently with the issuance of any Certificates.

Sale or Encumbrance of Leased Property

As long as there are any Outstanding Certificates, and as except otherwise permitted by the Indenture and except as the Lease otherwise specifically requires, the Corporation will not sell or otherwise dispose of any of the Leased Property except as permitted in the Lease.

Rights of Trustee under Lease

The Corporation covenants in the Indenture for the benefit of the Owners that the Corporation will observe and comply with its obligations under the Lease, and that all the representations made by the Corporation in the Lease are true. Wherever in the Lease it is stated that the Corporation will be notified, 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 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.

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 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 collecting any insurance moneys or for the validity of the execution by the Corporation of the Indenture, any Supplemental Indenture or any instruments of further assurance, or for the sufficiency of the security for the Certificates 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 tender provisions of the Indenture.

(d) The Trustee will not be accountable for the use of any Certificates delivered to the Initial Purchaser under the Indenture. 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 failure by the Corporation to cause to be made any of the payments to the Trustee required to be made by the Indenture, unless 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 disbursement 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 disbursement properly incurred in connection therewith, unless such liability or disbursement is adjudicated to have resulted from the negligence or willful default 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.

(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 Owners 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 the Owners as if there were no 2005A Certificate Insurance Policy.

(t) Except as otherwise expressly provided in the Indenture, the Trustee is to hold in trust uninvested (without liability for interest or other compensation) for the benefit of the Persons entitled thereto all unclaimed funds awaiting payment or distribution until the earlier of: (a) the Trustee's receipt of the Corporation's request therefor, in form and substance satisfactory to the Trustee and containing the Corporation's (i) representation that it is entitled to such funds under applicable escheatment laws and (ii) agreement to comply with applicable escheatment laws, whereupon the Trustee is to comply with the Corporation's request; or (b) the Trustee's delivery thereof to any escheatment authority in accordance with the Trustee's customary procedures and in its sole discretion.

(u) 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.

(v) 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.

Resignation or Replacement of Trustee

The present or any future Trustee may resign by giving written notice to the Corporation and the 2005A 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 present or any future Trustee may be removed at any time by the Corporation, provided that the Corporation is not at such time in default under the Indenture, in the event the Corporation reasonably determines that the Trustee is not duly performing its obligations under the Indenture or that such removal is in the best interests of the Corporation or the Owners, or by an instrument in writing, executed by the Owners of a majority in aggregate principal amount of the Certificates 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 present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Owners of a majority in aggregate principal amount of the Certificates 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 the 2005A 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

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, or, if the Certificates bear interest at the Fixed Interest Rate, within 30 days thereafter.

(c) Failure to pay on a 2005A Certificate Purchase Date amounts due to the Owner of any 2005A Certificates tendered or deemed tendered to the Tender Agent as described in THE 2005 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement, including a failure to purchase any 2005A

Certificates tendered or deemed tendered as described in “2005A INDENTURE—Delivery of Purchased 2005A Certificates or Beneficial Ownership Interests and Remarketing of 2005A 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 of such noncompliance.

Remedies of Trustee Upon the Occurrence of an Event of Default

(a) Upon the occurrence of an Event of Default described in paragraph (d) under the immediately preceding caption, the Trustee is to, as promptly as commercially reasonably possible and as permitted by the provisions of the Indenture and of the Lease, give notice of such occurrence to the Owners, the Certificate Fund Investment Provider, any Liquidity Provider and any Hedge Provider and, 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 “2005A Indenture—Duties of the Trustee” in this Appendix,, take one or any combination of the remedial steps described in “2005A LEASE—Events of Default Defined—Remedies” in this Appendix.

(b) The Trustee will also be entitled, upon any Event of Default described in paragraph (d) under the immediately preceding caption, to any moneys in any funds or accounts created under the Indenture (except any funds and accounts not included in the Trust Estate).

(c) Upon any Event of Default described in paragraphs (a), (b) or (c) under the immediately preceding caption, the Trustee may take whatever action at law or in equity may appear necessary or desirable to enforce the rights of the Owners 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, exercising its rights as assignee of the Corporation’s rights under the Lease.

(d) No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy 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.

(e) If any Event of Default under the Indenture shall have occurred and if requested by the Owners of a majority in aggregate principal amount of Certificates then Outstanding, the Trustee will be obligated to exercise such one or more of the rights and powers conferred as described under this caption as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners.

(f) The Trustee, as assignee of the rights of the Lease, will control all remedies available to the Corporation under the Lease.

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

(h) Notwithstanding any provision to the contrary contained in the Indenture, the Trustee is to 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 (such Persons being those to whom any amount is payable by the Corporation from a component of Base Rentals paid pursuant to the Lease, as described in “2005A LEASE—Payment of Base Rentals” in this Appendix); 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 is to exercise any and all such remedies for the benefit of the Persons described in the paragraph “*second*” of the granting clauses of the Indenture (such Persons being any Hedge Provider, any Liquidity Provider, the Trustee, the Custodian, the 2005A Certificate Insurer, the Remarketing Agent and the Tender Agent to the extent any of them is owed any amount by the Corporation which is not included as a component of Base Rentals), 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*,” are to be applied to the payment of all obligations owed to any such Persons described in the paragraph “*second*” of the granting clauses of the Indenture to the extent of any such amounts owed to such Persons described in such paragraph “*second*; 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 have been paid as required by the Indenture, the Trustee is to 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*,” is to 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 under the Indenture and under the Certificate Fund Investment Agreement. Except as described in “2005A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased” in this Appendix, the Trustee is to 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.

Limitations Upon 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 “2005A 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, the 2005A Certificate Insurer, the Remarketing 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 “2005A INDENTURE— Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005A INDENTURE—Duties of the Trustee” in this Appendix, or of which by “2005A 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, the Remarketing 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 “2005A INDENTURE—Remedies of Trustee Upon the Occurrence of an Event of Default.

Majority of Owners May Control Proceedings

Except as provided in “2005A INDENTURE—Rights of 2005A Certificate Insurer” in this Appendix, anything in the Indenture to the contrary notwithstanding, the Owners 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 “2005A INDENTURE— Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005A 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, the 2005A Certificate Insurer, any Liquidity Provider, any Hedge Provider, the Remarketing 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.

Position of Parties Restored Upon Discontinuance of Proceedings

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, the 2005A Certificate Insurer, any Liquidity Provider, any Hedge Provider, the Remarketing 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, 2005A Certificate
Insurer, Certificate Fund Investment Provider,
Trustee, Custodian, Remarketing 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 “2005A 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, the 2005A Reserve Fund Surety Bond Guaranty Agreement, any Liquidity Facility, any Hedge Facility, the Remarketing Agreement or the Tender Agent 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 “2005A 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 “2005A 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 “2005A 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 Owners and will do so if requested in writing by the Owners of at least a majority in aggregate principal amount of Certificates Outstanding.

**Purchase of Leased Property by Owner;
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 (a) 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 and (b) it shall have been furnished any environmental surveys or audits (including without limitation Phase I and Phase II audits) or any other information which in its sole judgment the Trustee deems necessary or advisable to protect the interests of the Trustee, the Owners of the Certificates 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). The Trustee may decline to foreclose on, take title to, take possession of or operate any part or all of the Leased Property if in its reasonable judgment based on the materials described in clause (b) above such action might subject it to potential liability not adequately covered by the indemnity referred to in clause (a) above.

Remarketing Agent

Any Remarketing Agent will be appointed by the District and will meet the qualifications set forth as described in “2005A INDENTURE—Qualifications of Remarketing Agent” in this Appendix. The Remarketing Agent will designate to the Liquidity Provider, 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, the Liquidity Provider, the Tender Agent and the Trustee. In addition to its duties under “2005A INDENTURE—Remarketing of 2005A Certificates” and “—Delivery of Purchased 2005A Certificates or Beneficial Ownership Interests and Remarketing of 2005A Liquidity Provider Certificates” in this Appendix, the Remarketing Agent will agree particularly to:

- (a) Compute the Weekly Rate, the Monthly Rate, the Term Rate and the Fixed Rate, as applicable, and give notices of such computations to the Trustee and the District on 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 Trustee, the Liquidity Provider and the Tender Agent at all reasonable times.

(c) Provide to the District and the Liquidity Provider notice of all determinations made by the Remarketing Agent pursuant to the Indenture including, but not limited to, interest rate determinations on a timely basis.

(d) 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

The Remarketing Agent will be a member of the NASD having a capitalization of at least \$50,000,000, will be authorized by law to perform all the duties imposed upon it by the Indenture, and, if so provided by any Liquidity Facility, shall have been approved by the Liquidity Provider. The Remarketing Agent 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 District, the Tender Agent, the Liquidity Provider and the Trustee. Notwithstanding the foregoing, the Remarketing Agent will remain the Remarketing Agent under the Indenture until a successor is named, so long as the District is not in default in the payment of any fees or expenses of the Remarketing Agent under the Remarketing Agreement, or the Remarketing Agent is not prohibited by law or regulation from performing the duties of Remarketing Agent under the Indenture. The Remarketing Agent may be removed at any time by the District with the written consent of the Liquidity Provider, which consent will not be unreasonably withheld. To effect such removal, the District will give at least 30 days' notice of such removal to the Remarketing Agent, the Tender Agent, the Liquidity Provider and the Trustee.

Upon any resignation or removal of the Remarketing Agent, the departing Remarketing Agent will pay over, assign and deliver any moneys and 2005A Certificates held by it in such capacity to its successor or, if there is no successor, to the Trustee.

In the event that the Remarketing Agent resigns, or is removed or dissolved, or if the property or affairs of the 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, notwithstanding the provisions of the first paragraph under this caption, will ipso facto be deemed to be the Remarketing Agent until the appointment by the District of a successor Remarketing Agent; provided, however, that the Trustee will not remarket 2005A Certificates or fix the interest rate for the 2005A Certificates, but will be required only to implement the purchase of 2005A Certificates pursuant to Liquidity Facility as described in "2005A INDENTURE— Payments under Liquidity Facility" in this Appendix or by the District as described in "2005A INDENTURE— Liquidity Facility Not Required in Certain Circumstances" in this Appendix.

The Trustee, within 30 days of the resignation or removal of the 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 2005A Certificates.

Remarketing of 2005A Certificates

With respect to any 2005A Certificate Purchase Date, no later than 11:00 a.m., prevailing New York City time, on the Business Day immediately following the last date for receipt of any notice of exercise of an option to tender 2005A Certificates on any 2005A Certificate Purchase Date based on provisions as described in “THE 2005 CERTIFICATES—Optional Tenders for Purchase” in the body of this Official Statement, the Tender Agent is to give notice to the Remarketing Agent, the 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 2005A 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 2005A Certificate Purchase Date on which 2005A Certificates are to be tendered as described in “THE 2005 CERTIFICATES—Mandatory Tenders for Purchase” in the body of this Official Statement, the Tender Agent is to give notice to the Remarketing Agent, the Liquidity Provider, the Trustee and the District by telephone or telecopy, confirmed on the same day in writing, of the aggregate principal amount of 2005A Certificates or Beneficial Ownership Interests which are deemed to be tendered on such 2005A Certificate Purchase Date.

Unless an Event of Default has occurred and is continuing, the Remarketing Agent is to use its best efforts to sell all 2005A Certificates or Beneficial Ownership Interests tendered or deemed tendered as described in “THE 2005 CERTIFICATES—Optional Tenders for Purchase,” “—Mandatory Tenders for Purchase—Mandatory Tender of 2005A 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, if a Liquidity Facility is not required as described in “2005A INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix, as described in “THE 2005 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender Upon Stated Termination Date of Liquidity Facility” in the body of this Official Statement for settlement on the applicable 2005A Certificate Purchase Date at par. Anything in the Indenture to the contrary notwithstanding, if there shall have occurred and is continuing an Event of Default described in “2005A INDENTURE—Events of Default” in this Appendix, there is to be no remarketing of 2005A Certificates tendered or deemed tendered for purchase.

The Remarketing Agent will have the right to remarket any 2005A Certificate or Beneficial Ownership Interests (or portion thereof) tendered or deemed tendered as described in “THE 2005 CERTIFICATES—Optional Tenders for Purchase,” “—Mandatory Tenders for Purchase—Mandatory Tender of 2005A 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, if a Liquidity Facility is not required as described in “2005A INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix, as described in “THE 2005 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender Upon Stated will have the right to purchase any 2005A Certificate or Beneficial Ownership Interest tendered or deemed tendered as described in “THE 2005 CERTIFICATES—Optional Tenders for Purchase,” “—Mandatory Tenders for Purchase—Mandatory Tender of 2005A 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, if a Liquidity Facility is not required as described in “2005A INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix, as described in “THE 2005 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender Upon Stated Termination Date of Liquidity Facility” in the body of this Official Statement at 100% of the principal amount thereof, and to thereafter sell such 2005A Certificate or Beneficial Ownership Interest. Any such purchase will constitute a remarketing under the

Indenture. Notwithstanding the foregoing, the Remarketing Agent is not to remarket any 2005A Certificate as to which a notice of conversion from one type of Interest Rate Mode to another has been given unless the 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 2005A Certificates.

The Remarketing Agent is not to remarket any 2005A Certificate or Beneficial Ownership Interest to the Corporation, the District, any guarantor of the 2005A Certificates (excluding the Liquidity Provider) or any Person which is an “insider” of the Corporation, the District or any such guarantor within the meaning of the United States Bankruptcy Code.

No later than 11:30 a.m. prevailing New York City Time on each 2005A Certificate Purchase Date, the Remarketing Agent is to pay to the Tender Agent, in immediately available funds, the proceeds theretofore received by the Remarketing Agent from the remarketing of 2005A Certificates or Beneficial Ownership Interests tendered for purchase on such 2005A Certificate Purchase Date; provided, that the Remarketing Agent may use its best efforts to cause the purchasers of the remarked 2005A Certificates or Beneficial Ownership Interests to pay the purchase price plus accrued interest (if any) directly to the Tender Agent in immediately available funds. The proceeds from the remarketing of the 2005A Certificates or Beneficial Ownership Interests are to be deposited in the Certificate Purchase Fund and will in no case be considered to be or be assets of the District, the Corporation, or any of their affiliates or guarantors.

Delivery of Purchased 2005A Certificates or Beneficial Ownership Interests and Remarketing of 2005A Liquidity Provider Certificates

At or before 3:00p.m., prevailing New York time on the Business Day next preceding each 2005A Certificate Purchase Date, the Remarketing Agent, by telephonic advice, will notify the District, the Tender Agent, the Trustee and the Liquidity Provider of: the principal amount of 2005A Certificates or Beneficial Ownership Interests to be sold by the Remarketing Agent as described in “2005A INDENTURE—Remarketing of 2005A 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 2005A Certificates or Beneficial Ownership Interests tendered for purchase on such 2005A Certificate Purchase Date which will not be sold by the Remarketing Agent as described in “2005A INDENTURE—Remarketing of 2005A Certificates” in this Appendix. Such telephonic advice is to be confirmed by written notice delivered or mailed on the same date as the telephonic advice. 2005A Certificates or Beneficial Ownership Interests purchased by the Tender Agent on a 2005A Certificate Purchase Date is to be delivered as follows:

2005A Certificates sold by the Remarketing Agent as described in “2005A INDENTURE—Remarketing of 2005A Certificates” in this Appendix will be authenticated by the Trustee and delivered to the purchasers thereof. With respect to Beneficial Ownership Interests sold by the Remarketing Agent as described in “2005A INDENTURE—Remarketing of 2005A Certificates” in this Appendix, the 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 Depository.

Any 2005A Certificates and Beneficial Ownership Interests not sold by the Remarketing Agent as described in “2005A INDENTURE—Remarketing of 2005A Certificates” in this Appendix when a Liquidity Facility is in effect will be held as 2005A Liquidity Provider Certificates by the Tender Agent, as agent for the Liquidity Provider, subject to any instructions from the Liquidity Provider to deliver the

2005A Liquidity Provider Certificates to the Liquidity Provider and to the pledge in favor of the Liquidity Provider created pursuant to the provisions of the Liquidity Facility. Any 2005A Liquidity Provider Certificates held by the Tender Agent will not be released or transferred except to the Liquidity Provider or to the Remarketing Agent at the written direction of the Liquidity Provider as hereinafter provided under this caption. 2005A Certificates and Beneficial Ownership Interests not sold by the Remarketing Agent will be deemed purchased by the Liquidity Provider upon application of the proceeds of the Liquidity Facility to pay the purchase price thereof.

Any 2005A Certificates or Beneficial Ownership Interests (other than 2005A Liquidity Provider Certificates) delivered as provided under this caption are to be registered (or recorded through the Depository) in the manner directed by the recipient thereof. 2005A Liquidity Provider Certificates are to be registered (or recorded through the Depository) in the name of the Liquidity Provider or its designee, as requested by the Liquidity Provider.

The Remarketing Agent will use its best efforts to remarket 2005A Liquidity Provider Certificates; provided, however, the Remarketing Agent is not to remarket 2005A Liquidity Provider Certificates held as a result of a mandatory tender as described in "THE 2005 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender of 2005 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 any Liquidity Facility has been replaced with a Substitute Liquidity Facility which satisfies the provisions as described in "2005A INDENTURE—Liquidity Facility" in this Appendix. Upon the remarketing of the 2005A Liquidity Provider Certificates, the Remarketing Agent shall notify the 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 2005A Certificate Purchase Date on which the purchaser is to deliver the purchase price to the Tender Agent or the Remarketing Agent by 11:00 a.m., prevailing New York City time. Such notice is to also contain any additional information required by the Liquidity Facility. Notwithstanding the provisions of this caption, the provisions of this caption will be subject to the provisions of Section 2.5(c) of the initial Liquidity Facility so long as the same is in effect.

No later than 11:30 a.m., prevailing New York City time on each 2005A Certificate Purchase Date, the Remarketing Agent is to pay to the Tender Agent, in immediately available funds, the proceeds theretofore received by the Remarketing Agent from the remarketing of 2005A Liquidity Provider Certificates on such 2005A Certificate Purchase Date; provided, that the Remarketing Agent may use its best efforts to cause the purchasers of the remarked 2005A Liquidity Provider Certificates to pay the purchase price plus accrued interest (if any) directly to the Tender Agent in immediately available funds. The Tender Agent is to deposit the proceeds of remarketing the 2005A Liquidity Provider Certificates in the Certificate Purchase Fund and is to pay the Liquidity Provider such funds by wire transfer on the 2005A Certificate Purchase Date. In no case will such funds be considered to be or be assets of the District or the Corporation. The Liquidity Provider is to deliver any 2005A Liquidity Provider Certificates held by the Liquidity Provider (or evidence of Beneficial Ownership Interests in such 2005A Liquidity Provider Certificates) which have been so remarkedeted to the Tender Agent against payment on the 2005A Certificate Purchase Date. With respect to any 2005A Liquidity Provider Certificates not so held by the Liquidity Provider, the Liquidity Provider is to direct the Tender Agent to release such 2005A Liquidity Provider Certificates which have been so remarkedeted to the Remarketing Agent against payment therefor on the 2005A Certificate Purchase Date. Notwithstanding the foregoing, no 2005A Liquidity Provider Certificates are to be released until the Tender Agent shall have received evidence that the Liquidity Provider has reinstated amounts available for purchase of the 2005A Certificates under the Liquidity Facility to the levels required as described in "2005A INDENTURE—Liquidity Facility" in this Appendix. On the 2005A Certificate Purchase Date, the Trustee is to authenticate and deliver, if

applicable, new 2005A Certificates in replacement of the remarketed 2005A Liquidity Provider Certificates to the purchasers thereof.

Tender Agent

Any Tender Agent will be appointed by the District, subject to the conditions as described in “2005A 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, the Liquidity Provider, and the Remarketing Agent. By acceptance of its appointment under the Indenture, the Tender Agent agrees:

- (a) to hold all 2005A Certificates 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 2005A Certificates until moneys representing the purchase price of such 2005A Certificates shall have been delivered to or for the account of or to the order of such Owners;
- (b) to establish and maintain a separate segregated trust fund designated as the “Denver School Facilities Leasing Corporation 2005A Certificates of Participation Certificate Purchase Fund” 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 Certificate Purchase Fund for the purchase of 2005A Certificates as described in “2005A INDENTURE—Remarketing of 2005A 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 2005A Certificates purchased with such moneys will have been delivered to or for the account of such Person;
- (d) to hold all 2005A Certificates registered in the name of the new Owners thereof which have been delivered to it by the Trustee for delivery to the Remarketing Agent in accordance with the Tender Agreement;
- (e) to hold 2005A Certificates for the account of the Liquidity Provider (or its nominee), or to deliver 2005A Certificates to the Liquidity Provider, as described in “2005A INDENTURE— Delivery of Purchased 2005A Certificates or Beneficial Ownership Interests and Remarketing of 2005A Liquidity Provider Certificates” in this Appendix; and
- (f) to keep such books and records with respect to the 2005A Certificates as will be consistent with prudent industry practice and to make such books and records available for inspection by the District, the Trustee, the Liquidity Provider and the 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 the Liquidity Provider as described in “2005A INDENTURE— Notice of 2005A Certificates Delivered for Purchase; Purchase of 2005A Certificates” in this Appendix, specified to be taken by the Tender Agent in the Indenture.

**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 \$50,000,000 and authorized by law to perform all the duties imposed upon it by the Indenture and the Tender Agent Agreement. 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 District, the Trustee, the Remarketing Agent and the 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, the Remarketing Agent and the 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 the Liquidity Facility, any 2005A Certificates and moneys held by it in such capacity to its successor.

**Notice of 2005A Certificates Delivered for
Purchase; Purchase of 2005A Certificates**

As promptly as practicable, the Tender Agent will give telephonic or telecopy notice, promptly confirmed by a written notice, to the Liquidity Provider, the Trustee, the Remarketing Agent and the District specifying the principal amount of 2005A Certificates, if any, as to which it has received notice of tender for purchase as described in "THE 2005 CERTIFICATES—Optional Tenders for Purchase" in the body of this Official Statement. The Tender Agent will determine timely and proper delivery of 2005A Certificates pursuant to the Indenture and the proper endorsement of such 2005A Certificates. Such determination will be binding on the Owners of such 2005A Certificates, the District, the Remarketing Agent, the Trustee and the Liquidity Provider, absent manifest error. The Tender Agent will also give notice as described in "2005A INDENTURE—Remarketing of 2005A Certificates" in this Appendix.

2005A Certificates required to be purchased as described in "THE 2005 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 2005A Certificates are required to be purchased. If the Remarketing Agent has notified the Tender Agent as described in "2005A INDENTURE—Delivery of Purchased 2005A Certificates or Beneficial Ownership Interests and Remarketing of 2005A Liquidity Provider Certificates" in this Appendix that 2005A Certificates or Beneficial Ownership Interests will not be sold by the Remarketing Agent as described in "2005A INDENTURE—Remarketing of 2005A Certificates" in this Appendix and the Liquidity Facility is then in effect, the Tender Agent will give the Liquidity Provider notice in accordance with the requirements of the Liquidity Facility no later than 12:00 noon Eastern Time on the 2005A Certificate Purchase Date of the aggregate purchase price of the 2005A Certificates or Beneficial Ownership Interests tendered or deemed tendered which have not been successfully remarketed. Funds for the payment of such purchase price by the Tender Agent to the Owners of 2005A Certificates will be derived from the following sources in the order of priority indicated:

- (a) the moneys received upon the remarketing of 2005A Certificates to any Person pursuant to the Remarketing Agreement (other than 2005A Certificates sold to the Corporation or the District in violation of "2005A INDENTURE—Remarketing of 2005A Certificates" in this Appendix); and

(b) moneys received by the Tender Agent pursuant to the Liquidity Facility to be applied to pay the purchase price of 2005A Certificates tendered or deemed tendered for purchase which are not successfully remarketed; provided, however, under no circumstances will moneys made available pursuant to the Liquidity Facility be used to purchase any 2005A Liquidity Provider Certificates or any 2005A Certificates owned by the Corporation, the District or any of their affiliates.

The Tender Agent is to establish separate accounts or subaccounts within the Certificate Purchase Fund for each deposit made into the Certificate Purchase Fund so that (i) the Tender Agent may at all times ascertain the date of deposit of the funds in each account or 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 2005A 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 2005A Certificate Purchase Date, provided that such Owner has delivered such 2005A 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 2005A 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 2005A Certificates in trust for the benefit of the former Owners of such 2005A Certificates, who will, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the purchase price of such 2005A Certificates. Any moneys which the Tender Agent will segregate and hold in trust for the payment of the purchase price of any 2005A Certificate and remaining unclaimed for five years after the date of purchase will be transferred to the District after the expiration of five years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be released to the District on such earlier date, on any earlier date designated by the District

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 into the Certificate Purchase Fund by the Tender Agent from time to time the following:

(a) the moneys received upon the remarketing of 2005A Certificates to any Person pursuant to the Remarketing Agreement (other than 2005A Certificates sold to the Corporation or District in violation of “2005A INDENTURE—Remarketing of 2005A Certificates” in this Appendix);

(b) moneys received by the Tender Agent pursuant to the Liquidity Facility to be applied to pay the purchase price of 2005A Certificates tendered or deemed tendered for purchase which are not successfully remarketed; and

(c) moneys received by the Tender Agent from the District to the extent that moneys obtained pursuant to (a) or (b) above are insufficient on any date to pay the purchase price of 2005A Certificates tendered or deemed tendered for purchase which are not successfully remarketed.

Moneys in the Certificate Purchase Fund are to be held in trust exclusively for the payment of the purchase price of 2005A Certificates tendered or deemed tendered for purchase; provided, however,

under no circumstances will moneys made available pursuant to the Liquidity Facility be used to purchase any 2005A Liquidity Provider Certificates or any 2005A Certificates owned by the Corporation, the District or any of their affiliates, and provided further that any excess moneys contained in the Certificate Purchase Fund are to be paid by the Tender Agent to the Liquidity Provider to the extent any amounts are owed to the Liquidity Provider under the Liquidity Facility. Moneys on deposit in the Certificate Purchase Fund will not be invested. Any moneys derived from the Liquidity Facility will not be commingled with any other moneys on deposit in the Certificate Purchase Fund.

Liquidity Facility

The Corporation covenants under the Indenture that at all times when the 2005A Certificates are bearing interest at a Variable Rate, the Corporation will maintain a Liquidity Facility in full force and effect except as otherwise described in “2005A INDENTURE— Liquidity Facility Not Required in Certain Circumstances” in this Appendix. 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 the Liquidity Facility to obtain moneys to pay the purchase price of Tendered 2005A Certificates if and when such 2005A Certificates are tendered and not remarketed. 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 the 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 the Liquidity Facility which could have an adverse effect on the District, the Corporation, the validity of the 2005A Certificates, any Owner or the Trustee.

The Liquidity Facility will be reduced in whole or in part upon the receipt by the Liquidity Provider of a written request from the Tender Agent requesting that a specified amount of the Liquidity Facility be reduced, a copy of which written request is to be provided by the Tender Agent to the Trustee and the District. Unless the requirements as described in “2005A INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix, the Corporation will not consent to a reduction in the Liquidity Facility to an amount less than the principal amount of the 2005A Certificates Outstanding plus interest thereon in an amount equal to not less than (i) 35 days interest on all Outstanding 2005A Certificates if the 2005A Certificates bear interest at the Weekly Rate or the Monthly Rate or (ii) if the 2005A Certificates bear interest at the Term Rate, such number of days of interest on all Outstanding 2005A Certificates as may be required by each Rating Agency then maintaining a rating on the 2005A Certificates to continue its rating, in each case computed at the Maximum Rate.

Prior to the date on which the Outstanding 2005A Certificates bear interest at the Fixed Rate, a Substitute Liquidity Facility may become effective, but only with the consent of the 2005A Certificate Insurer, on any Business Day, which will be a Substitution Date. The Substitution Date will be a date on or before the Stated Termination Date of the Liquidity Facility then in effect. The Corporation will cause a draft of any Substitute Liquidity Facility in substantially final form to be delivered to the Marketing Agent at least 30 days prior to the proposed Substitution Date and is to 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 2005A 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 and the Tender Agent will also receive (i) an opinion of counsel for the Substitute Bank 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, (ii) an opinion of Bond Counsel to the effect that the substitution of the Substitute Liquidity Facility for the Liquidity Facility then in effect will not adversely affect the validity of the 2005A Certificates and (iii) the executed Substitute Liquidity Facility. On any Substitution

Date on which a Substitute Liquidity Facility becomes effective in accordance with the provisions of this caption, but not before such Date, the Tender Agent and the Corporation will consent to the cancellation of the Liquidity Facility then in effect.

Immediate notice will be given by the Tender Agent to the Liquidity Provider, the Corporation, the District, the Trustee and the Remarketing Agent and each Rating Agency if no satisfactory Substitute Liquidity Facility will be furnished to the Tender Agent in accordance with this caption no more than 30 days prior to the Stated Termination Date of the then current Liquidity Facility unless the requirements as described in “2005A INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix are satisfied.

No Substitute Liquidity Facility will become effective if: (i) any 2005A Liquidity Provider Certificates shall then be Outstanding, unless the Substitute Liquidity Facility provides for the purchase of such 2005A Liquidity Provider Certificates by the Liquidity Provider under the Substitute Liquidity Facility; or (ii) any amounts required by the Indenture to be paid to the previous Liquidity Provider as of such date shall not have been so paid.

Upon the Stated Termination Date of the Liquidity Facility, the Tender Agent will, if applicable, return the Liquidity Facility to the Liquidity Provider in accordance with the terms thereof.

Payments under Liquidity Facility

During the term of any Liquidity Facility, the Tender Agent will request the Liquidity Provider under the Liquidity Facility in accordance with the terms thereof to pay when due the purchase price of 2005A Certificates tendered or deemed tendered for purchase to the extent moneys as described in “2005A INDENTURE—Certificate Purchase Fund” in this Appendix are not available therefor. Notwithstanding any provision to the contrary which may be contained in the Indenture, (a) in computing the amount to be requested under the Liquidity Facility on account of the payment of the purchase price of 2005A Certificates tendered or deemed tendered for purchase, the Tender Agent will exclude any such amounts in respect of any 2005A Certificates which are known by the Tender Agent to be 2005A Liquidity Provider Certificates or any 2005A Certificates that are known by the Tender Agent to be owned by or on behalf of the Corporation, the District, or any of their affiliates or guarantors on the date such payment is due, and (b) the Liquidity Provider will not pay the purchase price of 2005A Certificates tendered or deemed tendered for purchase which are 2005A Liquidity Provider Certificates or 2005A Certificates owned by or on behalf of the Corporation or the District on the date such payment is due.

Liquidity Facility Not Required in Certain Circumstances

The 2005A Certificates bearing interest at a Variable Rate are not required to have the benefit of a Liquidity Facility if, prior to the Stated Termination Date of the Liquidity Facility then in effect, there is delivered to the District and the Trustee: (i) an opinion of Bond Counsel to the effect that the expiration or termination of the Liquidity Facility then in effect will not adversely affect the validity or enforceability of the 2005A Certificates in accordance with their terms; (ii) written evidence from each Rating Agency then maintaining a rating on the 2005A Certificates that the short term rating on the 2005A Certificates following the expiration or termination of the Liquidity Facility will not be reduced or withdrawn from such rating on the 2005A Certificates immediately prior to such expiration or termination; and (iii) written consent of the 2005A Certificate Insurer 2005A Certificates bearing interest at the Fixed Interest Rate will not be required to have the benefit of a Liquidity Facility.

Upon satisfaction of the requirements described in the immediately preceding paragraph in this caption, the Liquidity Facility then in effect will be cancelled on the date specified by the District and all 2005A Certificates will be subject to mandatory purchase as described in “THE 2005 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender Upon Stated Termination Date of Liquidity Facility” in the body of this Official Statement. Thereafter, all 2005A Certificates may be remarketed by the Remarketing Agent pursuant to the Remarketing Agreement without the benefit of a Liquidity Facility until such time, if any, as the 2005A Certificates are thereafter entitled to the benefits of a Liquidity Facility as described in “2005A INDENTURE—Liquidity Facility” in this Appendix, but only if there is delivered to the District, the Trustee and the Remarketing Agent an opinion of Bond Counsel to the effect that the execution and delivery of the Liquidity Facility will not adversely affect the validity or enforceability of the 2005A Certificates in accordance with their terms. If at any time when 2005A Certificates are bearing interest at a variable Rate no Liquidity Facility is required for the 2005A Certificates, the Trustee will affix a legend on the face of each 2005A Certificate authenticated on or after the date on which a Liquidity Facility is no longer required in substantially the following form: “A Liquidity Facility is not required with respect to this 2005A Certificate.”

Supplemental Indentures Not Requiring Consent of Owners

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

- (a) to add to the covenants and agreements of the Corporation contained in the Indenture other covenants and agreements to be thereafter observed by the Corporation;
- (b) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if such provisions are necessary or desirable and do not 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 Surety Bond subsequent to the issuance of the 2005A Certificates;
- (f) to implement a conversion of the interest rate on the 2005A Certificates to a Fixed Interest Rate or a Variable Rate, including but not limited to modifying, amending or supplementing the form of 2005A Certificate to reflect, among other things, a change in the designated title of the 2005A Certificates, the fixing of an annual rate of interest, the termination of the rights of any Owner to tender such 2005A Certificates for purchase and the fact that the purchase price of the 2005A Certificates is no longer payable out of moneys drawn under the Liquidity Facility;

(g) in connection with the provision of a Substitute Liquidity Facility pursuant to the provisions of the Indenture;

(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 “2005A INDENTURE—Supplemental Indentures Requiring Consent of Owners” in this Appendix;

(i) to provide for the appointment of a new Remarketing Agent or, Tender Agent; or

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

Supplemental Indentures Requiring Consent of Owners

Exclusive of Supplemental Indentures described under the immediately preceding caption, the written consent of the Owners of not less than a majority in aggregate principal amount of the Certificates 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, or, with respect

to the matters specified in paragraphs (a) through (d) of the immediately preceding paragraph, 100%, in aggregate principal amount of the 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 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 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 2005A Leased Property or to add additional or substituted improvements or properties acquired in accordance with the Lease;
- (d) in order to provide for the acquisition, construction or installation of additional property under the Lease;
- (e) in connection with the issuance of Additional Certificates, including Additional Certificates issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof and Additional Certificates which by their terms appreciate in value to a stated face amount at maturity;
- (f) in connection with any Supplemental Indenture permitted as described in “2005A INDENTURE—Supplemental Indentures Not Requiring Consent of Owners” and “2005A INDENTURE—Supplemental Indentures Requiring Consent of Owners” in this Appendix;
- (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 “2005A 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 any similar lease or agreement relating to any other Project; or

(i) to effect any other changes in the Lease or any Project Document which, in the opinion of Bond Counsel, do not materially adversely affect the rights of the Owners.

Amendments 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 “2005A 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 “2005A 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.

Consent of Liquidity Provider, Hedge Provider and Certificate Fund Investment Provider

Subject to the provisions set forth as described in “2005A INDENTURE—References to Liquidity Provider, Remarketing Agent and Hedge Provider” in this Appendix, a Supplemental Indenture or amendment 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 execution and delivery of such supplemental or amendatory Indenture. The Trustee shall cause notice of the proposed execution and delivery of any supplemental or amendatory Indenture, together with a copy of the proposed supplemental or amendatory Indenture 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 of any such supplemental or amendatory Indenture

Discharge of Indenture

If, when the Certificates secured by the Indenture shall become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Indenture, including sums to be paid to the 2005A Certificate Insurer pursuant to the 2005A Certificate Insurer and the Indenture and to the Custodian, any Liquidity Provider, any Hedge Provider, the Certificate Fund Investment Provider, the Trustee, the Remarketing Agent and the Tender Agent pursuant to the provisions of the Indenture and the Custodial Agreement, any Liquidity Facility, any Hedge Facility, the Certificate Fund Investment Agreement, the Remarketing Agreement and the Tender Agent 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, the 2005A Certificate Insurer, any such

Liquidity Provider, any such Hedge Provider, the Custodian, the Certificate Fund Investment Provider, the Remarketing Agent and the Tender Agent will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee is to 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 is to execute such documents as may be reasonably required by the Corporation and is to 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 caption. 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 are to be paid, but any other amounts due to any of the 2005A Certificate Insurer, the Certificate Fund Investment Provider, any Liquidity Provider, any Hedge Provider, the Trustee, the Custodian, the Remarketing 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 will 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 the 2005A Certificate Insurer, the Certificate Fund Investment Provider, any such Liquidity Provider, any such Hedge Provider, the Trustee, the Custodian, the Remarketing Agent and the Tender Agent will continue for the benefit of the 2005A Certificate Insurer, any such Liquidity Provider, any such Hedge Provider, the Trustee, the Custodian, the Remarketing 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 “2005A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005A INDENTURE—Mandatory Sinking Fund Redemption of 2005A Certificates” in this Appendix, (ii) there shall have been deposited in trust either Available Moneys in an amount which will be sufficient, or Defeasance Securities purchased with Available Moneys which do not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, will be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the redemption date or maturity date thereof, as the case may be and (iii) a certified public accountant shall have delivered a verification report verifying the sufficiency of the deposit described in clause (ii) above. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this caption or principal or interest payments on any such Defeasance Securities may be withdrawn or used for any purpose other than, and are to be held in trust for, the payment of the principal of and interest on said Certificates; provided any cash received from such principal or interest payments on such Defeasance Securities deposited in trust, if not then needed for such purpose, is to, to the extent practicable, be reinvested in Defeasance Securities of the type described in clause (ii) of this subsection

maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Certificates on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificates will be deemed paid as aforesaid, such Certificates will no longer be secured by or entitled to the benefits of the Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

Prior to any discharge of the Indenture pursuant to this caption or the defeasance of any Certificates pursuant to this caption becoming effective, there shall have been delivered to the Corporation and the Trustee an opinion of Bond Counsel, addressed to the Corporation and the Trustee, to the effect that all requirements of the Indenture for such defeasance have been complied with.

In the event that there is a defeasance of only part of the Certificates of any 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 defeated, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates.

A 2005A Certificate bearing interest at a Variable Rate will be deemed to be paid within the meaning of this caption only if (i) the District has deposited with the Trustee or other Trust Bank the amounts required by the second paragraph of 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 the 2005A Certificates cannot be determined), (ii) (A) such 2005A Certificate is called for redemption on or prior to the next date upon which such 2005A Certificate is subject to purchase as described in "THE 2005 CERTIFICATES—Optional Tenders for Purchase" and "—Mandatory Tenders for Purchase" in the body of this Official Statement, or (B) the Trustee and the District receive evidence from independent certified public accountants satisfactory to the Trustee that the moneys and Federal Securities deposited with the Trustee or other Trust Bank pursuant to this caption are in an amount sufficient to pay the purchase price of the 2005A Certificates which may be tendered for purchase as described in "THE 2005 CERTIFICATES—Optional Tenders for Purchase" and "—Mandatory Tenders for Purchase" in the body of this Official Statement during the period prior to payment in full of the principal of, premium, if any, and interest on such 2005A Certificates, in which case the 2005A Certificates purchased with the moneys deposited with the Trustee or other Trust Bank will be canceled; and (iii) the District waives, to the satisfaction of the Trustee, its right to convert the method for determining the interest rate borne by such 2005A Certificate as described in "2005A INDENTURE—Reserve Fund" in this Appendix and a verification report delivered by independent certified accountants confirms that the moneys and Federal Securities deposited with the Trustee or other Trust Bank for such purpose pursuant to and subject to the provisions of this caption will be sufficient to pay in full (in addition to the principal of such 2005A Certificates) all interest which may accrue on such 2005A Certificate until its final payment. 2005A Liquidity Provider Certificates are not to be advance refunded pursuant to this caption of the Indenture without the consent of the 2005A Liquidity Provider.

References to Liquidity Provider, Remarketing Agent and Hedge Provider

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, the Certificates do not bear interest at the Fixed Rate and a Liquidity Facility is required to be in effect as described in "2005A INDENTURE—Liquidity Facility" in this Appendix. References in the Indenture to the 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.

Rights of 2005A Certificate Insurer

Each Owner of a 2005A Certificate, by its purchase of such 2005A Certificate, grants to the 2005A Certificate Insurer all the rights and privileges described under this caption as a condition to, and in consideration for, the 2005A Certificate Insurer's delivery of the 2005A Certificate Insurance Policy.

Notwithstanding any other provision of the Indenture or of the Lease, so long as the 2005A Certificates are Outstanding and the 2005A Certificate Insurer is not in payment default under the 2005A Certificate Insurance Policy:

(i) the 2005A Certificate Insurer will be deemed to be the Owner of each 2005A Certificate for the purpose of exercising all rights of such Owner other than (A) except as otherwise described under this caption, the right to receipt of payments of principal of, premium, if any, and interest on such 2005A Certificate and (B) the right to consent with respect to such Certificate to a Supplemental Indenture executed to amend the Indenture in any way described in clauses (i) through (v) under the caption "2005A INDENTURE—Supplemental Indentures Requiring Consent of Owners" in this Appendix;

(ii) there is to be no acceleration of the payment obligations of the District under the Lease or of the Corporation under the Indenture without the consent of the 2005A Certificate Insurer.

To the extent that the Indenture confers upon or gives or grants to the 2005A Certificate Insurer any right, remedy or claim under or by reason of the Indenture, the 2005A Certificate Insurer is explicitly recognized by the Indenture as being a third-party beneficiary under the Indenture and may enforce any such right, remedy or claim conferred, given or granted under the Indenture.

Notwithstanding any other provision of the Indenture, any provision of the Indenture expressly recognizing or granting rights in or to the 2005A Certificate Insurer may not be amended in any manner which affects the rights of the 2005A Certificate Insurer under the Indenture without the prior written consent of the 2005A Certificate Insurer.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the 2005A Certificates shall be paid by the 2005A Certificate Insurer pursuant to the 2005A Certificate Insurance Policy, the 2005A Certificates will remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Corporation to the Owners will continue to exist and will run to the benefit of the 2005A Certificate Insurer, and the 2005A Certificate Insurer will be subrogated to the rights of such Owners.

The 2005A Certificate Insurer reserves the right to charge the Corporation or the District a reasonable fee for any consent to or amendment of the Indenture while the 2005A Certificate Insurance Policy is outstanding.

After the 2005A Certificates are no longer Outstanding and at any time the 2005A Certificate Insurer is in payment default under the 2005A Certificate Insurance Policy, all references in the Indenture to the 2005A Certificate Insurer will be ineffective.

**Payment Procedure Pursuant to 2005A
Certificate Insurance Policy**

(a) At least one day prior to each Interest Payment Date, the Trustee is to determine whether there will be sufficient funds in the Certificate Fund to pay the principal of or interest on the Series 2005A Certificates on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in such accounts, the Trustee is to so notify the 2005A Certificate Insurer. Such notice is to specify the amount of the anticipated deficiency, the Series 2005A Certificates to which such deficiency is applicable and whether such Series 2005A Certificates will be deficient as to principal or interest, or both. If the Trustee has not so notified the 2005A Certificate Insurer at least one day prior to an Interest Payment Date, the 2005A Certificate Insurer will make payments of principal or interest due on the Series 2005A Certificates on or before the first day next following the date on which the 2005A Certificate Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee is to, after giving notice to the 2005A Certificate Insurer as described in paragraph (a) under this caption, make available to the 2005A Certificate Insurer and, at the 2005A Certificate Insurer's direction, to the United States Trust Company of New York, as insurance trustee for the 2005A Certificate Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books relating to the Series 2005A Certificates maintained by the Trustee and all records relating to the funds and accounts maintained under the Indenture and any amendment to the Indenture.

(c) The Trustee is to provide the 2005A Certificate Insurer and the Insurance Trustee with a list of the Owners of Series 2005A Certificates entitled to receive principal or interest payments from the 2005A Certificate Insurer under the terms of the Certificate Insurance Policy, and is to make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of Series 2005A Certificates entitled to receive full or partial interest payments from the 2005A Certificate Insurer and (ii) to pay principal upon Series 2005A Certificates surrendered to the Insurance Trustee by the Owners of Series 2005A Certificates entitled to receive full or partial principal payments from the 2005A Certificate Insurer.

(d) The Trustee is to, at the time it provides notice to the 2005A Certificate Insurer pursuant to paragraph (a) under this caption, notify the Owners of Series 2005A Certificates entitled to receive the payment of principal or interest thereon from the 2005A Certificate Insurer (i) as to the fact of such entitlement; (ii) that the 2005A Certificate Insurer will remit to them all or a part of the interest payments next coming due upon proof of an Owner's entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment; (iii) that should they be entitled to receive full payment of principal from the 2005A Certificate Insurer, they must surrender their Series 2005A Certificates (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 2005A Certificates to be registered in the name of the 2005A Certificate Insurer) for payment to the Insurance Trustee, and not the Trustee; and (iv) that should they be entitled to receive partial payment of principal from the 2005A Certificate Insurer, they must surrender their Series 2005A Certificates for payment thereon first to the Trustee, who is to note on such Series 2005A Certificates the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal or interest on an Series 2005A Certificate which has become Due for Payment (as defined in the Certificate Insurance Policy) and which is made to an Owner by or on behalf of the Corporation has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee is to, at the time the 2005A Certificate Insurer is notified as described in paragraph (a) under this caption, notify all Owners of Series 2005A Certificates that, in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from the 2005A Certificate Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee is to furnish to the 2005A Certificate Insurer its records evidencing the payments of principal of and interest on the Series 2005A Certificates which have been made by the Trustee and subsequently recovered from Owners and the dates on which such payments were made.

(f) In addition to those rights granted the 2005A Certificate Insurer under the Indenture, the 2005A Certificate Insurer will, to the extent it makes payment of principal of or interest on Series 2005A Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Certificate Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee is to note the 2005A Certificate Insurer's rights as subrogee on the registration books relating to the Series 2005A Certificates maintained by the Trustee upon receipt from the 2005A Certificate Insurer of proof of the payment of interest thereon to the Owners of the Series 2005A Certificates, and (ii) in the case of subrogation as to claims for past due principal, the Trustee is to note the 2005A Certificate Insurer's rights as subrogee on the registration books relating to the Series 2005A Certificates maintained by the Trustee upon surrender of the Series 2005A Certificates by the Owners thereof together with proof of the payment of principal thereof.

Payment Procedure Pursuant to the 2005A Reserve Fund Surety Bond.

As long as the 2005A Reserve Fund Surety Bond shall be in full force and effect, the Trustee agrees in the Indenture to comply with the following provisions:

(a) In the event and to the extent that moneys on deposit in the Certificate Fund, plus all cash and Permitted Investments on deposit in and credited to the Reserve Fund securing the 2005A Certificates in excess of the amount of the 2005A Reserve Fund Surety Bond, are insufficient to pay the amount of principal and interest coming due on the 2005A Certificates, then, upon the later of (i) one (1) day after receipt by the General Counsel of the 2005A Certificate Insurer of a demand for payment in the form attached to the 2005A Surety Bond as Attachment 1 (the "Demand for Payment"), duly executed by the Trustee certifying that the payment due under the Lease has not been made to the Trustee, or (ii) the payment date of the 2005A Certificates as specified in the Demand for Payment presented by the Trustee to the General Counsel of the 2005A Certificate Insurer, the 2005A Certificate Insurer will make a deposit of funds in an account with the Trustee or its successor, in New York, New York, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee under the Lease (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the 2005A Reserve Fund Surety Bond; provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the 2005A Reserve Fund Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional

Funding Instrument”), draws on the 2005A Reserve Fund Surety Bond and the Additional Funding Instrument is to be made on a pro rata basis to fund the insufficiency.

(b) The Trustee is to, after submitting to the 2005A Certificate Insurer the Demand for Payment as provided in (a) above, make available to the 2005A Certificate Insurer all records relating to the funds and accounts maintained under the Indenture.

(c) The Trustee is to, upon receipt of moneys received from the draw on the 2005A Reserve Fund Surety Bond, as specified in the Demand for Payment, credit the Reserve Fund to the extent of moneys received pursuant to such Demand for Payment.

(d) The Reserve Fund is to be replenished in the following priority: (i) principal and interest on the Reserve Fund Surety Bond and on any Additional Funding Instrument are to be paid from Base Rentals, as provided in the Lease, on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the 2005A Reserve Fund Surety Bond and any Additional Funding Instrument are to be deposited from Additional Rentals, as provided in the Lease.

Notices to S&P and Moody's

Upon the happening of any of the following events, 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 2005A Certificates; (c) conversion of the 2005A Certificates to a Term Rate Interest Rate Mode or the Fixed Rate Interest Rate Mode (or any other Interest Rate Modes not covered by the 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, Tender Agent or Remarketing Agent pursuant to the Indenture; (f) defeasance of any Certificates as described in “2005A 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 Trustee 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.

2005A LEASE

The District will lease the 2005A Leased Property from the Corporation pursuant to the 2005A Lease. This section contains a brief summary of some of the principal terms of the 2005A Lease.

Definitions

The following capitalized terms will have the following meanings in the summary of the 2005A Lease in this Appendix:

“*Additional Certificates*” is defined in “2005A 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 the Reserve Fund as described in “2005A 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 “2005A 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 2005A 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.

“*Base Rentals*” means the payments by the District as described in “2005A 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 “2005A INDENTURE—2005A Certificate Details” in this Appendix.

“*Board*” means the Board of Education of the District.

“*Business Day*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Certificate Fund*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Certificate Fund Investment Agreement*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Certificate Fund Investment Provider*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Certificates*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Corporation*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Corporation Representative*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Cost-of-Funds Swap*” is defined in “2005A 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 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 “2005A LEASE—Events of Default Defined—Events of Default” in this Appendix.

“Event of Nonappropriation” means an event as described in “2005A LEASE—Event of Nonappropriation” in this Appendix.

“Fee Retention Fund” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“Fiscal Year” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“Fixed Rate” is defined in “2005A 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.

“Hedge Facility” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“Hedge Provider” is defined in “2005A 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 “2005A LEASE—Modification and Substitution of Leased Property” or “2005A 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 “2005A LEASE—Release of Portions of the Leased Property” in this Appendix.

“Indenture” is defined in “2005A 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, 2005.

“Interest Payment Date” or *“Interest Payment Dates”* is defined in “2005A 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 “2005A 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 “2005A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005A INDENTURE—Definitions” in this Appendix.

“Lease Term” has the meaning as set forth in “2005A LEASE—Lease Term” in this Appendix.

“Leased Property” means the Land and the Improvements.

“Liquidity Facility” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“Liquidity Provider” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“Maximum Liquidity Provider Rate” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“Moody’s” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“Net Proceeds” means (a) the gross proceeds received from any event as described in “2005A 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” means, with respect to any period for which Base Rentals are paid, the amount by which any Regularly Scheduled Hedge Payments required to be paid by the Corporation to a Hedge Provider during such period exceeds the amount of Regularly Scheduled Hedge Payments required to be paid by the Hedge Provider to the Corporation for such period.

“Outstanding” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“Owner” is defined in “2005A 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 “2005A LEASE—Limitations on Disposition of and Encumbrances on Leased Property” in this Appendix; (b) the Lease and the Indenture; (c) easements, licenses, rights-of-way, rights and privileges, restrictions and exceptions which the District Representative certifies will not materially adversely affect the value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted as described in “2005A 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; (f) any claim filed pursuant to C.R.S. § 38-26-107; (g) any applicable zoning requirements; and

(h) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, in the opinion of the Corporation, materially impair title to the Leased Property.

“*Person*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Project*” is defined as the “2005A Project” in “2005A INDENTURE—Definitions” in this Appendix.

“*Purchase Option Price*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Qualified Reserve Fund Surety Bond*” means a surety bond issued by an insurance company rated in the highest rating category by S&P and Moody’s.

“*Regularly Scheduled Hedge Payments*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Regularly Scheduled Liquidity Commitment Fees*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Remarketing Agent*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Remarketing Agreement*” is defined in “2005A 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 “2005A INDENTURE—Definitions” in this Appendix.

“*Reserve Fund*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*S&P*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Scheduled Lease Term*” means the period from the commencement of the Lease Term as described in “2005A LEASE—Lease Term” in this Appendix.

“*State*” means the State of Colorado.

“*Tender Agent*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Tender Agent Agreement*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Trust Estate*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*Trustee*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*2005A Certificate Insurance Policy*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“*2005A Certificate Insurer*” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“2005A Reserve Fund Surety Bond Guaranty Agreement” is defined in “2005A INDENTURE—Definitions” in this Appendix.

“Variable Rate” is defined in “2005A 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) The Lease is 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 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 March 24, 2005 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) The Lease is enforceable against the District 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 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 the Leased Property to the District 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, 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.

Termination of the Lease

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 "2005A 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 "2005A LEASE—District's Purchase Option; or (d) termination of the Lease following an Event of Default in accordance with provisions as described in "2005A 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 designee, 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 2005 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; provided, however, that, if any amount is appropriated by the Board in a supplemental appropriation as described in "2005A 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 the Corporation 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), (ii) earnings from the investment of moneys in the Certificate Fund, (iii) Net Regularly Scheduled Hedge Payments received by the Corporation from the Hedge Provider or expected to be received by the Corporation from the Hedge Provider 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. 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; (ii) interest due on the Certificates in such Fiscal Year; (iii) the Net Regularly Scheduled Hedge Payments with respect to such Certificates due in such Fiscal Year; (iv) the Regularly Scheduled Liquidity Commitment Fees due in such Fiscal Year; (v) the regularly scheduled fees of the Remarketing Agent under the Remarketing Agreement for such Fiscal Year; (vi) the regularly scheduled fees of the Tender Agent under the Tender Agent Agreement 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) any amounts payable by the Corporation to the 2005A Certificate Insurer pursuant to Article II of the 2005A Reserve Fund Surety Bond Guaranty Agreement to reimburse the 2005A Certificate Insurer for any draws upon the 2005A Reserve Fund Surety Bond (including any interest on the amount of such draws as set forth in such Article II). 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 as described in “THE 2005 CERTIFICATES—Calculation of Interest—Notice of Interest Rate and Base Rentals” in the body of this Official Statement may specify a different amount for each such component. Upon receipt by the Trustee of each payment of Base Rentals, the Trustee is to 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 2005 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, 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 2005 CERTIFICATES—Calculation of Interest—Notice of Interest Rate and Base Rentals” in the body of this Official Statement, 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 in this subsection (b) are to be deposited in the Fee Retention Fund.

The Base Rentals set forth in Exhibit C to the Lease are to be recalculated 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 2005A Certificates becoming Liquidity Provider 2005A Certificates, so as to provide for payment of such Liquidity Provider 2005A Certificates pursuant to provisions as described in “2005A INDENTURE—2005A Certificate Details” in this Appendix.

Payment of Additional Rentals

The District will, subject to limitations described in the second paragraph under “2005A LEASE—Taxes, Utilities and Insurance” in this Appendix and the second paragraph under “2005A 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 as described in “2005A 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 “2005A LEASE—Taxes, Utilities and Insurance” in this Appendix and the second paragraph under “2005A 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 not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the District and the Corporation or between the District or the Corporation and any other Person relating to the Leased Property, the District will, during the Lease Term, make all payments of Base Rentals and Additional Rentals when due; the District will not withhold any Base Rentals or Additional Rentals payable during the Lease Term pending final resolution of such dispute and will not assert any right of set-off or counter-claim against its obligation to pay Base Rentals or Additional Rentals, provided, however, that the making of any Base Rental or Additional Rental payment will not constitute a waiver by the District of any rights, claims or defenses which the District may assert; and no action or inaction on the part of the Corporation will affect the District's obligation to pay Base Rentals or Additional Rentals during the Lease Term.

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 next ensuing Fiscal Year (net of any amount for which a credit exists as described in "2005A LEASE—Payment of Base Rentals" in this Appendix), 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 "2005A 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 Fixed Rate or 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 "2005A LEASE—Payment of Base Rentals" in this Appendix;

(2) with respect to any Base Rentals relating to 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 "2005A LEASE—Payment of Base Rentals" in this Appendix;

(3) with respect to any Base Rentals relating to 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 "2005A LEASE—Payment of Base Rentals" in this Appendix, plus 15 basis points, but not in excess of the Maximum Bank Rate;

(4) with respect to any Base Rentals relating to 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) the application of the average of the rate that would have been borne under the formula rate set forth in the Liquidity Facility 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 Bank 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 Bank Rate; and

(C) the amounts payable as the components of Base Rentals as described in the second paragraph under “2005A 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; less

(iii) the amount of credits described in the first paragraph under “2005A LEASE—Payment of Base Rentals” in this Appendix during such Fiscal Year which are estimated to be available for 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, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rentals scheduled to be paid and all Additional Rentals estimated to be payable in the next ensuing Fiscal Year, as set forth above under this caption;

(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 Reserve Fund, the District has (X) failed, for any reason, to adopt a

supplemental appropriation for such amount and (Y) actually failed to pay such actual interest due; or

(iii) if:

(A) an event described in the first paragraph of "2005A 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 "2005A 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 "2005A 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 waive any such failure to appropriate under paragraph (b) under this caption which is cured by the District within a reasonable time.

(d) In the event that the District shall determine to exercise its annual right to not renew the Lease for the next succeeding Fiscal Year, the District is to give written notice to such effect to the Corporation and the Trustee 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 determination or to review 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 elect not to renew 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 will apply to 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.

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 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 notifies the District that, in the opinion of Independent Counsel, whose fees and expenses will be paid by the District from Additional Rentals appropriated for the Fiscal Year in which such fees and expenses are due, by nonpayment of any such item the interest of the Corporation in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge 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 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 or may be provided 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, (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 or the Trustee without first giving written notice thereof to the District and the Trustee at least 10 days in advance of such cancellation or modification; (6) a copy of each such insurance policy, or of each certificate evidencing such policy, is to be delivered to the District, the Trustee and the 2005A Certificate Insurer prior to the issuance of the 2005A Certificates, a certificate evidencing the continuation of such insurance will be provided to the 2005A Certificate Insurer annually following the issuance of the 2005A Certificates and copies of new insurance policies are to be provided to the 2005A Certificate Insurer within 30 days of purchase or renewal; (7) 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 (8), to the extent commercially reasonable, each such insurance policy is to be provided by a commercial insurer rated "A" by A.M. Best or in one of two highest rating categories of S&P and Moody's; and

If the insurance is provided through a self-insurance program maintained by the District: (a) an independent insurance consultant will initially and annually certify to the Corporation and the 2005A Certificate Insurer that (1) the reserves supporting such self-insurance program are held by an independent custodian and are adequate for the purposes of such program and (2) such self-insurance program is maintained on an actuarially sound basis.

In the event the self-insurance program is discontinued, the actuarial soundness of the program must be maintained.

The District will cause an insurance consultant, which may be the person providing the insurance, 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 thereonto 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 "2005A LEASE—Modification of Leased Property" and "—Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property" in this Appendix.

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 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 notifies the District 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 in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item will be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge will not constitute a waiver by the District of the right to continue to contest such item. At the request of the District, the Corporation will cooperate fully with the District in any such contest.

Granting of Easements

As long as no Event of Nonappropriation or Event of Default has happened and is continuing, the Corporation will, at the request of the District:

(a) consent to the grant of easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the real property included in the Leased Property, free from the Lease and any security interest or other encumbrance created under the Lease or 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, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the District Representative requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Subleasing by District

The District may, subject to the limitations described in “2005A 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, provided that the following conditions are satisfied for any sublease, grant or use pursuant to clause (ii):

(a) the Lease, and the obligations of the District thereunder, will remain obligations of the District, and the District will maintain its direct relationship with the Corporation, notwithstanding any such sublease, grant or use;

(b) if the sublease, grant or use is either (i) with respect to all the Leased Property or (ii) makes it impossible or impractical for the District to use any substantial portion of the Leased Property for educational purposes for any substantial period of time, the Corporation consents to such sublease, grant or use, which consent is not to be unreasonably withheld; and

(c) the 2005A Certificate Insurer consents to such sublease, grant or use in advance.

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 and (B) will become part of the Leased Property; (ii) the value of the Leased Property after such remodeling, modifications and additions will be at least as great as the value of the Leased Property prior thereto; provided that if the value thereof is materially higher than prior thereto, the District will have received an opinion of Bond Counsel approving such additions, modifications or improvements; 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 the written consent of the 2005A Certificate Insurer, whish consent will not be unreasonably withheld by the 2005A Certificate if it has received the following and the same are reasonably acceptable to it: (i) a written request of the District Representative for such release, describing the portion of the Leased Property to be released; (ii) a certificate of the District that the replacement cost, as determined by the Colorado School Districts Self-Insurance Pool, of the improvements and equipment, if any, included in the property to be substituted for the Leased Property or portion thereof to be released and a market estimate of the value of the land, if any, to be included in such property, demonstrating that the value of such property is at least equal to that of the property released; (B) a certificate of useful life demonstrating that the useful life of the substituted property meets or exceeds the remaining term of the Certificates; (C) a certification that the essentiality of the substituted property is comparable to that of the released property; (D) an opinion from Bond Counsel regarding the State law consequences of the substitution acceptable to the 2005A Certificate Insurer; (E) a certification from the District that there are no prior liens on the substituted property; and (F) a title insurance policy covering the substituted property and a certification from the District that the release of the released property and substitution of the substituted property will not affect the existing title insurance on the Leased Property.

Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property

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 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 may elect either:

(i) to use the Net Proceeds promptly to repair, restore, modify or improve or replace the Leased Property (or portion thereof) with property of a value equal to or in excess of the value of the Leased Property (or applicable portion thereof), and pay (subject to the nonappropriation provisions of 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 clause (i) 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 and the Trustee.

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 all amounts payable by the Corporation to the Liquidity Provider under the Liquidity Facility, all amounts payable by the Corporation to the Hedge Provider under the Hedge Facility, all amounts payable by the Corporation to the Custodian pursuant to the Custodial Agreement, all amounts payable by the Corporation to the 2005A Certificate Insurer under the Indenture and the 2005A Reserve Fund Surety Bond Guaranty 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 amount then on deposit in the Reserve Fund, or (b) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates attributable to the condemned property to the first date on which the Certificates are subject to redemption under the Indenture, 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 all amounts payable by the Corporation to the Liquidity Provider under the Liquidity Facility, all amounts payable by the Corporation to the Hedge Provider under the Hedge Facility, all amounts payable by the Corporation to the Custodian pursuant to the Custodial Agreement, all amounts payable by the Corporation to the 2005A Certificate Insurer under the Indenture and the 2005A Reserve Fund Surety Bond Guaranty 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 amount then on deposit in the Reserve Fund.

Personal Property of District

The District, at its own expense, may install equipment and other personal property in or on the Leased Property, which equipment or other personal property will not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

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 pay all the Outstanding Certificates at maturity, to redeem all the Outstanding Certificates in accordance with the redemption provisions of the Indenture or to defease all the Outstanding Certificates in accordance with the defeasance provisions of the Indenture, (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 all amounts payable by the Corporation to the Liquidity Provider under the Liquidity Facility, all amounts payable by the Corporation to the Hedge Provider under the Hedge Facility, all amounts payable by the Corporation to the Custodian pursuant to the Custodial Agreement, all amounts payable by the Corporation to the 2005A Certificate Insurer under the Indenture and the 2005A Reserve Fund Surety Bond Guaranty 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 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 and (ii) paying the Purchase Option Price to the Corporation in immediately available funds on the closing date.

At the closing of any purchase of the Leased Property pursuant to the District's exercise of its purchase option, the Corporation 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 "2005A 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 "2005A 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 “2005A 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.

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 “2005A 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 is not to 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 “2005A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005A INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005A Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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, leaching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Participation in Legal Actions

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 "2005A INDENTURE—Reserve Fund" in this Appendix to be deposited into the Reserve Fund or to be repaid by the Corporation to the provider of any Qualified Reserve Fund Surety Bond after a draw upon such Qualified Reserve Fund Surety Bond within 30 days after the beginning of the next succeeding Fiscal Year after any Fiscal Year in which a deficiency therein shall occur or such a draw shall have been made, as further described in the Indenture; provided that such amounts are not to be paid as Additional Rentals to the extent such amounts are required to be included in the calculation of Base Rentals pursuant to provisions as described in "2005A LEASE—Payment of Base Rentals" in this Appendix.

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.

Events of Default Defined

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

- (a) Failure by the District to pay any specifically appropriated Base Rentals to the Corporation on or before the applicable Base Rental Payment Date; provided, however, that a failure by the District to pay Base Rentals on the applicable Base Rental Payment Date will not

constitute an Event of Default if such payment is received by the Corporation within five days following such Base Rental Payment Date;

(b) Failure by the District to pay any Additional Rental for which funds have been specifically appropriated when due, or if such Additional Rental is payable to a Person other than the Corporation, the Trustee, the Bank, the Remarketing Agent, the 2005A Certificate Insurer or the Trustee, and nonpayment thereof has, or may have, a material adverse effect upon the Leased Property or the interest of the Trustee in the Leased Property;

(c) Failure by the District to vacate the real property included in the Leased Property within 90 days following an Event of Nonappropriation as described in "Termination of the Lease" above in this section;

(d) Any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the District in all or any portion of the Lease or the Leased Property or any succession to all of any portion of the interest of the District in the Leased Property in violation of the provisions of the Lease described in "THE LEASE—Transfer of District's Interest in Lease and Leased Property Prohibited" in 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, unless the Corporation shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Corporation 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.

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 "2005A LEASE—Termination of the Lease" 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, with the consent of the 2005A Certificate Insurer, take one or any combination of the following remedial steps:

- (a) Terminate the Lease Term and give notice to the District to immediately vacate the real property included in the Leased Property, in the manner described in “2005A LEASE—Termination of the Lease” in this Appendix;
- (b) Sell or lease its interest in all or any portion of the Leased Property;
- (c) Recover from the District: (i) the portion of Base Rentals and Additional Rentals payable as described in “2005A LEASE—Termination of the Lease” 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; 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 “2005A LEASE—Limitations on Obligations of the District” in this Appendix and the limitations on the obligations of the Corporation described in “2005A 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, 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 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 “2005A 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, hold its interest in the Leased Property and its rights, title and interest in, to and under the Lease (other than the Corporation’s rights to payment of its fees and expenses and the rights of third parties to Additional Rentals payable to them) in trust for the benefit of the Owners and the other Persons to whom amounts are payable as a component of Base Rentals under the Lease, and, on a basis subordinate in all respects thereto as described in the Indenture, for the benefit of the Trustee, the Remarketing Agent, the Tender 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 “2005A 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 of the Purchase Option Price or all Base Rentals scheduled to be paid through the end of the Scheduled Lease Term, together with all other amounts required to be paid as a condition of such conveyance pursuant to the Lease, and the payment or defeasance of all the Certificates in accordance with 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 2005A Certificate Insurer

Notwithstanding any other provision of the Lease or of the Indenture, the 2005A Certificate Insurer will be deemed to be the Owner of each 2005A Certificate for the purpose of exercising all rights of such Owner other than as described in “2005A INDENTURE—Rights of 2005A Certificate Insurer” in this Appendix.

Notwithstanding any other provision of the Lease, this caption, all other provisions of the Lease included for the benefit of the 2005A Certificate Insurer and all references in the Lease to the 2005A Certificate Insurer and the 2005A Certificate Insurance Policy will be ineffective (a) when no 2005A Certificates are Outstanding and (b) following a failure by the 2005A Certificate Insurer to pay the principal of or interest on any 2005A Certificate pursuant to the 2005A Certificate Insurance Policy.

References to Liquidity Provider

References in the Lease and in the Indenture to the Liquidity Provider will be effective only so long as the Liquidity Provider has not defaulted under its obligations under the Liquidity Facility and not all of the Certificates bear interest at a Fixed Rate.

2005B INDENTURE

Definitions

The following capitalized terms will have the following meanings in the summary of the 2005B Indenture in this Appendix:

“Additional Certificates” means any Certificates issued after the issuance of the 2005B 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 “2005B 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 “2005B 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 2005B Certificate Insurer under the Indenture and the Lease; and on and after the Designated 1997 PCOPs Refunding Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Designated 1997 PCOPs Refunding” in this Appendix, 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 2005B Acquired Property and any other property acquired by the expenditure of proceeds of any Additional Certificates.

“Authorized Denomination” means with respect to the 2005B Certificates (i) if the 2005B Certificates bear interest at a Variable Rate, \$100,000 and \$5,000 multiples in excess thereof, and (ii) if the 2005B Certificates bear interest at the Fixed Interest Rate, \$5,000 and integral multiples thereof.

“Available Moneys” means (a) proceeds of the 2005B Certificates received contemporaneously with the issuance and sale of the 2005B Certificates from the original 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) moneys realized under a Liquidity Facility, and funds received by the Remarketing Agent as proceeds of the remarketing of 2005B Certificates to any person other than the District, the Corporation or any affiliate thereof, which are held in a separate and

segregated subaccount until applied, (c) 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, (d) 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 (e) any other moneys 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 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 will 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, with respect to the 2005B Certificates, a Person owning a Beneficial Ownership Interest therein, 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 2005B Certificates which are held by the 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 “2005B 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 2005B 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 2005B Certificates, a form or system, as applicable, under which (a) the Beneficial Ownership Interests may be transferred only through a book entry and (b) physical 2005B Certificates in fully registered form are registered only in the name of the Depository or its nominee as Owner, with the physical 2005B Certificates “immobilized” in the custody of the Depository or its agent. The book-entry system maintained by and the responsibility of the 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 2005B Certificates.

“*Business Day*” means 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 or the principal office of the Remarketing Agent or the principal corporate trust office of the Tender Agent or the principal office of

Liquidity Provider 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 “2005B 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, by and among the Corporation, the Trustee and the Certificate Fund Investment Provider. The Certificate Fund Investment Agreement will become effective with respect to the Indenture and the obligations of the Corporation thereunder on the Designated 1997 PCOPs Refunding Date, if it occurs.

“*Certificate Fund Investment Provider*” means JPMorgan Chase Bank, National Association, in its capacity as provider under the Certificate Fund Investment Agreement.

“*Certificate Purchase Fund*” means the special fund as described in “2005B INDENTURE—Certificate Purchase Fund” in this Appendix.

“*Certificates*” means the 2005B 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 Fund*” means the special fund described in “2005A INDENTURE—Corporation Fund” in this Appendix.

“*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 initial Hedge Facility with respect to the 2005B Certificates is 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, the Remarketing Agent, the Tender Agent, the Liquidity Provider, the Hedge Provider, the 2005B 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 the Corporation and the Custodian with respect to any collateral required to be posted by a Hedge Provider pursuant to a credit support annex to any Hedge Facility and, initially means the Custodial Agreement in Connection with

ISDA Master Agreement, dated as of March 24, 2005, by and among the initial Hedge Provider, the Corporation, and J.P. Morgan Trust Company, National Association, as custodian.

“*Custodian*” means the custodian appointed pursuant to any Custodial Agreement and initially means J.P. Morgan Trust Company, National Association, in its capacity as custodian.

“*Defeasance Securities*” means investments which are included in clauses (a) and (b) of the definition of “Permitted Investments” and which provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (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).

“*Default*” means any Event of Default under any Liquidity Facility then in effect.

“*Depository*” means 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 2005B Certificates, and to effect transfers of book entry interests in 2005B Certificates in book entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“*Designated 1997 PCOPs Refunding*” means the application by the Corporation, in satisfaction of its obligations under the 2005B Note at the direction of the District, in the District’s discretion, of an amount equal to the principal amount of the 2005B Note to the refunding and redemption of a portion of the outstanding 1997 PCOPs.

“*Designated 1997 PCOPs Refunding Date*” means the date, if it occurs, of the Designated 1997 PCOPs Refunding.

“*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.

“*Event of Default*” means, with respect to the Lease, an event as described in “2005B LEASE—Events of Default and Remedies—Events of Default” in this Appendix and with respect to the Indenture, an event described in “2005B INDENTURE—Defaults and Remedies—Events of Default” in this Appendix.

“*Event of Nonappropriation*” means an event described in “2005B LEASE—Event of Nonappropriation” in this Appendix.

“*Fee Retention Fund*” means the special fund as described in “2005B INDENTURE—Fee Retention Fund” in this Appendix.

“First Optional Redemption Date” means, with respect to optional redemption of 2005B Certificates bearing interest at a Fixed Interest Rate, the first June 1 after the Fixed Rate Conversion Date on which the 2005B Certificates may be redeemed, as determined as described in “THE 2005 CERTIFICATES—Redemption of 2005 Certificates—Optional Redemption” in the body of this Official Statement.

“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” is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—Interest Rate Modes” in the body of this Official Statement.

“Fixed Rate Conversion Date” means the Interest Mode Conversion Date from and after which the 2005B Certificates bear interest at the Fixed Interest Rate, as that date is established as described in “THE 2005 CERTIFICATES—Interest Rate Mode Conversion” in the body of this Official Statement.

“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 and initially means, with respect to the 2005B Certificates, the ISDA Master Agreement dated as of March 10, 2005 and effective March 24, 2005 with respect to the 2005B Certificates, together with the Schedule to the Master Agreement dated March 10, 2005 and effective March 24, 2005, and the Confirmation: Forward Starting-Series 2005B relating thereto dated March 10, 2005, and effective March 24, 2005, between the Corporation and JPMorgan Chase Bank, National Association, as initial Hedge Provider with respect to the 2005B Certificates. The initial Hedge Facility will be effective on the Hedge Facility Effective Date unless the initial Hedge Provider exercises its right to cancel such initial Hedge Facility pursuant to the terms thereof.

“Hedge Facility Effective Date” means, with respect to the initial Hedge Facility, the date on which the initial Hedge Facility becomes effective as specified therein, if such effectiveness occurs pursuant to the provisions thereof, and, with respect to any substitute Hedge Facility, the date of effectiveness set forth therein.

“Hedge Provider” means the counterparty to the Corporation under any Hedge Facility and, initially with respect to the 2005B Certificates, means JPMorgan Chase Bank, National Association.

“Indenture” means the 2005B Mortgage and Indenture of Trust dated as of March 24, 2005 between the Corporation and the Trustee and any amendment or supplement thereto.

“Indirect Participant” means a person utilizing the book-entry system of the Depository by, directly or indirectly, clearing through or maintaining a custodial relationship with a Direct Participant.

“Initial Purchaser” means (a) with respect to the 2005B 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 2005B Certificates converts from the Interest Rate Mode applicable to the 2005B 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”* is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—General” in the body of this Official Statement.

“Interest Rate Adjustment Date” is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—General” in the body of this Official Statement.

“Interest Rate Determination Date” is defined in “THE 2005 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 2005B Certificates permitted by the Indenture, specifically, the Weekly Rate, the Monthly Rate, the Term Rate and the Fixed Rate.

“Interest Rate Period” is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—General” in the body of this Official Statement.

“Late Payment Fee” means a fee paid by the District, on and after the Designated 1997 PCOPs Refunding Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Designated 1997 PCOPs Refunding” in this Appendix, 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 “2005B INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005B INDENTURE—Late Payment Fee Fund” in this Appendix.

“Lease” means the 2005B Lease Agreement dated as of March 24, 2005 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 “2005B 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 “2005B LEASE—Lease Term” in this Appendix.

“Leased Property” means the 2005B Leased Property and any other property that may be defined as part of the Leased Property by any Supplemental Indenture.

“Letter of Representations” means the Letter of Representations from the District, the Corporation, the Trustee, the Tender Agent and the Remarketing Agent to the Depository in connection with the issuance of the 2005B 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 2005B 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” will: (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 at any time that the purchase price of 2005B Certificates tendered or deemed tendered for purchase is not payable from a Liquidity Facility. The initial Liquidity Facility with respect to the 2005B Certificates is the 2005B Standby Certificate Purchase Agreement dated as of March 24, 2005 between the Corporation and JPMorgan Chase Bank, National Association, as initial Liquidity Provider.

“Liquidity Provider” means the issuer of the Liquidity Facility then in effect, if any, and initially with respect to the 2005B Certificates means JPMorgan Chase Bank, National Association, as issuer of the initial Liquidity Facility.

“Liquidity Provider Rate” means, when a Liquidity Facility is in effect, the rate specified as such under such Liquidity Facility, but in no event in excess of the Maximum Liquidity Provider Rate.

“Mandatory Liquidity Facility Tender” means the mandatory tender of 2005B Certificates (other than 2005B Certificates owned by or on behalf of the Corporation or the District and 2005B Liquidity Provider Certificates) described under “THE 2005 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 given pursuant to the Liquidity Facility that a Default has occurred and is continuing and the date of termination of the Liquidity Provider’s obligation to purchase 2005B Certificates pursuant to the Liquidity Facility.

“Maximum Liquidity Provider Rate” means the maximum rate of interest to be borne by 2005B Liquidity Provider Certificates pursuant to any Liquidity Facility.

“Maximum Rate” means the lesser of 18% per annum or the maximum rate permitted by law.

“Monthly Rate” is defined in “THE 2005 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.

“Net Proceeds,” when used with respect to the 2005B Leased Property, means (a) the gross proceeds received from any event as described in “2005B LEASE—Replacement and Substitution of Equipment” or “2005B 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.

“1997 PCOPs” means the “School District No. 1, in the City and County of Denver and State of Colorado, Lease Purchase Agreement with Denver School Facilities Leasing Corporation, Taxable Pension Certificates of Participation, Series 1997” issued pursuant to the 1997 Indenture.

“1997 Indenture” means the Mortgage and Indenture of Trust dated as of July 1, 1997 between the Corporation and J.P. Morgan Trust Company, National Association, as successor to Bank One Colorado, N.A., as trustee, as amended and supplemented to the date of the 2005B Indenture.

“Operations Center” means, with respect to the Trustee, the office of the Trustee at Dallas, Texas or such other or additional offices as may be specified by the Trustee in a notice to the District, the Liquidity Provider, the Hedge Provider, the Remarketing 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 “2005B INDENTURE—General Provisions Relating to Tenders” in this Appendix;

(c) Certificates in lieu of which other Certificates have been executed as described in “2005B 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 2005 CERTIFICATES—Redemption of 2005 Certificates—Redemption of 2005A Certificates and 2005B Certificates 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 “2005B INDENTURE—Moneys to be Held in Trust” in this Appendix;

(f) Certificates which are otherwise deemed discharged as described in “2005B 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 2005B Leased Property, has the meaning set forth in the Lease.

“Permitted Investments” means any investment which is a lawful investment permitted for the investment of funds of the District by the laws of the State and which is included on the following list:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(b) Obligations of, or obligations guaranteed as to principal and interest by , the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including:

- United States Treasury Obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

(c) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(d) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligation of other Government Sponsored Agencies approved by the 2005B Certificate Insurer

(e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing no more than 360 calendar days after the date of purchase (Ratings on holding companies are not considered as the rating of the bank.);

(f) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(g) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(h) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state and which are:

(i) not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(ii) either:

(A) are rated, based on an irrevocable escrow account or fund, in the highest rating category of S&P and Moody's; or

(B) are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) under this definition, which escrow may be applied only to the payment of such principal of an interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal or and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph (i) on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(i) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of at least "A2/A" or higher by both Moody's and S&P; and

(j) Any investment agreement or other form of investment approved in writing by the 2005B Certificate Insurer.

The value of the above investments will be determined as follows:

(x) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued at fair market value. The Trustee is to determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers will include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

(y) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus, accrued interest thereon; and

(z) As to any investment not specified above: the value thereof established by prior agreement among the District, the Trustee, and the 2005B Certificate Insurer.

"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 2005B 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 “2005B LEASE—District’s Purchase Option” in this Appendix.

“Qualified Reserve Fund Surety Bond” means a surety bond issued by an insurance company rated 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 2005B Certificates and initially means Moody’s and S&P.

“Record Date” means (a) with respect to any 2005B Certificate bearing interest at a Weekly Rate or a Monthly Rate, the Business Day immediately preceding an Interest Payment Date applicable to that 2005B Certificate, and (b) with respect to any 2005B Certificate bearing interest at a Term Rate or a Fixed Rate, the June 1 or December 1 next preceding the Interest Payment Date.

“Redemption Date” means the date fixed for the redemption prior to their respective maturities of any 2005B Certificates in any notice of prior redemption or otherwise fixed and designated by the District.

“Redemption Price” means, when used with respect to a 2005B Certificate, the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof prior to the stated maturity date of such security on a Redemption Date in the manner contemplated in accordance with the terms of such 2005B 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 Initial Hedge Facility, payable as described in Section 3 of the Confirmation: Current Starting-Series 2005B which is included in the initial Hedge Facility, and, with respect to any substitute Hedge Facility, any equivalent payments to be made under such substitute Hedge Facility. “Regularly Scheduled Hedge Payments” do not include any other amounts payable pursuant to the Hedge Facility, including, without limitation, any fees or amounts payable by the Corporation in connection with a default under, or termination of, the Hedge Facility.

“Regularly Scheduled Liquidity Commitment Fees” means the regularly scheduled payments by the Corporation made pursuant to Section 2.7(b) of the initial Liquidity Facility and any equivalent payments to be made under any substitute Liquidity Facility. “Regularly Scheduled Liquidity Commitment Fees” do not include any other amounts payable pursuant to the Liquidity Facility, including, without limitation, any fees or amounts payable by the Corporation in connection with a default under, or termination of, the Liquidity Facility.

“Remarketing Agent” means the Person meeting the qualifications of “2005B INDENTURE—Qualifications of Remarketing Agent” in this Appendix and designated from time to time by the District to act as Remarketing Agent under “2005B INDENTURE—Remarketing Agent” in this Appendix and under the Remarketing Agreement then in effect.

“Remarketing Agreement” means the agreement governing the duties of the Remarketing Agent 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 “2005B 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 2005B Certificates, an amount equal to \$2,190,125.00 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.

“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 2005 CERTIFICATES—Payment Provisions” in the body of this Official Statement.

“State” means the state of Colorado.

“Stated Termination Date” means (a) the stated date upon which the Liquidity Facility by its terms expires, 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 “2005B INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix.

“Substitute Liquidity Provider” means the one or more commercial banks, trust companies, insurance companies or other entities which provide the Substitute Liquidity Facility.

“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 2005B Certificates tendered or deemed tendered for purchase which are not successfully remarketed, delivered to and received by the Tender Agent (a) replacing the then existing Liquidity Facility, (b) dated as of a date prior to the Stated Termination Date of the then existing Liquidity Facility, (c) expiring on a date which is later (but not earlier) than the Stated Termination Date of the then existing Liquidity Facility, and having a stated amount equal to the sum of (i) the aggregate principal amount of 2005B Certificates at the time Outstanding, plus not less than (ii) an amount equal to (A) 35 days’ interest on all Outstanding 2005B Certificates if the 2005B Certificates bear interest at the Weekly Rate or the Monthly Rate or (B) if the 2005B Certificates bear interest at the Term Rate, such number of days of interest on all outstanding 2005B Certificates as may be required by each Rating Agency then maintaining a rating on the 2005B Certificates to continue its rating, in each case computed at the Maximum Rate, and (d) accompanied by an opinion of Bond Counsel to the effect that the delivery thereof is authorized or permitted by the terms of the Indenture; provided, however, an extension of the Stated Termination Date of the existing Liquidity Facility will not be deemed a Substitute Liquidity Facility if there is delivered to the District, the Trustee, the Tender Agent and the Remarketing Agent an opinion of counsel for the Liquidity Provider regarding

the enforceability of such Liquidity Facility in form and substance reasonably acceptable to the Corporation and the Trustee.

“*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 “2005B 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 the Tender Agent Agreement and “2005B INDENTURE—Tender Agent” in this Appendix.

“*Tender Agent Agreement*” means the agreement, if any, governing the duties of the Tender Agent when such an agreement is in effect. For any period during which the Trustee is acting as Tender Agent and the duties, fees and expenses of the Tender Agent are set forth in the Trustee’s agreement regarding its fees and expenses with the Corporation or the District, the “Tender Agent Agreement” will mean such agreement.

“*Term Rate*” is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—Interest Rate Modes” in the body of this Official Statement.

“*Term Rate Period*” is defined in “THE 2005 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 “2005B INDENTURE—Discharge of Indenture” in this Appendix.

“*Trustee*” means J.P. Morgan Trust Company, 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.

“*2005B Acquired Property*” means the property acquired by the Corporation and subsequently leased to the District as the 2005B Leased Property pursuant to the Lease.

“*2005B Certificate Insurance Policy*” means the financial guaranty insurance policy issued by the 2005B Certificate Insurer insuring the payment when due of the principal of and interest on the 2005B Certificates as provided therein.

“*2005B Certificate Insurer*” means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, and its successors and assigns.

“2005B Certificate Purchase Date” means any 2005B Certificate Purchase Date as defined and described in “THE 2005 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement.

“2005B Certificates” means the Certificates authorized by the Indenture as described in the body of this Official Statement.

“2005B Certificates Refunding” means the application by the Corporation, in satisfaction of its obligations under the 2005B Note at the direction of the District, in the District’s discretion, of an amount equal to the principal amount of the 2005B Note to the refunding and redemption of the 2005B Certificates.

“2005B Certificates Refunding Date” means the date, if it occurs, of the 2005B Certificates Refunding.

“2005B Investment Agreement” means the Investment Agreement dated as of March 24, 2005 between the Trustee and MBIA Inc., pursuant to which a portion of the proceeds of the 2005B Certificates shall be initially invested.

“2005B 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.

“2005B Liquidity Provider Certificates” means 2005B Certificates tendered or deemed tendered for purchase by the Owners thereof which have been purchased by the Liquidity Provider under the Liquidity Facility pursuant to provisions as described in “2005B INDENTURE—Delivery of Purchased 2005B Certificates or Beneficial Ownership Interests and Remarketing of 2005B liquidity Provider Certificates” in this Appendix and held by or on behalf of the Liquidity Provider in accordance with the Liquidity Facility.

“2005B Note” means the promissory note of the Corporation maturing on December 15, 2007 made in favor of the District in consideration of the transfer of the Leased Property from the District to the Corporation.

“2005B Project” means the application by the Corporation of the amounts invested pursuant to the 2005B Investment Agreement, upon the termination thereof, to the Designated 1997 PCOPs Refunding or the 2005B Certificates Refunding, whichever occurs at the direction of the District, in the District’s discretion.

“2005B Reserve Fund Surety Bond” means the Qualified Reserve Fund Surety Bond issued by the 2005B Certificate Insurer guaranteeing certain payments into the Reserve Fund as provided therein and subject to the limitations set forth therein.

“2005B Reserve Fund Surety Bond Guaranty Agreement” means the Guaranty Agreement dated as of March 4, 2005 between the Corporation and the 2005B Certificate Insurer relating to the 2005B Reserve Fund Surety Bond.

“Variable Rate” means any interest rate to be borne on the 2005B Certificates other than the Fixed Rate.

“*Weekly Rate*” is defined in “THE 2005 CERTIFICATES—Interest Rate Modes—Interest Rate Modes” in the body of this Official Statement.

2005B Certificate Details

The Certificates designated as the “Taxable Variable Rate Certificates of Participation, Series 2005B, evidencing undivided interest in the right to receive certain revenues payable by School District No. 1, in the City and County of Denver and State of Colorado under a 2005B Lease Agreement dated as of March 24, 2005B” (the “2005B Certificates”) will be issued in the aggregate principal amount of \$62,575,000. The 2005B Certificates will be dated as of the date of their issuance and will mature on December 15, 2018, subject to prior redemption as set forth in the Indenture. The 2005B Certificates will bear interest at a Variable Rate or the Fixed Rate, all as more specifically described in “THE 2005 CERTIFICATES—Interest Rate Modes” in the body of this Official Statement. The 2005B Certificates will initially bear interest at the initial Weekly Rate for the initial Interest Rate Period. The 2005B 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 on April 15, 2005 and thereafter on each Interest Payment Date. Interest will accrue on 2005B Liquidity Provider Certificates, if any, as provided in the Indenture and in the Liquidity Facility, if any. No interest will accrue on any 2005B Certificates owned by or on behalf of the Corporation or the District. At no time will the 2005B Certificates (other than 2005B Liquidity Provider Certificates) bear interest at a rate higher than the Maximum Rate. At no time will any 2005B Liquidity Provider Certificates bear interest at a rate higher than the Maximum Liquidity Provider Rate.

Limited Obligations

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

Mutilated, Lost, Stolen or Destroyed Certificates

In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like date, 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 Trustee 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 2005B Certificate in the case of an optional or mandatory tender as described in “THE 2005 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 2005 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement, in “2005B INDENTURE—Remarketing of 2005B Certificates” and “—Delivery of Purchased 2005B Certificates or Beneficial Ownership Interests and Remarketing of 2005B Liquidity Provider Certificates with respect to Beneficial Ownership Interests” in this Appendix and in this paragraph and as described in “2005B 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 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 2005B Indenture described under this caption are subject to the provisions of the 2005B Indenture described under the next caption.

Book-Entry Form

Notwithstanding the provisions as described in “2005B INDENTURE—Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates” in this Appendix, the 2005B 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 2005B Certificates will be registered in the name of the Depository or its nominee, as Owner, and immobilized in the custody of the Depository or its agent; (ii) unless otherwise requested by the Depository, there will be a single 2005B Certificate for the 2005B Certificates; and (iii) the 2005B 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 2005B Certificates are in Book-Entry Form, 2005B Certificates in the form of physical certificates will only be delivered to the Depository or its agent.

So long as a book-entry system is in effect for the 2005B Certificates, except as described under this caption with respect to Beneficial Ownership Interests, the District, Trustee and Tender Agent will recognize and treat the Depository, or its nominee, as the Owner of the 2005B Certificates for all purposes, including payment of the principal of, premium, if any, and interest on the 2005B Certificates (other than 2005B 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 2005B Certificates and the transmittal of notices and other communications by the Depository to the Direct Participants in whose Depository account the 2005B 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 Depository and the Direct Participants and the Indirect Participants and are not the responsibility of the District, the Trustee or the Tender Agent; provided, however, that the District and the Trustee understand that neither the Depository or its nominee will provide any consent requested of Owners of 2005B Certificates pursuant to the Indenture, and that the Depository will mail an omnibus proxy (including a list identifying the Direct Participants) to the District or the Trustee which assigns the Depository's, or its nominee's, voting rights to the Direct Participants to whose account at the Depository the 2005B Certificates are credited (as of the record date for mailing of requests for such consents). If the District receives any such omnibus proxy, the District will promptly provide such omnibus proxy (including the list identifying the Direct Participants attached thereto) to the Trustee, which will treat such owners as Owners of the 2005B 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 2005B Certificates held in a book-entry system, 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, will permit withdrawal of the 2005B Certificates from the Depository or its agent and will authenticate and deliver 2005B Certificate certificates in fully registered form to the assignees of the Depository or its nominee or to the Beneficial Owners. Such withdrawal, authentication and delivery will be at the cost and expense (including costs of printing or otherwise preparing and delivering such replacement 2005B Certificates) of the District. Such replacement 2005B Certificates will be in the Authorized Denominations.

Neither the District, the Trustee nor 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 2005B Certificates; (ii) the accuracy of any records maintained by the Depository or any Direct Participant or Indirect Participant; (iii) the timely exercise by the 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 the 2005B Certificates; (iv) the timely or ultimate payment by the Depository or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the purchase price of tendered 2005B Certificates or the principal of, premium, if any, and interest on the 2005B 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 the 2005B Certificates; or (vii) any consent given or other action taken by the 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 “2005B INDENTURE—Mutilated, Lost, Stolen or Destroyed Certificates” and “2005B 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 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 2005 CERTIFICATES—Calculation of Interest—Notice of Interest Rate and Base Rentals” in the body of this Official Statement; (iii) any portion of the Reserve Fund to be deposited into the Interest Account of the Certificate Fund, as described in “2005B 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 Regularly Scheduled Hedge Payments made to the Corporation under a Hedge Facility; (v) earnings from the 2005B Investment Agreement deposited into the Interest Account of the Certificate Fund; 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 the District which is designated and paid as the principal component thereof under the Lease; (ii) any portion of the Reserve Fund to be deposited into the Principal Account of the Certificate Fund, as described in “2005B 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, on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix, 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, if applicable, 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, on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix, 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, on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix, 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, on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix, 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; and (v) income from the investment of moneys in the Certificate Fund pursuant to the Certificate Fund Investment Agreement are to be applied and used in accordance with the Certificate Fund Investment Agreement.

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) all amounts paid by the District pursuant to 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. 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, subject to the provisions described in “2005B INDENTURE—Investment of Moneys” in this Appendix, to substitute for the cash deposit required to be maintained under the Indenture a letter of credit, Qualified Reserve Fund Surety Bond, insurance policy, agreement guaranteeing payment, or other undertaking by a financial institution to insure that cash in the amount otherwise required to be maintained under the Indenture will be available as needed. The Reserve Fund Requirement with respect to the 2005B Certificates will initially be met by the deposit of the 2005B Reserve Fund Surety Bond 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, on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix, any Regularly Scheduled Hedge Payments with respect to such Certificates; (B) used to pay fees and expenses of the Trustee, the 2005B Certificate Insurer, the Custodian, the Liquidity Provider, the Hedge Provider, the Remarketing Agent, the Tender Agent, or on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix, the Hedge Provider; (C) used to defease Certificates as described in “2005B 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, on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix, any Regularly Scheduled Hedge Payments with respect to such Certificates, to the extent of any deficiency in the Interest 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 “2005B 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 Surety Bond on deposit in the Reserve Fund, the District is to pay to the Trustee as Additional Rentals or Base Rentals, respectively, all amounts required to restore the amount on deposit in such account to the Reserve Fund Requirement or to repay the provider of such Qualified Reserve Fund Surety Bond for such draw when required by the Lease.

Nonpresentment of Certificates

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

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 Corporation Fund, the Certificate Purchase Fund and any escrow account established as described in "2005B 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 "2005B 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 "2005B 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 "2005B INDENTURE—Fee Retention Fund" in this Appendix as set forth therein. The Corporation Fund is to be held by the Trustee for the benefit of the Corporation, as set forth in, and subject to the provisions of the Indenture described in "2005B INDENTURE—Corporation Fund" in this Appendix. The Certificate Purchase Fund is to be held by the Tender Agent for the benefit of those Persons described in "2005B 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, the Remarketing Agent, the Tender Agent and all other amounts required to be paid to the Custodian, the 2005B Certificate Insurer, any Liquidity Provider, any Hedge Provider and the Certificate Fund Investment Provider under the Indenture and under the Custodial Agreement, the 2005B Reserve Fund Surety Bond 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, the Corporation Fund (except as described in "2005B INDENTURE—Corporation Fund" in this Appendix) and any escrow account established as described in "2005B INDENTURE—Discharge of Indenture" in this Appendix) is to be paid to the District; provided that the initial Hedge Provider will have no right to any payments under the Indenture (except as provided in the provisions of the Indenture described in "2005B INDENTURE—Initial Hedge Facility Effectiveness" in this Appendix) unless and until the Hedge Facility Effective Date shall have occurred and any such rights will otherwise be subject to the provisions of the Indenture described in "2005B INDENTURE—Initial Hedge Facility Effectiveness" in this Appendix; and provided further that the Certificate Fund Investment Provider will have no right to any payments under the Indenture unless and until the Designated 1997 PCOPs Refunding Date shall have occurred and any such rights shall otherwise be subject to the provisions of the Indenture described in "2005B INDENTURE—Designated 1997 PCOPs Refunding" in this Appendix.

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 the 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 "2005B INDENTURE—Investment of Moneys" in this Appendix, and any earnings thereon are to be transferred to the Certificate Fund upon their receipt. The Trustee is to pay from the Fee Retention Fund any amounts on deposit therein when required by: the Remarketing Agreement; the Tender Agent Agreement; any Liquidity Facility; on and after the Hedge Facility

Effective Date, if it occurs, and subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix, any Hedge Facility; on and after the Designated 1997 PCOPs Refunding Date, if it occurs, the Certificate Fund Investment Agreement, and subject to the provisions of the Indenture described in “2005B INDENTURE—Designated 1997 PCOPs Refunding” in this Appendix; and any other document or instrument pursuant to which such amounts are payable, subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” and “—Designated 1997 PCOPs Refunding” in this Appendix.

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. On and after the Designated 1997 PCOPs Refunding Date and subject to the provisions of the Indenture described in “2005B INDENTURE—Designated 1997 PCOPs Refunding” in this Appendix, 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 “2005B INDENTURE—Investment of Moneys” in this Appendix and is to be disbursed and used as provided in the Certificate Fund Investment Agreement.

Corporation Fund.

The Indenture creates and establishes with the Trustee a special fund to be designated “Denver School Facilities Leasing Corporation, 2005B Certificates of Participation Corporation Fund” (the “Corporation Fund”). The 2005B Investment Agreement is to be deposited in the Corporation Fund on March 24, 2005. Amounts invested pursuant to the 2005B Investment Agreement are to be invested as provided therein.

Subject to the provisions of the last paragraph under this caption, amounts invested in the 2005B Investment Agreement and on deposit in the Corporation Fund are to be used for the following purposes:

(i) Prior to December 15, 2007, the Trustee is to make a draw upon the 2005B Investment Agreement pursuant to the terms thereof on each date on which any of the following amounts are due, in the total amount of such payments due on such date: (A) principal (if any) and interest on the 2005B Certificates; (B) Regularly Scheduled Liquidity Commitment Fees; (C) regularly scheduled fees of the Remarketing Agent under the Remarketing Agreement; (D) regularly scheduled fees of the Tender Agent under the Tender Agent Agreement; and (e) regularly scheduled fees of the Trustee under the Indenture. Such amounts are to be deposited by the Trustee in the Certificate Fund (with respect to principal (if any) and interest on the Certificates) or in the Fee Retention Fund (with respect to the other such amounts) and applied as described in “2005B INDENTURE—Certificate Fund” or “—Fee Retention Fund,” respectively; and

(ii) On December 15, 2007, all amounts then invested pursuant to the 2005B Investment Agreement are to be paid by the Trustee to the Corporation.

The Corporation Fund will not be included in the Trust Estate. The Corporation Fund will be held by the Trustee for the sole benefit of the Corporation; provided that (i) the District will have a security interest in the Corporation Fund and the 2005B Investment Agreement for the purpose of securing the 2005B Note and (ii) notwithstanding the preceding paragraph, if the District shall have delivered to the Trustee, in accordance with the terms of the 2005B Note, a notice of a Corporation default under the 2005B Note, the 2005B Investment Agreement is to thereafter be held by the Trustee for

the sole benefit of the District and the Trustee is to thereafter take direction from, and only from, the District with respect to the Corporation Fund and the 2005B Investment Agreement. The District is acknowledged by the Indenture to be an express third-party beneficiary thereof for purposes of enforcing the rights described in this paragraph.

Optional Redemption of 2005B Certificates in Fixed Rate Interest Rate Mode

After the Fixed Rate Conversion Date the 2005B Certificates (other than 2005B Certificates owned by or on behalf of the Corporation or the District) are subject to redemption, at the option of the District, on or after the First Optional Redemption Date, in whole or in part (in integral multiples of \$5,000) on any Business Day at a Redemption Price equal to 100% of the principal amount redeemed plus accrued interest to the date fixed for redemption. The First Optional Redemption Date will be determined in accordance with the following schedule:

Original Length of Period From Fixed Rate Conversion Date _____ Until <u>Maturity Date</u>	<u>First Optional Redemption Date</u>
More than 12 years	December 15 immediately after 9th anniversary of Fixed Rate Conversion Date
More than 10 years but not more than 12 years	December 15 immediately after 7th anniversary of Fixed Rate Conversion Date
More than 8 years but not more than 10 years	December 15 immediately after 5th anniversary of Fixed Rate Conversion Date
More than 5 years but not more than 8 years	December 15 immediately after 3rd anniversary of Fixed Rate Conversion Date

Notwithstanding the forgoing provisions described under this caption, on or prior to the Fixed Rate Conversion Date, the District may deliver to the Trustee an alternative redemption schedule setting forth a different date or dates on which 2005B Certificates may be redeemed after the Fixed Rate Conversion Date and a redemption price or prices payable on such different Redemption Date or Dates if the District delivers to the Trustee an opinion of Bond Counsel to the effect that the alternative schedule of redemption will not adversely affect the validity or enforceability of the 2005B Certificates in accordance with their terms

2005B Certificates Owned by the Corporation or the District; 2005B Liquidity Provider Certificates.

2005B 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 2005B Certificates owned by or on behalf of the Corporation or District, as applicable, to the Trustee, which is promptly to cancel such 2005B Certificates.

The Corporation is to redeem 2005B Liquidity Provider Certificates that are subject to mandatory redemption pursuant to the Liquidity Facility, at the time or times required by the Liquidity Facility at a Redemption Price of 100% of the principal amount of the 2005B Liquidity Provider Certificates to be redeemed plus accrued interest, if any, thereon to the Redemption Date. The 2005B 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 2005B Certificates Outstanding, 2005B Liquidity Provider Certificates will be selected and redeemed prior to any other 2005B Certificates.

Limit on Remarketing

Any 2005B Certificate purchased as described in “THE 2005 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 2005B Certificate as described in “THE 2005 CERTIFICATES—Redemption of 2005 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 2005B Certificate as described in “THE 2005 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 2005B Certificate for redemption to the Trustee on the Redemption Date or for purchase to the Tender Agent on the 2005B Certificate Purchase Date. Tendered 2005B Certificates will not be remarketed to the District, the Corporation, or any of their affiliates or guarantors (other than the Liquidity Provider). The Trustee and the Tender Agent will not be required to monitor the actions of the Remarketing Agent to ensure that it will not remarket any 2005B Certificates to the District and, for the purposes as described in “2005B INDENTURE—Notice of 2005B Certificates Delivered for Purchase; Purchase of 2005B 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 the Remarketing Agent constitute proceeds of the remarketing of any 2005B Certificates to the District.

General Provisions Relating to Tenders

The purchase price for each such 2005B Certificate or Beneficial Ownership Interest, or portion thereof, will be payable in lawful money of the United States of America by check, 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 2005B Certificate Purchase Date, subject to the provisions described in “2005B INDENTURE—Notice of 2005B Certificates Delivered for Purchase; Purchase of 2005B Certificates” in this Appendix.

While tendered 2005B 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 2005B Certificates through the day preceding the applicable 2005B Certificate Purchase Date is to be paid from the 2005B Certificate Fund as if such 2005B Certificates had not been tendered for purchase.

Notwithstanding anything in the Indenture to the contrary, any 2005B Certificate or Beneficial Ownership Interest or portion thereof tendered as described in THE 2005 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement will not be purchased if such 2005B Certificate or portion thereof matures or is redeemed on or prior to the applicable 2005B 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 2005B Certificate tendered for purchase or required to be tendered for purchase as provided in the Indenture, such tendered 2005B Certificate will be deemed to have been purchased whether or not delivered by the Owner thereof on the date such tendered 2005B Certificate is to be purchased. In the event any such purchased 2005B Certificate is not so delivered, the District will execute and the Trustee will authenticate and deliver a replacement 2005B Certificate of like date, tenor and denomination and in the same aggregate principal amount and in the applicable Interest Rate Mode as

the 2005B Certificate deemed tendered for purchase and bearing a number not contemporaneously outstanding.

With respect to any 2005B Certificates held in Book-entry form, delivery of such 2005B 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 Depository or any Direct Participant to reflect the transfer of the Beneficial Ownership Interest in such 2005B 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 2005B Certificate which is not held in Book-entry form, delivery of such 2005B 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 2005B 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, on and after the Designated 1997 PCOPs Refunding Date and subject to the provisions of the Indenture described in “2005B INDENTURE—Designated 1997 PCOPs Refunding” in this Appendix, 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 2005B 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 “2005B 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 “2005B 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.

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 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 is to be provided with a standard owner's title insurance policy insuring the Corporation's title to the real estate included in the Leased Property, and if all or any portion of the Corporation's title to the real estate included in the Leased Property is a leasehold interest, then also insuring the title of the owner of such real estate, subject only to Permitted Encumbrances, in an amount not less than the lesser of either the Outstanding amount of Certificates or the insurable value of such real property. Such policy, or a binding commitment therefor, will be provided to the Trustee, with a copy to the 2005B Certificate Insurer, concurrently with the issuance of any Certificates.

Sale or Encumbrance of Leased Property

As long as there are any Outstanding Certificates, and as except otherwise permitted by the Indenture and except as the Lease otherwise specifically requires, the Corporation will not sell or otherwise dispose of any of the Leased Property except as permitted in the Lease.

Rights of Trustee under Lease

The Corporation covenants in the Indenture for the benefit of the Owners that the Corporation will observe and comply with its obligations under the Lease, and that all the representations made by the Corporation in the Lease are true. Wherever in the Lease it is stated that the Corporation will be notified, 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 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.

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 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 collecting any insurance moneys or for the

validity of the execution by the Corporation of the Indenture, any Supplemental Indenture or any instruments of further assurance, or for the sufficiency of the security for the Certificates 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 tender provisions of the Indenture.

(d) The Trustee will not be accountable for the use of any Certificates delivered to the Initial Purchaser under the Indenture. 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 failure by the Corporation to cause to be made any of the payments to the Trustee required to be made by the Indenture, unless 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 disbursement 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 disbursement properly incurred in connection therewith, unless such liability or disbursement is adjudicated to have resulted from the negligence or willful default 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.

(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 Owners 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 the Owners as if there were no 2005B Certificate Insurance Policy.

(t) Except as otherwise expressly provided in the Indenture, the Trustee is to hold in trust uninvested (without liability for interest or other compensation) for the benefit of the Persons entitled thereto all unclaimed funds awaiting payment or distribution until the earlier of: (a) the Trustee's receipt of the Corporation's request therefor, in form and substance satisfactory to the Trustee and containing the Corporation's (i) representation that it is entitled to such funds under applicable escheatment laws and (ii) agreement to comply with applicable escheatment laws, whereupon the Trustee is to comply with the Corporation's request; or (b) the Trustee's delivery thereof to any escheatment authority in accordance with the Trustee's customary procedures and in its sole discretion.

(u) 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.

(v) 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.

Resignation or Replacement of Trustee

The present or any future Trustee may resign by giving written notice to the Corporation and the 2005B 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 present or any future Trustee may be removed at any time by the Corporation, provided that the Corporation is not at such time in default under the Indenture, in the event the Corporation reasonably determines that the Trustee is not duly performing its obligations under the Indenture or that such removal is in the best interests of the Corporation or the Owners, or by an instrument in writing, executed by the Owners of a majority in aggregate principal amount of the Certificates 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 present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Owners of a majority in aggregate principal amount of the Certificates 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 the 2005B 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

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, or, if the Certificates bear interest at the Fixed Interest Rate, within 30 days thereafter.

(c) Failure to pay on a 2005B Certificate Purchase Date amounts due to the Owner of any 2005B Certificates tendered or deemed tendered to the Tender Agent as described in THE

2005 CERTIFICATES—Optional Tenders for Purchase” and “—Mandatory Tenders for Purchase” in the body of this Official Statement, including a failure to purchase any 2005B Certificates tendered or deemed tendered as described in “2005B INDENTURE—Delivery of Purchased 2005B Certificates or Beneficial Ownership Interests and Remarketing of 2005B 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 of such noncompliance.

Remedies of Trustee Upon the Occurrence of an Event of Default

(a) Upon the occurrence of an Event of Default described in paragraph (d) under the immediately preceding caption, the Trustee is to, as promptly as commercially reasonably possible and as permitted by the provisions of the Indenture and of the Lease, give notice of such occurrence to the Owners, the Certificate Fund Investment Provider, any Liquidity Provider and any Hedge Provider and, 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 “2005B Indenture—Duties of the Trustee” in this Appendix,, take one or any combination of the remedial steps described in “2005B LEASE—Events of Default Defined—Remedies” in this Appendix.

(b) The Trustee will also be entitled, upon any Event of Default described in paragraph (d) under the immediately preceding caption, to any moneys in any funds or accounts created under the Indenture (except any funds and accounts not included in the Trust Estate).

(c) Upon any Event of Default described in paragraphs (a), (b) or (c) under the immediately preceding caption, the Trustee may take whatever action at law or in equity may appear necessary or desirable to enforce the rights of the Owners 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, exercising its rights as assignee of the Corporation’s rights under the Lease.

(d) No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy 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.

(e) If any Event of Default under the Indenture shall have occurred and if requested by the Owners of a majority in aggregate principal amount of Certificates then Outstanding, the Trustee will be obligated to exercise such one or more of the rights and powers conferred as described under this caption as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners.

(f) The Trustee, as assignee of the rights of the Lease, will control all remedies available to the Corporation under the Lease.

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

(h) Subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” and “—Designated 1997 PCOPs Refunding” in this Appendix, but notwithstanding any provision to the contrary contained in the Indenture, the Trustee is to 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 (such Persons being those to whom any amount is payable by the Corporation from a component of Base Rentals paid pursuant to the Lease, as described in “2005B LEASE—Payment of Base Rentals” in this Appendix); 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 is to exercise any and all such remedies for the benefit of the Persons described in the paragraph “*second*” of the granting clauses of the Indenture (such Persons being any Hedge Provider, any Liquidity Provider, the Trustee, the Custodian, the 2005B Certificate Insurer, the Remarketing Agent and the Tender Agent to the extent any of them is owed any amount by the Corporation which is not included as a component of Base Rentals), 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*,” are to be applied to the payment of all obligations owed to any such Persons described in the paragraph “*second*” of the granting clauses of the Indenture to the extent of any such amounts owed to such Persons described in such paragraph “*second*”; 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 have been paid as required by the Indenture, the Trustee is to 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*,” is to 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 under the Indenture and under the Certificate Fund Investment Agreement; provided further that the initial Hedge Provider will have no right to any payments under the Indenture (except as provided in the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix) unless and until the Hedge Facility Effective Date shall have occurred and any such rights shall otherwise be subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix; and provided further that the Certificate Fund Investment Provider will have no right to any payments hereunder unless and until the Designated 1997 PCOPs Refunding Date shall have occurred and any such rights will otherwise be subject to the provisions of the Indenture described in “2005B INDENTURE—Designated 1997 PCOPs Refunding” in this Appendix. Except as described in “2005B INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased” in this Appendix, the Trustee is to 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.

Limitations Upon 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 “2005B 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, the 2005B Certificate Insurer, the Remarketing 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 “2005B INDENTURE— Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased” in this Appendix and, on and after the Designated 1997 PCOPs Refunding Date and subject to the provisions of the Indenture described in “2005B INDENTURE—Designated 1997 PCOPs Refunding” in this Appendix, 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 “2005B INDENTURE—Duties of the Trustee” in this Appendix, or of which by “2005B 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, the Remarketing 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; nor, with respect to the Hedge Provider, the Hedge Facility Effective Date shall have occurred, nor, with respect to the Certificate Fund Investment Provider, the Designated 1997 PCOPs Refunding Date shall have occurred.

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 “2005B INDENTURE—Remedies of Trustee Upon the Occurrence of an Event of Default.

Majority of Owners May Control Proceedings

Except as provided in “2005B INDENTURE—Rights of 2005B Certificate Insurer” in this Appendix, anything in the Indenture to the contrary notwithstanding, the Owners 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 “2005B INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005B 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 (except, prior to the Designated 1997 PCOPs Refunding Date and subject to the provisions of the Indenture described in “2005B INDENTURE—Designated 1997 PCOPs Refunding” in this Appendix, the Certificate Fund Investment Provider); 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, the 2005B Certificate Insurer, any Liquidity Provider, any Hedge Provider, the Remarketing Agent, the Tender Agent, the Custodian and the Certificate Fund Investment Provider will be restored to their former positions and rights under the Indenture, if any, 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.

Position of Parties Restored Upon Discontinuance of Proceedings

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, the 2005B Certificate Insurer, any Liquidity Provider, any Hedge Provider, the Remarketing Agent, the Tender Agent, the Custodian, and the Certificate Fund Investment Provider will be restored to their former positions and rights under the Indenture, if any, 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, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased

Provided that any rights granted by the Indenture as described under this caption to the Hedge Provider will be subject to the provisions of the Indenture described in "2005B INDENTURE—Initial Hedge Facility Effectiveness" 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 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 "2005B 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, the 2005B Reserve Fund Surety Bond Guaranty Agreement, any Liquidity Facility, any Hedge Facility, the Remarketing Agreement or the Tender Agent 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. On and after the Designated 1997 PCOPs Refunding Date, 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, subject to the provisions of the Indenture described in “2005B INDENTURE—Designated 1997 PCOPs Refunding” in this Appendix, and after any such amounts have been paid, any remaining such amounts are to be paid to the District as set forth in “2005B INDENTURE—Repayment to the District from the Trustee” in this Appendix.

Provided that any rights granted by the Indenture as described under this caption to the Certificate Fund Investment Provider will arise only on and after the Designated 1997 PCOPs Refunding Date, if it occurs, and shall otherwise be subject to the provisions of the Indenture described in “2005B INDENTURE—Designated 1997 PCOPs Refunding” 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 “2005B 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 “2005B 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 Owners and will do so if requested in writing by the Owners of at least a majority in aggregate principal amount of Certificates Outstanding.

Purchase of Leased Property by Owner; 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 (a) 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 and (b) it shall have been furnished any environmental surveys or audits (including without limitation Phase I and Phase II audits) or any other information which in its sole judgment the Trustee deems necessary or advisable to protect the interests of the Trustee, the Owners of the Certificates 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). The Trustee may decline to foreclose on, take title to, take possession of or operate any part or all of the Leased Property if in its reasonable judgment based on the materials described in clause (b) above such action might subject it to potential liability not adequately covered by the indemnity referred to in clause (a) above.

Remarketing Agent

Any Remarketing Agent will be appointed by the District and will meet the qualifications set forth as described in “2005B INDENTURE—Qualifications of Remarketing Agent” in this Appendix. The Remarketing Agent will designate to the Liquidity Provider, 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, the Liquidity Provider, the Tender Agent and the Trustee. In addition to its duties under “2005B INDENTURE—Remarketing of 2005B Certificates” and “—Delivery of Purchased 2005B Certificates or Beneficial Ownership Interests and Remarketing of 2005B Liquidity Provider Certificates” in this Appendix, the Remarketing Agent will agree particularly to:

- (a) Compute the Weekly Rate, the Monthly Rate, the Term Rate and the Fixed Rate, as applicable, and give notices of such computations to the Trustee and the District on 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 Trustee, the Liquidity Provider and the Tender Agent at all reasonable times.
- (c) Provide to the District and the Liquidity Provider notice of all determinations made by the Remarketing Agent pursuant to the Indenture including, but not limited to, interest rate determinations on a timely basis.
- (d) 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

The Remarketing Agent will be a member of the NASD having a capitalization of at least \$50,000,000, will be authorized by law to perform all the duties imposed upon it by the Indenture, and, if so provided by any Liquidity Facility, shall have been approved by the Liquidity Provider. The Remarketing Agent 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 District, the Tender Agent, the

Liquidity Provider and the Trustee. Notwithstanding the foregoing, the Remarketing Agent will remain the Remarketing Agent under the Indenture until a successor is named, so long as the District is not in default in the payment of any fees or expenses of the Remarketing Agent under the Remarketing Agreement, or the Remarketing Agent is not prohibited by law or regulation from performing the duties of Remarketing Agent under the Indenture. The Remarketing Agent may be removed at any time by the District with the written consent of the Liquidity Provider, which consent will not be unreasonably withheld. To effect such removal, the District will give at least 30 days' notice of such removal to the Remarketing Agent, the Tender Agent, the Liquidity Provider and the Trustee.

Upon any resignation or removal of the Remarketing Agent, the departing Remarketing Agent will pay over, assign and deliver any moneys and 2005B Certificates held by it in such capacity to its successor or, if there is no successor, to the Trustee.

In the event that the Remarketing Agent resigns, or is removed or dissolved, or if the property or affairs of the 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, notwithstanding the provisions of the first paragraph under this caption, will ipso facto be deemed to be the Remarketing Agent until the appointment by the District of a successor Remarketing Agent; provided, however, that the Trustee will not remarket 2005B Certificates or fix the interest rate for the 2005B Certificates, but will be required only to implement the purchase of 2005B Certificates pursuant to Liquidity Facility as described in "2005B INDENTURE— Payments under Liquidity Facility" in this Appendix or by the District as described in "2005B INDENTURE— Liquidity Facility Not Required in Certain Circumstances" in this Appendix.

The Trustee, within 30 days of the resignation or removal of the 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 2005B Certificates.

Remarketing of 2005B Certificates

With respect to any 2005B Certificate Purchase Date, no later than 11:00 a.m., prevailing New York City time, on the Business Day immediately following the last date for receipt of any notice of exercise of an option to tender 2005B Certificates on any 2005B Certificate Purchase Date based on provisions as described in "THE 2005 CERTIFICATES—Optional Tenders for Purchase" in the body of this Official Statement, the Tender Agent is to give notice to the Remarketing Agent, the 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 2005B 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 2005B Certificate Purchase Date on which 2005B Certificates are to be tendered as described in "THE 2005 CERTIFICATES—Mandatory Tenders for Purchase" in the body of this Official Statement, the Tender Agent is to give notice to the Remarketing Agent, the Liquidity Provider, the Trustee and the District by telephone or telecopy, confirmed on the same day in writing, of the aggregate principal amount of 2005B Certificates or Beneficial Ownership Interests which are deemed to be tendered on such 2005B Certificate Purchase Date.

Unless an Event of Default has occurred and is continuing, the Remarketing Agent is to use its best efforts to sell all 2005B Certificates or Beneficial Ownership Interests tendered or deemed tendered

as described in “THE 2005 CERTIFICATES—Optional Tenders for Purchase,” “—Mandatory Tenders for Purchase—Mandatory Tender of 2005B 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, if a Liquidity Facility is not required as described in “2005B INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix, as described in “THE 2005 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender Upon Stated Termination Date of Liquidity Facility” in the body of this Official Statement for settlement on the applicable 2005B Certificate Purchase Date at par. Anything in the Indenture to the contrary notwithstanding, if there shall have occurred and is continuing an Event of Default described in “2005B INDENTURE—Events of Default” in this Appendix, there is to be no remarketing of 2005B Certificates tendered or deemed tendered for purchase.

The Remarketing Agent will have the right to remarket any 2005B Certificate or Beneficial Ownership Interests (or portion thereof) tendered or deemed tendered as described in “THE 2005 CERTIFICATES—Optional Tenders for Purchase,” “—Mandatory Tenders for Purchase—Mandatory Tender of 2005B 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, if a Liquidity Facility is not required as described in “2005B INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix, as described in “THE 2005 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender Upon Stated will have the right to purchase any 2005B Certificate or Beneficial Ownership Interest tendered or deemed tendered as described in “THE 2005 CERTIFICATES—Optional Tenders for Purchase,” “—Mandatory Tenders for Purchase—Mandatory Tender of 2005B 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, if a Liquidity Facility is not required as described in “2005B INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix, as described in “THE 2005 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender Upon Stated Termination Date of Liquidity Facility” in the body of this Official Statement at 100% of the principal amount thereof, and to thereafter sell such 2005B Certificate or Beneficial Ownership Interest. Any such purchase will constitute a remarketing under the Indenture. Notwithstanding the foregoing, the Remarketing Agent is not to remarket any 2005B Certificate as to which a notice of conversion from one type of Interest Rate Mode to another has been given unless the 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 2005B Certificates.

The Remarketing Agent is not to remarket any 2005B Certificate or Beneficial Ownership Interest to the Corporation, the District, any guarantor of the 2005B Certificates (excluding the Liquidity Provider) or any Person which is an “insider” of the Corporation, the District or any such guarantor within the meaning of the United States Bankruptcy Code.

No later than 11:30 a.m. prevailing New York City Time on each 2005B Certificate Purchase Date, the Remarketing Agent is to pay to the Tender Agent, in immediately available funds, the proceeds theretofore received by the Remarketing Agent from the remarketing of 2005B Certificates or Beneficial Ownership Interests tendered for purchase on such 2005B Certificate Purchase Date; provided, that the Remarketing Agent may use its best efforts to cause the purchasers of the remarked 2005B Certificates or Beneficial Ownership Interests to pay the purchase price plus accrued interest (if any) directly to the Tender Agent in immediately available funds. The proceeds from the remarketing of the 2005B Certificates or Beneficial Ownership Interests are to be deposited in the Certificate Purchase Fund and will in no case be considered to be or be assets of the District, the Corporation, or any of their affiliates or guarantors.

**Delivery of Purchased 2005B Certificates
or Beneficial Ownership Interests and
Remarketing of 2005B Liquidity Provider Certificates**

At or before 3:00p.m., prevailing New York time on the Business Day next preceding each 2005B Certificate Purchase Date, the Remarketing Agent, by telephonic advice, will notify the District, the Tender Agent, the Trustee and the Liquidity Provider of: the principal amount of 2005B Certificates or Beneficial Ownership Interests to be sold by the Remarketing Agent as described in “2005B INDENTURE—Remarketing of 2005B 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 2005B Certificates or Beneficial Ownership Interests tendered for purchase on such 2005B Certificate Purchase Date which will not be sold by the Remarketing Agent as described in “2005B INDENTURE—Remarketing of 2005B Certificates” in this Appendix. Such telephonic advice is to be confirmed by written notice delivered or mailed on the same date as the telephonic advice. 2005B Certificates or Beneficial Ownership Interests purchased by the Tender Agent on a 2005B Certificate Purchase Date is to be delivered as follows:

2005B Certificates sold by the Remarketing Agent as described in “2005B INDENTURE—Remarketing of 2005B Certificates” in this Appendix will be authenticated by the Trustee and delivered to the purchasers thereof. With respect to Beneficial Ownership Interests sold by the Remarketing Agent as described in “2005B INDENTURE—Remarketing of 2005B Certificates” in this Appendix, the 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 Depository.

Any 2005B Certificates and Beneficial Ownership Interests not sold by the Remarketing Agent as described in “2005B INDENTURE—Remarketing of 2005B Certificates” in this Appendix when a Liquidity Facility is in effect will be held as 2005B Liquidity Provider Certificates by the Tender Agent, as agent for the Liquidity Provider, subject to any instructions from the Liquidity Provider to deliver the 2005B Liquidity Provider Certificates to the Liquidity Provider and to the pledge in favor of the Liquidity Provider created pursuant to the provisions of the Liquidity Facility. Any 2005B Liquidity Provider Certificates held by the Tender Agent will not be released or transferred except to the Liquidity Provider or to the Remarketing Agent at the written direction of the Liquidity Provider as hereinafter provided under this caption. 2005B Certificates and Beneficial Ownership Interests not sold by the Remarketing Agent will be deemed purchased by the Liquidity Provider upon application of the proceeds of the Liquidity Facility to pay the purchase price thereof.

Any 2005B Certificates or Beneficial Ownership Interests (other than 2005B Liquidity Provider Certificates) delivered as provided under this caption are to be registered (or recorded through the Depository) in the manner directed by the recipient thereof. 2005B Liquidity Provider Certificates are to be registered (or recorded through the Depository) in the name of the Liquidity Provider or its designee, as requested by the Liquidity Provider.

The Remarketing Agent will use its best efforts to remarket 2005B Liquidity Provider Certificates; provided, however, the Remarketing Agent is not to remarket 2005B Liquidity Provider Certificates held as a result of a mandatory tender as described in “THE 2005 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender of 2005 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 any Liquidity Facility has been replaced with a Substitute Liquidity Facility which satisfies the provisions as described in “2005B INDENTURE—Liquidity Facility” in this Appendix. Upon the remarketing of the 2005B Liquidity Provider Certificates, the Remarketing Agent shall notify

the 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 2005B Certificate Purchase Date on which the purchaser is to deliver the purchase price to the Tender Agent or the Remarketing Agent by 11:00 a.m., prevailing New York City time. Such notice is to also contain any additional information required by the Liquidity Facility. Notwithstanding the provisions of this caption, the provisions of this caption will be subject to the provisions of Section 2.5(c) of the initial Liquidity Facility so long as the same is in effect.

No later than 11:30 a.m., prevailing New York City time on each 2005B Certificate Purchase Date, the Remarketing Agent is to pay to the Tender Agent, in immediately available funds, the proceeds theretofore received by the Remarketing Agent from the remarketing of 2005B Liquidity Provider Certificates on such 2005B Certificate Purchase Date; provided, that the Remarketing Agent may use its best efforts to cause the purchasers of the remarketed 2005B Liquidity Provider Certificates to pay the purchase price plus accrued interest (if any) directly to the Tender Agent in immediately available funds. The Tender Agent is to deposit the proceeds of remarketing the 2005B Liquidity Provider Certificates in the Certificate Purchase Fund and is to pay the Liquidity Provider such funds by wire transfer on the 2005B Certificate Purchase Date. In no case will such funds be considered to be or be assets of the District or the Corporation. The Liquidity Provider is to deliver any 2005B Liquidity Provider Certificates held by the Liquidity Provider (or evidence of Beneficial Ownership Interests in such 2005B Liquidity Provider Certificates) which have been so remarketed to the Tender Agent against payment on the 2005B Certificate Purchase Date. With respect to any 2005B Liquidity Provider Certificates not so held by the Liquidity Provider, the Liquidity Provider is to direct the Tender Agent to release such 2005B Liquidity Provider Certificates which have been so remarketed to the Remarketing Agent against payment therefor on the 2005B Certificate Purchase Date. Notwithstanding the foregoing, no 2005B Liquidity Provider Certificates are to be released until the Tender Agent shall have received evidence that the Liquidity Provider has reinstated amounts available for purchase of the 2005B Certificates under the Liquidity Facility to the levels required as described in “2005B INDENTURE—Liquidity Facility” in this Appendix. On the 2005B Certificate Purchase Date, the Trustee is to authenticate and deliver, if applicable, new 2005B Certificates in replacement of the remarketed 2005B Liquidity Provider Certificates to the purchasers thereof.

Tender Agent

Any Tender Agent will be appointed by the District, subject to the conditions as described in “2005B 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, the Liquidity Provider, and the Remarketing Agent. By acceptance of its appointment under the Indenture, the Tender Agent agrees:

(a) to hold all 2005B Certificates 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 2005B Certificates until moneys representing the purchase price of such 2005B Certificates shall have been delivered to or for the account of or to the order of such Owners;

(b) to establish and maintain a separate segregated trust fund designated as the “Denver School Facilities Leasing Corporation 2005B Certificates of Participation Certificate Purchase Fund” 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 Certificate Purchase Fund for the purchase of 2005B Certificates as described in “2005B INDENTURE—Remarketing of 2005B 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 2005B Certificates purchased with such moneys will have been delivered to or for the account of such Person;

(d) to hold all 2005B Certificates registered in the name of the new Owners thereof which have been delivered to it by the Trustee for delivery to the Remarketing Agent in accordance with the Tender Agreement;

(e) to hold 2005B Certificates for the account of the Liquidity Provider (or its nominee), or to deliver 2005B Certificates to the Liquidity Provider, as described in “2005B INDENTURE—Delivery of Purchased 2005B Certificates or Beneficial Ownership Interests and Remarketing of 2005B Liquidity Provider Certificates” in this Appendix; and

(f) to keep such books and records with respect to the 2005B Certificates as will be consistent with prudent industry practice and to make such books and records available for inspection by the District, the Trustee, the Liquidity Provider and the 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 the Liquidity Provider as described in “2005B INDENTURE—Notice of 2005B Certificates Delivered for Purchase; Purchase of 2005B Certificates” in this Appendix, specified to be taken by the Tender Agent in the Indenture.

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 \$50,000,000 and authorized by law to perform all the duties imposed upon it by the Indenture and the Tender Agent Agreement. 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 District, the Trustee, the Remarketing Agent and the 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, the Remarketing Agent and the 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 the Liquidity Facility, any 2005B Certificates and moneys held by it in such capacity to its successor.

Notice of 2005B Certificates Delivered for Purchase; Purchase of 2005B Certificates

As promptly as practicable, the Tender Agent will give telephonic or telecopy notice, promptly confirmed by a written notice, to the Liquidity Provider, the Trustee, the Remarketing Agent and the District specifying the principal amount of 2005B Certificates, if any, as to which it has received notice of

tender for purchase as described in “THE 2005 CERTIFICATES—Optional Tenders for Purchase” in the body of this Official Statement. The Tender Agent will determine timely and proper delivery of 2005B Certificates pursuant to the Indenture and the proper endorsement of such 2005B Certificates. Such determination will be binding on the Owners of such 2005B Certificates, the District, the Remarketing Agent, the Trustee and the Liquidity Provider, absent manifest error. The Tender Agent will also give notice as described in “2005B INDENTURE—Remarketing of 2005B Certificates” in this Appendix.

2005B Certificates required to be purchased as described in “THE 2005 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 2005B Certificates are required to be purchased. If the Remarketing Agent has notified the Tender Agent as described in “2005B INDENTURE—Delivery of Purchased 2005B Certificates or Beneficial Ownership Interests and Remarketing of 2005B Liquidity Provider Certificates” in this Appendix that 2005B Certificates or Beneficial Ownership Interests will not be sold by the Remarketing Agent as described in “2005B INDENTURE—Remarketing of 2005B Certificates” in this Appendix and the Liquidity Facility is then in effect, the Tender Agent will give the Liquidity Provider notice in accordance with the requirements of the Liquidity Facility no later than 12:00 noon Eastern Time on the 2005B Certificate Purchase Date of the aggregate purchase price of the 2005B Certificates or Beneficial Ownership Interests tendered or deemed tendered which have not been successfully remarketed. Funds for the payment of such purchase price by the Tender Agent to the Owners of 2005B Certificates will be derived from the following sources in the order of priority indicated:

(a) the moneys received upon the remarketing of 2005B Certificates to any Person pursuant to the Remarketing Agreement (other than 2005B Certificates sold to the Corporation or the District in violation of “2005B INDENTURE—Remarketing of 2005B Certificates” in this Appendix); and

(b) moneys received by the Tender Agent pursuant to the Liquidity Facility to be applied to pay the purchase price of 2005B Certificates tendered or deemed tendered for purchase which are not successfully remarketed; provided, however, under no circumstances will moneys made available pursuant to the Liquidity Facility be used to purchase any 2005B Liquidity Provider Certificates or any 2005B Certificates owned by the Corporation, the District or any of their affiliates.

The Tender Agent is to establish separate accounts or subaccounts within the Certificate Purchase Fund for each deposit made into the Certificate Purchase Fund so that (i) the Tender Agent may at all times ascertain the date of deposit of the funds in each account or 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 2005B 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 2005B Certificate Purchase Date, provided that such Owner has delivered such 2005B 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 2005B 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 2005B Certificates in trust for the benefit of the former Owners of such 2005B Certificates, who will, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the purchase price of such 2005B Certificates. Any moneys which the Tender Agent will segregate and hold in trust for the payment of the purchase price of any 2005B

Certificate and remaining unclaimed for five years after the date of purchase will be transferred to the District after the expiration of five years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be released to the District on such earlier date, on any earlier date designated by the District

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 into the Certificate Purchase Fund by the Tender Agent from time to time the following:

- (a) the moneys received upon the remarketing of 2005B Certificates to any Person pursuant to the Remarketing Agreement (other than 2005B Certificates sold to the Corporation or District in violation of “2005B INDENTURE—Remarketing of 2005B Certificates” in this Appendix);
- (b) moneys received by the Tender Agent pursuant to the Liquidity Facility to be applied to pay the purchase price of 2005B Certificates tendered or deemed tendered for purchase which are not successfully remarketed; and
- (c) moneys received by the Tender Agent from the District to the extent that moneys obtained pursuant to (a) or (b) above are insufficient on any date to pay the purchase price of 2005B Certificates tendered or deemed tendered for purchase which are not successfully remarketed.

Moneys in the Certificate Purchase Fund are to be held in trust exclusively for the payment of the purchase price of 2005B Certificates tendered or deemed tendered for purchase; provided, however, under no circumstances will moneys made available pursuant to the Liquidity Facility be used to purchase any 2005B Liquidity Provider Certificates or any 2005B Certificates owned by the Corporation, the District or any of their affiliates, and provided further that any excess moneys contained in the Certificate Purchase Fund are to be paid by the Tender Agent to the Liquidity Provider to the extent any amounts are owed to the Liquidity Provider under the Liquidity Facility. Moneys on deposit in the Certificate Purchase Fund will not be invested. Any moneys derived from the Liquidity Facility will not be commingled with any other moneys on deposit in the Certificate Purchase Fund.

Liquidity Facility

The Corporation covenants under the Indenture that at all times when the 2005B Certificates are bearing interest at a Variable Rate, the Corporation will maintain a Liquidity Facility in full force and effect except as otherwise described in “2005B INDENTURE— Liquidity Facility Not Required in Certain Circumstances” in this Appendix. 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 the Liquidity Facility to obtain moneys to pay the purchase price of Tendered 2005B Certificates if and when such 2005B Certificates are tendered and not remarketed. 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 the 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 the Liquidity Facility which could have an adverse effect on the District, the Corporation, the validity of the 2005B Certificates, any Owner or the Trustee.

The Liquidity Facility will be reduced in whole or in part upon the receipt by the Liquidity Provider of a written request from the Tender Agent requesting that a specified amount of the Liquidity Facility be reduced, a copy of which written request is to be provided by the Tender Agent to the Trustee and the District. Unless the requirements as described in “2005B INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix, the Corporation will not consent to a reduction in the Liquidity Facility to an amount less than the principal amount of the 2005B Certificates Outstanding plus interest thereon in an amount equal to not less than (i) 35 days interest on all Outstanding 2005B Certificates if the 2005B Certificates bear interest at the Weekly Rate or the Monthly Rate or (ii) if the 2005B Certificates bear interest at the Term Rate, such number of days of interest on all Outstanding 2005B Certificates as may be required by each Rating Agency then maintaining a rating on the 2005B Certificates to continue its rating, in each case computed at the Maximum Rate.

Prior to the date on which the Outstanding 2005B Certificates bear interest at the Fixed Rate, a Substitute Liquidity Facility may become effective, but only with the consent of the 2005B Certificate Insurer, on any Business Day, which will be a Substitution Date. The Substitution Date will be a date on or before the Stated Termination Date of the Liquidity Facility then in effect. The Corporation will cause a draft of any Substitute Liquidity Facility in substantially final form to be delivered to the Remarketing Agent at least 30 days prior to the proposed Substitution Date and is to 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 2005B 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 and the Tender Agent will also receive (i) an opinion of counsel for the Substitute Bank 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, (ii) an opinion of Bond Counsel to the effect that the substitution of the Substitute Liquidity Facility for the Liquidity Facility then in effect will not adversely affect the validity of the 2005B Certificates and (iii) the executed Substitute Liquidity Facility. On any Substitution Date on which a Substitute Liquidity Facility becomes effective in accordance with the provisions of this caption, but not before such Date, the Tender Agent and the Corporation will consent to the cancellation of the Liquidity Facility then in effect.

Immediate notice will be given by the Tender Agent to the Liquidity Provider, the Corporation, the District, the Trustee and the Remarketing Agent and each Rating Agency if no satisfactory Substitute Liquidity Facility will be furnished to the Tender Agent in accordance with this caption no more than 30 days prior to the Stated Termination Date of the then current Liquidity Facility unless the requirements as described in “2005B INDENTURE—Liquidity Facility Not Required in Certain Circumstances” in this Appendix are satisfied.

No Substitute Liquidity Facility will become effective if: (i) any 2005B Liquidity Provider Certificates shall then be Outstanding, unless the Substitute Liquidity Facility provides for the purchase of such 2005B Liquidity Provider Certificates by the Liquidity Provider under the Substitute Liquidity Facility; or (ii) any amounts required by the Indenture to be paid to the previous Liquidity Provider as of such date shall not have been so paid.

Upon the Stated Termination Date of the Liquidity Facility, the Tender Agent will, if applicable, return the Liquidity Facility to the Liquidity Provider in accordance with the terms thereof.

Payments under Liquidity Facility

During the term of any Liquidity Facility, the Tender Agent will request the Liquidity Provider under the Liquidity Facility in accordance with the terms thereof to pay when due the purchase price of 2005B Certificates tendered or deemed tendered for purchase to the extent moneys as described in “2005B INDENTURE—Certificate Purchase Fund” in this Appendix are not available therefor. Notwithstanding any provision to the contrary which may be contained in the Indenture, (a) in computing the amount to be requested under the Liquidity Facility on account of the payment of the purchase price of 2005B Certificates tendered or deemed tendered for purchase, the Tender Agent will exclude any such amounts in respect of any 2005B Certificates which are known by the Tender Agent to be 2005B Liquidity Provider Certificates or any 2005B Certificates that are known by the Tender Agent to be owned by or on behalf of the Corporation, the District, or any of their affiliates or guarantors on the date such payment is due, and (b) the Liquidity Provider will not pay the purchase price of 2005B Certificates tendered or deemed tendered for purchase which are 2005B Liquidity Provider Certificates or 2005B Certificates owned by or on behalf of the Corporation or the District on the date such payment is due.

Liquidity Facility Not Required in Certain Circumstances

The 2005B Certificates bearing interest at a Variable Rate are not required to have the benefit of a Liquidity Facility if, prior to the Stated Termination Date of the Liquidity Facility then in effect, there is delivered to the District and the Trustee: (i) an opinion of Bond Counsel to the effect that the expiration or termination of the Liquidity Facility then in effect will not adversely affect the validity or enforceability of the 2005B Certificates in accordance with their terms; (ii) written evidence from each Rating Agency then maintaining a rating on the 2005B Certificates that the short term rating on the 2005B Certificates following the expiration or termination of the Liquidity Facility will not be reduced or withdrawn from such rating on the 2005B Certificates immediately prior to such expiration or termination; and (iii) written consent of the 2005B Certificate Insurer 2005B Certificates bearing interest at the Fixed Interest Rate will not be required to have the benefit of a Liquidity Facility.

Upon satisfaction of the requirements described in the immediately preceding paragraph in this caption, the Liquidity Facility then in effect will be cancelled on the date specified by the District and all 2005B Certificates will be subject to mandatory purchase as described in “THE 2005 CERTIFICATES—Mandatory Tenders for Purchase—Mandatory Tender Upon Stated Termination Date of Liquidity Facility” in the body of this Official Statement. Thereafter, all 2005B Certificates may be remarketed by the Remarketing Agent pursuant to the Remarketing Agreement without the benefit of a Liquidity Facility until such time, if any, as the 2005B Certificates are thereafter entitled to the benefits of a Liquidity Facility as described in “2005B INDENTURE—Liquidity Facility” in this Appendix, but only if there is delivered to the District, the Trustee and the Remarketing Agent an opinion of Bond Counsel to the effect that the execution and delivery of the Liquidity Facility will not adversely affect the validity or enforceability of the 2005B Certificates in accordance with their terms. If at any time when 2005B Certificates are bearing interest at a variable Rate no Liquidity Facility is required for the 2005B Certificates, the Trustee will affix a legend on the face of each 2005B Certificate authenticated on or after the date on which a Liquidity Facility is no longer required in substantially the following form: “A Liquidity Facility is not required with respect to this 2005B Certificate.”

Supplemental Indentures Not Requiring Consent of Owners

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

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

(b) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if such provisions are necessary or desirable and do not 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 Surety Bond subsequent to the issuance of the 2005B Certificates;

(f) to implement a conversion of the interest rate on the 2005B Certificates to a Fixed Interest Rate or a Variable Rate, including but not limited to modifying, amending or supplementing the form of 2005B Certificate to reflect, among other things, a change in the designated title of the 2005B Certificates, the fixing of an annual rate of interest, the termination of the rights of any Owner to tender such 2005B Certificates for purchase and the fact that the purchase price of the 2005B Certificates is no longer payable out of moneys drawn under the Liquidity Facility;

(g) in connection with the provision of a Substitute Liquidity Facility pursuant to the provisions of the Indenture;

(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 a 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 “2005B INDENTURE—Supplemental Indentures Requiring Consent of Owners” in this Appendix;

(i) to provide for the appointment of a new Remarketing Agent or, Tender Agent; or

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

Supplemental Indentures Requiring Consent of Owners

Exclusive of Supplemental Indentures described under the immediately preceding caption, the written consent of the Owners of not less than a majority in aggregate principal amount of the Certificates

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, or, with respect to the matters specified in paragraphs (a) through (d) of the immediately preceding paragraph, 100%, in aggregate principal amount of the 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 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 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 2005B Leased Property or to add additional or substituted improvements or properties acquired in accordance with the Lease;
- (d) in order to provide for the acquisition, construction or installation of additional property under the Lease;
- (e) in connection with the issuance of Additional Certificates, including Additional Certificates issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof and Additional Certificates which by their terms appreciate in value to a stated face amount at maturity;
- (f) in connection with any Supplemental Indenture permitted as described in “2005B INDENTURE—Supplemental Indentures Not Requiring Consent of Owners” and “2005B INDENTURE—Supplemental Indentures Requiring Consent of Owners” in this Appendix;
- (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 “2005B 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 any similar lease or agreement relating to any other Project; or
- (i) to effect any other changes in the Lease or any Project Document which, in the opinion of Bond Counsel, do not materially adversely affect the rights of the Owners.

**Amendments 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 “2005B 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 “2005B 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.

**Consent of Liquidity Provider, Hedge
Provider and Certificate Fund Investment
Provider**

Subject to the provisions set forth as described in “2005B INDENTURE—References to Liquidity Provider, Remarketing Agent and Hedge Provider” in this Appendix, a Supplemental Indenture or amendment 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 execution and delivery of such supplemental or amendatory Indenture. The Trustee shall cause notice of the proposed execution and delivery of any supplemental or amendatory Indenture, together with a copy of the proposed supplemental or amendatory Indenture 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 of any such supplemental or amendatory Indenture

Discharge of Indenture

If, when the Certificates secured by the Indenture shall become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Indenture, including sums to be paid to the 2005B Certificate Insurer pursuant to the 2005B Certificate Insurer and the Indenture and to the Custodian, any Liquidity Provider, any Hedge Provider, the Certificate Fund Investment Provider, the Trustee, the Remarketing Agent and the Tender Agent pursuant to the provisions of the Indenture and the Custodial Agreement, any Liquidity Facility, any Hedge Facility, the Certificate Fund Investment Agreement, the Remarketing Agreement and the Tender Agent 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, the 2005B Certificate Insurer, any such Liquidity Provider, any such Hedge Provider, the Custodian, the Certificate Fund Investment Provider, the Remarketing Agent and the Tender Agent will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee is to 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 is to execute such documents as may be reasonably required by the Corporation and is to 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 caption. 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 are to be paid, but any other amounts due to any of the 2005B Certificate Insurer, the Certificate Fund Investment Provider, any Liquidity Provider, any Hedge Provider, the Trustee, the Custodian, the Remarketing 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 will 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 the 2005B Certificate Insurer, the Certificate Fund

Investment Provider, any such Liquidity Provider, any such Hedge Provider, the Trustee, the Custodian, the Remarketing Agent and the Tender Agent will continue for the benefit of the 2005B Certificate Insurer, any such Liquidity Provider, any such Hedge Provider, the Trustee, the Custodian, the Remarketing 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 “2005B INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent and Tender Agent with Respect to Portions of Leased Property In Which First Priority Interest Has Ceased” in this Appendix. Notwithstanding any of the foregoing, the initial Hedge Provider will have no right to any payments under the Indenture (except as provided the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix) unless and until the Hedge Facility Effective Date shall have occurred and any such rights shall otherwise be subject to the provisions of the Indenture described in “2005B INDENTURE—Initial Hedge Facility Effectiveness” in this Appendix, and the Certificate Fund Investment Provider shall have no right to any payments under the Indenture unless and until the Designated 1997 PCOPs Refunding Date shall have occurred and any such rights shall otherwise be subject to the provisions of the Indenture described in “2005B INDENTURE—Designated 1997 PCOPs Refunding” 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 “2005B INDENTURE—Mandatory Sinking Fund Redemption of 2005B Certificates” in this Appendix, (ii) there shall have been deposited in trust either Available Moneys in an amount which will be sufficient, or Defeasance Securities purchased with Available Moneys which do not contain provisions permitting the redemption thereof at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, will be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the redemption date or maturity date thereof, as the case may be and (iii) a certified public accountant shall have delivered a verification report verifying the sufficiency of the deposit described in clause (ii) above. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this caption or principal or interest payments on any such Defeasance Securities may be withdrawn or used for any purpose other than, and are to be held in trust for, the payment of the principal of and interest on said Certificates; provided any cash received from such principal or interest payments on such Defeasance Securities deposited in trust, if not then needed for such purpose, is to, to the extent practicable, be reinvested in Defeasance Securities of the type described in clause (ii) of this subsection maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on said Certificates on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificates will be deemed paid as aforesaid, such Certificates will no longer be secured by or entitled to the benefits of the Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

Prior to any discharge of the Indenture pursuant to this caption or the defeasance of any Certificates pursuant to this caption becoming effective, there shall have been delivered to the Corporation and the Trustee an opinion of Bond Counsel, addressed to the Corporation and the Trustee, to the effect that all requirements of the Indenture for such defeasance have been complied with.

In the event that there is a defeasance of only part of the Certificates of any 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 defeated, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates.

A 2005B Certificate bearing interest at a Variable Rate will be deemed to be paid within the meaning of this caption only if (i) the District has deposited with the Trustee or other Trust Bank the amounts required by the second paragraph of 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 the 2005B Certificates cannot be determined), (ii) (A) such 2005B Certificate is called for redemption on or prior to the next date upon which such 2005B Certificate is subject to purchase as described in "THE 2005 CERTIFICATES—Optional Tenders for Purchase" and "—Mandatory Tenders for Purchase" in the body of this Official Statement, or (B) the Trustee and the District receive evidence from independent certified public accountants satisfactory to the Trustee that the moneys and Federal Securities deposited with the Trustee or other Trust Bank pursuant to this caption are in an amount sufficient to pay the purchase price of the 2005B Certificates which may be tendered for purchase as described in "THE 2005 CERTIFICATES—Optional Tenders for Purchase" and "—Mandatory Tenders for Purchase" in the body of this Official Statement during the period prior to payment in full of the principal of, premium, if any, and interest on such 2005B Certificates, in which case the 2005B Certificates purchased with the moneys deposited with the Trustee or other Trust Bank will be canceled; and (iii) the District waives, to the satisfaction of the Trustee, its right to convert the method for determining the interest rate borne by such 2005B Certificate as described in "2005B INDENTURE—Reserve Fund" in this Appendix and a verification report delivered by independent certified accountants confirms that the moneys and Federal Securities deposited with the Trustee or other Trust Bank for such purpose pursuant to and subject to the provisions of this caption will be sufficient to pay in full (in addition to the principal of such 2005B Certificates) all interest which may accrue on such 2005B Certificate until its final payment. 2005B Liquidity Provider Certificates are not to be advance refunded pursuant to this caption of the Indenture without the consent of the 2005B Liquidity Provider.

References to Liquidity Provider, Remarketing Agent and Hedge Provider

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, the Certificates do not bear interest at the Fixed Rate and a Liquidity Facility is required to be in effect as described in "2005B INDENTURE—Liquidity Facility" in this Appendix. References in the Indenture to the 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 subject to the provisions of the Indenture described in "2005B INDENTURE—Designated 1997 PCOPs Refunding" in this Appendix and will otherwise 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.

Rights of 2005B Certificate Insurer

Each Owner of a 2005B Certificate, by its purchase of such 2005B Certificate, grants to the 2005B Certificate Insurer all the rights and privileges described under this caption as a condition to, and in consideration for, the 2005B Certificate Insurer's delivery of the 2005B Certificate Insurance Policy.

Notwithstanding any other provision of the Indenture or of the Lease, so long as the 2005B Certificates are Outstanding and the 2005B Certificate Insurer is not in payment default under the 2005B Certificate Insurance Policy:

(i) the 2005B Certificate Insurer will be deemed to be the Owner of each 2005B Certificate for the purpose of exercising all rights of such Owner other than (A) except as otherwise described under this caption, the right to receipt of payments of principal of, premium, if any, and interest on such 2005B Certificate and (B) the right to consent with respect to such Certificate to a Supplemental Indenture executed to amend the Indenture in any way described in clauses (i) through (v) under the caption "2005B INDENTURE—Supplemental Indentures Requiring Consent of Owners" in this Appendix;

(ii) there is to be no acceleration of the payment obligations of the District under the Lease or of the Corporation under the Indenture without the consent of the 2005B Certificate Insurer.

To the extent that the Indenture confers upon or gives or grants to the 2005B Certificate Insurer any right, remedy or claim under or by reason of the Indenture, the 2005B Certificate Insurer is explicitly recognized by the Indenture as being a third-party beneficiary under the Indenture and may enforce any such right, remedy or claim conferred, given or granted under the Indenture.

Notwithstanding any other provision of the Indenture, any provision of the Indenture expressly recognizing or granting rights in or to the 2005B Certificate Insurer may not be amended in any manner which affects the rights of the 2005B Certificate Insurer under the Indenture without the prior written consent of the 2005B Certificate Insurer.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the 2005B Certificates shall be paid by the 2005B Certificate Insurer pursuant to the 2005B Certificate Insurance Policy, the 2005B Certificates will remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Corporation to the Owners will continue to exist and will run to the benefit of the 2005B Certificate Insurer, and the 2005B Certificate Insurer will be subrogated to the rights of such Owners.

The 2005B Certificate Insurer reserves the right to charge the Corporation or the District a reasonable fee for any consent to or amendment of the Indenture while the 2005B Certificate Insurance Policy is outstanding.

After the 2005B Certificates are no longer Outstanding and at any time the 2005B Certificate Insurer is in payment default under the 2005B Certificate Insurance Policy, all references in the Indenture to the 2005B Certificate Insurer will be ineffective.

Payment Procedure Pursuant to 2005B Certificate Insurance Policy

(a) At least one day prior to each Interest Payment Date, the Trustee is to determine whether there will be sufficient funds in the Certificate Fund to pay the principal of or interest on the Series 2005B Certificates on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in such accounts, the Trustee is to so notify the 2005B Certificate Insurer. Such notice is to specify the amount of the anticipated deficiency, the Series 2005B Certificates to which such deficiency is applicable and whether such Series 2005B Certificates

will be deficient as to principal or interest, or both. If the Trustee has not so notified the 2005B Certificate Insurer at least one day prior to an Interest Payment Date, the 2005B Certificate Insurer will make payments of principal or interest due on the Series 2005B Certificates on or before the first day next following the date on which the 2005B Certificate Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee is to, after giving notice to the 2005B Certificate Insurer as described in paragraph (a) under this caption, make available to the 2005B Certificate Insurer and, at the 2005B Certificate Insurer's direction, to the United States Trust Company of New York, as insurance trustee for the 2005B Certificate Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books relating to the Series 2005B Certificates maintained by the Trustee and all records relating to the funds and accounts maintained under the Indenture and any amendment to the Indenture.

(c) The Trustee is to provide the 2005B Certificate Insurer and the Insurance Trustee with a list of the Owners of Series 2005B Certificates entitled to receive principal or interest payments from the 2005B Certificate Insurer under the terms of the Certificate Insurance Policy, and is to make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of Series 2005B Certificates entitled to receive full or partial interest payments from the 2005B Certificate Insurer and (ii) to pay principal upon Series 2005B Certificates surrendered to the Insurance Trustee by the Owners of Series 2005B Certificates entitled to receive full or partial principal payments from the 2005B Certificate Insurer.

(d) The Trustee is to, at the time it provides notice to the 2005B Certificate Insurer pursuant to paragraph (a) under this caption, notify the Owners of Series 2005B Certificates entitled to receive the payment of principal or interest thereon from the 2005B Certificate Insurer (i) as to the fact of such entitlement; (ii) that the 2005B Certificate Insurer will remit to them all or a part of the interest payments next coming due upon proof of an Owner's entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment; (iii) that should they be entitled to receive full payment of principal from the 2005B Certificate Insurer, they must surrender their Series 2005B Certificates (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 2005B Certificates to be registered in the name of the 2005B Certificate Insurer) for payment to the Insurance Trustee, and not the Trustee; and (iv) that should they be entitled to receive partial payment of principal from the 2005B Certificate Insurer, they must surrender their Series 2005B Certificates for payment thereon first to the Trustee, who is to note on such Series 2005B Certificates the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on an Series 2005B Certificate which has become Due for Payment (as defined in the Certificate Insurance Policy) and which is made to an Owner by or on behalf of the Corporation has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee is to, at the time the 2005B Certificate Insurer is notified as described in paragraph (a) under this caption, notify all Owners of Series 2005B Certificates that, in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from the 2005B Certificate Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee is to furnish to the 2005B

Certificate Insurer its records evidencing the payments of principal of and interest on the Series 2005B Certificates which have been made by the Trustee and subsequently recovered from Owners and the dates on which such payments were made.

(f) In addition to those rights granted the 2005B Certificate Insurer under the Indenture, the 2005B Certificate Insurer will, to the extent it makes payment of principal of or interest on Series 2005B Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Certificate Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee is to note the 2005B Certificate Insurer's rights as subrogee on the registration books relating to the Series 2005B Certificates maintained by the Trustee upon receipt from the 2005B Certificate Insurer of proof of the payment of interest thereon to the Owners of the Series 2005B Certificates, and (ii) in the case of subrogation as to claims for past due principal, the Trustee is to note the 2005B Certificate Insurer's rights as subrogee on the registration books relating to the Series 2005B Certificates maintained by the Trustee upon surrender of the Series 2005B Certificates by the Owners thereof together with proof of the payment of principal thereof.

Payment Procedure Pursuant to the 2005B Reserve Fund Surety Bond.

As long as the 2005B Reserve Fund Surety Bond shall be in full force and effect, the Trustee agrees in the Indenture to comply with the following provisions:

(a) In the event and to the extent that moneys on deposit in the Certificate Fund, plus all cash and Permitted Investments on deposit in and credited to the Reserve Fund securing the 2005B Certificates in excess of the amount of the 2005B Reserve Fund Surety Bond, are insufficient to pay the amount of principal and interest coming due on the 2005B Certificates, then, upon the later of (i) one (1) day after receipt by the General Counsel of the 2005B Certificate Insurer of a demand for payment in the form attached to the 2005B Surety Bond as Attachment 1 (the "Demand for Payment"), duly executed by the Trustee certifying that the payment due under the Lease has not been made to the Trustee, or (ii) the payment date of the 2005B Certificates as specified in the Demand for Payment presented by the Trustee to the General Counsel of the 2005B Certificate Insurer, the 2005B Certificate Insurer will make a deposit of funds in an account with the Trustee or its successor, in New York, New York, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee under the Lease (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the 2005B Reserve Fund Surety Bond; provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the 2005B Reserve Fund Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional Funding Instrument"), draws on the 2005B Reserve Fund Surety Bond and the Additional Funding Instrument is to be made on a pro rata basis to fund the insufficiency.

(b) The Trustee is to, after submitting to the 2005B Certificate Insurer the Demand for Payment as provided in (a) above, make available to the 2005B Certificate Insurer all records relating to the funds and accounts maintained under the Indenture.

(c) The Trustee is to, upon receipt of moneys received from the draw on the 2005B Reserve Fund Surety Bond, as specified in the Demand for Payment, credit the Reserve Fund to the extent of moneys received pursuant to such Demand for Payment.

(d) The Reserve Fund is to be replenished in the following priority: (i) principal and interest on the Reserve Fund Surety Bond and on any Additional Funding Instrument are to be paid from Base Rentals, as provided in the Lease, on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the 2005B Reserve Fund Surety Bond and any Additional Funding Instrument are to be deposited from Additional Rentals, as provided in the Lease.

Notices to S&P and Moody's

Upon the happening of any of the following events, 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 2005B Certificates; (c) conversion of the 2005B Certificates to a Term Rate Interest Rate Mode or the Fixed Rate Interest Rate Mode (or any other Interest Rate Modes not covered by the 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, Tender Agent or Remarketing Agent pursuant to the Indenture; (f) defeasance of any Certificates as described in "2005B 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.

Initial Hedge Facility Effectiveness

Notwithstanding any other provision of the Indenture, unless and until the Hedge Facility Effective Date shall have occurred in accordance with, and subject to the provisions of, the initial Hedge Facility, (i) the Corporation will have no obligation to make any Regularly Scheduled Hedge Payment with respect to the initial Hedge Facility, and (ii) with respect to any other payment obligation of the Corporation that may arise under the initial Hedge Facility during such period, the Hedge Provider's rights with respect to the pledge of and lien on the Trust Estate granted for its benefit pursuant to (and subject to the limitations of) the granting clauses the Indenture shall be subject to the provisions of the Indenture described in "2005B INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing Agent and Tender Agent with Respect to Portions of Leased Property in Which First Priority Interest Has Ceased."

Designated 1997 PCOPs Refunding

Notwithstanding any other provision of the Indenture, the Corporation will have no obligation hereunder to make any payment with respect to the Certificate Fund Investment Agreement, including, without limitation, any deposit to the Late Payment Fee Fund, and the Certificate Fund Investment Provider will have no right to enforce any such payment obligation or the pledge of and lien on the Trust Estate granted for its benefit pursuant to (and subject to the limitations of) the granting clauses of the Indenture, or to cause the Trustee to enforce the same, unless and until the Designated 1997 PCOPs Refunding Date shall have occurred.

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 Trustee 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.

2005B LEASE

The District will lease the 2005B Leased Property from the Corporation pursuant to the 2005B Lease. This section contains a brief summary of some of the principal terms of the 2005B Lease.

Definitions

The following capitalized terms will have the following meanings in the summary of the 2005B Lease in this Appendix:

“*Additional Certificates*” is defined in “2005B 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 the Reserve Fund as described in “2005B 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 “2005B 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 2005B Certificate Insurer under the Indenture and the Lease; and, on and after the Designated 1997 PCOPs Refunding Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Designated 1997 PCOPs Refunding” in this Appendix, 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.

“*Base Rentals*” means the payments by the District as described in “2005B 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 “2005B INDENTURE—2005B Certificate Details” in this Appendix.

“*Board*” means the Board of Education of the District.

“*Business Day*” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“*Certificate Fund*” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Certificate Fund Investment Agreement” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Certificate Fund Investment Provider” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Certificates” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Corporation” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Corporation Representative” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Cost-of-Funds Swap” is defined in “2005B 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 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 “2005B LEASE—Events of Default Defined—Events of Default” in this Appendix.

“Event of Nonappropriation” means an event as described in “2005B LEASE—Event of Nonappropriation” in this Appendix.

“Fee Retention Fund” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Fiscal Year” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Fixed Rate” is defined in “2005B 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.

“Hedge Facility” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Hedge Provider” is defined in “2005B 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 “2005B LEASE—Modification and Substitution of Leased Property” or “2005B 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 “2005B LEASE—Release of Portions of the Leased Property” in this Appendix.

“*Indenture*” is defined in “2005B 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, 2005.

“*Interest Payment Date*” or “*Interest Payment Dates*” is defined in “2005B 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 “2005B LEASE—Release of Portions of the Leased Property” in this Appendix.

“*Late Payment Fee*” means a fee paid by the District, on and after the Designated 1997 PCOPs Refunding Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Designated 1997 PCOPs Refunding” in this Appendix, 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 “2005B INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005B INDENTURE—Definitions” in this Appendix.

“*Lease Term*” has the meaning as set forth in “2005B LEASE—Lease Term” in this Appendix.

“*Leased Property*” means the Land and the Improvements.

“*Liquidity Facility*” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“*Liquidity Provider*” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“*Maximum Liquidity Provider Rate*” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“*Moody’s*” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“*Net Proceeds*” means (a) the gross proceeds received from any event as described in “2005B 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” means, with respect to any period for which Base Rentals are paid, the amount by which any Regularly Scheduled Hedge Payments required to be paid by the Corporation to a Hedge Provider during such period exceeds the amount of Regularly Scheduled Hedge Payments required to be paid by the Hedge Provider to the Corporation for such period.

“Outstanding” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Owner” is defined in “2005B 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 “2005B LEASE—Limitations on Disposition of and Encumbrances on Leased Property” in this Appendix; (b) the Lease and the Indenture; (c) easements, licenses, rights-of-way, rights and privileges, restrictions and exceptions which the District Representative certifies will not materially adversely affect the value, or interfere with or impair the effective use or operation, of the Leased Property, including easements granted as described in “2005B 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; (f) any claim filed pursuant to C.R.S. § 38-26-107; (g) any applicable zoning requirements; and (h) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property and as do not, in the opinion of the Corporation, materially impair title to the Leased Property.

“Person” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Project” is defined as the “2005B Project” in “2005B INDENTURE—Definitions” in this Appendix.

“Purchase Option Price” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Qualified Reserve Fund Surety Bond” means a surety bond issued by an insurance company rated in the highest rating category by S&P and Moody’s.

“Regularly Scheduled Hedge Payments” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Regularly Scheduled Liquidity Commitment Fees” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Remarketing Agent” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Remarketing Agreement” is defined in “2005B 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 “2005B INDENTURE—Definitions” in this Appendix.

“Reserve Fund” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“S&P” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Scheduled Lease Term” means the period from the commencement of the Lease Term as described in “2005B LEASE—Lease Term” in this Appendix.

“State” means the State of Colorado.

“Tender Agent” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Tender Agent Agreement” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Trust Estate” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Trustee” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“2005B Certificate Insurance Policy” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“2005B Certificate Insurer” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“2005B Reserve Fund Surety Bond Guaranty Agreement” is defined in “2005B INDENTURE—Definitions” in this Appendix.

“Variable Rate” is defined in “2005B 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) The Lease is 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 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 March 24, 2005 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) The Lease is enforceable against the District 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 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 the Leased Property to the District 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, 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.

Termination of the Lease

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 “2005B 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 “2005B LEASE—District’s Purchase Option; or (d) termination of the Lease following an Event of Default in accordance with provisions as described in “2005B 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 designee, 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 2005 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; provided, however, that, if any amount is appropriated by the Board in a supplemental appropriation as described in “2005B 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 the Corporation 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), (ii) earnings from the investment of moneys in the Certificate Fund, (iii) Net Regularly Scheduled Hedge Payments received by the Corporation from the Hedge Provider or expected to be received by the Corporation from the Hedge Provider on or before the Interest Payment Date immediately following such Base Rental Payment Date, and (iv) amounts received pursuant to the 2005B Investment Agreement that have been deposited into the Certificate Fund or are expected to be received and deposited in the Certificate Fund on or before the Interest Payment Date immediately following such Base Rental Payment Date, and (v) 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. 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; (ii) interest due on the Certificates in such Fiscal Year; (iii) on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Initial Hedge Facility Effectiveness” in this Appendix, the Net Regularly Scheduled Hedge Payments with respect to such Certificates due in such Fiscal Year; (iv) the Regularly Scheduled Liquidity Commitment Fees due in such Fiscal Year; (v) the regularly scheduled fees of the Remarketing Agent under the Remarketing Agreement for such Fiscal Year; (vi) the regularly scheduled fees of the Tender Agent under the Tender Agent Agreement 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) any amounts payable by the Corporation to the 2005B Certificate Insurer pursuant to Article II of the 2005B Reserve Fund Surety Bond Guaranty Agreement to reimburse the 2005B Certificate Insurer for any draws upon the 2005B Reserve Fund Surety Bond (including any interest on the amount of such draws as set forth in such Article II). 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 as described in “THE 2005 CERTIFICATES—Calculation of Interest—Notice of Interest Rate and Base Rentals” in the body of this Official Statement may specify a different amount for each such component. Upon receipt by the Trustee of each payment of Base Rentals, the Trustee is to 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, on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Initial Hedge Facility Effectiveness” in this Appendix, 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 2005 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, 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 2005 CERTIFICATES—Calculation of Interest—Notice of Interest Rate and Base Rentals” in the body of this Official Statement, 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 in this subsection (b) are to be deposited in the Fee Retention Fund.

The Base Rentals set forth in Exhibit C to the Lease are to be recalculated 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 2005B Certificates becoming Liquidity Provider 2005B Certificates, so as to provide for payment of such Liquidity Provider 2005B Certificates pursuant to provisions as described in "2005B INDENTURE—2005B Certificate Details" in this Appendix.

Payment of Additional Rentals

The District will, subject to limitations described in the second paragraph under "2005B LEASE—Taxes, Utilities and Insurance" in this Appendix and the second paragraph under "2005B 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 as described in "2005B 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 "2005B LEASE—Taxes, Utilities and Insurance" in this Appendix and the second paragraph under "2005B 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 not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the District and the Corporation or between the District or the Corporation and any other Person relating to the Leased Property, the District will, during the Lease Term, make all payments of Base Rentals and Additional Rentals when due; the District will not withhold any Base Rentals or Additional Rentals payable during the Lease Term pending final resolution of such dispute and will not assert any right of set-off or counter-claim against its obligation to pay Base Rentals or Additional Rentals, provided, however, that the making of any Base Rental or Additional Rental payment will not constitute a waiver by the District of any rights, claims or defenses which the District may assert; and no action or inaction on the part of the Corporation will affect the District's obligation to pay Base Rentals or Additional Rentals during the Lease Term.

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 next ensuing Fiscal Year (net of any amount for which a credit exists as described in "2005B LEASE—Payment of Base Rentals" in this Appendix), 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 "2005B 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 Fixed Rate or 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 “2005B LEASE—Payment of Base Rentals” in this Appendix;

(2) with respect to any Base Rentals relating to 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 “2005B LEASE—Payment of Base Rentals” in this Appendix;

(3) with respect to any Base Rentals relating to 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 “2005B LEASE—Payment of Base Rentals” in this Appendix, plus 15 basis points, but not in excess of the Maximum Bank Rate;

(4) with respect to any Base Rentals relating to 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) the application of the average of the rate that would have been borne under the formula rate set forth in the Liquidity Facility 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 Bank 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 Bank Rate; and

(C) the amounts payable as the components of Base Rentals as described in the second paragraph under “2005B LEASE—Payment of Base Rentals” in this Appendix during such Fiscal Year; and

provided that, while the 2005B Investment Agreement is in effect, the District will not be required to make an appropriation for the principal or interest components of Base Rentals (except any supplemental appropriation that may be required as described in paragraph (b)(ii) under this caption); and

(ii) the entire amount of Additional Rentals estimated to be payable during the next ensuing Fiscal Year; less

(iii) the amount of credits described in the first paragraph under “2005B LEASE—Payment of Base Rentals” in this Appendix during such Fiscal Year which are estimated to be available for 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, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rentals scheduled to be paid and all Additional Rentals estimated to be payable in the next ensuing Fiscal Year, as set forth above under this caption;

(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 Reserve Fund, the District has (X) failed, for any reason, to adopt a supplemental appropriation for such amount and (Y) actually failed to pay such actual interest due; or

(iii) if:

(A) an event described in the first paragraph of “2005B 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 “2005B 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 “2005B 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 waive any such failure to appropriate under paragraph (b) under this caption which is cured by the District within a reasonable time.

(d) In the event that the District shall determine to exercise its annual right to not renew the Lease for the next succeeding Fiscal Year, the District is to give written notice to such effect to the Corporation and the Trustee 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 determination or to review 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 elect not to renew 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 will apply to 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.

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 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 notifies the District that, in the opinion of Independent Counsel, whose fees and expenses will be paid by the District from Additional Rentals appropriated for the Fiscal Year in which such fees and expenses are due, by nonpayment of any such item the interest of the Corporation in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge 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 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 or may be provided 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, (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 or the Trustee without first giving written notice thereof to the District and the Trustee at least 10 days in advance of such cancellation or modification; (6) a copy of each such insurance policy, or of each certificate evidencing such policy, is to be delivered to the District, the Trustee and the 2005B Certificate Insurer prior to the issuance of the 2005B Certificates, a certificate evidencing the continuation of such insurance will be provided to the 2005B Certificate Insurer annually following the issuance of the 2005B Certificates and copies of new insurance policies are to be provided to the 2005B Certificate Insurer within 30 days of purchase or renewal; (7) 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 (8), to the extent commercially reasonable, each such insurance policy is to be provided by a commercial insurer rated "A" by A.M. Best or in one of two highest rating categories of S&P and Moody's; and

If the insurance is provided through a self-insurance program maintained by the District: (a) an independent insurance consultant will initially and annually certify to the Corporation and the 2005B Certificate Insurer that (1) the reserves supporting such self-insurance program are held by an independent custodian and are adequate for the purposes of such program and (2) such self-insurance program is maintained on an actuarially sound basis.

In the event the self-insurance program is discontinued, the actuarial soundness of the program must be maintained.

The District will cause an insurance consultant, which may be the person providing the insurance, 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 thereonto 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 "2005B LEASE—Modification of Leased Property" and "—Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property" in this Appendix.

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 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 notifies the District 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 in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item will be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge will not constitute a waiver by the District of the right to continue to contest such item. At the request of the District, the Corporation will cooperate fully with the District in any such contest.

Granting of Easements

As long as no Event of Nonappropriation or Event of Default has happened and is continuing, the Corporation will, at the request of the District:

- (a) consent to the grant of easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the real property included in the Leased Property, free from the Lease and any security interest or other encumbrance created under the Lease or 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, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the District Representative requesting such instrument and stating that such grant or release will not materially adversely affect the value, or interfere with the effective use or operation, of the Leased Property.

Subleasing by District

The District may, subject to the limitations described in “2005B 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, provided that the following conditions are satisfied for any sublease, grant or use pursuant to clause (ii):

- (a) the Lease, and the obligations of the District thereunder, will remain obligations of the District, and the District will maintain its direct relationship with the Corporation, notwithstanding any such sublease, grant or use;
- (b) if the sublease, grant or use is either (i) with respect to all the Leased Property or (ii) makes it impossible or impractical for the District to use any substantial portion of the Leased Property for educational purposes for any substantial period of time, the Corporation consents to such sublease, grant or use, which consent is not to be unreasonably withheld; and
- (c) the 2005B Certificate Insurer consents to such sublease, grant or use in advance.

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 and (B) will become part of the Leased Property; (ii) the value of the Leased Property after such remodeling, modifications and additions will be at least as great as the value of the Leased Property prior thereto; provided that if the value thereof is materially higher than prior thereto, the District will have received an opinion of Bond Counsel approving such additions, modifications or improvements; 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 the written consent of the 2005B Certificate Insurer, which consent will not be unreasonably withheld by the 2005B Certificate if it has received the following and the same are reasonably acceptable to it: (i) a written request of the District Representative for such release, describing the portion of the Leased Property to be released; (ii) a certificate of the District that the replacement cost, as determined by the Colorado School Districts Self-Insurance Pool, of the improvements and equipment, if any, included in the property to be substituted for the Leased Property or portion thereof to be released and a market estimate of the value of the land, if any, to be included in such property, demonstrating that the value of such property is at least equal to that of the property released; (B) a certificate of useful life demonstrating that the useful life of the substituted property meets or exceeds the remaining term of the Certificates; (C) a certification that the essentiality of the substituted property is comparable to that of the released property; (D) an opinion from Bond Counsel regarding the State law consequences of the substitution acceptable to the 2005B Certificate Insurer; (E) a certification from the District that there are no prior liens on the substituted property; and (F) a title insurance policy covering the substituted property and a certification from the District that the release of the released property and substitution of the substituted property will not affect the existing title insurance on the Leased Property.

Damage to, Condemnation of, Material Defect in or Loss of Title to Leased Property

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 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 may elect either:

(i) to use the Net Proceeds promptly to repair, restore, modify or improve or replace the Leased Property (or portion thereof) with property of a value equal to or in excess of the value of the Leased Property (or applicable portion thereof), and pay (subject to the nonappropriation provisions of 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 clause (i) 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 and the Trustee.

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 all amounts payable by the Corporation to the Liquidity Provider under the Liquidity Facility, all amounts payable by the Corporation to the Custodian pursuant to the Custodial Agreement, all amounts payable by the Corporation to the 2005B Certificate Insurer under the Indenture and the 2005B Reserve Fund Surety Bond Guaranty Agreement, on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Initial Hedge Facility Effectiveness” in this Appendix, all amounts payable by the Corporation to the Hedge Provider under the Hedge Facility, and, on and after the Designated 1997 PCOPs Refunding Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Designated 1997 PCOPs Refunding” in this Appendix, all amounts payable by the Corporation to the Certificate Fund Investment Provider under the Certificate Fund Investment Agreement), minus a proportionate share of the amount then on deposit in the Reserve Fund, or (b) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates attributable to the condemned property to the first date on which the Certificates are subject to redemption under the Indenture, 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 all amounts payable by the Corporation to the Liquidity Provider under the Liquidity Facility, all amounts payable by the Corporation to the Custodian pursuant to the Custodial Agreement, all amounts payable by the Corporation to the 2005B Certificate Insurer under the Indenture and the 2005B Reserve Fund Surety Bond Guaranty Agreement, on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Initial Hedge Facility Effectiveness” in this Appendix, all amounts payable by the Corporation to the Hedge Provider under the Hedge Facility; and, on and after the Designated 1997 PCOPs Refunding Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Designated 1997 PCOPs Refunding” in this Appendix, all amounts payable by the Corporation to the Certificate Fund Investment Provider under the Certificate Fund Investment Agreement), minus a proportionate share of the amount then on deposit in the Reserve Fund.

Personal Property of District

The District, at its own expense, may install equipment and other personal property in or on the Leased Property, which equipment or other personal property will not become part of the Leased Property unless it is permanently affixed to the Leased Property or removal of it would materially damage the Leased Property, in which case it will become part of the Leased Property.

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 pay all the Outstanding Certificates at maturity, to redeem all the Outstanding Certificates in accordance with the redemption provisions of the Indenture or to defease all the Outstanding Certificates in accordance with the defeasance provisions of the Indenture, (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 all amounts payable by the Corporation to the Liquidity Provider under the Liquidity Facility, all amounts payable by the Corporation to the Custodian pursuant to the Custodial Agreement, all amounts payable by the Corporation to the 2005B Certificate Insurer under the Indenture and the 2005B Reserve Fund Surety Bond Guaranty Agreement, on and after the Hedge Facility Effective Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Initial Hedge Facility Effectiveness” in this Appendix, all amounts payable by the Corporation to the Hedge Provider under the Hedge Facility; and, on and after the Designated 1997 PCOPs Refunding Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Designated 1997 PCOPs Refunding” in this Appendix, 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 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 and (ii) paying the Purchase Option Price to the Corporation in immediately available funds on the closing date.

At the closing of any purchase of the Leased Property pursuant to the District’s exercise of its purchase option, the Corporation 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 “2005B 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 “2005B 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 “2005B 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.

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 “2005B 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 is not to 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 “2005B INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005B INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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 “2005B INDENTURE—Remedies to be Exercised for Benefit of Liquidity Provider, Hedge Provider, 2005B Certificate Insurer, Certificate Fund Investment Provider, Trustee, Custodian, Remarketing 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, leaching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or

discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Participation in Legal Actions

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 "2005B INDENTURE—Reserve Fund" in this Appendix to be deposited into the Reserve Fund or to be repaid by the Corporation to the provider of any Qualified Reserve Fund Surety Bond after a draw upon such Qualified Reserve Fund Surety Bond within 30 days after the beginning of the next succeeding Fiscal Year after any Fiscal Year in which a deficiency therein shall occur or such a draw shall have been made, as further described in the Indenture; provided that such amounts are not to be paid as Additional Rentals to the extent such amounts are required to be included in the calculation of Base Rentals pursuant to provisions as described in "2005B LEASE—Payment of Base Rentals" in this Appendix.

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.

Events of Default Defined

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

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

(b) Failure by the District to pay any Additional Rental for which funds have been specifically appropriated when due, or if such Additional Rental is payable to a Person other than the Corporation, the Trustee, the Bank, the Remarketing Agent, the 2005B Certificate Insurer or

the Trustee, and nonpayment thereof has, or may have, a material adverse effect upon the Leased Property or the interest of the Trustee in the Leased Property;

(c) Failure by the District to vacate the real property included in the Leased Property within 90 days following an Event of Nonappropriation as described in "Termination of the Lease" above in this section;

(d) Any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the District in all or any portion of the Lease or the Leased Property or any succession to all of any portion of the interest of the District in the Leased Property in violation of the provisions of the Lease described in "THE LEASE—Transfer of District's Interest in Lease and Leased Property Prohibited" in 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, unless the Corporation shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Corporation 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.

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 "2005B LEASE—Termination of the Lease" 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, with the consent of the 2005B Certificate Insurer, take one or any combination of the following remedial steps:

(a) Terminate the Lease Term and give notice to the District to immediately vacate the real property included in the Leased Property, in the manner described in "2005B LEASE—Termination of the Lease" in this Appendix;

- (b) Sell or lease its interest in all or any portion of the Leased Property;
- (c) Recover from the District: (i) the portion of Base Rentals and Additional Rentals payable as described in “2005B LEASE—Termination of the Lease” 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; 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 “2005B LEASE—Limitations on Obligations of the District” in this Appendix and the limitations on the obligations of the Corporation described in “2005B 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, on and after the Designated 1997 PCOPs Refunding Date, if it occurs, and subject to the provisions of the Lease described in “2005B LEASE—Designated 1997 PCOPs Refunding” in this Appendix, 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 with respect to such circumstances: (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, 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 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 "2005B 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, hold its interest in the Leased Property and its rights, title and interest in, to and under the Lease (other than the Corporation's rights to payment of its fees and expenses and the rights of third parties to Additional Rentals payable to them) in trust for the benefit of the Owners and the other Persons to whom amounts are payable as a component of Base Rentals under the Lease, and, on a basis subordinate in all respects thereto as described in the Indenture, for the benefit of the Trustee, the Remarketing Agent, the Tender Agent, any Liquidity Provider, subject to the provisions of the Lease and of the Indenture, any Hedge Provider, and (on a further subordinated basis as set forth in the Indenture) subject to the provisions of the Lease and of 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 "2005B 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 of the Purchase Option Price or all Base Rentals scheduled to be paid through the end of the Scheduled Lease Term, together with all other amounts required to be paid as a condition of such conveyance pursuant to the Lease, and the payment or defeasance of all the Certificates in accordance with 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 2005B Certificate Insurer

Notwithstanding any other provision of the Lease or of the Indenture, the 2005B Certificate Insurer will be deemed to be the Owner of each 2005B Certificate for the purpose of exercising all rights of such Owner other than as described in "2005B INDENTURE—Rights of 2005B Certificate Insurer" in this Appendix.

Notwithstanding any other provision of the Lease, this caption, all other provisions of the Lease included for the benefit of the 2005B Certificate Insurer and all references in the Lease to the 2005B Certificate Insurer and the 2005B Certificate Insurance Policy will be ineffective (a) when no 2005B

Certificates are Outstanding and (b) following a failure by the 2005B Certificate Insurer to pay the principal of or interest on any 2005B Certificate pursuant to the 2005B Certificate Insurance Policy.

References to Liquidity Provider

References in the Lease and in the Indenture to the Liquidity Provider will be effective only so long as the Liquidity Provider has not defaulted under its obligations under the Liquidity Facility and not all of the Certificates bear interest at a Fixed Rate.

Initial Hedge Facility Effectiveness

Notwithstanding any other provision of the Lease, the District shall have no obligation thereunder to make any payment with respect to the initial Hedge Facility unless and until the Hedge Facility Effective Date shall have occurred in accordance with, and subject to the provisions of, the initial Hedge Facility.

Designated 1997 PCOPs Refunding

Notwithstanding any other provision of the Lease, the District shall have no obligation thereunder to make any payment with respect to the Certificate Fund Investment Agreement, including, without limitation, any Late Payment Fee, unless and until the Designated 1997 PCOPs Refunding shall have occurred.

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APPENDIX C

Book-Entry Only System

DTC will act as securities depository for the 2005 Certificates. The 2005 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series of the 2005 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSAC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as 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.

Purchases of 2005 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2005 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 2005 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 2005 Certificates, except in the event that use of the book-entry system for the 2005 Certificates is discontinued.

To facilitate subsequent transfers, all 2005 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 2005

Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2005 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2005 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 2005 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2005 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the 2005 Certificate documents. For example, Beneficial Owners of 2005 Certificates may wish to ascertain that the nominee holding the 2005 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 2005 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 2005 Certificates unless authorized by a Direct Participant in accordance with DTC's 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 2005 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the 2005 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, its nominee, 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 2005 Certificates purchased or tendered, through its Participant, to the Tender Agent and the Remarketing Agent, and shall effect delivery of such 2005 Certificates by causing the Direct Participant to transfer the Participant's interest in the 2005 Certificates, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of the 2005 Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2005 Certificates are transferred

by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2005 Certificates to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the 2005 Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, physical certificates for the 2005 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, physical certificates for the 2005 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 2005 CERTIFICATES, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE 2005 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 2005 Certificates registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the 2005 Certificates, giving any notice permitted or required to be given to registered owners under the Authorizing Document, including any notice of redemption, registering the transfer of 2005 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 2005 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 2005 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 2005 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 2005 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 2005 Certificates, the Trustee will give any notice of redemption or any other notices required to be given to registered owners of 2005 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 2005 Certificates called for redemption or of any other action premised on such notice.

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APPENDIX D
Forms Of Bond Counsel Opinions

[form of Bond Counsel Opinion with Respect to 2005A Lease and 2005A Certificates]

March 24, 2005

School District No. 1, in the City and
County of Denver and State of Colorado
J.P. Morgan Trust Company, National Association
J.P. Morgan Securities Inc.
Ambac Assurance Corporation

\$23,470,000
Denver School Facilities Leasing Corporation
Taxable Variable Rate Certificates of Participation, Series 2005A
evidencing undivided interests in
the right to receive certain revenues payable by
School District No. 1, in the City and County of Denver
and State of Colorado
under a
2005A Lease Agreement dated as of March 24, 2005

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 "2005A Certificates"). The 2005A Certificates are being issued pursuant to a 2005A Mortgage and Indenture of Trust dated as of March 24, 2005 (the "2005A Indenture") between Denver School Facilities Leasing Corporation (the "Corporation") and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), and evidence undivided interests in the right to receive certain revenues payable by the District under a 2005A Lease Agreement dated as of March 24, 2005 (the "2005A 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 2005A Indenture and the 2005A 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 2005A 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 Mary Ellen McEldowney, 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 2005A 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 2005A Lease.

2. The 2005A 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 2005A Certificates evidence legal, valid and binding assignments of undivided interests in the right to receive payments, as provided in the 2005A Certificates and the 2005A Indenture, from Base Rentals payable by the District under the 2005A Lease, which payments include portions designated and paid as interest and principal, as provided in the 2005A Lease.

4. Interest on the 2005A 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 2005A Certificates under the laws of the United States, the State of Colorado or any other jurisdiction.

The rights of the Owners of the 2005A Certificates and the enforceability of the 2005A Certificates and the 2005A 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 2005A 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 2005A 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 2005A 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 2005A 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 2005A 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 2005A Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

Respectfully submitted,

[form of Bond Counsel Opinion with Respect to 2005B Lease and 2005B Certificates]

March 24, 2005

School District No. 1, in the City and
County of Denver and State of Colorado
J.P. Morgan Trust Company, National Association
J.P. Morgan Securities Inc.
Ambac Assurance Corporation

\$62,575,000
Denver School Facilities Leasing Corporation
Taxable Variable Rate Certificates of Participation, Series 2005B
evidencing undivided interests in
the right to receive certain revenues payable by
School District No. 1, in the City and County of Denver
and State of Colorado
under a
2005B Lease Agreement dated as of March 24, 2005

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 "2005B Certificates"). The 2005B Certificates are being issued pursuant to a 2005B Mortgage and Indenture of Trust dated as of March 24, 2005 (the "2005B Indenture") between Denver School Facilities Leasing Corporation (the "Corporation") and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), and evidence undivided interests in the right to receive certain revenues payable by the District under a 2005B Lease Agreement dated as of March 24, 2005 (the "2005B 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 2005B Indenture and the 2005B 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 2005B 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 Mary Ellen McEldowney, 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 2005B 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 2005B Lease.

2. The 2005B 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 2005B Certificates evidence legal, valid and binding assignments of undivided interests in the right to receive payments, as provided in the 2005B Certificates and the 2005B Indenture, from Base Rentals payable by the District under the 2005B Lease, which payments include portions designated and paid as interest and principal, as provided in the 2005B Lease.

4. Interest on the 2005B 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 2005B Certificates under the laws of the United States, the State of Colorado or any other jurisdiction.

The rights of the Owners of the 2005B Certificates and the enforceability of the 2005B Certificates and the 2005B 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 2005B 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 2005B 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 2005B 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 2005B 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 2005B 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 2005B Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

Respectfully submitted,

APPENDIX E

Specimen Financial Guaranty Insurance Policy

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Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncancelable and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncancelable and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

Authorized Officer of Insurance Trustee

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

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APPENDIX F

Liquidity Provider Information

JPMorgan Chase Bank, National Association (“JPMCB”) is a wholly-owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMCB is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. It is chartered, and its business is subject to examination and regulation, by the Office of the Comptroller of the Currency, a bureau of the United States Department of the Treasury. JPMCB’s main office is located in Columbus, Ohio. It is a member of the Federal Reserve System and its deposits are insured by the Federal Deposit Insurance Corporation.

Effective July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase & Co., the surviving corporation in the merger, pursuant to the Agreement and Plan of Merger dated as of January 14, 2004.

Prior to November 13, 2004, JPMCB was in the legal form of a banking corporation organized under the laws of the State of New York and was named JPMorgan Chase Bank. On that date, it became a national banking association and its name was changed to JPMorgan Chase Bank, National Association (the “Conversion”). Immediately after the Conversion, Bank One, N.A. (Chicago) and Bank One, N.A. (Columbus) merged into JPMCB.

Additional information, including the most recent Form 10-K for the year ended December 31, 2004, of JPMorgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by JPMorgan Chase & Co., as they become available, may be obtained from the Securities and Exchange Commission’s Internet site (<http://www.sec.gov>), or without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

The information contained in this Appendix relates to and has been obtained from JPMCB. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of JPMCB since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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