NEW ISSUE - Book-Entry Only **RATINGS: Moody's: "Aa3"**
S&P: "AA-"
See "RATINGS"

*In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants by the State and the 2009A Participating K-12 Institutions, the Series 2009A Certificates are "qualified school construction bonds" within the meaning of Section 54F of the Internal Revenue Code of 1986, as amended (the "**Code**"). Owners of Series 2009A Certificates and Owners of any Tax Credit Strips (which may be created by the Stripping of any Series 2009A Certificates in accordance with the 2009A Supplemental Indenture) as of the applicable Credit Allowance Date (as defined herein) are entitled, subject to the limitations on the amount of credit set forth in Code Section 54A(c), to a federal income tax credit for such taxable year ("**Tax Credit**"). With regard to the Tax Credits which have not been Stripped from the related Series 2009A Certificates, the amount of the Tax Credit will be treated as interest for federal income tax purposes and will be included in gross income for the Owners of Series 2009A Certificates. With regard to Tax Credit Strips and Principal Strips, the amount of original issue discount accruing thereon during each taxable year will be included in gross income by the Owner of such instrument. Under existing Colorado statutes, interest on and income from the Series 2009A Certificates, Principal Strips or Tax Credit Strips, including the amount of the Tax Credit that is treated as interest for federal income tax purposes, is exempt from taxation and assessments in the State of Colorado. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the receipt of the Tax Credit or the accrual or receipt of the deemed interest on the Series 2009A Certificates. See "TAX MATTERS" herein.*

THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT IS NOT INTENDED TO BE USED, AND CANNOT BE USED, BY A PURCHASER OF THE SERIES 2009A CERTIFICATES FOR THE PURPOSE OF AVOIDING FEDERAL TAX PENALTIES. EACH PURCHASER OF SERIES 2009A CERTIFICATES IS URGED TO CONTACT AN INDEPENDENT TAX ADVISOR CONCERNING AN INVESTMENT IN SERIES 2009A CERTIFICATES.

$87,145,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
QUALIFIED SCHOOL CONSTRUCTION, SERIES 2009A

Dated: Date of Delivery Due: March 15, 2024

The Series 2009A Certificates are being executed and delivered as fully registered certificates in denominations of $40,000 and integral multiples thereof, provided that one Series 2009A Certificate may be in a smaller denomination to the extent the aggregate principal amount of the Series 2009A Certificates exceeds $40,000 and any integral multiple thereof. The Series 2009A Certificates are being issued as "qualified school construction bonds" as defined in Section 54F of the Code and are comprised of principal components (the "**Principal Components**") and tax credit components (the "**Tax Credit Components**") evidenced by the Tax Credit Coupons associated with each Series 2009A Certificate (the "**Tax Credit Coupons**"). The Series 2009A Certificates do not bear interest. The amount of the Tax Credit available to Owners of Series 2009A Certificates which have not been Stripped will be treated as interest for federal income tax purposes and will be included in gross income for the Owners of Series 2009A Certificates. Subject to the discussion provided under "THE SERIES 2009A CERTIFICATES – Subsequent Tax Credit Stripping" herein, the ownership of the Tax Credit Coupons associated with each Series 2009A Certificate may be separated (or "Stripped") from the Principal Components, following which, the Tax Credit Coupons would be registered separately from the Principal Components (a "**Tax Credit Strip**") and the Principal Components would then be registered as a principal strip (a "**Principal Strip**"). The amount of original issue discount accruing on the Tax Credit Strips and Principal Strips each taxable year will be included in income by the Owner of such instrument. For federal income tax purposes, United States taxpayers who own Series 2009A Certificates or a Tax Credit Strip on the Credit Allowance Dates in each calendar quarter will be entitled to a credit against federal income tax. See "THE SERIES 2009 CERTIFICATES – The Tax Credit Program" and "TAX MATTERS" herein.

The Series 2009A Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. DTC initially will act as securities depository for the Series 2009A Certificates. Individual purchases will be made in book-entry form only. Purchasers of the Series 2009A Certificates will not receive physical delivery of certificates, all as more fully described herein. Payments on the Series 2009A Certificates will be made by the Trustee, as paying agent, to DTC for disbursements to its participants for subsequent disbursement to the beneficial owners of the Series 2009A Certificates, as more fully described herein. *Capitalized terms used but not defined on this cover page have the meanings assigned to them in the Master Indenture attached as **Appendix B** to this Official Statement.*

The Series 2009A Certificates will be executed and delivered pursuant to and secured by a Master Trust Indenture (the "**Master Indenture**") and a Series 2009A Supplemental Trust Indenture (the "**2009A Supplemental Indenture**"), each dated as of the date of delivery of the Series 2009A Certificates by Zions First National Bank, Denver, Colorado, as trustee (the "**Trustee**"). (The Master Indenture, as supplemented by the 2009A Supplemental Indenture and as further supplemented and amended from time to time, is referred to as the "**Indenture**"). The Series 2009A Certificates are the initial Series of Certificates to be executed and delivered pursuant to the Indenture. The Series 2009A Certificates and additional series of certificates executed and delivered in the future pursuant to the Indenture (collectively, the "**Certificates**") will be paid and secured on a parity and will evidence undivided interests in the right to certain payments by the State under the annually renewable Series 2009A Lease Purchase Agreement dated as of the date of delivery of the Series 2009A Certificates (the "**2009A Lease**") and other annually renewable lease-purchase agreements to be entered into in the future between the Trustee, as lessor, and the State of Colorado, acting by and through the State Treasurer (the "**State**"), as lessee. (The 2009A Lease and such other annually renewable lease-purchase agreements, collectively, are referred to as the "**Leases**"). Pursuant to applicable statutes enacted in the 2008 and 2009 sessions of the Colorado General Assembly, the State will pay Rent under the Leases, subject to the terms of the Leases, from moneys in the Public School Capital Construction Assistance Fund (the "**Assistance Fund**"). In accordance with such statutes, the Assistance Fund is funded from revenues received by the State from: (i) a portion of the rental income and royalties derived from State school lands; (ii) a portion of the State lottery proceeds; (iii) payments under the Matching Money Bonds from certain K-12 public schools for which the projects are financed; and (iv) if the amount in the Assistance Fund is insufficient to pay the full amount of the payments due to be made under the Leases, moneys that the Colorado General Assembly transfers to the Assistance Fund from any other legally available sources.

The net proceeds of the Certificates will be used to pay the costs of projects for K-12 public school institutions (the "**Participating K-12 Institutions**") that are reviewed, prioritized and recommended by the Public School Capital Construction Assistance Board (the "**Assistance Board**") for approval by the State Board of Education (the "**State Board**"), to pay the costs of issuance of the Certificates and to make deposits to funds and accounts held by the Trustee under the Master Indenture. The net proceeds of the Series 2009A Certificates will be used to pay the costs of certain projects approved by the State Board (the "**2009A Projects**") for certain Participating K-12 Institutions as further described herein (the "**2009A Participating K-12 Institutions**") and to pay the costs of issuance of the Series 2009A Certificates.

Upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property that the State has leased from the Trustee pursuant to the Leases, subject to the terms of the Leases and the Indenture. The Leased Property will consist of the land and the buildings, structures and improvements now or hereafter located on such land that Participating K-12 Institutions have leased to the Trustee pursuant to Site Leases, the Trustee has leased to the State pursuant to a Lease and the State has subleased the same to such Participating K-12 Institutions pursuant to Subleases. The Leased Property subject to the 2009A Lease is referred to as the "**2009A Leased Property**" and is further described herein.

The Series 2009A Certificates are <u>not</u> subject to optional redemption prior to their stated maturity date, but are subject to mandatory redemption under certain circumstances, as more fully described herein.

Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the Colorado General Assembly to the Assistance Fund from any legally available source if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 3 of Article XI or Section 20(4) of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Site Lease, any Sublease, any Matching Money Bond or any other document or instrument shall be construed or interpreted: (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly for Rent for such Fiscal Year; (ii) as creating a debt or multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI or Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (iii) as a delegation of governmental powers by the State; (iv) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

This cover page contains certain information for quick reference only. It is not a summary of the transaction. Each prospective investor should read this Official Statement in its entirety to obtain information essential to making an informed investment decision and should give particular attention to the section entitled "CERTAIN RISK FACTORS."

The Series 2009A Certificates are offered when, as and if delivered, subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Sherman & Howard L.L.C. has acted as counsel to the State in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Hogan & Hartson LLP, Denver, Colorado, has acted as counsel to the Underwriters. Piper Jaffray & Co., Denver, Colorado, has acted as financial advisor to the State in connection with the offering and execution and delivery of the Series 2009A Certificates. It is expected that the Series 2009A Certificates will be executed and available for delivery through the facilities of DTC, on or about August 12, 2009.

RBC Capital Markets Corporation **J.P. Morgan**
George K. Baum & Company **Stifel, Nicolas & Company, Incorporated**

Dated: August 7, 2009

SUMMARY INFORMATION

Series 2009A Certificates:

Maturity	Principal Amount	Tax Credit Rate	Price	CUSIP[1] (19668Q)
March 15, 2024	$87,145,000	7.18%	100%	AA3

As and after principal is Stripped from the associated Tax Credits:

Maturity	Principal Amount	CUSIP[1] (19668Q)
March 15, 2024	$87,145,000	AB1

Tax Credit Coupons:

Credit Allowance Date	Credit Amount	CUSIP[1] (19668Q)	Credit Allowance Date	Credit Amount	CUSIP[1] (19668Q)
9/15/2009	$ 573,559.34	AC9	3/15/2017	$1,564,252.75	BJ3
12/15/2009	1,564,252.75	AD7	6/15/2017	1,564,252.75	BK0
3/15/2010	1,564,252.75	AE5	9/15/2017	1,564,252.75	BL8
6/15/2010	1,564,252.75	AF2	12/15/2017	1,564,252.75	BM6
9/15/2010	1,564,252.75	AG0	3/15/2018	1,564,252.75	BN4
12/15/2010	1,564,252.75	AH8	6/15/2018	1,564,252.75	BP9
3/15/2011	1,564,252.75	AJ4	9/15/2018	1,564,252.75	BQ7
6/15/2011	1,564,252.75	AK1	12/15/2018	1,564,252.75	BR5
9/15/2011	1,564,252.75	AL9	3/15/2019	1,564,252.75	BS3
12/15/2011	1,564,252.75	AM7	6/15/2019	1,564,252.75	BT1
3/15/2012	1,564,252.75	AN5	9/15/2019	1,564,252.75	BU8
6/15/2012	1,564,252.75	AP0	12/15/2019	1,564,252.75	BV6
9/15/2012	1,564,252.75	AQ8	3/15/2020	1,564,252.75	BW4
12/15/2012	1,564,252.75	AR6	6/15/2020	1,564,252.75	BX2
3/15/2013	1,564,252.75	AS4	9/15/2020	1,564,252.75	BY0
6/15/2013	1,564,252.75	AT2	12/15/2020	1,564,252.75	BZ7
9/15/2013	1,564,252.75	AU9	3/15/2021	1,564,252.75	CA1
12/15/2013	1,564,252.75	AV7	6/15/2021	1,564,252.75	CB9
3/15/2014	1,564,252.75	AW5	9/15/2021	1,564,252.75	CC7
6/15/2014	1,564,252.75	AX3	12/15/2021	1,564,252.75	CD5
9/15/2014	1,564,252.75	AY1	3/15/2022	1,564,252.75	CE3
12/15/2014	1,564,252.75	AZ8	6/15/2022	1,564,252.75	CF0
3/15/2015	1,564,252.75	BA2	9/15/2022	1,564,252.75	CG8
6/15/2015	1,564,252.75	BB0	12/15/2022	1,564,252.75	CH6
9/15/2015	1,564,252.75	BC8	3/15/2023	1,564,252.75	CJ2
12/15/2015	1,564,252.75	BD6	6/15/2023	1,564,252.75	CK9
3/15/2016	1,564,252.75	BE4	9/15/2023	1,564,252.75	CL7
6/15/2016	1,564,252.75	BF1	12/15/2023	1,564,252.75	CM5
9/15/2016	1,564,252.75	BG9	3/15/2024	1,564,252.75	CN3
12/15/2016	1,564,252.75	BH7			

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[1] CUSIP numbers have been assigned by an independent company not affiliated with the State and are included on this cover page solely for the convenience of the Owners of the Series 2009A Certificates. Neither the Underwriters nor the State makes any representation with respect to the accuracy of such CUSIP numbers as indicated in the above tables or undertakes any responsibility for the selection of the CUSIP numbers or their respective accuracy now or at any time in the future. The CUSIP number for a specific maturity or any Credit Allowance Date is subject to being changed after the issuance of the Series 2009A Certificates.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Series 2009A 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 Series 2009A Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the State of Colorado or the Underwriters.

The information set forth in this Official Statement has been obtained from the State, from the sources referenced throughout this Official Statement and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the State. In accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

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 Series 2009A Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the State or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Series 2009A Certificates and does not have or assume any responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

This Official Statement has been prepared only in connection with the original offering of the Series 2009A Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2009A Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the State, the Series 2009A Certificates and the terms of the offering, including the merits and risks involved. The Series 2009A 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 SERIES 2009A CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE SERIES 2009A CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2009A CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

* * *

SELECTED STATE OFFICIALS AND CONSULTANTS

Department of the Treasury

Cary Kennedy, State Treasurer
Eric Rothaus, Deputy Treasurer

State Controller

David J. McDermott

Office of State Planning and Budgeting

Todd Saliman, Director

Bond Counsel

Kutak Rock LLP
Denver, Colorado

Special Counsel

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

Financial Advisor to the State

Piper Jaffray & Co.
Denver, Colorado

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INTRODUCTION

This Official Statement, including its cover page, inside front cover and appendices, provides information in connection with the delivery and sale of State of Colorado Building Excellent Schools Today Certificates of Participation, Qualified School Construction, Series 2009A (the "**Series 2009A Certificates**"). The Series 2009A Certificates are being delivered pursuant to a Master Trust Indenture (the "**Master Indenture**") and a Series 2009A Supplemental Trust Indenture (the "**2009A Supplemental Indenture**"), each dated as of the date of delivery of the Series 2009A Certificates by Zions First National Bank, Denver, Colorado, as trustee (the "**Trustee**"). (The Master Indenture, as supplemented by the 2009A Supplemental Indenture and as further supplemented and amended from time-to-time, is referred to as the "**Indenture**"). The Series 2009A Certificates are the initial Series of Certificates (as defined in the Master Indenture attached hereto in **Appendix B**) to be executed and delivered pursuant to the Indenture. The Series 2009A Certificates and additional Series of Certificates executed and delivered in the future pursuant to the Indenture (collectively, the "**Certificates**") will be paid and secured on a parity and will evidence undivided interests in the right to certain payments by the State under the annually renewable Series 2009A Lease Purchase Agreement dated as of the date of delivery of the Series 2009A Certificates (the "**2009A Lease**") and other annually renewable lease-purchase agreements to be entered into in the future between the Trustee, as lessor, and the State of Colorado, acting by and through the State Treasurer (the "**State**"), as lessee. (The 2009A Lease and such other annually renewable lease-purchase agreements, collectively, are referred to as the "**Leases**."). The Series 2009A Certificates are "qualified school construction bonds" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "**Code**"). The total amount of qualified school construction bonds issued nationally in calendar year 2009 is limited by the Code to $11 billion, and the United States Secretary of the Treasury (the "**Secretary**") has allocated a portion of such limit to the State (the "**Allocation**") in the amount of $87,147,000 and the principal amount of the Series 2009A Certificates will be deducted from the Allocation. Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Master Indenture attached as **Appendix B** hereto.

This introduction is not a summary of this Official Statement. It is only a summary description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Series 2009A Certificates to potential investors is made only by means of the entire Official Statement.

Changes from Preliminary Official Statement

This Official Statement contains changes made to the Preliminary Official Statement dated July 24, 2009. Such changes reflect: (i) pricing information; (ii) rating information on the cover and under the caption "RATINGS" herein; (iii) blacklined changes to the documents included in Appendix B hereto; (iv) information relating to the allocation of redemption price and use of moneys from the exercise of remedies under the Indenture provided in Appendix I hereto; and (v) that $49,980 of the amount to be deposited in the 2009A Project Account for Alamosa is expected to be spent on ground improvements on an adjacent property that does not constitute part of the 2009A Leased Property.

Authority for Delivery

The Series 2009A Certificates are being delivered pursuant to the Indenture, the American Recovery and Reinvestment Act of 2009 (the "**Recovery Act**"), Section 54F of the Code and under authority granted by the laws of the State, including certain statutes enacted in the 2008 and 2009 sessions of the Colorado General Assembly as further described herein. Pursuant to House Bill 08-1335 and Senate Bill 09-257 (each codified in part by Article 43.7 of Title 22, Colorado Revised Statutes, as amended) (the "**Act**"), the General Assembly has created the Public School Capital Construction Assistance Board (the "**Assistance Board**") within the State Department of Education (the "**Department**") and provided that the Assistance Board may authorize the execution by the State Treasurer of lease-purchase agreements and related instruments in order to fund the costs of certain capital construction projects (the "**Projects**") that are reviewed, prioritized and recommended by the Assistance Board for approval by the State Board of Education (the "**State Board**") for school districts, boards of cooperative services, charter schools or the Colorado School for the Deaf and Blind in the State to pay the costs of issuance of the Certificates and to make deposits to funds and accounts held by the Trustee under the Master Indenture. The 2009A Lease is being entered by the State in order to fund certain Projects already approved by the State Board in 2009 (the "**2009A State Board Approval**") as described in "The 2009A Projects" under this caption for the 2009A Participating K-12 Institutions in accordance with the Act. See "The Program" and "The 2009A Participating K-12 Institutions" under this caption. See also "PLAN OF FINANCING – The Program" for further information about the Act.

The Assistance Fund

The Series 2009A Certificates will be payable solely from amounts annually appropriated by the Colorado General Assembly to make payments under the 2009A Lease, as described in "Sources of Payment for the Series 2009A Certificates" under this caption. The Act requires that, to the extent appropriated, such payments by the State be made from the Public School Capital Construction Assistance Fund (the "**Assistance Fund**"). In accordance with the Act, the Assistance Fund will be partially funded from a portion of rental income and royalties derived from State school lands, from Matching Moneys (as defined below), a portion of State lottery proceeds, and if the amount in the Assistance Fund is insufficient to pay the full amount due to be made under the Leases, moneys that the Colorado General Assembly transfers from any other legally available sources, including the State General Fund. The Act provides that matching moneys paid to the State by the 2009A Participating K-12 Institutions and other Participating K-12 Institutions in amounts approved by the State Board ("**Matching Moneys**") as a condition to the financial assistance provided to 2009A Participating K-12 Institutions are to be deposited in the Assistance Fund. The obligations of the 2009A Participating K-12 Institutions to pay Matching Moneys to the State are to be evidenced by bonds issued by the 2009A Participating K-12 Institutions and delivered to the State (collectively, the "**Matching Money Bonds**"). **Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the 2009A Certificates. Once Matching Moneys payable in installments pursuant to the Matching Money Bonds are deposited in the Assistance Fund, such amounts, together with other amounts deposited in the Assistance Fund, are available to be appropriated by the State to pay principal and interest on the Certificates.** See **Appendix F** for a description of the Assistance Fund and sources of its revenue.

Investors should closely review the financial and other information included in this Official Statement regarding the State, including the Assistance Fund and the State General Fund, to

evaluate any risks of nonappropriation by the Colorado General Assembly. See "STATE FINANCIAL INFORMATION" and Appendices A, E, F and G hereto.

The Program

The Colorado General Assembly has established the Building Excellent Schools Today Program (the "**Program**") in order to implement the Act. The 2009A Lease is the initial lease-purchase agreement being entered into by the State in order to fund certain Projects as further described in "The 2009A Projects" under this caption (the "**2009A Projects**"). The Master Indenture permits the execution of other Leases or an amendment to the 2009A Lease and the execution and delivery of additional Series of Certificates under the Master Indenture, in order to fund additional Projects under the Program. See "THE SERIES 2009A CERTIFICATES – Additional Series of Certificates." The State could choose to fund future Projects through certificates of participation which would not be issued pursuant to the Master Indenture. In such case, the related leased property would not secure the Series 2009A Certificates. The execution by the State of future Leases for additional Projects would require authorization by the State Board for any Projects not approved in the 2009A State Board Approval and by the Colorado General Assembly if the Rent payable under the 2009A Lease and the additional leases or an amendment to the 2009A Lease relating to such additional Series of Certificates would exceed the maximum aggregate annual lease payments permitted by the Act. For a description of the Program and such maximum aggregate annual lease payments, see "PLAN OF FINANCING – The Program."

Purposes of the Series 2009A Certificates

Proceeds from the sale of the Series 2009A Certificates will be used to finance the Costs of the 2009A Projects for the 2009A Participating K-12 Institutions, as more fully described in "The 2009A Participating K-12 Institutions" under this caption and "PLAN OF FINANCING – The 2009A Projects and 2009A Participating K-12 Institutions." Proceeds of the Series 2009A Certificates will also be used to pay the costs of issuance associated with the Series 2009A Certificates. See "PLAN OF FINANCING – Sources and Uses of Funds" for a description of the estimated uses of proceeds of the Series 2009A Certificates.

The 2009A Participating K-12 Institutions

Proceeds of the Series 2009A Certificates are expected to be used to fund the 2009A Projects for the benefit of the following school districts in Colorado (collectively, the "**2009A Participating K-12 Institutions**"): Alamosa School District, No. Re-11J, Sangre de Cristo School District, No. Re-22J and Sargent Re-33J. See "PLAN OF FINANCING – The 2009A Projects and 2009A Participating K-12 Institutions."

The 2009A Projects

The 2009A Projects involve various capital projects for the 2009A Participating K-12 Institutions approved in the 2009A State Board Approval, at certain funding levels. In accordance with the terms of the 2009A Subleases between the State and the 2009A Participating K-12 Institutions, each of the Participating K-12 Institutions agrees to use proceeds of the Series 2009A Certificates made available by the State to construct the respective facilities. In accordance with the 2009A Lease, the State has agreed to cause such facilities to be constructed by causing a Participating K-12 Institution to comply with its related 2009A Sublease, but no failure of the related Participating K-12 Institution to comply with the relevant provisions of its 2009A Sublease will relieve the State of its obligation to cause the facilities to be constructed. See "PLAN OF FINANCING – The 2009A Projects and 2009A Participating K-12 Institutions" for further information about the 2009A Projects. Projects other than the 2009A Projects may be funded by the issuance of additional Series of Certificates issued under the Master Indenture relating to a separate Lease or an amendment to the 2009A Lease but will require further authorization by the State Board for any Projects not approved in the 2009A State Board Approval and by the Colorado General Assembly if the Base Rent payable under the 2009A Lease and the additional Lease or an amendment to the 2009A Lease relating to such additional Series of Certificates would exceed the maximum aggregate annual lease payment permitted by the Act. See "Terms of the Series 2009A Certificates – Additional Series of Certificates" under this caption and "PLAN OF FINANCING – The Program."

The 2009A Leased Property

Each of the 2009A Participating K-12 Institutions is entering into a Site Lease with the Trustee dated as of the date of delivery of the Series 2009A Certificates (the "**2009A Site Leases**") pursuant to which, in each case, certain land owned by the respective 2009A Participating K-12 Institution and the buildings, structures and improvements now or hereafter located on such land (collectively, the "**2009A Leased Property**") will be leased to the Trustee. See "SECURITY AND SOURCES OF PAYMENT – The 2009A Leased Property." The 2009A Leased Property collectively with the additional Leased Property which may in the future be leased under additional Leases or amendments to the 2009A Lease is referred to herein as the "**Leased Property**." The 2009A Leased Property is being leased by the Trustee to the State, pursuant to the 2009A Lease, and the State is subleasing the 2009A Leased Property to the respective 2009A Participating K-12 Institutions under certain Subleases each dated as of the date of delivery of the Series 2009A Certificates (the "**2009A Subleases**"). Any additional Leased Property which the State chooses to lease under additional Leases or amendments to the 2009A Lease will secure all holders of Certificates under the Master Indenture, including holders of the Series 2009A Certificates on a parity basis. The State may substitute other property for any portion of the Leased Property upon delivery to the Trustee of certain items as described in "SECURITY AND SOURCES OF PAYMENT – The 2009A Leased Property – Substitution of 2009A Leased Property." **Upon any decision of the State not to appropriate and thereby terminate the 2009A Lease or any other Lease in a particular year, the State would relinquish its right to use all of the Leased Property (including the 2009A Leased Property) or any portion thereof through the term of the respective Site Leases. In such event, the 2009A Participating K-12 Institutions which are Sublessees will have the option to purchase a portion of the 2009A Leased Property under the respective 2009A Subleases upon certain conditions as further described herein. See "SECURITY AND SOURCES OF PAYMENT – The 2009A Leased Property – Sublessee's Purchase Option."**

Terms of the Series 2009A Certificates

Payments

The principal amount of the Series 2009A Certificates matures on March 15, 2024. The Series 2009A Certificates will not bear interest. Principal of the Series 2009A Certificates is payable when due upon surrender of the Series 2009A Certificates, or the Principal Strips, if the Tax Credit Components have been Stripped, at the office of the Trustee.

Tax Credits

The registered owner (an "**Owner**") of a Series 2009A Certificate or a Tax Credit Strip on one or more quarterly Credit Allowance Dates (as defined herein) will be allowed a credit under the Code (the "**Tax Credits**") against such Owner's federal income tax liability. The Owners' entitlement to the Tax Credits will be evidenced by coupons (the "**Tax Credit Coupons**") attached to the Series 2009A

Certificates. See "THE SERIES 2009A CERTIFICATES – Tax Credit Program" and "TAX MATTERS" herein.

Transfer of Tax Credits

Subject to the discussion under "THE SERIES 2009A CERTIFICATES – Subsequent Tax Credit Stripping" herein, the Code provides that the entitlement to the Tax Credits may be separated (or "Stripped") from the ownership of the Principal Components of the Series 2009A Certificates. Accordingly, the Tax Credit Coupons are transferable. In order for the Owners of the Series 2009A Certificates to transfer the Tax Credit Coupons, the Indenture provides a mechanism for the registration, transfer and exchange of the Tax Credits by the Owners of the Tax Credit Coupons. See "CERTAIN RISK FACTORS – Nature of Qualified School Construction Bonds," "TAX MATTERS – Tax Credit Stripping" and the form of 2009A Supplemental Indenture attached hereto as part of **Appendix B**.

Denominations

The Series 2009A Certificates are deliverable in the authorized denomination of $40,000 and integral multiples thereof, provided that one Series 2009A Certificate shall be in a smaller denomination to the extent the aggregate principal amount of the Series 2009A Certificates exceed $40,000 and any integral multiple thereof.

Redemption

The Series 2009A Certificates are not subject to optional redemption prior to their stated maturity date but are subject to mandatory redemption under certain circumstances described herein under "THE SERIES 2009A CERTIFICATES – Redemption."

Additional Certificates

The Master Indenture permits the execution and delivery of Series of Certificates in addition to the Series 2009A Certificates secured by the Trust Estate on parity with the Series 2009A Certificates, without notice to or approval of the owners of the Outstanding Series 2009A Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. For a description of these conditions, see "THE SERIES 2009A CERTIFICATES – Additional Series of Certificates." If any Certificates in addition to the Series 2009A Certificates are executed and delivered, the 2009A Lease must be amended or an additional Lease shall be entered by the State to include as Leased Property thereunder such additional Leased Property, if any, as may be leased by the State in connection with the execution and delivery of such additional Certificates.

For a more complete description of the Series 2009A Certificates, the 2009A Lease, the 2009A Site Leases, the 2009A Subleases and the Indenture pursuant to which such Series 2009A Certificates are being executed and delivered, see "Forms of Master Indenture, Supplemental Indenture, 2009A Lease Purchase Agreement, 2009A Site Leases, and the 2009A Subleases" attached hereto in Appendix B.

Sources of Payment for the Series 2009A Certificates

The principal of the Series 2009A Certificates are payable solely from annually appropriated Base Rent, other Lease Revenues received by the Trustee pursuant to the Leases and other moneys in the Trust Estate in accordance with the terms of the Indenture. See "SECURITY AND SOURCES OF

PAYMENT." The 2009A Lease provides that the obligation of the State to pay Base Rent and Additional Rent during the Lease Term shall, subject only to the other terms of the Lease, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property and that, notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

The Leases provide that an Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure described below, on June 30 of any Fiscal Year if the Colorado General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year. Notwithstanding the description of an Event of Nonappropriation in the preceding sentence, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated amounts sufficient to avoid an Event of Nonappropriation as described in the preceding sentence and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation.

If an Event of Nonappropriation has occurred, the Trustee may exercise any of the remedies described in the 2009A Lease, a form of which is attached hereto in **Appendix B**, including the sale or lease of the Trustee's interest in the Leased Property, subject to the purchase option of certain Participating K-12 Institutions under the respective Subleases. Each such Participating K-12 Institution has the right under the respective Sublease to purchase all of the Leased Property subject to such Sublease following the occurrence of an Event of Default or Event of Nonappropriation under the Leases, by paying an amount equal to the principal amount of the Attributable Certificates through the closing date for the purchase of such Leased Property and to pay all Additional Rent payable through the date of conveyance of such Leased Property. The net proceeds from the exercise of such remedies will be applied toward the payment of the Certificates under the Master Indenture, including the Series 2009A Certificates as described in the form of Master Indenture attached hereto in **Appendix B**. **There can be no assurance that such proceeds will be sufficient to pay all of the principal due on the Series 2009A Certificates.**

The State has the option to terminate the 2009A Lease and release the 2009A Leased Property from the Indenture in connection with the defeasance of the Series 2009A Certificates by paying the State's Purchase Option Price as described under "THE SERIES 2009A CERTIFICATES – State's Purchase Option Price." The State may also substitute other property for any portion of the Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The 2009A Leased Property – Substitution of 2009A Leased Property."

Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the Colorado General Assembly to the Assistance Fund from any legally available sources if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating

an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 3 of Article XI or Section 20(4) of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

Certain Risks to Owners of the Series 2009A Certificates

Certain factors described in this Official Statement could affect the payment of Base Rent under the Leases (including the 2009A Lease) and could affect the market price of the Series 2009A Certificates to an extent that cannot be determined at this time. *Each prospective investor should read the Official Statement in its entirety to make an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."*

Availability of Continuing Information

Upon delivery of the Series 2009A Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2009A Certificates, to file such ongoing information regarding the State as described in "CONTINUING DISCLOSURE" herein. A form of the Continuing Disclosure Undertaking is attached hereto as **Appendix C**.

Other Information

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

The quotations from, and summaries and explanations of, the statues, regulations and documents contained herein do not purport to be complete and reference is made to said laws, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of such laws, regulations and documents (including the Act) may be obtained during the offering period, upon request to the Underwriters at RBC Capital Markets Corporation, as Representative of the Underwriters, 1200 Seventeenth Street, Suite 2150, Denver, Colorado 80202, Attention: Public Finance Department, telephone number: (303) 595-1200.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the State or the 2009A Participating K-12 Institutions and the purchasers or holders of any of the Series 2009A Certificates.

PLAN OF FINANCING

The Program

The Series 2009A Certificates are being delivered pursuant to the Indenture and under authority granted by the Act. The Act created the Assistance Fund and authorizes the State Treasurer to enter into Leases for Projects approved by the State Board, provided that the maximum total amount of annual lease payments payable by the State during any Fiscal Year under the 2009A Lease and all other outstanding Leases is less than the maximum total amount of annual lease payments set forth below. If the maximum total amount of annual lease payments of principal or interest payable by the State during any Fiscal Year under the 2009A Lease and all other outstanding Leases is greater than one-half of the maximum amount of annual lease payments set forth below, the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to the Act and any interest or income derived from the deposit and investment of the Matching Moneys must be at least equal to the annual amount of lease payments of principal and interest payable by the State during any Fiscal Year under the 2009A Lease and all other outstanding Leases that exceed one-half of the maximum total amount of annual lease payments set forth below. See **Appendix F** – "PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND – Matching Moneys," for a description of the Matching Moneys expected to be credited to the Assistance Fund. The maximum total amount of annual lease payments referenced above are:

(i) $20 million for the 2008-09 Fiscal Year;

(ii) $40 million for the 2009-10 Fiscal Year;

(iii) $60 million for the 2010-11 Fiscal Year; and

(iv) $80 million for the 2011-12 Fiscal Year and for each Fiscal Year thereafter.

For example, if the total amount of annual lease payments payable by the State in Fiscal Year 2009-10 was $25 million, the State would need to expect at the time it enters into a Lease that at least $5 million in aggregate Matching Moneys would be credited to the Assistance Fund in Fiscal Year 2009-10.

The annual lease payments due under the 2009A Leases in any Fiscal Year during the term of the 2009A Leases are expected to be less than one-half of the maximum total amounts set forth above. See "BASE RENT."

The Colorado General Assembly has established the Program in order to implement the Act. The State Board has approved certain projects for certain K-12 Institutions as Projects for funding under the Program. Certain of these Projects are being funded as the 2009A Projects. See "The 2009A Projects and 2009A Participating K-12 Institutions" below for a description of the 2009A Projects. The 2009A Lease is the initial lease-purchase agreement being entered by the State in order to finance the 2009A Projects. The Master Indenture permits the execution of other Leases and the execution and delivery of additional Series of Certificates issued under the Master Indenture on a parity basis, in order to fund additional Projects under the Program. See "THE SERIES 2009A CERTIFICATES – Additional Series of Certificates." The State could choose to fund future Projects through certificates of participation which would not be issued pursuant to the Master Indenture. In such case, the related leased property would not secure the Series 2009A Certificates. The execution by the State of future leases or an amendment to the 2009A Lease for additional Projects, would require authorization by the State Board and would require additional authorization from the General Assembly to the extent that Rent under the 2009A Lease and such additional leases would exceed the annual lease payment limits described above.

Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2009A Certificates are set forth in the following table.

SOURCES OF FUNDS:	Estimated Amount
Par amount of Series 2009A Certificates	$87,145,000
TOTAL SOURCES OF FUNDS	$87,145,000
USES OF FUNDS:	
Deposit to 2009A Project Accounts of Capital Construction Fund	$85,909,342(1)
For costs of issuance, including Underwriters' discount(2)	1,235,658
TOTAL USES OF FUNDS	$87,145,000

(1) The difference between this amount and the aggregate total project cost of $86,038,700 shown in the table below is $129,358 representing expected investment earnings to be used to pay a portion of the costs of the 2009A Projects.
(2) Such amount (other than the Underwriters' discount) shall be deposited to the Costs of Issuance Account of the Capital Construction Fund and shall be used to pay costs of issuance including legal fees, rating agency fees, printing costs and financial advisors' fees. For information concerning the Underwriters' discount, see "UNDERWRITING."

The 2009A Projects and 2009A Participating K-12 Institutions

The following table describes the 2009A Participating K-12 Institutions and Projects expected to be funded as the 2009A Projects using proceeds of the Series 2009A Certificates, the related Matching Money obligation and total cost of the related 2009A Project.

2009A Projects and 2009A Participating K-12 Institutions

2009A Participating K-12 Institution	2009A Project Description	Matching Moneys(1)	Total Project Cost
Alamosa School District No. Re-11J	Two new elementary schools	$10,484,032	$39,432,655
Sangre de Cristo School District, No. Re-22J	One new K-12 school	4,176,375	23,909,250
Sargent Re-33J	One new junior/senior high school, renovation of an elementary school and gym	5,023,825	22,696,795
			$86,038,700

(1) Under the Act, the respective amounts shown on this chart as Matching Moneys are required to be funded as described in **Appendix F** hereto by the related 2009A Participating K-12 Institution. See the form of 2009A Subleases "– Costs of Sublessee's Project" in **Appendix B** attached hereto. **Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2009A Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts, together with other amounts on deposit in the Assistance Fund, are available to be appropriated by the Colorado General Assembly to pay principal on the Series 2009A Certificates**. See **Appendix F** for a description of the sources of revenue of the Assistance Fund.

Under the 2009A Subleases, the 2009A Participating K-12 Institutions will agree to construct and use the respective 2009A Projects in a manner which satisfies the restrictions of the Internal Revenue Code and the Act. In accordance with the terms of the 2009A Subleases between the State and the 2009A Participating K-12 Institutions, each of the 2009A Participating K-12 Institutions agrees to use proceeds of the Series 2009A Certificates received from the Trustee to construct the respective facilities. In accordance with the 2009A Lease, the State has agreed to cause such facilities to be constructed by causing a 2009A Participating K-12 Institution to comply with its related 2009A Sublease, but no failure of the related 2009A Participating K-12 Institution to comply with the relevant provisions of its 2009A Sublease will relieve the State of its obligation to cause the facilities to be constructed. See "SECURITY AND SOURCES OF PAYMENT – The 2009A Leased Property – The 2009A Subleases and Matching Money Bonds" and "CERTAIN RISK FACTORS – Actions under the 2009A Subleases."

THE SERIES 2009A CERTIFICATES

Generally

General information describing the Series 2009A Certificates appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by the forms of the 2009A Site Leases, the 2009A Lease, the 2009A Subleases, the Master Indenture, the 2009A Supplemental Indenture and the form of Series 2009A Certificates included in the 2009A Supplemental Indenture, all as attached hereto in **Appendix B** hereto.

The Series 2009A Certificates will be dated August 12, 2009. The Series 2009A Certificates will be issued in fully registered form only, coming due as a single maturity on March 15, 2024. The Series 2009A Certificates do not bear interest, but include a Tax Credit Component (as described below). Principal is payable when due upon surrender of the Series 2009A Certificates, or the Principal Strips, if the Tax Credit Components have been Stripped, at the office of the Trustee. The form of the Series 2009A Certificates, including the Tax Credit Coupon, is set forth at "APPENDIX H – Form of Series 2009A Certificate and Tax Credit Coupon." The Series 2009A Certificates will be executed and delivered as fully registered certificates in the denomination of $40,000 or any integral multiple thereof, provided that one Series 2009A Certificate may be in a smaller denomination to the extent the aggregate principal amount of the Series 2009A Certificate exceeds $40,000 or any integral multiple thereof. Principal of the Series 2009A Certificates will be payable to the registered owner (initially, Cede & Co.) upon presentation and surrender of the Series 2009A Certificates to the Trustee in Denver, Colorado.

Book-Entry System

DTC will act as securities depository for the Series 2009A Certificates and, if Stripped, the Principal Strips and the Tax Credit Strips. The Series 2009A Certificates will be executed and delivered 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 executed and delivered for each maturity of the Series 2009A Certificates in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The State undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on such websites as described in the preceding sentence, including, but not limited to, updates of such information or links to other internet sites accessed through the aforementioned websites.

Purchases of Series 2009A Certificates and, if Stripped, the Tax Credit Strips under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Certificates on DTC's records. The ownership interest of each actual purchaser ("**Beneficial Owner**") of each Series 2009A Certificate and, if Stripped, the Tax Credit Coupon 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 Series 2009A Certificates and, if Stripped, the Tax Credit Strips 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 Series 2009A Certificates or, if Stripped, the Tax Credit Strips, except in the event that use of the book-entry system for the Series 2009A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2009A Certificates and, if Stripped, the Tax Credit Strips 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 Series 2009A Certificates and, if Stripped, the Tax Credit Strips with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009A Certificates and, if Stripped, the Tax Credit Strips; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 the Series 2009A Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2009A Certificates, such as redemption, tenders, defaults and proposed amendments to the underlying documents. For example, Beneficial Owners of the Series 2009A Certificates and, if Stripped, the Tax Credit Strips may wish to ascertain that the nominee holding the Series 2009A Certificates and, if Stripped, the Tax Credit Strips 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 Series 2009A 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 Series 2009A Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trust or the Lessee 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 Series 2009A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and redemption proceeds on the Series 2009A 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 Trustee, on payable dates 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 nor its nominee, Trustee or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State 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.

DTC may discontinue providing its services as depository with respect to the Series 2009A Certificates and, if Stripped, the Tax Credit Strips at any time by giving reasonable notice to the Lessee or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2009A Certificates and, if Stripped, the Tax Credit Strips are required to be printed and delivered as described in the Indenture.

The Trustee, at the direction of the Lessee, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2009A Certificates and, if Stripped, the Tax Credit Strips will be printed and delivered as described in the Indenture.

DTC assumes no responsibility for the processing of Tax Credits, whether or not Stripped, by the Beneficial Owners thereof, nor will it play any role in the process by which a Beneficial Owner might claim all or a ratable share of a Tax Credit against its federal income tax liability arising while the Series 2009A Certificates are outstanding. Beneficial Owners shall have the sole responsibility for claiming Tax Credits and resolving any impact that ownership of the Tax Credits may have upon their federal income tax or State personal income tax liability as a consequence of ownership thereof.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2009A Certificate and, if Stripped, payment of principal and other payments on the Series 2009A Certificates to Direct Participants, Indirect Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2009A Certificates, and other related transactions by and between DTC, the Direct Participants, the Indirect Participants, and the Beneficial Owners is based solely on information provided by DTC. Such information has been *obtained from sources that the State believes to be reliable, but the State take no responsibility for the accuracy thereof. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants, nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be.*

The Qualified School Construction Bond Tax Credit Program

Under the Code, Tax Credits are allowed to the Owners of qualified school construction bonds (the "**Tax Credit Program**"), and the Series 2009A Certificates have been designated by the State as "qualified school construction bonds" under the Qualified School Construction Bond Tax Credit Program. Each Series 2009A Certificate is comprised of a principal component (the "**Principal Component**") and a tax credit component (a "**Tax Credit Component**") evidenced by the Tax Credit Coupons (each, a "**Tax Credit Coupon**") associated with each Series 2009A Certificate. Pursuant to the Code and subject to the discussion provided under "THE SERIES 2009A CERTIFICATES – Subsequent Tax Credit Stripping" herein, the ownership of the Tax Credit Coupons, related to such Series 2009A Certificate may be separated (or "Stripped") from the Principal Components (a "**Tax Credit Strip**") following which, the Tax Credit Coupons would be separately registered and the Principal Components would be registered as a principal strip (a "**Principal Strip**") by the Trustee. The Owner of a Series 2009A Certificate or Tax Credit Coupon on March 15, June 15, September 15 or December 15 of any tax year (each, a "**Credit Allowance Date**") will be allowed a Tax Credit against the Owner's federal income tax liability.

The amount of each Tax Credit is calculated under the Tax Credit Program and is set forth on each Tax Credit Coupon. The amount of the Tax Credit is the amount equal to the product of the published credit rate for the date on which the Series 2009A Certificate is sold (7.18%), times the outstanding principal amount of the Series 2009A Certificate on the relevant Credit Allowance Date, divided by four. The Tax Credit allowed for the first Credit Allowance Date of September 15, 2009, is the ratable portion of the tax credit otherwise allowed on such date based on an initial issuance date of August 12, 2009. If a Series 2009A Certificate or a Principal Strip is redeemed or matures on a date other than March 15, June 15, September 15 or December 15, the redemption or maturity date will be a Credit Allowance Date for such Series 2009A Certificate or, if Stripped, such Tax Credit Strip and the amount of the associated Tax Credit will be a ratable portion of the tax credit otherwise allowed based on the redemption date. Owners of Tax Credit Coupons, whether held as Tax Credit Strips or as part of the Series 2009A Certificates, as of the applicable Credit Allowance Date, will receive the Tax Credit.

Generally, a taxpayer who owns a Series 2009A Certificate that has not been Stripped will recognize the amount of the Tax Credit as a credit against its federal income tax liability on a given Credit Allowance Date, including estimated tax payments, if any, and the Owner of a Tax Credit Strip or Principal Strip will recognize the amount of original issue discount accruing on its Tax Credit Strip or Principal Strip in each taxable year as income. Tax Credits will be treated by the Internal Revenue Service ("**IRS**") similar to the way withheld taxes are treated for federal income tax purposes and will reduce the amount of either a taxpayer's subsequent estimated tax payments, if any, or its final tax liability, as reflected on its tax return for the related tax year. The State expresses no opinion as to the utility of Tax Credits for any particular Owner or subsequent purchaser of a Series 2009A Certificate or a Tax Credit Strip or Principal Strip, and prospective purchasers of the Series 2009A Certificates or Tax Credit Strips and Principal Strips are encouraged to consult with their own tax advisors concerning the purchase of Series 2009A Certificates or Tax Credit Strips and Principal Strips. See "TAX MATTERS."

The Series 2009A Certificates, the Principal Strips and the Tax Credit Coupons may be transferred as provided below under the caption "Subsequent Tax Credit Stripping." A Tax Credit

Coupon may contain all or only a portion of the Tax Credits associated with the related Series 2009A Certificate.

Subsequent Tax Credit Stripping

Tax Credit Components and Principal Components

The Owner of each Series 2009A Certificate has the right to claim the Tax Credit Component of such Series 2009A Certificate on its federal income tax return in accordance with and subject to Sections 54F and 54A of the Code. The other rights of the Owner of such Series 2009A Certificate, including the right to payment of the principal of such Series 2009A Certificate in accordance with the Indenture and the rights of the Owner of such Series 2009A Certificate under the Indenture based on the principal amount of such Certificate is the Principal Component of such Series 2009A Certificate. Each Series 2009A Certificate will initially be delivered in a form that combines the Tax Credit Component and the Principal Component of such Series 2009A Certificate but with a Tax Credit Coupon attached.

Stripping Request

Upon receipt by the Trustee of a Stripping Request in the form of Appendix D attached to the 2009A Supplemental Indenture with respect to a Series 2009A Certificate, the Trustee is required to:

(1) assign a new CUSIP number to such Series 2009A Certificate that is distinct from the CUSIP number for such Series 2009A Certificate before it is Stripped and insert the new CUSIP number (or confirm that such CUSIP number has been assigned and inserted) and the date on, and execute, the "Principal Strip Legend" section of such Series 2009A Certificate;

(2) assign a CUSIP number to the Tax Credit Coupon attached to such Series 2009A Certificate that is distinct from the CUSIP number for such Series 2009A Certificate before it is Stripped and the new CUSIP number assigned to the Principal Strip paragraph (1) above and insert the new CUSIP number (or confirm that such a CUSIP number has been assigned and inserted) on the Tax Credit Coupon under "CUSIP number of Tax Credit Strip;"

(3) deliver the Principal Strip and the Tax Credit Strip in accordance with the delivery instructions set forth in the Stripping Request; and

(4) register the ownership of the Principal Strip and the Tax Credit Strip in the records for registration and transfer of Certificates maintained by the Trustee pursuant to the Master Indenture.

Modification of Stripping Process and Form of Stripping Request to Permit Book-Entry Registration and Transfer

The process by which Stripping occurs and the form of the Stripping Request may be modified to conform to procedures established by DTC so as to permit the registration and transfer of the Principal Strips and Tax Credit Strips in the book-entry records of the DTC, including, but not limited to, to accommodate the assignment of separate CUSIP numbers to the Principal Strips and the Tax Credit Strips for each Credit Allowance Date on the date the Series 2009A Certificates are executed and delivered or when the Stripping occurs.

Trustee Charges for Stripping

The Trustee may require the payment, by the Owner of a Series 2009A Certificate, of any reasonable charges, as well as any taxes, transfer fees or other governmental charges required to be paid, with respect to the Stripping of any Series 2009A Certificate.

Authorized Denominations; Execution, Authentication, Replacement, Registration, Transfer, Exchange, Cancellation and Negotiability of Principal Strips and Tax Credit Strips; Applicability of Redemption Provisions of Master Indenture

Except as otherwise specifically provided in this paragraph: (i) the Authorized Denomination of a Principal Strip is to be based on the principal amount of the Principal Strip; (ii) a Tax Credit Strip shall not have a principal amount but instead shall have a notional amount equal to the principal amount of the Series 2009A Certificate from which it was created and such notional amount shall be used in lieu of principal amount in determining the Authorized Denomination of such Tax Credit Strip; (iii) Principal Strips and Tax Credit Strips are to be executed and authenticated, are to be replaced if mutilated, lost, stolen or destroyed and are to be registered, transferred, exchanged and cancelled and are to be negotiable in the same manner as Certificates under the Master Indenture; and (iv) subject to the provisions of the 2009A Supplemental Indenture described in the next paragraph, the redemption provisions of Article IV of the Master Indenture shall apply to Principal Strips and Tax Credit Strips created from the Stripping of the Series 2009A Certificate to which such redemption provisions apply in the same manner as they apply to such Series 2009A Certificate; and (v) any such Tax Credit Strip created from the Stripping of a Series 2009A Certificate shall cease to be Outstanding when the related Principal Strip is not Outstanding.

Allocation of Redemption Price and Use of Money from the Exercise of Remedies under Article VII of the Master Indenture

The redemption price of Series 2009A Certificates and moneys received from the exercise of remedies under Article VII of the Master Indenture that are to be paid to the Owners of the Series 2009A Certificates (the "**Available Money**") shall be paid to the Owners of the Principal Strips and the Tax Credit Strips as follows:

(i) to the Owners of the Principal Strips (if there is more than one Owner of Principal Strips, to the Owners of the Principal Strips in proportion to the principal amount of Principal Strips owned by each of them), a portion of the Available Money determined by the following formula:

AM x PAVP

Where:

AM = Available Money

PAVP = the percentage shown in Table 2 in Appendix C to the 2009A Supplemental Indenture in the column entitled Principal Maturity Date for the Redemption Date on which the Available Money is paid (or if paid on a date that does not coincide with a Redemption Date, the percentage determined for such payment date by straight line interpolation between the percentage for the immediately preceding Redemption Date and the immediately succeeding Redemption Date); and

(ii) to the Owners of the Tax Credit Strips evidencing the right to claim the Tax Credit on a particular Credit Allowance Date (and if there is more than one Owner of such Tax Credit Strips, to the Owners of such Tax Credit Strips in proportion to the notional amount of such Tax Credit Strips owned by each of them), a portion of the Available Moneys determined by the following formula:

CS x AM/PS x CAVP

Where:

CS = the aggregate amount of Tax Credit shown in Table 1 in Appendix C to the 2009A Supplemental Indenture for the Credit Allowance Date on which the Owner of such Tax Credit Strips is entitled to claim the Tax Credit

AM = Available Money

PS = the aggregate principal amount of the Principal Strips

CAVP = the percentage shown in Table 2 in Appendix C to the 2009A Supplemental Indenture in the column entitled Credit Allowance Date for the Credit Allowance Date for such Tax Credit and the Redemption Date on which the Available Money is paid (or if paid on a date that does not coincide with a Redemption Date, the percentage determined for such payment date by straight line interpolation between the percentage for the immediately preceding Redemption Date and the immediately succeeding Redemption Date).

Control, Consent Rights and Other Rights of Owners of Series 2009A Certificates

The rights of the Owner of any Series 2009A Certificate that has been Stripped to direct or request the Trustee to act or refrain from acting, to direct the manner and timing of any action by the Trustee or to control proceedings, to consent to Supplemental Indentures and amendments, changes or modifications of Leases and Site Leases, to take any other action that may be taken by the Owners of a percentage or a majority of the principal amount of Certificates and to receive notices and other information under the Indenture shall be rights of the Owners of the Principal Strips and the Tax Credit Strips shall not participate therein.

No Regulations Promulgated Yet

The Code provides that any such Stripping shall be done under regulations prescribed by the Secretary. No such regulations have yet been promulgated. It is anticipated that the IRS may promulgate regulations related to qualified school construction bonds in the near future, but the timing and terms cannot be predicted. For purposes of discussing Stripping herein, it is assumed that such regulations will be promulgated and that the Stripping will be in compliance with such regulations and the terms of the 2009A Supplemental Indenture. The State and the Trustee may amend the Indenture of the 2009A Lease after the issuance of the Series 2009A Certificates without the consent of the Owners of the Series 2009A Certificates for the purposes of conforming the Indenture or the 2009A Lease to any guidance or regulations promulgated by the IRS or the Treasury Department regarding qualified school construction bonds.

Book-Entry Tax Credit Coupons

The Tax Credit Coupons, when executed and delivered, shall be Book-Entry Tax Credit Coupons, registered in the name of Cede & Co., as nominee of DTC, and shall be exchanged for one Tax Credit Coupon or Tax Credit Strip for each Credit Allowance Date for the related Series 2009A Certificates, in the notional amount set forth on such Tax Credit Coupons or Tax Credit Strips. The Indenture appoints DTC as depository for the Book-Entry Tax Credit Coupons and registered ownership of the Book-Entry Tax Credit Coupons may not thereafter be transferred, except as provided in the Indenture.

Additional Series of Certificates

So long as the Lease Term remains in effect and no Event of Nonappropriation or Event of Default has occurred and is continuing, one or more Series of Certificates may be executed and delivered as directed by the State, without the consent of owners of outstanding Certificates, upon the terms and conditions as provided in the Master Indenture. Additional Series of Certificates may be executed and delivered only upon satisfaction of each of the following conditions:

(i) The Trustee has received a form of Supplemental Indenture that specifies the following: (a) the Series designation, the aggregate principal amount, the Authorized Denominations, the dated date, the maturity dates, the interest rates, if any, the redemption provisions, if any, the Tax Treatment Designation, the form and any variations from the terms set forth in this Master Indenture with respect to such Series of Certificates; (b) any amendment, supplement or restatement of the Glossary required or deemed by the State to be advisable or desirable in connection with such Supplemental Indenture; and (c) any other provisions deemed by the State to be advisable or desirable and that do not violate and are not in conflict with the Master Indenture or any previous Supplemental Indenture.

(ii) The Trustee has received forms of a new Site Lease and Lease or amendments to an existing Site Lease and Lease adding any new Leased Property and/or amendments to an existing Site Lease and Lease removing or modifying any Leased Property that is to be removed or modified.

(iii) If the proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to the Master Indenture, the Trustee shall have received a form of a defeasance escrow agreement and the other items required by the Master Indenture.

(iv) The State has certified to the Trustee that**:** (a) the Fair Market Value of the property added to the Leased Property in connection with the execution and delivery of such Series of Certificates is at least equal to 90% of the principal amount of such Series of Certificates; and (b) no Event of Default or Event of Nonappropriation exists under any Lease. The certification of the State pursuant to clause (a) may be given based and in reliance upon certifications by the Sublessees that leased the Leased Property to the Trustee pursuant to Site Leases.

(v) The Trustee has received evidence that the execution and delivery of the Series of Certificates will not result in a reduction of the then current rating by any Rating Agency of any Outstanding Certificates, which evidence may take the form of a letter from a Rating Agency, a certificate of a financial advisor to the State or a certificate of an underwriter of Certificates.

(vi) The State has directed the Trustee in writing as to the delivery of the Series of Certificates and the application of the proceeds of the Series of Certificates, including, but not limited to, the amount to be deposited into the Project Account established for each Participating K-12 Institution, the amount, if any, of the Allocated Investment Earnings for each Project Account, the amount to be deposited into the Cost of Issuance Account and, if proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to the Master Indenture, the amount to be deposited into the defeasance escrow account established pursuant to the Master Indenture.

(vii) The Trustee has received a written opinion of Bond Counsel to the effect that (a) the Certificates of such Series have been duly authorized, executed and delivered pursuant to the Act, the Master Indenture and the Supplemental Indenture executed and delivered in connection with the execution and delivery of such Series of Certificates and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Outstanding Certificate, and (b) the execution, sale and delivery of the Series of Certificates will not constitute an Event of Default or a Failure to Perform nor cause any violation of the covenants set forth in the Master Indenture.

Each Certificate executed and delivered pursuant to the Master Indenture will evidence an undivided interest in the right to receive Lease Revenues and shall be payable solely from the Trust Estate without preference, priority or distinction of any Certificate over any other Certificate.

Redemption

Event of Default or Event of Nonappropriation Redemption

The Series 2009A Certificates shall be redeemed in whole on any date, upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease. The redemption price for any redemption as described in this paragraph shall be the lesser of: (i) the principal amount of the Series 2009A Certificates; or (ii) the sum of (A) available moneys, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and certain defeasance escrow accounts established pursuant to the Master Indenture) and (B) the amount, if any, received by the Trustee from the exercise of remedies under the Indenture and the Leases.

If more than one Series of Certificates is subject to redemption upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease under any similar provision of any other Supplemental Indenture, the amounts available to pay the redemption price shall be allocated among the Series 2009A Certificates and such other Series of Certificates in proportion to the principal amount of each such Certificate, provided that available moneys in any Sinking Fund Account shall be allocated only among Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account. **The payment of the redemption price of any Certificate pursuant to the 2009A Supplemental Indenture and any similar provision of any other Supplemental Indenture shall be deemed to be the payment in full of such Certificate, and no Owner of any Certificate redeemed pursuant to the 2009A Supplemental Indenture or any similar provision of any other Supplemental Indenture shall have any right to any payment from the Trustee or the State in excess of such redemption price.**

In addition to any other notice required to be given under the Indenture, the Trustee shall, immediately upon obtaining knowledge of the occurrence of an Event of Default or Event of Nonappropriation under any Lease, notify the Owners of the Series 2009A Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Default or Event of Nonappropriation under such Lease (i) that such event has occurred and (ii) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price set forth in the 2009A

Supplemental Indenture or any other Supplemental Indenture. If the funds then available to the Trustee are sufficient to pay the redemption price set forth in the 2009A Supplemental Indenture, such redemption price shall be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the redemption price set forth in the 2009A Supplemental Indenture, the Trustee shall (A) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Indenture and the Leases, and (B) subject to the applicable provisions of the Indenture, immediately begin to exercise and shall diligently pursue all remedies available to it under the Leases in connection with such Event of Default or Event of Nonappropriation. The remainder of the redemption price, if any, shall be paid to the Owners of the Certificates subject to redemption if and when funds become available to the Trustee from the exercise of remedies under the Indenture and the Leases.

While there is no mandatory redemption of the Series 2009A Certificates that is caused solely by termination of the Tax Credit, the State and the 2009A Participating K-12 Institutions have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that the Series 2009A Certificates continue to qualify as "qualified school construction bonds" as defined in Section 54F of the Code. Inaccuracy of these representations or failure to comply with these covenants may result in termination of the Tax Credit, possibly from the date of original execution and delivery of the Series 2009A Certificates, but may also cause an Event of Default under the 2009A Lease thereby causing a mandatory redemption of the Series 2009A Certificates as described above. See "CERTAIN RISK FACTORS – Effect of a Nonrenewal of a Lease" and " – Enforceability of Remedies."

Unexpended Proceeds Redemption

The Series 2009A Certificates shall be redeemed in whole or in part, and if in part in Authorized Denominations by lot, at a redemption price equal to the principal amount of the redeemed Series 2009A Certificates, on a date designated by the State that is no later than 90 days after the third anniversary of the date the Series 2009A Certificates are originally executed and delivered, or, in the event the IRS grants an extension of the three year Available Project Proceeds Expenditure Period, on any later date designated by the State that is no later than 90 days after the end of the extended Available Project Proceeds Expenditure Period, in an amount equal to the unexpended Available Project Proceeds of the Series 2009A Certificates held by the Trustee as of the third anniversary of the date the Series 2009A Certificates are originally executed and delivered or, in the event the IRS grants an extension of the three year Available Project Proceeds Expenditure Period, the last day of the extended Available Project Proceeds Expenditure Period.

Notice of Redemption

Notice of the call for any redemption, identifying the Series 2009A Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States first class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Series 2009A Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Series 2009A Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2009A Certificates called for redemption, which moneys are or will be available for redemption of Series 2009A Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Redemption Payments

On or prior to the date fixed for redemption, the Trustee is required to apply funds to the payment of the Series 2009A Certificates called for redemption. The Trustee is required to pay to the Owners of Series 2009A Certificates so redeemed, the amounts due on the Series 2009A Certificates at the Operation Center of the Trustee upon presentation and surrender of the Series 2009A Certificates.

Allocation of Redemption Price and Use of Moneys from the Exercise of Remedies

The redemption price of Series 2009A Certificates and moneys received from the exercise of remedies under the Master Indenture that are to be paid to the Owners of the Series 2009A Certificates are to be paid to the Owners of the Principal Strips and the Tax Credit Strips as described in "Subsequent Tax Credit Stripping – Allocation of Redemption Price and Use of Moneys from the Exercise of Remedies under Article VII of the Indenture" above under this caption.

State's Purchase Option Price

State's Option to Purchase all Leased Property in Connection with Defeasance of Series 2009A Certificates

The State has been granted in the 2009A Lease the option to purchase all, but not less than all, of the 2009A Leased Property in connection with the defeasance of all the Series 2009A Certificates by paying to the Trustee the "State's Purchase Option Price," subject to compliance with all conditions to the defeasance of the Series 2009A Certificates under the Indenture, including, but not limited to, the receipt of an opinion of Bond Counsel that the defeasance will not cause an Adverse Tax Event. For purposes of a purchase of all the 2009A Leased Property as described in this paragraph, the "**State's Purchase Option Price**" is an amount sufficient (i) to defease all the Series 2009A Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date on which the 2009A Leased Property is conveyed to the State or its designee pursuant to the Indenture, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the 2009A Leased Property and the payment, redemption or defeasance of the Outstanding Series 2009A Certificates; provided, however, that (A) the State's Purchase Option Price shall be reduced by the moneys, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and any existing defeasance escrows accounts established pursuant to the Master Indenture) that are available for deposit in the defeasance escrow account established pursuant to the Master Indenture for the Series 2009A Certificates, and (B) if any Series 2009A Certificates have been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this subsection, Outstanding Certificates of the Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2009A Certificates shall be substituted for the Series 2009A Certificates that were paid, redeemed or defeased, which substitution shall be accomplished in any reasonable manner selected by the State in its sole discretion.

In order to exercise its option to purchase the 2009A Leased Property as described in the previous paragraph, the State must: (i) give written notice to the Trustee (A) stating that the State intends to purchase the 2009A Leased Property as described in the previous paragraph, (B) identifying the source of funds it will use to pay the State's Purchase Option Price, and (C) specifying a closing date for such purpose which is at least 30 and no more than 90 days after the delivery of such notice; and (ii) pay the State's Purchase Option Price to the Trustee in immediately available funds on the closing date.

BASE RENT

The following table sets forth the State's Base Rent obligations after execution and delivery of the Series 2009A Certificates scheduled under the 2009A Lease with respect to the 2009A Leased Property (assuming that the State chooses not to terminate the 2009A Lease during the Lease Term, which it has an annual option to do).

Fiscal Year (ended June 30)	Principal[(1)(2)]	Base Rent Interest Component[(3)]	Total Fiscal Year Base Rent
2010	$ 3,535,000	$0	$ 3,535,000
2011	5,975,000	0	5,975,000
2012	5,975,000	0	5,975,000
2013	5,975,000	0	5,975,000
2014	5,975,000	0	5,975,000
2015	5,975,000	0	5,975,000
2016	5,970,000	0	5,970,000
2017	5,970,000	0	5,970,000
2018	5,970,000	0	5,970,000
2019	5,970,000	0	5,970,000
2020	5,970,000	0	5,970,000
2021	5,970,000	0	5,970,000
2022	5,970,000	0	5,970,000
2023	5,970,000	0	5,970,000
2024	5,975,000	0	5,975,000
Total	$87,145,000	$0	$87,145,000

(1) Although the Series 2009A Certificates are not subject to annual mandatory sinking fund redemption, the Trustee is required under the Master Indenture to deposit into the Sinking Fund Account established within the Certificate Fund for the Series 2009A Certificates that portion of each payment of Base Rent by the State which is designated and paid as the Series 2009A Sinking Fund Principal under the 2009A Lease. Such Sinking Fund payments are to be applied to the payment of the principal amount of the Series 2009A Certificates at maturity.

(2) There will be credited against the amount of Base Rent otherwise payable under the 2009A Lease the amount on deposit in the Certificate Fund that is not restricted by the Indenture to the payment of the redemption price of Certificates or the costs of defeasing Certificates, including any Rent received by the State and delivered to the Trustee with directions to deposit it in the Certificate Fund.

(3) The Series 2009A Certificates do not bear interest.

SECURITY AND SOURCES OF PAYMENT

Payments by the State

Each Series 2009A Certificate evidences undivided interests in the right to receive Lease Revenues pursuant to the Leases, including: (i) the Base Rent; (ii) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease); (iii) earnings on moneys on deposit in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (iv) any other moneys to which the Trustee may be entitled for the benefit of the Owners. All payment obligations of the State under the Series 2009A Lease, including but not limited to payment of Base Rent, are from year to year only and do not constitute a mandatory charge or requirement in any year beyond the State's then current fiscal year. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained in the Leases are the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing Leases or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct, in the case of the State, and negligence, in the case of the Trustee.

As more fully described under the captions "CERTAIN RISK FACTORS" and in the form of the 2009A Lease attached hereto in **Appendix B**, following an Event of Nonappropriation, the Lease Term of the 2009A Lease will terminate on June 30 of any Fiscal Year in which the Event of Nonappropriation occurs.

Under the Act, Base Rent and Additional Rent must be paid from the amounts on deposit in the Assistance Fund. The Act establishes the Assistance Fund and provides for the deposit to such Fund of certain revenues as described in "PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND" in **Appendix F**. However, the Act also permits the General Assembly to appropriate or transfer moneys to the Assistance Fund from any legally available source, including the State General Fund, if the amounts in the Assistance Fund are insufficient to cover the full amount of Rent required by the 2009A Lease and any other Lease entered in connection with any additional Series of Certificates issued to fund the Program. Any such amounts in the Assistance Fund may only be used to pay Base Rent and Additional Rent if specifically appropriated by the Colorado General Assembly for that purpose. There is no obligation of the State to appropriate such Assistance Fund revenues, or to appropriate any other State moneys to be transferred to the Assistance Fund, for purposes of paying Base Rent or Additional Rent under the Leases. See "STATE FINANCIAL INFORMATION" and **Appendices E** and **F** hereto.

PAYMENT OF RENT AND ALL OTHER PAYMENTS BY THE STATE SHALL CONSTITUTE CURRENTLY APPROPRIATED EXPENDITURES OF THE STATE AND MAY BE PAID SOLELY FROM LEGALLY AVAILABLE MONEYS IN THE ASSISTANCE FUND, INCLUDING ANY MONEYS APPROPRIATED OR TRANSFERRED BY THE COLORADO GENERAL ASSEMBLY TO THE ASSISTANCE FUND FROM ANY LEGALLY AVAILABLE SOURCE IF THE AMOUNT OF MONEY IN THE ASSISTANCE FUND THAT IS AVAILABLE TO PAY RENT WILL BE INSUFFICIENT TO COVER THE FULL AMOUNT OF RENT. ALL OBLIGATIONS OF THE STATE UNDER THE LEASES SHALL BE SUBJECT TO THE ACTION OF THE COLORADO GENERAL ASSEMBLY IN ANNUALLY MAKING MONEYS AVAILABLE FOR PAYMENTS THEREUNDER. THE OBLIGATIONS OF THE STATE TO PAY RENT AND ALL OTHER OBLIGATIONS OF THE STATE UNDER THE LEASES ARE SUBJECT TO APPROPRIATION BY THE COLORADO GENERAL ASSEMBLY IN ITS SOLE DISCRETION, AND SHALL NOT BE DEEMED OR CONSTRUED AS CREATING AN INDEBTEDNESS OF THE STATE WITHIN THE MEANING OF ANY PROVISION OF THE STATE CONSTITUTION OR THE LAWS OF THE STATE CONCERNING OR LIMITING THE CREATION OF INDEBTEDNESS OF THE STATE AND SHALL NOT CONSTITUTE A MULTIPLE FISCAL YEAR DIRECT OR INDIRECT DEBT OR OTHER FINANCIAL OBLIGATION OF THE STATE WITHIN THE MEANING OF SECTION 3 OF ARTICLE XI OR SECTION 20(4) OF ARTICLE X OF THE STATE CONSTITUTION OR ANY OTHER LIMITATION OR PROVISION OF THE STATE CONSTITUTION, STATE STATUTES OR OTHER STATE LAW. IN THE EVENT THE STATE DOES NOT RENEW ANY LEASE, THE SOLE SECURITY AVAILABLE TO THE TRUSTEE, AS LESSOR UNDER THE LEASES, SHALL BE THE LEASED PROPERTY LEASED UNDER THE LEASES, SUBJECT TO THE TERMS OF THE LEASES. THE STATE'S OBLIGATIONS UNDER THE LEASES SHALL BE SUBJECT TO THE STATE'S ANNUAL RIGHT TO TERMINATE THE

LEASES UPON THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION. SEE "CERTAIN RISK FACTORS."

Lease Term

The Lease Term of each Lease is comprised of the Initial Term commencing on the date the Lease is executed and delivered and ending on June 30 of that Fiscal Year and successive one year Renewal Terms, subject to the provisions described below. The Lease Term of any Lease shall expire upon the earliest of any of the following events: (a) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with the Lease; (b) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred; (c) the purchase of all the Leased Property by the State pursuant to the Lease; or (d) termination of the Lease following an Event of Default in accordance the Lease.

Upon termination of the Lease Term, all unaccrued obligations of the State under the Lease shall terminate, but all obligations of the State that have accrued thereunder prior to such termination shall continue until they are discharged in full; and if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property thereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property as further described in the forms of the 2009A Site Leases, the 2009A Lease, the 2009A Subleases and the Indenture attached hereto in **Appendix B**.

Nonrenewal of the Lease Term

The State is not permitted to renew the Leases or any of them (including the 2009A Lease) with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease would mean the loss of the use by the State of all of the Leased Property (including the 2009A Leased Property). However, the Indenture and the 2009A Lease permit the State to purchase the Leased Property in connection with the defeasance of all of the Series 2009A Certificates, as described in "THE SERIES 2009A CERTIFICATES – State's Purchase Option Price." The 2009A Participating K-12 Institutions which are Sublessees also have the right to purchase their respective portion of the Leased Property upon an Event of Nonappropriation or Event of Default under the 2009A Lease as described in "The 2009A Leased Property - The 2009A Sublessee's Purchase Option" under this caption and to substitute different property for certain of the 2009A Leased Property as described in "The 2009A Leased Property – The 2009A Subleases and Matching Money Bonds" under this caption.

Upon a nonrenewal of the Lease Term by reason of an Event of Nonappropriation or an Event of Default and so long as the State has not exercised its purchase option with respect to all the Leased Property, or any 2009A Participating K-12 Institution has not exercised the purchase option of its portion of the 2009A Leased Property, the State and such 2009A Participating K-12 Institutions not exercising the purchase option are required to vacate the Leased Property within 90 days. The Trustee may proceed to exercise any remedies available to the Trustee for the benefit of the Owners of the Certificates (including the Series 2009A Certificates) and may exercise any other remedies available upon default as provided in the Leases, including the sale of or lease of the Trustee's interest under the Site Leases. See

"CERTAIN RISK FACTORS," and the forms of the 2009A Site Leases, 2009A Lease, the 2009A Subleases and the Indenture attached hereto in **Appendix B**.

The 2009A Lease places certain limitations on the availability of money damages against the State as a remedy in an Event of Default or an Event of Nonappropriation. For example, the 2009A Lease provides that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the 2009A Leased Property as required by the 2009A Lease and only as to certain liabilities as described in the 2009A Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of the 2009A Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions and subject to certain priorities as provided in the 2009A Lease and the Indenture), are required to be used to redeem the Series 2009A Certificates, if and to the extent any such moneys are realized. See "CERTAIN RISK FACTORS," and forms of the 2009A Site Leases, 2009A Lease, 2009A Subleases and the Indenture attached hereto in **Appendix B.**

The 2009A Leased Property

Generally

The 2009A Leased Property upon issuance of the Series 2009A Certificates is described generally below. The State is not permitted to renew any Lease (including the 2009A Lease) with respect to less than all of the Leased Property (including the 2009A Leased Property) and a decision not to renew any Lease would mean a loss of all of the Leased Property (including the 2009A Leased Property) for the State unless the purchase option for all of the Leased Property has been exercised by the State. See "THE SERIES 2009A CERTIFICATES – State's Purchase Option Price." The State may make substitutions, or may consent to substitutions by the 2009A Participating K-12 Institutions, of 2009A Leased Property in accordance with the terms of the 2009A Leases and the respective 2009A Subleases as described in "Substitution of 2009A Leased Property" under this caption. Owners of the Series 2009A Certificates should not assume that it will be possible to foreclose upon or otherwise dispose of the Leased Property, or any portion thereof, for an amount equal to the respective principal amounts of the Certificates (including the Series 2009A Certificates) plus accrued interest thereon. See "CERTAIN RISK FACTORS – Effect of Nonrenewal of a Lease" for a description of some of the factors that may impact the value of the Leased Property.

The 2009A Leased Property is presently comprised of leasehold interests in land and the school facilities for the 2009A Participating K-12 Institutions to be built thereon consistent with construction guidelines adopted by the Assistance Board (the "**Construction Guidelines**"). Alamosa School District No. Re-11J ("**Alamosa**") estimates the value of the 26.6 acre parcel upon which it plans to construct two new elementary schools at $226,000. The new elementary schools it plans to construct include an aggregate amount of 144,688 square feet and 72 classrooms. Of the amount to be deposited in the 2009A Project Account for Alamosa, $49,980 is expected to be spent on ground improvements on an adjacent property that does not constitute part of the 2009A Leased Property. Sangre de Cristo School District No. Re-22J ("**Sangre de Cristo**") estimates the value of the 40 acre parcel upon which it plans to construct one new K-12 school at $32,667. The new K-12 school it plans to construct includes 81,000 square feet and 24 classrooms. Sargent Re-33J ("**Sargent**") estimates the value of the 1.2 acre parcel upon which it plans to construct one new junior/senior high school at $6,656. The new junior/senior high school it plans to construct includes 62,463 square feet and 18 classrooms. As described under "PLAN OF FINANCING – The 2009A Projects and 2009A Participating K-12 Institutions," the 2009A Project for Sargent also includes renovation of an elementary school and gym. The aggregate cost of such projects is $2,751,939 and such projects do not constitute part of the 2009A Leased Property. Further, use of the 2009A Leased Property related to Sargent is restricted by deed to educational purposes. Accordingly, the ability of the Trustee to lease such Leased Property to third parties upon the occurrence of an Event of Nonappropriation or Event of Default and subsequent vacating of such property by the State and Sargent will be limited to lessee's desiring to use the property for educational purposes. See "CERTAIN RISK FACTORS – Effect of a Nonrenewal of a Lease."

Each of the 2009A Participating K-12 Institutions has covenanted to complete construction of their respective facilities within three years, but the State expects all of the facilities to be completed within 18 to 25 months. However, in the case of Sangre de Cristo, the Project Contracts required by the related 2009A Sublease have not yet been executed due to the necessity of obtaining some zoning approvals. The State expects such zoning approvals to be obtained soon after the Series 2009A Certificates are executed and delivered. However, if such documents have not been received by the Trustee on or before September 1, 2010, the State may cancel the related 2009A Sublease as described below under "Replacement of 2009A Leased Property Due to Cancellation of Sublease by State."

Replacement of 2009A Leased Property Due to Cancellation of Sublease by State

The 2009A Subleases provide that if, on or before September 1, 2010, the Trustee has not received the title insurance policy for the 2009A Participating K-12 Institution's Leased Property described in paragraph 1 of the form of requisition attached as Appendix A to the Master Indenture and the 2009A Participating K-12 Institution has not entered into or does not have a reasonable expectation that it will enter into one or more Project Contracts that comply with the Construction Guidelines for substantially all of the Work required to complete such 2009A Participating K-12 Institution's Project as described in paragraph 2 of the form of requisition attached as Appendix A to the Master Indenture, the State may, in its sole discretion, cancel or cause to be cancelled the related 2009A Sublease, Matching Money Bond and Site Lease and direct the Trustee to use the moneys in such 2009A Participating K-12 Institution's Project Account for the Costs of another Project or for any purpose permitted under the Indenture. The Trustee has received the title insurance policies for the 2009A Participating K-12 Institutions, so this provision as it relates to title insurance is inapplicable to the 2009A Subleases.

The 2009A Subleases and Matching Money Bonds

In connection with the execution and delivery of the Series 2009A Certificates, the State and each of the 2009A Participating K-12 Institutions are entering into a 2009A Sublease pursuant to which each of such 2009A Participating K-12 Institutions, as Sublessee, will agree, in exchange for use of a portion of the 2009A Leased Property, to pay (subject to their right not to appropriate) all Additional Rent due under the 2009A Lease with respect to such portion of the 2009A Leased Property and the Series 2009A Certificates. The respective 2009A Participating K-12 Institution's obligations to pay such amounts under the 2009A Sublease are subject to annual appropriation by such 2009A Participating K-12 Institution. Pursuant to the 2009A Subleases, each of the 2009A Participating K-12 Institutions has agreed to maintain the respective 2009A Leased Property and to provide all insurance for such 2009A Leased Property as required by the 2009A Lease.

There is no Base Rent payable under the 2009A Subleases. Each 2009A Participating K-12 Institution has agreed to deliver a Matching Money Bond to the State to satisfy the 2009A Participating K-12 Institution's obligation to pay Matching Moneys to the State for credit to the Assistance Fund with respect to such 2009A Participating K-12 Institution's Project. The obligations of the 2009A Participating K-12 Institution under its Matching Money Bond are <u>not</u> subject to annual appropriation by the 2009A Participating K-12 Institution and will continue until all amounts payable under such Matching Money Bond are paid in full or the Matching Money Bond is redeemed or cancelled in accordance with its terms. The obligations and rights of the 2009A Participating K-12 Institution and the State with respect to the 2009A Participating K-12 Institution's Matching Money Bonds are independent of the obligations and rights of the 2009A Participating K-12 Institution, as sublessee, and the State under the 2009A Subleases and, except as otherwise specifically provided in the 2009A Subleases, (a) the obligations and rights of the 2009A Participating K-12 Institution and the State with respect to the 2009A Participating K-12 Institution's Matching Money Bonds will survive the termination of the 2009A Subleases and (b) no failure to perform or other action of the State with respect to the 2009A Subleases will affect the State's rights to enforce the obligations of the 2009A Participating K-12 Institutions under their respective Matching Money Bonds.

Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2009A Certificates. Once Matching Moneys payable in installments pursuant to the Matching Money Bonds are deposited in the Assistance Fund, such amounts, together with other amounts on deposit therein, are available to be appropriated by the State to pay principal on the Series 2009A Certificates.

Sublessee's Purchase Option

Each Sublessee has the option to purchase all, but not less than all, of the 2009A Leased Property subject to its 2009A Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the 2009A Lease as described in the forms of 2009A Site Leases, 2009A Lease, 2009A Subleases and the Indenture attached hereto in **Appendix B**. In the 2009A Lease, the Trustee has agreed to notify each Sublessee of the occurrence of an Event of Default or Event of Nonappropriation under any 2009A Lease.

Substitution of 2009A Leased Property

The Sublessees are permitted by the respective 2009A Subleases to substitute other property for the respective 2009A Leased Property with the consent of the State and upon delivery of certain items, including a certification that the Fair Market Value of the substituted property is equal to or greater than the Fair Market Value of the 2009A Leased Property for which it is being substituted, a title insurance policy, a certificate regarding the useful life and essentiality of the substituted property, and an opinion of Bond Counsel to the effect that such substitution is permitted under the 2009A Lease and that such substitution will not cause the State or any sublessee to violate the State's tax covenant set forth in Section 9.04 of the 2009A Lease or the 2009A Participating K-12 Institution's Tax Covenant set forth in Section 9.04 of the 2009A Subleases. See Section 9.04 in the form of 2009A Subleases in **Appendix B**. Furthermore, the State is permitted under the 2009A Lease to substitute other property for certain 2009A Leased Property so long as, following the substitution, either (i) the Fair Market Value of the substituted property determined as of the date of substitution is equal to or greater than the Fair Market Value of the 2009A Leased Property for which it is being substituted, or (ii) all of the Leased Property has a Fair Market Value at least equal to the principal amount of all Outstanding Certificates. The State's certification as to the value may be given based and in reliance upon certifications by the Sublessees.

Insurance

The 2009A Leased Property is required to be insured by the 2009A Participating K-12 Institutions as described in "CERTAIN RISK FACTORS – Insurance of the Leased Property," and the insurance proceeds are required to be applied by the Trustee as described in the form of the 2009A Lease "- Damage, Destruction and Condemnation," in **Appendix B**. Pursuant to the 2009A Subleases, the 2009A Participating K-12 Institutions will undertake to provide such insurance with respect to the respective 2009A Leased Property as required by the 2009A Lease. See "The 2009A Subleases and Matching Money Bonds" under this caption.

CERTAIN RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2009A CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2009A CERTIFICATES SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, GIVING PARTICULAR ATTENTION TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF THE PRINCIPAL ON THE SERIES 2009A CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2009A CERTIFICATES TO AN EXTENT THAT CANNOT BE DETERMINED.

Nature of "Qualified School Construction Bonds"

The Series 2009A Certificates are being issued as "qualified school construction bonds" as defined in Section 54F of the Code. "Qualified school construction bonds" are a new product derived from the recent passage of the Recovery Act, and there is currently no secondary market for the Series 2009A Certificates. There can be no assurance that a secondary market will develop, or if a secondary market does develop, that it will provide Owners with liquidity or continue for the full term of the Series 2009A Certificates. The Underwriters are under no obligation to make a secondary market for the Series 2009A Certificates. The mechanics of transfer and registration and the developing nature of the tax treatment of the Series 2009A Certificates may further limit liquidity.

The Tax Credits are not refundable tax credits; if an Owner of a Series 2009A Certificate has gross income tax liability for a given year less than the amount of Tax Credits to which it is entitled for that year, then the Owner would be required to carry forward any excess tax credit to subsequent tax years. See "TAX MATTERS" below.

The Tax Credits to which an Owner of a Series 2009A Certificate is entitled on a particular Credit Allowance Date are not transferable after such Credit Allowance Date; investors should be aware that to the extent that the investor is not a potential taxpayer (either now or in the future) and owns a Series 2009A Certificate on a Credit Allowance Date, the Tax Credit cannot be utilized. There can be no assurance that such an investor would be able to sell a Series 2009A Certificate prior to the Credit Allowance Date.

Because of the developing nature of practices to implement the qualified school construction bond provisions of the Recovery Act, it may be necessary following the date of delivery of the Series 2009A Certificates to make certain adjustments to the mechanisms outlined in the Indenture as additional guidance from the IRS is provided. The Code provides that any such Stripping shall be done under regulations prescribed by the Secretary. No such regulations have yet been promulgated. It is anticipated that the IRS may promulgate regulations relating to qualified school construction bonds in the near future, but the timing and terms thereof cannot be predicted. The State and the Trustee may amend the Indenture or the 2009A Lease after the issuance of the Series 2009A Certificates without the consent of the Owners of the Series 2009A Certificates for the purposes of conforming the Indenture, the Series 2009A Certificates or the 2009A Lease to any guidance or regulations promulgated by the IRS or the Treasury Department regarding qualified school construction bonds.

Furthermore, in certain circumstances, the Tax Credits may be reduced (offset) by amounts determined to be applicable under the Code and regulations promulgated thereunder. For example, offsets may occur by reason of any past-due legally enforceable debt of the Owners to any federal agency. The amount of any such offset is not predictable.

Potential purchasers should consult with their own tax advisors with respect to whether the purchase of a Series 2009A Certificate, Principal Strip or Tax Credit Strip is an appropriate investment in light of their individual circumstances.

Option to Renew the Leases Annually

The obligation of the State, as Lessee, to make payments under the Leases (including the 2009A Lease) does not constitute an obligation of the State to apply its general resources beyond the current fiscal year. **The State is not obligated to pay Base Rent or Additional Rent under the Leases unless funds are appropriated by the Colorado General Assembly each year, notwithstanding the fact that sufficient funds may or may not be on deposit in the Assistance Fund or otherwise may be available for transfer from any other source.** If, on or before June 30 of each Fiscal Year, the Colorado General Assembly does not specifically appropriate amounts sufficient to pay all Base Rent and Additional Rent, as estimated, for the next Fiscal Year, then an "Event of Nonappropriation" will occur. If an Event of Nonappropriation occurs, as described above or otherwise as provided in the Leases (including the 2009A Lease), the Lease Term of the 2009A Lease will be terminated. Notwithstanding the foregoing, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated amounts sufficient to avoid an Event of Nonappropriation and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation or substitution. See the form of 2009A Lease "– Event of Nonappropriation," in **Appendix B**.

There is no assurance that the State will renew the Leases from fiscal year to fiscal year and therefore not terminate the Leases, and the State has no obligation to do so. There is no penalty to the State (other than loss of the use of the Leased Property for itself and, unless the purchase option under a 2009A Sublease has been exercised, the 2009A Participating K-12 Institutions) if the State does not renew the Leases on an annual basis and therefore terminates all of its obligations under the Leases (including the 2009A Lease). Various political and economic factors could lead to the failure to appropriate or budget sufficient funds to make the required payments under the Leases, and prospective investors should carefully consider any factors which may influence the budgetary process. The appropriation of funds may be affected by the continuing need of the State or the 2009A Participating K-12 Institutions for the Leased Property (including the 2009A Leased Property). In addition, the ability of the State to maintain adequate revenues for its operations and obligations in general (including obligations associated with the 2009A Lease) is dependent upon several factors outside the State's control, such as the economy and federal funding. Restrictions imposed under the State Constitution on the State's revenues and spending apply to the collection and expenditure of certain revenues which may be used to pay Base Rent and Additional Rent, and also may impact the ability of the State to appropriate sufficient funds to pay Base Rent and Additional Rent each year. See "SECURITY AND SOURCES OF PAYMENT," "STATE FINANCIAL INFORMATION" and **Appendices E** and **F** hereto.

Payment of the principal of and interest, if any, on the Certificates (including the Series 2009A Certificates) upon the occurrence of an Event of Lease Default or an Event of Nonappropriation will be dependent upon (1) the value of the Leased Property in a liquidation proceeding instituted by the Trustee or (2) any rental income from leasing (to others) the Leased Property. See "Effect of a Nonrenewal of the Leases" under this caption.

The State is not permitted to renew any of the Leases with respect to less than all of the Leased Property. Accordingly, a decision not to renew any Lease (including the 2009A Lease) would mean the loss of the use of all of the Leased Property by the State. However, each of the 2009A Participating K-12 Institutions which is a Sublessee has the right to exercise a purchase option under its respective 2009A Sublease in order to purchase and retain the right to use its portion of the 2009A Leased Property in the event that the State chooses not to appropriate and thereby terminate the Leases (including the 2009A Lease). See "SECURITY AND SOURCES OF PAYMENT – The 2009A Leased Property."

The Trustee, as Lessor or Trustee, has no obligation to, nor will it make any payment on the Series 2009A Certificates or otherwise pursuant to the 2009A Lease except to the extent of amounts in the Trust Estate under the Indenture.

Effect of a Nonrenewal of a Lease

General

In the event of nonrenewal of the State's obligations under any of the Leases upon the occurrence of an Event of Nonappropriation or an Event of Default under such Lease, the State is required to vacate the Leased Property under the Leases and the 2009A Participating K-12 Institutions which are Sublessees are required to vacate the respective 2009A Leased Property being used under the 2009A Subleases (unless the purchase option under any 2009A Sublease has been exercised by any 2009A Participating K-12 Institution) within 90 days. The 2009A Subleases will automatically terminate upon any nonrenewal of any Lease by the State. Subject to the right of the respective 2009A Sublessees to purchase the 2009A Leased Property under the 2009A Subleases, the Trustee may proceed to lease the Leased Property or any portion thereof, including the sale of an assignment of the Trustee's interest under the Site Leases, or exercise any other remedies available to the Trustee for the benefit of the Owners and may exercise one or any combination of the remedies available upon default as provided in the Indenture and the Leases. The 2009A Lease places certain limitations on the availability of money damages against the State as a remedy. For example, the 2009A Lease provides that a judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation only to the extent the State fails to vacate the Leased Property as required by the 2009A Lease and only as to certain liabilities as described in the 2009A Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of any Lease, along with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in the Leases and the Indenture), are required to be used to redeem the Certificates, if and to the extent any such moneys are realized. See the form of 2009A Lease – "Events of Default" and "– Remedies on Default" in **Appendix B** and "THE SERIES 2009A CERTIFICATES – Redemption – Extraordinary Redemption."

The moneys derived by the Trustee from the exercise of the remedies described above may be less than the aggregate principal amount of the outstanding Certificates and accrued interest thereon. If any Certificates are redeemed subsequent to a termination of any Lease 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 Certificates pursuant to the Master Indenture and applicable series indenture; and upon such a partial payment, no owner of any Certificate (including any Series 2009A Certificate) will have any further claims for payment upon the State, the Trustee, or the Participating K-12 Institutions.

Factors Affecting Value of Leased Property

A potential purchaser of the Series 2009A Certificates should not assume that it will be possible to sell, lease or sublease the Leased Property or any portion thereof after a termination of the Lease Term for an amount equal to the aggregate principal amount of the Certificates then Outstanding plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with the execution and delivery of the Certificates or the acquisition of the Leased Property. The valuation of the 2009A Leased Property has not been based on any independent third party appraisal or evaluation. See "SECURITY AND SOURCES OF PAYMENT – The 2009A Leased Property." The value of the Leased Property could be adversely affected by the presence, or even by the alleged presence of, hazardous substances. Present or future zoning requirements or other land use regulations may also restrict use of the Leased Property. The Sublessees and the State may also substitute other property for certain 2009A Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The 2009A Leased Property – Substitution of 2009A Leased Property."

As described under "SECURITY AND SOURCES OF PAYMENT – The 2009A Leased Property," the Trustee may only be able to lease the 2009A Leased Property related to Sargent's 2009A Leased Property to a lessee that will continue to use it for educational purposes. Such restriction may limit the Trustee's ability to obtain lease revenues for Owners in the event of nonrenewal of the State's obligations under the related Lease.

Upon termination of any Lease, there is no assurance of any payment of the principal of Series 2009A Certificates by the State or the Trustee.

Enforceability of Remedies

Under the 2009A Lease, the Trustee has the right to take possession of and dispose of the Leased Property upon an Event of Nonappropriation or an Event of Default. However, the enforceability of the 2009A Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State. Because of the inherent police power of the State, a court in any action brought to enforce the remedy of the Trustee to take possession of the Leased Property may delay repossession for an indefinite period, even though the Lessee may be in default under the 2009A Lease. The right of the Trustee to obtain possession of the Leased Property and to sell, lease or sublease portions of the Leased Property could be delayed until appropriate alternative space is obtained by the 2009A Participating K-12 Institutions. As long as the Trustee is unable to take possession of the Leased Property, it will be unable to sell or re-lease the Leased Property as permitted under the 2009A Lease and the Indenture or to redeem or pay the Series 2009A Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

Effects on the Series 2009A Certificates of a Nonrenewal Event

Bond Counsel has expressed no opinion as to the effect of any termination of the State's obligations under the 2009A Lease under certain circumstances as provided in the 2009A Lease, upon the treatment for federal or State income tax purposes of any moneys received by the Owners of the Series 2009A Certificates or the availability of the Tax Credit subsequent to such termination. See "TAX MATTERS." If the 2009A Lease is terminated and the subject property is re-let to a lessee that is not a governmental entity, there is no assurance that the availability of the Tax Credit will not be adversely affected and that the Series 2009A Certificates will be transferable without registration, or a transactional exemption from registration, under the federal securities law following the termination of the 2009A Lease.

Insurance of the Leased Property

The 2009A Sublease requires that the 2009A Participating K-12 Institutions shall pay as Additional Rent, all of the expenses with respect to casualty and property damage insurance with respect to the 2009A Leased Property in an amount equal to the full replacement value of the 2009A Leased Property. The 2009A Sublease also requires that the 2009A Participating K-12 Institutions shall pay as Additional Rent, all of the expenses with respect to public liability insurance with respect to the activities to be undertaken by the 2009A Participating K-12 Institutions in connection with the 2009A Leased

Property and the 2009A Lease: (1) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State and the Series 2009A Participating K-12 Institutions may be liable to third parties thereunder and (2) for all other activities, in an amount not less than $1,000,000 per occurrence. The 2009A Lease requires the State to make the same Additional Rent payments with respect to insurance but permits the State, in its discretion, to have the required insurance coverage provided by the State or the 2009A Participating K-12 Institutions and to have such required insurance provided under blanket insurance policies or through the Colorado School District's Self Insurance Program. The 2009A Leased Property is not covered by the State's risk management program. The insurance required by the 2009A Lease will be provided by the 2009A Participating K-12 Institutions pursuant to the Colorado School District Self Insurance Program. See "LITIGATION AND SOVEREIGN IMMUNITY – Self Insurance." There is no assurance that, in the event the 2009A Lease is terminated as a result of damage to or destruction or condemnation of the 2009A Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Series 2009A Certificates at a price equal to the principal amount thereof outstanding. See "THE SERIES 2009A CERTIFICATES – Redemption."

Actions under the 2009A Subleases

Although the State's payment of Rent under the 2009A Lease will not depend or be conditioned upon payment of Rent, if any, under the 2009A Subleases, certain actions by the 2009A Participating K-12 Institutions in respect of the related 2009A Leased Property or 2009A Project could have an adverse affect on the interests of the owners of the Series 2009A Certificates. For example, failure to operate or maintain the 2009A Leased Property under a 2009A Sublease in accordance with the terms thereof could diminish the value of that 2009A Leased Property; if, for whatever reason, the 2009A Lease terminates or the Trustee exercises re-letting or sale remedies thereunder, that diminished value could adversely affect the Trustee's ability to recoup rentals or obtain a sale price sufficient to pay Series 2009A Certificate principal or to redeem the full Series 2009A Certificate principal, as the case may be. Violations of environmental laws similarly could diminish the re-letting or sale value of the subject Leased Property, and could lead to statutory remedies under applicable federal and state laws. Failure by a 2009A Participating K-12 Institution to obtain the casualty and property insurance policies required by the applicable 2009A Sublease could limit the principal amount of Series 2009A Certificates redeemed upon the damage or destruction of the subject 2009A Leased Property under certain circumstances. In addition, while the State expects that Series 2009A Certificate principal will be paid from funds other than moneys derived from payments in respect of property used in a private trade or business, and also expects that the 2009A Leased Property will be used by 2009A Participating K-12 Institutions, which are governmental units, use of the 2009A Projects financed with Series 2009A Certificate proceeds by private persons or businesses, within the meaning of applicable tax law, could adversely affect the federal tax treatment of Series 2009A Certificates.

State Budgets and Revenue Forecasts

The State relies on revenue estimation as the basis for budgeting and establishing aggregate funds available for expenditure for its appropriation process. By statute, the Governor's Office of State Planning and Budgeting ("**OSPB**") is responsible for developing the General Fund revenue estimate. The most recent OSPB revenue forecast was issued on June 22, 2009 (the "**OSPB June Revenue Forecast**") and is summarized in this Official Statement. See "STATE FINANCIAL INFORMATION" and "APPENDIX E – THE STATE GENERAL FUND – Revenue Estimation" and " – OSPB Revenue and Economic Forecasts."

The State's Fiscal Year budgets are not prepared on a cash basis, but rather are prepared using the accrual method of accounting in accordance with the standards promulgated by the Governmental Accounting Standards Board ("**GASB**"), with certain statutory exceptions. The State could experience temporary and cumulative cash shortfalls as the result of differences in the timing of the actual receipt of revenues and payment of expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations."

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See "FORWARD LOOKING STATEMENTS."

Control of Remedies

Under the Indenture, the Owners of a majority in principal amount of all the Certificates then Outstanding have the right, at any time, to the extent permitted by law, to direct the Trustee to act or refrain from acting or to direct the manner or timing of any action by the Trustee under the Indenture or any Lease or Site Lease or to control any proceedings relating to the Indenture or any Lease or Site Lease; provided that such direction shall not be otherwise than in accordance with the provisions of the Indenture. See Section 7.06 of the Master Indenture attached in **Appendix B** hereto. The interests of Owners of the Series 2009A Certificates may vary from the interests of the Owners of other Series of Certificates for a variety of reasons.

Future Changes in Laws

Various Colorado laws, including the Act, apply to the priority and allocation of rental income and royalties derived from State school lands, allocation of State lottery proceeds, availability of funds for appropriation by the State, and other operations of the State. 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 State and such funds.

THE STATE

General Profile

Colorado became the 38th state of the United States of America when it was admitted to the union in 1876. Its borders encompass 104,247 square miles of the high plains and the Rocky Mountains, with elevations ranging from 3,350 to 14,431 feet above sea level. The current population of the State is approximately 4.9 million. The State's major economic sectors include agriculture, manufacturing, technology, tourism, energy production and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate and other services. See also **Appendix A** – "STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2008" and **Appendix G –** "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information about the State.

Organization

The State maintains a separation of powers utilizing three branches of government: executive, legislative and judicial. The executive branch comprises four major elected officials: the Governor, State Treasurer, Attorney General and Secretary of State. The chief executive power is allocated to the Governor, who has responsibility for administering the budget and managing the executive branch. The State constitution empowers the State legislature, known as the General Assembly, to establish up to 20 principal departments in the executive branch. Most departments of the State report directly to the Governor; however, the Departments of Treasury, Law and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four year terms. The current term of such officials expires on the second Tuesday in January, 2011, and each office will be subject to a general election in November 2010. No elected executive official may serve more than two consecutive terms in the same office.

The General Assembly is bicameral, consisting of the 35-member Senate and 65-member House of Representatives. Senators serve a term of four years and representatives a term of two years. No senator may serve more than two consecutive terms, and no representative may serve more than four consecutive terms. The State constitution allocates to the General Assembly legislative responsibility for, among other things, appropriating State moneys to pay the expenses of State government. The General Assembly meets annually in regular session beginning no later than the second Wednesday of January of each year. Regular sessions may not exceed 120 calendar days. Special sessions may be convened by proclamation of the Governor or by written request of two-thirds of the members of each house to consider only those subjects for which the special session is requested.

STATE FINANCIAL INFORMATION

*It is important for prospective purchasers to analyze the financial and overall status of the State, including the Assistance Fund and the State General Fund, in order to evaluate the likelihood of an Event of Default or an Event of Nonappropriation. See "SECURITY AND SOURCES OF PAYMENT" and "CERTAIN RISK FACTORS." This section and the following section have been included to provide prospective purchasers with information relating to such matters. See also **Appendix E** – "THE STATE GENERAL FUND," **Appendix F** – "PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND" and **Appendix G** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION." The information in these sections and Appendices has been provided by the State.*

The Treasurer

The State constitution provides that the Treasurer is to be the custodian of public funds in the Treasurer's care, subject to legislative direction concerning safekeeping and management of such funds. The Treasurer is the head of the statutorily created Department of the Treasury (the "**Treasury**"), which receives all State moneys collected by or otherwise coming into the hands of any officer, department, institution or agency of the State (except certain institutions of higher education). The Treasurer deposits and disburses those moneys in the manner prescribed by law. Every officer, department, institution and agency of the State, except for certain institutions of higher education, charged with the responsibility of collecting taxes, licenses, fees and permits imposed by law and of collecting or accepting tuition, rentals, receipts from the sale of property and other moneys accruing to the State from any source is required to transmit those moneys to the Treasury under procedures prescribed by law or by fiscal rules promulgated by the Office of the State Controller. The Treasurer and the Office of the State Controller may authorize any department, institution or agency collecting or receiving State moneys to deposit such moneys to a depository to the Treasurer's credit in lieu of transmitting such moneys to the Treasury

The Treasurer has discretion to invest in a broad range of interest bearing securities described by statute. See "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds" and **Appendix E** – "THE STATE GENERAL FUND – Investment of the State Pool." All interest derived from the deposit and investment of State moneys must be credited to the General Fund unless otherwise expressly provided by law.

Taxpayer's Bill of Rights

TABOR (defined below) imposes various fiscal limits and requirements on the State and its local governments.

The Constitutional Provision

Article X, Section 20 of the State constitution, commonly known as the Taxpayer's Bill of Rights, or "TABOR," imposes various fiscal limits and requirements on the State and its local governments. Overall, TABOR is a limitation on the amount of revenue that may be kept by the State in any particular year, regardless of whether that revenue is spent during the year. Any revenue received during a Fiscal Year in excess of the limitations provided for in TABOR must be refunded to the taxpayers during the next Fiscal Year. TABOR implements these revenue limitations through certain restrictions and limitations on spending, including the following:

(a) Prior voter approval is required for: (i) any increase in State "fiscal year spending" from one year to the next in excess of the percentage change in the U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index, plus the percentage change in State population in the prior calendar year, adjusted for revenue changes approved by voters after 1991; or (ii) any new State tax, State tax rate increase, extension of an expiring State tax, State tax policy change directly causing a net revenue gain to the State or the creation of any State "multiple fiscal year direct or indirect ... debt or other financial obligation." "Fiscal year spending" is defined as all expenditures and reserve increases except those for refunds made in the current or next Fiscal Year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards or property tax sales. This effectively defines spending as all revenues received by the State other than those items that are specifically excluded.

(b) If revenues received from sources not excluded from fiscal year spending exceed the prior Fiscal Year's spending plus the adjustment described in clause (a)(i) above, the excess must be refunded in the next Fiscal Year unless voters approve a revenue change.

(c) Under TABOR, the State must maintain an emergency reserve equal to 3% of its fiscal year spending (the "**TABOR Reserve**"). The TABOR Reserve may be expended only upon: (i) the declaration of a State emergency by passage of a joint resolution approved by a two-thirds majority of the members of both houses of the General Assembly and subsequently approved by the Governor; or (ii) the declaration of a disaster emergency by the Governor. For Fiscal Year 2008-09, the Long Appropriation Bill (the "**Long Bill**"), in conjunction with other legislation, designates the funds that constitute the TABOR Reserve. For Fiscal Year 2008-09, the TABOR Reserve is comprised of portions of the Major Medical Insurance Fund and the Wildlife Cash Fund, as well as fund equity and certain State properties with an aggregate value of up to $114.5 million as designated by the Governor. For Fiscal Year 2009-10, the TABOR Reserve will be comprised of portions of the Major Medical Insurance Fund and the Wildlife Cash Fund, as well as certain State properties with an aggregate value of up to $81.1 million as designated by the Governor. The funds and other assets described above, in the aggregate, meet the TABOR Reserve requirement for Fiscal Years 2008-09 and 2009-10.

Statutes Implementing TABOR

A number of statutes implementing TABOR have been enacted by the General Assembly, including those that (i) define the revenues and spending included in the State's fiscal year revenue and spending for purposes of the revenue and spending limits of TABOR, (ii) specify the accounting treatment of refunds owed by the State under TABOR and (iii) define State operations that qualify as "enterprises" excluded from TABOR.

The "Ratchet Down" Effect of TABOR on State Revenues; Curative Measures

As discussed above, TABOR limits year-to-year increases in revenues, and therefore spending, to the percentage change in the U.S. Bureau of Labor Statistics Consumer Price Index for Denver, Boulder and Greeley, all items, all urban consumers, or its successor index, plus the percentage change in State population in the prior calendar year, plus any voter approved revenue (*i.e.*, tax) increase. There are no provisions in TABOR to account for cyclical revenue swings. This originally produced a "ratchet down" effect whenever State revenues declined from one Fiscal Year to the next and then rebounded in subsequent years. The ratcheting down occurred as the result of the TABOR requirements that the State's revenue base be reduced to the lower amount, without limitation, but that the State's revenue base may be increased only to the extent of the limitations stated above, with any excess to be refunded. Such a ratcheting down occurred between Fiscal Years 2001-02 and 2003-04, when TABOR revenues declined by 13.0%, followed by increases in subsequent Fiscal Years.

Legislation enacted during the 2002 legislative session, described in "*The Growth Dividend*" below, mitigated the "ratcheting down" effect of TABOR through the decennial census adjustment, and Referendum C, approved by the State's voters on November 1, 2005 and described in "*Colorado Economic Recovery Act of 2005*" below, disables the "ratcheting down" effect of TABOR on the State altogether through June 2010, and thereafter establishes a floor on the amount of the ratchet down.

The "Growth Dividend"

House Bill ("**HB**") 02-1310 and SB 02-179 enabled the State to recoup revenues lost as the result of the TABOR limits having been computed during the 1990s using population estimates that were too low. This undercount resulted in lower TABOR limits and higher refunds than would have occurred using more accurate population figures. The percentage change associated with this lost revenue was called the "growth dividend."

The TABOR limit for Fiscal Year 2001-02 was calculated using the 2000 census measure of the State's population compared with an estimate of 1999 population that was not yet revised to reflect the 2000 census. In 2001, the U.S. Bureau of the Census reported that the State's population between 1990 and 2000 was undercounted by 6%.

Since the State was not in a TABOR surplus position in Fiscal Year 2001-02, it could not recoup the excess amount refunded to taxpayers through the 1990s as the result of the undercounting of the State's population. HB 02-1310 and SB 02-179 permitted the growth dividend to be carried forward for up to nine years. The growth dividend was applied to the TABOR limit in an amount that maximizes the

TABOR revenue growth rate subject to available TABOR revenues. In subsequent years, the unused amount of the growth dividend is applied in a similar manner until either the cumulative amount by which the TABOR limit is increased equals 6% (the original growth dividend amount) or the nine-year limit is reached.

The State used the 6% growth dividend in Fiscal Years 2003-04 and 2004-05, which eliminated the TABOR surplus in Fiscal Year 2003-04 and reduced the TABOR surplus in Fiscal Year 2004-05. This adjustment allowed the State to keep $283.3 million in additional revenues in Fiscal Year 2003-04 and $187.2 million in additional revenues in Fiscal Year 2004-05.

Colorado Economic Recovery Act of 2005

During the 2005 legislative session, the General Assembly and the Governor agreed to four pieces of legislation that mitigated the effects of TABOR in an effort to relieve State budget challenges. Three of these measures, collectively referred to herein as "The Colorado Economic Recovery Act of 2005," were designed primarily to provide additional revenues for State operations, as well as the methodology for the allocation of additional revenues by subsequent appropriation. Implementation of two measures included in the Colorado Economic Recovery Act of 2005 required Statewide voter approval, and on November 1, 2005, one of these measures, referred to as "Referendum C," was approved by State voters and later codified as Sections 24-77-103.6 and 24-77-106.5, C.R.S.

Referendum C permits the State to retain and appropriate State revenues in excess of the current TABOR limit on State spending for the period of July 1, 2005, through June 30, 2010 (Fiscal Years 2005-06 through 2009-10), thus making all revenues received by the State during this period available for appropriation. Referendum C does not, however, eliminate the 6% limit on the annual growth of total appropriations from the General Fund.

Referendum C establishes an "Excess State Revenues Cap" that serves as the new limit on State fiscal year spending beginning in Fiscal Year 2010-11. The Excess State Revenues Cap is an amount equal to the highest total State revenues for a Fiscal Year from the period of Fiscal Year 2005-06 through Fiscal Year 2009-10. In each subsequent Fiscal Year, the Excess State Revenues Cap is adjusted for inflation and a percentage change in State population, as well as such sum for the qualification or disqualification of enterprises. For purposes of the Excess State Revenues Cap, inflation, the percentage change in State population and the qualification or disqualification of an enterprise or debt service changes retain their meanings as they currently exist under TABOR and State law.

Referendum C also creates in the General Fund the "General Fund Exempt Account," to consist of the moneys collected by the State in excess of the TABOR limit. Moneys in the General Fund Exempt Account, once appropriated, may be used to fund: (i) health care; (ii) public elementary, high school and higher education, including any related capital construction; (iii) retirement plans for firefighters and police officers if the General Assembly determines such funding to be necessary; and (iv) strategic transportation projects in the Colorado Department of Transportation ("**CDOT**") Strategic Transportation Project Investment Program. HB 05-1350 specifies how moneys in the General Fund Exempt Account are to be appropriated or transferred under Referendum C.

Referendum C provides that, for each Fiscal Year that the State retains and spends State revenues in excess of the TABOR limit on State fiscal year spending, the Director of Research of the Legislative Council is to prepare by October 15th an excess State revenues legislative report that identifies the amount of excess State revenues retained by the State and describes how such excess State revenues have been expended. Referendum C requires that the report be published and made available on the official web site of the Colorado General Assembly. In addition, the Office of the State Controller is required to prepare a report each Fiscal Year that identifies revenues that the State is authorized to retain pursuant to Referendum C and to certify the same no later than September 1st following the end of the Fiscal Year.

As a result of Referendum C, the State was allowed to retain $1.116 billion in Fiscal Year 2005-06, $1.308 billion in Fiscal Year 2006-07 and $1.169 billion in Fiscal Year 2007-08. However, the OSPB forecasts that State revenues in Fiscal Years 2008-09 and 2009-10 will not exceed the TABOR limit. See **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview."

The OSPB currently forecasts that, although economic conditions are anticipated to improve by the end of 2009, TABOR revenues in Fiscal Year 2009-10 are not anticipated to exceed Fiscal Year 2007-08 revenues, resulting in Fiscal Year 2007-08 being the highest TABOR revenue year under Referendum C. The OSPB also forecasts that the State will be able to retain and appropriate an aggregate of approximately $3.6 billion in additional revenue beyond the TABOR limit between Fiscal Years 2005-06 and 2009-10 as the result of Referendum C.

Effect of TABOR on the Series 2009A Certificates

Voter approval under TABOR is not required for the execution and delivery of the Series 2009A Certificates because the State's obligations under the Leases are payable within any Fiscal Year only if amounts for such payments have been appropriated for such Fiscal Year, and, therefore, such obligations are not a "multiple fiscal year direct or indirect . . . debt or other financial obligation." The revenue and spending limits of TABOR are not expected to affect the ability of the State to make payments required under the Leases.

State Funds

The principal operating fund of the State is the General Fund. All revenues and moneys not required by the State constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund. See **Appendix E**. The State also maintains several statutorily created special funds for which specific revenues are designated for specific purposes.

Budget Process and Other Considerations

Budget Process

Phase I (Executive). The budget process begins in June of each year when State departments reporting to the Governor prepare both operating and capital budgets for the Fiscal Year beginning 13 months later. In August, these budgets are submitted to the OSPB, a part of the Governor's office, for review and analysis. The OSPB advises the Governor on department budget requests and overall budgetary status. Budget decisions are made by the Governor following consultation with affected departments and the OSPB. Such decisions are reflected in the first budget submitted in November by each department to the Joint Budget Committee of the General Assembly (the "**JBC**"), as described below. In January, the Governor makes additional budget recommendations to the JBC for the budget of all branches of the State government, except that the elected executive officials, the judicial branch and the legislative branch make recommendations to the JBC for their own budgets.

Phase II (Legislative)**.** The JBC, consisting of three members from each house of the General Assembly, develops the legislative budget proposal embodied in the Long Appropriation Bill (the "**Long Bill**") which is introduced in and approved by the General Assembly. Following receipt of testimony by State departments and agencies, the Joint Budget Committee marks up the Long Bill and directs the manner in which appropriated funds are to be spent. The Long Bill includes: (i) General Fund appropriations, supported by general purpose revenue such as taxes, (ii) cash funds appropriations supported primarily by grants, transfers and departmental charges for services, and (iii) estimates of federal funds to be expended that are not subject to legislative appropriation. The Long Bill usually is reported to the General Assembly in March or April with a narrative text. Under current practice, the Long Bill is reviewed and debated in party caucuses in each house. Amendments may be offered by each house, and the JBC generally is designated as a conference committee to reconcile differences. The Long Bill always has been adopted prior to commencement of the Fiscal Year in July. Specific bills creating new programs or amending tax policy are considered separately from the Long Bill in the legislative process. The General Assembly takes action on these specific bills, some of which include additional appropriations separate from the Long Bill. The Long Bill for Fiscal Year 2009-10 was adopted by the General Assembly on April 24, 2009.

Phase III (Executive). The Governor may approve or veto the Long Bill or any specific bills. In addition, the Governor may veto line items in the Long Bill or any other bill that contains an appropriation. The Governor's vetoes are subject to override by a two thirds majority of each house of the General Assembly. The Long Bill for Fiscal Year 2009-10 was approved in part and disapproved in party by the Governor on May 1, 2009.

Phase IV (Legislative). During the Fiscal Year for which appropriations have been made, the General Assembly may increase or decrease appropriations through supplementary appropriations. Any supplemental appropriations are considered amendments to the Long Bill and are subject to the line item veto of the Governor.

Revenues and Unappropriated Amounts

For each Fiscal Year, a statutorily defined amount of unrestricted General Fund year-end balances is required to be retained as a reserve, which Unappropriated Reserve may be used for possible deficiencies in revenues. Unrestricted General Fund revenues that exceed the required Unappropriated Reserve, based upon revenue estimates, are then available for appropriation. In response to economic conditions and their effect on estimated General Fund revenues, the General Assembly periodically modifies the required amount of the Unappropriated Reserve. Per SB 09-219 and SB 09-277, the Unappropriated Reserve for Fiscal Years 2008-09 and 2009-10 was reduced from previously designated 4% to 2% of the amount appropriated for expenditure from the General Fund in each such Fiscal Year.

For Fiscal Year 2008-09, per SB 09-219, if the OSPB June 2009 Revenue Forecast indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will exceed General Fund revenues available for expenditures, excluding the amount of the 2% Unappropriated Reserve, the Governor may, by written order, further reduce the Unappropriated Reserve from 2% to either a lower percentage or to zero as is necessary to the greatest extent possible any General Fund appropriations then in effect for which General Fund moneys would not otherwise be available comprising such reserve. See **Appendix E** – "THE STATE GENERAL FUND."

Expenditures: The Balanced Budget and Statutory Spending Limitation

The State constitution requires that expenditures for any Fiscal Year not exceed revenues for such Fiscal Year. Total unrestricted General Fund appropriations for each Fiscal Year are limited as provided in Section 24-75-201.1, C.R.S. For the Fiscal Years discussed in this Official Statement to and including Fiscal Year 2008-09, total General Fund appropriations are limited to: (i) such moneys as are necessary for reappraisals of any class or classes of taxable property for property tax purposes as required by Section 39-1-105.5, C.R.S., plus (ii) the lesser of (a) an amount equal to 5% of Colorado personal income (as reported by the U.S. Bureau of Economic Analysis for the calendar year preceding the calendar year immediately preceding a given Fiscal Year) or (b) 6% over General Fund appropriations for the previous Fiscal Year. Per SB 09-228, for Fiscal Years 2009-10 and thereafter, total General Fund appropriations are limited to the sum of the amount stated in (i) above plus an amount equal to 5% of Colorado personal income.

Excluded from the Appropriations Limit are: (i) any General Fund appropriation that, as a result of any requirement of federal law, is made for any new program or service or for any increase in the level of service for any existing program beyond the existing level of service; (ii) any General Fund appropriation that, as a result of any requirement of a final State or federal court order, is made for any new program or service or for any increase in the level of service for an existing program beyond the existing level of service; or (iii) any General Fund appropriation of any moneys that are derived from any increase in the rate or amount of any tax or fee that is approved by a majority of the registered electors of the State voting at any general election.

The Appropriations Limit also may be exceeded for a given Fiscal Year upon the declaration of a State fiscal emergency by the General Assembly, which may be declared by the passage of a joint resolution approved by a two-thirds majority vote of the members of both houses of the General Assembly and approved by the Governor. The excess funds appropriated as the result of such declaration are not to be included in calculating the maximum level of General Fund appropriations in subsequent Fiscal Years.

Fiscal Year Spending and Emergency Reserves

TABOR imposes restrictions on increases in fiscal year spending without voter approval and requires the State to maintain a TABOR Reserve. See "Taxpayer's Bill of Rights" under this caption for a discussion of the effects of the State Constitution on the State's financial operations.

Fiscal Controls and Financial Reporting

No moneys may be disbursed to pay any appropriations unless a commitment voucher has been prepared by the agency seeking payment and submitted to the central accounting system, which is managed by the Office of the State Controller, a division of the Department of Personnel and Administration. The Controller is head of the Office of the State Controller Office and the Controller or his delegate has statutory responsibility for reviewing each commitment voucher submitted to determine whether the proposed expenditure is authorized by appropriation and whether the appropriation contains sufficient funds to pay the expenditure. All payments from the Treasury are made by warrants signed by the Controller and countersigned by the Treasurer, or by electronic funds transfer. The signature of the Controller on a warrant is full authority for the Treasurer to pay the warrant upon presentation.

The Controller is appointed by the Executive Director of the Department of Personnel and Administration. The Controller has statutory responsibility for coordinating all procedures for financial administration and financial control in order to integrate them into an adequate and unified system, conducting all central accounting and issuing warrants for payment of claims against the State. The Controller prepares a comprehensive annual financial report in accordance with generally accepted accounting principles ("**GAAP**") applicable to governmental entities, with certain statutory exceptions.

Basis of Accounting

For a detailed description of the State's basis of accounting, see Note 5 to the State's Fiscal Year 2007-08 Comprehensive Annual Financial Report appended to this Official Statement as **Appendix A**.

Basis of Presentation of Financial Results and Estimates

The financial reports and financial schedules contained in this Official Statement are based on principles that may vary based on the requirements of the report or schedule. The cash flow schedules include all financial activity reported specifically in the General Fund on a cash basis, while the fund level financial statements and revenue estimates are primarily prepared on the modified accrual basis of accounting. Revenue estimates are prepared for those revenues that are related primarily to the general taxing powers of the State, and to a lesser degree include intergovernmental transactions, charges for services and receipts from the federal government. The General Fund as defined in the financial statements includes revenues and expenditures for certain special (cash) funds that are related to fees, permits and other charges.

Financial Audits

Financial and post-performance audits of all State agencies are performed by the State Auditor (the "**Auditor**") through her staff as assisted by independent accounting firms selected solely by the Auditor. The Auditor is an employee of the legislative branch and is appointed for a term of five years by the General Assembly based on the recommendations of the Legislative Audit Committee of the General Assembly. The present Auditor has been appointed to a term expiring on June 30, 2011. The Legislative Audit Committee is composed of members of both houses of the General Assembly and has responsibility to direct and review audits conducted by the Auditor.

The State's Fiscal Year 2007-08 Comprehensive Annual Financial Report, including the State Auditor's Opinion thereon, is appended to this Official Statement as **Appendix A**. The Office of the State Auditor, being the State's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report, nor has the Office of the State Auditor performed any procedures relating to this Official Statement.

Investment and Deposit of State Funds

The Treasurer is empowered by Articles 36 and 75 of Title 24, Colorado Revised Statutes, as well as other State statutes, to invest State funds in certain U.S. public and non-public fixed income securities. In making such investments, the Treasurer is to use prudence and care to preserve the principal and to secure the maximum rate of interest consistent with safety and liquidity. The Treasurer is also required to formulate investment policies regarding the liquidity, maturity and diversification appropriate to each Fund or pool of funds in the Treasurer's custody available for investment. In accordance with this directive, the Treasurer has developed standards for each portfolio to establish the asset allocation, the level of liquidity, the credit risk profile, the average maturity/duration and performance monitoring measures appropriate to the public purpose and goals of each Fund.

The Treasurer is also authorized to deposit State funds in national or state chartered banks and savings and loan associations having a principal office in the State and designated as an eligible public depository by the State Banking Board or the State Commissioner of Financial Services, respectively. To the extent that the deposits exceed applicable federal insurance limits, they are required to be collateralized with eligible collateral (as defined by statute) having a market value at all times equal to at least 100% of the amount of the deposit that exceeds federal insurance (102% for banks).

See also Note 14 to the State's Fiscal Year 2007-08 Comprehensive Annual Financial Report appended to this Official Statement as **Appendix A**.

DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS

The State, State Departments and Agencies

The State Constitution prohibits the State from incurring debt except for limited purposes, for limited periods of time and in inconsequential amounts. The State courts have defined debt to mean any obligation of the State requiring payment out of future years' general revenues. Accordingly, the State currently has, and upon issuance of the Series 2009A Certificates will have, no outstanding general obligation debt.

The State has entered into lease-purchase agreements, including some providing security for outstanding certificates of participation, in order to finance various public projects. The obligations of the State to make lease payments beyond any current Fiscal Year are contingent upon appropriations by the General Assembly. The minimum lease payments due in Fiscal Year 2008-09 under lease-purchase agreements entered into by the State were $40.15 million (unaudited) and are estimated to be $53.95 million in Fiscal Year 2009-10 (including lease payments to be made by the State under the annually renewable lease purchase agreement entered into by the State in November 2008). In addition, the State entered into lease purchase agreements in July 2009 to finance the Ralph L. Carr Justice Center Complex and Colorado History Center; these lease purchase agreements do not have lease payments in 2008-09 or 2009-10 due to the capitalization of interest. See Notes 24 and 38 to the audited financial statements of the State appended to this Official Statement. In addition, in Fiscal Year 2009-10, the State anticipates entering into the 2009A Lease and another Lease to finance K-12 schools.

Separate from lease-purchase agreements, the State is authorized to enter into lease or rental agreements for buildings and/or equipment. All of the lease/rental agreements for buildings and/or equipment contain a stipulation that continuation of the lease is subject to funding by the State legislature. Historically, these leases have been renewed in the normal course of business and are therefore treated as non-cancelable for financial reporting purposes. The minimum lease/rental payments due for buildings and/or equipment for Fiscal Year 2008-09 were $72.47 million (unaudited) and are estimated to be $66.12 million in Fiscal Year 2009-10. See Note 22 to the audited financial statements of the State appended to this Official Statement.

For the purpose of financing certain qualified federal aid transportation projects in the State, CDOT issues Transportation Revenue Anticipation Notes. At June 30, 2009, CDOT has outstanding $1.060 billion (unaudited) in aggregate principal amount of such notes. These notes are payable solely from certain federal and State funds that are allocated on an annual basis by the State Transportation Commission, in its sole discretion, and certain other moneys. The allocated funds are expected to be comprised of highway moneys paid directly to CDOT by the U.S. Department of Transportation, and appropriations of revenues from the Highway Users Tax Fund allocated by statute to CDOT.

In addition to the obligations described above, State departments and agencies, including State institutions of higher education, issue revenue bonds for business type activities, as well as bonds and/or notes for the purchase of equipment, construction of facilities and infrastructure and to finance student loans. With the exception of the University of Colorado, whose regents are elected, the institutions of higher education are governed by boards whose members are appointed by the Governor with the consent of the State Senate. For the outstanding aggregate principal amount of such bonds as of June 30, 2008, see Notes 24 and 38 to the audited financial statements of the State appended to this Official Statement.

Most State employees participate in a defined benefit pension plan, which is a cost-sharing multiple-employer benefit plan administered by the Public Employees' Retirement Association

("**PERA**"). The PERA Health Care Trust Fund held by PERA is a post-employment cost-sharing multiple-employer benefit program under which PERA subsidizes a portion of the monthly premium for health insurance coverage for certain State retirees and the remaining amount of the premium is funded by the benefit recipient through an automatic deduction from the monthly retirement benefit. The State made all of the statutorily required contributions to the PERA Health Care Trust Fund. See Notes 18, 19 and 20 to the audited financial statement of the State appended to this Official Statement.

State Authorities

A number of State authorities have issued financial obligations to support activities related to the special purposes of such entities. Such obligations do not constitute a debt or liability of the State. Generally, State authorities are independent bodies, governed by their own boards, some including ex-officio State officials and/or members appointed by the Governor or ranking members of the General Assembly (in most cases with the consent of the State Senate).

Prior to July 1, 2001, the Colorado Housing and Finance Authority ("**CHFA**") was permitted by statute to establish capital reserve funds for the purpose of paying debt service, and is required to request additional funding from the Governor and General Assembly if such reserve funds are depleted, although the General Assembly is not required to make an appropriation for such reserve funds. No request for additional funding to establish or replenish such reserve funds has ever been made by CHFA.

Note Issues of the State

Under Colorado law, the State Treasurer is authorized to issue and sell notes payable from the anticipated revenues of any one or more funds or groups of accounts to meet temporary cash flow shortfalls. Since Fiscal Year 1984-1985, the State has issued tax and revenue anticipation notes to fund cash flow shortfalls in the General Fund. For certain Fiscal Years, the State has also funded cash flow shortfalls by use of the proceeds of internal borrowing from State funds other than the General Fund. The State has also issued education loan anticipation notes for local school districts in anticipation of local school district revenues to be collected at a later date. All tax and revenue anticipation notes previously issued by the State have been paid in full and on time.

FORWARD-LOOKING STATEMENTS

This Official Statement, including but not limited to the material set forth under "STATE FINANCIAL INFORMATION" and in **Appendix E,** contains statements relating to future results that are "forward-looking statements." When used in this Official Statement, the words "estimates," "intends," "expects," "believes," "anticipates," "plans," and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statements will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material.

LITIGATION AND SOVEREIGN IMMUNITY

No Litigation Affecting the Series 2009A Certificates

There is no litigation pending, or to the knowledge of the State threatened, either seeking to restrain or enjoin the issuance or delivery of the Series 2009A Certificates or questioning or affecting the validity of the Series 2009A Certificates or the proceedings or authority under which they are to be issued. There is also no litigation pending, or to the State's knowledge threatened, that in any manner questions the right of the Treasurer to enter the 2009A Lease or the Subleases in the manner provided in the Act.

Governmental Immunity

The Colorado Governmental Immunity Act, Article 10 of Title 24, Colorado Revised Statutes ("**Immunity Act**") provides that public entities and their employees acting within the course and scope of their employment are immune from liability for tort claims under State law based on the principle of sovereign immunity except for those specifically identified events or occurrences defined in the Immunity Act. Whenever recovery is permitted, the Immunity Act also generally limits the maximum amount that may be recovered to $150,000 for injury to one person in a single occurrence, and an aggregate of $600,000 for injury to two or more persons in a single occurrence, except that no one person may recover in excess of $150,000. The Immunity Act does not limit recovery against an employee who is acting outside the course and scope of his/her employment. The Immunity Act specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable for punitive or exemplary damages. The Immunity Act does not prohibit claims in Colorado state court against public entities or their employees based on contract and may not prohibit such claims based on other common law theories. However, the Immunity Act does bar certain federal actions or claims against the State or the Participating K-12 Institutions, or State or Regent employees sued in their official capacities under federal statutes when such actions are brought in state court. The Eleventh Amendment to the U.S. Constitution bars certain federal actions or claims against the State, the Institutions, or State or Regent employees sued in their official capacities under federal statutes when such actions are brought in federal court.

Self Insurance

In 1985, the General Assembly passed legislation creating a self-insurance fund, the Risk Management Fund, and established a mechanism for claims adjustment, investigation and defense, as well as authorizing the settlement and payment of claims and judgments against the State. The General Assembly also utilizes the self-insurance fund for payment of State workers' compensation liabilities. The State currently maintains self-insurance for claims arising on or after September 15, 1985, under the Immunity Act and claims against the State, its officials or its employees arising under federal law. See Notes 6-H-I, 21 and 37 to the financial statements appended to this Official Statement as **Appendix A**. Judgments awarded against the State for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Current Litigation

The State

For a description of pending material litigation in which the State is a defendant, see Note 37 to the financial statements appended as **Appendix A** to this Official Statement. In March 2009, subsequent to the completion of such financial statements, the suit brought by the Mesa County Board of County Commissioners and others challenging the constitutionality of SB 07-199, discussed in Note 37, was decided by the Colorado Supreme Court in favor of the State. The State Attorney General does not believe that any other actions discussed in Note 37, or any combination thereof, will result in a materially adverse effect with regard to the financial resources of the State, or the continuous operation thereof, or the security for the Series 2009A Certificates. There can be no assurance, however, regarding the ultimate outcome of the actions described in Note 37, and no provision has been made for a liability in the financial statements related to the actions discussed in that Note. The State Attorney General also does not believe that since June 30, 2008, there have been any material actions initiated in which the State is a defendant that will result in a materially adverse effect with regard to the financial resources of the State, or the continuous operation thereof, or the security for the Series 2009A Certificates.

TAX MATTERS

Introduction

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Series 2009A Certificates for the investors described below. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change, possibly with retroactive effect. Certain material federal income tax consequences that apply only to Tax Credit Strips and Principal Strips are summarized in "Tax Credit Stripping" below. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated, or deal with all issues that may be relevant to purchasers in special tax situations (such as financial institutions, taxpayers subject to the alternative minimum tax, life insurance companies, tax exempt organizations, dealers in securities or currencies, traders in securities that elect to mark to market, or Series 2009A Certificates held as a hedge or as part of a hedging, straddle, constructive sale or conversion transaction). This summary is limited to investors that are "U.S. holders" (as defined below) who will hold the Series 2009A Certificates as "capital assets" (generally, property held for investment) 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 Series 2009A Certificates. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Series 2009A Certificate. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in the Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions; and, in each case, is subject to United States federal income taxation on a net basis in respect of income attributable to the Series 2009A Certificates.

This summary does not purport to be a complete discussion of all federal income tax consequences relating to making an investment in the Series 2009A Certificates and the discussion herein concerning certain tax consequences with respect to an investment in the Series 2009A Certificates is included for general information only. All persons are urged to consult their own tax advisors to determine the specific tax consequences of making an investment in the Series 2009A Certificates, including any state, local or non-U.S. tax consequences.

To ensure compliance with Treasury Circular 230, holders of the Series 2009A Certificates, Principal Strips or Tax Credit Strips should be aware and are notified that: (i) the discussion in this Official Statement with respect to U.S. federal income tax consequences of owning the Series 2009A Certificates, Principal Strips or Tax Credit Strips is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer; (ii) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the Series 2009A Certificates, Principal Strips and Tax Credit Strips; and (iii) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

Qualified School Construction Bonds and Tax Credits

The State will designate the Series 2009A Certificates as taxable "qualified school construction bonds" within the meaning of Section 54F of the Code. The Owners of qualified school construction bonds are allowed a credit under the Code against their federal income tax liability. In the case of the Series 2009A Certificates, the Owners thereof on a Credit Allowance Date will be allowed a Tax Credit against their federal income tax liability. The amount of the Tax Credit is equal to the product of the published credit rate for the date on which the Series 2009A Certificate are first sold (7.18%), times the outstanding principal amount of each Series 2009A Certificate on the relevant Credit Allowance Date, divided by four. The Tax Credit allowed for the first Credit Allowance Date is the ratable portion of the tax credit otherwise allowed on such date based on an initial issuance date of August 12, 2009. If a Series 2009A Certificate is redeemed or matures on a date other than March 15, June 15, September 15 or December 15, the redemption or maturity date will be a Credit Allowance Date and the amount of the associated Tax Credit will be a ratable portion of the tax credit otherwise allowed based on the earlier Credit Allowance Date.

Generally, a taxpayer who owns a Series 2009A Certificate will recognize the amount of the Tax Credit as a credit against its federal income tax liability, including estimated tax payments, if any, on a given Credit Allowance Date. Tax Credits will be treated by the IRS similar to the way withheld taxes are treated for federal income tax purposes and will reduce the amount of either a taxpayer's subsequent estimated tax payments, if any, or its final tax liability as reflected on its tax return for the related tax year. The Tax Credit allowed may not exceed the sum of the taxpayer's regular tax liability and alternative minimum tax liability under Section 55 of the Code less, in general, the taxpayer's other tax credits (except refundable tax credits set forth in subparts C (Sections 31 37) and J (Section 54A) of part IV of subchapter A of the Code). The Tax Credit is not considered a passive activity credit under Code Section 469(d) and is, therefore, not subject to the limitations with respect to passive activity credits.

The Tax Credits are not refundable tax credits. However, if an Owner of a Tax Credit cannot use all of the Tax Credit otherwise allocable for the taxable year, such Owner is allowed to carry forward to a subsequent tax year the unused portion of the Tax Credit.

Section 54A of the Code requires the Owners of Series 2009A Certificates to include the amount of the Tax Credit (determined without reference to the limitation described in the second paragraph above) in gross income. It is expected that Treasury Regulations will provide that such amount must be treated as if it were a payment of "qualified stated interest" on each Credit Allowance Date (referred to herein as "deemed interest"). Unless subject to the Stripping rules described in "Tax Credit Stripping" below, a cash method taxpayer would take the deemed interest payment into account on the Credit Allowance Date, while an accrual method taxpayer would accrue such amount as income over the three month period that ends on the Credit Allowance Date (or a shorter period for a short first or last Credit Allowance Date). If such an accrual method Owner of a Series 2009A Certificate sells or exchanges such Series 2009A Certificate before any given Credit Allowance Date, the Owner must accrue the deemed interest income up to the date of the sale or exchange but would not qualify for any of the Tax Credit for such Credit Allowance Date. It would appear that, because the subsequent purchaser would obtain the full credit for that Credit Allowance Date, the purchase price would reflect the accrual of the deemed interest amount. It would also appear that the receipt of such amount by the taxpayer primarily would constitute a return of capital (tax basis) and not be subject to additional (i.e., double) taxation to the taxpayer.

The Tax Credit may be taken into account by a taxpayer in computing the amount of quarterly estimated tax payments required to be paid by such taxpayer. Individual calendar year taxpayers should note that the March 15 and December 15 Credit Allowance Dates do not correspond to the regular estimated tax payment dates of April 15 and January 15.

In the case of a Series 2009A Certificate held by an S corporation or partnership, the allocation of the Tax Credit to the shareholders of such corporation or partners of such partnership will be treated as a distribution. If any Series 2009A Certificate is held by a real estate investment trust, the Tax Credit shall be allowed to the beneficiaries of the such trust (and any gross income included with respect to such Tax Credit will be distributed to such beneficiaries) under procedures prescribed by the Secretary of the Treasury pursuant to Section 54A(h) of the Code.

No opinion is being expressed as to the utility of Tax Credits for any particular Owner or subsequent purchaser of a Series 2009A Certificate, and prospective purchasers of the Series 2009A Certificates are encouraged to consult with their own tax advisors concerning the purchase of Series 2009A Certificates.

<u>Tax Opinion with Respect to Qualified School Construction Bond Status</u>. In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants by the State and the 2009A Participating K-12 Institutions, the Series 2009A Certificates are "qualified school construction bonds" within the meaning of Section 54F of the Code, as amended. Owners of Series 2009A Certificates and Owners of any Tax Credit Strips created by the stripping of the Series 2009A Certificates as of the applicable Credit Allowance Date are entitled, subject to the limitations on the amount of credit set forth in Code Section 54A(c), to a federal income tax credit for such taxable year. With regard to the Tax Credits which have not been Stripped from the related Series 2009A Certificates, the amount of the Tax Credit will be treated as interest for federal income tax purposes and will be included in gross income for the Owners of Series 2009A Certificates. With regard to Tax Credit Strips and Principal Strips, the amount of original issue discount accruing thereon during each taxable year will be included in gross income by the Owner of such instrument. A complete copy of the proposed form of opinion of Bond Counsel is set forth in **Appendix D** hereto.

The Code imposes various restrictions, conditions and requirements relating to the qualification of the Series 2009A Certificates as "qualified school construction bonds" within the meaning of Section 54F of the Code. The State and the 2009A Participating K-12 Institutions have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that the Series 2009A Certificates continue to qualify as qualified school construction bonds. Inaccuracy of these representations or failure to comply with these covenants may result in termination of the Tax Credit, possibly from the date of original issuance of the Series 2009A Certificates. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2009A Certificates may adversely affect the value of, or the availability of the Tax Credit with respect to, the Series 2009A Certificates. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that the Series 2009A Certificates are "qualified school construction bonds" within the meaning of Section 54F of the Code, the ownership or disposition of, or the accrual or receipt of the Tax Credit with respect to, the Series 2009A Certificates may otherwise affect an Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. Prospective purchasers should consult their own tax advisors as to the other consequences.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2009A Certificates for federal income tax purposes. The legal authorities setting forth and interpreting sections 54A and 54F of the Code are new and, in many areas, incomplete. The opinion of Bond Counsel is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the State and the 2009A Participating K-12 Institutions, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The State and the 2009A Participating K-12 Institutions have covenanted, however, to comply with the requirements of the Code.

The opinion of Bond Counsel with respect to the qualification of the Series 2009A Certificates as "qualified school construction bonds" is based on new legal authorities, selected topics of which later will be supplemented through promulgation of temporary or proposed regulations with possible retroactive effect. Accordingly, the opinion of Bond Counsel speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events, matters or future temporary or proposed regulations.

Bond Counsel assumes no duty to update or supplement its opinions to reflect any changes in law that may thereafter occur or become effective. Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance of the representations and covenants that Bond Counsel deems relevant to such opinions. Bond Counsel's opinion expresses the professional judgment of the attorneys rendering its opinions. Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinions are rendered, or of the future performance of the Series 2009A Certificates, nor does the rendering of such opinions guarantee the outcome of any legal dispute that may arise with respect to the Series 2009A Certificates or the Tax Credits.

Bond Counsel's engagement with respect to the Series 2009A Certificates ends with the issuance of the Series 2009A Certificates, and, unless separately engaged, Bond Counsel is not obligated to defend the State or the Owners regarding the tax status of the Series 2009A Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the State and their appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of Series 2009A Certificates is difficult, obtaining an independent review of IRS positions with which the State legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2009A Certificates or Tax Credits for audit, or the course or result of such audit, or an audit of state or local government obligations presenting similar tax issues may affect the market price for, or the marketability of, the Series 2009A Certificates and may cause the State or the Owners to incur significant expense.

No other opinion is expressed regarding other federal tax consequences related to the ownership or disposition of, or the receipt of the Tax Credit or the accrual or receipt of the deemed interest with respect to, the Series 2009A Certificates, Principal Strips or Tax Credit Strips. In addition, no opinion is expressed as to the effect of any termination of the State's obligations under the 2009A Lease, under certain circumstances as provided in the 2009A Lease, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2009A Certificates, Principal Strips or Tax Credit Strips subsequent to such termination; nor with respect to the effect of any refunding, reissuance or defeasance of the Series 2009A Certificates.

Taxation and Treatment of Interest Income from the Series 2009A Certificates. Although the Series 2009A Certificates are obligations of a state or local government under the Code, amounts treated as interest on the Series 2009A Certificates (including OID, as discussed below) are not excludable from gross income for federal income tax purposes under Section 103 of the Code and will be fully subject to federal income taxation. The Owners of the Series 2009A Certificates generally must include interest (including OID) on the Series 2009A Certificates in gross income for federal income tax purposes as ordinary income when received or accrued by the holders thereof in accordance with their respective methods of accounting and applicable provisions of the Code.

Interest deemed to be received with respect to the Series 2009A Certificates will also constitute investment income for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders of the Series 2009A Certificates should consult their own tax advisors concerning the treatment of interest deemed to be received with respect to the Series 2009A Certificates.

Sale or Exchange of Series 2009A Certificates. If an Owner of a Series 2009A Certificate sells or exchanges a Series 2009A Certificate, such person will recognize gain or loss equal to the difference between the amount realized on such sale or exchange (other than cash attributable to accrued interest) and such Owner's basis in such Series 2009A Certificate. An Owner's initial tax basis in a Series 2009A Certificate generally will be equal to the purchase price paid by such Owner for such Series 2009A Certificate. As further described below, an Owner's tax basis in a Series 2009A Certificate will be increased by the amount of OID (as defined below), if any, that is included in the Owner's income, and decreased by the amount of premium, if any, amortized as a reduction to interest income, pursuant to the rules described herein, and any payment of principal. Ordinarily, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for certain assets held for more than twelve months is 15%. However, if a Series 2009A Certificate was subject to its initial issuance at a discount, a portion of such gain will be recharacterized as interest and therefore ordinary income. In February of 2009, President Barack Obama proposed increasing the long-term capital gains rate to 20%. It cannot be predicted whether this increase will receive be approved by Congress or enacted into law.

If the terms of a Series 2009A Certificate were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those that involve the substitution of collateral. Each potential holder of a Series 2009A Certificate should consult its own tax advisor concerning the circumstances in which the Series 2009A Certificates would be deemed reissued and the likely effects, if any, of such reissuance.

Original Issue Discount. Certain of the Series 2009A Certificates may be sold at an OID. The difference between the initial public offering prices of such Series 2009A Certificates and their stated amounts to be paid at maturity constitutes OID treated in the same manner for federal income tax purposes as interest, as described above in "Taxation and Treatment of Interest Income from the Series 2009A Certificates."

The stated amount to be paid at maturity of a Series 2009A Certificate is the sum of all payments to be paid with respect to the Series 2009A Certificate at maturity other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. As noted above, it is expected that Treasury Regulations will provide that the amount of the Tax Credit must be treated as if it were a payment of "qualified stated interest" on each Credit Allowance Date.

Payments (including deemed payments) of qualified stated interest on a Series 2009A Certificate are taxable to an Owner as ordinary interest income at the time such payments are accrued or are received (in accordance with the Owner's regular method of tax accounting). An Owner of an OID Series 2009A Certificate must include OID in income as ordinary income for United States federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such Owner's regular method of tax accounting. Under the OID rules, Owners generally will have to include in income increasingly greater amounts of OID in successive accrual periods. An Owner's adjusted basis in a Series 2009A Certificate is increased by the amount of such accruing OID for purposes of determining taxable gain or loss on the sale or other disposition of a Series 2009A Certificate, or a component thereof, for federal income tax purposes. Prospective investors should consult their own tax advisors concerning the calculation of OID with regard to a Series 2009A Certificate. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to OID, subject to certain limitations and exceptions.

Market Discount. A purchaser (other than a person who purchases a Series 2009A Certificate upon issuance at the issue price) who buys a Series 2009A Certificate at a discount from its principal amount (or its adjusted issue price if issued with OID greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the Series 2009A Certificates that are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of the market discount provisions of the Code indicate that the same prepayment assumption used to calculate OID should be utilized. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Series 2009A Certificates.

An Owner of a Series 2009A Certificate that allocates a basis in the Series 2009A Certificate that is greater than the principal amount of the Series 2009A Certificate should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under section 171 of the Code.

If a holder other than the initial purchaser purchases a Series 2009A Certificate for an amount that is less than the principal amount of the Series 2009A Certificate, and such difference is not considered to be de minimis, then such discount will represent market discount. Absent an election to accrue market discount currently, upon a sale or exchange of a Series 2009A Certificate, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred. If a holder of a Series 2009A Certificate elects to accrue market discount pursuant to Section 1276 of the Code, such accruals will be treated annually as ordinary income to such holder.

Tax Reporting. To date, the IRS has not issued any rulings or regulations or otherwise provided any guidance with respect to the mechanics of reporting of the Tax Credits as the equivalent of interest income, the reporting of the availability of the Tax Credits to the Owners thereof, or the accrual of OID on the Series 2009A Certificates, and Tax Credit Strips or Principal Strips. Any form furnished to an Owner may specify an amount of taxable income different from the actual amount of taxable income reportable by such Owner if such Owner is not the original purchaser of a Series 2009A Certificate. In all events, the Owner of a Series 2009A Certificate must include on its income tax return information with respect to the amount of taxable interest accrued as OID during the taxable year.

Backup Withholding. Under current federal income tax law, a 28% backup withholding tax requirement may apply to certain payments of interest and OID on, and the proceeds of a sale, exchange or redemption of, the Series 2009A Certificates. The IRS has not provided guidance regarding how the 28% backup withholding tax requirement will apply to the deemed interest payments represented by the Tax Credits. Therefore, it is not clear how or whether such withholding would occur. In addition, certain persons making such payments are required to submit information returns (i.e., IRS Forms 1099) to the IRS with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients such as corporations or certain exempt entities.

Payments (including deemed payments) on the Series 2009A Certificates to a non U.S. holder that has no connection with the United States other than holding its Series 2009A Certificate, Principal Strip or Tax Credit Strip generally will be made free of withholding tax, as long as that the holder has complied with certain tax identification and certification requirements.

State, Local or Foreign Taxation. Other than as provided in "Exemption Under State Law" below, no representations regarding the tax consequences of purchase, ownership or disposition of the Series 2009A Certificates under the tax laws of any state, locality or foreign jurisdiction are being made. Investors considering an investment in the Series 2009A Certificates should consult their own tax advisors regarding such tax consequences.

Tax-Exempt Investors. In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. As noted below, Bond Counsel has rendered its opinion that the obligations of the State to pay Base Rent under the 2009A Lease (and the Series 2009A Certificates evidencing undivided interests in the right to such Base Rent) will be characterized as indebtedness of the State for federal income tax purposes. Therefore, except to the extent any holder of a Series 2009A Certificate incurs acquisition indebtedness with respect to a Series 2009A Certificate, interest paid or accrued with respect to such holder may be excluded by such holder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a Series 2009A Certificate is urged to consult its own tax advisor regarding the application of these provisions.

Certain ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2009A Certificates must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Series 2009A Certificate could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the State or any Dealer of the Series 2009A Certificates might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if Series 2009A Certificates are acquired by such plans or arrangements with respect to which the State or any Dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2009A Certificates. The sale of the Series 2009A Certificates to a plan is in no respect a representation by the State or the Underwriters that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series 2009A Certificates should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Characterization of the Series 2009A Certificates as Indebtedness

Bond Counsel will deliver an opinion to the effect that the obligations of the State to pay Base Rent under the 2009A Lease (and the Series 2009A Certificates evidencing undivided interests in the right to such Base Rent) will be characterized as indebtedness of the State for federal income tax purposes. If, alternatively, it were determined that the Series 2009A Certificate transaction created an entity that is a corporation or a publicly traded partnership taxable as a corporation for federal income tax purposes, such entity would be subject to federal income tax at corporate income tax rates on the income it derives from the 2009A Lease, which would reduce the amounts available for payment to the Series 2009A Owners. Cash payments to the holders of the Series 2009A Certificates who are treated as equity owners generally would be treated as dividends for tax purposes to the extent of such corporation's accumulated and current earnings and profits. A similar result would apply if the holders of the Series 2009A Certificates were deemed to have acquired stock or other equity interests.

The Owners of the Series 2009A Certificates, by accepting such Series 2009A Certificates, agree to treat the obligations of the State to pay Base Rent under the 2009A Lease (and the Series 2009A Certificates evidencing undivided interests in the right to such Base Rent) as indebtedness of the State for federal income tax purposes. In addition, the State intends to treat the obligations of the State to pay Base Rent under the 2009A Lease (and the Series 2009A Certificates evidencing undivided interests in the right to such Base Rent) as its indebtedness for reporting purposes.

In general, the characterization of a transaction as a sale of property or a secured loan, for federal income tax, is a question of fact, the resolution of which is based upon the economic substance of the transaction, rather than its form or the manner in which it is characterized for state law or other purposes. While the IRS and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or a secured indebtedness, the primary factor in making this determination is whether the transferee has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefits of ownership thereof. Notwithstanding the foregoing, in some instances, courts have held that a taxpayer is bound by the particular form it has chosen for a transaction, even if the substance of the transaction does not accord with its form.

The State believes that it and/or the 2009A Participating K-12 Institutions have retained the preponderance of the primary benefits and burdens associated with the Indenture and the 2009A Lease, and ownership of the 2009A Projects and the 2009A Leased Property and that as a result, the owners of the Series 2009A Certificates should not be treated as having an ownership interest in the Indenture, the 2009 Lease, the 2009A Projects or the 2009A Leased Property for federal income tax purposes. If, however, the IRS were successfully to assert that the Series 2009A Certificate transaction should be treated as a sale of the 2009A Projects or any other asset of the State or the 2009A Participating K-12 Institutions, the IRS could further assert that deemed owner of the 2009A Projects or such assets for federal income tax purposes should be deemed engaged in a business and, therefore, characterized as a publicly traded partnership taxable as a corporation.

Tax Credit Stripping

The 2009A Supplemental Indenture provides that a Series 2009A Certificate may be Stripped to create a Principal Strip and a separate Tax Credit Strip in accordance with the terms thereof. The Code provides that any such Stripping shall be done under regulations prescribed by the Secretary of the Treasury. No such regulations have yet been promulgated. For purposes of discussing Stripping herein, it is assumed that such regulations will be promulgated and that the Stripping will be in compliance with such regulations and the terms of the 2009A Supplemental Indenture. The State and the Trustee may amend the Indenture or the 2009A Lease after the issuance of the Series 2009A Certificates without the consent of the Owners of the Series 2009A Certificates for the purposes of conforming the Indenture or the 2009A Lease to any guidance or regulations promulgated by the IRS or the Treasury Department regarding qualified school construction bonds.

In the event that any of the Series 2009A Certificates are Stripped and create a separate Principal Strip and Tax Credit Strip, the language herein applying to Series 2009A Certificates shall apply to the Principal Strip and the Tax Credit Strip as applicable. For purposes of this subsection “Strip” means a Tax Credit Strip or a Principal Strip. In addition, the term “U.S. holder” means a U.S. Person that is a beneficial owner of a Strip and any other person which is a beneficial owner of a Strip that is otherwise subject to United States federal income taxation on a net basis in respect of income attributable to a Strip.

A U.S. holder is subject to United States federal income taxation on the income of a Strip, and there is no special exemption from United States federal income, estate or gift tax with respect to Strips.

A U.S. holder that elects to have a Series 2009A Certificate Stripped to create a Principal Strip and a Tax Credit Strip and to dispose of one or more of such components will be required to include in income all interest (in the form of accrual of original issuance discount) and market discount accrued on the Series 2009A Certificate to the date of disposition (to the extent that such income has not previously been included in income), and the U.S. holder's basis in the Series 2009A Certificate will be increased, immediately prior to the disposition of one of the Strips, by the amount so included in income. Upon the disposition of a Strip, the U.S. holder will be required to recognize gain or loss equal to the difference between the amount realized on the disposition of the Strip and the U.S. holder's basis in the Strip immediately prior to the disposition of one of the Strips. For purposes of determining that basis, the U.S. holder will be required to allocate its tax basis in the Series 2009A Certificate immediately prior to the Stripping of the Tax Credit Strip and the sale of the Strips (as adjusted in the manner detailed above) between the Tax Credit Strip and Principal Strip based on their respective fair market values on the date of such Stripping and sale.

A U.S. holder of a Strip will accrue income on the Strip in accordance with the OID rules set forth in the Code. In this regard, the application of the OID rules to the Strips is subject to significant uncertainty, and therefore purchasers of the Strips are urged to consult with their own tax advisors. Generally, however, it is anticipated that each U.S. holder of a Strip will be required to include in income, as OID, the difference between (1) the stated redemption price at maturity for a Principal Strip or, in the case of a Tax Credit Strip, the amount of the Tax Credit for a Tax Credit Strip owned by such person (which generally would include all payments (or deemed payments) to be made on the Strip subsequent to the date that the stripping was effected or, if later, the date of the U.S. holder's purchase of the Strip) and (2) the U.S. holder's purchase price for the Strip (or, in the case of a person who effects a stripping and disposes of one or more of the Strips, the portion of the person's basis in the Series 2009A Certificate which is allocable to the retained Strips, as determined pursuant to the rules set forth in the preceding paragraph).

The amount of OID on a Strip (determined as set forth above) will be includible on a constant yield basis in the income of a U.S. holder of a Strip over the life of the Strip (excluding, with respect to certain U.S. holders, Strips having a maturity of one year or less from the date of purchase which Strips would be subject to special OID rules which are discussed below), even in years in which the owner of the Strip does not receive any actual payment or credit allowance. The amount of OID that must be included in income each year by the U.S. holder of a Strip will be equal to the sum of the daily portions of the OID that accrued during each day of the year during which the U.S. holder owned the Strip. The daily portions will be determined by allocating to each day of the accrual period, as defined below, a pro rata portion of an amount equal to the adjusted issue price of the Strip at the beginning of the accrual period, also as defined below, multiplied by the yield to maturity of the Strip, determined by compounding at the close of each accrual period and properly adjusted for the length of the accrual period. For purposes of these calculations, (i) the accrual periods may, generally, be of any length and may vary in length over the term of the Strip, provided that each accrual period is no longer than a year and that each scheduled payment of principal and deemed interest occurs either on the final day of an accrual period or on the first day of an accrual period, and (ii) the adjusted issue price of a Strip will be the U.S. holder's purchase price for the Strip (or, in the case of a person who effects a stripping and disposes of one or more of the Strips, the portion of the person's basis in the Series 2009A Certificate which is allocable to the retained Strips, as determined pursuant to the rules set forth above), increased by the OID accrued by the U.S. holder in previous accrual periods and decreased by any payments received or deemed received by the U.S. holder in prior accrual periods. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (x) the amount payable (or deemed payable) at the maturity of the Strip and (y) the Strip's adjusted price as of the beginning of the final accrual period. The foregoing rules will generally be applied to each Strip acquired separately. In certain circumstances, Strips acquired (or retained by the person stripping a Series 2009A Certificate) may be treated as a single instrument for tax purposes.

In general, a cash basis U.S. holder who purchases a Strip the payment (or deemed payment) with respect to which is due not later than one year from the date of issuance ("short term Strips") is not required to accrue OID (as determined under the special rule described below for the purposes of this paragraph) for federal income tax purposes unless it elects to do so. Accrual basis U.S. holders and certain other U.S. holders (including certain pass through entities and electing cash basis U.S. holders) who purchase a short term Strip and any U.S. holders who elect to have a Series 2009A Certificate Stripped to create a Tax Credit Strip and a Principal Strip and who retain one or more such Strips are required to accrue OID on short term Strips on either a straight line basis or under the constant yield method (based on daily compounding), at the election of the U.S. holder. In the case of a U.S. holder not required and not electing to include OID on a short term Strip in income currently, any gain realized on the sale or retirement of the short term Strip will be ordinary income to the extent of the OID accrued on a straight line basis (unless an election is made to accrue the OID under the constant yield method) through the date of sale or retirement. U.S. holders who are not required and who do not elect to accrue OID on short term Strips will be required to defer deductions for interest on borrowings allocable to short term Strips in an amount not exceeding the deferred income until the deferred income is realized.

Upon the sale or exchange of a Strip, a U.S. holder generally will recognize capital gain or loss (except to the extent of accrued and unpaid interest, and subject to the exception applicable to certain short term Strips, as discussed in the preceding paragraph) in an amount equal to the difference between the amount realized on the sale or exchange and the U.S. holder's adjusted tax basis in the Strip. A U.S. holder's adjusted tax basis in a Strip will generally be its cost, increased by the amount of the OID included in the U.S. holder's income with respect to the Strip less any prior amounts received or deemed received with regard to such Strip.

The State is selling the Series 2009A Certificates (and not Strips) to the Underwriters. Owners of the Series 2009A Certificates are, however, entitled under the 2009A Supplemental Indenture to have any Series 2009A Certificate Stripped to create a separate Tax Credit Strip and separate Principal Strip. Such Strips might be viewed, for United States federal income tax purposes, as OID bonds issued by the State to the purchasers of the Strips. If the IRS were to characterize the Stripping in this fashion, the rules set forth above would generally apply to the Series 2009A Certificates that were Stripped, except that (i) the amount of OID on each Strip so sold would be measured, and the adjusted issue price would be determined, by reference to the first price at which a substantial amount of each Strip was sold, rather than by reference to the price paid by the purchaser for the Strip (not only in the case of an initial purchaser of the Strip, but also in the case of any transferee thereof) and (ii) the stated redemption price at maturity would be determined by reference to all payments (or deemed payments) to be made on the Strip subsequent to the date of the closing relating to the Series 2009A Certificates offered hereby rather than by reference to the payments to be made subsequent to the U.S. holder's acquisition of the Strip. Each U.S. holder is urged to consult with its own tax advisor as to the likelihood of such a characterization, as well as to the application of the "acquisition premium" and "market discount" rules which would apply to those Series 2009A Certificates Stripped if the transaction were to be so characterized.

The OID rules are also unclear as to the treatment of a U.S. holder who acquires a Principal Strip and the related Tax Credit Strip; it is believed, however, that such a person would not treat the Strips together as a Series 2009A Certificate, but would instead recognize income on each of the Strips in the manner detailed above. However, if such a person requests the Strips be reconstituted into a Series 2009A Certificate and that Series 2009A Certificate is then sold to another person, it is anticipated that the new purchaser would be treated as having acquired a Series 2009A Certificate (rather than the Strips).

Any Owner considering the Stripping of a Series 2009A Certificate and any person considering purchasing a Strip is urged to consult its own tax advisor as to this issue.

Exemption Under State Tax Law

Under existing Colorado statutes, interest on and income from the Series 2009A Certificates, Principal Strips or Tax Credit Strips, including the amount of the Tax Credit that is treated as interest for federal income tax purposes, is exempt from taxation and assessments in the State of Colorado. No other opinion is expressed by Bond Counsel regarding other state tax consequences related to the ownership or disposition of, or the receipt of the Tax Credit or the accrual or receipt of the deemed interest with respect to, the Series 2009A Certificates, Principal Strips or Tax Credit Strips. In addition, no opinion is expressed by Bond Counsel as to the effect of any termination of the State's obligations under the 2009A Lease, upon the treatment for state income tax purposes of any moneys received by the Owners of the Series 2009A Certificates, Principal Strips or Tax Credit Strips subsequent to such termination; nor with respect to the effect of any refunding, reissuance or defeasance of the Series 2009A Certificates.

Changes in Federal and State Tax Law.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2009A Certificates and the Tax Credits. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Series 2009A Certificates issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2009A Certificates and the Tax Credits (whether Stripped or not). It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2009A Certificates and the Tax Credits (whether Stripped or not) or the market value thereof would be impacted thereby. Purchasers of the Series 2009A Certificates and the Tax Credits (whether Stripped or not) should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2009A Certificates and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

UNDERWRITING

The Series 2009A Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to $86,508,841.50 (representing the principal amount of the Series 2009A Certificates less an underwriting discount of $636,158.50). The Underwriters have agreed to accept delivery of and pay for all the Series 2009A Certificate if any are delivered, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Certificate Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2009A Certificates to certain dealers (including dealers depositing such Series 2009A Certificates into investment funds) and others at prices lower than the public officer price stated on the cover page hereof. The public offering prices set forth on the cover page hereof may be changed after the initial offering by the Underwriters.

LEGAL MATTERS

Legal matters relating to the validity of the Series 2009A Certificates are subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2009A Certificates, a form of which is attached hereto as **Appendix D**.

Sherman & Howard L.L.C. will pass upon certain legal matters relating to the Series 2009A Certificates as Special Counsel to the State. Sherman & Howard L.L.C. has not participated in any independent verification of the information concerning the financial condition or capabilities of the State or the 2009A Participating K-12 Institutions contained in this Official Statement. Certain legal matters will be passed upon for the State by the office of the Attorney General of the State, as counsel to the State. Hogan & Hartson, LLP, Denver, Colorado, has acted as counsel to the Underwriters. Payment of legal fees to Bond Counsel and Special Counsel are contingent upon the sale and delivery of the Series 2009A Certificates.

RATINGS

Standard & Poor's Ratings Services has assigned the Series 2009A Certificates a rating of "AA-" and Moody's Investors Service has assigned the Series 2009A Certificates a rating of "Aa3." No other ratings have been applied for. A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from each such rating agency. The State has furnished to the rating agencies certain information and materials relating to the Series 2009A Certificates and the 2009A Leased Property, including certain information and materials which have not been included in this Official Statement. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2009A Certificates. Neither the State, the Financial Advisor (hereinafter defined) nor any Underwriter undertakes any responsibility to oppose any such revision or withdrawal.

FINANCIAL ADVISOR

The State has retained Piper Jaffray & Co., Denver, Colorado as financial advisor (the "**Financial Advisor**") in connection with the Series 2009A Certificates and with respect to the authorization, execution and delivery of the Series 2009A Certificates. *The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.* The Financial Advisor will act as an independent advisory firms and will not be engaged in underwriting or distributing the Series 2009A Certificates.

CONTINUING DISCLOSURE

In connection with its execution and delivery of the Series 2009A Certificates, the State will execute a Continuing Disclosure Undertaking (the "**Disclosure Certificate**"), a form of which is attached hereto as **Appendix C**, wherein it will agree for the benefit of the owners of the Series 2009A Certificates to provide certain Annual Financial Information relating to the State by not later than 270 days after the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2009, to provide the Audited Financial Statements when available but not later than 210 days after the end of each Fiscal Year (or as soon thereafter as available), and to provide notices of occurrence of certain enumerated events, if material. In recent years, the State of Colorado has released its Comprehensive Annual Financial Report within six months following the end of its Fiscal Year. During the previous five years, the Treasurer has complied in all material respects with the continuing disclosure undertakings entered into by the Treasurer pursuant to Securities and Exchange Commission Rule 15c2-12.

MISCELLANEOUS

The cover page, prefatory information and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement. The descriptions of the documents, statutes, reports or other instruments included herein do not purport to be comprehensive or definitive and are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Series 2009A Certificates, copies of the Act and certain other documents referred to herein may be obtained from the Underwriters at RBC Capital Markets Corporation, as Representative of the Underwriters, 1200 Seventeenth Street, Suite 2150, Denver, Colorado 80202, Attention: Public Finance Department, telephone number (303) 595-1200. So far as any statements made in this Official Statement involve matters of opinion, forecasts, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

OFFICIAL STATEMENT CERTIFICATION

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

STATE OF COLORADO, acting by and through the State Treasurer

By: /s/ Cary Kennedy
Treasurer of the State of Colorado

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APPENDIX A

State of Colorado Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2008

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

Bill Ritter, Jr.
Governor

Department of Personnel & Administration
Rich L. Gonzales, Executive Director
David J. McDermott, State Controller

REPORT LAYOUT

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes the controller's transmittal letter and the state's organization chart. The Financial Section includes the auditor's opinion, management's discussion and analysis, the basic financial statements, and the combining statements and schedules. The Statistical Section includes fiscal, economic, and demographic information about the state.

INTERNET ACCESS

The Comprehensive Annual Financial Report and other financial reports are available on the State Controller's home page at:

http://www.colorado.gov/dpa/dfp/sco/

STATE OF COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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STATISTICAL SECTION

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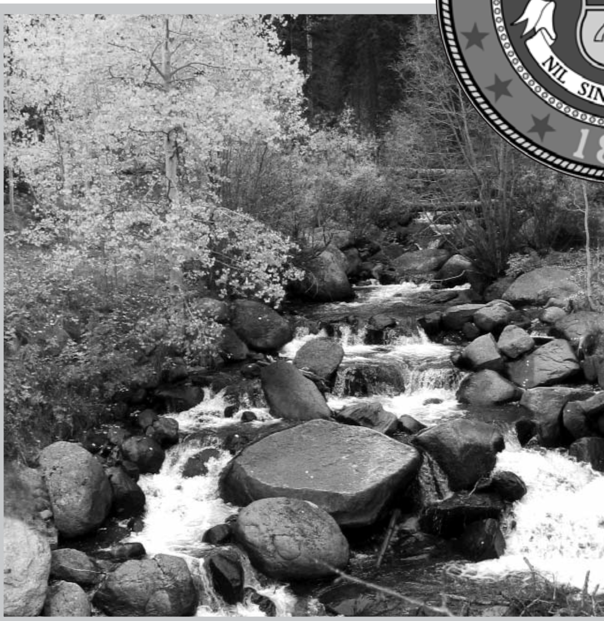



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

State of Colorado

Bill Ritter, Jr.
Governor

Rich Gonzales
Executive Director

Jennifer Okes
Deputy Executive Director

David J. McDermott
State Controller

DPA

Department of Personnel & Administration

Office of the State Controller
633 17th Street, Suite 1500
Denver, Colorado 80202
Phone (303) 866-6200
Fax (303) 866-4233
www.colorado.gov/dpa

December 19, 2008

To the Citizens, Governor, and Legislators of the State of Colorado:

It is our privilege to present the Comprehensive Annual Financial Report (CAFR) on the operations of the State of Colorado for the fiscal year ended June 30, 2008. This report is prepared by the Office of the State Controller and is submitted as required by Section 24-30-204 of the Colorado Revised Statutes. The State Controller is responsible for managing the finances and financial affairs of the state and is committed to sound financial management and governmental accountability.

We believe the financial statements are fairly presented in all material aspects. They are presented in a manner designed to set forth the financial position, results of operations, and changes in net assets or fund balances of the major funds and nonmajor funds in the aggregate. All required disclosures have been presented to assist readers in understanding the state's financial affairs.

Except as noted below, the basic financial statements contained in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP) applicable to governments as prescribed by the Governmental Accounting Standards Board (GASB), and except for the discretely presented component units, they are audited by the State Auditor of Colorado. The basic financial statements comprise the Management Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and Required Supplementary Information. The MD&A, which begins on page 19, contains additional financial analysis and supplementary information that is required by GASB and should be read in conjunction with this transmittal letter. The schedules comparing budgeted to actual activity, included in the section titled Required Supplementary Information, are not presented in accordance with GAAP; rather, they reflect the budgetary basis of accounting which defers certain payroll, Medicaid, and other statutorily defined expenditures to the following fiscal year. (See additional information on "Cash Basis Accounting" on page 40 of the Management's Discussion and Analysis.) In addition to the basic financial statements, the CAFR includes: combining financial statements that present information by fund category, certain narrative information that describes the individual fund categories, supporting schedules, and statistical tables that present financial, economic, and demographic data about the state.

The funds and entities included in the CAFR are those for which the state is financially accountable based on criteria for defining the financial reporting entity as prescribed by GASB. The primary government is the legal entity that comprises the major and nonmajor funds of the state, its departments, agencies, and state institutions of higher education. It also includes certain university activities that are legally separate but have been blended with the accounts of the institution that is financially accountable for the activity.

The state's elected officials are financially accountable for other legally separate entities that qualify as discretely presented component units. The following entities qualify as discretely presented component units of the state:

University of Colorado Hospital Authority
Colorado Water Resources and Power Development Authority
University of Colorado Foundation
Colorado State University Foundation
Colorado School of Mines Foundation
University of Northern Colorado Foundation
Other Component Units (nonmajor):
- Denver Metropolitan Major League Baseball Stadium District
- CoverColorado
- Venture Capital Authority
- Renewable Energy Authority

Additional information about these component units and other related entities is presented in Note 2 of the financial statements (see page 71). Audited financial reports are available from each of these entities.

PROFILE OF THE STATE OF COLORADO

Colorado became the thirty-eighth state of the United States of America when it was admitted to the union in 1876. Its borders encompass 104,247 square miles of the high plains and the Rocky Mountains with elevations ranging from 3,350 to 14,431 feet above sea level. The state's major economic sectors include agriculture, manufacturing, technology, tourism, energy production, and mining. Considerable economic activity is generated in support of these sectors by government, wholesale and retail trade, transportation, communications, public utilities, finance, insurance, real estate, and other services. Given the state's semi-arid climate, water resource development, allocation, and conservation are ongoing challenges for state management.

The state maintains a separation of powers utilizing three branches of government – executive, legislative, and judicial. The executive branch comprises four major elected officials – Governor, State Treasurer, Attorney General, and Secretary of State. Most departments of the state report directly to the Governor; however, the Departments of Treasury, Law, and State report to their respective elected officials, and the Department of Education reports to the elected State Board of Education. The elected officials serve four-year terms with a limit on the number of terms allowed.

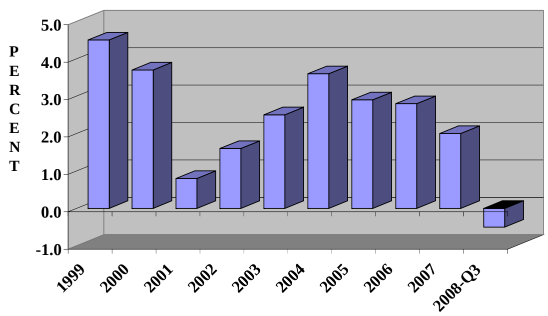
The Legislature is bicameral and comprises thirty-five senators and sixty-five representatives who are also term limited. It is a citizen legislature whose general session lasts 120 days beginning in January of each year. Special sessions may be called by the Governor at his discretion and are limited to the topics identified by the Governor. The Legislature's otherwise plenary power is checked by the requirement for the Governor's signature of its legislation and by specific limitations placed in the State Constitution by voters. The most significant fiscal limitation is the restriction related to issuing debt, raising taxes, and changing existing spending limits. From a fiscal perspective, the Joint Budget Committee of the Legislature, because of its preparation of the annual budget and supplemental appropriations bills, holds the most important power vested in the Legislature. The Committee is bipartisan with members drawn from each of the houses of the Legislature. The Governor's Office of State Planning and Budgeting develops and submits an executive branch budget proposal, but there is no requirement for the Joint Budget Committee to adopt that proposal.

The Judicial Branch is responsible for resolving disputes within the state, including those between the executive and legislative branches of government, and for supervising offenders on probation. The branch includes the Supreme Court, Court of Appeals, and district and county courts, served by 304 justices and judges in 22 judicial districts across the state (excluding 17 Denver county court judges). Municipal courts are not part of the state system. There are also seven water courts, one in each of the state's major river basins. The Judicial Branch budget is appropriated by the Legislature, and it is funded primarily from general-purpose revenues of the General Fund.

ECONOMIC CONDITION AND OUTLOOK

The state's General Fund revenues reflect the overall condition of the state economy, which showed a declining rate of growth in Fiscal Year 2007-08; General Fund revenues increased by $192.0 million (2.6 percent) over the prior year. In absolute dollars, personal income in the state grew by approximately 6.0 percent for 2007 and is forecast to grow by 5.2 percent for 2008. The growth in new state employment declined with 51,100 jobs added in 2007 and 30,400 forecast to be added in 2008.

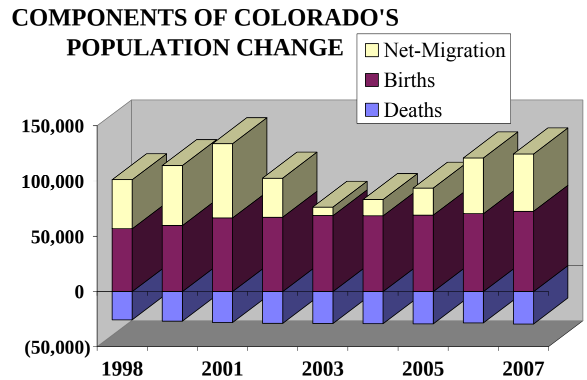
PERCENT CHANGE IN REAL GROSS DOMESTIC PRODUCT



Inflation adjusted national gross domestic product (GDP) grew at an annual rate of 2.0 percent in calendar year 2007 and declined by an estimated 0.5 percent in the third quarter of 2008. Inflation adjusted GDP increased 0.7 percent from the third quarter of 2007 to the third quarter of 2008 (all percentage changes in the balance of this paragraph are measured on the third quarter to third quarter basis). National personal consumption expenditures account for approximately two-thirds of GDP and were down 0.2 percent, while private domestic investment (including nonresidential structures, equipment and software, residential, and changes in inventories) was down 7.3 percent in aggregate. Residential investment declined 20.9 percent (tenth consecutive quarter of decline) offsetting a 10.5 percent increase in private investment related to nonresidential structures. Government spending exceeded the quarter-over-quarter growth rate at 3.0 percent largely related to a 7.7 percent increase in national defense expenditures as well as an increase in federal nondefense spending of 3.1 percent. Quarter-over-quarter export growth at 6.2 percent significantly outpaced imports which declined by 3.4 percent as the weakness of the U.S. dollar makes our products less expensive on the world market.

Nationally, the 20.9 percent decline in residential investment is a continuing indicator of a significantly depressed housing market with home values declining nationwide. During Fiscal Year 2007-08, the credit markets saw the collapse of the auction rate debt securities market (adversely affecting some Colorado outstanding debt), and shortly after fiscal year-end nearly all credit markets froze, including the municipal bond markets. While the municipal market has currently begun to thaw, other credit markets remain on hold. The root cause of the credit market problem was commonly believed to be the large number of home mortgage defaults caused by home mortgages exceeding home values that declined with the collapse of a long-growing housing bubble. After fiscal year-end the conditions worsened when a general decline in the national economy added job loss as an additional cause for mortgage default. Consumer confidence eroded significantly as the media reported expectations of the worst economic decline since the Great Depression. With the globalization of the world economy, conditions world-wide are similar, and a general constriction in economic activity is affecting most nations. The United States, like other nations, has lowered interest rates and poured large sums of cash into the financial sector and other industries. The effects of these policies are not measurable, but there is little evidence of the economy responding as consumers, businesses, and the financial sector convert investments to cash or government securities in an attempt to ride out the financial storm. It is unknown at this time whether the significant United States deficit spending required to maintain these policies will continue to be supported by international purchases of United States debt securities – significant inflation could occur in the long term. There is also significant short-term risk of deflation resulting from a self-feeding cycle of consumer spending reductions, business production declines, and job losses. In the long-term, state government cannot remain immune from these conditions. However, Colorado's economy normally lags the national economy, and the national conditions discussed above have not yet affected the state's revenues.

Colorado economic activity and in-migration are interdependent. A relatively stable state economy resulted in in-migration increasing only slightly from approximately 50,500 in 2006 to 51,800 in 2007. It remains slightly off its peak amount of about 67,200, which occurred in 2001, but is significantly in excess of its low of about 7,800 in 2003. International in-migration decreased slightly from approximately 19,300 to 18,400 for 2006 and 2007, respectively, however, in-migration from other states increased slightly from about 31,800 to about 33,400. An increase in migration from other states should benefit Colorado's economy as it likely represents an influx of more established households as compared to international in-migration. The information in the adjacent chart is based on current Census Bureau estimates, which were revised again during the past year. Data for the year 2000 is not included in the chart because a large adjustment was made to total state population for that year, and reliable annual estimates for deaths and births are not available for that year.



The Governor's Office of State Planning and Budgeting's (OSPB) latest available quarterly estimate predicts that Colorado's economy will maintain its current growth in the near term, and it has made the following calendar year forecast for Colorado's major economic variables:

- Employment will grow by 1.3 percent in calendar years 2008 and 2009.
- Unemployment will average 4.9 percent for 2008 compared with 3.8 percent and 4.3 percent in 2007 and 2006, respectively, and it is expected to remain stable in 2009 at 4.9 percent.
- Wages and salary income will grow by 4.9 percent in 2008 and by only 4.0 percent in 2009 before increasing to 5.9 percent growth in 2010.
- Total personal income will increase by 5.2 percent in 2008 and by 4.4 percent in 2009.
- Net in-migration is expected to be 60,300 in 2008 and 61,000 in 2009 with total population growth of about 2.0 percent in each year.
- Retail trade sales will increase 4.0 percent in 2008 and 5.2 percent in 2009.
- Colorado inflation will increase from 2.2 percent in 2007 to 3.7 percent in 2008 and decline to 3.0 percent in 2009.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills during the 2008 legislative session. The main focus of the session from a programmatic perspective was on education, health care/social services, and criminal justice and court issues. Because of the debt, tax, and revenue limitations in the State Constitution, most of the legislation reallocated existing state revenues to different spending patterns rather than creating new revenue streams or new spending programs.

The General Assembly enacted the following measures that had financial management effects:

- The General Assembly continued its focus on capital construction by appropriating approximately $180.6 million for new construction and capital asset maintenance. These funds were available because of the absence of TABOR refunds, a stable state economy and the six percent limit on expenditure growth in the General Fund. The General Assembly also utilized alternative mechanisms to fund capital construction as noted below.
- The State of Colorado issued approximately $230.8 million in certificates of participation (COPs) to fund capital construction at twelve state institutions of higher education. The COPs were collateralized with existing properties at eleven of the twelve institutions and the General Assembly anticipates appropriating federal mineral leasing revenues to repay the debt. The General Assembly has also authorized $269.0 million of COPs to pay for a new state Judicial Center and $84.0 million of COPs for a new location for the State Museum.

- The Build Excellent Schools Today (BEST) Act changed the state's method of financing capital construction of public school buildings. The Act allows the Department of Education to issue COPs to finance public school construction projects in amounts resulting in maximum debt service payments of $80.0 million in Fiscal Year 2011-12 and future years. The state will contribute up to 50% of the specified limit with the remaining match paid by the districts or by local Boards of Cooperative Educational Services.
- The state increased spending on a variety of health care and social services programs either by increasing client eligibility or the programs' reimbursement rates or benefits. The changes include:
  - Increasing eligibility levels in the Children's Basic Health Plan for both children and pregnant women and increasing mental health benefits to be comparable with the Medicaid program requiring an additional appropriation of $2.3 million.
  - Creating the Child Welfare and Mental Health Services Pilot program to provide for mental health services to abused children between the ages of four and ten requiring an additional appropriation of $2.1 million.
  - Increasing funding by $2.1 million annually to the Old Age Pension Health and Medical Program which provides health care to low-income elderly individuals who do not qualify for Medicaid.
  - Increasing the reimbursement rate for nursing facilities providing Medicaid services resulting in $6.1 million of additional funding if certain waivers are approved by the federal government.
  - Removing the cap on payment rates to providers for the Program of All-Inclusive Care for the Elderly which required an additional appropriation of $1.7 million.
  - Increasing the transfer of receipts from state sales and use taxes to the Older Coloradans program by $3.0 million to support statewide assistance to the elderly.
- The state also increased funding for a variety of natural resource and conservation-related projects including $11.2 million for preservation of endangered species, $8.1 million for Colorado Water Conservation Board projects, $3.9 million for regulation related to aquatic nuisance species, and $3.5 million in reallocation of severance tax revenues for state parks and the Division of Wildlife.

In response to concerns regarding accountability of state agencies for the contracting process and performance of vendors related to information technology projects, the General Assembly passed legislation consolidating the Office of Information Technology (OIT) at a statewide level and expanding its role. OIT is now part of the Governor's Office and will oversee information technology procurement and performance across the Executive Branch, with certain agency information technology staff reporting to OIT.

Several measures were enacted related to criminal justice matters, including requirements for DNA testing and maintenance of evidence. Specifically, legislation was passed allowing defendants a new trial if certain DNA evidence is lost or destroyed and expanding the evidence collected and preserved for certain crimes. Other measures focused on preventing sexual exploitation of children and protecting children from sexual predators, and increasing penalties for current criminal offenses including retaliating against a judge for a decision rendered in a legal matter.

Finally, there were numerous citizen ballot initiatives and legislatively referred measures in the 2008 General Election. Although most failed, the two that passed had a financial impact. Amendment 50 enabled local jurisdictions that permitted limited gaming to vote to extend casino hours, approve additional games and raise the maximum allowed wager. If changes are approved by local jurisdictions, a majority of the increased taxes, fees and fines resulting from these changes will be used to fund financial aid and classroom instruction at state community, junior and district colleges. Amendment 54 prohibited certain government contractors from contributing to a political party for the duration of the contract and two years after. The state is required to create a database to publish and maintain a summary of each covered contract issued by the state and all local government entities.

BUDGETARY AND OTHER CONTROL SYSTEMS

The General Assembly enacts the annual state budget for all ongoing programs, except for federal and custodial funds. New programs are funded for the first time in enabling legislation and are continued through the Long Appropriations Act in future periods. For the most part, appropriations lapse at the end of the fiscal year unless extenuating circumstances permit the State Controller to approve an appropriation rollforward. Capital construction appropriations are normally effective for three years.

The state records the budget in its accounting system along with estimates of federal awards and custodial funds of the various departments. Revenues and expenses/expenditures are accounted for on the basis used for the fund in which the budget is recorded except for certain budgetary basis exceptions (see Note RSI-1A). Encumbrances are also recorded and result in a reduction of the budgeted spending authority. Encumbrances represent the estimated amount of expenditures that will be incurred when outstanding purchase orders, contracts, or other commitments are fulfilled. Encumbrances in the General Fund are not reported as a reservation of fund balance unless the related appropriations are approved for rollforward to the subsequent fiscal year. Fund balance is reserved for encumbrances that represent legal or contractual obligations in the Capital Projects Fund and the Department of Transportation's portion of the Highway Users Tax Fund.

In developing the state's accounting system, consideration has been given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. Those controls also assure the reliability of financial records for preparing financial statements and maintaining the accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. We believe that the state's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

INDEPENDENT AUDIT

The State Auditor performs an audit of the Basic Financial Statements. The opinion of the auditor is on page 16 of this report. Besides annually auditing the statewide financial statements, the auditor has the authority to audit the financial statements and operations of the departments and institutions within state government.

In 1996, the United States Congress amended the Single Audit Act of 1984. The amended act clarifies the state's and the auditor's responsibility for ensuring that federal moneys are used and accounted for properly. Under the requirements of this act, transactions of major federal programs are tested. The state prepares a Schedule of Expenditures of Federal Awards for inclusion in the State Auditor's Statewide Single Audit Report. The State Auditor issues reports on the schedule, the financial statements, internal controls, and compliance with the requirements of federal assistance programs.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Colorado for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the eleventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

In conclusion, I thank my staff and the controllers, accountants, auditors, and program managers in the state departments and branches whose time and dedication have made this report possible. I reaffirm our commitment to maintaining the highest standards of accountability in financial reporting.

Sincerely,

David J. McDermott

David J. McDermott
State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

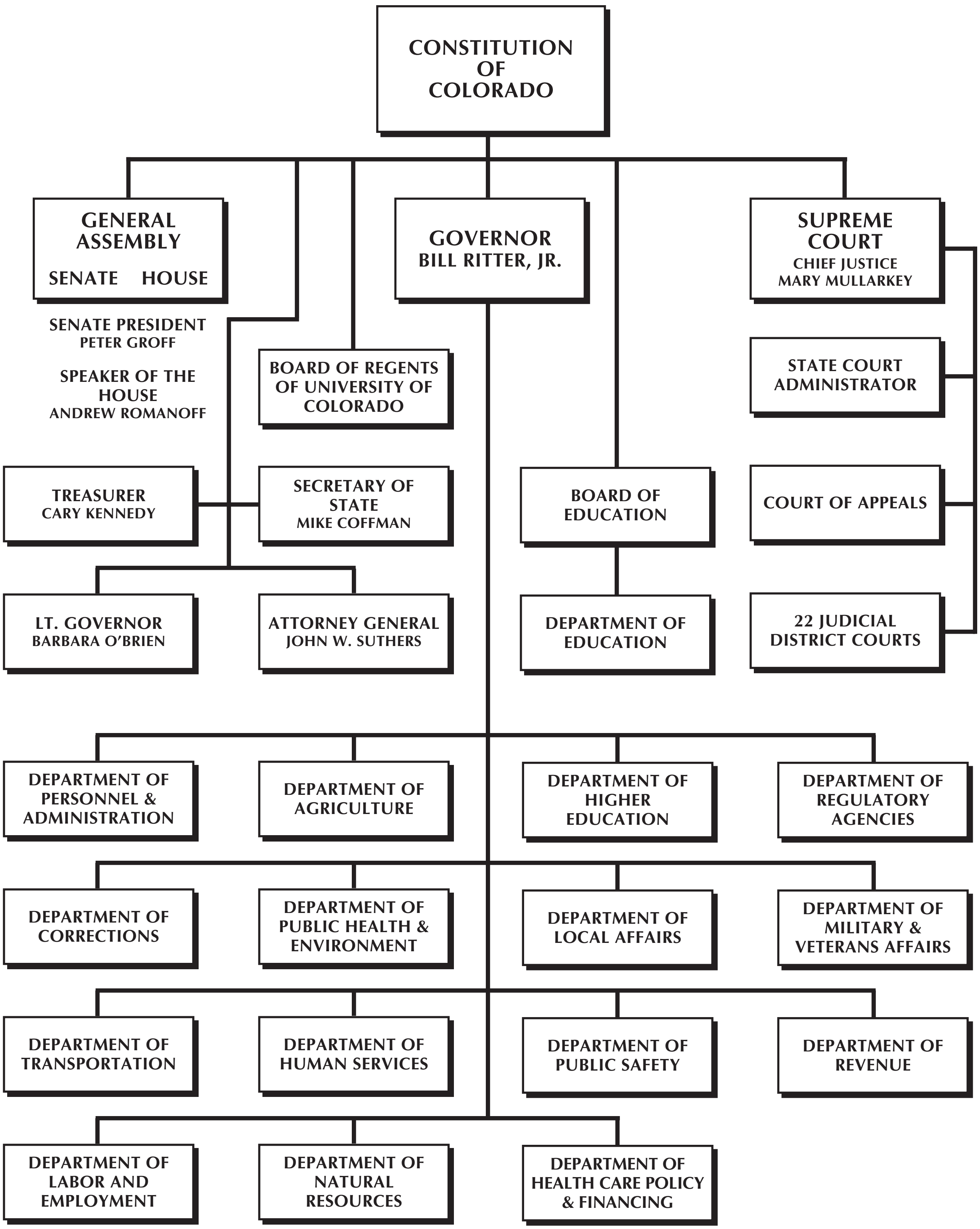
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

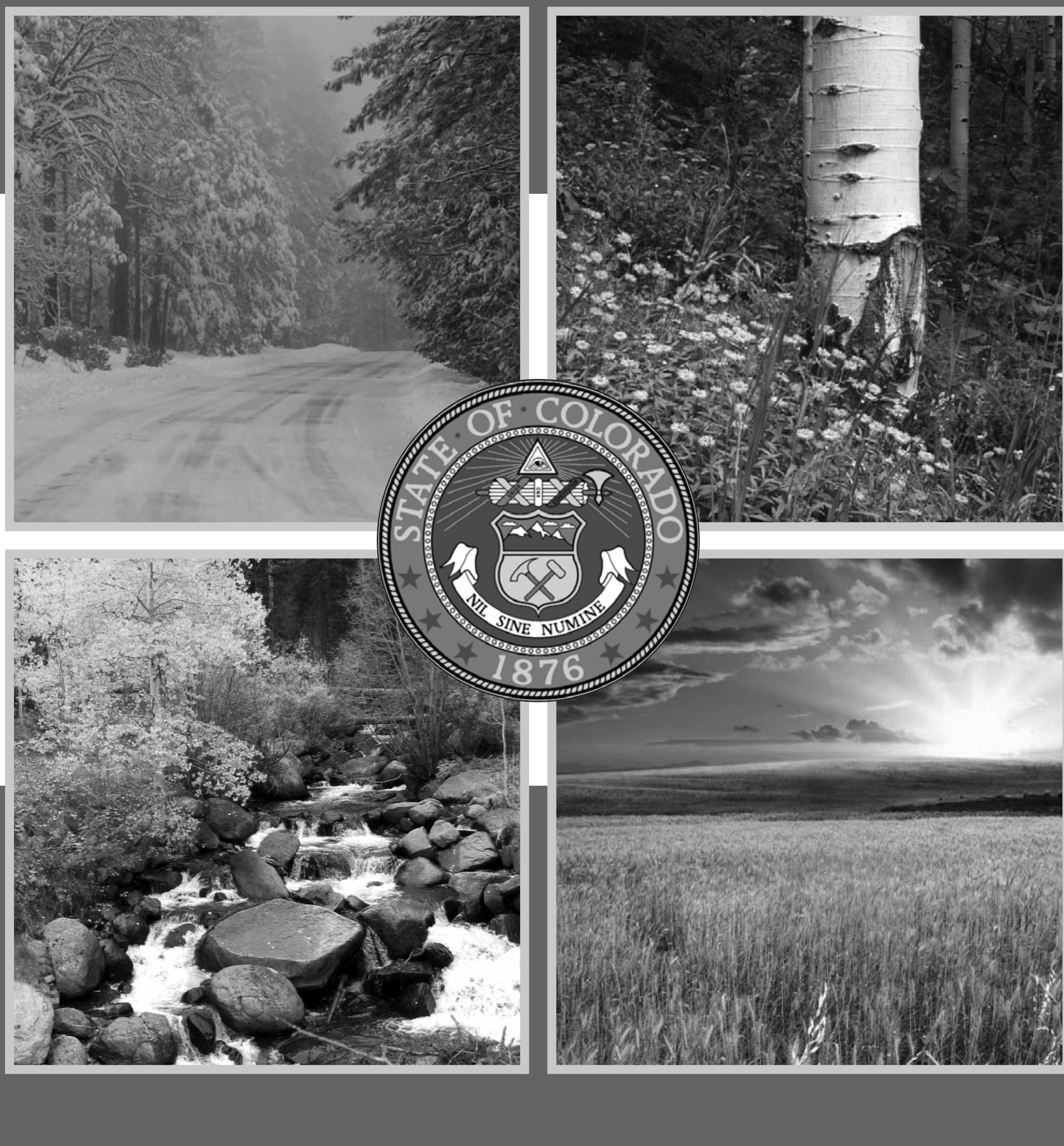
President

Executive Director

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



Financial Section



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

STATE OF COLORADO

OFFICE OF THE STATE AUDITOR
303.869.2800
FAX 303.869.3060

Sally Symanski, CPA
State Auditor

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

December 19, 2008

Independent Auditor's Report

Members of the Legislative Audit Committee:

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 the State of Colorado, as of and for the fiscal year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units identified in Note 2, which represent 100 percent of the total assets, 100 percent of the net assets, and 100 percent of the total revenue of the aggregate discretely presented component units. In addition, we did not audit the financial statements of University Physicians, Inc., a blended component unit which represents 3 percent of the assets, 4 percent of the net assets, and 8 percent of the revenue of Higher Education Institutions, a major enterprise fund, and 2 percent of the total assets, 3 percent of the net assets, and 6 percent of the total revenue of business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts and disclosures included for those discretely presented component units and for University Physicians, Inc., are based solely on the reports of the other auditors, except as explained in Note 4.

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. The financial statements of the University of Colorado Foundation, Colorado State University Foundation, University of Northern Colorado Foundation, Colorado School of Mines Foundation, discretely presented component units, and University Physicians, Inc., a blended component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously 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 State of Colorado, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 27 to the financial statements, in Fiscal Year 2007-08 the Colorado Department of Transportation changed from the modified approach to the depreciation approach for the State's bridge infrastructure because resources were no longer available to maintain the bridges at the established condition level. In the process of changing to the depreciation approach, the beginning net asset balance was decreased by $397 million to correct for an error in the valuation of bridges when infrastructure was recorded in Fiscal Year 2001-02. This is reported as a prior period adjustment. The change to the depreciation approach also resulted in a decrease to the beginning net asset balance for bridges of $306 million because of the removal of bridges that were under the capitalization threshold or fully depreciated, which is reported as a change in accounting principle. In addition, as described in Note 16, the bridges were depreciated in the current fiscal year, which is considered a change in accounting estimate.

In accordance with *Government Auditing Standards* a report on our consideration of the State of Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under a separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, upon its issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The sections entitled "Management's Discussion and Analysis" on pages 19 through 41 and "Budgetary Information" and "Infrastructure Assets Reported Under The Modified Approach" on pages 148 through 150 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, statistical section, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, the statistical section, and other schedules have not been subjected to the auditing standards applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sally Symanski

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is supplementary information required by the Governmental Accounting Standards Board (GASB), and it is intended to provide an easily readable explanation of the information provided in the attached basic financial statements. It is by necessity highly summarized, and in order to gain a thorough understanding of the state's financial condition, the attached financial statements and notes should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide:

Assets of the state's governmental activities exceeded liabilities by $15,830.2 million, a decrease of $206.8 million as compared to the prior year amount of $16,037.0 million. The decrease was primarily due to a $397.1 million prior period adjustment and a $306.7 million change in accounting principle resulting from the state's change from the modified approach to the depreciation approach for reporting its bridge infrastructure. The $397.1 million adjustment is the result of errors in the initial valuation of the bridges booked at the inception of GASB Statement No. 34 in Fiscal Year 2001-02. The $306.7 million change occurred due to the removal of bridges that were below the state's capitalization threshold as a result of implementing the change to the depreciation approach. These adjustments offset increases in the restricted cash balances of the Highway User's Tax Fund (up $229.9 million) and the State Education Fund (up $130.7 million). Assets of the state's business-type activities exceeded liabilities by $5,127.1 million, an increase of $256.3 million as compared to the prior year amount of $4,870.8 million primarily due to increases in capital assets contributed by governmental activities and restricted cash and investments at Higher Education Institutions related to unexpended capital asset borrowing. In total, net assets of the state increased by $49.5 million to $20,957.3 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balances of $5,312.0 million (prior year $5,012.3 million), of which, $3,701.7 million (prior year $3,409.5 million) was reserved, and the balance of $1,610.3 million (prior year $1,602.8 million) was unreserved. In total, governmental fund balances increased $299.7 million from the prior year due to increases in the Highway User's Tax Fund, the State Education Fund, and in Other Governmental Funds. The Highway User's Tax Fund increased primarily due to statutory transfers from the General Fund and Other Special Revenue Funds, which more than offset increased road construction expenditures. The State Education Fund increased due to greater income tax collections and investment income as well as reduced distributions. The largest increase in the Other Governmental Funds was due to increases in rents and investment income in the permanent funds. The unreserved undesignated fund balance of the General Fund (on the GAAP basis) was $0.0 million and $95.8 million at June 30, 2008, and June 30, 2007, respectively. In addition (on the GAAP basis), the state was $131.8 million short of the amount of net assets required for the statutorily mandated 4 percent reserve. The $205.9 million decrease in total General Fund fund balance was primarily the result of appropriated expenditures and transfers-out across several functions that exceeded current year general-purpose revenues and transfers-in.

Enterprise Fund assets exceeded liabilities resulting in total net assets of $5,127.1 million (prior year $4,870.8 million), of which, $3,966.9 million (prior year $3,609.9 million) was restricted or invested in capital assets, and the balance of $1,160.2 million (prior year $1,260.9 million) was unrestricted. The total increase of $256.3 million in Enterprise Fund net assets primarily occurred in the Higher Education Institutions due to increases in contributed capital assets and restricted cash and investments related to capital asset borrowing and in the Unemployment Insurance fund due to insurance premium taxes and investment earnings exceeding benefits paid.

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and certificates of participation at June 30, 2008, were $1,848.9 million (prior year $1,847.9 million), which is 26.0 percent (prior year 28.6 percent) of financial assets (cash, receivables, and investments) and 9.2 percent (prior year 9.2 percent) of total assets of governmental activities. The governmental activities debt is primarily related to infrastructure, and future federal revenues and state highway revenues are pledged to the related debt service. The state's Enterprise Funds have revenue bonds outstanding that total $3,542.1 million (prior year $3,163.8 million). The revenue bond proceeds are primarily invested in loans and capital assets that generate a future revenue stream to service the related debt.

Revenue and Spending Limits:

The State Constitution indirectly limits the rate of spending increases and directly limits the state's ability to retain revenues collected over an amount set by a constitutional amendment commonly known as TABOR. Revenues in excess of the limit must be refunded to the taxpayers unless otherwise approved by the voters. In the November 2005 election, voters passed Referendum C, which allowed the state to retain revenues in excess of the limit for Fiscal Years 2005-06 through 2009-10. As a result, the $1,169.4 million of revenues in excess of the TABOR limit is not shown as a TABOR Refund Liability on the Fiscal Year 2007-08 financial statements; the $0.7 million shown on the financial statements is the residual amount of a Fiscal Year 2004-05 TABOR refund that was not distributed as of June 30, 2008. (See page 27 for more information on the TABOR requirements and Referendum C.)

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

There are three major parts to the basic financial statements – government-wide statements, fund-level statements, and notes to the financial statements. Certain required supplementary information (in addition to this MD&A), including budget-to-actual and infrastructure information, is presented following the basic financial statements. Supplementary information, including combining fund statements and schedules, follows the required supplementary information in the Comprehensive Annual Financial Report.

Government-wide Statements

The government-wide statements focus on the government as a whole. These statements are similar to those reported by businesses in the private sector, but they are not consolidated financial statements because certain intra-entity transactions have not been eliminated. Using the economic resources perspective and the accrual basis of accounting, these statements include all assets and liabilities on the *Statement of Net Assets* and all expenses and revenues on the *Statement of Activities*. These statements can be viewed as an aggregation of the governmental and proprietary fund-level statements along with certain perspective and accounting-basis adjustments discussed below. Fiduciary activities are excluded from the government-wide statements because those resources are not available to support the state's programs.

The *Statement of Net Assets* shows the financial position of the state at the end of the fiscal year. Net assets measure the difference between assets and liabilities. Restrictions reported in net assets indicate that certain assets, net of the related liabilities, can only be used for specified purposes. Increases in total net assets from year to year indicate the state is better off, while decreases in total net assets indicate the state is worse off.

The *Statement of Activities* shows how the financial position has changed since the beginning of the fiscal year. The most significant financial measure of the government's activities is presented in the line item titled "Change in Net Assets" at the bottom of the *Statement of Activities.* The statement is presented in a net program cost format, which shows the cost of programs to the government by offsetting revenues earned by the programs against expenses of the programs. Due to the large number of programs operated by the state, individual programs are aggregated into functional areas of government.

On the *Statement of Net Assets,* columns are used to segregate the primary government, including governmental activities and business-type activities, from the discretely presented component units. On the *Statement of Activities*, both columns and rows are used for this segregation. The following bullets describe the segregation.

- Governmental activities are the normal operations of the primary government that are not presented as business-type activities. Governmental activities include Internal Service Funds and are primarily funded through taxes, intergovernmental revenues, and other nonexchange revenues.
- Business-type activities are primarily funded by charges to external parties for goods and services. These activities are generally reported in Enterprise Funds in the fund-level statements because the activity has revenue-backed debt or because legal requirements or management decisions mandate full cost recovery.
- Discretely presented component units are legally separate entities for which the state is financially accountable. More information on the discretely presented component units can be found in Note 2 on page 71.

Fund-Level Statements

The fund-level statements present additional detail about the state's financial position and activities. However, some fund-level statements present information that is different from the government-wide statements due to the perspective and the basis of accounting used. Funds are balanced sets of accounts tracking activities that are legally defined or are prescribed by generally accepted accounting principles. Funds are presented on the fund-level statements as major or nonmajor based on criteria set by the Governmental Accounting Standards Board (GASB). There are three types of funds operated by the state – governmental, proprietary, and fiduciary. In the fund-level statements, each fund type has a pair of statements that show financial position and activities of the fund; a statement showing cash flows is also presented for the proprietary fund type.

- Governmental Funds – A large number of the state's individual funds and activities fall in this fund type; however, only some are reported as major – the remaining funds are aggregated into the nonmajor column. Governmental Funds are presented using the current financial resources perspective, which is essentially a short-term view that excludes capital assets, debt, and other long-term liabilities. The modified accrual basis of accounting is used. Under modified accrual, certain revenues are deferred because they will not be collected within the next year, and certain expenditures are not recognized, even though they apply to the current period, because they will not be paid until later fiscal periods. This presentation focuses on when cash will be received or disbursed, and it is well suited to showing amounts available for appropriation. The governmental fund type includes the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, and Permanent Funds.
- Proprietary Funds – Proprietary fund type accounting is similar to that used by businesses in the private sector. It is used for the state's Enterprise Funds and Internal Service Funds. Enterprise Funds generally sell to external customers while Internal Service Funds charge other state agencies for goods or services. These funds are presented under the economic resources measurement focus, which reports all assets and liabilities. Accrual accounting is used, which results in revenues recognized when they are earned and expenses reported when the related liability is incurred. Because this is the same perspective and basis of accounting used on the government-wide statements, Enterprise Fund information flows directly to the business-type activities column on the government-wide statements without adjustment. Internal Service Fund assets and liabilities are reported in the governmental activities on the government-wide *Statement of Net Assets*. The net revenue or net expense of Internal Service Funds is reported as an adjustment to program expenses on the government-wide *Statement of Activities.* On the fund-level statements, Nonmajor Enterprise Funds are aggregated in a single column, as are all Internal Service Funds.

- Fiduciary Funds – These funds report resources held under trust agreements for other individuals, organizations, or governments. The assets reported in these funds are not available to finance the state's programs, and therefore, these funds are not included in the government-wide statements. The state's fiduciary funds include several Pension and Other Employee Benefits Trust Funds, several Private-Purpose Trust Funds, and several Agency Funds. Agency Funds track only assets and liabilities and do not report revenues and expenses on a statement of operations. All Fiduciary Funds are reported using the accrual basis of accounting.

The state has elected to present combining financial statements for its component units. In the report, the component unit financial statements follow the fund-level financial statements discussed above.

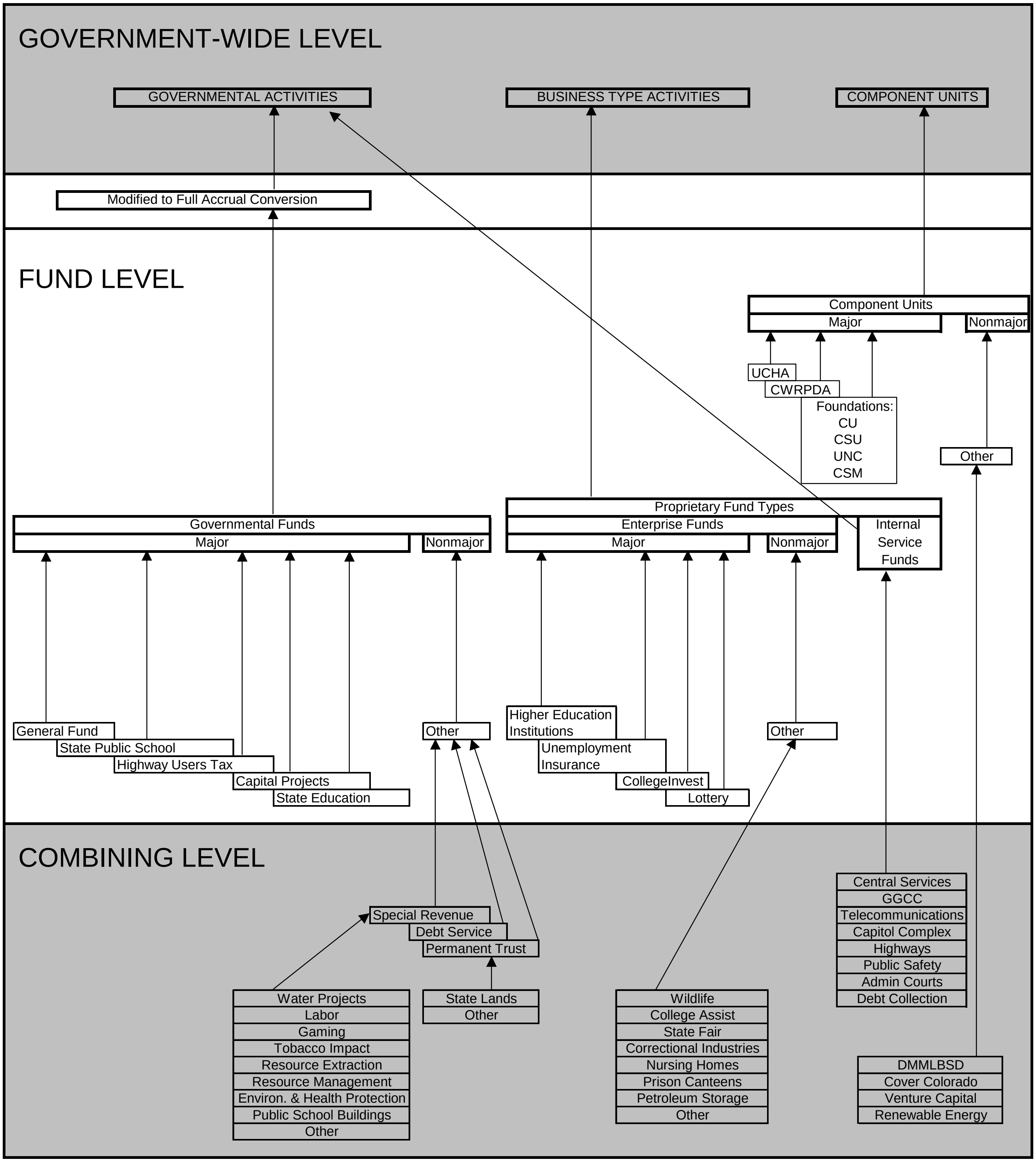
Notes to Basic Financial Statements

The notes to the financial statements are an integral part of the basic financial statements. They explain amounts shown in the financial statements and provide additional information that is essential to fair presentation.

Required Supplementary Information (RSI)

Generally accepted accounting principles require certain supplementary information to be presented following the notes to the financial statements. Required supplementary information differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes budgetary comparison schedules and information about transportation infrastructure reported under the modified approach.

The chart on the following page is a graphic representation of how the state's funds are organized in this report. Fiduciary Funds are not shown in the chart; they occur only in fund-level statements.


GOVERNMENT-WIDE LEVEL
GOVERNMENTAL ACTIVITIES
BUSINESS TYPE ACTIVITIES
COMPONENT UNITS
Modified to Full Accrual Conversion
FUND LEVEL
Component Units
Major
Nonmajor
UCHA
CWRPDA
Foundations:
CU
CSU
UNC
CSM
Other
Proprietary Fund Types
Governmental Funds
Enterprise Funds
Major
Nonmajor
Major
Nonmajor
Internal Service Funds
General Fund
State Public School
Highway Users Tax
Capital Projects
State Education
Other
Higher Education Institutions
Unemployment Insurance
CollegeInvest
Lottery
Other
COMBINING LEVEL
Special Revenue
Debt Service
Permanent Trust
Water Projects
Labor
Gaming
Tobacco Impact
Resource Extraction
Resource Management
Environ. & Health Protection
Public School Buildings
Other
State Lands
Other
Wildlife
College Assist
State Fair
Correctional Industries
Nursing Homes
Prison Canteens
Petroleum Storage
Other
Central Services
GGCC
Telecommunications
Capitol Complex
Highways
Public Safety
Admin Courts
Debt Collection
DMMLBSD
Cover Colorado
Venture Capital
Renewable Energy

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following table was derived from the current and prior year government-wide *Statement of Net Assets*.

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Noncapital Assets	$ 7,586,750	$ 6,930,463	$ 5,888,380	$ 5,439,200	$13,475,130	$12,369,663
Capital Assets	12,573,895	13,088,283	4,041,734	3,686,874	16,615,629	16,775,157
Total Assets	20,160,645	20,018,746	9,930,114	9,126,074	30,090,759	29,144,820
Current Liabilities	2,319,501	1,944,311	996,494	855,184	3,315,995	2,799,495
Noncurrent Liabilities	2,010,954	2,037,445	3,806,530	3,400,072	5,817,484	5,437,517
Total Liabilities	4,330,455	3,981,756	4,803,024	4,255,256	9,133,479	8,237,012
Invested in Capital Assets, Net of Related Debt	11,348,995	11,804,908	2,411,662	2,256,929	13,760,657	14,061,837
Restricted	2,618,790	2,323,595	1,555,221	1,352,948	4,174,011	3,679,543
Unrestricted	1,862,405	1,905,487	1,160,207	1,260,941	3,022,612	3,166,428
Total Net Assets	$15,830,190	$16,033,990	$ 5,127,090	$ 4,870,818	$20,957,280	$20,907,808

The amount of total net assets is one measure of the health of the state's finances, and the state reports significant positive balances in all categories of net assets. However, this measure must be used with care because large portions of the balances related to capital assets or restricted assets may be unavailable to meet the day-to-day payments of the state.

Capital assets, net of related debt, account for $13,760.7 million or 65.7 percent of the state's total net assets, which represents a decrease of $301.1 million from the prior year, primarily related to the state's conversion from the modified approach to the depreciation approach for bridge infrastructure. This change resulted in a prior-period adjustment of $397.1 million for errors in the valuation of the bridges at the inception of GASB Statement No. 34. The change also resulted in an accounting principle change of $306.7 million where the historical cost of individual bridges was below the state's capitalization threshold. This line item shows the original costs of capital assets reduced by depreciation to date and any remaining debt or lease liabilities the state incurred to obtain the assets. If not for the error correction and accounting principle change, capital assets would have increased by $402.7 million. Without the prior period adjustment, the current year increase indicates that capital asset purchases from current resources and paying down capital related debt together exceeded the reduction in carrying value of capital assets caused by recognizing depreciation of those capital assets. However, it should be noted that the value of the capital assets is not available to meet related debt service requirements, which must be paid from current receipts or available liquid assets.

Assets restricted by the State Constitution or external parties account for another $4,174.0 million or 19.9 percent of net assets, which represents a $494.5 million increase over the prior year. In general, these restrictions dictate how the related assets must be used by the state, and therefore, the amount may not be available for the general use of the state's programs. The constitutionally mandated State Education Fund net assets, the Highway Users Tax Fund net assets, and resources pledged to debt service are examples of restrictions on the state's net assets. Governmental activities accounted for $295.2 million of the increase and business-type activities accounted the remaining $199.3 million of the increase. The largest individual restriction increases were related to Highway Construction and Maintenance ($153.6 million), State Education ($127.3 million), and Unemployment Insurance ($90.0 million).

The Unrestricted Net Assets of $3,022.6 million or 14.4 percent of total net assets represents the amount by which total assets exceed total liabilities after all restrictions are considered. This represents a decrease of $143.8 million from the prior fiscal year. The governmental activities unrestricted net assets account for approximately $43.1 million of this decrease with the balance of $100.6 million in business-type activities. The largest portion of unrestricted net assets is reported in Special Revenue Funds, and generally, legislative action is required to make the Special Revenue Fund resources available for state programs other than the program for which the revenue was collected.

Another important measure of the state's financial health is the change in net assets from the prior year. The following condensed statement of activities shows that, without regard to prior period adjustments, net assets of both the governmental and business-type activities increased during the fiscal year. For the governmental activities, revenues and transfers-in exceeded expenses and transfers-out resulting in net assets increasing by $493.8 million. On the governmental fund-level statements, where capital outlay is reported as an expenditure and depreciation is not reported, governmental fund balances increased by $299.7 million. Program revenue of the governmental activities increased by $182.3 million (3.4 percent) primarily related to increasing grants, and general-purpose revenues increased by $276.9 million (3.1 percent) primarily due to economic growth, while expenses increased by $966.1 million (7.3 percent) from the prior year due to appropriation increases. The following table was derived from the current and prior year government-wide *Statement of Activities.* Business-type activities are discussed on the following page.

(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
Programs/Functions	2008	2007	2008	2007	2008	2007
Program Revenues:						
Charges for Services	$ 825,650	$ 768,694	$ 3,796,888	$ 3,487,154	$ 4,622,538	$ 4,255,848
Operating Grants and Contributions	4,222,670	4,122,360	1,728,669	1,685,417	5,951,339	5,807,777
Capital Grants and Contributions	439,693	414,602	9,426	22,263	449,119	436,865
General Revenues:						
Taxes	8,179,028	7,969,817	36,963	39,446	8,215,991	8,009,263
Restricted Taxes	986,274	946,757	-	-	986,274	946,757
Unrestricted Investment Earnings	42,478	43,638	-	-	42,478	43,638
Other General Revenues	113,603	84,328	-	-	113,603	84,328
Total Revenues	14,809,396	14,350,196	5,571,946	5,234,280	20,381,342	19,584,476
Expenses:						
General Government	55,789	163,412	-	-	55,789	163,412
Business, Community, and Consumer Affairs	667,381	565,769	-	-	667,381	565,769
Education	5,017,551	4,771,218	-	-	5,017,551	4,771,218
Health and Rehabilitation	603,296	560,153	-	-	603,296	560,153
Justice	1,436,009	1,313,767	-	-	1,436,009	1,313,767
Natural Resources	131,658	138,457	-	-	131,658	138,457
Social Assistance	4,822,437	4,496,696	-	-	4,822,437	4,496,696
Transportation	1,459,295	1,213,138	-	-	1,459,295	1,213,138
Interest on Debt	37,567	42,269	-	-	37,567	42,269
Higher Education Institutions	-	-	3,865,244	3,661,270	3,865,244	3,661,270
Unemployment Insurance	-	-	354,967	316,577	354,967	316,577
CollegeInvest	-	-	116,286	96,720	116,286	96,720
Lottery	-	-	447,101	401,969	447,101	401,969
Wildlife	-	-	109,800	96,515	109,800	96,515
College Assist	-	-	326,080	199,677	326,080	199,677
Other Business-Type Activities	-	-	173,928	163,727	173,928	163,727
Total Expenses	14,230,983	13,264,879	5,393,406	4,936,455	19,624,389	18,201,334
Excess (Deficiency) Before Contributions, Transfers, and Other Items	578,413	1,085,317	178,540	297,825	756,953	1,383,142
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(77,732)	(98,926)	77,732	98,926	-	-
Special Item	(6,843)	(25,915)	-	-	(6,843)	(25,915)
Total Contributions, Transfers, and Other Items	(84,575)	(124,841)	77,732	98,926	(6,843)	(25,915)
Total Changes in Net Assets	493,838	960,476	256,272	396,751	750,110	1,357,227
Net Assets - Beginning	16,036,990	15,083,865	4,870,818	4,456,800	20,907,808	19,540,665
Prior Period Adjustment	(393,912)	(7,351)	-	17,267	(393,912)	9,916
Accounting Changes	(306,726)	-	-	-	(306,726)	-
Net Assets - Ending	$15,830,190	$ 16,036,990	$ 5,127,090	$ 4,870,818	$20,957,280	$20,907,808

Business-type activities' revenues and net transfers-in exceeded expenses by $256.3 million resulting in an increase in net assets. From the prior year to the current year, program revenue of the business-type activities increased by $340.2 million while expenses increased by $456.9 million. Most of the program revenue increase occurred in Higher Education Institutions' Charges for Services ($225.8 million) and College Assist's Operating Grants ($109.0 million). Net transfers from the governmental activities to the business-type activities decreased from $98.9 million to $77.7 million.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

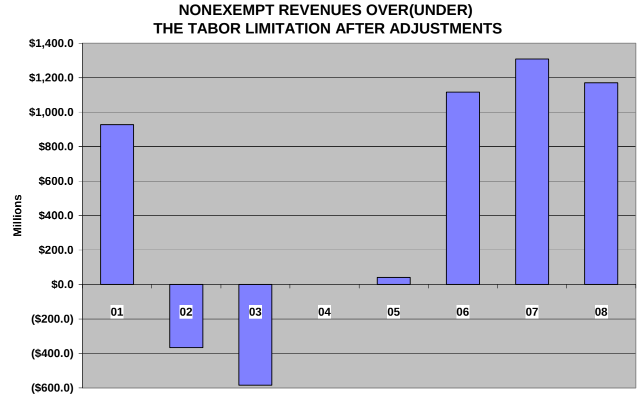
Fiscal Year 2007-08 is the fifteenth year of state operations under the TABOR revenue limitations (Article X, Section 20 of the State Constitution). With certain exceptions, the rate of growth of state revenues is limited to the combination of the percentage change in the state's population and inflation based on the Denver-Boulder CPI-Urban index. The exceptions include federal funds, gifts, property sales, refunds, damage recoveries, transfers, voter-approved revenue changes, and qualified enterprise fund revenues.

Revenues collected in excess of the limitation must be returned to the citizens unless a vote at the annual election in November allows the state to retain the surplus. In November 2005 voters approved a measure, commonly known as Referendum C, which was referred to the ballot by the Legislature. Referendum C authorized the state to retain all revenues in excess of the TABOR limit for the five-year period from Fiscal Year 2005-06 through Fiscal Year 2009-10. Referendum C had additional provisions and effects that are discussed below.

TABOR also limits the General Assembly's ability to raise taxes, to borrow money, and to increase spending limits including the previously existing statutory six percent limit on General Fund expenditure growth. With the exception of a declared emergency, taxes can only be raised by a vote of the people at the annual election. Multiple year borrowings can only be undertaken after approval by a similar vote.

The TABOR limits are calculated and applied at the statewide level without regard to fund type; however, the TABOR refunds have historically been paid from the General Fund. Therefore, the TABOR revenue, expenditure, debt, and tax-increase limitations are significant factors in the changing fiscal status of the state's General Fund. The original decision to pay TABOR refunds out of the General Fund continues to be important under Referendum C because revenues in excess of the limit that are recorded by cash funds remain in those funds (barring Legislative action) but are required to be budgeted and expended from the General Fund Exempt Account created in the General Fund by Referendum C. This requirement conflicts with the existing statutory six percent limit on General Fund expenditure growth unless General Fund appropriations are reduced by a matching amount.

In years when Referendum C is not in effect, the state's ability to retain revenues is also affected by a requirement in TABOR commonly referred to as the ratchet down effect. The ratchet down occurs because each year's revenue retention limit is calculated based on the lesser of the prior year's revenues or the prior year's limit. When revenues are below the limit, it results in a permanent loss of the state's ability to retain revenues collected. Referendum C effectively suspended the ratchet down effect during the five-year refund hiatus by authorizing the state to retain and spend any amount in excess of the TABOR limit.



In the first three years of operations under TABOR, the state did not exceed the revenue limitation. In Fiscal Years 1996-97 through 2000-01, state revenues exceeded the TABOR limitation by $139.0 million, $563.2 million, $679.6 million, $941.1 million, and $927.2 million, respectively. The economic downturn in Fiscal Years 2001-02 and 2002-03 and adjustments for inaccurate population estimates applied in Fiscal Year 2003-04 precluded TABOR refunds in those years. The state was required to refund $41.1 million in Fiscal Year 2004-05. At the beginning of Fiscal Year 2007-08, this amounted to total required refunds of

$3,291.2 million since TABOR's inception. At June 30 of each fiscal year, the state recorded a liability on the General Fund Balance Sheet for these amounts, and the amounts were refunded in subsequent years.

In Fiscal Year 2007-08, state revenues subject to TABOR were $9,998.6 million, which was $1,169.4 million over the adjusted current year limit; however, the $1,169.4 million is not reported as a liability on the fund-level General Fund Balance Sheet or the government-wide Statement of Net Assets because under Referendum C it will not be refunded to taxpayers. In Fiscal Year 2007-08, Western and Mesa State Colleges were disqualified as TABOR enterprises due to receiving state capital construction support in excess of the allowable 10% limit. As required by TABOR, the State Controller makes disqualifications of enterprises neutral by adding the newly disqualified enterprise's nonexempt revenues to the limit after it has been adjusted for allowable growth. In Fiscal Year 2007-08, the TABOR limit was increased by $38.1 million related to enterprise disqualifications.

Under the requirements of current law, the Governor's Office of State Planning and Budgeting (OSPB) estimates that the state will retain $6.1 billion during the five-year refund time-out authorized by Referendum C.

Referendum C

Referendum C, approved by the voters in the November 2005 election, contained the following provisions:

- The state shall be authorized to retain and spend all revenues in excess of the limit on fiscal year spending after July 1, 2005, and before July 1, 2010 (five fiscal years). The authorization constitutes a voter approved revenue change.
- After July 1, 2010, the limit on fiscal year spending is effectively raised to the highest population and inflation adjusted nonexempt revenue amount in the period from July 1, 2005, and before July 1, 2010. This provision disables the ratchet down provision during the five-year period.
- A General Fund Exempt Account is created within the General Fund to consist of the retained revenues for each fiscal year. The Legislature shall appropriate the moneys in the account for health care, education (including related capital projects), firefighter and police pension funding, and strategic transportation projects. Spending from the General Fund Exempt Account is subject to the six percent limit on General Fund expenditure growth.
- The Director of Research of the Legislative Council shall report the amount of revenues retained with a description of how the retained revenues were expended.

The amount of revenues in excess of the limit cannot be known until the completion of the TABOR audit, which is generally not available until up to six months after fiscal year-end. The referendum authorized spending the General Fund Exempt Account moneys in the same year the revenues are retained, and in the 2007 legislative session the Legislature appropriated an estimate of the amount to be retained for Fiscal Year 2007-08. The appropriation was based on the Legislative Council March 20, 2007, estimate of the total retained revenue, which was $1,008.0 million or $161.4 million less than the actual amount retained. It is expected that the General Assembly will enact a retroactive budget adjustment during the 2008 legislative session to appropriate the remaining $161.4 million as being spent from the General Fund Exempt Account. Per the report prepared by the Legislative Council, the Legislature appropriated the $1,008.0 million estimate of the fiscal year retained revenues from General Fund Exempt Account as follows:

(Amounts in Millions)

Department	Purpose	Amount
Department of Education	Education - Total Program	$ 327.5
Department of Health Care Policy and Financing	Health Care - Medical Services Premiums	327.6
Department of Higher Education	Education - Tuition Stipends	294.3
Department of Treasury	Fire & Police Retirement Plans	38.6
Department of Transportation	Transportation Projects	20.0
TOTAL		$1,008.0

In order to comply with the six percent limit on spending growth, which applies to the General Fund and the General Fund Exempt Account alike, the General Fund Exempt Account spending forces a reduction in General Fund spending. As a result, the General Fund Exempt Account spending is not new money for the state agencies;

rather, it maintains spending that otherwise likely would have been reduced. It cannot be known what specific actions the General Assembly might have taken if Referendum C had not passed and the state followed its historical policy of paying TABOR refunds from the General Fund. However, it is likely that some combination of significant spending reductions, reserve spending, and/or transfers in from other funds would have been necessary to accommodate the required refund.

With Referendum C in place and TABOR refunds temporarily suspended, important statutory thresholds for the General Fund were met – including six percent growth in spending and maintaining a reserve equal to four percent (on the budgetary basis). When these thresholds are met, 10.355 percent of sales and use tax is diverted from the General Fund to the Highway Users Tax Fund, which amounted to $238.1 million in Fiscal Year 2007-08. However, the sales and use tax diversion thresholds were not met as of the September 2008 legislative revenue estimate and are not projected to occur for Fiscal Year 2008-09. In addition, the General Fund ended the year with a surplus of $43.4 million that will be transferred in Fiscal Year 2008-09 to the Highway Fund Users Tax Fund and the Capital Construction Fund in the ratio of two-thirds ($28.9 million) to one-third ($14.5 million), respectively.

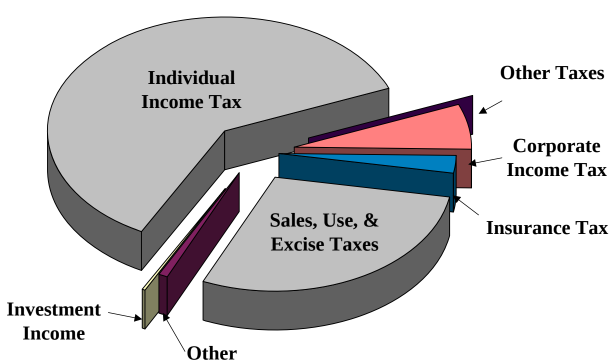
INDIVIDUAL FUND ANALYSIS

General Fund

The General Fund is the focal point in determining the state's ability to maintain or improve its financial position. This fund accounts for all revenues and expenditures that are not required by law to be accounted for in other funds. Revenues of the General Fund consist of two broad categories, general-purpose revenues and augmenting revenues. General-purpose revenues are taxes, fines, and other similar sources that are collected without regard to how they will be spent. Augmenting revenues include federal funds, transfers-in, fees and charges, or specific user taxes. Augmenting revenues are usually limited as to how they can be spent. Even though significant federal grant revenues are accounted for in the General Fund, they have little impact on the General Fund fund balance because Federal revenues are closely matched with federal expenditures.

The ending fund balance of the General Fund, as measured by generally accepted accounting principles, was $207.4 million, a decrease of $205.9 million from the prior year. The required General Fund Reserve for Statutory Purposes was $283.5 million, an increase of $16.5 million over the prior year required by the increase in General Fund appropriations. While the state was able to fund the reserve on a budgetary basis, there was only $151.7 million available on a GAAP basis for the required reserve resulting in a shortfall of $131.8 million. The primary reason for the decrease in General Fund fund balance was an increase in expenditures in excess of the increase in revenues, which was partially offset by a $128.6 million decrease in net transfers-out. The most significant transfer-out decrease from the prior year was the General Fund Surplus transfer to the Highway and Capital Constructions funds which declined from $436.8 million to $249.3 million. Most of the decrease in fund balance shows as an $80.9 million increase in Tax Refunds Payable and a $94.5 million increase in Accounts Payable which were partially offset by an increase in Due from Other Governments of $70.3 million. The General Fund's $516.1 million cash balance decreased from the prior year partially due to the above referenced increase in receivables from other governments.

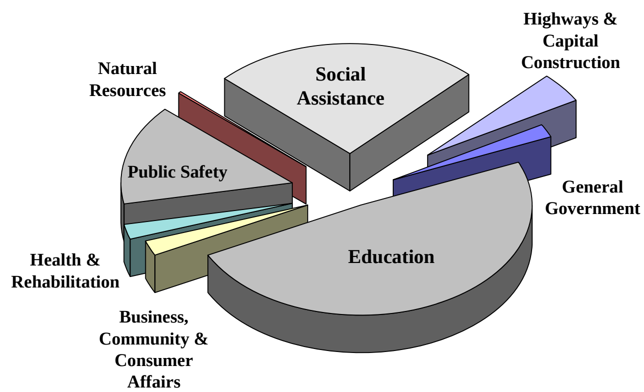
GENERAL-PURPOSE REVENUES BY SOURCE



General-purpose revenues for Fiscal Years 2007-08 and 2006-07 were $7,504.8 million (see page 147) and $7,312.6 million, respectively – an increase of $192.2 million or 2.6 percent. Individual income tax revenue increased by $90.2 million. The major categories of individual income tax, all of which contributed to the increase, were withholding payments (up 5.1 percent) and estimated payments (up 3.5 percent.) The change in income tax refunds (up 20 percent) partially offset revenue increases. Corporate income tax receipts increased by $9.8 million or 2.1 percent. Investment income of the General Fund decreased by $10.2 million or 36.4 percent; the decrease reflects the decline in the General Fund cash balance as well as the declining interest rates throughout the fiscal year. Sales, use, and excise taxes increased by $96.7 million or 4.7 percent, which is consistent with the 5.2 percent increase in personal income in 2008. Insurance premium taxes increased by $8.9 million or 5.0 percent due to increases in the number of policies and the amount of premiums. Other revenue decreased by $2.5 million or 4.6 percent primarily related to the elimination of a $6.5 million transfer from the Limited Gaming Fund to the General Fund that was partially offset by various other revenue increases.

On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2007-08 and 2006-07 were $7,353.7 million (see page 147) and $6,903.6 million, respectively. The total annual increase in general-funded expenditures (including expenditures from the General Fund Exempt Account authorized by Referendum C) is limited to six percent over the previous year with certain adjustments. The primary adjustments are for changes in federal mandates, lawsuits against the state, and most transfers not appropriated by department. This limitation is controlled through the legislative budget process and carries the weight of a constitutional requirement because of the TABOR amendment. In Fiscal Year 2007-08, appropriation growth was 6.48 percent.

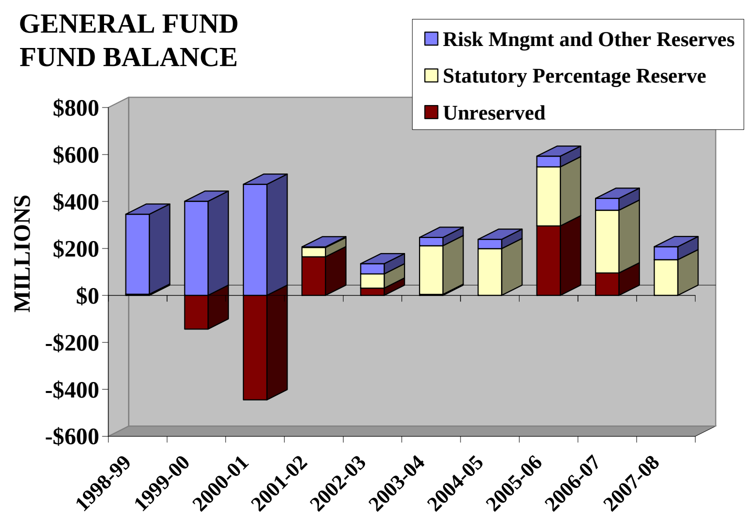
EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES



With expenditures measured using generally accepted accounting principles, the Departments of Education, Health Care Policy and Financing, Higher Education, and Human Services accounted for approximately 77.7 percent of all Fiscal Year 2007-08 general-funded expenditures, which is an increase of 2.1 percent from the prior year. In each instance, except for the Department of Education and the Department of Human Services, these departments' general-funded expenditures increased by 7.7 percent or more. The percentage use of total general-funded resources by these four departments increased primarily because the transfers and distributions to the Capital Projects Fund (from $291.5 million to $183.4 million) and the Highways Users Tax Fund (from $291.2 million to $166.2 million) were significantly lower during Fiscal Year 2007-08 than Fiscal Year 2006-07. These transfers and distributions represent a significant decrease from the prior year primarily due to the $249.3 million General Fund Surplus from Fiscal Year 2006-07 (transferred in Fiscal Year 2007-08) being substantially less than the Fiscal Year 2005-06 General Fund Surplus of $436.8 million (transferred in Fiscal Year 2006-07). The General Fund Surplus transfer is not appropriated by department, and it is not counted against the six percent General Fund spending limit. Of the departments with substantial General Fund expenditures, the major expenditure increases were in the Department of Education ($140.4 million or 4.9 percent), the Department of Higher Education ($53.7 million or 7.7 percent), the Department of Corrections ($48.8 million or 8.4 percent), the Judicial Branch ($35.5 million or 13.4 percent), the Department of Human Services ($31.6 million or 4.4 percent), and the Department of Health Care Policy and Financing ($113.5 million or 8.3 percent).

Amendment 23, passed by the voters in 2000, mandates increases in Department of Education spending primarily related to payments to local public school districts. The increase in the Department of Higher Education was primarily related to $41.7 million of increased fee-for-service contracts between the Department and the Higher Education Institutions and $30.8 million of increased student stipends paid through the College Opportunity Fund. The Department of Corrections increase was primarily for costs of the department's internal inmate housing program and medical services for prisoners. Each of these increases is affected by the general increase in the offender population. The largest individual increase in the Judicial Branch was related to probation services with smaller increases in trial court costs and the public defender program. The largest increase in the Department of Human Services was an additional $31.4 million expended on the Developmental Disability Services Program with smaller increases in child welfare programs, mental health services for the medically indigent, and other grants. Finally, the largest increase in the Department of Health Care Policy and Financing was related to smaller than anticipated decreases in Medicaid caseload as well as smaller increases in the indigent care and developmental disabilities programs.

The limited increases for two large departments (Department of Human Services – 4.4 percent and Department of Education – 4.9 percent) along with the allowable six percent growth related to general-purpose revenue increases allowed for the other departmental increases in excess of the 6 percent limit.



The chart at the right shows the changes in the major reserves in the General Fund on the basis of generally accepted accounting principles (GAAP). Statutes require a four percent fund balance reserve ($283.5 million in Fiscal Year 2007-08). In Fiscal Year 2007-08, the General Fund did not have adequate resources to meet the required four percent reserve on the GAAP basis. Compliance was achieved on a budgetary basis by deferring certain payroll and Medicaid costs; without this deferral the general fund reserve would have a $131.8 million shortfall. In Fiscal Years 2006-07 and 2005-06 the General Fund had adequate resources to meet the required four percent reserve on the GAAP basis. In years prior to Fiscal Year 2005-06 compliance was achieved on the budgetary basis by deferring either expenditures or TABOR refunds. Economic conditions during Fiscal Year 2007-08 and the absence of a TABOR refund allowed the state to meet the required four percent reserve on the budgetary basis, but not on a GAAP basis. The deferral also resulted in a budgetary basis excess over the required reserve that will be transferred to the Highway Fund and the Capital Projects Fund as discussed below. (Note to the General Fund Fund Balance chart: Before Fiscal Year 2001-02, the reserves of a large number of funds were reported as part of the General Fund; from Fiscal Year 2001-02 forward they are reported as Special Revenue Funds, and therefore, are not included in the chart. The large deficit Unreserved Fund Balance in Fiscal Years 1999-00 and 2000-01 were the result of very large TABOR refund liabilities that were recognized on a GAAP basis but deferred on a budget basis. The statute that allowed the deferral of TABOR refund liabilities has been repealed.)

As required by Senate Bills 03-196 and 03-197, the state converted to cash basis accounting for certain expenditures in Fiscal Year 2002-03 and subsequent years. As discussed above, this change resulted in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. The amount of net General Fund revenues that are available for expenditure are titled General Fund Surplus on the budgetary basis statement. There is no equivalent amount for FY 2007-08 for the GAAP basis financial statements since the General Fund reserve was only met on a budgetary basis. Deferring payroll expenditures moved $92.0 million of expenditures into the following year, while deferring Medicaid related expenditures moved $185.4 million of expenditures into the following year. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $102.1 million. In total, the effect was to increase General Fund budgetary fund balance by $175.3 million, which was $21.8 million more than the effect of deferring Fiscal Year 2006-07 expenditures into Fiscal Year 2007-08.

Colorado statutes require that early in each year the State Controller transfer the entire ending General Fund Surplus of the prior fiscal year two-thirds to the Highway Users Tax Fund and one-third to the Capital Projects Fund. The General Fund Surplus is calculated on the budgetary basis as the amount in excess of the required four percent reserve with certain payroll and Medicaid expenditures deferred into the following year as noted above. In Fiscal Year 2007-08, the transfer amount was $249.3 million of which $166.2 million went to the Highway Users Tax Fund and $83.1 million went to the Capital Projects Fund. The transfer will be $43.4 million in Fiscal Year 2008-09 with $28.9 million going to the Highway Users Tax Fund and $14.5 million going to the Capital Projects Fund. As noted above, these transfers would not have been possible without the passage of Referendum C and the deferral of certain Medicaid and payroll expenditures.

State Public School Fund

The State Public School Fund is a statutory fund whose primary revenue source is quarterly transfers from the General Fund. The fund distributes substantially all of the General Fund transfer to local school districts resulting in year-end fund balances that are not significant. The fund made distributions of $2,859.9 million and $2,758.2 million in Fiscal Year 2007-08 and 2006-07, respectively.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance increased by $140.0 million over the prior year primarily related to the following:

- A $91.2 million increase in revenue primarily comprising a $29.9 million increase in Federal grants and contracts, a $26.3 million increase in excise tax revenue, and a $17.0 million increase in investment income related to increasing cash balances in the fund.
- A $138.2 million increase in expenditures including a $104.6 million increase for road construction, a $12.2 million reduction in capital outlay, an $10.1 million increase in distributions to special districts.
- An excess of transfers in over transfers out of $257.1 million primarily due to statutorily mandated transfers from the General Fund. Although these amounts were less than in the prior year, this excess was still enough to drive the increase in fund balance.

The Highway Users Tax Fund shows an Unreserved Fund Balance Reported in Special Revenue Funds of $32.0 million. This amount is the residual after a $711.4 million reserve for encumbrances and a $746.6 million reserve for funds reported as restricted. The encumbrances are related to multiple year construction project contracts that are to be funded primarily from future gas tax and motor vehicle license fee revenues. The funds reported as restricted are primarily in the form of cash that is restricted by the State Constitution to be used only for highway construction and maintenance.

Capital Projects Fund

The Capital Projects Fund fund balance decreased by $20.0 million from the prior fiscal year primarily due to a $95.1 million increase in Capital Outlay, a $50.5 million increase in noncapitalizable maintenance costs, and a decrease in transfers-in of $108.0 million. Nontransfer revenues of the fund increased by $15.2 million, and transfers-out increased by $23.9 million. In the prior year, inflows of the fund exceeded outflows by $242.8 million. All of these factors contributed to the net fund balance decrease. Current year total transfers-in of $197.9 million were primarily from the General Fund ($183.5 million). The General Fund transfers-in would likely not have occurred absent the passage of Referendum C. Historically, it has been the General Assembly's policy to appropriate the entire Capital Construction fund balance, and most of the amount shown as unreserved has already been committed to projects in the Fiscal Year 2008-09 budget cycle.

State Education Fund

The State Education Fund fund balance increased by $127.3 million during Fiscal Year 2007-08. Except for investment income, revenues of the fund are fixed as a percentage of taxpayer income, and the fund's portion of those receipts increased in Fiscal Year 2007-08 by $12.8 million from the prior year. Investment income increased by $6.5 million over the prior year primarily due to a significant increase in the fund's cash balance on deposit with the State Treasurer. Unrealized gains made up 19 percent of the investment income. Expenditures of the fund are limited by a constitutional amendment to certain education programs and to meeting growth requirements in other education programs. Expenditures of the fund were $297.6 million and $333.7 million in Fiscal Year 2007-08 and 2006-07, respectively. This decline in expenditures was made possible partially by Senate Bill 07-199 that ended a requirement for local school districts to reduce their property tax mill levies thereby increasing local support for schools and decreasing state support for local school districts. (See additional information on page 136.)

Higher Education Institutions

Current period activity increased the net assets of the Higher Education Institutions by $161.1 million. The fund has a wide variety of funding sources to which expenses are not specifically identifiable; therefore, it is not possible to cite the source of the net asset increase. However, it can be noted that tuition and fees of the institutions increased by $89.2 million, sales of goods and services increased by $129.5 million, federal revenues increased by $16.3 million, investment income decreased by $131.9 million, and other revenues increased by $10.3 million. Expenses of the fund increased by amounts consistent with the percentage change in revenues. The state made capital contributions of $97.7 million and $34.8 million in Fiscal Years 2007-08 and 2006-07, respectively, that were funded by the Capital Projects Fund and transferred $157.4 million ($134.5 million in Fiscal Year 2006-07) to Higher Education Institutions primarily from the General Fund for student financial aid and vocational training.

Unemployment Insurance

The net assets of the Unemployment Insurance Fund increased by $90.0 million primarily because unemployment insurance premium taxes and investment earnings on the Unemployment Insurance Fund assets exceeded unemployment benefits paid. The net asset increase was less than the prior fiscal year increase of $126.8 million because of a $5.6 million decrease in unemployment insurance premium taxes. The change in net assets was also affected by a $7.0 million increase in investment earnings, and an increase in unemployment benefits of $38.4 million which increased the expenses of the fund. Colorado statutes require management to adjust unemployment insurance premium tax rates when the fund's cash balance exceeds or is below established thresholds. The fund's cash balance increased from Fiscal Year 2006-07 to 2007-08 by $99.3 million from $611.1 million to $710.4 million.

CollegeInvest

CollegeInvest's net assets decreased by $14.6 million or 7.3 percent. The fund experienced a $35.4 million decrease in Federal Grants and Contracts, a $16.3 million decrease in Investment Income, and a $11.6 million increase in Other Revenue. CollegeInvest's debt service increased $21.9 million related to an increase of $84.0 million in outstanding bonds. Assets of the fund increased from $1,913.3 million to $1,976.4 million while liabilities increased from $1,713.5 million to $1,791.2 million, primarily due to bond issuance. CollegeInvest uses bond proceeds to fund loans to students that are recorded on the *Statement of Net Assets* in the line items Student and Other Receivables and Restricted Receivables.

State Lottery

The Lottery produced operating income of $120.3 million ($117.3 million in Fiscal Year 2006-07) on sales of $512.7 million ($466.3 million in Fiscal Year 2006-07), which represents a 2.6 percent increase in operating income. The Lottery distributed $53.1 million ($51.3 million in Fiscal Year 2006-07) to the Great Outdoors Colorado program, a related organization, and transferred $69.7 million ($68.1 million in Fiscal Year 2006-07) to other state funds, of which, $8.0 million was distributed to local school districts through the State Public School Fund, $12.2 million was used to fund operations of the state Division of Parks and Recreation, and $48.9 million was expended to local governments through the Conservation Trust Fund. Because of the requirement to distribute most of its income, the Lottery net assets are minimal and change very little from year to year.

ANALYSIS OF BUDGET VARIANCES

The following analysis is based on the General Fund Surplus Schedule included in Required Supplementary Information on page 147. That schedule isolates general-purpose revenues and expenditures funded from those revenues, and it is therefore the best source for identifying general-funded budget variances.

Differences Between Original and Final Budgets

The following list shows departments that had net changes in general-funded budgets greater than $5.5 million.

- Department of Corrections – The department's original budget exceeded the final budget by $10.6 million. The primary reason for the decrease was because of $8.1 million in funding reductions to private prisons due to lower than projected growth rates of the inmate population and increased releases. Part of this reduction was offset by an increase in the department's cash funded budget of $2.9 million. The general funded budget also decreased by $1.0 million for decreases in personal services and related costs.

- Department of Education – The department's original budget exceeded the final budget by $40.9 million. The decrease in the department's general funded budget was primarily related to public school finance. The state share of funding was reduced due to higher than anticipated local funding and lower than anticipated pupil count, which were partially offset by higher than expected per pupil funding.

- Governor's Office – The Governor's Office final budget exceeded the original budget by $5.5 million, a 46.9 percent increase. The increase was a result of an increased appropriation to the Office of Economic Development to assist in improving and accelerating the evaluation process for bioscience research discoveries.

- Department of Health Care Policy and Financing (HCPF) – The department's final budget exceeded the original budget by $17.2 million, a 1.2 percent increase. The increase was the result of a large number of increases and decreases, of which the following were the most significant:
  - $22.8 million increase in the general-funded appropriations for Medical Service Premiums required for matching Medicaid grant funds. The department's estimate for Medicaid clients in the original budget was 381,189, but the actual caseload was 388,068.
  - $5.6 million increase in the general-funded appropriation related to the Children's Basic Health Plan to supplement Tobacco Litigation funding as the state share for medical and dental costs for enrollees.
  - $10.5 million increase in the general funded appropriation for the School Health Service Program to repay the federal government regarding claims for reimbursement that were disallowed.
  - $5.4 million decrease in the general funded appropriations relating to Medicare primarily due to a change of certain expenditures from the accrual to the cash basis of accounting.
  - $10.5 million decrease in the general funded appropriation for Child Welfare to the Department of Human Services as required by statute.
  - $6.9 million decrease in the appropriation for Community Services for the Developmentally Disabled primarily due to lower than expected related Medicaid expenditures.

- Department of Human Services (DHS) – The department's final budget exceeded the original budget by $15.0 million. The increase was the result of a large number of increases and decreases, of which the following were the most significant:
  - $5.2 million increase in the Community Services for the Developmentally Disabled program general-funded appropriation. The legislature allowed the amount to be rolled forward from the Fiscal Year 2006-07 budget in order to assist developmental disability clients and providers who were negatively affected by the conversion to a statewide rate structure for developmental disability Medicaid waiver services.

    - $8.8 million increase in the general-funded appropriation for Child Welfare Services due to a redesign of a Residential Treatment Center as well as to support a rate adjustment related to Therapeutic Residential Child Care Facilities.
    - $10.5 million increase in the Child Welfare Services program general-funded appropriation related to an unspent general-funded appropriation at HCPF that is transferred annually for DHS to apply to the county grant close out process,
    - $8.3 million decrease in the general-funded appropriation to the Division of Youth Corrections due to a lower than expected increase in youth population caseload.
- Department of Treasury – The department's final budget exceeded the original budget by $14.4 million. The increased was primarily due to $13.0 million expended to support debt service payments on the Tax Revenue Anticipation Notes that the State Treasurer issued to fund an interest free loan program for local school districts pending their receipt of property tax revenues. At the time of the original budget the level of participation by local school districts was unknown.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $28.7 million for Fiscal Year 2007-08. General-funded overexpenditures are discussed in detail in Note 8A on page 82 at the individual line item appropriation level. In total, state departments reported negative general-funded appropriation reversions of $13.9 million; the reversion would have been a positive $21.1 million if not for a $9.3 million negative reversion related to the Old Age Pension program at the Department of Revenue and a Medicaid overexpenditure of $25.7 million at the Department of Health Care Policy and Financing. The Department of Revenue negative reversion is not considered an overexpenditure because the Old Age Pension program is continuously appropriated in statute and the negative reversion is shown primarily to inform the General Assembly of the amount of Old Age Pension expenditures in excess of the estimate. In addition, departments reverted $2.9 million of revenue earned in excess of the amount that was needed to support specific cash-funded appropriations in the General Fund. The final budget is presented without reduction for restrictions in order to show the total reversion of appropriated budget. The following list shows those departments that had reversions of at least $1.0 million.

- Department of Corrections – The department reverted $1.0 million which was made up of numerous small amounts related to cost containment in the purchase of pharmaceuticals and reduced expenditures for monitoring and treatment services.
- Department of Health Care Policy and Financing – The department reverted $6.7 million net of the $25.7 million statutorily authorized overexpenditure in the Medicaid program detailed in Note 8A. The reversions were made up of numerous small amounts, the largest of which was $3.1 million related to the regional centers care of persons with disabilities. The department's implementation of a new rate structure for the regional centers was delayed until Fiscal Year 2008-09 resulting in reversions of amounts appropriated for rate increases.
- Judicial Branch – The Judicial Branch reverted $1.4 million, primarily related to the Office of the Alternate Defense Counsel. The office reverted the money from its Conflict of Interests Contracts appropriation due to a decrease in the projected amount of criminal filings during Fiscal Year 2007-08.
- Legislative Branch – The Legislative Branch reverted $1.7 million – the largest portion of which was from the general administrative line item of the Office of the State Auditor. The reversion occurred primarily due to delays in finalizing service contracts, which precluded incurring the related expenditures in the fiscal year.
- Department of Revenue – The department reverted $6.9 million, not including the $9.3 million negative reversion related to Old Age Pension expenditures discussed above. The department reverted $4.6 million of the Old Age Heat and Fuel refunds appropriation because the lawful presence verification requirement instituted during Fiscal Year 2006-07 resulted in fewer applications than estimated. The department also reverted $1.3 million of the Cigarette Tax Rebate appropriation for tax rebates to local governments. The department received a supplemental increase in the Rebate appropriation based upon distributions for the first

nine months of the fiscal year. However, the last three months of actual distributions were less than the estimates and resulted in the reversion.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The state's investment in capital assets at June 30, 2008, was $16.6 billion ($16.8 billion in Fiscal Year 2006-07). Included in this amount were $5.7 billion of depreciable capital assets net of $3.7 billion of depreciation. Also included was $10.9 billion of land and nondepreciable infrastructure reported under the modified approach. The state added $943.5 million and $942.4 million of capital assets in Fiscal Year 2007-08 and 2006-07, respectively. Of the Fiscal Year 2007-08 additions, $328.6 million was recorded by governmental funds and $614.9 million was recorded by proprietary funds. General-purpose revenues funded $203.9 million of capital and controlled maintenance expenditures during Fiscal Year 2007-08, and the balance of capital asset additions was funded by federal funds, cash funds, or borrowing. The table below provides information on the state's capital assets by asset type for both governmental and business-type activities.

The state's major commitments for capital expenditures are reported in the attached financial statements as fund balances reserved for encumbrances. At June 30, 2008, the state had commitments of $255.1 million in the Capital Projects Fund ($192.6 million in Fiscal Year 2006-07) and $711.4 million in the Highway Users Tax Fund ($628.5 million in Fiscal Year 2006-07). Certain construction projects of the Higher Education Institutions are not reported in the Capital Projects Fund because they are not subject to appropriation; additionally, commitments for the related capital expenditures are not shown because the enterprise funds do not report a reserve for encumbrances.

The state's capital assets at June 30, 2008 and 2007, were (see Note 16 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 140	$ 81	$ 262	$ 231	$ 402	$ 312
Collections	9	9	13	13	22	22
Construction in Progress	373	442	301	591	674	1,033
Infrastructure	9,770	11,268	-	-	9,770	11,268
Total Capital Assets Not Being Depreciated	10,292	11,800	576	835	10,868	12,635
Capital Assets Being Depreciated						
Buildings and Related Improvements	1,559	1,510	4,776	4,016	6,335	5,526
Vehicles and Equipment	701	674	783	741	1,484	1,415
Library Books, Collections, and Other Capital Assets	34	31	449	429	483	460
Infrastructure	1,094	89	19	19	1,113	108
Total Capital Assets Being Depreciated	3,388	2,304	6,027	5,205	9,415	7,509
Accumulated Depreciation	(1,106)	(1,016)	(2,562)	(2,354)	(3,668)	(3,370)
Total	$ 12,574	$ 13,088	$ 4,041	$ 3,686	$ 16,615	$ 16,774

Infrastructure reported as *Capital Assets Not Being Depreciated* decreased by $1,498.0 million primarily related to the Department of Transportation converting from the modified approach to the depreciation approach for reporting bridge infrastructure. The change moved $989.2 million of bridge infrastructure to the category *Capital Assets Being Depreciated*, and resulted in an accounting principle change of $306.7 million related to bridges where the historical cost was below the state's capitalization threshold. The change from the modified to depreciation approach also resulted in a prior period adjustment of $397.1 million related to errors in the valuation of bridges recorded for the first time in Fiscal Year 2001-02 at the implementation of GASB Statement No. 34.

The state is constitutionally prohibited from issuing general obligation debt except to fund buildings for state use, to defend the state or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies. Except for exempt enterprises, the TABOR amendment requires a vote of the people for the creation of any debt unless existing cash reserves are irrevocably pledged to service the debt. The amendment does allow debt issuance to refinance a borrowing at a lower interest rate. These requirements limit management's ability to address revenue shortfalls by borrowing for capital expenditures. However, the state has issued Certificates of Participation (COPs) secured by buildings and vehicles and has issued revenue bonds that are secured by pledges of future revenues. In some instances the debt-financed asset generates the pledged revenue stream; in other instances, such as the Transportation Revenue Anticipation Notes (TRANs), the pledged revenue stream is future federal revenues and state highway users taxes. The state has other forms of borrowing that are small in relation to the revenue bonds and COPs. The following schedule shows the principal and interest that will be paid over the following thirty-five year period to retire the current borrowing for bonds and COPS (see Note 24).

Fiscal Year 2007-08
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 60.0	$ 23.3	$ 1,216.0	$ 305.6	$ 172.9	$ 73.4	$ 1,448.9	$ 402.3
Business-Type Activities	93.4	38.9	3,325.7	2,477.1	210.2	133.3	3,629.3	2,649.3
Total	$ 153.4	$ 62.2	$ 4,541.7	$ 2,782.7	$ 383.1	$ 206.7	$ 5,078.2	$ 3,051.6

Fiscal Year 2006-07
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 30.5	$ 11.3	$ 1,319.7	$ 371.1	$ 183.2	$ 80.7	$ 1,533.4	$ 463.1
Business-Type Activities	68.6	32.3	2,935.4	3,061.8	218.9	144.0	3,222.9	3,238.1
Total	$ 99.1	$ 43.6	$ 4,255.1	$ 3,432.9	$ 402.1	$ 224.7	$ 4,756.3	$ 3,701.2

In Fiscal Year 2006-07, the total principal amount of revenue bonds and COPs was 38.5 percent of net assets other than capital assets. In Fiscal Year 2007-08, that measure decreased to 37.7 percent because noncapital net assets increased more than debt principal did on a proportional basis. Total per capita borrowing including bonds, certificate of participation, mortgages, notes, and leases was $1,168, $1,051, $982, $932, and $807 per person in Fiscal Years 2007-08, 2006-07, 2005-06, 2004-05, and 2003-04, respectively.

INFRASTRUCTURE ASSETS REPORTED UNDER THE MODIFIED APPROACH

The state has elected to report infrastructure under the modified approach for certain assets owned and maintained by the state Department of Transportation. The main feature of the modified approach is that annual maintenance and preservation costs are reported rather than depreciation (see additional information regarding the roadway infrastructure in RSI-2 on page 149). In order to continue using the modified approach, the condition of the infrastructure must be maintained at a level set in advance by the state. The state must disclose how the amount actually spent on maintenance and preservation compares to the estimate of the amount needed to maintain the established condition level. The state's maintenance of the infrastructure is measured by condition assessments compared to the target condition level.

The Department of Transportation has established a process for reporting the estimated cost to maintain infrastructure assets at the established condition level. Prior to Fiscal Year 2006-07, the department did not report projections, but instead, reported budgeted amounts as a surrogate for the cost to maintain. Because of the multiple year nature of the infrastructure budgets, it was determined that the department's projections of costs are a better basis for the comparison of estimated and actual costs to maintain. Beginning in Fiscal Year 2006-07 and for future fiscal years, the department reports the estimated versus actual cost to maintain as follows:

(Amounts in Millions)

Fiscal Year	Projected Cost	Budgeted Cost	Actual Spending
2007-08	$ 894.6	NA	$ 332.7
2006-07	734.2	NA	380.4
2005-06	Not Available	$ 210.9	460.6
2004-05	Not Available	138.0	452.8
2003-04	Not Available	554.1	529.9
2002-03	Not Available	631.0	1,457.1
Total	$ 1,628.8	$ 1,534.0	$ 3,613.5

The established condition level set by the Colorado Transportation Commission for roadways is unchanged from the prior year and requires that 60 percent of roadways fall in the good or fair categories. The following table presents the roadway condition assessment for the preceding six years and shows that the most recent condition assessment fails to meet the established condition level.

	2007	2006	2005	2004	2003	2002
Percent Rated Good/Fair	59	63	65	61	58	58
Percent Rated Poor	41	37	35	39	42	42

Each year the Colorado Transportation Commission is provided with the estimates of the funding needed to alternatively maintain or improve existing conditions over the next 20 years. Beginning in Fiscal Year 2007-08, the Department of Transportation reported that available resources were no longer adequate to maintain the state's bridges at the established condition level as required by the modified approach. Therefore, the state is reporting depreciation of its bridges in Fiscal Year 2007-08. A prior period adjustment has been included in the financial statements to correctly state the beginning balance of a portion of the bridges that were valued incorrectly at the state's implementation of GASB Statement No. 34 in Fiscal Year 2001-02. In addition, an accounting change has been recorded for bridges that were below the state's capitalization threshold or were fully depreciated and therefore should not be included under the new deprecation method. Although the modified approach is no longer used for the bridges, the following information is included to show the historical condition levels through the current fiscal year.

CDOT utilizes PONTIS and the National Bridge Inventory to monitor the condition of approximately 3,800 bridges under its jurisdiction. The established condition level for bridges is to maintain or improve the current percentage of bridges rated as Good or Fair. The following table defines the criteria used for the bridge ratings:

Rating	Criteria
Poor	Sufficiency rating less than 50 and status of structurally deficient or functionally obsolete. ♦ Bridges in Poor condition do not meet all safety and geometry standards and require reactive maintenance to ensure safe service. For the purpose of determining bridge-funding needs it is assumed that bridges in Poor condition have exceeded their economically viable service life and require replacement.
Fair	Sufficiency rating between 50 and 80 and status of structurally deficient or functionally obsolete. ♦ Bridges in Fair condition require preventative maintenance and either marginally satisfy safety and geometry standards or require rehabilitation.
Good	All remaining major bridges that do not meet the criteria for Poor or Fair classification. ♦ Bridges in Good condition typically adequately meet all safety and geometry standards and typically do not require maintenance.

The current percentage of bridges rated Poor is 5.71 percent, which sets the percent rated as Good or Fair at 94.29 percent. As shown in the following table, the condition assessment for those bridges rated as poor for the current and preceding six years has steadily increased since 2005.

	2008	2007	2006	2005	2004	2003	2002
Percent Rated Poor	5.71	5.25	5.19	3.20	3.25	3.36	3.61

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the state that were included in the Fiscal Year 2006-07 Management Discussion and Analysis continue to affect the state at the end of Fiscal Year 2007-08. However, the passage of Referendum C in November 2005 relieved significant current year constraints on the state's financial affairs. The most important effect of Referendum C is that refunds of revenues in excess of the TABOR limits will not be paid in the current or following two fiscal years. The Governor's Office of State Planning and Budgeting currently estimates retained revenues of $2,534.1 million for the period from Fiscal Year 2008-09 to 2009-10, which results in a total retained of $6,101.2 million for the five-year period covered by Referendum C.

Per Referendum C, the retained revenues must be expended from the General Fund Exempt account within the General Fund for the purposes dictated in the Referendum. This requirement exists even though the resources related to the excess TABOR revenue may be in other funds from which those resources cannot be removed, such as the Highway Users Tax Fund. As a result, the Legislature's ability to allocate resources of the General Fund is impaired.

An existing statute provides for diversion of a portion of general-purpose sales and use tax revenue to the Highway Fund when other General Fund obligations have been met. Another statute provides that any General Fund Surplus be distributed to the Highway Fund and Capital Projects Fund in a two-thirds and one-third ratio, respectively. These statutes resulted in significant general-purpose revenues of the General Fund being made available to the Highway Fund and Capital Projects Fund. The Governor's Office of State Planning and Budgeting currently estimates that there will be no General Fund Surplus to transfer between Fiscal Years 2008-09 and 2009-10, and that $464.5 million will be credited to the Highway Fund under the required sales and use tax diversion between Fiscal Year 2008-09 and 2011-12.

However, it is important to note that the sales and use tax diversion noted above is contingent upon the General Fund meeting its statutory reserve requirement as projected by the state's legislative economists. The September 20, 2008, estimate did not show the requirement being met and the diversion has been halted as of the end of the first quarter of Fiscal Year 2008-09. The legislative estimates are quarterly and future diversions are dependent upon those forecasts showing that the General Fund obligations, including the statutory reserve, will be met.

Subsequent to the state's fiscal year-end, the credit and liquidity crisis throughout the global financial system has resulted in substantial volatility in the world financial markets and the banking system. As a result, the state's investments and revenue streams may be adversely affected. Although it is impossible to accurately predict the effect on the state's operations, the potential for such impact is discussed below where appropriate.

Several conditions adversely affect the state's future operations:

- <u>Pension Plan Contributions</u> – Notwithstanding a 10.0 percent return on investments in 2007, the funded ratio (actuarial value of assets, using a four-year smoothed-market value, divided by actuarial accrued liability) of the State Division of the Public Employees Retirement Association (PERA) did not change significantly from the prior year (2007 – 73.3 percent and 2006 – 73.0 percent). However, it should be noted that due to the smoothed market valuation methodology only a portion of 2007 and 2006 investment returns of 10.0 percent and 15.7 percent, respectively, have been recognized in the funded ratio. Based on fair value of assets, rather than the smoothed actuarial value, the funded ratio for all divisions of PERA increases from 75 percent (actuarial value) to 78 percent (fair value). In 2000, when the State Division and the School Division were reported as a single division, the combined division had a funding ratio of 104.7 percent. At December 31, 2007, the amortization period for the plan was infinite, which means that at the existing contribution level and using the currently applicable actuarial assumptions the liability associated with existing benefits will never be fully paid. However, certain future benefit changes are not considered in this analysis, and PERA's actuary expects those changes will allow the State Division Trust Fund to reach a 30 year amortization period over the projected actuarial period. In addition, PERA's actuary opines that current funding rates are sufficient to pay benefits over the 30-year actuarial projection period. The current contribution rate of 12.05 percent is .6 percentage points (or 5.2 percent) above the average during the 1990s. PERA's actuary estimated that the contribution rate would need to have been 18.45 percent and 17.23 percent, respectively in 2007 and 2006 to achieve the 30-year amortization period required by the Governmental Accounting Standards Board. In the 2006 session, the Legislature approved a Supplemental Amortization Equalization Disbursement that will add three percentage points to the annual contribution in addition to the three percentage points required by the Amortization Equalization Disbursement (approved in the 2004 session). These increases will be phased in through 2013. Barring further changes, these two legislative changes increase the annual contribution in Fiscal Year 2013-14 and subsequent years to 16.15 percent of salary. Like any other large holder of equity securities, PERA has suffered significant unrealized losses during the current economic crisis. PERA management has stressed that the plan maintains a long term view and continues to outperform U.S. equity and bond benchmarks.

- Election 2000 Amendment 23 – This constitutional requirement was originally designed to exempt a portion of state revenues from the TABOR refund and dedicate those revenues to education programs. With the passage of Referendum C, revenues in excess of the TABOR limit are not currently being refunded. However, resources that were once general-purpose revenues continue to be diverted to the State Education Fund. The Governor's Office of State Planning and Budgeting currently estimates that $428.4 million will be diverted from general-purpose tax revenue in Fiscal Year 2008-09 under this requirement. The amendment requires the General Assembly to increase funding of education by specified percentages over inflation. This requirement will have increasing impact if the inflation rate increases. This revenue diversion and mandated expenditure growth infringes on general funding for other programs because of the existing six percent expenditure growth limit. Notwithstanding these expenditure increases, the state continues to face legal challenges asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution.

- Cash Basis Accounting – For Fiscal Year 2002-03 and following years, the Legislature changed the budgetary accounting for June payroll and certain Medicaid expenditures to the cash basis and deferred June paydates until July (after fiscal year-end). During Fiscal Year 2007-08 similar treatment was extended to certain Old Age Pension, Medicare, and Childrens' Basic Health Plan expenditures. This causes the outflow of resources to be deferred into the following year for General Fund budget purposes. As a result, the state does not use full or modified accrual accounting to calculate budgetary compliance. Instead, potentially significant liabilities ($175.3 million net of related deferred revenue in Fiscal Year 2007-08) are delayed until the following year assuming that subsequent revenues will be adequate to pay those liabilities. Departures from generally accepted accounting principles (GAAP) such as this could adversely affect the state's credit rating. It will be difficult for the state to return to the GAAP basis of accounting for budgetary expenditures because of the significant one-time budgetary impact of recording payroll and Medicaid expenditures that were previously deferred. As noted, without these expenditure deferrals the state would not have met its statutory General Fund reserve requirement, nor would there have been a General Fund Surplus for transfer to the Highway Users Tax Fund and the Capital Projects Fund.

- General Fund Liquidity – The General Fund shows a cash balance of $516.1 million at June 30, 2008, providing apparent liquidity. However, $460.0 million of that cash was distributed immediately after fiscal year-end to pay short-term borrowing for the Education Tax Revenue Anticipation Note program, and at least $35.6 million of the cash belongs to the Risk Management Funds reported in the General Fund leaving approximately $20.5 million of disposable cash in the fund. When this cash is combined with nontax receivables it is still significantly less than the $568.4 of accounts payable and accrued liabilities that it must service in the near term. These conditions indicate that the General Fund reserve (and budgetary basis General Fund Surplus) increasingly comprises tax receivables ($1,015.8 million) net of tax refunds payable ($552.7 million) and deferred revenue ($127.1 million) related to the tax receivables that are not expected to be collected within the next year. The tax receivable and related refunds are based on the best economic data available at year-end; however, economic projections rarely identify inflection points in the economy. When a downturn in the economy occurs, tax receivables tend to decline (due to declining personal income) and tax refunds tend to increase (due to higher than required estimated tax and withholding payments). Given the current economic turmoil, any decline in tax collections or increase in refunds will exacerbate the lack of General Fund liquidity. The General Fund cash position is also adversely affected by the recurring cash transfers of General Fund Surplus to the Highway Users Tax Fund and the Capital Projects Fund. The General Fund Surplus was $43.4 million, $249.3 million, $436.8 million, $98.0 million, $121.8 million, and $93.7 million in Fiscal Years 2007-08, 2006-07, 2005-06, 2004-05, 2003-04, and 2002-03, respectively. Furthermore, the General Fund Surplus for Fiscal Year 2007-08 exists only on the budgetary basis due to the cash basis treatment of the items listed in the previous bullet point. On a GAAP basis, there is a shortfall of $131.8 million in the General Fund's required reserve. The General Fund legally has access to the cash balances of other funds; however, moving those balances to the General Fund has been contentious in the past.

- Debt Service – Debt service payments on the remaining $1.1 billion of Transportation Revenue Anticipation Notes issued by the Department of Transportation average $168.0 million per year over the next five years. While a portion of the debt services will be funded by federal funds, a significant amount will be funded by state sources. When most of the notes were issued, the diversion of surplus general-purpose revenues was expected to accumulate to fund that debt service. Due to the economic recession of the early 2000's, those diversions did not occur for several years. As discussed above, the diversion of the General Fund resumed with the passage of Referendum C. However, no diversion is projected for Fiscal Year 2008-09 and a further decline in estimated revenues may result in the diversion not occurring in future years as well. The Department of Transportation reports significant projected shortfalls in the funding needed to meet transportation infrastructure demand, which will only be exacerbated by the lack of the diversion. In addition during the 2008 legislative session, the General Assembly authorized the following commitments including a:
  - Higher Education Federal Mineral Lease Capital Construction Lease Purchase Program with maximum annual debt service of $16.2 million for the next ten years that resulted in certificates of participation of $230.8 million,
  - New state justice center lease purchase program that authorized certificates of participation of $269.0 million,
  - New state museum lease purchase program that authorized certificates of participation of $84.0 million, and
  - Build Excellent Schools Today lease purchase program which authorized the state to enter lease purchase agreements resulting in maximum annual debt service payments up to $80 million in Fiscal Year 2011-12 and subsequent years.

In some of these programs, current funding is required in addition to the certificates of participation proceeds.

- Intergovernmental Financial Dependency – The state expended $6,587.3 million in federal awards during Fiscal Year 2007-08 which represents 33.6 percent of the $19,624.4 million expended by the state. These amounts included grants for social, educational, and environmental purposes and fund both direct state expenditures and pass-through assistance to local governments. Current federal revenue projections show a budget deficit of approximately $490 billion for the 2009 Federal Fiscal Year. The increasing expenditures in both the Social Security and Medicare Part A programs, along with the interest costs to finance U.S. government borrowing will take up an increasingly large amount of the federal revenue streams. Without significant revenue increases or federal borrowing, there may be large cuts in federal spending. In the absence of all or a significant portion of this funding, the state's operations and ability to provide services to its citizens would be adversely impacted as would local government services.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,632,601	$ 1,555,782	$ 4,188,383	$ 162,174
Investments	565	272,804	273,369	39,521
Taxes Receivable, net	946,077	82,431	1,028,508	264
Contributions Receivable, net	-	-	-	32,472
Other Receivables, net	188,347	239,790	428,137	173,439
Due From Other Governments	355,519	125,894	481,413	5,340
Internal Balances	14,545	(14,545)	-	-
Due From Component Units	63	16,348	16,411	-
Inventories	16,703	42,271	58,974	11,782
Prepaids, Advances, and Deferred Charges	23,790	17,055	40,845	14,863
Total Current Assets	4,178,210	2,337,830	6,516,040	439,855
Noncurrent Assets:				
Restricted Cash and Pooled Cash	2,061,543	446,681	2,508,224	75,029
Restricted Investments	620,325	259,115	879,440	374,275
Restricted Receivables	187,018	1,716,722	1,903,740	16,353
Investments	96,743	1,008,382	1,105,125	1,804,387
Contributions Receivable, net	-	-	-	53,245
Other Long-Term Assets	442,911	119,650	562,561	1,180,506
Depreciable Capital Assets and Infrastructure, net	2,282,645	3,464,979	5,747,624	143,349
Land and Nondepreciable Infrastructure	10,291,250	576,755	10,868,005	587,874
Total Noncurrent Assets	15,982,435	7,592,284	23,574,719	4,235,018
TOTAL ASSETS	20,160,645	9,930,114	30,090,759	4,674,873
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	561,117	-	561,117	-
Accounts Payable and Accrued Liabilities	837,311	467,741	1,305,052	85,627
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	183,696	26,885	210,581	5,569
Due To Component Units	-	1,112	1,112	-
Deferred Revenue	97,174	190,528	287,702	5,925
Accrued Compensated Absences	9,776	12,745	22,521	13,712
Claims and Judgments Payable	37,775	7,398	45,173	12,421
Leases Payable	6,002	5,976	11,978	415
Notes, Bonds, and COP's Payable	574,150	75,567	649,717	59,142
Other Current Liabilities	11,794	208,542	220,336	116,744
Total Current Liabilities	2,319,501	996,494	3,315,995	299,555
Noncurrent Liabilities:				
Deposits Held In Custody For Others	16	-	16	262,112
Accrued Compensated Absences	128,760	166,402	295,162	-
Claims and Judgments Payable	335,636	28,482	364,118	-
Capital Lease Payable	54,029	83,113	137,142	3,790
Capital Lease Payable To Component Units	-	4,285	4,285	-
Notes, Bonds, and COP's Payable	1,274,720	3,466,484	4,741,204	1,570,601
Due to Component Units	-	1,233	1,233	-
Other Postemployment Benefits	-	15,775	15,775	-
Other Long-Term Liabilities	217,793	40,756	258,549	104,710
Total Noncurrent Liabilities	2,010,954	3,806,530	5,817,484	1,941,213
TOTAL LIABILITIES	4,330,455	4,803,024	9,133,479	2,240,768
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11,348,995	2,411,662	13,760,657	238,953
Restricted for:				
Highway Construction and Maintenance	1,350,485	-	1,350,485	-
State Education	353,149	-	353,149	-
Unemployment Insurance	-	765,533	765,533	-
Debt Service	558	180,409	180,967	-
Emergencies	93,000	33,716	126,716	26
Permanent Funds and Endowments:				
Expendable	2,333	9,592	11,925	731,497
Nonexpendable	587,733	74,479	662,212	518,553
Court Awards and Other Purposes	231,532	491,492	723,024	452,272
Unrestricted	1,862,405	1,160,207	3,022,612	492,804
TOTAL NET ASSETS	$ 15,830,190	$ 5,127,090	$ 20,957,280	$ 2,434,105

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	Expenses		Program Revenues		
Functions/Programs	Expenses	Indirect Cost Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government	$ 74,167	$ (18,378)	$ 97,148	$ 67,189	$ 251
Business, Community, and Consumer Affairs	664,922	2,459	116,973	242,558	91
Education	5,016,592	959	15,045	558,144	140
Health and Rehabilitation	601,934	1,362	56,561	340,255	-
Justice	1,431,120	4,889	160,181	50,931	296
Natural Resources	130,298	1,360	116,630	73,829	1,608
Social Assistance	4,819,956	2,481	19,054	2,749,342	26
Transportation	1,457,807	1,488	244,058	140,422	437,281
Interest on Debt	37,567	-	-	-	-
Total Governmental Activities	14,234,363	(3,380)	825,650	4,222,670	439,693
Business-Type Activities:					
Higher Education	3,863,577	1,667	2,572,676	1,288,888	9,391
Unemployment Insurance	354,967	-	398,259	46,666	-
CollegeInvest	116,286	-	71,219	33,393	-
Lottery	446,600	501	513,845	2,366	-
Wildlife	109,095	705	103,898	26,040	35
College Assist	326,001	79	174	325,365	-
Other Business-Type Activities	173,500	428	136,817	5,951	-
Total Business-Type Activities	5,390,026	3,380	3,796,888	1,728,669	9,426
Total Primary Government	19,624,389	-	4,622,538	5,951,339	449,119
Component Units:					
University of Colorado Hospital Authority	593,778		633,556	3,592	4,677
Colorado Water Resources and Power Development Authority	61,268		47,095	23,894	-
University of Colorado Foundation	115,946		6,306	110,934	-
Colorado State University Foundation	27,429		-	30,188	-
Colorado School of Mines Foundation	13,812		-	7,089	-
University of Northern Colorado Foundation	10,505		-	6,718	-
Other Component Units	60,220		24,431	1,528	747
Total Component Units	$ 882,958	$ -	$ 711,388	$ 183,943	$ 5,424

General Revenues:
- Taxes:
  - Sales and Use Taxes
  - Excise Taxes
  - Individual Income Tax
  - Corporate Income Tax
  - Other Taxes
  - Restricted for Education:
    - Individual Income Tax
    - Corporate and Fiduciary Income Tax
  - Restricted for Transportation:
    - Fuel Taxes
    - Other Taxes
- Unrestricted Investment Earnings
- Other General Revenues

Payment from State of Colorado
Special and/or Extraordinary Items
(Transfers-Out) / Transfers-In

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment (Note 27)
Accounting Changes (Note 27)

Net Assets - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ 108,799	$ -	$ 108,799	
(307,759)	-	(307,759)	
(4,444,222)	-	(4,444,222)	
(206,480)	-	(206,480)	
(1,224,601)	-	(1,224,601)	
60,409	-	60,409	
(2,054,015)	-	(2,054,015)	
(637,534)	-	(637,534)	
(37,567)	-	(37,567)	
(8,742,970)	-	(8,742,970)	
-	5,711	5,711	
-	89,958	89,958	
-	(11,674)	(11,674)	
-	69,110	69,110	
-	20,173	20,173	
-	(541)	(541)	
-	(31,160)	(31,160)	
-	141,577	141,577	
(8,742,970)	141,577	(8,601,393)	
-	-	-	48,047
-	-	-	9,721
-	-	-	1,294
-	-	-	2,759
-	-	-	(6,723)
-	-	-	(3,787)
-	-	-	(33,514)
-	-	-	17,797
2,357,807	-	2,357,807	147
257,908	-	257,908	-
4,591,481	-	4,591,481	-
461,390	-	461,390	-
510,442	36,963	547,405	-
371,480	-	371,480	-
36,441	-	36,441	-
577,423	-	577,423	-
930	-	930	-
42,478	-	42,478	56,703
113,603	-	113,603	-
-	-	-	23,362
(6,843)	-	(6,843)	-
(77,732)	77,732	-	-
9,236,808	114,695	9,351,503	80,212
493,838	256,272	750,110	98,009
16,036,990	4,870,818	20,907,808	2,336,096
(393,912)	-	(393,912)	-
(306,726)	-	(306,726)	-
$ 15,830,190	$ 5,127,090	$ 20,957,280	$ 2,434,105

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	GENERAL	STATE PUBLIC SCHOOL	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 516,133	$ 19,224	$ 36,340
Taxes Receivable, net	1,015,809	-	-
Other Receivables, net	78,296	-	3,190
Due From Other Governments	340,215	4,404	243
Due From Other Funds	5,404	3,958	73,730
Due From Component Units	63	-	-
Inventories	7,828	-	7,054
Prepaids, Advances, and Deferred Charges	17,761	-	59
Restricted Cash and Pooled Cash	-	-	1,415,840
Restricted Investments	-	-	-
Restricted Receivables	-	-	172,600
Investments	5,232	-	-
Other Long-Term Assets	7	-	20,570
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 1,986,748	$ 27,586	$ 1,729,626
LIABILITIES:			
Tax Refunds Payable	$ 552,690	$ -	$ 218
Accounts Payable and Accrued Liabilities	568,370	2,304	124,847
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	30,837	-	53,648
Due To Other Funds	25,037	20	1,447
Deferred Revenue	130,862	2,546	32,229
Compensated Absences Payable	46	-	-
Claims and Judgments Payable	1,901	-	-
Notes, Bonds, and COP's Payable	460,000	-	-
Other Current Liabilities	8,879	-	51
Deposits Held In Custody For Others	7	-	-
TOTAL LIABILITIES	1,779,335	4,870	212,440
FUND BALANCES:			
Reserved for:			
Encumbrances	16,487	-	711,376
Noncurrent Assets	7	-	20,570
Debt Service	-	-	-
Statutory Purposes	151,721	-	-
Risk Management	35,559	-	-
Emergencies	-	-	-
Funds Reported as Restricted	-	-	746,570
Unreserved Undesignated, Reported in:			
Special Revenue Funds	-	22,716	31,960
Capital Projects Funds	-	-	-
Nonmajor Special Revenue Funds	-	-	-
Nonmajor Permanent Funds	-	-	-
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Major Funds	3,639	-	6,710
Reported in Nonmajor Special Revenue Funds	-	-	-
Reported in Nonmajor Permanent Funds	-	-	-
TOTAL FUND BALANCES	207,413	22,716	1,517,186
TOTAL LIABILITIES AND FUND BALANCES	$ 1,986,748	$ 27,586	$ 1,729,626

The notes to the financial statements are an integral part of this statement.

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 537,961	$ -	$ 1,500,162	$ 2,609,820
-	-	57,352	1,073,161
12,078	-	93,991	187,555
1,559	-	8,870	355,291
3,234	-	144,434	230,760
-	-	-	63
-	-	268	15,150
1,355	-	4,239	23,414
-	299,892	345,811	2,061,543
-	52,291	568,034	620,325
-	997	13,421	187,018
-	-	92,076	97,308
130	-	299,117	319,824
-	-	10,577	10,577
$ 556,317	$ 353,180	$ 3,138,352	$ 7,791,809
$ -	$ -	$ 8,209	$ 561,117
46,828	31	81,266	823,646
-	-	-	706
-	-	80,017	164,502
3,964	-	201,855	232,323
3,673	-	54,359	223,669
-	-	-	46
-	-	72	1,973
-	-	-	460,000
-	-	2,864	11,794
-	-	9	16
54,465	31	428,651	2,479,792
255,101	-	-	982,964
130	-	405,130	425,837
-	-	558	558
109,322	-	-	261,043
-	-	-	35,559
-	-	93,000	93,000
-	349,303	806,882	1,902,755
-	-	-	54,676
134,470	-	-	134,470
-	-	1,391,483	1,391,483
-	-	2,326	2,326
2,829	3,846	-	17,024
-	-	8,751	8,751
-	-	1,571	1,571
501,852	353,149	2,709,701	5,312,017
$ 556,317	$ 353,180	$ 3,138,352	$ 7,791,809

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET ASSETS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL ASSET BALANCES	(C) DEBT RELATED BALANCES	(D) CENTRALIZED RISK MANAGEMENT LIABILITIES	(E) OTHER MEASUREMENT FOCUS ADJUSTMENTS	(F) INTERNAL BALANCES ELIMINATION	STATEMENT OF NET ASSETS TOTALS
ASSETS:								
Current Assets:								
Cash and Pooled Cash	$ 2,609,820	$ 22,776	$ -	$ -	$ -	$ 5	$ -	$ 2,632,601
Investments	-	-	-	-	-	565	-	565
Taxes Receivable, net	1,073,161	-	-	-	-	(127,084)	-	946,077
Other Receivables, net	187,555	470	-	-	-	322	-	188,347
Due From Other Governments	355,291	228	-	-	-	-	-	355,519
Due From Other Funds	230,760	104	-	-	-	-	(216,319)	14,545
Due From Component Units	63	-	-	-	-	-	-	63
Inventories	15,150	1,553	-	-	-	-	-	16,703
Prepaids, Advances, and Deferred Charges	23,414	376	-	-	-	-	-	23,790
Total Current Assets	4,495,214	25,507	-	-	-	(126,192)	(216,319)	4,178,210
Noncurrent Assets:								
Restricted Cash and Pooled Cash	2,061,543	-	-	-	-	-	-	2,061,543
Restricted Investments	620,325	-	-	-	-	-	-	620,325
Restricted Receivables	187,018	-	-	-	-	-	-	187,018
Investments	97,308	-	-	-	-	(565)	-	96,743
Other Long-Term Assets	319,824	266	-	-	-	122,821	-	442,911
Depreciable Capital Assets and Infrastructure, net	-	68,883	2,213,762	-	-	-	-	2,282,645
Land and Nondepreciable Infrastructure	10,577	-	10,280,673	-	-	-	-	10,291,250
Total Noncurrent Assets	3,296,595	69,149	12,494,435	-	-	122,256	-	15,982,435
TOTAL ASSETS	7,791,809	94,656	12,494,435	-	-	(3,936)	(216,319)	20,160,645
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	561,117	-	-	-	-	-	-	561,117
Accounts Payable and Accrued Liabilities	823,646	8,972	-	4,693	-	-	-	837,311
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	164,502	-	-	-	-	19,194	-	183,696
Due To Other Funds	232,323	49	-	-	-	(16,053)	(216,319)	-
Deferred Revenue	223,669	589	-	-	-	(127,084)	-	97,174
Compensated Absences Payable	46	72	-	-	-	9,658	-	9,776
Claims and Judgments Payable	1,973	-	-	-	25,798	10,004	-	37,775
Leases Payable	-	3,972	-	2,030	-	-	-	6,002
Notes, Bonds, and COP's Payable	460,000	6,215	-	107,935	-	-	-	574,150
Other Current Liabilities	11,794	-	-	-	-	-	-	11,794
Total Current Liabilities	2,479,776	19,869	-	114,658	25,798	(104,281)	(216,319)	2,319,501
Noncurrent Liabilities:								
Deposits Held In Custody For Others	16	-	-	-	-	-	-	16
Accrued Compensated Absences	-	1,739	-	-	-	127,021	-	128,760
Claims and Judgments Payable	-	-	-	-	-	335,636	-	335,636
Capital Lease Payable	-	32,864	-	21,165	-	-	-	54,029
Notes, Bonds, and COP's Payable	-	17,234	-	1,257,486	-	-	-	1,274,720
Other Long-Term Liabilities	-	-	-	-	75,108	142,685	-	217,793
Total Noncurrent Liabilities	16	51,837	-	1,278,651	75,108	605,342	-	2,010,954
TOTAL LIABILITIES	2,479,792	71,706	-	1,393,309	100,906	501,061	(216,319)	4,330,455
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	10,577	8,598	12,494,435	(1,164,615)	-	-	-	11,348,995
Restricted for:								
Highway Construction and Maintenance	1,464,521	-	-	(114,036)	-	-	-	1,350,485
State Education	353,149	-	-	-	-	-	-	353,149
Debt Service	558	-	-	-	-	-	-	558
Emergencies	93,000	-	-	-	-	-	-	93,000
Permanent Funds and Endowments:								
Expendable	2,333	-	-	-	-	-	-	2,333
Nonexpendable	587,733	-	-	-	-	-	-	587,733
Court Awards and Other Purposes	231,532	-	-	-	-	-	-	231,532
Unrestricted	2,568,614	14,352	-	(114,658)	(100,906)	(504,997)	-	1,862,405
TOTAL NET ASSETS	$ 5,312,017	$ 22,950	$ 12,494,435	$ (1,393,309)	$ (100,906)	$ (504,997)	$ -	$ 15,830,190

The notes to the financial statements are an integral part of this statement.

Differences Between the *Balance Sheet – Governmental Funds* and Governmental Activities on the Government-Wide *Statement of Net Assets*

(A) Management uses Internal Services Funds to report the charges for and the costs of goods and services sold by state agencies solely within the state. Because the sales are primarily to governmental funds, the assets and liabilities of the Internal Service Funds are included in the governmental activities on the government-wide *Statement of Net Assets.* Internal Service Funds are reported using proprietary fund-type accounting in the fund-level financial statements. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the state's Internal Service Funds provide the following goods and services to nearly all state agencies:

- Fleet management,
- Printing and mail services,
- Information management services,
- Telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative hearings services, and
- Debt collection.

(B) Capital assets used in governmental activities are not financial resources, and therefore, they are not included in the fund-level financial statements. However, capital assets are economic resources and are reported in the government-wide *Statement of Net Assets.*

(C) Long-term liabilities such as leases, bonds, notes, mortgages, and certificates of participation (including accrued interest) are not due and payable in the current period, and therefore, they are not included in the fund-level financial statements. However, from an economic perspective these liabilities reduce net assets and are reported in the *Statement of Net Assets.* The portion reported as current in the reconciliation is payable within the following fiscal year. The largest portion of the long-term balance is related to Transportation Revenue Anticipation Notes issued by the Department of Transportation.

(D) Risk management liabilities are actuarially determined claims and consist of a current and long-term portion. Generally accepted accounting principles (GAAP) list claims and judgments as an exception to the full accrual basis of accounting that constitutes the modified accrual basis of accounting. The current portion (payable within one year) is excluded from the fund-level statements because it is not payable with expendable available financial resources. In this instance, "payable with expendable available financial resources" means the amounts are not accrued as fund liabilities because they are not budgeted in the current year. The long-term portion of the risk management liability is excluded from the fund-level statements because it is not due and payable in the current period.

(E) Other measurement focus adjustments include:

- Interfund balances receivable from or payable to Fiduciary Funds are reported on the fund-level *Balance Sheet – Governmental Funds* as due from/to other funds. On the government-wide *Statement of Net Assets*, these amounts are considered external receivables and payables.
- Long-term assets and long-term taxes receivable, are not available to pay for current period expenditures; therefore, the related revenue is reported as deferred revenue on the fund-level *Balance Sheet – Governmental Funds*. From an economic perspective, this revenue is earned and the related deferred revenue is removed from the government-wide *Statement of Net Assets* when the revenue is recognized on the government-wide *Statement of Activities*.
- Compensated absences are a GAAP modification of the full accrual basis of accounting similar to claims and judgments discussed above. Therefore, both the current and long-term portions of the liability are shown on the government-wide *Statement of Net Assets*, but they are not reported on the fund-level *Balance Sheet – Governmental Funds*.
- Other long-term liabilities are not reported on the fund-level *Balance Sheet – Governmental Funds* because the amounts are not due and payable from current financial resources. However, from an economic perspective, these liabilities reduce net assets, and they are therefore reported on the government-wide *Statement of Net Assets*.

(F) All interfund payable balances shown on the fund-level *Balance Sheet – Governmental Funds* are reported in the internal balances line on the government-wide *Statement of Net Assets* along with all governmental-activities interfund receivables.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	GENERAL	STATE PUBLIC SCHOOL	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 4,600,091	$ -	$ -
Corporate Income	473,610	-	-
Sales and Use	2,079,726	-	-
Excise	93,312	-	577,420
Other Taxes	192,044	-	930
Licenses, Permits, and Fines	46,924	-	261,770
Charges for Goods and Services	57,545	-	6,426
Rents	213	-	1,537
Investment Income (Loss)	50,251	19	69,951
Federal Grants and Contracts	3,533,303	-	458,466
Other	86,667	4,559	48,486
TOTAL REVENUES	11,213,686	4,578	1,424,986
EXPENDITURES:			
Current:			
General Government	72,312	-	12,966
Business, Community, and Consumer Affairs	149,339	-	-
Education	730,231	10,461	-
Health and Rehabilitation	469,639	-	7,677
Justice	1,088,646	-	79,432
Natural Resources	59,205	-	-
Social Assistance	3,501,990	-	-
Transportation	-	-	1,052,445
Capital Outlay	31,070	22	29,533
Intergovernmental:			
Cities	26,504	-	110,753
Counties	1,488,164	-	164,600
School Districts	584,067	2,859,467	-
Special Districts	80,511	480	40,225
Federal	2,179	-	-
Other	61,161	1,854	1,783
Debt Service	32,745	-	-
TOTAL EXPENDITURES	8,377,763	2,872,284	1,499,414
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,835,923	(2,867,706)	(74,428)
OTHER FINANCING SOURCES (USES):			
Transfers-In	271,437	2,895,950	464,224
Transfers-Out	(3,333,084)	(53,547)	(207,062)
Capital Lease Proceeds	18,259	-	-
Sale of Capital Assets	-	-	1,129
Insurance Recoveries	1,561	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,041,827)	2,842,403	258,291
NET CHANGE IN FUND BALANCES	(205,904)	(25,303)	183,863
FUND BALANCE, FISCAL YEAR BEGINNING	413,317	48,019	1,377,197
Prior Period Adjustment (See Note 27)	-	-	(43,874)
FUND BALANCE, FISCAL YEAR END	$ 207,413	$ 22,716	$ 1,517,186

The notes to the financial statements are an integral part of this statement.

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 373,629	$ -	$ 4,973,720
-	34,292	-	507,902
-	-	272,706	2,352,432
-	-	164,567	835,299
-	-	340,572	533,546
10,637	-	323,288	642,619
3	-	39,924	103,898
-	14	77,125	78,889
29,850	20,858	144,899	315,828
10,011	-	306,451	4,308,231
7,027	53	32,394	179,186
57,528	428,846	1,701,926	14,831,550
21,584	-	15,981	122,843
1,209	-	160,417	310,965
34,639	776	25,938	802,045
408	-	82,946	560,670
5,627	-	20,866	1,194,571
1,251	-	52,036	112,492
565	-	166,694	3,669,249
-	-	3,040	1,055,485
168,834	-	13,638	243,097
718	-	150,805	288,780
1,614	19	144,418	1,798,815
-	294,510	76,481	3,814,525
-	2,253	28,941	152,410
-	-	1,866	4,045
981	29	35,692	101,500
-	-	174,831	207,576
237,430	297,587	1,154,590	14,439,068
(179,902)	131,259	547,336	392,482
197,924	-	468,527	4,298,062
(38,646)	(3,928)	(732,477)	(4,368,744)
-	-	-	18,259
-	-	48	1,177
576	-	183	2,320
159,854	(3,928)	(263,719)	(48,926)
(20,048)	127,331	283,617	343,556
521,900	225,818	2,426,084	5,012,335
-	-	-	(43,874)
$ 501,852	$ 353,149	$ 2,709,701	$ 5,312,017

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	TOTAL GOVERNMENTAL FUNDS	(A) INTERNAL SERVICE FUNDS	(B) CAPITAL RELATED ITEMS	(C) LONG-TERM DEBT TRANSACTIONS	(D) OTHER MEASUREMENT FOCUS ADJUSTMENTS	STATEMENT OF ACTIVITIES TOTALS
REVENUES:						
Taxes:						
Individual and Fiduciary Income	$ 4,973,720	$ -	$ -	$ -	$ (8,681)	$ 4,965,039
Corporate Income	507,902	-	-	-	(12,220)	495,682
Sales and Use	2,352,432	-	-	-	5,375	2,357,807
Excise	835,299	-	-	-	29	835,328
Other Taxes	533,546	-	-	-	(274)	533,272
Licenses, Permits, and Fines	642,619	-	-	-	8	642,627
Charges for Goods and Services	103,898	-	-	-	(10)	103,888
Rents	78,889	-	-	-	-	78,889
Investment Income (Loss)	315,828	294	-	-	(9)	316,113
Federal Grants and Contracts	4,308,231	-	-	-	-	4,308,231
Other	179,186	-	1,723	-	(9)	180,900
TOTAL REVENUES	14,831,550	294	1,723	-	(15,791)	14,817,776
EXPENDITURES:						
Current:						
General Government	122,843	(1,895)	1,737	-	1,235	123,920
Business, Community, and Consumer Affairs	310,965	(655)	5,559	-	43,306	359,175
Education	802,045	(159)	2,328	-	291	804,505
Health and Rehabilitation	560,670	(147)	5,278	-	783	566,584
Justice	1,194,571	(87)	28,638	-	7,450	1,230,572
Natural Resources	112,492	(325)	8,819	-	439	121,425
Social Assistance	3,669,249	(1,015)	7,083	-	393	3,675,710
Transportation	1,055,485	145	(24,945)	-	1,996	1,032,681
Capital Outlay	243,097	-	(175,874)	-	-	67,223
Cities	288,780	-	-	-	-	288,780
Counties	1,798,815	-	-	-	-	1,798,815
School Districts	3,814,525	-	-	-	-	3,814,525
Special Districts	152,410	-	-	-	-	152,410
Federal	4,045	-	3,651	-	-	7,696
Other	101,500	-	-	-	-	101,500
Debt Service	207,576	2,096	-	(103,609)	-	106,063
TOTAL EXPENDITURES	14,439,068	(2,042)	(137,726)	(103,609)	55,893	14,251,584
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	392,482	2,336	139,449	103,609	(71,684)	566,192
OTHER FINANCING SOURCES (USES):						
Transfers-In	4,298,062	1,460	-	-	-	4,299,522
Transfers-Out	(4,368,744)	(3,811)	-	-	-	(4,372,555)
Capital Lease Proceeds	18,259	-	-	(18,259)	-	-
Sale of Capital Assets	1,177	-	(3,287)	-	-	(2,110)
Insurance Recoveries	2,320	-	-	-	-	2,320
TOTAL OTHER FINANCING SOURCES (USES)	(48,926)	(2,351)	(3,287)	(18,259)	-	(72,823)
Internal Service Fund Charges to BTAs	-	469	-	-	-	469
NET CHANGE FOR THE YEAR	$ 343,556	$ 454	$ 136,162	$ 85,350	$ (71,684)	$ 493,838

The notes to the financial statements are an integral part of this statement.

Differences Between the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* and Governmental Activities on the Government-Wide *Statement of Activities*

(A) Management uses Internal Services Funds to report charges for and the costs of goods and services sold by state agencies solely within the state. Internal Service Funds are intended to operate on the cost reimbursement basis and should break even each period. If an Internal Service Funds makes a profit, the other funds of the state have been overcharged. If an Internal Service Fund has an operating loss, the other funds of the state have been undercharged. In order to show the true cost of services purchased from Internal Service Funds, an adjustment is made that allocates the net revenue/expense of each Internal Service Fund to the programs that purchased the service. Investment income, debt service, and transfers of the Internal Service Fund are not allocated. In addition to minor internal sales within the Department of Transportation and the Department of Public Safety, the state's Internal Service Funds provide the following goods and services to nearly all state agencies:

- Fleet management,
- Printing and mail services,
- Information management services,
- Telecommunication services,
- Building maintenance and management in the capitol complex,
- Administrative hearings services, and
- Debt collection.

(B) The following adjustments relate to capital assets:

- Capital assets, received as donations, are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* because they are not current financial resources. However, such donations increase net assets and are reported on both the government-wide *Statement of Net Assets* and *Statement of Activities*.
- Depreciation is not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but it is reported for the economic perspective on which the government-wide *Statement of Activities* is presented.
- Expenditures reported for capital outlay on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* are generally reported as a conversion of cash to a capital asset on the government-wide *Statement of Net Assets*. They are not reported as expenses on the government-wide *Statement of Activities*.
- On the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* all cash received on disposal of capital assets is reported as a gain on sale of capital assets. On the government-wide *Statement of Activities* the reported gain or loss on sale is based on the carrying value of the asset as well as the cash received.

(C) The following adjustments relate to debt issuance and debt service including leases:

- Payments on principal and debt refunding payments are reported as expenditures and other financing uses, respectively, on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. These payments are reported as reductions of lease, bond, and other debt liability balances on the government-wide *Statement of Net Assets* and are not reported on the government-wide *Statement of Activities*.
- Amortization of issuance costs, debt premium/discount, and gain/loss on refunding are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*, but are reported on the government-wide *Statement of Activities*.
- Lease proceeds, issuance of debt, and debt refunding proceeds are all reported as other financing sources on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. From an economic perspective lease proceeds, debt issuances, and debt refunding proceeds are reported as liabilities on the government-wide *Statement of Net Assets* and are not reported on the government-wide *Statement of Activities*.

(D) Other measurement focus adjustments include:

- Long-term taxes receivable and certain other long-term assets are offset by deferred revenue and are not part of fund balance on the fund-level *Balance Sheet – Governmental Funds*; however, from a full accrual perspective, changes in the fund-level deferred revenue balances result in adjustments to revenue that are recognized and reported on the government-wide *Statement of Activities*.
- Compensated absences accruals and claims and judgments are not normally expected to be liquidated from expendable available financial resources; and therefore, they are not reported on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds*. However, from a full accrual perspective, these are expenses that are reported on the government-wide *Statement of Activities*.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 700,666	$ 710,436
Investments	268,673	-
Taxes Receivable, net	-	82,431
Student and Other Receivables, net	204,822	4,042
Due From Other Governments	120,105	1,498
Due From Other Funds	9,728	-
Due From Component Units	16,348	-
Inventories	28,204	-
Prepaids, Advances, and Deferred Charges	11,196	-
Total Current Assets	1,359,742	798,407
Noncurrent Assets:		
Restricted Cash and Pooled Cash	343,228	-
Restricted Investments	96,722	-
Restricted Receivables	-	-
Investments	930,113	-
Other Long-Term Assets	106,094	-
Depreciable Capital Assets and Infrastructure, net	3,351,609	-
Land and Nondepreciable Infrastructure	437,616	-
Total Noncurrent Assets	5,265,382	-
TOTAL ASSETS	6,625,124	798,407
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	426,518	1,108
Due To Other Governments	-	-
Due To Other Funds	6,236	230
Due To Component Units	1,112	-
Deferred Revenue	154,015	-
Compensated Absences Payable	11,961	-
Claims and Judgments Payable	-	7,398
Leases Payable	5,756	-
Notes, Bonds, and COP's Payable	49,906	-
Other Current Liabilities	154,332	24,138
Total Current Liabilities	809,836	32,874
Noncurrent Liabilities:		
Accrued Compensated Absences	156,637	-
Claims and Judgments Payable	28,482	-
Capital Lease Payable	79,974	-
Capital Lease Payable To Component Units	4,285	-
Notes, Bonds, and COP's Payable	1,753,668	-
Due to Component Units	1,233	-
Other Postemployment Benefits	15,775	-
Other Long-Term Liabilities	9,240	-
Total Noncurrent Liabilities	2,049,294	-
TOTAL LIABILITIES	2,859,130	32,874
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,175,704	-
Restricted for:		
Unemployment Insurance	-	765,533
Debt Service	75,862	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	9,592	-
Nonexpendable	74,479	-
Court Awards and Other Purposes	454,168	-
Unrestricted	976,189	-
TOTAL NET ASSETS	$ 3,765,994	$ 765,533

The notes to the financial statements are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
$ 11,839	$ 32,348	$ 100,493	$ 1,555,782	$ 22,776
4,131	-	-	272,804	-
-	-	-	82,431	-
1,454	19,034	10,284	239,636	470
-	-	4,291	125,894	228
117	-	4,176	14,021	104
-	-	-	16,348	-
-	897	13,170	42,271	1,553
412	4,027	1,420	17,055	376
17,953	56,306	133,834	2,366,242	25,507
-	-	103,453	446,681	-
162,393	-	-	259,115	-
1,706,156	-	10,566	1,716,722	-
78,269	-	-	1,008,382	-
11,313	-	2,243	119,650	266
340	498	112,532	3,464,979	68,883
-	-	139,139	576,755	-
1,958,471	498	367,933	7,592,284	69,149
1,976,424	56,804	501,767	9,958,526	94,656
8,515	3,967	27,633	467,741	8,972
17,985	15	378	18,378	-
2,862	27,161	430	36,919	49
-	-	-	1,112	-
-	307	36,206	190,528	589
-	15	769	12,745	72
-	-	-	7,398	-
-	-	220	5,976	3,972
24,000	-	1,661	75,567	6,215
5,031	21,813	3,228	208,542	-
58,393	53,278	70,525	1,024,906	19,869
182	819	8,764	166,402	1,739
-	-	-	28,482	-
-	-	3,139	83,113	32,864
-	-	-	4,285	-
1,701,330	-	11,486	3,466,484	17,234
-	-	-	1,233	-
-	-	-	15,775	-
31,304	94	118	40,756	-
1,732,816	913	23,507	3,806,530	51,837
1,791,209	54,191	94,032	4,831,436	71,706
340	498	235,120	2,411,662	8,598
-	-	-	765,533	-
104,547	-	-	180,409	-
-	-	33,716	33,716	-
-	-	-	9,592	-
-	-	-	74,479	-
-	-	37,324	491,492	-
80,328	2,115	101,575	1,160,207	14,352
$ 185,215	$ 2,613	$ 407,735	$ 5,127,090	$ 22,950

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Taxes	$ -	$ 398,048
License and Permits	-	-
Tuition and Fees	1,573,824	-
Scholarship Allowance for Tuition and Fees	(286,735)	-
Sales of Goods and Services	1,206,435	-
Scholarship Allowance for Sales of Goods & Services	(12,847)	-
Investment Income (Loss)	2,812	-
Rental Income	17,096	-
Gifts and Donations	20,106	-
Federal Grants and Contracts	925,993	15,480
Intergovernmental Revenue	15,206	-
Other	188,812	213
TOTAL OPERATING REVENUES	3,650,702	413,741
OPERATING EXPENSES:		
Salaries and Fringe Benefits	2,719,936	-
Operating and Travel	740,052	354,967
Cost of Goods Sold	144,514	-
Depreciation and Amortization	235,321	-
Intergovernmental Distributions	32,531	-
Debt Service	-	-
Prizes and Awards	80	-
TOTAL OPERATING EXPENSES	3,872,434	354,967
OPERATING INCOME (LOSS)	(221,732)	58,774
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	23	-
Investment Income (Loss)	44,102	31,185
Rental Income	12,448	-
Gifts and Donations	111,061	-
Intergovernmental Distributions	(25,273)	-
Federal Grants and Contracts	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(722)	-
Insurance Recoveries from Prior Year Impairments	30	-
Debt Service	(62,274)	-
Other Expenses	(1,021)	-
Other Revenues	11,240	-
TOTAL NONOPERATING REVENUES (EXPENSES)	89,614	31,185
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(132,118)	89,959
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	139,190	-
Additions to Permanent Endowments	2	-
Transfers-In	157,377	-
Transfers-Out	(3,372)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	293,197	-
CHANGE IN NET ASSETS	161,079	89,959
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	3,604,915	675,574
Prior Period/Other Adjustments (See Note 27)	-	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 3,765,994	$ 765,533

The notes to the financial statements are an integral part of this statement.

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISES	TOTAL	INTERNAL SERVICE FUNDS
	$ -	$ -	$ -	$ 398,048	$ -
	-	66	84,331	84,397	-
	-	-	396	1,574,220	-
	-	-	-	(286,735)	-
	160	512,722	120,834	1,840,151	97,203
	-	-	-	(12,847)	-
	6,626	-	5,724	15,162	-
	-	-	2,084	19,180	11,218
	-	-	-	20,106	-
	26,766	-	353,573	1,321,812	-
	-	-	20,561	35,767	-
	71,058	987	1,584	262,654	389
	104,610	513,775	589,087	5,271,915	108,810
	2,422	9,319	162,111	2,893,788	27,220
	17,787	50,209	354,516	1,517,531	58,920
	1,619	11,922	39,970	198,025	7,494
	444	149	8,783	244,697	13,295
	-	-	4,538	37,069	3
	94,014	-	38,653	132,667	-
	-	321,844	853	322,777	8
	116,286	393,443	609,424	5,346,554	106,940
	(11,676)	120,332	(20,337)	(74,639)	1,870
	-	-	36,963	36,963	-
	-	-	976	999	-
	-	2,366	5,878	83,531	295
	-	69	702	13,219	-
	-	-	2,175	113,236	-
	-	(53,104)	-	(78,377)	-
	-	-	-	-	407
	-	(66)	(37)	(825)	1,045
	-	-	3	33	-
	-	-	(705)	(62,979)	(1,964)
	-	-	(51)	(1,072)	(120)
	-	-	-	11,240	-
	-	(50,735)	45,904	115,968	(337)
	(11,676)	69,597	25,567	41,329	1,533
	-	-	933	140,123	1,275
	-	-	-	2	-
	222	-	4,200	161,799	1,460
	(3,182)	(69,655)	(10,772)	(86,981)	(3,811)
	(2,960)	(69,655)	(5,639)	214,943	(1,076)
	(14,636)	(58)	19,928	256,272	457
	199,851	2,671	387,807	4,870,818	21,741
	-	-	-	-	752
	$ 185,215	$ 2,613	$ 407,735	$ 5,127,090	$ 22,950

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,302,394	$ -
Fees for Service	1,143,866	-
Sales of Products	6,523	-
Gifts, Grants, and Contracts	1,104,679	15,480
Loan and Note Repayments	184,565	-
Unemployment Insurance Taxes	-	391,465
Income from Property	29,544	-
Other Sources	64,080	-
Cash Payments to or for:		
Employees	(2,583,104)	-
Suppliers	(772,878)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(338,810)
Scholarships	(49,494)	-
Others for Student Loans and Loan Losses	(181,813)	-
Other Governments	(32,531)	-
Other	(57,684)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	158,147	68,135
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	157,378	-
Transfers-Out	(3,372)	-
Receipt of Deposits Held in Custody	399,517	-
Release of Deposits Held in Custody	(395,019)	-
Gifts for Other Than Capital Purposes	110,816	-
Intergovernmental Distributions	(25,273)	-
NonCapital Debt Proceeds	-	-
NonCapital Debt Service Payments	(2,857)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	241,190	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(513,689)	-
Capital Contributions	60,727	-
Capital Gifts, Grants, and Contracts	38,306	-
Proceeds from Sale of Capital Assets	9,973	-
Capital Debt Proceeds	374,316	-
Capital Debt Service Payments	(136,134)	-
Capital Lease Payments	(6,754)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(173,255)	-

The notes to the financial statements are an integral part of this statement.

(Continued)

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
$ -	$ -	$ 408	$ 1,302,802	$ 50
1,081	-	174,053	1,319,000	95,210
-	512,348	58,926	577,797	1,649
31,037	-	349,560	1,500,756	420
488,530	-	-	673,095	-
-	-	-	391,465	-
-	69	2,595	32,208	11,152
-	1,053	26,181	91,314	569
(2,468)	(8,626)	(108,333)	(2,702,531)	(25,777)
(24,612)	(23,390)	(191,930)	(1,012,810)	(65,222)
-	(362,300)	(5,327)	(367,627)	(706)
-	-	-	(338,810)	-
-	-	-	(49,494)	-
(731,150)	-	(284,836)	(1,197,799)	-
-	-	(4,532)	(37,063)	(3)
(16)	(29)	(11,015)	(68,744)	(113)
(237,598)	119,125	5,750	113,559	17,229
222	-	4,200	161,800	1,460
(3,183)	(69,655)	(10,772)	(86,982)	(3,811)
-	-	891	400,408	-
-	-	(858)	(395,877)	-
-	-	1,755	112,571	-
-	(54,655)	-	(79,928)	-
188,300	-	714	189,014	-
(199,785)	-	(1,065)	(203,707)	-
(14,446)	(124,310)	(5,135)	97,299	(2,351)
(225)	(16)	(28,613)	(542,543)	(34,894)
-	-	-	60,727	-
-	-	-	38,306	-
-	-	767	10,740	36,167
-	-	37	374,353	19,400
-	-	(925)	(137,059)	(30,733)
-	-	(400)	(7,154)	(5,212)
(225)	(16)	(29,134)	(202,630)	(15,272)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008 **(Continued)**

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	117,549	31,185
Proceeds from Sale/Maturity of Investments	3,850,297	-
Purchases of Investments	(3,860,262)	-
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	7,887	-
NET CASH FROM INVESTING ACTIVITIES	115,471	31,185
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	341,553	99,320
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	702,341	611,116
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,043,894	$ 710,436

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (221,732)	$ 58,774
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	235,320	-
Investment/Rental Income and Other Revenue in Operating Income	-	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	23,644	-
Loss on Disposal of Capital Assets	2,444	-
Compensated Absences	12,268	-
Interest and Other Expense in Operating Income	1,337	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(17,296)	(868)
(Increase) Decrease in Inventories	(3,359)	-
(Increase) Decrease in Other Operating Assets	(6,587)	-
Increase (Decrease) in Accounts Payable	45,258	597
Increase (Decrease) in Other Operating Liabilities	86,850	9,632
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 158,147	$ 68,135
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	97,682	-
Capital Assets Acquired by Grants or Donations and Payable Increases	2,546	-
Unrealized Gain/(Loss) on Investments and Interest Receivable Accruals	(78,286)	-
Gain/(Loss) on Disposal of Capital Assets	(3,726)	
Amortization of Debt Valuation Accounts and Interest Payable Accruals	361	-
Assumption of Capital Lease Obligation or Mortgage	21,999	-

The notes to the financial statements are an integral part of this statement.

BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE	TOTALS	INTERNAL SERVICE FUNDS
15,830	2,018	9,191	175,773	267
237,017	-	-	4,087,314	-
-	-	-	(3,860,262)	-
117	347	2,412	10,763	28
252,964	2,365	11,603	413,588	295
695	(2,836)	(16,916)	421,816	(99)
11,144	35,184	220,862	1,580,647	22,875
$ 11,839	$ 32,348	$ 203,946	$ 2,002,463	$ 22,776
$ (11,676)	$ 120,332	$ (20,337)	$ (74,639)	$ 1,870
444	149	8,780	244,693	13,295
(6,626)	-	(5,724)	(12,350)	-
-	69	39,109	62,822	482
-	-	769	3,213	-
5	2	976	13,251	(5)
94,014	-	266	95,617	102
(309,004)	(508)	(1,182)	(328,858)	(154)
-	(173)	(738)	(4,270)	(341)
326	(56)	78	(6,239)	(60)
(2,668)	1,236	(11,128)	33,295	2,126
(2,413)	(1,926)	(5,119)	87,024	(86)
$ (237,598)	$ 119,125	$ 5,750	$ 113,559	$ 17,229
-	-	900	98,582	-
-	-	33	2,579	1,275
(5,132)	-	-	(83,418)	-
-	(66)	(853)	(4,645)	(970)
-	-	15	376	-
-	-	-	21,999	-

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 14,969	$ 186,712	$ 350,323
Taxes Receivable, net	-	-	129,142
Other Receivables, net	8,671	9,470	557
Due From Other Funds	16,006	2,782	5,772
Inventories	-	-	1
Prepaids, Advances, and Deferred Charges	13	-	-
Noncurrent Assets:			
Investments:			
Government Securities	-	22,710	-
Corporate Bonds	-	10,750	-
Asset Backed Securities	-	13,587	-
Mortgages	-	22,843	-
Mutual Funds	383,849	3,170,608	-
Other Investments	4,893	25,636	-
Other Long-Term Assets	-	-	22,058
TOTAL ASSETS	428,401	3,465,098	507,853
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	863
Accounts Payable and Accrued Liabilities	12,490	60,052	539
Due To Other Governments	-	-	228,383
Due To Other Funds	-	117	37
Deferred Revenue	54	2,073	-
Claims and Judgments Payable	17,254	-	567
Other Current Liabilities	-	-	204,682
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	2,557	72,751
Accrued Compensated Absences	59	-	-
Other Long-Term Liabilities	-	2,615	31
TOTAL LIABILITIES	29,857	67,414	507,853
NET ASSETS:			
Held in Trust for:			
Pension/Benefit Plan Participants	398,251	-	-
Individuals, Organizations, and Other Entities	-	3,397,684	-
Unrestricted	293	-	-
TOTAL NET ASSETS	$ 398,544	$ 3,397,684	$ -

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 1,001,406
Member Contributions	125,892	-
Employer Contributions	150,257	-
Investment Income/(Loss)	(22,203)	(378,646)
Employee Deferral Fees	506	-
Unclaimed Property Receipts	-	67,482
Other Additions	12,651	2,402
Transfers-In	732	-
TOTAL ADDITIONS	267,835	692,644
DEDUCTIONS:		
Distributions to Participants	-	330,361
Benefits and Withdrawals	28,658	-
Health Insurance Premiums Paid	76,763	-
Health Insurance Claims Paid	115,602	-
Other Benefits Plan Expense	19,339	-
Payments in Accordance with Trust Agreements	-	385,758
Administrative Expense	1,163	-
Other Deductions	18,434	-
Transfers-Out	98	2,419
TOTAL DEDUCTIONS	260,057	718,538
CHANGE IN NET ASSETS	7,778	(25,894)
FISCAL YEAR BEGINNING	390,766	3,423,578
FISCAL YEAR ENDING	$ 398,544	$ 3,397,684

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 27,362	$ 105,739	$ 8,420
Investments	-	-	-
Taxes Receivable, net	-	-	-
Contributions Receivable, net	-	-	20,931
Other Receivables, net	98,005	70,111	750
Due From Other Governments	-	5,340	-
Inventories	11,782	-	-
Prepaids, Advances, and Deferred Charges	14,165	-	463
Total Current Assets	151,314	181,190	30,564
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	73,351	-
Restricted Investments	42,059	332,216	-
Restricted Receivables	10,026	6,327	-
Investments	219,854	-	1,055,889
Contributions Receivable, net	-	-	22,099
Other Long-Term Assets	12,284	1,137,574	-
Depreciable Capital Assets and Infrastructure, net	4,238	25	4,061
Land and Nondepreciable Infrastructure	569,698	-	-
Total Noncurrent Assets	858,159	1,549,493	1,082,049
TOTAL ASSETS	1,009,473	1,730,683	1,112,613
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	58,888	17,451	5,813
Due To Other Governments	-	5,569	-
Deferred Revenue	-	723	542
Compensated Absences Payable	13,712	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	415
Notes, Bonds, and COP's Payable	9,632	49,510	-
Other Current Liabilities	5,006	100,997	10,741
Total Current Liabilities	87,238	174,250	17,511
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	235,635
Capital Lease Payable	-	-	3,790
Notes, Bonds, and COP's Payable	527,735	1,038,581	-
Other Long-Term Liabilities	1,922	40,233	23,852
Total Noncurrent Liabilities	529,657	1,078,814	263,277
TOTAL LIABILITIES	616,895	1,253,064	280,788
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	85,869	25	(144)
Restricted for:			
Emergencies	-	-	-
Permanent Funds and Endowments:			
Expendable	-	-	515,735
Nonexpendable	-	-	256,509
Court Awards and Other Purposes	12,039	407,530	-
Unrestricted	294,670	70,064	59,725
TOTAL NET ASSETS	$ 392,578	$ 477,619	$ 831,825

The notes to the financial statements are an integral part of this statement.

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ 1,468	$ 3,786	$ 5,336	$ 10,063	$ 162,174
-	-	-	39,521	39,521
-	-	-	264	264
4,466	1,958	718	4,399	32,472
-	3,279	626	668	173,439
-	-	-	-	5,340
-	-	-	-	11,782
231	-	-	4	14,863
6,165	9,023	6,680	54,919	439,855
-	1,678	-	-	75,029
-	-	-	-	374,275
-	-	-	-	16,353
239,778	183,155	97,037	8,674	1,804,387
24,069	5,150	1,927	-	53,245
432	4,616	109	25,491	1,180,506
283	317	1,153	133,272	143,349
-	-	-	18,176	587,874
264,562	194,916	100,226	185,613	4,235,018
270,727	203,939	106,906	240,532	4,674,873
934	1,114	914	513	85,627
-	-	-	-	5,569
-	-	-	4,660	5,925
-	-	-	-	13,712
-	-	-	12,421	12,421
-	-	-	-	415
-	-	-	-	59,142
-	-	-	-	116,744
934	1,114	914	17,594	299,555
13,125	12,650	702	-	262,112
-	-	-	-	3,790
-	4,285	-	-	1,570,601
892	12,336	294	25,181	104,710
14,017	29,271	996	25,181	1,941,213
14,951	30,385	1,910	42,775	2,240,768
283	317	1,153	151,450	238,953
-	-	-	26	26
124,042	48,020	43,700	-	731,497
105,812	104,741	51,491	-	518,553
-	-	-	32,703	452,272
25,639	20,476	8,652	13,578	492,804
$ 255,776	$ 173,554	$ 104,996	$ 197,757	$ 2,434,105

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:			
Fees	$ -	$ 47,011	$ 6,306
Sales of Goods and Services	613,501	-	-
Investment Income (Loss)	-	25,449	-
Rental Income	-	-	-
Gifts and Donations	-	-	121,403
Federal Grants and Contracts	-	4,989	-
Other	20,055	86	853
TOTAL OPERATING REVENUES	633,556	77,535	128,562
OPERATING EXPENSES:			
Salaries and Fringe Benefits	264,796	1,164	-
Operating and Travel	136,158	6,966	22,098
Cost of Goods Sold	127,883	-	-
Depreciation and Amortization	38,111	15	-
Debt Service	-	53,122	-
Foundation Program Distributions	-	-	93,657
TOTAL OPERATING EXPENSES	566,948	61,267	115,755
OPERATING INCOME (LOSS)	66,608	16,268	12,807
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	-	-	-
Investment Income (Loss)	10,634	-	5,525
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	81	-	-
Debt Service	(26,351)	-	-
Other Expenses	(560)	-	(191)
Other Revenues	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(16,196)	-	5,334
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	50,412	16,268	18,141
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	8,269	18,902	-
TOTAL CONTRIBUTIONS AND TRANSFERS	8,269	18,902	-
CHANGE IN NET ASSETS	58,681	35,170	18,141
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	333,897	442,449	813,684
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 392,578	$ 477,619	$ 831,825

The notes to the financial statements are an integral part of this statement.

COLORADO STATE UNIVERSITY FOUNDATION	COLORADO SCHOOL OF MINES FOUNDATION	UNIVERSITY OF NORTHERN COLORADO FOUNDATION	OTHER COMPONENT UNITS	TOTAL
$ -	$ -	$ -	$ 23,793	$ 77,110
-	-	-	-	613,501
-		-	(1,507)	23,942
-	-	-	638	638
40,046	10,863	4,938	-	177,250
-	-	-	1,528	6,517
109	201	1,059	2,000	24,363
40,155	11,064	5,997	26,452	923,321
-	-	-	-	265,960
2,097	2,347	2,692	55,640	227,998
-	-	-	-	127,883
-	-	-	3,955	42,081
-	-	-	-	53,122
25,332	11,466	7,812	-	138,267
27,429	13,813	10,504	59,595	855,311
12,726	(2,749)	(4,507)	(33,143)	68,010
-	-	-	147	147
(8,681)	(2,540)	437	2,842	8,217
-	-	-	9,440	9,440
-	-	-	-	81
-	-	-	-	(26,351)
-	-	-	(625)	(1,376)
-	-	-	12,670	12,670
(8,681)	(2,540)	437	24,474	2,828
4,045	(5,289)	(4,070)	(8,669)	70,838
-	-	-	-	27,171
-	-	-	-	27,171
4,045	(5,289)	(4,070)	(8,669)	98,009
251,731	178,843	109,066	206,426	2,336,096
$ 255,776	$ 173,554	$ 104,996	$ 197,757	$ 2,434,105

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Assets* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Fees	$ 77,110	Charges for Services	$ 77,110
Sales of Goods and Services	613,501	Charges for Services	613,501
Investment Income (Loss)	23,942	Unrestricted Investment Earnings	23,942
Rental Income	638	Charges for Services	638
Gifts and Donations	177,250	Operating Grants & Contributions	177,250
Federal Grants and Contracts	6,517	Operating Grants & Contributions	6,517
Other	24,363	Charges for Services	20,141
		Operating Grants & Contributions	2,222
		Payment from State	2,000
TOTAL OPERATING REVENUES	923,321		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	265,960	Expenses	265,960
Operating and Travel	227,998	Expenses	227,998
Cost of Goods Sold	127,883	Expenses	127,883
Depreciation and Amortization	42,081	Expenses	42,081
Debt Service	53,122	Expenses	53,122
Foundation Program Distributions	138,267	Expenses	138,267
TOTAL OPERATING EXPENSES	855,311		
OPERATING INCOME (LOSS)	68,010		
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	147	Sales & Use Taxes	147
Investment Income (Loss)	8,217	Unrestricted Investment Earnings	32,761
		Operating Grants & Contributions	(24,544)
Gifts and Donations	9,440	Payment from State	9,440
Gain/(Loss) on Sale or Impairment of Capital Assets	81	Expenses	81
Debt Service	(26,351)	Expenses	(26,351)
Other Expenses	(1,376)	Expenses	(1,376)
Other Revenues	12,670	Payment from State	11,923
		Capital Grants & Contributions	747
TOTAL NONOPERATING REVENUES (EXPENSES)	2,828		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	70,838		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	27,171	Operating Grants & Contributions	22,494
		Capital Grants & Contributions	4,677
TOTAL CONTRIBUTIONS AND TRANSFERS	27,171		
CHANGE IN NET ASSETS	98,009		98,009
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	2,336,096		2,336,096
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 2,434,105		$ 2,434,105

The notes to the financial statements are an integral part of this schedule.

NOTES TO THE FINANCIAL STATEMENTS

NOTES 1 through 7 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Colorado have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

During Fiscal Year 2007-08, the state implemented GASB Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions and GASB Statement No. 48 - Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosed amount of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report all nonfiduciary activities of the primary government and its component units. Fiduciary activities of the primary government and its component units are excluded from the government-wide statements because those resources are not available to fund the programs of the government. The government-wide statements include the *Statement of Net Assets* and the *Statement of Activities*; these statements show the financial position and changes in financial position from the prior year. (See additional discussion in Note 3.)

NOTE 2 – REPORTING ENTITY

For financial reporting purposes, the State of Colorado's primary government includes all funds of the state, its departments, agencies, and state funded institutions of higher education that make up the state's legal entity. The state's reporting entity also includes those component units, that are legally separate entities, for which the state's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 – The Financial Reporting Entity. The state is financially accountable for those entities for which the state appoints a voting majority of the governing board and either is able to impose its will upon the entity or there exists a financial benefit or burden relationship with the state. For those entities that the state does not appoint a voting majority of the governing board, GASB Statement No. 14 includes them in the reporting entity if they are fiscally dependent. Entities that do not meet the specific criteria for inclusion may still be included if it would be misleading to exclude them. Under GASB Statement No. 39, individually significant legally separate tax-exempt organizations are included as component units if their resources are for the direct benefit of the state and the state can access those resources.

The following entities qualify as discretely presented component units:

- University of Colorado Hospital Authority
- Colorado Water Resources and Power Development Authority
- University of Colorado Foundation
- Colorado State University Foundation
- Colorado School of Mines Foundation
- University of Northern Colorado Foundation
- Other Component Units (Nonmajor)
  - Denver Metropolitan Major League Baseball Stadium District
  - CoverColorado
  - Colorado Venture Capital Authority
  - Colorado Renewable Energy Authority

With the exception of the University of Colorado Hospital Authority and the four foundations, the majority of each governing board for these entities is appointed by the Governor and confirmed by the Senate. The Board of Regents of the University of Colorado appoints the board of the University of Colorado Hospital Authority.

The University of Colorado Hospital Authority, CoverColorado, and the Renewable Energy Authority are included because they present a financial burden on the state. The Colorado Water Resources and Power Development Authority is included because the state is able to impose its will upon the authority. The Baseball Stadium District is included because its board serves at the pleasure of the Governor, and therefore, the state is able to impose its will upon the entity. The Venture Capital Authority's primary capitalization was insurance premium tax credits contributed by the state's General Fund, and therefore, it qualifies as a component unit because it would be misleading to exclude it.

The four foundations meet the GASB Statement No. 39 criteria discussed above and are included because they are deemed by management to be individually significant.

Detailed financial information may be obtained directly from these organizations at the following addresses:

University of Colorado Hospital Authority
Chief Financial Officer
Mail Stop F417, P.O. Box 6510
Aurora, Colorado 80045

Colorado Water Resources and Power Development Authority
1580 Logan Street, Suite 620
Denver, Colorado 80203

University of Colorado Foundation
4740 Walnut Street
Boulder, Colorado 80301

Colorado State University Foundation
410 University Services Center
Fort Collins, Colorado 80523

Colorado School of Mines Foundation, Inc.
923 16th Street
Golden, Colorado 80401

University of Northern Colorado Foundation, Inc.
Judy Farr Alumni Center
Campus Box 20
Greeley, Colorado 80639

Denver Metropolitan Major League Baseball Stadium District
2195 Blake Street
Denver, Colorado 80205

CoverColorado
425 South Cherry Street, Suite 160
Glendale, Colorado 80246

Venture Capital Authority
1625 Broadway, Suite 2700
Denver, Colorado 80202

Renewable Energy Authority
410 17th Street, Suite 1400
Denver, CO 80202

The following related organizations, for which the state appoints a voting majority of their governing boards, are not part of the reporting entity based on the criteria of GASB Statement No. 14 as amended by GASB Statement No. 39:

Pinnacol Assurance
Colorado Educational and Cultural Facilities Authority
Colorado Health Facilities Authority
Colorado Institute of Technology
Colorado Agricultural Development Authority
Colorado Housing and Finance Authority
Colorado Sheep and Wool Authority
Colorado Beef Council Authority
Fire and Police Pension Association
The State Board of the Great Outdoors Colorado Trust Fund
Statewide Internet Portal Authority

Even though the appointment of governing boards of these authorities is similar to those included in the reporting entity, the state cannot impose its will, nor does it have a financial benefit or burden relationship with these entities. Detailed financial information may be obtained directly from these organizations.

Various college and university foundations exist for the benefit of the related state higher education institutions, but they do not meet all of the GASB Statement No. 39 requirements for inclusion as component units. These entities are included in the various note disclosures if they qualify as related parties or if omitting them would be misleading.

The state has entered a joint operating agreement with the Huerfano County Hospital District to provide patient care at the Colorado State Veterans Nursing Home at Walsenburg. The facility is owned by the state, but it is operated by the hospital district under a twenty-year contract that is renewable at the district's option for successive ten-year terms up to 99 years from the original commencement date in November 1993.

The state's contract with the Huerfano County Hospital District states that the district is responsible for funding the operating deficits of the nursing home; however, since the state owns the nursing home, it retains ultimate financial responsibility for the home. Only the state's share of assets, liabilities, revenues, and expenses associated with the joint operation are shown in these financial statements. These include the land, building, and some of the equipment for the nursing home as well as revenues and expenses associated with the state's on-site contract administrator. The state's pass-through of U.S. Veterans Administration's funds to the district is also shown as revenue and expense of the state.

NOTE 3 – BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements focus on the government as a whole. The *Statement of Net Assets* and the *Statement of Activities* are presented using the economic resources measurement focus and the full accrual basis of accounting. Under this presentation, all revenues, expenses, and all current and long-term assets and liabilities of the government are reported including capital assets, depreciation, and long-term debt.

The government-wide statements show the segregation between the primary government and its component units. The primary government is further subdivided between governmental activities and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the financial position of the government. The net assets section of the statement focuses on whether assets, net of related liabilities, have been restricted as to the purpose for which they may be used. This differs from the concept of reservations of fund balance used in the governmental fund statements to show availability of assets for appropriation. When an external party or the State Constitution places a restriction on the use of certain assets, those assets, net of related liabilities, are reported in the Net Asset line items shown as Restricted. The nature of an asset may also result in a restriction on asset use. The line item Invested in Capital Assets, Net of Related Debt, comprises capital assets (net of depreciation) reduced by the outstanding balance of bonds, mortgages, notes, or other borrowings that were used to finance the acquisition, construction, or improvement of the capital asset. The state does not report restrictions of net assets related to enabling legislation because a settled court case determined that crediting money to a special fund does not mean that the General Assembly is prohibited from appropriating the money for another purpose. Internal Service Fund assets and liabilities are reported in the government-wide *Statement of Net Assets* as part of the governmental activities.

The *Statement of Activities* shows the change in financial position for the year. It focuses on the net program cost of individual functions and business-type activities (BTAs) in state government. It does this by presenting direct and allocated indirect costs reduced by program revenues of the function or BTA. Direct costs are those that can be specifically identified with a program. The state allocates indirect costs based on an approved Statewide Federal Indirect Cost Plan. Program revenues comprise fines and forfeitures, charges for goods and services, and capital and operating grants. Taxes, with the exception of unemployment insurance tax supporting a business-type activity, are presented as general revenues. General-purpose revenues are presented at the bottom of the statement and do not affect the calculation of net program cost.

The state reports only its Enterprise Funds as business-type activities. The business-type activities follow all current GASB pronouncements. They also follow all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Interfund transactions, such as federal and state grants moving between state agencies, have been eliminated from the government-wide statements to the extent that they occur within either the governmental or business-type activities, except as follows. In order not to misstate the sales revenue and purchasing expenses of individual functions or BTAs, the effects of interfund services provided and used have not been eliminated. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Internal Service Fund activity has been eliminated by allocating the net revenue/expense of the Internal Service Fund to the function originally charged for the internal sale.

Some of the state's component units have fiscal year-ends that differ from the state's fiscal year-end. However, there were no significant receivable and payable balances between the primary government and those component units at the fiscal year-end reporting dates. The four foundations reported as component units have the same fiscal year-end as the state. Amounts shown as due from or due to the component units are primarily receivable from or payable to these foundations.

Interfund balances between the primary government's fiduciary activities and the primary government are presented on the government-wide statements as external receivables and payables.

NOTE 4—BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

Primary Government

The fund-level statements provide additional detail about the primary government and its component units. The information is presented in four types – governmental funds, proprietary funds, fiduciary funds, and component units. With the exception of the Fiduciary Fund type, each type is presented with a major fund focus.

The Governmental Accounting Standards Board has defined major funds based on percentage thresholds; however, it allows presentation of any fund as a major fund when that fund is particularly important to financial statement users. The Capital Projects Fund, the State Education Fund, the Unemployment Insurance Fund, and the Lottery Fund do not meet the percentage threshold requirements, but they are presented as major funds under the discretion provided by the standard. All of the state's component units are reported as major except for the Denver Metropolitan Major League Baseball Stadium District, CoverColorado, the Venture Capital Authority, and the Renewable Energy Authority which are presented as nonmajor component units.

The state's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

<u>General Fund</u>
Transactions related to resources obtained and used for those services traditionally provided by state government, which are not legally required to be accounted for in other funds, are accounted for in the General Fund. Resources obtained from federal grants that support general governmental

activities are accounted for in the General Fund consistent with applicable legal requirements.

State Public School Fund
The State Public School Fund receives transfers from the General Fund on a quarterly basis and makes distributions to local school districts on a monthly basis. The fund also receives smaller transfers from other state programs, such as Lottery and State Lands, that are distributed to the local school districts as well.

Highway Users Tax Fund
Expenditures of this fund are for the construction and maintenance of public highways, the operations of the State Patrol, and the motor vehicle related operations of the Department of Revenue. Revenues are from excise taxes on motor fuels, driver, and vehicle registration fees, and other related taxes. In prior years this fund has issued revenue bonds to finance construction and preservation of highway infrastructure. Most of the state's infrastructure is financed by this fund.

Capital Projects Fund
Transactions related to resources obtained and used for acquisition, construction, or improvement of state owned facilities and certain equipment are accounted for in the Capital Projects Fund unless the activity occurs in a proprietary fund or in certain instances when the activity is incidental to a cash fund.

State Education Fund
The State Education Fund was created in the State Constitution by a vote of the people in November 2000. The fund's primary revenue source is a tax of one third of one percent on federal taxable income. The revenues are restricted for the purpose of improving Colorado students' primary education by funding specific programs and by guaranteeing appropriation growth of at least one percent greater than annual inflation through Fiscal Year 2010-11.

PROPRIETARY FUND TYPE:

Higher Education Institutions
This fund reports the activities of all state institutions of higher education. Fees for educational services, tuition payments, and research grants are the primary sources of funding for this activity. Higher Education Institutions have significant capital debt secured solely by pledged revenues.

Unemployment Insurance
This fund accounts for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

CollegeInvest
CollegeInvest issues revenue bonds to originate and purchase student loans in addition to operating a limited prepaid tuition program. CollegeInvest also operates an IRS Section 529 tax-advantaged College Savings Plan that is presented as a Private Purpose Trust Fund.

Lottery
The State Lottery encompasses the various lottery and lotto games run under state statute. The primary revenue source is lottery ticket sales, and the net proceeds are primarily distributed to the Great Outdoors Colorado Program (a related organization), the Conservation Trust Fund, and when receipts are adequate, the contingency reserve in the State Public School Fund. The funds are used primarily for open space purchases and recreational facilities throughout the state.

Nonmajor funds of each fund type are aggregated into a single column for presentation in the basic financial statements. In addition to the major funds discussed above, the state reports the following fund categories in supplementary information in the Comprehensive Annual Financial Report.

GOVERNMENTAL FUND TYPE (NONMAJOR):

Special Revenue Funds
Transactions related to resources obtained from specific sources, and dedicated to specific purposes are accounted for in the Special Revenue Funds. The individual nonmajor funds include Water Projects, Labor, Gaming, Tobacco Impact Mitigation, Resource Extraction, Resource Management, Environment and Health Protection, Public School Buildings, and Other Special Revenue Funds.

Debt Service Fund
This fund accounts for the accumulation of resources, primarily transfers from other funds, for the payment of long-term debt principal and interest. It also accounts for the issuance of debt solely to refund debt of other funds. The primary debt serviced by this fund consists of certificates of participation issued by various departments and transportation revenue anticipation notes issued by the Department of Transportation to fund infrastructure.

Permanent Funds
This collection of funds reports resources that are legally restricted to the extent that only earnings, and not principal, may be used to support the state's programs. The individual nonmajor funds included in this category are the State Lands Fund and an aggregation of several smaller funds. On the government-wide financial statements the net assets of these funds are presented as restricted with separate identification of the nonexpendable (principal) and expendable (earnings) amounts.

PROPRIETARY FUND TYPE (NONMAJOR):

Enterprise Funds
The state uses Enterprise Funds to account for activities that charge fees, primarily to external users, to recover the costs of the activity. In some instances, the requirement to recover costs is a legal mandate, and in others it is due to management's pricing policy. The individual nonmajor funds reported in supplementary information include

Wildlife, College Assist (formerly College Access Network), State Fair Authority, Correctional Industries, State Nursing Homes, Prison Canteens, Petroleum Storage Tank, and several smaller funds aggregated as Other Enterprise Funds.

Internal Service Funds
The state uses Internal Service Funds to account for sales of goods and services, primarily to internal customers, on a cost reimbursement basis. The major fund concept does not apply to Internal Service Funds. The state's Internal Service Funds reported in supplementary information included Central Services, General Government Computer Center, Telecommunications, Capitol Complex, Highways, Public Safety, Administrative Courts, and Debt Collection. In the fund financial statements, these activities are aggregated into a single column. In the government-wide statements, the Internal Service Funds are included in the governmental activities on the *Statement of Net Assets,* and they are included in the *Statement of Activities* through an allocation of their net revenue/expense back to the programs originally charged for the goods or services.

FIDUCIARY FUND TYPE:

The resources reported in Fiduciary Fund types are not available for use in the state's programs; therefore, none of the Fiduciary Funds are included in the government-wide financial statements.

Pension and Benefit Trust Funds
In the basic financial statements, the state reports in a single column the activities related to resources being held in trust for members and beneficiaries of the Deferred Compensation Plan, the Defined Contribution Pension Plan, and Group Benefits Plan. Individual financial statements of these plans are presented in Note 20. Participation in the defined contribution plan was previously limited to select employees – primarily legislators and elected officials, however, beginning January 1, 2006, the defined contribution plan became an option for current and newly hired state employees. Most state employees continue to be covered by the defined benefit plan operated by the Public Employees Retirement Association (see Note 18).

Private Purpose Trust Funds
Private Purpose Trust Funds are used to report the resources held in trust for the benefit of other governments, private organizations, or individuals. A single column in the basic financial statements aggregates the Treasurer's Private Purpose Trusts (including escheats activity), the College Savings Plan operated by CollegeInvest, the College Opportunity Fund, and several smaller funds.

Agency Funds
Agency funds are used to report resources held in a purely custodial capacity for other individuals, private organizations, or other governments. Typically the time between receipt and disbursement of these resources is short and investment earnings are inconsequential.

PRESENTATION OF INTERNAL BALANCES

Intrafund transactions are those transactions that occur completely within a column in the financial statements, while interfund transactions involve more than one column. This definition applies at the level of combining financial statements in the supplementary information section of the Comprehensive Annual Financial Report. Substantially all intrafund transactions and balances of the primary government have been eliminated from the fund-level financial statements. Interfund sales and federal grant pass-throughs are not eliminated, but are shown as revenues and expenditures/expenses of the various funds. Substantially all other interfund transactions are classified as transfers-in or transfers-out after the revenues and expenditures/expenses are reported on each of the operating statements.

FUNCTIONAL PRESENTATION OF EXPENDITURES

In the governmental fund types, expenditures are presented on a functional basis rather than an individual program basis because of the large number of programs operated by the state. The state's eight functional classifications include:

General Government
Legislative Branch, Department of Personnel & Administration, most of the Department of Military and Veterans Affairs, part of the Governor's Office, part of the Department of Revenue, and Department of Treasury

Business, Community, and Consumer Affairs
Department of Agriculture, part of the Governor's Office, Department of Labor and Employment, Department of Local Affairs, most of the Department of Regulatory Agencies, Gaming Division of the Department of Revenue, and Department of State

Education
Department of Education and the portion of the Department of Higher Education not reported as a Business-Type Activity

Health and Rehabilitation
Department of Public Health and Environment and part of the Department of Human Services

Justice
Department of Corrections, Division of Youth Corrections in the Department of Human Services, Judicial Branch, Department of Law, Department of Public Safety, and the Civil Rights Division of the Department of Regulatory Agencies

Natural Resources
Department of Natural Resources

Social Assistance
Department of Human Services, Veterans' Affairs, and the Department of Health Care Policy and Financing.

Transportation
Department of Transportation

Component Units

The University of Colorado Hospital Authority uses proprietary fund accounting for its operations. The financial statements for the authority's noncontributory defined benefit pension plan are prepared under the accrual basis of accounting, but are not presented in the state's Comprehensive Annual Financial Report. The pension plan statements are available from the authority. Financial information for the authority is presented as of June 30, 2008.

The Colorado Water Resources and Power Development Authority is engaged only in business-type activities, and it uses proprietary fund accounting for its operations. The authority's financial information is presented as of December 31, 2007.

Three of the four nonmajor component units use proprietary fund accounting in preparation of their financial statements, while the Renewable Energy Authority uses governmental fund accounting. In addition, CoverColorado and the Venture Capital Authority apply applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements that do not conflict with or contradict GASB pronouncements. The financial information for these entities is presented as of December 31, 2007.

The four foundations presented as component units all follow Financial Accounting Standards Board statements applicable to not-for-profit entities. The foundation's audited not-for-profit financial statements have been recast into the governmental format as allowed by GASB Statement No. 39. Financial information for the four foundation component units is presented as of June 30, 2008.

NOTE 5 – BASIS OF ACCOUNTING

Primary Government

The basis of accounting applied to a fund depends on both the type of fund and the financial statement on which the fund is presented.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

All transactions and balances on the government-wide financial statements are reported on the full accrual basis of accounting. Under full accrual, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange transactions are recognized when the exchange takes place and the earnings process is complete. Similar recognition occurs for nonexchange transactions depending on the type of transaction as follows:

- Derived tax revenues are recognized when the underlying exchange transaction occurs.
- Imposed nonexchange revenues are recognized when the state has an enforceable legal claim.
- Government mandated and voluntary nonexchange revenues are recognized when all eligibility requirements are met – assets may be recognized if received before eligibility requirements are met.

FUND-LEVEL FINANCIAL STATEMENTS

Governmental Funds
All transactions and balances of governmental funds are presented on the modified accrual basis of accounting consistent with the flow of current financial resources measurement focus and the requirements of Governmental Accounting Standards Board Interpretation No. 6. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The state defines revenues as available if they are expected to be collected within one year. Historical data, adjusted for economic trends, are used to estimate the following revenue accruals:

- Sales, use, liquor, and cigarette taxes are accrued based on filings received and an estimate of filings due at June 30.
- Income taxes, net of refunds, to be collected from individuals, corporations, and trusts are accrued based on current income earned by taxpayers before June 30. Quarterly filings, withholding statements, and other historical and economic data are used to estimate taxpayers' current income. The related revenue is accrued net of an allowance for uncollectible taxes.

Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met.

Expenditures are recognized in governmental funds when:

- The related liability is incurred and is due and payable in full (examples include professional services, supplies, utilities, and travel),
- The matured portion of general long-term indebtedness is due and payable (or resources have been designated in the Debt Service Fund and the debt service is payable within thirty days of fiscal year-end),
- The liability has matured and is normally expected to be liquidated with expendable available financial resources.

Under these recognition criteria, compensated absences, claims and judgments, termination benefits, and environmental postremediation liabilities are reported as fund liabilities only in the period that they become due and payable. Expenditures/liabilities not recognized in the fund-level statements are reported as expenses/liabilities on the government-wide statements.

Proprietary and Fiduciary Funds
All transactions and balances of the proprietary and fiduciary fund types are reported on the full accrual basis of accounting as described above for the government-wide statements.

Component Units

The University of Colorado Hospital Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. As a governmental entity, the hospital applies all GASB statements and has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Colorado Water Resources and Power Development Authority uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when the related liability is incurred. The authority has elected to not apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

NOTE 6 – ACCOUNTING POLICIES AFFECTING SPECIFIC ASSETS, LIABILITIES, AND NET ASSETS

A. CASH AND POOLED CASH

For purposes of reporting cash flows, cash and pooled cash is defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, and warrants payable.

B. RECEIVABLES

Component Units

The University of Colorado Foundation, the Colorado State University Foundation, the Colorado School of Mines Foundation, and the University of Northern Colorado Foundation all record unconditional promises to give as revenue and receivable in the period that the pledge is made. The University of Colorado Foundation and the Colorado State University Foundation use the allowance method to determine the uncollectible portion of unconditional contributions receivable. The Colorado School of Mines Foundation recognizes conditional promises to give as revenue and receivable when the conditions on which the pledges are dependent are substantially met.

C. INVENTORY

Inventories of the various state agencies primarily comprise finished goods inventories held for resale and consumable items such as office and institutional supplies, fuel, and maintenance items.

Inventories of the governmental funds are stated at cost, while inventories of the proprietary funds are stated at the lower of cost or market. The state uses various valuation methods (FIFO, average cost, etc.) depending upon the state agency. The method used in each agency is consistent from year to year.

Consumable inventories that are deemed material are expended at the time they are consumed. Immaterial consumable inventories are expended at the time of purchase, while inventories held for resale are expensed at the time of sale.

D. INVESTMENTS

Primary Government

Investments, including those held by the State Treasurer and reported as pooled cash, include both short and long-term investments. They are stated at fair value except for certain money market investments (see Note 14). Investments that do not have an established market are reported at their estimated fair value. The State Treasurer records investment interest in individual funds based on book yield as adjusted for amortization of investment premiums and discounts.

Component Units

Marketable equity and debt investments of the University of Colorado Foundation are presented at fair value based on quoted market prices; alternative investment fair values are based on national security exchange closing prices, if marketable, and on prorata share of the net assets of the investment, if not marketable. Realized and unrealized gains and losses are included in the change in net assets.

The University of Colorado Foundation has concentrations of financial instruments in cash and investments that potentially subject it to credit risk. The foundation selects credit-worthy high-quality financial institutions, but significant portions of its deposits are not insured by the FDIC. The foundation's concentrations in stocks, bonds, and alternative investments also subject it to credit risk. These investments are selected by professional managers and are monitored by the Investment Committee of the foundation's Board of Directors. Certain investment managers employ techniques such as leverage, futures and forwards contracts, option agreements, and other derivative instruments that create special risks that could adversely affect the foundation's investment portfolio valuation.

The mission of the Venture Capital Authority, a nonmajor component unit, is to make seed and early-stage investments in companies that are not fully established. Because of the inherent uncertainty of investment valuation where a ready market does not exist, as is the case with Venture Capital Authority investments, estimated values may differ from the values that would have been reported had a ready market existed, and the differences could be material.

E. CAPITAL ASSETS

Primary Government

Depreciable capital assets are reported at historical cost net of accumulated depreciation on the government-wide *Statement of Net Assets*. Donated capital assets are carried at their fair market value at the date of donation (net of accumulated depreciation). State agencies are allowed to capitalize works of art, historical treasures, and assets below established thresholds. Agencies must capitalize all land regardless of cost and furniture and equipment when the cost of the item exceeds $5,000. The state uses a higher threshold for buildings ($50,000) and infrastructure ($500,000). Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

All depreciable capital assets are depreciated using the straight-line method. State agencies are required to use actual experience in setting useful lives for depreciating capital assets. The following table lists the range of lives that state agencies normally use in depreciating capital assets. Certain historical buildings are depreciated over longer lives, but they are excluded from the following table.

(Amounts in Years)

Asset Class	Shortest Period Used	Longest Period Used
Land Improvements	5	50
Buildings	5	100
Leasehold Improvements	3	50
Equipment	3	50
Software	1.5	23
Library Books	5	20
Other Capital Assets	3	20
Infrastructure	20	75

Certain infrastructure owned by the Colorado Department of Transportation (CDOT), including roadway infrastructure acquired prior to Fiscal Year 1980-81, is reported using the modified approach, under which maintenance and preservation costs are expenditures and depreciation is not recorded. (See Note RSI-2 to the Required Supplementary Information, page 149, for more information on the modified approach.) Bridges owned by CDOT and other infrastructure, which is primarily owned by the Department of Natural Resources, is capitalized and depreciated.

The state capitalizes interest incurred during the construction of capital assets that are reported in Enterprise Funds.

Component Units

The University of Colorado Hospital Authority capitalizes interest during the construction of capital assets. The authority depreciates capital assets over the estimated useful life of the asset class using the straight-line method. The hospital's long-lived assets consist primarily of leasehold improvements, buildings and building improvements, and equipment.

F. DEFERRED REVENUE

Under reimbursement agreements, receipts from the federal government and other program sponsors are deferred until the related expenditures occur. On the fund-level financial statements, revenues related to taxes receivable that the state does not expect to collect until after the following fiscal year are deferred. However, taxes receivable are recognized as revenue on the government-wide financial statements.

G. ACCRUED COMPENSATED ABSENCES LIABILITY

Primary Government

State law concerning the accrual of sick leave was changed effective July 1, 1988. After that date all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to the individual's accrued balance on July 1, 1988, plus 360 additional hours. Employees that exceed the limit at June 30 are required to convert five hours of unused sick leave to one hour of annual leave. Employees or their survivors are paid for one-fourth of their unused sick leave upon retirement or death.

Annual leave is earned at increasing rates based on employment longevity. No classified employee is allowed to accumulate more than 42 days of annual leave at the end of a fiscal year. Employees are paid 100 percent of their annual leave balance upon leaving state service.

In accordance with GASB Interpretation No. 6, compensated absence liabilities related to the governmental funds are recognized as liabilities of the fund only to the extent that they are due and payable at June 30. For all other fund types, both current and long-term portions are recorded as individual fund liabilities. On the government-wide *Statement of Net Assets,* all compensated absence liabilities are reported.

Component Units

Employees of the University of Colorado Hospital Authority use paid time off (PTO) for vacation, holidays, short-term illness, and personal absences. Extended illness pay (EIP) is used to continue salary during extended absences due to medical disability, serious health conditions, or bereavement. Both PTO and EIP earnings are based on length of service and actual hours worked. The hospital records PTO expense as it is earned. Accrued EIP is based solely on amounts estimated to become payable to that portion of the employee base that will ultimately retire from the hospital.

The Colorado Water Resources and Power Development Authority recognizes unused vacation benefits as they are earned.

H. INSURANCE

The state has an agreement with Pinnacol Assurance, a related organization, to act as the third party administrator for the state's self-insured workers' compensation claims. The state reimburses Pinnacol for the current cost of claims paid and related administrative expenses. Actuarially determined liabilities are accrued for claims to be paid in future years.

The state insures its property through private carriers and is self-insured against general liability risks for both its officials and employees (see Note 21). It is self-funded for employee healthcare plans, however, in the healthcare instance, the risk resides with the employees because the state contribution to the plan is subject to appropriation each year, and employees are required to cover the balance of any premiums due.

I. NET ASSETS AND FUND BALANCES

In the financial statements, assets in excess of liabilities are presented in one of two ways depending on the measurement focus used in reporting the fund.

On the government-wide *Statement of Net Assets,* the proprietary funds' *Statement of Net Assets,* and the fiduciary funds' *Statement of Fiduciary Net Assets,* net assets are segregated into restricted and unrestricted balances. Restrictions are limitations on how the net assets may be used. Restrictions may be placed on net assets by the external party that provided the resources, by the State Constitution, or by the nature of the asset (such as, in the case of capital assets).

On the *Balance Sheet – Governmental Funds,* assets in excess of liabilities are reported as fund balances and are segregated between reserved and unreserved amounts. Reserves are legal requirements that make funds unavailable for appropriation by segregating them for a specific use. Conversely, unreserved balances are generally available for appropriation. Management may also make designations of unreserved fund balance that signal its intent that certain fund balance amounts are currently unavailable for appropriation. Designated unreserved fund balances are not legally segregated.

The following paragraphs describe the restrictions reported in the financial statements:

Invested in Capital Assets Net of Related Debt – This item comprises capital assets net of accumulated depreciation if applicable. The carrying value of capital assets are further reduced by the outstanding balances of leases, bonds, or other borrowings that were used to acquire, construct, or improve the related capital asset.

Restricted for Highway Construction and Maintenance – Article X Section 18 of the State Constitution restricts the motor fuels tax portion of the Highway Users Tax Fund. The unrestricted portion of the fund is appropriated for activities other than highway construction and maintenance.

Restricted for State Education – The entire net assets balance of the State Education Fund, a major governmental fund, is restricted based on Article IX, Section 17, of the State Constitution. Section 17 is commonly referred to as Amendment 23, which references the ballot number assigned to the issue in the general election of 2000.

Restricted for Unemployment Insurance – The entire net assets balance of the Unemployment Insurance Fund, a major Enterprise Fund, is reported as restricted because federal regulations limit its use to paying unemployment insurance claims.

Restricted for Debt Service – The net assets of the Debt Service Fund, a nonmajor governmental fund, are restricted to be used only for upcoming principal and interest payments. The payments are primarily related to the Transportation Revenue Anticipation Notes issued by the Department of Transportation, but also include payments on certificates of participation issued by the Department of Personnel & Administration and the Department of Corrections. The Higher Education Institutions Enterprise Fund also reports certain balances restricted for principal and interest payments on revenue-bonded debt.

Restricted for Emergencies – The State Legislature designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues and enterprises (see Note 8B).

Restricted Permanent Funds and Endowments – This item is segregated into two components. The restricted balances reported as nonexpendable are related to the principal portion of governmental Permanent Funds, such as the State

Lands Fund, and the endowment portion of the Higher Education Institutions Enterprise Fund that must be maintained in perpetuity. The restricted balances reported as expendable are the earnings on the related principal balances. In general these earnings can only be used for education program purposes.

Restricted for Court Awards and Other Purposes – The state operates certain funds that were established at the direction of federal courts, state courts, or other external parties. The net assets of these funds are limited as to use by the court or the external party. Included in this restriction is the remaining $16.7 million balance of the following. The state received $73.1 million and $73.2 million in Fiscal Years 2003-04 and 2002-03, respectively, from the federal government as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Act restricts the use of the funds to "the types of expenditures permitted under the most recently approved budget for the state." The Colorado Supreme Court opined that legislation could exclude these funds from the definition of custodial moneys that would qualify them as restricted. However, the related legislation only applied this authority to these types of funds prospectively. Therefore, the unexpended net assets of these funds are reported as restricted and their use is directed by the Governor.

The following paragraphs describe the reservations reported in the fund-level financial statements:

The fund balance of the General Fund is reserved as provided by statute and as provided by generally accepted accounting principles. The unreserved and undesignated portion of fund equity on the budgetary basis (see page 147) remaining at year-end is required by legislation to be transferred in the following year to the Highway Fund and the Capital Projects Fund in the ratio of two-thirds to one-third.

Reserved for Encumbrances - In the General Fund, this reserve represents the portion of the current fiscal year appropriation that was encumbered for goods and services that were not received before June 30 due to extenuating circumstances. The specific appropriation related to these items is rolled-forward to the following fiscal year. The reserve also includes earned augmenting revenue, such as insurance proceeds, that state agencies are not required to revert into General Fund fund balance.

In the Special Revenue Funds and Capital Projects Fund this reserve represents purchase orders, contracts, and long-term contracts related to construction of major capital projects and infrastructure. State agencies are required to record encumbrances for construction projects, and therefore, this reserve in the Special Revenue and Capital Projects fund represents the major construction commitments of the state.

Since the resources of these funds are often received after the long-term contracts are executed and recorded as encumbrances, the unreserved undesignated amount may reflect a deficit. When a deficit occurs it is funded by future proceeds of the fund.

Reserved for Noncurrent Assets – This item reserves the portion of fund balance that relates to long-term interfund receivables and other long-term assets that are not offset by deferred revenue. These assets are not currently available for appropriation.

Reserved for Debt Service – The fund balance of the Debt Service Fund, a nonmajor governmental fund, is not available for appropriation because it is restricted to use only for upcoming principal and interest payments. The payments are primarily related to the Transportation Revenue Anticipation Notes issued by the Department of Transportation, but also include payments on certificates of participation issued by the Department of Personnel & Administration and the Department of Corrections.

Reserve for Statutory Purposes – The statutory reserve in the Capital Projects Fund is the fund balance of the Corrections Expansion Reserve and the balance of certain other projects that are allowed to maintain a fund balance in the Capital Projects Fund. These projects are not required to revert excess cash revenue to the Capital Projects Fund. In the General Fund this reserve normally represents the requirement in Colorado Revised Statutes 24-75-201.1(d) to reserve four percent of General Fund appropriations, and it is only presented at the full four percent amount when the unreserved undesignated fund balance is greater than zero. On the generally accepted accounting principles basis, General Fund assets were not adequate to meet the Fiscal Year 2007-08 statutorily required reserve of $283.5 million. This resulted in the $151.7 million reserve shown on the *Balance Sheet – Governmental Funds.* The state complied with the reserve requirement on the budgetary basis by deferring Medicaid and payroll expenditures to the following fiscal year.

Reserved for Risk Management – The Reserve for Risk Management represents the fund equity of the state Risk Management Funds. Because there is no plan to fund the actuarial liabilities of the Risk Management Fund, it is accounted for in the General Fund as required by Governmental Accounting Standards Board Statement No. 10.

Reserved for Emergencies – The General Assembly designates the fund balance of certain funds as an emergency reserve as required by Article X, Section 20 (TABOR) of the State Constitution. The requirement is to reserve three percent or more of fiscal year spending for emergencies. Fiscal year spending is defined in TABOR as all spending and reserve increases except for spending from certain excluded revenues and enterprises. (See Note 8B for more information on the current year amount of the emergency reserve.)

Reserved for Funds Reported as Restricted – This reserve is the portion of fund balance that is restricted by the State Constitution or external parties. The balances are reserved because they are restricted; and therefore, are not available for appropriation for general governmental purposes.

Unreserved - Designated for Unrealized Investment Gains In all fund types, this designation represents the amount by which the fair value of investments exceeds amortized cost. It is not equivalent to the net change in fair value of investments because the net change in fair value is adjusted for the amount by which the fair value was more or less than amortized costs in prior years. This reserve is only shown when a governmental fund category has net unrealized gains.

NOTE 7 – ACCOUNTING POLICIES AFFECTING REVENUES, EXPENDITURES/EXPENSES

A. PROGRAM REVENUES

The government-wide *Statement of Activities* presents two broad types of revenues – program revenues and general revenues. All taxes, with the exception of unemployment insurance tax used to support a business-type activity, are reported as general revenues. Unrestricted investment earnings and the court ordered awards of the Tobacco Litigation Settlement Fund, part of the nonmajor Tobacco Impact Mitigation Fund, are also reported as general revenues. Except for transfers, permanent fund additions, and special items, all other revenues are reported as program revenues. In general, program revenues include:

- Fees for services, tuition, licenses, certifications, and inspections,
- Fines and forfeitures,
- Sales of products,
- Rents and royalties,
- Donations and contributions, and
- Intergovernmental revenues (including capital and operating grants).

B. INDIRECT COST ALLOCATION

The state allocates indirect costs on the government-wide *Statement of Activities.* In general, the allocation reduces costs shown in the general government functions and increases costs in the other functions and business-type activities (BTAs). The allocation is based on the Statewide Indirect Cost Allocation Plan Agreement with the federal government that was approved during Fiscal Year 2007-08.

The Plan uses cost from Fiscal Year 2005-06 that will be incorporated in state agency indirect cost rates and plans to be charged to federal grants in Fiscal Year 2009-10. The allocation of costs between the governmental activities and BTAs would normally result in an adjustment of internal balances on the government-wide *Statement of Net Assets.* However, since the amount allocated from the governmental activities to the BTAs is small, an offsetting adjustment is made to the Transfers line item at the bottom of the *Statement of Activities.*

C. OPERATING REVENUES AND EXPENSES

Primary Government

The state reports four major Enterprise Funds, multiple nonmajor Enterprise Funds, and multiple Internal Service Funds. Because these funds engage in a wide variety of activities, the state's definition of operating revenues and expenses is highly generalized. For these funds, operating revenues and expenses are defined as transactions that result from the core business activity of the proprietary fund.

In general this definition provides consistency between operating income on the *Statement of Revenues, Expenses, and Changes in Net Assets* and cash from operations on the *Statement of Cash Flows.* However, certain exceptions occur including:

- Interest earnings and expenses of proprietary funds for which the core business activity is lending are reported as operating revenues and expenses on the *Statement of Revenues, Expenses, and Changes in Net Assets* but are reported as investing activities on the *Statement of Cash Flows.*
- Some rents, fines, donations, and certain grants and contracts are reported as nonoperating revenues on the *Statement of Revenues, Expenses, and Changes in Net Assets* but are reported as cash from operations on the *Statement of Cash Flows.*

The state higher education institutions have defined operating revenues and expenses as generally resulting from providing goods and services for instruction, research, public service, or related support services to an individual or entity separate from the institution.

NOTE 8 – STEWARDSHIP, ACCOUNTABILITY, AND LEGAL COMPLIANCE

A. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. If earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general-funded expenditures. If general-funded expenditures exceed the general-funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Agencies are not allowed to use general-purpose revenue to support an expenditure/expense that was appropriated from cash or federal funds. Budget-to-actual comparisons are presented in the Required Supplementary Information Section beginning on page 139. Differences noted between department overexpended amounts on the budgetary schedules and the overexpenditures discussed below are due to offsetting underexpended line item appropriations.

Within the limitations discussed below, the State Controller with the approval of the governor may allow certain overexpenditures of the legal appropriation, as provided by Colorado Revised Statutes 24-75-109. Unlimited overexpenditures are allowed in the Medicaid program. The Department of Human Services is allowed $1.0 million of overexpenditures not related to Medicaid and unlimited overexpenditures for self-insurance of its workers' compensation plan. Statute also allows overexpenditures up to $1.0 million in total for the remainder of the Executive Branch. An additional $1.0 million of combined transfers and overexpenditures are allowed for the Judicial Branch.

The State Controller is required by statute to restrict the subsequent year appropriation whether or not he allows an overexpenditure. The restriction requires the agency to seek a supplemental appropriation from the General Assembly, earn adequate cash or federal revenue to cover the expenditure in the following year, and/or reduce their subsequent year's expenditures.

Total overexpenditures at June 30, 2008, were $28,734,213 as described below.

Medicaid Overexpenditures:

- High Risk Pregnant Women Program – The Department of Human Services Alcohol and Drug Abuse Division overexpended this line item by $506,433 budgeted as cash funds exempt from TABOR. The Department of Health Care Policy and Financing overexpended the same line item by $253,217 of general funds, which represents the match for the Medicaid funds paid to the Department of Human Services. The overexpenditure occurred in both instances primarily because a change in statute increased the benefit period from 60 days to one year and because current year cases required more residential and less outpatient services. This program is an entitlement program driven by the eligible population.
- Medicaid Mental Health Capitation Payments – The Department of Health Care Policy and Financing overexpended this line item by $2,347,326 of general funds. This program is an entitlement program driven by the eligible population and the department reported unexpectedly large increases over budgeted caseload for the year.
- Medical Services Premiums – The Department of Health Care Policy and Financing overexpended this line item by $23,119,872 of general funds. This program is an entitlement program driven by the eligible population and experienced unexpectedly large increases over budgeted caseload for the year. The department also reported an increase in the utilization of primary care services including physician and in-patient hospital services as well as home-based community services.

Department of Human Services Overexpenditures Other Than Medicaid:

- Department-Wide Utility Costs – The Department of Human Services overexpended this line item by $596,627 of general funds. The overexpenditure occurred primarily because of large increases in utility costs. The Department had been able to protect against such increases in the past through the use of advance natural gas contracts. The current contract rates, however, were unfavorable and the Department was forced to pay the prevailing rates that were increasing during the fiscal year.
- CBMS Federal Reallocation – The Department of Human Services Information Technology Services Group overexpended this line item by $158,947 of general funds. The overexpenditure occurred because the Department's estimated amount of Colorado Benefits Management System expenditures to be allocated to the Federal Government understated the need for general fund support.

Judicial Branch Overexpenditures Subject to the $1.0 Million Limit:

- Office of the Child's Representative – Court Appointed Counsel – The Judicial Branch overexpended this general fund line item by $118,687. The overexpenditure occurred because of increased Dependency and Neglect caseload and higher costs which resulted from mandated increased contact between the court appointed counsel and child clients.

Statewide Overexpenditures Subject to the $1.0 Million Limit:

- Division of Central Services – Operating Expense for Reprographics – The Department of Personnel & Administration overexpended this line item by $641,895 of cash funds exempt from TABOR. The overexpenditure occurred due to the correction of an accounting error that historically understated expenditures related to outsourced print jobs.

- Department of Corrections – Payments to District Attorneys – The Department of Corrections overexpended this line item by $138,873 of general funds. The overexpenditure occurred because costs of death penalty case reimbursements to the 18th Judicial District Attorney's Office were greater than budgeted and the Department's related supplemental request was not fully funded.

- Colorado State Patrol – Safety and Law Enforcement Support – The Department of Public Safety overexpended this line item by $54,761 of cash funds exempt from TABOR. The overexpenditure occurred because the State Patrol did not have sufficient spending authority to spend all of the revenue they earned from State Fleet Management for performing vehicle maintenance.

- Department of Education – Legal Services – The Department of Education overexpended this line item by $1,035 of cash funds. The overexpenditure occurred due to an increase in the number of cases that required judicial hearings in the Office of Professional Services and Educator Licensing.

- Division of Parks and Outdoor Recreation – River Outfitters Regulation – The Department of Natural Resources overexpended this line item by $2,535 of cash funds. The overexpenditure occurred because the Division failed to consider the accrual of biweekly payroll expense when purchasing equipment at year-end.

Overexpenditures Not Subject to Statutory Approval:

The following overexpenditures occurred in the Department of Human Services.

- Community and Contract Management System – The Department overexpended this line by $6,336 in cash funds exempt from TABOR. The overexpenditure occurred because an invoice was not accrued in Fiscal Year 2006-07 resulting in the expenditure being charged to the FY 2007-08 budget. The Department failed to consider this expenditure in monitoring its budget.

- Personal Services, Mental Health Institutes, Executive Director's Office General Administration, Purchase of Services from the Computer Center – The Department overexpended the four individual lines listed above by a total of $758,349 in general funds. Although all of the lines had sufficient spending authority, the overexpenditures occurred because insufficient cash, federal or indirect revenue was earned in the lines to support the expenditures.

The General Fund Surplus Schedule (page 147) shows a negative reversion of $2.4 million for the Department of Revenue. Negative reversions normally represent an overexpenditure; however, in this instance the amount is not an overexpenditure. The reversion amount is related to $9.3 million of excess expenditures of the Old Age Pension program, which is continuously appropriated in statute but for which an estimate is shown in the appropriations act. The Department does not record the additional continuously appropriated spending authority for the excess expenditure so that the General Fund Surplus Schedule and the General Fund Reversion Report will show that the appropriations act estimate was less than the actual expenditures. The Schedule also shows a $19.0 million negative reversion for the Department of Health Care Policy and Financing. This negative reversion is due to overexpenditures at the Department included in the discussion above.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the Office of the State Controller.

B. TAX, SPENDING, AND DEBT LIMITATIONS

Certain state revenues, primarily taxes and fees, are limited under Article X, Section 20 (TABOR) of the State Constitution. The growth in these revenues from year to year is limited to the rate of population growth plus the rate of inflation. The TABOR section of the constitution also requires voter approval for any new tax, tax rate increase, or new debt. These limitations apply to the state as a whole, not to individual funds, departments, or agencies of the state. Government run businesses accounted for as enterprise funds that have the authority to issue bonded debt and that receive less than ten percent of annual revenues from state and local governments are exempted from the TABOR revenue limits.

Since its passage in 1992, TABOR has required that annual revenues in excess of the constitutional limitation be refunded to the taxpayers unless voters approved otherwise. The state first exceeded the TABOR revenue growth limit in Fiscal Year 1996-97, and it continued to exceed the limit each year until Fiscal Year 2001-02 resulting in a cumulative required refund of $3,250.2 million for that period. State revenues did not exceed the TABOR limit in Fiscal Years 2001-02, 2002-03, or 2003-

04, but again exceeded the limit resulting in a $41.1 million required refund for Fiscal Year 2004-05.

In the 2005 general election, voters approved Referendum C – a measure referred to the ballot by the Legislature that authorizes the state to retain revenues in excess of the limit for the five Fiscal Years 2005-06 through 2009-10. As a result, there is no TABOR refund required for Fiscal Year 2007-08 even though the TABOR nonexempt revenues exceeded the TABOR limit by $1,169.4 million. The $0.7 million TABOR refund liability shown on the government wide *Statement of Net Assets* and the fund-level *Balance Sheet* is the unrefunded portion of the Fiscal Year 2004-05 TABOR refund liability.

Historically, unrefunded amounts continue to be distributed after the end of the fiscal year when returns with filing extensions and amended returns are processed. Any amount unrefunded through this process will be carried forward to the first year that a refund is paid after Fiscal Year 2009-10.

TABOR requires the state to reserve three percent of fiscal year nonexempt revenues for emergencies. In Fiscal Year 2007-08 that amount was $299,956,779. At June 30, 2008, the financial net assets of the following funds were applied to the reserve, up to the limits set in the Long Appropriations Act:

- Major Medical Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $63,000,000. The $64,000,000 designation by the Legislature has been reduced by $1,000,000 because that amount was transferred out of the TABOR emergency reserve to the Disaster Emergency Fund per the Governor's Executive Orders. (See additional information at the end of this Note 8B.)
- Subsequent Injury Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $16,000,000.
- Worker's Compensation Cash Fund, part of the Labor Fund – a nonmajor Special Revenue Fund – $14,000,000.
- Wildlife Cash Fund, a portion of the nonmajor Wildlife Enterprise Fund – $100,000,000. The Wildlife Cash Funds net assets not invested in capital assets (net of related debt) total $33,715,643, and that amount is shown as restricted for emergencies on the *Combining Statement of Revenues, Expenses, and Changes in Net Assets* in the Comprehensive Annual Financial Report. The remaining $66,284,357 of the Wildlife portion of the reserve comes from the capital assets recorded in the Wildlife Cash Fund. Without consideration of related current liabilities, the Wildlife Cash Fund held $76,467,558 of cash and receivables that are reported as restricted.

The 2007 legislative session Long Appropriations Act, as amended by the 2008 legislative session Long Appropriations Act, designated up to $101,600,000 of state properties as the remainder of the emergency reserve. The estimate of the needed reserve was based on the December 2007 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were significantly more than estimated, the amount designated for the reserve was $4,356,779 less than required by the State Constitution. In the event of an emergency that exceeded the financial assets in the reserve, the designated Wildlife Cash Fund capital assets and general capital assets would have to be liquidated to meet the constitutional requirement.

In Fiscal Year 2007-08, under the direction of the Governor's Executive Orders, the state transferred $1,000,000 from the Major Medical Fund portion of the TABOR emergency reserve to the Disaster Emergency Fund to pay the cost of fighting wildfires and to mitigate tornado damage in the state. As a result the ending emergency reserve has been reduced by the $1,000,000. The Major Medical Fund is part of the Labor Fund – a nonmajor Special Revenue Fund.

NOTE 9 through 17 – DETAILS OF ASSET ITEMS

NOTE 9 – CASH AND POOLED CASH

Primary Government

The State Treasury acts as a bank for all state agencies, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. Interest earnings on these investments are credited to the General Fund unless a specific statute directs otherwise. Most funds are required to invest in noninterest bearing warrants of the General Fund if the General Fund overdraws its rights in the pool. This means that under certain conditions participating funds would not receive the interest earnings to which they would otherwise be entitled. The detailed composition of the Treasury pooled cash and investment is shown in the annual Treasurer's Report. Where a major fund or fund category has a cash deficit, that deficit has been reclassified to an interfund payable to the General Fund – the payer of last resort for the pool.

State agencies are authorized by various statutes to deposit funds in accounts outside the custody of the State Treasury. Legally authorized deposits include demand deposits and certificates of deposit. The state's cash management policy is to invest all significant financial resources as soon as the moneys are available within the banking system. To enhance availability of funds for investment purposes, the State Treasurer uses electronic funds transfers to move depository account balances into the treasurer's pooled cash.

Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act in Colorado Revised Statutes 11-10.5-107(5) requires all eligible depositories holding public deposits, including those of the state's component units, to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding the amounts insured by federal insurance. Upon liquidation of a defaulting eligible depository, the statute requires the banking board to seize the eligible collateral, liquidate the collateral, and repay the public deposits to the depositing government.

Including restricted amounts, the Cash and Pooled Cash line on the financial statements includes $6,304.1 million ($6,315.6 at amortized cost) of claims of the state's funds on moneys in the treasurer's pooled cash. At June 30, 2008, the treasurer had invested $6,193.3 million (fair value) and held $122.4 million of demand deposits and certificates of deposit.

At June 30, 2008, the state had a cash deposit balance of $1,234.4 million, which includes the $122.4 million held as demand deposits and certificates of deposit in the treasurer's pool. Under the GASB Statement No. 40 definitions, $71.9 million of the state's total bank balance of $1,179.3 million was exposed to custodial credit risk because the deposits were uninsured and the related collateral was held by the pledging institution or was held by the pledging institution's trust department or agent, but not in the state's name.

Component Units

The University of Colorado Hospital Authority had cash deposits with a book balance of $27.4 million at June 30, 2008, and a related bank balance of $29.1 million. The balances are held in the authority's name and are insured or collateralized.

The Colorado Water Resources and Power Development Authority had cash deposits with a bank balance of $12,362,393 at December 31, 2007, of which $100,000 was federally insured and $318,340 was collateralized with the securities held by the pledging institution in a collateral pool, but not in the authority's name. An additional $11,944,053 was collateralized with the securities held by the pledging institution's trust, but not in the authority's name. The authority also reported as cash and cash equivalents $60.4 million held by the State Treasurer in a Treasurer's Agency Fund and $106.5 million held in the COLOTRUST, a local government investment pool that qualifies as a 2a7-like investment pool where each share is maintained at $1.00. These amounts are not evidenced by securities, and therefore, they are not subject to custodial risk classification. The COLOTRUST investment has a credit quality rating of AAA, and the investment held by the State Treasurer is not rated for credit quality.

At December 31, 2007 the Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, had cash deposits of $2.3 million held by a major bank paying interest of 4.1 percent at year-end. All of the district's cash and cash equivalents are maintained with a single major Denver bank resulting in a concentration of credit risk. However, the collateralized amounts were in compliance with the Public Deposit Protection Act discussed above.

The Venture Capital Authority, a nonmajor component unit, had bank deposits of $4,562,543 at December 31, 2007 – of that amount $4,553,291 was not covered by federal deposit insurance.

NOTE 10 – NONCASH TRANSACTIONS IN THE PROPRIETARY FUND TYPES

In the proprietary fund types, noncash transactions occur that do not affect the fund-level *Statement of Cash Flows – All Proprietary Funds*. These transactions are summarized at the bottom of the fund-level statement and the related combining statements. In order for a transaction to be reported as noncash, it must affect real accounts (that is, accounts shown on the *Statement of Net Assets*) and be reported outside of the Cash From Operation section of the *Statement of Cash Flows.* The following general types of transaction are reported as noncash:

- Capital Assets Funded by the Capital Projects Fund – Most capital construction projects funded by general revenues are accounted for in the Capital Projects Fund. Several of the state's Enterprise and Internal Service Funds receive capital assets funded and accounted for in this manner. These funds record Capital Contributions when the asset is received, and no cash transaction is reported on the *Statement of Cash Flows.* Certain state agencies are authorized to move general revenue cash to the Enterprise or Internal Service Fund for capital projects; when this occurs, a cash transaction is reported on the *Statement of Cash Flows.*
- Donation of Capital Assets – Capital assets received as donations or directly as grants are reported as capital contributions, and no cash transaction is reported on the *Statement of Cash Flows.* Although no cash is received, these transactions change the capital asset balances reported on the *Statement of Net Assets;* therefore, they are reported as noncash transactions.
- Unrealized Gain/Loss on Investments – Nearly all proprietary funds record unrealized gains or losses on the investments underlying the treasurer's pooled cash in which they participate. The unrealized gains or losses on the treasurer's pool are shown as increases or decreases, respectively, in cash balances. The unrealized gains or losses on investments not held in the treasurer's pooled cash are shown as increases or decreases in investment balances, and therefore, are reported as noncash transactions. Note 14 shows the combined effect of these two sources of unrealized gains or losses.
- Loss on Disposal of Capital Assets – When the cash received at disposal of a capital asset is less than the carrying value of the asset, a loss is recorded. This loss results in a reduction of the amount reported for capital assets on the *Statement of Net Assets,* but since no cash is exchanged for the loss amount, this portion of the transaction is reported as noncash.
- Amortization of Debt Related Amounts – Amortization of bond premiums, discounts, issuance costs, and gain/loss on refunding adjusts future debt service amounts shown for both capital and noncapital financing activities. These transactions change the amount of capital or noncapital debt reported on the *Statement of Net Assets.* Since no cash is received or disbursed in these transactions, they are reported as noncash.
- Assumption of Capital Lease Obligation – Although no cash is exchanged, entering a capital lease changes both the capital asset and related lease liability balances reported on the *Statement of Net Assets.* Therefore, these transactions are reported as noncash.

NOTE 11 – RECEIVABLES

Primary Government

The Taxes Receivable of $1,028.5 million shown on the government-wide *Statement of Net Assets* primarily comprises:

- $888.7 million, mainly of self-assessed income, estate, and sales tax recorded in the General Fund. In addition, $127.1 million of taxes receivable is expected to be collected after one year and is reported as an Other Long-Term Asset (rather than Taxes Receivable) on the government-wide *Statement of Net Assets.* These long-term receivables are offset by deferred revenue on the *Balance Sheet – Governmental Funds*,
- $57.4 million recorded in nonmajor Special Revenue Funds, of which, approximately $10.5 million is from gaming tax, $11.5 million is severance tax, and $32.4 million is insurance premium tax, and
- $82.4 million of unemployment insurance tax recorded in the Unemployment Insurance Fund, a major Enterprise Fund.

In addition, $58.7 million of Taxes Receivable, $18.2 million of Other Receivables, and $95.7 million of intergovernmental receivables were recorded in the Highway Users Tax Fund, a major Special Revenue Fund. All three items were reported as restricted receivables because the State Constitution restricts that portion of the Highway Users Tax Fund. The tax receivable was primarily fuel taxes while the intergovernmental receivable was primarily due from the federal government.

Taxes Receivable of $13.4 million in the Tobacco Tax Fund, a portion of the nonmajor Tobacco Impact Mitigation Fund, are reported as restricted because they are authorized and their use is limited by the State Constitution.

The Other Receivables of $428.1 million shown on the government-wide *Statement of Net Assets* are net of $124.1 million in allowance for doubtful accounts and primarily comprise the following:

- $204.8 million of student and other receivables of Higher Education Institutions, a major Enterprise Fund.
- $78.3 million of receivables recorded in the General Fund, of which $26.0 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $36.3 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Hospitals recorded $10.3 million of patient receivables.
- $94.0 million of receivables recorded by Other Governmental Funds including $53.1 million of tobacco settlement revenues expected within the following year, $12.8 million recorded by the Water Projects Fund, $4.0 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and $7.8 million of rent and royalty receivables recorded by the State Lands Funds.

In addition, $1,678.7 million of student loan receivables of CollegeInvest, a major Enterprise Fund, are reported as restricted receivables that would otherwise be reported primarily as Other Long-Term Assets. These receivables are restricted to paying the debt service of bonds issued by CollegeInvest.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $613.5 million, which it recorded net of third-party contractual allowances ($1,194.5 million), indigent and charity care ($118.6 million), provision for bad debt ($40.3 million), and self-pay discounts ($41.4 million). The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the state of $30.5 million for Fiscal Year 2007-08. The hospital maintains a self-pay discount program to reduce uninsured patients' liabilities by up to 50 percent to a level more comparable to insured patients.

The University of Colorado Hospital Authority has historically adjusted patient service revenue for settlements related to billings contested by third-party payers including Medicare and Medicaid. In Fiscal Year 2006-07, the hospital received a Notice of Provider Reimbursement covering seven fiscal years and totaling $11.1 million.

During 2008, the hospital received final settlement letters. Hospital management disagrees with many of the adjustments in the settlement and has filed appeals with the Provider Reimbursement Review Board and is pursuing administrative resolution with the fiscal intermediaries responsible for interpreting the rules and regulations of the Medicare and Medicaid programs. The hospital's management believes that reducing patient services revenue by settlement amounts would inappropriately distort current operating performance. Therefore, the hospital changed the treatment of settlements to report them as a separate operating expense that changes the reserve for third-party settlements. The hospital recorded an increase in the reserve for third-party settlements of $11.1 million as an operating expense in Fiscal Year 2007.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (24 percent), Medicaid (8 percent), managed care (45 percent), other commercial insurance (2 percent), and self-pay and medically indigent (13 percent). However, the authority's management does not believe there are credit risks associated with these payors other than the self-pay and medically indigent category where the concentration of accounts decreased from the prior year's 15 percent. The authority continually monitors and adjusts its reserves and allowances associated with these receivables.

Net patient-service revenue under the Medicare and Medicaid programs in Fiscal Year 2007-08 was approximately $173.5 million. Medicaid, Medicare, and other third-party payer programs reimburse providers at rates generally less than the hospital's billing rates. Net patient-service revenue is adjusted for these differences and is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. The hospital's net patient service revenue for the year ended June 30, 2008, increased by approximately $66.4 million, due to operating efficiencies and campus consolidation.

The hospital reports pledges at their net present value. During 2008, the hospital received a $5.0 million pledge for a future cancer center expansion project. The pledge is discounted at 4.0 percent resulting in a current discount of $719,000. In addition, the hospital has outstanding balances on past pledges of approximately $1.0 million and $1.3 million, related to the Anschutz Inpatient Pavilion and the Center for Dependency, Addiction, and Rehabilitation (CeDAR), respectively. As of June 30, 2008, the authority reported $5.0 million in restricted receivables related to contributions.

The Colorado Water Resources and Power Development Authority had loans receivable of $1.2 billion at December 31, 2007. During 2007, the authority made new loans of $44.1 million and canceled or received repayments for existing loans of $55.2 million.

The University of Colorado Foundation contributions receivable of $20.9 million and $22.1 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2008, the amount reported as contributions receivable includes $56.5 million of unconditional promises to give which were offset by a $11.1 million allowance for uncollectible contributions and a $2.4 million unamortized pledge discount using discount rates ranging from .89 percent to 6.31 percent.

At June 30, 2008, the Contributions Receivables amount shown for the Colorado State University Foundation included contributions of $35.1 million, which were offset by $6.1 million of unamortized pledge discounts calculated using the five-year U.S. Treasury bond rate. At June 30, 2008, contributions from one donor represented approximately 48 percent of total contributions receivable for the foundation.

At June 30, 2008, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $7.1 million was offset by $341,617 of allowance for uncollectible pledges and unamortized pledge discounts. Approximately 41 percent of the foundation's contributions receivable at June 30, 2008, consists of pledges from three donors in 2008, and approximately $3.8 million is due from irrevocable remainder trusts.

The Colorado School of Mines Foundation entered into two direct financing leases with the School of Mines during Fiscal Year 2007-08. The leases were related to the purchase of property adjacent to the campus with notes payable by the Foundation during the year. The minimum lease payments under the agreement total $4.3 million plus the interest due on the notes issued by the Foundation to purchase the property. The School is responsible for any executory costs related to the property.

The Venture Capital Authority, a nonmajor component unit, has receivables derived from sales to insurance companies of premium tax credits that were donated by the State of Colorado, which are being recognized over a 10-year period. The VCA's management determined that no allowance was necessary related to the $29.6 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.4 million) and Other Long-Term Assets ($25.2 million) on the *Statement of Net Assets.* However, the authority tracks collection of the receivables on an ongoing basis and establishes an allowance as deemed necessary.

NOTE 12 – INVENTORY

Inventories of $59.0 million shown on the government-wide *Statement of Net Assets* at June 30, 2008, primarily comprise:

- $11.4 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund,
- $20.6 million of resale inventories, of which, Higher Education Institutions, a major Enterprise Fund, recorded $18.1 million, and
- $20.5 million of consumable supplies inventories, of which, $6.7 million was recorded by the Highway Users Tax Fund, a major Special Revenue Fund, $10.1 million by the Higher Education Institutions, a major Enterprise Fund, and $2.3 million by the General Fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $40.8 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- $14.1 million advanced to Colorado counties and special districts by the General Fund related to social assistance programs,
- $3.9 million advanced to federal projects by the Division of Parks and Recreation from the Capital Projects Fund and the Resource Management Fund, a nonmajor Special Revenue Fund,
- $4.0 million of prize expense paid by the Colorado Lottery, a major Enterprise Fund, to a multistate organization related to participation in the Powerball lottery game, and
- $3.1 million primarily related to cash payments for library subscriptions at Colorado State University.

NOTE 14 – INVESTMENTS

Primary Government

The state holds investments both for its own benefit and as an agent for certain entities as provided by statute. The state does not invest its funds with any external investment pool. Funds not required for immediate payment of expenditures are administered by the authorized custodian of the funds or pooled and invested by the State Treasurer. The fair value of most of the state's investments are determined from quoted market prices except for money market investments that are reported at amortized cost which approximates market.

Colorado Revised Statutes 24-75-601.1 authorizes the types of securities in which public funds of governmental entities, including state agencies, may be invested. Investments of the Public Employees Retirement Association discussed in Note 18 and other pension funds are not considered public funds. In general, the statute allows investment in Certificates of Participation related to lease purchase commitments, local government investment pools, repurchase and reverse repurchase agreements (with certain limitations), securities lending agreements, domestic corporate or bank debt securities, guaranteed investment or interest contracts including annuities and funding agreements, securities issued by or fully guaranteed by the United States Treasury or certain federal entities and the World Bank, inflation indexed securities issued by the United States Treasury, general obligation and revenue debt of other states in the United States and their political subdivisions (including authorities), or registered money market funds with policies that meet specific criteria.

For major investment types, the statute establishes minimum credit quality ratings as assigned by national rating agencies. Recent legislation increased the minimum credit quality-rating requirement to the highest rating by at least two national rating agencies for most investment types. That legislation also set maximum time to maturity limits, but it allowed the governing body of the public entity to extend those limits. Public entities may also enter securities lending agreements that meet certain collateralization and other requirements. The statute prohibits investment in securities that do not have fixed coupon rates unless the variable reference rate is a United States Treasury security with maturity less than one year, the London Interbank Offer Rate, or the Federal Reserve cost of funds rate. The above statutory provisions do not apply to the University of Colorado.

Colorado Revised Statutes 24-36-113 authorizes securities in which the State Treasurer may invest and requires prudence and care in maintaining investment principal and maximizing interest earnings. In addition to the investments authorized for all public funds, the State Treasurer may invest in securities of the federal government and its agencies and corporations without limitation, asset-backed securities, certain international banks, and certain loans and collateralized mortgage obligations. The Treasurer's statute also establishes credit quality rating minimums specific to the Treasurer's investments. The Treasurer's statute is the basis for a formal investment policy published on the State Treasurer's website. In addition to the risk restrictions discussed throughout this Note 14, the Treasurer's investment policy precludes the purchase of derivative securities.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments in those prior periods. In Fiscal Year 2007-08, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $66,110, for the State Education Fund of $188,880, and for the treasurer's pooled cash of $266,836.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2008 and 2007, the treasurer had $48.0 million and $47.6 million at fair value, respectively, of GOCO's funds on deposit and invested.

The investment earnings of the Unclaimed Property Tourism Trust Fund, a Private Purpose Trust Fund, are assigned by law to the Colorado Travel and Tourism Promotion Fund, a part of the nonmajor Other Special Revenue Funds. A portion of these earnings are transferred from the Tourism Promotion Fund to the State Fair, a nonmajor Enterprise Fund.

As provided by state statute, the State Treasurer held $5.2 million of investment in residential mortgages by paying the property taxes of certain elderly state citizen homeowners that qualify for the program. The investment is valued based on the outstanding principal and interest currently owed to the state as there is no quoted market price for these investments.

Colorado State University, which is reported in the Higher Education Institutions Enterprise Fund, held $4.6 million of hedge funds that were valued based on the net asset value reported by the hedge fund manager. The net asset value is computed based on dealer quotations on the fair market value of the underlying securities – the majority of which are traded on national exchanges.

Excluding fiduciary funds, the state recognized $2,135,027 of net realized gains from the sale of investments held by state agencies other than the State Treasurer during Fiscal Year 2007-08.

The following schedule reconciles deposits and investments to the financial statements for the primary government including fiduciary funds:

(Amounts in Thousands)

Footnote Amounts	Carrying Amount
Deposits (Note 9)	$ 1,234,362
Investments:	
Governmental Activities	6,910,892
Business-Type Activities	1,540,304
Fiduciary Activities	3,654,877
Total	$ 13,340,435
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 4,740,387
Add: Warrants Payable Included in Cash	179,014
Total Cash and Pooled Cash	4,919,401
Add: Restricted Cash	2,508,224
Add: Restricted Investments	879,440
Add: Investments	5,033,370
Total	$ 13,340,435

Custodial Credit Risk

The State Treasurer's investment policy requires all securities to be held by the State Treasurer or a third party custodian designated by the Treasurer with each security evidenced by a safekeeping receipt. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or are held by the counterparty's trust department or agent but not held in the state's name.

Open-end mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. The following table lists the investments of the State Treasurer's pooled cash, major governmental funds, and nonmajor governmental funds in the aggregate, by investment type at fair value. None of the securities listed in the table below are subject to custodial credit risk:

(Amounts in Thousands)

	GOVERNMENTAL ACTIVITIES				
INVESTMENT TYPE	TREASURER'S POOL	GENERAL FUND	STATE EDUCATION	OTHER GOVERNMENTAL	TOTAL
U.S. Government Securities	$ 3,148,425	$ -	$21,147	$ 145,084	$ 3,314,656
Commercial Paper	1,027,600	-	-	-	1,027,600
Corporate Bonds	481,306	-	31,144	100,795	613,245
Asset Backed Securities	885,734	-	-	148,218	1,033,952
Mortgages Securities	265,195	5,232	-	265,447	535,874
Mutual Funds	385,000	-	-	365	385,365
Other	-	-	-	200	200
TOTAL INVESTMENTS	$ 6,193,260	$ 5,232	$52,291	$ 660,109	$ 6,910,892

The following table lists the investments of the major enterprise funds and fiduciary funds by investment type at fair value. Investment types included in the *Other* category for Higher Education Institutions primarily consist of: International Equities ($49.3 million), Private Equities ($42.3 million), Absolute Return Funds ($30.9 million), Fixed Income Securities ($18.6 million), and Hedge Funds ($15.5 million). The *Other* category of the Fiduciary funds primarily consists of a funding agreement with MetLife ($25.6 million).

The table below also shows the fair value of securities held by these funds that are subject to custodial credit risk.

(Amounts in Thousands)

	BUSINESS-TYPE ACTIVITIES			FIDUCIARY
	HIGHER EDUCATION INSTITUTIONS	COLLEGE INVEST	TOTAL	FIDUCIARY
INVESTMENT TYPE				
U.S. Government Securities	$ 98,588	$ 5,617	$ 104,205	$ 22,711
Commercial Paper	1,964	-	1,964	-
Corporate Bonds	124,991	24,974	149,965	10,750
Corporate Securities	87,872	-	87,872	-
Repurchase Agreements	28,434	-	28,434	-
Asset Backed Securities	30,229	-	30,229	13,587
Mortgages Securities	139,497	-	139,497	22,843
Mutual Funds	564,794	83,728	648,522	3,554,457
Reverse Repurchase Agreements	38	-	38	-
Guaranteed Investment Contracts	40,334	130,475	170,809	-
Other	178,769	-	178,769	30,529
TOTAL INVESTMENTS	$ 1,295,510	$ 244,794	$ 1,540,304	$ 3,654,877
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 923	$ -	$ 923	$ -
Corporate Bonds	2,878	-	2,878	-
Corporate Securities	16,616	-	16,616	-
Mortgages Securities	30	-	30	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 20,447	$ -	$ 20,447	$ -

Credit Quality Risk

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations to the state. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not reported. However, credit quality ratings are reported for obligations of U.S. Government agencies that are not explicitly guaranteed by the U.S. Government.

The State Treasurer's formal investment policy requires that eligible securities have a minimum of two acceptable credit quality ratings – one of which must be from either Moody's or Standard and Poor's rating agency and the other which may be from the Fitch rating agency or another nationally recognized rating agency. The policy sets acceptable credit quality ratings by investment portfolio and investment type.

The fair value amount of rated and unrated debt securities is detailed in the following table, which shows the Treasurer's Pooled Cash Investments, Higher Education Institutions, Fiduciary Funds, and All Other Funds in the aggregate.

In addition, to the amounts shown in the table on the following page, CollegeInvest held a funding agreement valued at $25.6 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.

(Amounts In Thousands)

	U.S. Govt. Agencies	Commercial Paper	Corporate Bonds	Repurchase Agreements	Asset Backed Securities	Money Market Mutual Funds	Bond Mutual Funds	Guaranteed Investment Contract	Municipal Bonds	Total
Treasurer's Pool:										
Long-term Ratings										
Gilt Edge	$ 984,450	$ -	$ 55,239	$ -	$ 1,150,929	$ 385,000	$ -	$ -	$ -	$ 2,575,618
High Grade	-	-	189,032	-	-	-	-	-	-	189,032
Upper Medium	-	-	222,253	-	-	-	-	-	-	222,253
Lower Medium	-	-	14,782	-	-	-	-	-	-	14,782
Short-term Ratings										
Highest	1,638,689	1,027,600	-	-	-	-	-	-	-	2,666,289
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ 27,951	$ -	$ 13,933	$ -	$ 92,719	$ 130,738	$ 583	$ 38,583	$ -	$ 304,507
High Grade	677	-	38,304	-	1,016	-	1,647	-	-	41,644
Upper Medium	-	-	18,542	-	1,539	-	110	-	-	20,191
Lower Medium	-	-	23,563	-	1,828	-	20	-	-	25,411
Speculative	-	-	1,551	-	438	-	20	-	-	2,009
Very Speculative	-	-	1,751	-	-	-	20	-	-	1,771
High Default Risk	-	-	833	-	-	-	-	-	-	833
Short-term Ratings										
Highest	1,509	1,964	10,103	-	-	-	-	-	-	13,576
Unrated	5,194	-	2,117	28,434	72,175	100,936	102,846	-	124	311,826
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ 3,168	$ -	$ 1,503	$ -	$ 36,430	$ -	$ -	$ -	$ -	$ 41,101
High Grade	-	-	2,453	-	-	-	-	-	-	2,453
Upper Medium	-	-	6,298	-	-	-	-	-	-	6,298
Unrated	-	-	-	-	-	3,170,608	156,535	-	-	3,327,143
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ 118,337	$ -	$ 48,964	$ -	$ 395,454	$ 365	$ -	$ -	$ -	$ 563,120
High Grade	-	-	49,885	-	-	-	-	-	-	49,885
Upper Medium	-	-	54,593	-	-	-	-	-	-	54,593
Lower Medium	-	-	3,471	-	-	-	-	-	-	3,471
Unrated	-	-	-	-	23,443	83,728	-	130,475	-	237,646

Interest Rate Risk

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. The state manages interest rate risk using either weighted average maturity or duration. Weighted average maturity is a measure of the time to maturity, measured in years, that has been weighted to reflect the dollar size of individual investments within an investment type. Various methods are used to measure duration; in its simplest form duration is a measure, in years, of the time-weighted present value of individual cash flows from an investment divided by the price of the investment.

The University of Colorado operates a treasury function separate from the State Treasurer and uses duration to measure and manage interest rate risk for most of its investments. However, University Physicians Incorporated (UPI), a blended component unit of the University of Colorado, manages interest rate risk using weighted average maturity and limits the time to maturity of individual investments to no greater than five years.

State statute requires the State Treasurer to formulate investment policies regarding liquidity, maturity, and diversification for each fund or pool of funds in the State Treasurer's custody. The State Treasurer's formal investment policy requires a portion of the investment pool to have a maximum maturity of one year and the balance of the pool to have maximum maturity of five years with the average maturity of the pool not to exceed two and one-half years. The policy also sets maximum maturity limits for certain individual funds for which the Treasurer manages investments including the Public School Permanent Fund (4 - 6 years), the Labor Fund (5 - 8 years), and the Unclaimed Property Tourism Trust Fund (5 - 10 years).

The CollegeInvest program has investments reported in the CollegeInvest major Enterprise Fund and in the College Savings Plan, a Private Purpose Trust Fund. CollegeInvest manages interest rate risk using weighted average maturity for the Enterprise Fund; it also uses laddering to ensure cash flow and liquidity are matched to debt service and operating requirements. CollegeInvest reports the weighted average maturity of selected mutual funds in the College Savings Plan to disclose the related interest rate risk, but it does not actively manage that risk for the College Savings Plan except through its mutual fund selection process. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $20.6 million that have a weighted average maturity of 7.6 years. These securities are excluded from the weighted average maturity table below because interest rate risk is mitigated by the inflation protection attribute of the securities.

The following table shows the weighted average maturity and fair value amount for those investments managed using the weighted average maturity measure:

(Dollar Amounts in Thousands, Weighted Average Maturity in Years)

	Treasurer's Pool		Higher Education Institutions		Fiduciary Funds		All Other Funds	
Investment Type	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity	Fair Value Amount	Weighted Average Maturity
U.S. Government Securities	$ 3,148,425	0.968	$ 11,891	1.167	$ 22,026	13.152	$ 171,848	4.756
Commercial Paper	1,027,600	0.104	1,964	0.504	-	-	-	-
Corporate Bonds	481,306	2.101	55,513	2.864	10,750	4.662	156,913	4.229
Asset Backed Securities	1,150,929	1.904	-	-	36,430	4.824	413,665	5.221
Money Market Mutual Funds	385,000	0.010	1,287	-	276,386	4.700	-	-
Total Investments	$ 6,193,260		$ 70,655		$ 345,592		$ 742,426	

The University of Colorado manages interest rate risk in its treasurer's pool using a measure of duration. The University's Investment Advisory Committee recommends limits on the duration of fixed income securities using Callan Associates Incorporated data.

The University of Colorado participated in tri-party repurchase agreements of $15,195,843 and $13,238,457 to provide temporary investment of funds restricted for capital construction projects. The counterparty to the agreements is required to provide additional collateral when the fair value of U.S. Government securities and U.S. Government agencies securities provided as collateral declines below 104 percent or 105 percent, respectively. As a result, the University does not have interest rate risk associated with these agreements. However, the duration associated with the first repurchase agreements is 0.4 years and the weighted average maturity related to the second repurchase agreement is 0.3 years. The $15.2 million and the $13.2 million are not shown in the weighted average maturity table above or the following duration table.

The University of Colorado has invested $5,461,178 in U.S. Treasury Inflation Protected Securities with a duration of 12.74 years. The interest rate risk of this investment is effectively mitigated by the inflation protection attribute of the investment, and therefore, it is excluded from the weighted average maturity table above and the following duration table.

Some state agencies invest in mutual funds or are the fiduciary in offering mutual fund investments to participants where the mutual fund manages investment risk using a duration measure. The state, acting as fiduciary for the deferred compensation and defined contribution plan, employs a policy that limits the average duration of the portfolio to between two and five years. The table on the following page presents the duration measure and fair value amount for state agencies that manage investments using the duration measure.

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
Enterprise Funds:		
Higher Education Institutions:		
University of Colorado:		
U.S. Treasury Bonds and Notes	$ 45,295	5.640
U.S. Treasury Strips	2,379	13.610
U.S. Government Agency Notes	27,757	1.690
U.S. Government Agency Strips	990	0.920
Municipal Bonds	124	2.450
Corporate Bonds	68,073	5.880
Asset Backed Securities	257,304	3.790
Bond Mutual Funds	102,807	1.160
Colorado State University:		
Bond Mutual Funds	$ 1,004	1.910
Colorado School of Mines:		
Bond Mutual Funds	$ 1,396	5.600
Fiduciary Funds:		
Pension Funds:		
Department of Personnel & Administration		
Bond Mutual Funds - Deferred Compensation Plan	$152,535	3.941
Bond Mutual Funds - Defined Contribution Plan	3,999	3.395
Private Purpose Trust:		
CollegeInvest:		
Money Market Mutual Fund-1	$ 76,858	4.200
Money Market Mutual Fund-2	220,241	2.100
Money Market Mutual Fund-3	145,042	5.500

Foreign Currency Risk

Some of the University of Colorado Treasury's investments are exposed to certain foreign currency risks. The University's investment policy allows but does not require hedging of this risk. The University held the following assets denominated in various foreign currencies where the individual currency amounts were not material; currency - $9,917 and equities - $933,377. The University also held investments in mutual funds denominated in the following currencies (amounts in millions); Australian Dollar - $1.4, Canadian Dollar - $2.3, Swiss Franc - $5.3, Euro Dollar - $22.9, British Pound - $11.6, Japanese Yen – $11.1, Norweigan Krone - $0.7, China Yuan - $2.0, and various other currencies totaling $20.7 most of which are unidentifiable within the investment.

State statute requires the State Treasurer to invest in domestic fixed income securities and does not allow foreign currency investments.

Concentration of Credit Risk

The State Treasurer's formal investment policy sets minimum and maximum holding percentages for each investment type for the investment pool and for certain of the individual funds for which the State Treasurer manages investments. The pool and each of the individual funds may be 100 percent invested in U.S. Treasury securities with more restrictive limits (ranging from 5 percent to 75 percent) set for the other allowed investment types. For the pool and the other funds for which the Treasurer manages investments, the policy sets maximum concentrations in an individual issuer for certain investment types.

The State Treasurer purchases investments separate of the Treasurer's Pool for the State Education Fund, a major Special Revenue Fund. The State Education Fund has a concentration of credit risk because the following corporate bond holdings each exceed 5 percent of the total investment in the fund; Colgate Palmolive – 10.1 percent, Eli Lilly – 10.1 percent, General Electric - 9.9 percent, Bank of America - 9.9 percent, Citigroup - 9.8 percent, and Verizon – 9.7 percent. The concentration occurred because the initial purchase of the bonds was expected to be a small portion of a growing investment balance. The Treasurer is gradually liquidating the investments to mitigate the credit risk concentration, and new resources of the State Education Fund are being invested through the Treasurer's pooled cash.

CollegeInvest has a concentration of credit risk in a Private Purpose Trust Fund because the following holdings each exceed 5 percent of the total investment in the fund; Goldman Sachs – 11.1 percent, Morgan Stanley – 10.7 percent, Bank of America – 10.4 percent, Merrill Lynch – 10.3 percent, JP Morgan Chase – 8.7 percent, Citigroup – 7.2 percent, Wells Fargo – 6.8 percent, and Nationsbank – 5.6 percent. CollegeInvest's policy for this fund prohibits holdings in excess of 10 percent with any one issuer.

Lottery has a concentration of credit risk in a Private Purpose Trust Fund because they have holdings issued by Resolution Funding Corp with a concentration of approximately 25.5 percent. The policy for the trust fund investments is to purchase only securities backed by the full faith and credit of the U.S. Government or its agencies.

Unrealized Gains and Losses

Unrealized gains and losses are a measure of the change in fair value of investments (including investments underlying pooled cash) from the end of the prior fiscal year to the end of the current fiscal year. The following schedule shows the state's net unrealized gains and (losses) for all funds by fund category.

(Amounts in Thousands)

	Fiscal Year 2007-08	Fiscal Year 2006-07
Governmental Activities:		
Major Funds		
General Fund	$ 9,156	$ 9,920
Highway Users Tax	13,672	3,350
Capital Projects	5,011	57
State Education	3,964	685
NonMajor Funds:		
State Lands	13,552	3,430
Other Permanent Trusts	81	49
Water Projects	1,355	497
Labor	4,243	797
Gaming	1,398	779
Tobacco Impact Mitigation	2,379	2,232
Resource Extraction	5,047	3,531
Resource Management	289	158
Environment Health Protection	904	472
Public School Buildings	213	144
Other Special Revenue	2,535	1,251
Highways (Internal Service)	28	22
Business-Type Activities:		
Major Funds		
Higher Education Institutions	(71,798)	51,243
CollegeInvest	(4,789)	1,002
Lottery	347	199
NonMajor Funds:		
Wildlife	1,022	594
College Assist	981	511
State Fair Authority	5	-
Correctional Industries	41	25
State Nursing Homes	63	30
Prison Canteens	60	36
Petroleum Storage Tank	114	35
Other Enterprise Activities	126	11
Fiduciary:		
Pension/Benefits Trust	175	147
Private Purpose Trust	(742,556)	125,604
	$(752,382)	$ 206,811

Component Units

Component units that are identified as foundations apply neither GASB Statement No. 3 nor GASB Statement No. 40 because they prepare financial statements under standards set by the Financial Accounting Standards Board. Therefore, the foundation investment disclosures are presented separately from the other component units.

Component Units – Non-Foundations

Investments of the University of Colorado Hospital Authority are reported at fair values which are based on quoted market prices, if available, or estimated using market prices for similar securities. Interest, dividends, and realized and unrealized gains and losses are based on the specific identification method and are included in nonoperating income when earned. Restricted investments of the authority include assets held by trustees under bond indenture and insurance agreements. The following table shows the authority's investments at June 30, 2008:

(Amounts in Thousands)

	TOTAL
INVESTMENT TYPE	
Cash Equivalents	$ 44,937
U.S. Government Securities	101,692
Corporate Bonds	11,912
Corporate Securities	82,831
Asset Backed Securities	19,603
Guaranteed Investment Contracts	19,940
Other	(13,920)
TOTAL INVESTMENTS	$ 266,995

Except for guaranteed investment contracts which are excluded, the Colorado Water Resources and Power Development Authority's investment policy allows investments consistent with those authorized for governmental entities by state statute as described at the beginning of this Note 14. The authority's repurchase agreements were all subject to custodial credit risk because its trustee is considered both the purchaser and the custodian of the investments, which are not held in the authority's name.

The Colorado Water Resources and Power Development Authority's investments at December 31, 2007, were:

(Amounts in Thousands)

	TOTAL
INVESTMENT TYPE	
U.S. Government Securities	$ 20,533
Repurchase Agreements	311,683
TOTAL INVESTMENTS	$ 332,216

The Venture Capital Authority, a nonmajor component unit, through its limited partnership with High Country Venture LLC (General Partner), makes equity investments solely in seed and early stage Colorado companies. Because the Authority does not invest in foreign or fixed income securities, credit quality, interest rate, and foreign currency risks are not applicable to the Authority's investments.

Credit Quality Risk

The University of Colorado Hospital Authority's investment policy is based on the prudent-person rule, and it limits credit ratings to AAA or AA for U.S. agency and mortgage-backed securities and Baa or BBB rated or better for other investment types. The table below presents the credit quality ratings by investment type for the authority at June 30, 2008:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ 34,471	$ -	$ 19,603	$ 7,316	$ 61,390
High Grade	-	-	-	12,624	12,624
Upper Medium	-	11,402	-	-	11,402
Lower Medium	-	510	-	-	510

The Colorado Water Resources and Power Development Authority's repurchase agreements are collateralized with securities having fair value between 103 and 105 percent, and all of the underlying securities were rated AAA.

CoverColorado, a nonmajor component unit, holds only bonds of U.S. Government Agencies, and the Renewable Energy Authority, also a nonmajor component unit, held a money market fund. Both authorities' investments were rated AAA at December 31, 2007.

Interest Rate Risk

The University of Colorado Hospital Authority manages its exposure to interest rate risk by limits set on the duration of its investment portfolio. The following table presents the dollar-weighted modified duration of the major classes of authority investments at June 30, 2008:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Years
U.S. Government Securities	$61,908	2.881
Corporate Bonds	11,912	3.982
Asset Backed Securities	19,603	2.640

The Colorado Water Resources and Power Development Authority manages interest rate risk by matching investment maturities to the cashflow needs of its future bond debt service and holding those investments to maturity. The authority had $332.2 million of investments subject to interest rate risk with the following maturities; one year or less – 29 percent, two to five years – 26 percent, six to ten years – 20 percent, eleven to fifteen years – 16 percent, and 16 years or more – 9 percent. The authority has entered put agreements that allow it to sell U.S. Treasury bonds at fixed amounts that will provide the authority with funds to make debt service payments in the event that a borrower fails to make loan payments to the authority.

CoverColorado, a nonmajor component unit, manages interest rate risk by matching investment maturities with the cashflow needs of its operations. The authority had $39.5 million of investments subject to interest rate risk with the following maturities; one year or less – 44 percent, two to three years – 52 percent, and three to four years – 4 percent.

Foreign Currency Risk

The University of Colorado Hospital Authority's investment policy manages foreign currency risk by limiting the allocation percentage of international mutual funds to less than 15 percent of total investments. At June 30, 2008, the authority had the following foreign currency exposures in United States dollars: Euro Dollar - $6,960,000, British Pound - $3,592,000, Swiss Franc - $1,359,000, Japanese Yen - $782,000, Indian Rupee - $726,000, South Korean Won - $689,000, Swedish Krona - $596,000, Singapore Dollar - $540,000, and Taiwan New Dollar - $502,000. An additional $2,177,000 was held in various international currencies, none of which exceeded $500,000.

Concentration of Credit Risk

At June 30, 2008, no single investment of the University of Colorado Hospital Authority exceeded five percent of total investments. This was consistent with the authority's policy that limits non-U.S. Government investments to no more than ten percent in any one issuer at the time of purchase.

CoverColorado, a nonmajor component unit, does not limit the amount invested in a single issuer. At December 31, 2007, all of its investments were held by a single issuer and were therefore subject to concentration of credit risk.

Investments Highly Sensitive to Interest Rate Risk

The University of Colorado Hospital Authority uses interest rate swap agreements to manage interest costs and risks associated with changing interest rates.

At June 30, 2008, the hospital was party to a floating-to-fixed rate swap having a notional value of $72.4 million, a floating-to-fixed rate swap having a notional value of $105.3 million, and a fixed-to-floating rate swap having a notional value of $50.0 million. At June 30, 2008, the agreements had fair values of ($1,737,000), ($4,052,000), and $577,000 and are scheduled to terminate in 2031, 2033, and 2010, respectively. Realized and unrealized gains and losses on the swap agreements are reported as investment income, as the agreements do not qualify for hedge accounting.

Component Units – Foundations

The four Higher Education Institution foundations reported as component units on the *Statement of Net Assets – Component Units* do not classify investments according to risk because they prepare their financial statements under standards set by the Financial Accounting Standards Board.

At June 30, 2008, the University of Colorado Foundation held $225.7 million of domestic equity securities, $187.8 million of international equity securities, $161.1 million of fixed income securities, $396.9 million of alternative investments including real estate, private equities, hedge funds, venture capital, absolute return funds, Treasury Inflation Protection Securities, and oil and gas assets, and other investments of $13.5 million. The fair value of the alternative investments has been estimated in the absence of readily available market information, and those values may vary significantly from actual liquidation values. The foundation's investment income of $3.2 million is net of $4.4 million of investment fees and comprises $18.3 million of interest and dividends, $45.7 million of realized gains, and $56.4 million of unrealized losses. At June 30, 2008, the foundation could be obligated to fund an additional $136.9 million of alternative investment commitments.

At June 30, 2008, the Colorado State University Foundation held international and large, small, and micro capitalization equity securities totaling $101.5 million, fixed income investments of $18.3 million, and alternative and other investment types of $118.0 million.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 5.25 percent (net of investment and administrative fees and expenses) of the three-year average of investment fair value to be distributed. The foundation holds alternative investments that are not readily marketable but are carried at the fair value reported by the investment manager. At June 30, 2008, the CSMF held bonds and bond mutual funds totaling $18.0 million, stocks and stock mutual funds totaling $66.5 million, and investments in limited partnerships and real estate totaling $63.7 million in its long term investments pool.

Of the foundation's $183.2 million of investments, $18.2 million, or 9.9 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $7.9 million and several long-term trusts valued at $1.7 million which are reported as Investments on the *Statement of Net Assets – Component Units.* Forty-one percent of the foundation's investment portfolio is invested in limited partnerships and venture capital organizations, some of which are offshore entities and some of which include derivative investments. Since there is no ready market available for these investments, the estimated value may vary significantly from a valuation at a subsequent date.

At June 30, 2008, the University of Northern Colorado Foundation held $26.4 million of fixed income securities (including $14.9 million of corporate notes), $54.2 million of equity securities, and $16.4 million of other investments. These amounts include $3.7 million of assets held in a separate trust for the benefit of the foundation.

NOTE 15 – TREASURER'S INVESTMENT POOL

Participation in the State Treasurer's cash/investment pool is mandatory for all state agencies with the exception of the University of Colorado and its blended component units. The treasurer determines the fair value of the pool's investments at each month-end for performance tracking purposes. Short-term realized gains, losses, and interest earnings, adjusted for amortization of investment premiums and discounts, are distributed monthly. If the statutes authorize the participant to receive interest and investment earnings, these gains or losses are prorated according to the average of the participant's daily balance during the month.

Colorado Revised Statutes 24-36-113 authorizes the State Treasurer to enter collateralized securities lending agreements. The state did not renew its securities lending agreements during Fiscal Year 2007-08 and had no securities on loan as of June 30, 2008. Although the State Treasury does not invest in subprime-backed investments and the lending agreements limited the types of securities that could be held on the state's behalf as collateral, the Treasurer felt it was in the best interest of the state to discontinue the lending program due to market volatility.

NOTE 16 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2007-08 the state capitalized $13.0 million of interest incurred during the construction of capital assets. Nearly all of that amount was capitalized by Higher Education Institutions, a major Enterprise Fund.

The state recorded $15.5 million of insurance recoveries during Fiscal Year 2007-08. Of that amount $482,375 was related to asset impairments that occurred in prior years primarily at the Department of Corrections and the Historical Society, both occurring in the General Fund. The remaining $15.1 million relates to the current year and was primarily recorded by Group Benefits Plans ($12.5 million), a Pension and Other Employee Benefits Fund, and by the Department of Revenue ($1.0 million) in the General Fund.

During Fiscal Year 2007-08, the Department of Labor and Employment determined that purchased software related to the discontinued Genesis system was no longer usable. While most of the Genesis system was written off in Fiscal Year 2006-07, the purchased software remained in service into Fiscal Year 2007-08. All $6.8 million of expenditures related to the software were removed from the capital asset accounts and written off as a loss on impairment.

The beginning balance of the governmental activities nondepreciable Infrastructure line was reduced by approximately $1,693.0 million due to a Department of Transportation change from the modified approach to the depreciation approach for bridge infrastructure. The change moved approximately $989.2 million of bridge infrastructure from nondepreciable to depreciable. An accounting principle change of $306.7 million was recorded for bridges where the historical cost was below the state's capitalization threshold. The infrastructure change also resulted in a prior period adjustment of approximately $397.1 million on the government-wide statements (see Note 27).

The beginning balance of line items for the business-type activities in the following schedule of capital asset activity were restated due to prior year errors in the capital asset balances for both Auraria Higher Education Center and Arapahoe Community College. Buildings and related accumulated depreciation at the Auraria Higher Education Center were understated by $71.7 million and $20.7 million, respectively, and Leasehold and Land Improvements and related accumulated deprecation were overstated by the same amounts. Land was understated and Land Improvements overstated at Arapahoe Community College by $2.4 million. These errors did not affect the financial statements since the capital asset and accumulated depreciation accounts involved appear in the same line in both the government-wide and fund-level statements.

The schedule below shows the capital asset activity for Fiscal Year 2007-08.

(Amounts in Thousands)

	Restated Beginning Balance	Increases	CIP Transfers	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 78,413	$ 59,608	$ -	$ (7,403)	$ 130,618
Land Improvements	2,859	149	6,499	-	9,507
Collections	8,895	-	-	-	8,895
Construction in Progress (CIP)	441,855	168,348	(234,421)	(3,258)	372,524
Infrastructure	9,574,997	14,598	180,111	-	9,769,706
Total Capital Assets Not Being Depreciated	10,107,019	242,703	(47,811)	(10,661)	10,291,250
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	85,777	525	9,993	(665)	95,630
Buildings	1,424,102	19,837	23,188	(3,312)	1,463,815
Vehicles and Equipment	673,899	58,899	722	(32,532)	700,988
Library Materials and Collections	5,548	586	-	(673)	5,461
Other Capital Assets	25,234	4,367	181	(1,015)	28,767
Infrastructure	1,078,504	1,704	13,727	-	1,093,935
Total Capital Assets Being Depreciated	3,293,064	85,918	47,811	(38,197)	3,388,596
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(43,190)	(3,897)	-	292	(46,795)
Buildings	(542,951)	(35,720)	-	772	(577,899)
Vehicles and Equipment	(354,645)	(50,173)	-	21,823	(382,995)
Library Materials and Collections	(4,002)	(307)	-	673	(3,636)
Other Capital Assets	(17,357)	(427)	-	20	(17,764)
Infrastructure	(53,418)	(23,444)	-	-	(76,862)
Total Accumulated Depreciation	(1,015,563)	(113,968)	-	23,580	(1,105,951)
Total Capital Assets Being Depreciated, net	2,277,501	(28,050)	47,811	(14,617)	2,282,645
TOTAL GOVERNMENTAL ACTIVITIES	12,384,520	214,653	-	(25,278)	12,573,895
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	220,314	28,586	330	(472)	248,758
Land Improvements	10,858	1,770	1,123	(202)	13,549
Collections	12,824	427	-	(7)	13,244
Construction in Progress (CIP)	591,186	424,012	(707,609)	(6,385)	301,204
Total Capital Assets Not Being Depreciated	835,182	454,795	(706,156)	(7,066)	576,755
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	325,216	9,627	33,364	(768)	367,439
Buildings	3,691,039	58,226	668,011	(9,816)	4,407,460
Vehicles and Equipment	741,108	70,214	4,781	(32,871)	783,232
Library Materials and Collections	420,694	21,671	-	(2,181)	440,184
Other Capital Assets	8,739	318	-	-	9,057
Infrastructure	19,184	-	-	-	19,184
Total Capital Assets Being Depreciated	5,205,980	160,056	706,156	(45,636)	6,026,556
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(144,739)	(16,355)	-	405	(160,689)
Buildings	(1,393,324)	(141,046)	-	7,521	(1,526,849)
Vehicles and Equipment	(522,106)	(65,994)	-	27,307	(560,793)
Library Materials and Collections	(284,827)	(20,835)	-	2,175	(303,487)
Infrastructure	(9,292)	(467)	-	-	(9,759)
Total Accumulated Depreciation	(2,354,288)	(244,697)	-	37,408	(2,561,577)
Total Capital Assets Being Depreciated, net	2,851,692	(84,641)	706,156	(8,228)	3,464,979
TOTAL BUSINESS-TYPE ACTIVITIES	3,686,874	370,154	-	(15,294)	4,041,734
TOTAL CAPITAL ASSETS, NET	$ 16,071,394	$ 584,807	$ -	$ (40,572)	$ 16,615,629

On the government-wide *Statement of Activities,* depreciation was charged to the functional programs and business-type activities as follows:

(Amounts in Thousands)

	Depreciation Amount
GOVERNMENTAL ACTIVITIES:	
General Government	$ 9,639
Business, Community, and Consumer Affairs	5,570
Education	2,328
Health and Rehabilitation	5,396
Justice	27,710
Natural Resources	6,459
Social Assistance	8,164
Transportation	35,408
Internal Service Funds (Charged to programs and BTAs based on useage)	13,294
Total Depreciation Expense Governmental Activities	113,968
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	235,323
CollegeInvest	444
State Lottery	149
Other Enterprise Funds	8,781
Total Depreciation Expense Business-Type Activities	244,697
Total Depreciation Expense Primary Government	$ 358,665

Component Units

At June 30, 2008, the University of Colorado Hospital Authority reported $4.2 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $654.4 million and equipment of $229.2 million. Accumulated depreciation related to these capital assets was $313.9 million resulting in net depreciable capital assets of $569.7 million.

As of June 30, 2008, the hospital had entered into various commitments for site development and infrastructure at the Anschutz Inpatient Pavilion, and the Leprino Office Building. Costs incurred at June 30, 2008, for these projects approximated $290.0 million while estimated costs to complete are $2.2 million.

The Colorado Water Resources and Power Development Authority reported capital assets of $25,495 net of accumulated depreciation of $96,787 at December 31, 2007.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment, of $151.4 million, net of accumulated depreciation of $54.8 million, at December 31, 2007. The district depreciates land improvements, buildings, and other property and equipment using the straight-line method over estimated useful lives that range from 3 to 50 years.

The University of Colorado Foundation reported land, land improvements, buildings, and other property and equipment of $4.1 million, net of accumulated depreciation of $7.2 million, at June 30, 2008.

NOTE 17 – OTHER LONG-TERM ASSETS

The $562.6 million shown as Other Long-Term Assets on the government-wide *Statement of Net Assets* is primarily long-term taxes receivable and long-term loans. Long-term taxes receivable of $127.1 million, held in the General Fund and the Highway Users Tax Fund, are not segregated on the *Balance Sheet – Governmental Fund,* but are shown in Taxes Receivable and are offset by Deferred Revenue.

The $319.8 million of Other Long-Term Assets shown on the fund-level *Balance Sheet – Governmental Funds* is primarily related to loans issued by the Highway Users Tax Fund ($20.6 million), a major Special Revenue Fund, and the Water Projects Fund ($262.7 million), a nonmajor Special Revenue Fund. The Water Conservation Board makes the water loans to local entities for the purpose of constructing water projects in the state.

The loans are made for periods ranging from 10 to 30 years at interest rates of 2 to 7 percent, and they require the local entities or districts to make a yearly payment of principal and interest.

In the governmental funds, the state has reserved the fund balance for long-term assets and long-term loans receivable not offset by deferred revenue.

The $119.7 million shown as Other Long-term Assets on the *Statement of Net Assets – Proprietary Funds* is primarily student loans issued by Higher Education Institutions and CollegeInvest, but also includes deferred debt issuance costs. Most of the CollegeInvest student loans are not reported in this line but rather are reported as restricted receivables.

NOTE 18 through 25 – DETAILS OF LIABILITY ITEMS

NOTE 18 – PENSION SYSTEM AND OBLIGATIONS

Primary Government

A. PLAN DESCRIPTION

Most State of Colorado employees, excluding four-year college and university employees, participate in a defined benefit (DB) pension plan, however all employees, with the exception of higher education employees, have the option of participating in the state's defined contribution (DC) plans instead (see Note 20). The DB plan's purpose is to provide income to members and their families during retirement or in case of death or disability. The state plan and the other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, CO 80217-5800 or by calling the PERA Infoline at 1-800-759-7372, or by visiting http://www.copera.org.

<u>Administration of the Plan</u>

The plan, a cost-sharing multiple-employer defined benefit plan, is administered by the Public Employees' Retirement Association (PERA). In 1931, state statute established PERA and the State Division Trust Fund; subsequently statutes created the School Division Trust Fund, the Local Government Division Trust Fund, the Judicial Division Trust Fund, and the Health Care Trust Fund. The State and School Division Trust Funds were combined in 1997. However, the State and School Division of PERA was separated into a State Division and a School Division effective January 1, 2006. Changes to the plan require an actuarial assessment and legislation by the General Assembly as specified in Title 24, Article 51 of the Colorado Revised Statutes.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement.

Non-higher education employees hired by the state after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available (see Note 20C), unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

Community college employees hired after January 1, 2008, are required to become members of PERA and must elect either PERA's defined benefit or defined contribution plan within 60 days, unless they had been a PERA member within the prior twelve months. In that case they are required to remain in the PERA plan in which they participated previously.

PERA members electing the PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same amount as the contributions to the PERA defined benefit plan.

Defined Retirement Benefits

Plan members (except state troopers) are eligible to receive a monthly retirement benefit when they meet age and service requirements based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

State troopers and Colorado Bureau of Investigation (CBI) officers are eligible for retirement benefits at the following age and years of service; any age – 30, 50 – 25, 55 – 20 and 65 – 5. Reduced service benefits are calculated similarly to a service retirement benefit; however, the benefit is reduced by percentages that vary from 0.25 to 0.5, depending on age and years of service, for each month before the eligible date for the full service retirement. Members are also eligible for retirement benefits without a reduction for early retirement based on the original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

Monthly benefits are calculated as 2.5 percent times the number of years of services times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest annual salaries on which contributions were paid that are associated with three periods (one period for judges) of 12 consecutive months of service credit and limited to a 15 percent increase between periods.

For retirements after January 1, 2009, the HAS is calculated based on original hire date as follows:

- Hired before January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- Hired on or after January 1, 2007 – HAS is calculated based on three periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

The benefit is limited to 100 percent (40 years) and cannot exceed the maximum amount allowed by federal law.

PERA retirement and survivor benefits are increased annually based on original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, compounded annually.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percent of the employer contributions for this population.)

Money Purchase Retirement Benefit

A money purchase benefit is determined by the member's life expectancy and the value of the member's contribution account plus a matching amount as of the date of retirement. The matching amount is 100 percent of the member's contributions and accrued interest at the time of retirement. For members who have less than five years of service, a money purchase benefit is payable beginning at age 65.

Service Requirement and Termination

Plan members who terminate PERA-covered employment may request a member contribution account refund or leave the account with PERA; a refund cancels a former PERA member's rights to future PERA benefits. Members who withdraw their accounts before reaching retirement eligibility or before reaching age 65 receive a refund of their contributions, interest on their contributions, plus an additional 50 percent of their contribution and interest. If the withdrawing member has reached age 65 or is retirement eligible, the matching payment increases to 100 percent. Statutes authorize the PERA Board to set the interest paid to member contribution accounts but limits the rate to a maximum of 5 percent. Effective July 1, 2004, the PERA Board set the rate at 5 percent compounded annually.

Disability and Survivor Benefits

PERA provides a two-tiered disability program. Disabled members who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may apply for disability benefits through a third party insurance carrier. If the member is not totally and permanently disabled, they are provided reasonable income replacement (maximum 60 percent of PERA includable salary for 22 months). If the member is totally and permanently disabled they receive disability retirement benefits based on HAS and earned, purchased, and in some circumstances, projected service credit.

If a member has at least one year of earned service and dies before retirement, their qualified survivors are entitled to a single payment or monthly benefits depending on their status as defined in statute. The member's spouse may be eligible to receive the higher of the money purchase benefit or the defined benefit, but not less than 25 percent of HAS. The order of payment to survivors is dependent on the years of service and retirement eligibility of the deceased member. Under various conditions, survivors include qualified children under 18 (23 if a full-time student), the member's spouse, qualified children over 23, financially dependent parents, named beneficiaries, and the member's estate.

B. FUNDING POLICY

Members and employers are required to contribute to PERA at a rate set by statute. The contribution requirements of plan members and affiliated employers are established under Title 24, Article 51, Part 4 of the Colorado Revised Statutes as amended. Members are required to contribute 8 percent of their gross covered wages, except for state troopers and Colorado Bureau of Investigation officers, who contribute 10 percent. Annual gross covered wages subject to PERA are gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

The state, as employer, made the following percentage contributions of gross covered wages in the current and previous two fiscal years:

Time	Contribution Percentage			Percent of
Period	Judges	Troopers	Other	ARC
Fiscal Year 2007-08				
1-1-08 to 6-30-08	15.56	14.75	12.05	100
7-1-07 to 12-31-07	14.66	13.85	11.15	100
Fiscal Year 2006-07				
1-1-07 to 6-30-07	14.66	13.85	11.15	100
7-1-06 to 12-31-06	14.16	13.35	10.65	100
Fiscal Year 2005-06				
1-1-06 to 6-30-06	14.16	13.35	10.65	100
7-1-05 to 12-31-05	13.66	12.85	10.15	100

In the 2004 legislative session, the general assembly established the AED to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary beginning January 1, 2006, another 0.5 percent of salary in 2007, and subsequent year increases of 0.4 percent of salary until the additional payment reaches 3.0 percent in 2012. The contribution table above reflects the increase required by the AED legislation.

The Fiscal Year 2007-08 contribution was allocated by PERA according to statute as follows:

- 1.02 percent was allocated to the Health Care Trust Fund throughout the fiscal year,
- From July 1, 2007, to December 31, 2008, 10.13 percent was allocated to the defined benefit plan, and
- From January 1, 2008, to June 30, 2008, 11.03 percent was allocated to the defined benefit plan.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2007, the State Division of PERA had a funded ratio of 73.3 percent and an infinite amortization period, which means that the unfunded actuarial liability would never be funded at the current contribution rates. In the 2006 legislative session, along with other provisions affecting the plan, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one-half percentage point through 2013 resulting in a cumulative increase of three percentage points. The SAED will be terminated when each division's trust fund reaches 100 percent funding. For state employers, each year's one-half percentage point increase in the SAED will be deducted from the amount available for increases in state employees' salaries, and used by the employer to pay the SAED.

The state made the following retirement contributions:

- Fiscal Year 2007-08 - $239.9 million
- Fiscal Year 2006-07 - $236.8 million (*restated*)
- Fiscal Year 2005-06 - $189.2 million
- Fiscal Year 2004-05 - $189.4 million
- Fiscal Year 2003-04 - $167.7 million
- Fiscal Year 2002-03 - $155.7 million
- Fiscal Year 2001-02 - $135.8 million
- Fiscal Year 2000-01 - $156.0 million
- Fiscal Year 1999-00 - $174.2 million

These amounts do not include the Health Care Fund contribution. For each year, the retirement contribution was equal to the statutory requirement.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The Fire and Police Pension Association (FPPA), a related organization, was established to ensure the financial viability of local government pension plans for police and firefighters. In Fiscal Years 2007-08 and 2006-07, the Department of Local Affairs transferred $4.1 million and $4.0 million, respectively, to the association for the premiums of the accidental death and disability insurance policy the association provides to volunteer firefighters. The State Treasurer transferred $34.8 million in both Fiscal Year 2007-08 and 2006-07 to the pension plan.

Component Units

The University of Colorado Hospital Authority participates in two pension plans, which cover substantially all of its employees. One plan is the Public Employees Retirement Association defined benefit plan for state employees. The hospital made contributions of $146,000 to this plan in Fiscal Year 2007-08. The other plan is a single employer noncontributory defined benefit plan for which the authority establishes the benefit and contribution rates. The hospital made contributions of $18.7 million in Fiscal Year 2007-08 to this plan. This amount was in excess of the actuarially computed net periodic pension cost of $16.9 million. At July 1, 2007, the latest actuarial valuation date, the plan's unaudited funded ratio was 100 percent; the funded ratio has been at 100 percent since at least July 1, 2002. The authority also provides three other retirement plans, as discussed in Note 20.

Employees of the Colorado Water Resources and Power Development Authority and CoverColorado are covered under the State Division of PERA discussed above.

NOTE 19 – OTHER POSTEMPLOYMENT BENEFITS AND LIFE INSURANCE

Actuarial valuations of an ongoing OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (see Note RSI-3) following the notes to the financial statements, presents multiyear trend information, when available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Primary Government

PERA Health Care Trust Fund

The PERA Health Care Program is a cost-sharing multiple employer plan. It began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Legislation enacted during the 1999 session established the Health Care Trust Fund effective July 1, 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit.

Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

An additional implicit subsidy exists for participating retirees not eligible for Medicare Part A. This occurs because state statute prohibits PERA from charging different rates to retirees based on their Medicare Part A coverage, notwithstanding that the premium is calculated assuming that the participants have Medicare Part A coverage. At December 31, 2007, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.05 billion, a funded ratio of 19.9 percent, and a 38-year amortization period.

Beginning July 1, 2004, the state contribution to the Health Care Trust Fund was 1.02 percent of gross covered wages. The state paid contributions of $23.1 million, $24.4 million, $20.6 million, $21.2 million, and $20.4 million in Fiscal Years 2007-08, 2006-07, 2005-06, 2004-05, and 2003-04, respectively. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. The Health Care Trust Fund offers two general types of plans – fully insured plans offered through healthcare organizations and self-insured plans administered for PERA by third party vendors. In addition, two of PERA's insurance carriers offered high deductible health care plans in 2007. As of December 31, 2007, there were 44,214 participants, including spouses and dependents, from all contributors to the plan.

The Health Care Trust Fund began providing dental and vision plans to its participants in 2001. The participants pay the premiums for the coverage, and there is no subsidy provided for the dental and vision plans.

University of Colorado – Other Postemployment Benefits Plan

The University Post-Retirement Health Care & Life Insurance Benefits Plan is a single-employer defined benefit healthcare plan administered by the University of Colorado. The University's plan provides medical, dental and life insurance benefits for employees who retire from the University, as well as their spouses and dependents. The University's Board of Regents has the authority to establish and amend benefits provisions. The University of Colorado issues a publicly available financial report that includes financial statements and required supplementary information for the University Post-Retirement Health Care & Life Insurance Benefits Plan. That report may be obtained by writing to 1800 Grant Street, Suite 600, 436 UCA, Denver, CO 80203.

The contribution requirements of plan members and the University are established by the University's Board of Regents. The University's contribution is based on pay-as-you-go financing requirements. For Fiscal Year 2007-08, the University contributed $10.6 million to the plan. Plan members contributed 1.5 percent of covered payroll (defined as the annual payroll of active employees covered by the plan).

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation for the University Post-Retirement Health Care & Life Insurance Benefits Plan:

(Amounts In Thousands)

Annual Required Contribution	$ 22,101
Interest On Net OPEB Obligation	-
Adjustment To Annual Required Contribution	-
Annual OPEB Cost (Expense)	22,101
Contributions Made	(10,645)
Increase In Net OPEB Obligation	11,456
Net OPEB Obligation, Fiscal Year Beginning	-
Net OPEB Obligation, Fiscal Year End	$ 11,456

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2007-08 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007-08	22,101	48.2%	11,456

As of July 1, 2007, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was $196.0 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $196.0 million. The covered payroll was $201.9 million, and the ratio of UAAL to covered payroll was 97.1 percent.

In the July 1, 2007, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a five percent investment rate of return, a two percent annual increase in medical claims, and an annual healthcare cost trend rate declining from eleven percent to five percent over seven years. Both rates include a two percent inflation assumption. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2008, was thirty years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers three single employer defined benefit healthcare plans. The Retiree Medical Premium Refund Plan (RMPR) provides medical benefits for employees who retire from the University and are participants in its defined contribution plan. The Retiree Medical Premium Subsidy for PERA Participants Plan (RMPS) provides a monthly subsidy for medical premiums for employees who are PERA participants and retire from the University. The Umbrella RX Plan (URX) supplements prescription benefits provided through PERA for employees with ten or more years of PERA service and their spouses and dependents. The University's Board of Governors has the authority to establish and amend benefits provisions for all plans. Colorado State University issues a publicly available financial report that includes financial statements and required supplementary information for all of the plans. That report may be obtained by writing to 202 Administration Annex, Johnson Hall, Ft. Collins, CO 80523.

The contribution requirements of all plan members and the University are established by the University's Board of Governors. The required contribution for the RMPR and URX plans is set by the University in consultation with outside benefit consultants, underwriters and actuaries. The subsidy amount under the RMPS is determined on a pay-as-you-go basis. For Fiscal Year 2007-08, the University contributed $485,555 to the RMPR, $1,091,552 to the RMPS, and $134,470 to the URX. Plan members are not required to contribute to any of the three plans.

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligations for all three plans:

(Amounts In Thousands)

	RMPR	RMPS	URX
Annual Required Contribution	$ 1,998	$ 3,768	$ 264
Interest On Net OPEB Obligation	-	-	-
Adjustment To Annual Required Contribution	-	-	-
Annual OPEB Cost (Expense)	1,998	3,768	264
Contributions Made	(486)	(1,092)	(134)
Increase In Net OPEB Obligation	1,512	2,676	130
Net OPEB Obligation, Fiscal Year Beginning	-	-	-
Net OPEB Obligation, Fiscal Year End	$ 1,512	$ 2,676	$ 130

The University's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation of the three plans for Fiscal Year 2007-08 were as follows:

(Amounts In Thousands)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
RMPR	2007-08	$ 1,998	24.3%	$ 1,512
RMPS	2007-08	3,768	29.0%	2,677
URX	2007-08	264	50.8%	130

As of the most recent actuarial valuation date (January 1, 2007, for the RMPR and RMPS and January 1, 2008, for the URX), all three plans were 0 percent funded and had no plan assets. The actuarial accrued liability for benefits for the RMPR, RMPS, and URX was $22.1 million, $54.0 million, and $4.3 million, respectively, resulting in unfunded actuarial accrued liabilities of $22.1 million, $54.0 million, and $4.3 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $199.8 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 11.1 percent. Neither the RMPS nor URX plan contribution is based on salaries or covered payroll.

The RMPR plan used the entry age normal actuarial cost method, while the RMPS and URX plans used the unit credit actuarial cost method. All three plans used a four percent investment rate of return, a three percent inflation adjustment, and a four percent salary increase assumption. The RMPR and RMPS plans assumed an annual healthcare cost trend initial rate of nine percent declining to an ultimate rate of five percent; the URX did not use a healthcare trend rate because the plan assumes fixed dollar deductibles and co-pays combined with increases in employee co-pays will curb any inflationary increases. The RMPR used a level percentage of projected payroll to amortize the UAAL and both the RMPS and URX plans used a level dollar amount. All three plans will amortize the UAAL over 30 years; the amortization period for the RMPR is open while it is closed for the RMPS and URX.

<u>Other Programs</u>

The state provides employees with a limited amount of Basic Life and Accidental Death and Dismemberment coverage underwritten by Standard Insurance Company at no cost to the employee. Through the same company, the state also provides access to group Optional Life and Accidental Death and Dismemberment coverage with premiums paid by the employee.

Component Units

Employees of both the Colorado Water Resources and Power Development Authority and CoverColorado are covered under the PERA Health Care Trust Fund discussed above.

NOTE 20 – OTHER EMPLOYEE BENEFITS

Primary Government

A. MEDICAL AND DISABILITY BENEFITS

The Group Benefit Plans Fund is a Pension and Other Employee Benefits Trust Fund established for the purpose of risk financing employee and state-official medical claims. The fund includes several medical plan options ranging from provider of choice to managed care. Before January 1, 2000, the state offered a variety of medical plans; some of the plans were fully insured while others were self-funded using Anthem Blue Cross Blue Shield as the plan administrator. Between January 1, 2000, and June 30, 2005, self-funded plans were no longer offered, and the state and its employees paid premiums for insurance purchased to cover medical claims. After June 30, 2005, the state returned to a self-funded approach for certain employee and state official medical claims. The state's contribution to the premium is subject to appropriation by the legislature each year, and state employees pay the difference between the state's contribution and the premium required to meet actuarial estimates. Since the amount of the state contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans.

The premiums, which are based on actuarial analysis, are intended to cover claims, reserves, third party administrator fees, stop-loss premiums and other external administration costs (e.g., COBRA and case management.) Premiums also include a fee to offset the internal costs of administering the plan. Internal costs include developing plan offerings, maintaining the online benefits system, and communicating benefit provisions to employees. Employee healthcare premiums are allowed on a pretax basis under the state's flexible spending account benefits plan.

The Group Benefits Plan, a Pension and Other Employee Benefits Trust Fund shown in the financial statements on page 110, reports a net asset surplus of $6.36 million. In the prior year, the plan had a net asset deficit of $2.16 million.

Effective July 1, 2005, the state terminated the Anthem Blue Cross Blue Shield plans and began offering five self-funded plan options administered by Great West Healthcare, in addition to the fully insured Kaiser HMO plan and the San Luis Valley HMO plan, as well as, three self-funded dental options administered by Delta Dental Plan of Colorado. On July 1, 2006 the state discontinued one of the self-funded medical plan options due to low enrollment.

Before January 1, 1999, the Group Benefit Plans Fund provided an employer paid short-term disability plan for all employees. On January 1, 1999, the Public Employees Retirement Association (PERA) began covering short-term disability claims for state employees eligible under its retirement plan (see Note 18A). The Group Benefit Plans Fund continues to provide short-term disability coverage for employees not yet qualified for the retirement plan and secondary benefits for employees also covered under the PERA short-term disability plan.

The Group Benefit Plans short-term disability program provides an employee with 60 percent of their pay beginning after 30 days of disability or exhausting their sick leave balance, whichever is later. This benefit expires six months after the beginning of the disability. Although fully insured, the Group Benefit Plans disability program includes a risk-sharing feature that provides experience rating refunds calculated as earned premiums less the aggregate of incurred claims, claim reserve, retention charge, and refunds paid previously over the term of the contract. Refunds, when applicable, are paid annually.

B. EMPLOYEE DEFERRED COMPENSATION PLAN

The state initiated a deferred compensation (457) plan for state and local government employees in 1981. Participants in the plan are mostly state employees except for 1,818 school district employee participants. The nine-member Deferred Compensation Committee establishes rules and regulations for implementing the plan. The Committee comprises the State Controller, the State Treasurer, four plan participants elected by plan members, a participant of the Public Officials' and Employees' Defined Contribution Plan appointed by the Governor, and two members of the General Assembly – one each appointed by the President of the Senate and Speaker of the House. The plan uses a third party administrator, and all costs of administration and funding are borne by the plan participants. The assets of the plan are not assets of the state, but are held in trust for the exclusive benefit of plan participants and their beneficiaries. Fund equity of the plan was $377.5 million and $381.2 million at June 30, 2008, and June 30, 2007, respectively. The state has no liability for losses under the plan but does have the duty of due care that is required of a fiduciary agent.

C. OTHER RETIREMENT PLANS

<u>PERA 401k Plan</u>

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the defined benefit plan. In calendar years 2007 and 2008, PERA members were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $15,500. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,000 catch-up contribution in 2007 and 2008, for a total contribution of $20,500. Contributions and earnings are tax deferred. On December 31, 2007, the plan had net assets of $1,730.9 million and 72,832 accounts.

PERA Defined Contribution Retirement Plan

Effective January 1, 2006, legislation added a defined contribution plan to PERA's 401(k) Voluntary Investment Program. The plan is available to certain new state employees hired after January 1, 2006; these employees have the option of joining the PERA defined benefit plan, the PERA defined contribution plan, or a defined contribution plan administered by the Deferred Compensation Committee of the state. At December 31, 2007, the plan had net assets of $2.55 million and 489 accounts.

State Defined Contribution Retirement Plan

On January 1, 1999, the state began providing a defined contribution retirement plan for certain eligible employees identified in statute. The plan is authorized by Colorado Revised Statutes 24-52-201 through 24-52-209 and is governed by the rules and regulations established for the plan by the nine-member Deferred Compensation Committee. The state is the sole contributing employer of the plan.

Prior to January 1, 2006, the following state employees were eligible to participate in the plan: a member of the general assembly, the Governor, the Lieutenant Governor, the Attorney General, the chief deputy attorney general, the solicitor general, the Secretary of State, the deputy secretary of state, the State Treasurer, the deputy state treasurer, a district attorney, an assistant district attorney, a chief deputy district attorney, a deputy district attorney, or other employee of a district attorney, a member of the public utilities commission, an executive director of a department of the state appointed by the governor, an employee of the senate or the house of representatives, and a nonclassified employee of the Governor's Office.

After December 31, 2005, in addition to the individuals listed above, any new employee hired in the state personnel system is eligible to participate in the defined contribution plan unless the employee is:

- an employee of a Higher Education Institution,
- commencing employment as an elected official, or
- has been a member of the Public Employees Retirement Association (PERA) within the prior twelve months.

Notwithstanding these limitations, an employee is eligible to participate in the defined contribution plan if they are a PERA retiree serving as a state elected official. Participation in the plan by eligible employees is voluntary; however, if the election to participate is not made within 60 days the employee automatically becomes a member of the Public Employees Retirement Association (PERA).

At June 30, 2008, and June 30, 2007, the plan's three investment providers reported a total of 1,865 and 1,237 accounts, respectively. At the same dates there were 908 and 579 individuals actively contributing to the plan.

Contributions to the plan are set in statute as a percent of salary and are required to be the same as the contributions to the defined benefit plan and defined contribution plans administered by PERA. From July 1, 2007, to December 31, 2007, the state contribution rate was 11.15 percent and from January 1, 2008, to June 30, 2008 the rate was 12.05 percent. The employee was required to contribute 8 percent of gross covered wages throughout the year.

The financial statements of the Defined Contribution Plan are prepared on the accrual basis of accounting in accordance with NCGA Statement 1 and Governmental Accounting Standards Board Statement 25. The Plan recognizes member and employer contributions as additions in the period in which the employee provides services. Investments are reported at fair value based on quoted market prices.

Higher Education Optional Retirement Plans

Legislation in 1992 authorized state institutions of higher education the option of offering other retirement plans to their employees. At that time, certain employees had the choice of retaining their membership in PERA. As a result of the legislation, some employees of various institutions may be covered under defined contribution plans such as the Teachers Insurance and Annuity Association (TIAA-CREF), the Variable Annuity Life Insurance Corporation (VALIC), or other similar plans. Generally these plans are available to faculty or other staff members who are not part of the state's classified employee system. Faculty members at the University of Colorado are also covered under Social Security.

Other State Retirement Plans

The state made contributions to other retirement plans of $81.2 million and $71.1 million during Fiscal Years 2007-08 and 2006-07, respectively. In addition, the state paid $69.4 million and $62.5 million in FICA and Medicare taxes on employee wages during Fiscal Years 2007-08 and 2006-07, respectively.

Of the benefit plans discussed in this note, financial statements for the Deferred Compensation Plan, the state's Defined Contribution Plan, and the Group Benefit Plans are presented on the following page.

STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 105	$ 120	$ 14,744	$ 14,969
Other Receivables, net	3,662	-	5,009	8,671
Due From Other Funds	-	-	16,006	16,006
Prepaids, Advances, and Deferred Charges	-	-	13	13
Total Current Assets	3,767	120	35,772	39,659
Noncurrent Assets:				
Investments:				
Mutual Funds	369,190	14,659	-	383,849
Other Investments	4,893	-	-	4,893
Total Noncurrent Assets	374,083	14,659	-	388,742
TOTAL ASSETS	377,850	14,779	35,772	428,401
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	363	20	12,107	12,490
Deferred Revenue	-	54	-	54
Claims and Judgments Payable	-	-	17,254	17,254
Total Current Liabilities	363	74	29,361	29,798
Noncurrent Liabilities:				
Accrued Compensated Absences	10	1	48	59
Total Noncurrent Liabilities	10	1	48	59
TOTAL LIABILITIES	373	75	29,409	29,857
NET ASSETS:				
Held in Trust for:				
Pension/Benefit Plan Participants	377,416	14,660	6,175	398,251
Unrestricted	61	44	188	293
TOTAL NET ASSETS	$ 377,477	$ 14,704	$ 6,363	$ 398,544

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ADDITIONS:				
Member Contributions	$ 46,175	$ 2,650	$ 77,067	$ 125,892
Employer Contributions	-	3,313	146,944	150,257
Investment Income/(Loss)	(21,947)	(982)	726	(22,203)
Employee Deferral Fees	165	-	341	506
Other Additions	2	-	12,649	12,651
Transfers-In	-	-	732	732
TOTAL ADDITIONS	24,395	4,981	238,459	267,835
DEDUCTIONS:				
Benefits and Withdrawals	26,823	1,835	-	28,658
Health Insurance Premiums Paid	-	-	76,763	76,763
Health Insurance Claims Paid	-	-	115,602	115,602
Other Benefits Plan Expense	-	-	19,339	19,339
Administrative Expense	993	170	-	1,163
Other Deductions	272	6	18,156	18,434
Transfers-Out	14	5	79	98
TOTAL DEDUCTIONS	28,102	2,016	229,939	260,057
CHANGE IN NET ASSETS	(3,707)	2,965	8,520	7,778
FISCAL YEAR BEGINNING	381,184	11,739	(2,157)	390,766
FISCAL YEAR ENDING	$ 377,477	$ 14,704	$ 6,363	$ 398,544

Component Units

Employees of the Colorado Water Resources and Power Development Authority are covered under the PERA 401K Defined Contribution Pension Plan discussed above.

The University of Colorado Hospital Authority provides a single employer defined contribution plan (401a) and a single employer tax-deferred annuity plan (403b) that required the authority to make matching contributions of $4.5 million in Fiscal Year 2007-08. The hospital also provides a single employer tax deferred plan (457b) that did not require authority contributions. All three plans are administered by third-party investment companies. The financial statements of these pension plans are available from the authority.

NOTE 21 – RISK MANAGEMENT

Primary Government

The state currently self-insures its agencies, officials, and employees for certain risks of loss to which they are exposed. These include general liability, motor vehicle liability, and workers' compensation. The Risk Management Fund is reported as part of the General Fund, and it is used to account for claims adjustment, investigation, defense, and authorization for the settlement and payment of claims or judgments against the state. Property claims are not self-insured; the state has purchased property insurance, which includes flood and terrorism coverage. Settlements have not exceeded insurance coverage in any of the three prior years.

All funds and agencies of the state with the exception of the component units, the University of Colorado, Colorado State University (not including CSU-Pueblo), and the University of Northern Colorado, participate in the Risk Management Fund. Agency premiums are based on an assessment of risk exposure and historical claims experience.

Claims are reported in the General Fund in accordance with GASB Interpretation No. 6, and therefore, related liabilities are only reported to the extent that they are due and payable at June 30. On the government-wide statements, risk management liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Those liabilities include an amount for claims that have been incurred but not reported and an adjustment for nonincremental claims expense that is based on current administrative costs as a percentage of current claims and projected to the total actuarial claims estimate.

Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. A contractor completes an actuarial study each year determining both the short and long-term liabilities of the Risk Management Fund.

Colorado employers are liable for occupational injuries and diseases of their employees. Benefits are prescribed by the Workers' Compensation Act of Colorado for medical expenses and loss of wages resulting from job-related disabilities. The state uses the services of Pinnacol Assurance, a related organization, to administer its plan. The state reimburses Pinnacol for the current cost of claims paid and related administrative expenses.

Before January 1, 2000, the state and its employees were self-funded for medical claims of employees and state officials under the State Employee and Officials Group Insurance Internal Service Fund. From January 1, 2000 through June 30, 2005, the state and its employees purchased insurance for those claims. Beginning July 1, 2005, the state returned to a self-funding approach for medical claims except for stop-loss insurance purchased for claims over $50,000 per individual. In Fiscal Year 2007-08, the state recovered approximately $12.5 million related to the stop-loss insurance claims. The state's contribution to the premium is subject to appropriation by the legislature each year, and state employees pay the difference between the state's contribution and the premium required to meet actuarial estimates. Since the amount of the state contribution is at the discretion of the legislature, employees ultimately bear the risk of funding the benefit plans. The claims and related liabilities are reported in the Group Benefit Plans, a Pension and Other Employee Benefits Trust Fund (see Note 20).

For claims related to events occurring before October 1, 1996, the Regents of the University of Colorado participate in the University of Colorado Insurance Pool (UCIP) – a public-entity self-insurance pool. After that date, the University became self-insured for workers' compensation, auto, and general and property liability. An actuary projects both the pool and the self-insured plan undiscounted liabilities. The University purchases excess insurance for losses over its self-insured retention of $500,000 per property claim, $750,000 per worker's compensation claim, and $1,000,000 per general liability claim. Tort claims are subject to the governmental immunity act, and damages are capped for specified waived areas at $150,000 per person and $600,000 per occurrence. There were no reductions of insurance coverage in Fiscal Year 2007-08, and settlements did not exceed insurance coverage in any of the three prior fiscal years.

The University of Colorado Graduate Medical Education Health Benefits Program is a comprehensive self-insurance health and dental benefits program for physicians in training at the University of Colorado Denver. The University manages excess risk exposure for staff medical claims by purchasing stop-loss insurance of $200,000 per person and $7.6 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2007-08 for this program. There have been no collections against the aggregate stop-loss insurance in the previous three years; however, the University collected $974,618 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2006 through 2008. An insurance brokerage firm estimates liabilities of the plan using actuarial methods.

The University of Colorado Denver also self-insures its faculty, and staff for medical malpractice through the University of Colorado Self-Insurance Trust consistent with the limits of governmental immunity. For claims outside of governmental immunity, the Trust has purchased insurance to cover claims greater than $1.0 million per occurrence and in the aggregate annually. The discounted liability for malpractice is determined annually by an actuarial study. There was no significant reduction in insurance coverage in Fiscal Year 2007-08, and settlements have not exceeded insurance coverage in any of the prior three fiscal years.

Colorado State University is self-insured for employee medical and dental plans, but purchases re-insurance for healthcare claims over $200,000. The related liability is based on underwriting review of claims history and current data. A liability is recorded for the University's employee long-term disability plan based on expected claims payout as determined by the third party administrator. The University is self-insured for worker's compensation up to $500,000, and has purchased re-insurance for individual claims up to $1.0 million. For general liability claims, the University is self-insured up to $500,000 per occurrence and has purchased excess insurance for claims over that amount.

Colorado State University general liability claims arising out of employment practices are self-insured up to $500,000 with excess insurance purchased for claims up to $5.0 million and additional insurance purchased for claims up to $10.0 million per occurrence. The University is self-insured for property damage up to $100,000, but has purchased excess insurance providing coverage up to $1.0 billion per occurrence. There were no significant reductions in insurance coverage in Fiscal Year 2007-08, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

The University of Northern Colorado manages general liability, property, auto, and workers' compensation risks primarily through the purchase of insurance. The University has purchased $3.0 million of general liability insurance ($5,000 deductible), $3.0 million of product liability/malpractice insurance ($5,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($100,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $100,000 of employee fraud insurance ($1,000 deductible), and $250.0 million of commercial property insurance ($10,000 deductible). Before Fiscal Year 2005-06, the University was covered under the state risk management program. There were no significant reductions in insurance coverage in Fiscal Year 2007-08, and the amount of settlements has not exceeded insurance coverage in any of the three prior fiscal years.

Changes in claims liabilities were as follows:

Changes in Claims Liabilities
(Amounts in Thousands)

Fiscal Year	Liability at July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability at June 30
State Risk Management:				
Liability Fund				
2007-08	$ 23,959	$ (1,305)	$ 4,951	$ 17,703
2006-07	25,167	3,333	4,541	23,959
2005-06	18,962	11,476	5,271	25,167
Workers' Compensation				
2007-08	76,095	41,206	34,098	83,203
2006-07	82,123	24,659	30,687	76,095
2005-06	74,072	34,530	26,479	82,123
Group Benefit Plans:				
2007-08	17,547	132,422	132,715	17,254
2006-07	15,175	134,363	131,991	17,547
2005-06	-	118,491	103,316	15,175
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2007-08	13,349	7,004	6,273	14,080
2006-07	15,720	4,701	7,072	13,349
2005-06	15,012	6,072	5,364	15,720
University of Colorado Denver:				
Medical Malpractice				
2007-08	5,246	349	1,420	4,175
2006-07	6,561	(767)	548	5,246
2005-06	6,556	965	960	6,561
Graduate Medical Education Health Benefits Program				
2007-08	1,138	6,403	6,284	1,257
2006-07	1,024	6,196	6,082	1,138
2005-06	972	5,723	5,671	1,024
Colorado State University:				
Medical, Dental, and Disability Benefits				
2007-08	13,953	29,104	25,259	17,798
2006-07	11,742	22,664	20,453	13,953
2005-06	10,242	18,951	17,451	11,742
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2007-08	358	(51)	232	75
2006-07	1,725	(889)	478	358
2005-06	-	-	-	1,725

Component Units

In order to manage malpractice claims risk, the University of Colorado Hospital Authority participates in a self-insurance trust called the University of Colorado Self-Insurance and Risk Management Trust. The trust provides coverage up to the governmental immunity limits ($150,000 per individual and $600,000 per occurrence) and contracts with a commercial insurance company for coverage to $6.0 million per occurrence or in aggregate per year when governmental immunity does not apply. For Fiscal Year 2007-08, the hospital recorded premium and administrative expenses of $394,000. The trust had a fund balance of $4.3 million, which was in excess of $4.2 million in reserves for losses and loss adjustment expense. The hospital purchases insurance coverage for theft, property damage, injuries and accidents, business interruption, automobile, nonowned aircraft, errors and omissions, fiduciary responsibility, and employee health and dental through commercial insurance companies.

The Colorado Water Resources and Power Development Authority maintains commercial insurance for most risks of loss.

NOTE 22 – LEASE COMMITMENTS

Primary Government

State management is authorized to enter lease or rental agreements for buildings and/or equipment. All leases contain clauses stipulating that continuation of the lease is subject to funding by the Legislature. Historically, these leases have been renewed in the normal course of business. They are therefore treated as noncancellable for financial reporting purposes.

At June 30, 2008, the state had the following gross amounts of assets under capital lease:

(Amounts in Thousands)

Gross Assets Under Lease

	Land	Buildings	Equipment and Other
Governmental Activities	$ 735	$ 32,602	$ 33,388
Business-Type Activities	2,435	83,640	18,818
Total	$ 3,170	$ 116,242	$ 52,206

At June 30, 2008, the state expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 364	$ 832	$ 1,196
Business-Type Activities	-	803	803
Total	$ 364	$ 1,635	$ 1,999

During the year ended June 30, 2008, the state incurred the following contingent rentals related to capital and operating leases:

(Amounts in Thousands)

Contingent Rentals

	Capital	Operating	Total
Business-Type Activities	$ -	$ 44	$ 44
Total	$ -	$ 44	$ 44

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist the two of the three institutions governed by the Colorado State University System Board of Governors in their research and educational efforts. The support provided by the foundation to the institutions includes patent and licensing management, equipment leasing, municipal lease administration, debt financing, and land acquisition, development, and management. Colorado State University subleases space and vehicles from the foundation. The total obligation at June 30, 2008, for the space was $33,780. The Colorado State University System leases equipment and vehicles from the foundation and has a total lease obligation of $4,017,121.

The Community College of Aurora made operating lease payments of approximately $1.0 million to the Community College of Aurora Foundation, which owns three of the four campus buildings.

Morgan Community College made lease payments of $73,500 to the Morgan Community College Foundation for classroom facilities.

Trinidad State Junior College made operating lease payments of $103,892 to the Trinidad State Junior College Educational Foundation.

The Colorado Community College System made lease payments of $542,969 to the Colorado Community College System Foundation.

The state is obligated under certain leases that it accounts for as operating leases. Operating leases do not give rise to property rights or lease obligations. Therefore, the lease agreements are not reflected in the assets or liabilities of the funds.

For Fiscal Year 2007-08, the state recorded building and land rent of $40.4 million and $14.1 million in governmental and business-type activities, respectively. The state also recorded equipment and vehicle rental expenditures of $7.4 million and $28.1 million in governmental and business-type activities, respectively. The above amounts were payable to entities outside the state and do not include transactions with the state fleet management program.

The state recorded $0.9 million of lease interest costs in the governmental activities and $1.3 million in the business-type activities. The $18.3 million of capital lease proceeds shown on the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balance* is primarily related to the Department of Public Safety entering a building lease for $12.8 million and the Department of Human Services entering a lease for $4.6 million of information technology equipment.

The state also entered into approximately $15.3 million of capital leases related to the state's fleet management, which is reported in an Internal Service Fund, which does not report capital lease proceeds.

Future minimum payments at June 30, 2008, for existing leases were as follows:

(Amounts in Thousands)

	Operating Leases		Capital Leases	
Fiscal Year(s)	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
2009	$ 39,044	$ 13,975	$ 8,758	$ 10,690
2010	36,571	10,683	8,493	10,372
2011	32,432	8,268	8,395	14,031
2012	25,816	6,563	8,096	9,042
2013	22,130	5,221	6,417	8,716
2014 to 2018	79,859	15,385	21,053	40,041
2019 to 2023	20,857	57	12,389	30,436
2024 to 2028	1,614	11	5,388	6,295
2029 to 2033	129	6	4,350	2,687
2034 to 2038	59	-	-	-
2039 to 2043	69	-	-	-
2044 to 2048	46	-	-	-
Total Minimum Lease Payments	258,626	60,169	83,339	132,310
Less: Imputed Interest Costs			23,308	38,936
Present Value of Minimum Lease Payments	$ 258,626	$ 60,169	$ 60,031	$ 93,374

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $5.5 million for Fiscal Years 2007-08. Future minimum lease payments for these leases at June 30, 2008, are:

(Amounts in Thousands)

Fiscal Year	Amount
2009	$ 5,868
2010	3,263
2011	2,460
2012	1,968
2013	1,906
Thereafter	6,298
Total Minimum Obligations	$21,763

The Colorado Water Resources and Power Development Authority leases office facilities under an operating lease that expires December 31, 2012. Total rental expense for the year ended December 31, 2007 was $126,697. The total minimum rental commitment under this lease is $552,451 as of 2007.

Effective October 1, 1999, the University of Colorado Foundation entered an agreement to lease the building in which it operates. The foundation recorded a lease liability equal to the present value of the future minimum lease payments under the lease, which is currently $4.2 million. Total minimum lease payments including interest at June 30, 2008, were $6.0 million. The lessor of the building has promised to make a nonreciprocal transfer of the building to the foundation on or before September 2014. The net book value of the property and equipment under the capital lease totaled $2.7 million, net of accumulated depreciation of $3.1 million, as of June 30, 2008.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2015. The total rental expense for the year ended June 30, 2008 was $288,261. The total minimum rental commitment under the leases is $1.2 million at June 30, 2008.

NOTE 23 – SHORT-TERM DEBT

On July 5, 2007, the State Treasurer issued $500.0 million of General Fund Tax Revenue Anticipation Notes, Series 2007A. The notes were due and payable on June 27, 2008, at an average coupon rate of 4.25 percent. The notes were issued to meet short-term cashflow needs of the General Fund and were repaid before June 30, 2008, as required by the State Constitution.

Statutes authorize the State Treasurer to issue notes for local school districts in anticipation of local school district revenues to be collected at a later time. On July 16, 2007, the State Treasurer issued $150.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2007A. The notes had coupon rates ranging from 4.0 to 4.5 percent and matured on August 5, 2008.

On December 19, 2007, the State Treasurer issued $310.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2007B. The notes have coupon rates ranging from 2.95 to 3.5 percent and matured on August 5, 2008. For each issuance, the State Treasurer established a Note Repayment Account that was funded before June 30, 2008, in an amount adequate to fully defease the outstanding notes. School districts were required to repay the loans prior to the state's fiscal year-end, and the State Treasurer placed the loan repayments in the Note Repayment Account that was restricted to paying off the notes on the August 5, 2008, due date.

The following schedule shows the changes in short-term financing for the period ended June 30, 2008:

(Amount in Thousands)

	Beginning Balance July 1	Changes		Ending Balance June 30
		Additions	Reductions	
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 500,000	$ (500,000)	$ -
Education Loan Anticipation Notes	345,000	460,000	(345,000)	460,000
Total Governmental Activities Short-Term Financing	345,000	960,000	(845,000)	460,000
Total Short-Term Financing	$ 345,000	$ 960,000	$ (845,000)	$ 460,000

NOTE 24 – NOTES, BONDS, AND CERTIFICATES OF PARTICIPATION PAYABLE

Primary Government

Various Higher Education Institutions, the Department of Corrections, the Highway Users Tax Fund, the State Nursing Homes, and CollegeInvest have issued notes, bonds, and/or Certificates of Participation (COPs) for the purchase of equipment, to construct facilities or infrastructure, or to finance student loans. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. The state is not allowed by its Constitution to issue general obligation debt except to fund buildings for state use, to defend the state or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.

During Fiscal Year 2007-08 the state's governmental activities had $168.0 million of federal and state revenue available in the Highway Users Tax Fund to meet an equivalent amount of debt service. Collectively, the state's business-type activities had $596.6 million of available net revenue after operating expenses to meet the $137.1 million of debt service requirement related to revenue bonds.

The revenue of an individual business-type activity is generally not available to meet the debt service requirements of another business-type activity. (See additional disclosures regarding pledged revenue in Note 33.)

The state recorded $299.1 million of interest costs, of which, $105.1 million was recorded by governmental activities and $194.0 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $31.2 million of General Fund interest on Tax Revenue Anticipation Notes issued by the Department of Treasury, $66.5 million of Highway Users Tax Fund interest on Transportation Revenue Anticipation Notes issued by the Department of Transportation, and $5.7 million of interest primarily on Certificates of Participation issued by the Department of Corrections. The business-type activities interest cost primarily comprises $60.8 million of interest on revenue bonds issued by Higher Education Institutions, $94.0 million of interest on revenue bonds issued by CollegeInvest, and $38.7 million of interest paid to lending institutions that made loans to students under the College Assist loan guarantee program. College Assist is a nonmajor enterprise fund.

Annual maturities of notes, bonds, and COPs payable at June 30, 2008, are as follows:

(Amounts in Thousands)

Governmental Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2009	$ 107,795	$ 60,197	$ 460,000	$ 12,524	$ 6,355	$ 7,371	$ 574,150	$ 80,092
2010	113,300	54,691	-	-	8,766	11,348	122,066	66,039
2011	119,385	48,605	-	-	12,570	7,025	131,955	55,630
2012	125,265	42,725	-	-	12,325	6,461	137,590	49,186
2013	132,105	35,889	-	-	11,220	6,016	143,325	41,905
2014 to 2018	570,870	63,470	-	-	56,169	22,192	627,039	85,662
2019 to 2023	-	-	-	-	40,860	7,988	40,860	7,988
2024 to 2028	-	-	-	-	4,945	3,217	4,945	3,217
2029 to 2033	-	-	-	-	7,740	1,719	7,740	1,719
2034 to 2038	-	-	-	-	1,970	99	1,970	99
Subtotals	1,168,720	305,577	460,000	12,524	162,920	73,436	1,791,640	391,537
Unamortized Prem/Discount	47,286	-	-	-	9,286	-	56,572	-
Accrued Capital Appreciation Certificates	-	-	-	-	658	-	658	-
Totals	$1,216,006	$ 305,577	$ 460,000	$ 12,524	$ 172,864	$ 73,436	$1,848,870	$ 391,537

(Amounts in Thousands)

Business-Type Activities

Fiscal Year	Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Mortgages Payable Principal	Mortgages Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2009	$ 69,351	$ 131,549	$ 818	$ 230	$ 48	$ 2	$ 5,350	$ 9,661	$ 75,567	$ 141,442
2010	44,980	130,775	851	197	-	-	5,570	9,437	51,401	140,409
2011	47,170	129,572	464	163	-	-	5,785	9,224	53,419	138,959
2012	49,845	127,776	1,052	147	-	-	6,024	8,995	56,921	136,918
2013	69,805	125,118	438	129	-	-	6,304	8,728	76,547	133,975
2014 to 2018	269,430	482,749	2,491	320	-	-	36,464	39,076	308,385	522,145
2019 to 2023	314,025	447,743	59	17	-	-	46,380	29,004	360,464	476,764
2024 to 2028	481,310	349,051	35	3	-	-	56,232	16,321	537,577	365,375
2029 to 2033	447,500	292,204	-	-	-	-	36,628	2,808	484,128	295,012
2034 to 2038	825,380	195,583	-	-	-	-	-	-	825,380	195,583
2039 to 2043	704,190	64,964	-	-	-	-	-	-	704,190	64,964
Subtotals	3,322,986	2,477,084	6,208	1,206	48	2	204,737	133,254	3,533,979	2,611,546
Unamortized Prem/Discount	20,944	-	(45)	-	-	-	5,413	-	26,312	-
Unaccreted Interest	(18,240)	-	-	-	-	-	-	-	(18,240)	-
Totals	$3,325,690	$2,477,084	$ 6,163	$ 1,206	$ 48	$ 2	$ 210,150	$ 133,254	$3,542,051	$2,611,546

The original principal amount of the state's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Mortgages Payable	Certificates of Participation	Total
Governmental Activities	$ 1,487,565	$ 460,000	$ -	$ 185,436	$ 2,133,001
Business Type Activities	3,601,839	11,654	450	218,605	$ 3,832,548
Total	$ 5,089,404	$ 471,654	$ 450	$ 404,041	$ 5,965,549

Component Units

The debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2007, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2008	$ 49,510	$ 51,877	$ 101,387
2009	51,300	49,645	100,945
2010	54,440	47,276	101,716
2011	58,250	44,678	102,928
2012	58,395	41,924	100,319
2013 to 2017	271,925	169,218	441,143
2018 to 2022	239,985	106,143	346,128
2023 to 2027	137,930	56,891	194,821
2028 to 2032	59,365	34,647	94,012
2033 to 2037	74,905	16,869	91,774
2038 to 2042	25,720	5,759	31,479
2043 to 2044	5,980	314	6,294
Total Future Payments	$ 1,087,705	$ 625,241	$ 1,712,946

The original principal amount for the outstanding bonds was $1.6 billion. Total interest paid during 2007 amounted to $53.1 million.

All of the Colorado Water Resources and Power Development Authority's Small Water Resources Program bonds and the Series 1989A and Series 1990A Clean Water Revenue Bonds are insured as to payment of principal and interest by Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Financial Security Assurance, Inc. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation.

The Water Resources Revenue Bonds, Series 2003A and 2003B, Series 2004A, 2004B, 2004C, 2004D, and 2004E, and Series 2005A, 2005E, and 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B and Series 2005C are insured as to payment of principal and interest by Assured Guaranty Corp. The Water Resources Revenue Bond Series 2005D are insured as to payment of principal and interest by Financial Security Assurance, Inc. The authority can issue up to $150,000,000 (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds and as of December 31, 2007, had $91,770,000 of these bonds outstanding.

In June 2008, the University of Colorado Hospital Authority issued $19.1 million of Series 2008A Revenue Bonds with an initial interest rate of 1.5 percent. Proceeds from the bond will be used to finance equipment and for improvements at the Anschutz Medical Campus.

In June 2008, the University of Colorado Hospital Authority issued $73.5 million of Series 2008B Revenue Bonds with an initial interest rate of 1.5 percent. Proceeds from the bonds will be used to fully refund the Series 2007A bonds (see Note 26).

During Fiscal Year 2007-08, the hospital met all the financial ratio requirements of its bond indentures. Cash paid for interest by the hospital in Fiscal Year 2007-08 approximated $25.8 million. In May 2008, the hospital paid $19.0 million to pay off the remaining amount of Series 1995A bonds. The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2008, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2009	$ 9,632	$ 23,533	$ 33,165
2010	9,899	23,305	33,204
2011	10,245	22,828	33,073
2012	9,660	22,548	32,208
2013	10,075	21,900	31,975
2014 to 2018	56,740	102,190	158,930
2019 to 2023	70,465	87,252	157,717
2024 to 2028	87,005	68,568	155,573
2029 to 2033	110,300	46,549	156,849
2034 to 2038	114,040	25,661	139,701
2039 to 2043	64,745	4,431	69,176
Total Long-Term Debt Payments	552,806	448,765	1,001,571
Less: Unamortized Discount	(2,067)		
Deferred Amount on Refunding of			
Series 1997 A Bonds	(4,547)		
Series 2008 B Bonds	(8,825)		
Total Carrying Amount of Long-Term Debt	$ 537,367		

In July 2007, the University of Colorado Foundation established a $20.0 million, three-year committed, unsecured line of credit with a bank. The credit line carried variable interest based on the lending bank's floating prime rate less 125 basis points. No amounts were outstanding at June 30, 2008.

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2007-08:

(Amount in Thousands)

	Restated Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30	Due Within One Year
Governmental Activities					
Deposits Held In Custody For Others	$ 2,758	$ 278	$ (2)	$ 3,034	$ 3,017
Accrued Compensated Absences	125,793	39,469	(26,726)	138,536	9,776
Claims and Judgments Payable	336,822	39,762	(3,173)	373,411	37,775
Capital Lease Obligations	30,456	35,365	(5,790)	60,031	6,002
Bonds Payable	1,319,718	5,320	(109,032)	1,216,006	107,795
Certificates of Participation	183,203	289	(10,627)	172,865	6,355
Other Long-Term Liabilities	206,972	19,252	(8,431)	217,793	-
Total Governmental Activities Long-Term Liabilities	2,205,722	139,735	(163,781)	2,181,676	170,720
Business-Type Activities					
Accrued Compensated Absences	165,897	27,458	(14,208)	179,147	12,745
Claims and Judgments Payable	39,937	17,759	(21,816)	35,880	7,398
Capital Lease Obligations	68,621	30,601	(5,848)	93,374	5,976
Bonds Payable	2,935,383	429,715	(39,408)	3,325,690	69,351
Certificates of Participation	218,916	4	(8,769)	210,151	5,350
Notes, Anticipation Warrants, Mortgages	9,463	4	(3,257)	6,210	866
Other Postemployment Benefits	-	15,775	-	15,775	-
Other Long-Term Liabilities	59,764	(607)	(12,136)	47,021	5,031
Total Business-Type Activities Long-Term Liabilities	3,497,981	520,709	(105,442)	3,913,248	106,717
Fiduciary Activities					
Deposits Held In Custody For Others	247,024	32,525	(3,998)	275,551	200,243
Accrued Compensated Absences	52	11	(4)	59	-
Other Long-Term Liabilities	2,834	85	(273)	2,646	-
Total Fiduciary Activities Long-Term Liabilities	249,910	32,621	(4,275)	278,256	200,243
Total Primary Government Long-Term Liabilities	$ 5,953,613	$ 693,065	$ (273,498)	$ 6,373,180	$ 477,680

Accrued compensated absences liabilities of both the governmental activities and the business-type activities are normally liquidated using resources of the fund that is responsible for paying the employee's salary. As a result, the resources of nearly all of the state's funds are used to liquidate the compensated absence liability.

The amount shown in the schedule above for notes, bonds, and certificates of participation do not include the short-term borrowing disclosed in Note 23. A current portion is not normally identifiable for Other Long-Term Liabilities, or Other Postemployment Benefits.

Long-term liabilities that are actuarially determined include amounts for claims that are incurred but not yet reported. Since these liabilities are not based on individually identifiable claims, it is not practicable to report gross additions and reductions. (See notes 19 and 21 for the amount of claims reported and paid and other adjustments to these actuarially determined liabilities.)

At June 30, 2008, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Assets*:

The $217.8 million shown for governmental activities primarily represents tax refunds payable, which were at various levels of administrative and legal appeal. These refunds relate to tax revenues of the General Fund and Highway Users Tax Fund. Payment is not expected within one year.

The $47.0 million (including $1.2 million Due to Component Units) shown for business-type activities primarily comprises:

- $31.3 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest. An additional $5.0 million will be paid within one year and is reported as an Other Current Liability.

- $10.5 million of deferred revenue that the state does not expect to recognize within the following year. The most significant balances relate to a ground lease at the University of Northern Colorado ($2.2 million) as well as long-term deferred revenue and a long-term note payable to a component unit at the Colorado School of Mines ($1.0 million and $1.2 million, respectively).

Component Units

Changes in long-term liabilities are summarized as follows:

(Amounts in Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
University of Colorado Hospital Authority					
Bonds Payable	$ 546,955	$ 1,230	$ 10,818	$ 537,367	$ 9,632
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 1,052,672	$ 35,330	$ 49,422	$ 1,038,580	$ 49,510
Other Long-Term Liabilities	$ 259,104	$ 49,410	$ 163,483	$ 145,031	$ 100,997

The Other Long-Term Liabilities of the Colorado Water Resources and Power Development Authority are primarily related to water and pollution control construction project costs that it will pay on loans made to local governments.

The University of Colorado Foundation has beneficial interest in various split-interest agreements including charitable gift annuities, charitable remainder trusts (annuity and unitrust), a minor pooled income fund, and charitable remainder trusts held by others. The charitable gift annuity assets are immediately available to the foundation. After termination of the charitable remainder trust agreements, the related assets revert to the foundation to create an endowment to support university activities. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.* Actuarially determined life expectancies and risk-free rates of return are used to estimate the obligation to named beneficiaries. The fair value of assets in excess of the estimated liability is recorded as Gifts and Donations revenue at the date of the gift. Changes in value of the investments are combined with changes in the actuarial estimate of liabilities and are reported as Gifts and Donations revenue on the *Statement of Revenue, Expenditures, and Changes in Fund Net Assets – Component Units*. At June 30, 2008, the foundation held $62.9 million of split interest agreement investments with $27.8 million of related liabilities and reported $3.5 million of net beneficial interest in charitable trusts held by others.

At June 30, 2008, the University of Colorado Foundation held $242.4 million of endowments and other funds in trust for the University of Colorado and another entity. On the *Statement of Net Assets – Component Units,* this liability is reported primarily as Deposits Held in Custody and partially as Other Current Liabilities.

The Colorado State University Foundation (CSUF) administers life income agreements as gift annuities where an income beneficiary is the lifetime recipient of income and the foundation is the remainder beneficiary. Upon receipt of the gift, a liability is established for the estimated net present value of the lifetime recipient's interest using applicable mortality tables and a discount rate commensurate with the risks involved. A contribution is recognized for the estimated remainder interest.

CSUF has also been named remainder beneficiary for trusts administered by third party corporate trustees. For this arrangement, a receivable and contribution are recorded at the estimated present value of the remainder interest. These life income arrangements are revalued annually to reflect changes in the remainder interest estimates.

At June 30, 2008, total life income agreement assets of CSUF were $883,735. Life income agreements payable at the same date totaled $891,909. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.* At June 30, 2008, the foundation held $13.1 million of endowments and related expendable accounts for Colorado State University. On the *Statement of Net Assets -– Component Units,* this liability is reported as Deposits Held in Custody.

At June 30, 2008, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $18.2 million; related liabilities of $10.6 million are calculated using the Internal Revenue Service discount rate for computing charitable contribution deductions. The estimated net present value of obligations to named beneficiaries is reported as an Other Long-Term Liability on the *Statement of Net Assets – Component Units.*

CSMF has also entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as an Other Long-Term Liability of $4.2 million on the *Statement of Net Assets – Component Units.* At June 30, 2008, CSMF reported $12.6 million of assets held in trust, primarily for the Colorado School of Mines, which are shown on the *Statement of Net Assets – Component Units* as Deposits Held in Custody.

NOTE 26 – DEFEASED DEBT

Primary Government

Debt is defeased by depositing in escrow accounts an amount sufficient, together with known minimum investment yields, to pay principal, interest, and any redemption premium on the debt to be defeased. During Fiscal Year 2007-08, debt was defeased in the business-type activities.

At June 30, 2008, the remaining balances of amounts previously placed in escrow accounts with paying agents are as follows:

(Amount in Thousands)

Agency	Amount
Governmental Activities:	
Department of Transportation	$ 666,485
Business-Type Activities:	
University of Colorado	170,490
Auraria Higher Education Center	7,282
Western State College	13,520
Fort Lewis College	14,079
Colorado School of Mines	35,466
Colorado State University	12,265
Total	$ 919,587

The Board of Trustees of Fort Lewis College issued $9,730,000 of its Dorm Revenue Bonds, Series 2007A, Revenue Bonds Series 2007B1, Taxable Revenue Bonds Series 2007B2, Revenue Refunding Bonds Series 2007C, and Convertible Revenue Refunding Bonds Series 2007D to defease all of its Refunding Series 1998A, 1998B, 1998C, and 2003 Bonds. The defeased debt had an interest rate of 5.075 percent and the new debt has an interest rate of 4.6 percent. The remaining term of the debt changed from 13 to 12 years, and the estimated debt service cash flows decreased by $437,041. The defeasance resulted in an economic gain of $131,763 and a book loss of $210,264 that will be amortized as an adjustment of interest expense over the remaining 12 years of the new debt.

In September 2007, the Board of Trustees of the Colorado School of Mines issued $43,800,000 of auction rate bonds titled Enterprise Refunding and Improvement Revenue Bonds Series 2007 to fully defease its Auxiliary Facilities Enterprise Revenue Bonds Series 1997A and 1997B and to partially defease its Auxiliary Facilities Enterprise Revenue Bonds Series 1999 and its Auxiliary Facilities Enterprise Refunding and Improvement Revenue Bonds Series 2002 and Series 2004. The defeased debt had interest rates ranging from 2.5 to 5.4 percent and the new debt had a variable interest rate. The remaining term of the debt was changed from a range of 10 to 31 years to a full 31 years and the estimated debt service cash flows decreased by $400,525. The defeasance resulted in an economic gain of $70,000 and a book loss of $2.6 million that will be amortized as an adjustment of interest expense over the remaining 31 years of debt disclosed in the following paragraph, which was issued to current refund the auction rate debt disclosed in this paragraph. The current refunding of the auction rate debt was made necessary by the collapse of the auction rate debt market in early 2008.

In March 2008, the Board of Trustees of the Colorado School of Mines issued $43,200,000 of its Enterprise Refunding Bonds Series 2008A to current refund all of its Enterprise Refunding and Improvement Revenue Bonds Series 2007. Both the current refunded debt and the new debt had variable interest rates. The remaining term of the debt was unchanged at 31 years and the estimated debt service cash flows increased by $879,565. The current refunding resulted in an economic loss of $796,493 and a book loss of $567,758 that will be amortized as an adjustment of interest expense over the remaining 31 years of the new debt.

The Board of Trustees of the University of Northern Colorado issued $9,145,000 of its Auxiliary Facilities Revenue Refunding Bonds Series 2008A to current refund all of its Auxiliary Revenue Refunding Bonds Series 1998. The certificates were redeemed on June 1, 2008. The current refunded debt had an interest rate of 4.98 percent and the new debt had interest rates ranging from 3.25 to 5 percent. The remaining term of the debt was unchanged at 16 years and the estimated debt service cash flows decreased by $523,687. The current refunding resulted in an economic gain of $459,957 and a book loss of $213,110 that will be amortized as an adjustment of interest expense over the remaining 16 years of the new debt.

The Board of Governors of Colorado State University issued $34,260,000 of its Tax Exempt Refunding Series 2007B Bonds to defease all of its CSU Series 1996, COP Bond Series 1997, Refunding and Improvement Bond Series 1997, Research Building Revolving Fund Series 1997, Research Building Bonds Series 2001, Student Sports Recreational Bond Series 1998, and Revenue Bonds Series 2005A and to partially refund its Refunding and Improvement Bonds Series 2003A. The defeased debt had an interest rate of 4.72 percent and the new debt had an interest rate of 4.41 percent. The remaining term of the debt was unchanged at 14 years and the estimated debt service cash flows decreased by $640,978. The defeasance resulted in an economic gain of $312,326 and a book loss of $272,843 that will be amortized as an adjustment of interest expense over the remaining 14 years of the new debt.

Component Units

In November 1997, the University of Colorado Hospital Authority issued $123.9 million in Hospital Refunding Revenue Bonds to advance refund Series 1992A bonds. The refunding resulted in legal defeasance and a deferred loss, which the hospital is charging to operations through Fiscal Year 2022-23. At June 30, 2008, the unamortized deferred loss on refunding is $4.5 million. The hospital completed the advance refunding to reduce its total debt service payments over the subsequent 25 years by $6.0 million and to achieve an economic gain of $3.2 million.

In January 2007, the University of Colorado Hospital Authority issued $72.8 million in Refunding Revenue Bonds Series 2007A to partially refund Series 2001A bonds. The hospital completed the advance refunding in order to convert the 2001A fixed rate to a variable rate issuance.

In June 2008, the University of Colorado Hospital Authority issued $73.5 million in 2008B Revenue Bonds to fully refund the Series 2007A bonds. The bonds, which are variable rate bonds and have an initial interest rate of 1.5 percent, have been deposited in a bond fund. The bonds bear interest weekly and pay principal according to a sinking fund redemption schedule.

The hospital advance refunded the 2007A bonds due to variable interest rate fluctuations driven by credit market instability and bond insurer rating downgrades. The remaining unamortized deferred loss and issuance costs of $8.8 million related to the 2001A defeasance is being charged to operations through Fiscal Year 2031-32.

NOTES 27 THROUGH 28 – DETAILS OF NET ASSETS AND FUND EQUITY

NOTE 27 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING PRINCIPLE CHANGES

Primary Government

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by $397,037,688 when the Department of Transportation changed from the modified approach to the depreciation approach for bridge infrastructure. Beginning in Fiscal Year 2007-08, the department reported that available resources were no longer adequate to maintain the state's bridges at the established condition level as required by the modified approach. In the process of identifying the bridge infrastructure amounts to be depreciated, the department determined that a portion of the bridges recorded in Fiscal Year 2001-02 at the implementation of GASB Statement No. 34 were valued incorrectly. This adjustment has been recorded to correctly state the beginning balance of the bridges and did not affect any of the fund-level financial statements.

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by an additional $306,726,177 to reflect a change in accounting principle related to the change from the modified approach to the depreciation approach for bridge infrastructure. In the process of identifying the bridge infrastructure amounts to be depreciated, the department determined that a portion of the bridges were below the statewide capitalization threshold or were fully depreciated and therefore should not be included in the bridge amounts to be depreciated. This adjustment did not affect any of the fund-level financial statements.

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* and the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances* decreased by $43,046,663 when the Department of Transportation recorded adjustments related to its correction of an overstatement of accrued unbilled receivables. A journal entry reversing previously recorded receivables was not properly posted during the conversion from the Department's previous accounting system to its newly implemented system. As a result the beginning balance included a duplication of receivables.

The Department of Transportation decreased beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* and the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances* by $827,716 when it recorded prior year accounting information that had not been properly posted from the department's accounting system to the statewide accounting system. Proper posting of the prior year information would have increased liabilities of the governmental activities, and therefore, the beginning net assets needed to be reduced by $827,716.

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* increased by $47,545,611 when the Department of Natural Resources recorded adjustments related to land purchases. In prior years, the Great Outdoors Colorado (GOCO – a related organization) made on-behalf payments for land purchases where payments were wired directly to the title company in the state's name. None of these payments were made through the Department of Natural Resources, and consequently, the Department did not record the asset or related revenues in the years of the purchase. This adjustment did not affect any of the fund-level financial statements.

The beginning fund balance of the Other Special Revenue Funds, a nonmajor Special Revenue Fund, decreased by $20,525,596 and the beginning balance of the Public School Buildings Fund, a nonmajor Special Revenue Fund, increased by the same amount. Over the past two sessions, the legislature has created a number of similar purpose funds related to public schools. In order to group and report this activity, the new funds were aggregated into a new nonmajor Special Revenue Fund. All funds involved in this change are reported on one financial statement in supplementary information in the state's Comprehensive Annual Financial Report, and therefore, the change did not affect the fund-level financial statements or the government-wide financial statements.

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by $1,297,418 when the Department of Personnel & Administration recorded adjustments related to improper capitalization of expenses in prior years. The Department capitalized maintenance costs that should have been expensed for Digital Trunk Radio assets between Fiscal Years 2000-01 and 2005-06. This adjustment did not affect any of the fund-level financial statements.

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* increased by $751,833 when the Department of Personnel & Administration recorded adjustments related to purchased assets that had not been properly capitalized in prior years. The Department did not record any of the building improvements purchased under performance contracts during Fiscal Years 2004-05, 2005-06, and 2006-07. This adjustment also increased the beginning net assets of the Internal Service Funds on the *Statement of Revenues, Expenses, and Changes in Fund Net Assets.*

NOTE 28 – FUND EQUITY

On the *Balance Sheet – Governmental Funds,* the Capital Projects Fund Reserve for Statutory Purposes includes the fund equity of the Corrections Expansion Reserve, a Special Capital Construction Fund used to account for Department of Corrections Certificates of Participation, and other minor funds that are allowed to retain fund balances in the Capital Projects Fund. The $255.1 million reserve for encumbrances represents construction commitments related to projects appropriated by the Legislature in the state's capital construction fund. Those appropriations are multi-year budgets (see Note RSI-1B) that are funded by various sources including general-purpose revenue, cash earnings by state agencies, and federal revenue. In most instances, the cash and federally funded resources that will support these appropriations have not yet been earned in the Capital Projects Fund. In years when the general-purpose revenue transferred into the fund is low the unreserved undesignated fund balance is reported as a deficit because of the unearned cash sources related to the encumbrances.

NOTE 29 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2008, were:

SELLER'S/LENDER'S RECEIVABLE	General Fund	Public School	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund	$ -	$ 20	$ 701	$ -
Public School	-	-	-	-
Highway Users	803	-	-	-
Capital Projects	-	-	-	-
Higher Education Institutions	4,214	-	647	3,751
CollegeInvest	-	-	-	-
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Water Projects	4	-	-	139
Labor	402	-	-	-
Gaming	5	-	-	-
Resource Extraction	26	-	-	-
Resource Management	12	-	13	-
Environment and Health Protection	-	-	39	-
Public School Capital Construction	-	-	-	-
Other Special Revenue	1,356	-	39	30
ENTERPRISE FUNDS:				
Wildlife	-	-	-	-
Correctional Industries	198	-	-	44
Nursing Homes	1,902	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	-	-	-	-
Telecommunications	-	-	-	-
Capitol Complex	69	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	15,932	-	8	-
College Savings Plan	-	-	-	-
Other Fiduciary	114	-	-	-
TOTAL	$ 25,037	$ 20	$ 1,447	$ 3,964

Except for the Resource Extraction Fund receivable discussed below, all of the material receivables and related payables shown in the above schedule are the result of normal operating activities where the receivables and payables were not liquidated before the year-end close of the state's accounting system. This represents timing differences between when generally accepted accounting principles require transactions to be recognized and when cash is actually distributed.

The Group Benefits Plan Fund receivable of $15.9 million from the General Fund primarily represents the health insurance benefits premium portion of payroll for services provided in the fiscal year that is required by statute to be paid in the next fiscal year.

The Highway Users Tax Fund receivable of $72.9 million from All Other Funds is primarily related to a $14.3 million receivable from the Limited Gaming Fund, a nonmajor Special Revenue Fund, and a $58.6 million receivable from the Sales and Use Tax Holding Fund, a portion of the nonmajor Other Special Revenue Fund.

(Amounts in Thousands)

BUYER'S / BORROWER'S PAYABLE

Higher Education Institutions	CollegeInvest	State Lottery	All Other Funds	Total
$ 1,105	$ 80	$ 5	$ 3,493	$ 5,404
-	-	-	3,958	3,958
-	-	-	72,927	73,730
2,808	-	-	426	3,234
-	-	-	1,116	9,728
-	-	-	117	117
-	-	-	1,360	1,503
-	-	-	230	632
-	-	-	-	5
-	-	-	94,105	94,131
-	-	2,716	116	2,857
-	-	-	-	39
-	-	8,046	-	8,046
211	-	10,862	24,723	37,221
-	-	-	11	11
2,013	-	-	8	2,263
-	-	-	-	1,902
28	-	-	-	28
7	-	-	-	7
-	-	-	-	69
64	-	-	2	16,006
-	2,782	-	-	2,782
-	-	5,532	126	5,772
$ 6,236	$ 2,862	$ 27,161	$ 202,718	$ 269,445

The Resource Extraction Fund receivable of $94.1 million from All Other Funds was recorded by the Severance Tax Trust Fund. The Water Projects Fund, a nonmajor Special Revenue Fund, has statutory authority to make loans to local governments and special districts using the assets of the Severance Tax Trust Fund, a portion of the nonmajor Resource Extraction Fund. The loans have terms ranging from 10 to 30 years. However, the borrowing from the Severance Tax Trust Fund is on a revolving basis and will remain in place unless the statutory authority is changed.

The Other Special Revenue Fund receivable of $24.7 million from All Other Funds is primarily related to a $20.1 million receivable that the Travel and Tourism Promotion Fund has from the Limited Gaming Fund, and a $4.0 million receivable that the Clean Energy Fund has from the Limited Gaming Fund.

The Other Special Revenue Fund receivable of $10.9 million from the Lottery Fund is held by the Conservation Trust Fund to be distributed as grants to purchase, preserve, and improve Colorado open space.

NOTE 30 – TRANSFERS BETWEEN FUNDS

Primary Government

Transfers between funds for the fiscal year ended June 30, 2008, were as follows:

TRANSFER-OUT FUND	General Fund	Public School	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund	$ -	$ 2,790,547	$ 166,182	$ 183,472
Public School	402	-	-	-
Highway Users	32,493	-	-	815
Capital Projects	-	-	25,050	-
State Education	-	-	-	-
Higher Education Institutions	3,372	-	-	-
CollegeInvest	29	-	-	-
Lottery	459	-	-	-
NONMAJOR FUNDS				
SPECIAL REVENUE FUNDS:				
Water Projects	1,239	-	-	-
Labor	25,157	-	-	2,103
Gaming	1,139	-	14,293	1,223
Tobacco Impact Mitigation	78,005	-	-	7,216
Resource Extraction	18,724	74,249	-	-
Resource Management	21,649	-	-	2,220
Environment and Health Protection	23,615	-	-	-
Public School Buildings	8	-	-	-
Other Special Revenue	52,600	-	255,269	875
PERMANENT FUNDS:				
State Lands Trust Expendable	35	31,154	-	-
State Lands Trust Nonexpendable	-	-	-	-
Other Permanent Trust Nonexpendable	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	4,649	-	-	-
College Assist	127	-	-	-
Correctional Industries	366	-	-	-
Nursing Homes	638	-	-	-
Prison Canteens	67	-	-	-
Petroleum Storage	880	-	-	-
Other Enterprise	319	-	3,430	-
INTERNAL SERVICE FUNDS:				
Central Services	1,194	-	-	-
General Government Computer Center	685	-	-	-
Telecommunications	518	-	-	-
Capitol Complex	667	-	-	-
Administrative Hearings	215	-	-	-
Debt Collection	209	-	-	-
FIDUCIARY FUNDS:				
Deferred Compensation	14	-	-	-
Defined Contribution	5	-	-	-
Group Benefit Plans	79	-	-	-
Treasurer's Private Purpose	1,867	-	-	-
Other Fiduciary	12	-	-	-
TOTAL	$ 271,437	$ 2,895,950	$ 464,224	$ 197,924

In the normal course of events, the Legislature appropriates a large number of transfers between funds exercising its responsibility to allocate the state's resources to programs shown in the above schedule. The most significant of these are the transfers out of the General Fund and into the State Public School Fund, the Highway Users Tax Fund, the Capital Projects Fund, and the Higher Education Institutions (primarily for student financial aid, occupational education, and job training).

The Highway Users Tax Fund transfer-out of $32.5 million to the General Fund includes $23.2 million transferred to the Department of Revenue to support programs that generate Highway Users Tax Fund revenue.

The Labor Fund transfer-out of $25.2 million to the General Fund occurs entirely within the Department of Labor and Employment and provides revenues in the General Fund for programs that support the Labor Fund.

The Tobacco Impact Mitigation Fund transfer-out of $78.0 million to the General Fund includes a $61.4 million transfer from the Health Care Expansion Fund, a $6.7 million transfer from the Tobacco Litigation Settlement Fund, a $1.7 million transfer from the Prevention, Early Detection and Treatment Fund, and a $1.3 million transfer from the Nurse Home Visitor Program. Each of these transfers was to the Department of Health Care Policy and Financing for purchase of medical services, except for one transfer of $2.2 million

(Amounts in Thousands)

TRANSFER-IN FUND

Higher Education Institutions	CollegeInvest	All Other Funds	TOTAL
$ 131,174	$ 162	$ 61,547	$ 3,333,084
-	-	53,145	53,547
-	-	173,754	207,062
7,216	-	6,380	38,646
2,859	-	1,069	3,928
-	-	-	3,372
3,153	-	-	3,182
-	-	69,196	69,655
-	-	347	1,586
-	-	1,000	28,260
-	-	24,067	40,722
8,511	60	41,612	135,404
3,400	-	30,934	127,307
-	-	75	23,944
-	-	904	24,519
-	-	-	8
-	-	3,279	312,023
105	-	1,877	33,171
959	-	4,532	5,491
-	-	42	42
-	-	296	4,945
-	-	-	127
-	-	-	366
-	-	-	638
-	-	-	67
-	-	-	880
-	-	-	3,749
-	-	-	1,194
-	-	-	685
-	-	-	518
-	-	323	990
-	-	-	215
-	-	-	209
-	-	-	14
-	-	-	5
-	-	-	79
-	-	540	2,407
-	-	-	12
$ 157,377	$ 222	$ 474,919	$ 4,462,053

to the Department of Human Services for the Colorado Benefits Management System Federal Reallocation.

The State Lands Trust Fund transfer-out of $31.2 million to the State Public School Fund was to the Department of Education to support K -12 schooling.

The Resource Management Fund transfer-out of $21.6 million to the General Fund includes a $16.9 million transfer within the Department of Natural Resources that was paid out of the Parks Cash Fund.

The Environment and Health Protection Fund transfer-out of $23.6 million to the General Fund includes a $15 million transfer from the Health Care Services Fund at the Department of Health Care Policy and Financing and $3.7 million of indirect cost transfers to support overhead charged to the Environment and Health Protection Fund.

The Other Special Revenue Funds transfer-out to the General Fund of $52.6 million comprises $43.7 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Fund and $8.9 million of indirect cost transfers to support overhead charged to the Other Special Revenue Funds.

The $74.2 million transfer-out of Resource Extraction and into the State Public School Fund is from the Mineral Leasing Fund.

The Other Special Revenue Funds transfer-out of $255.3 million into the Highway Users Tax Fund (HUTF) included $241.1 million from the Sales and Use Tax Holding Fund which transfers sales and use tax to the General Fund or the HUTF depending on the adequacy of the required four percent reserve in the General Fund. Also included is a transfer of $14.2 million from the State Infrastructure Bank Fund in repayment of an advance.

The General Fund transfer-out of $61.5 million to All Other Funds included $20.4 million to the School Construction and Renovation Fund, $15.0 million to the Health Care Services Fund, $5.5 million to support the Children's Basic Health Plan, $5.5 million to the Bioscience Discovery Fund, and $5.0 million to the Older Coloradoans Fund.

The State Public School Fund transfer-out of $53.1 million to All Other Funds included $27.3 million to the School Capital Construction Expenditures Reserve Fund and $24.1 million to support charter schools.

The Highway Users Tax Fund transfer-out of $173.8 million to All Other Funds included $169.1 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Lottery Fund transfer-out of $69.2 million to All Other Funds included $48.9 million to the Conservation Trust Fund and $8.0 million to the Lottery Proceeds Contingency Reserve Fund.

The Gaming Fund transfer-out of $24.1 million to All Other Funds included $20.1 million transferred to the Travel and Tourism Promotion Fund and $4.0 million transferred to the Clean Energy Fund. Both receiving funds are managed by the Governor's Office.

The Tobacco Impact Mitigation Fund transfer-out of $41.6 million to All Other Funds included $23.7 million transferred from the Tobacco Settlement Fund and $15.0 million from the Tobacco Tax Fund. Both transfers were to the Department of Health Care Policy and Financing to support purchase of medical services.

The Resource Extraction Fund transfer-out of $30.9 million to All Other Funds included $15.4 million from the Mineral Leasing Fund to the Water Conservation Board in the Department of Natural Resources and $9.7 million transferred from the Operating Account of the Severance Tax Trust to the Water Conservation Board.

NOTE 31 – UNUSUAL OR INFREQUENT TRANSACTIONS

Primary Government

The government-wide *Statement of Activities* shows Special and/or Extraordinary Items that comprise the following.

The Department of Labor and Employment recorded an asset impairment of $6.8 million related to purchased software used with the discontinued Genesis system. The event was an infrequent occurrence that was under the control of management (see Note 16).

NOTE 32 – DONOR RESTRICTED ENDOWMENTS

The state's donor restricted endowments exist solely in Higher Education Institutions. The policies of individual boards govern the spending of net appreciation on investments; there is no state law that governs endowment spending.

The University of Colorado reported net appreciation on endowment investments of $7.1 million that was available for spending. The University reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.* The amount of earnings and net appreciation that is available for spending is based on a spending rate set annually by the Regents of the University of Colorado. In general, only realized gains can be expended; however, unrealized gains on certain endowment funds may be expended.

Colorado State University reported $207,206 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The University reported the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable on the *Statement of Net Assets – Proprietary Funds.* The President of the University authorizes the expenditure of investment income from endowment earnings, and the University's Board of Governors is notified of those expenditures.

Colorado State University reported ($1,347,327) of net negative appreciation on its donor-restricted endowments held by its foundation. The University reported a portion of the related net assets in Restricted for Permanent Funds and Endowments – Nonexpendable and a portion of the related net assets in Restricted for Permanent Funds and Endowments – Expendable. The pay out policy of the Colorado State University Foundation governs expenditure of these funds. The policy assumes a 10 percent return on investment, a 4 to 5 percent pay out, a management fee of 1 to 2 percent, and a return to principal sufficient to preserve the purchasing power of the endowment.

The University of Northern Colorado reported $318,959 of net appreciation on its donor-restricted endowments, and the full amount was available for spending. The University reported the related net assets in Restricted for Permanent Funds and Endowments – Expendable on the *Statement of Net Assets – Proprietary Funds.*

NOTE 33 – PLEDGED REVENUE

Various Higher Education Institutions, the Highway Users Tax Fund, the State Fair, and CollegeInvest have issued bonds, notes, and/or Certificates of Participation (COPs) for the purchase of equipment, construction of facilities and infrastructure, and to finance student loans. Specific user revenues are pledged for the payments of interest and future retirement of the obligations. In Fiscal Year 2007-08, the following pledges were in place:

The Department of Transportation pledged $168.0 million of federal grants under agreement with the Federal Highway Administration and sales and use tax revenues that were diverted from the General Fund to the Highway Users Tax Fund to meet the debt service commitment on the agency's Tax Revenue Anticipation Notes originally issued in Fiscal Year 1999-00 and having a final maturity date of Fiscal Year 2016-17. The debt was issued to finance the reconstruction of a portion of the major interstate highway through Denver and various other infrastructure projects in the state. The pledged revenue represents approximately 13 percent of the total revenue stream, and $1.47 billion of the pledge commitment remains outstanding.

State Fair pledged $2.0 million of gate receipts to secure $0.2 million of current principal and interest on debt issued to build the Colorado State Fair Event Center. The related debt was originally issued in Fiscal Year 1991-92 and has a maturity date of Fiscal Year 2008-09. The pledged revenue represents approximately 18 percent of the revenue stream, and $1.0 million of the pledge remains outstanding.

CollegeInvest pledged interest income, federal grant funds, other earned revenues, and student loan repayments to meet the current $41.4 million of debt service commitment on the agency's Student Loan Revenue Bonds, which are outstanding through December 2042. The purpose of the debt is to originate and purchase student loans. Annual principal and interest payments on the debt are expected to require 100 percent of the total revenue stream and a varying portion of the student loan repayments. In the current year, student loan principal repayments were $230.1 million and were used to meet the pledge commitment, but the pledged revenue sources were not available because direct operating expense exceeded gross revenue. There is $3.3 billion remaining of the pledge commitment on the debt.

Higher Education Institutions have pledged auxiliary fees primarily related to student housing rent, and in some cases tuition, to meet the debt service commitment of their various bond issues. The debt issues involved had an earliest origination date in Fiscal Year 1995-96 and highest maturity date of Fiscal Year 2039-40. In some instances the gross revenue of the activity is pledged and in other instances the net available revenue is pledged. Total pledged revenue of the Higher Education Institutions is approximately $451.8 million. Individually significant Higher Education Institution pledges include:

- $221.6 million pledged by the University of Colorado to secure $59.0 million of current principal and interest on debt issued to finance the construction of enterprise facilities and to refund prior enterprise debt. The related debt was originally issued in Fiscal Year 1995-96 and has a final maturity date of Fiscal Year 2032-33. The pledged revenue represents approximately 49 percent of the revenue stream, and $940.0 million of the pledge commitment remains outstanding.
- $162.6 million pledged by Colorado State University to secure $13.7 million of current principal and interest on debt issued to finance the construction, expansion, or renovation of certain recreation, research, athletic, and academic facilities. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents approximately 100 percent of the total revenue stream, and $669.1 million of the pledge remains outstanding.
- $18.6 million pledged by the Colorado School of Mines to secure $3.9 million of current principal and interest on debt issued to finance refunding of previous debt and for capital improvements. The related debt was originally issued in Fiscal Year 2007-08 and has a final maturity date of Fiscal Year 2037-38. The pledged revenue represents approximately 71 percent of the total revenue stream, and $185.3 million of the pledge remains outstanding.
- $16.7 million pledged by the University of Northern Colorado to secure $8.1 million of current principal and interest on debt issued to finance refunding of previous debt and for improvements of auxiliary facilities. The related debt was originally issued in Fiscal Year 2000-01 and has a final maturity date of Fiscal Year 2039-40. The pledged revenue represents 10 percent of tuition revenue and approximately 26.8 percent of the total auxiliary revenue stream; $262.3 million of the pledge remains outstanding.
- $8.9 million pledged by the Auraria Higher Education Center to secure $5.1 million of current principal and interest on debt issued to renovate the Student Union and to build parking structures. The related debt was originally issued in Fiscal Year 2002-03 and has a final maturity date of Fiscal Year 2028-29. The pledged revenue represents approximately 69 percent

of the total revenue stream, and $106.9 million of the pledge remains outstanding.

- $7.8 million pledged by Mesa State College to secure $3.4 million of current principal and interest on debt issued to construct auxiliary facilities. The related debt was originally issued in Fiscal Year 2002-03 and has final maturity date of Fiscal Year 2036-37. The pledged revenue represents approximately 42 percent of the total revenue stream, and $87.7 million of the pledge remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

(Amounts In Thousands)

AGENCY NAME	GROSS REVENUE	DIRECT OPERATING EXPENSE	AVAILABLE NET REVENUE	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL
Department of Transportation	$ 167,989	$ -	$ 167,989	$ 102,475	$ 65,514	$ 167,989
State Fair Authority	11,477	9,430	2,047	155	78	233
Higher Education Institutions	793,013	420,908	372,105	36,940	58,466	95,406
CollegeInvest	339,831	117,358	222,473	-	41,414	41,414
	$ 1,312,310	$ 547,696	$ 764,614	$ 139,570	$ 165,472	$ 305,042

NOTE 34 – SEGMENT INFORMATION

Primary Government

Segments are identifiable activities reported as or within an Enterprise Fund for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets, and liabilities of the activity. All of the activities reported in the following condensed financial information meet these requirements. The purpose of each of the state's segments aligns with the primary mission of the enterprise in which it is reported; therefore, none of the state's segments are separately reported on the government-wide *Statement of Activities.* The following paragraphs describe the state's segments.

CollegeInvest issues revenue bonds to originate and purchase student loans. The authority also operates a prepaid tuition program designed to keep pace with average tuition inflation in Colorado. Condensed financial information for CollegeInvest is not presented on the following page because it is a major Enterprise Fund, and full financial statements are included in the Basic Financial Statements.

Other Enterprise Funds' Segments:

The State Fair Authority operates the Colorado State Fair, and other events, at the state fairgrounds in Pueblo, Colorado.

Higher Education Institutions' Segments:

University Physicians Incorporated (UPI) is a not-for-profit entity that performs the billing, collection, and disbursement function for professional services provided by the University of Colorado Denver. UPI is also a component unit of the state that is blended into the Higher Education Institutions Enterprise Fund. In addition, UPI provides its services under contracts with the University of Colorado Hospital Authority (UCHA), a discretely presented component unit of the state.

The Colorado School of Mines' general research facilities segment charges rent to research programs.

The Auraria Higher Education Center's parking segment charges students, faculty, and staff fees for the use of parking lots and structures. The center's student facilities segment charges fees to students for use of its facilities.

The following page presents condensed financial information for the state's segments that are not presented as major funds.

CONDENSED STATEMENT OF NET ASSETS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	STATE FAIR AUTHORITY	UNIVERSITY OF COLORADO UNIVERSITY PHYSICIANS INCORPORATED	COLORADO SCHOOL OF MINES GENERAL RESEARCH FACILITIES	AURARIA HIGHER EDUCATION CENTER PARKING FACILITIES	AURARIA HIGHER EDUCATION CENTER STUDENT FACILITIES
ASSETS:					
Current Assets	$ 1,818	$ 104,712	$ 1,303	$ 3,620	$ 9,101
Other Assets	21	51,071	64	7,880	1,440
Capital Assets	11,053	16,330	10,106	40,231	36,498
Total Assets	12,892	172,113	11,473	51,731	47,039
LIABILITIES:					
Current Liabilities	1,979	21,259	-	2,012	4,813
Due To Other Funds	-	-	399	-	-
Noncurrent Liabilities	132	18,461	10,177	34,496	32,918
Total Liabilities	2,111	39,720	10,576	36,508	37,731
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	10,076	(2,642)	(406)	5,154	2,607
Other Restricted Net Assets	-	25	-	7,243	707
Unrestricted	705	135,011	1,303	2,826	5,993
Total Net Assets	$ 10,781	$ 132,394	$ 897	$ 15,223	$ 9,307

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

OPERATING REVENUES :					
Tuition and Fees	$ -	$ -	$ -	$ -	$ 4,747
Sales of Goods and Services	7,216	301,349	-	7,559	22,047
Other	585	-	887	-	69
Total Operating Revenues	7,801	301,349	887	7,559	26,863
OPERATING EXPENSES:					
Depreciation	616	1,297	294	1,760	2,000
Other	9,543	287,245	-	4,261	22,858
Total Operating Expenses	10,159	288,542	294	6,021	24,858
OPERATING INCOME (LOSS)	(2,358)	12,807	593	1,538	2,005
NONOPERATING REVENUES AND (EXPENSES):					
Investment Income	11	6,014	-	456	413
Gifts and Donations	385	-	-	-	-
Other Nonoperating Revenues	1	-	-	-	-
Debt Service	(103)	(653)	-	(1,547)	(1,446)
Other Nonoperating Expenses	-	(838)	(387)	(571)	-
Total Nonoperating Revenues(Expenses)	294	4,523	(387)	(1,662)	(1,033)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:					
Capital Contributions and Additions to Endowments	704	-	-	74	168
Transfers-In	3,284	-	-	-	-
Transfers-Out	-	-	-	-	(2,943)
Total Contributions, Transfers, and Other	3,988	-	-	74	(2,775)
CHANGE IN NET ASSETS	1,924	17,330	206	(50)	(1,803)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	8,857	115,064	691	15,273	11,110
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 10,781	$ 132,394	$ 897	$ 15,223	$ 9,307

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

NET CASH PROVIDED (USED) BY:					
Operating Activities	$ (1,415)	$ 2,847	$ 1,076	$ 3,440	$ 4,137
Noncapital Financing Activities	3,284	(839)	(1,241)	(571)	(2,943)
Capital and Related Financing Activities	(448)	(2,392)	-	(2,562)	(3,091)
Investing Activities	11	6,505	-	381	704
NET INCREASE (DECR.) IN CASH AND POOLED CASH	1,432	6,121	(165)	688	(1,193)
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	153	31,572	598	2,854	7,272
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 1,585	$ 37,693	$ 433	$ 3,542	$ 6,079

NOTE 35 – COMPONENT UNITS

The state reports ten component units under the requirements of Governmental Accounting Standards Board (GASB) Statements No. 14 – The Financial Reporting Entity and No. 39 – Determining Whether Certain Organizations Are Component Units. All of the component units and foundations are considered major, except the Denver Metropolitan Major League Baseball Stadium District, CoverColorado, the Venture Capital Authority, and the Renewable Energy Authority. Financial statements for the major component units are presented in the Basic Financial Statements.

University Hospital is a nonsectarian, general acute and psychiatric care regional hospital, licensed for 405 beds with five outpatient primary care clinics, five specialty care clinics, and a home therapy unit operated by the University of Colorado Hospital Authority (UCHA). It includes the Anschutz Centers for Advanced Medicine, and is the teaching hospital of the University of Colorado Denver (UCD), a state institution of higher education. The hospital's mission is to provide education, research, and a full spectrum of primary, secondary, and tertiary healthcare services to the Denver metropolitan area and the Rocky Mountain region. UCHA is exempt from federal income tax under Internal Revenue Code Section 115 (as a governmental entity) and under Section 501(a) as a not-for-profit entity.

The Colorado Water Resources and Power Development Authority's purpose is to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the state. The authority is authorized to issue bonds, notes, or other obligations which constitute its debt and not the debt of the State of Colorado. The authority's primary revenue sources are investment income on bond proceeds, interest on loans made to local governments from bond proceeds, administrative charges on the loans, and federal capitalization grants. The authority paid the state $4.8 million during 2007 for services provided by two state departments.

The University of Colorado Foundation was incorporated in 1967 and is authorized by the Board of Regents of the University of Colorado to solicit, receive, hold, invest, and transfer funds for the benefit of the University of Colorado. The foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service Code and is exempt from income tax on related income. In Fiscal Year 2007-08, it received $6.3 million of fund raising fee revenue from the University of Colorado under an annually renewable Agreement for Development Services. For the fiscal year ended June 30, 2008, the foundation distributed $93.7 million of gifts and income to or for the benefit of the University of Colorado. The foundation transferred the operations of the Boulder Alumni Association to the University on September 1, 2007.

The Colorado State University Foundation is a not-for-profit tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Service Code, and was incorporated in 1970 to assist in the promotion, development, and enhancement of the facilities and educational programs and opportunities of the faculty, students, and alumni of Colorado State University. This is accomplished through receiving, managing, and investing gifts. Principal or income from these gifts and contributions is used for charitable, scientific, literary, or educational purposes, which will directly or indirectly aid and benefit Colorado State University. During Fiscal Year 2007-08, the foundation transferred $26.0 million to the University.

The Colorado School of Mines Foundation is a not-for-profit tax-exempt corporation providing financial resource development and support to the Colorado School of Mines. The majority of the foundation's revenue is derived from contributions and investment income.

The University of Northern Colorado Foundation is a tax-exempt organization incorporated in 1996 to promote the general welfare, development, growth, and well being of the University of Northern Colorado. The foundation accomplishes this mission through solicitation and acquisition of gifts, investing in and managing property, and furnishing funds, facilities, equipment, and services. During Fiscal Year 2007-08, the foundation granted $3.1 million to the University.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, currently includes all or part of the seven counties in the Denver metro area. The district was created for the purpose of acquiring, constructing, and operating a major league baseball stadium. To accomplish this purpose, the state legislature authorized the district to levy a sales tax of one-tenth of one percent throughout the district for a period not to exceed 20 years. However, the district discontinued the sales tax levy on January 1, 2001, after it defeased all outstanding debt.

CoverColorado, a nonmajor component unit, is a not-for-profit public entity created to provide access to health insurance for those Colorado residents who are unable to obtain health insurance, or are unable to obtain health insurance except at prohibitive rates or with restrictive exclusions. Legislation enacted in 2001 authorized the CoverColorado board of directors to assess a special fee against insurers for the financial solvency of the program.

The Venture Capital Authority (VCA), a nonmajor component unit, was established in the 2004 legislative session as a means to create new business opportunities in the state and stimulate economic growth by making seed and early-stage venture capital funds available to small businesses throughout Colorado. The legislation allocated the authority $50.0 million in insurance premium tax credits, which it subsequently sold to insurance companies. The VCA deferred the revenue related to sale and recognizes it as the insurance companies apply the credits over a ten-year period. The related revenue is reported as Gifts and Donations on the *Statement of Revenues, Expenses, and Changes in Net Assets - Component Units* to reflect the contribution of capital by the state.

In 2005, the authority created Colorado Fund 1, LP with a portion of the proceeds from the sale of premium tax credits. The VCA has committed to providing up to $21.8 million to Colorado Fund 1, LP thru June 2015 (unless otherwise terminated) for investment in businesses meeting criteria established by the authority, specifically including businesses in the life sciences, information technology, agritechnology and medical device industries, and retail. The VCA anticipates the establishment of a second fund of approximately $25 million in 2010. As of December 31, 2007, the VCA has contributed approximately $9.3 million or 43 percent of its total funding commitment to Colorado Fund 1, LP.

The Renewable Energy Authority, a nonmajor component unit, was created during the 2006 legislative session to direct the allocation of state matching funds for energy-related research funding from federal agencies and other public and private entities. The allocation of monies is directed by the Renewable Energy Collaboratory which comprises the U.S. Department of Energy's National Renewable Energy Laboratory, the Colorado School of Mines, Colorado State University, and the University of Colorado.

The enabling legislation allocated the authority $2.0 million in each of Fiscal Years 2005-06 through 2007-08 for this purpose. The authority has made commitments to provide matching funds to two collaboratory research centers totaling up to $5.3 million over three years; however, no matching funds had been disbursed as of December 31, 2007.

NOTE 36 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred $2.6 million to the University during Fiscal Year 2007-08, owed the University $347,125, and was due $310,615 from the University at June 30, 2008.

The Adams State College Foundation provides scholarships and work-study grants to students, as well as providing program development grants to Adams State College. The foundation provided $1.7 million in scholarships and grants during Fiscal Year 2007-08.

The Mesa State College Foundation provides financial assistance to Mesa State College students and assists the college in serving educational needs. In Fiscal Year 2007-08, the foundation awarded $543,954 of scholarships directly to Mesa State College students, provided approximately $600,000 in capital and operating support, and donated houses valued at approximately $522,766 to the college.

Metropolitan State College of Denver Foundation, Inc. was organized and is operated to promote the general welfare of Metropolitan State College of Denver. The foundation provided $2.0 million of funding to the college in Fiscal Year 2007-08. The foundation also reimbursed the college $223,468 for services provided by college employees in Fiscal Year 2007-08. At June 30, 2008, the foundation owed the college $379,090.

Western State College Foundation was established to aid Western State College in fulfilling its educational mission. The foundation transferred $2.4 million to the college in Fiscal Years 2007-08.

Most of the state's community colleges have established foundations to assist in their educational missions. With the exception of the Front Range and Pueblo community colleges, none of these foundations made annual transfers to their related community colleges in excess of $500,000. The Front Range Community College Foundation transferred $833,874 to Front Range Community College during Fiscal Year 2007-08 for student scholarships and instructional support. The Pueblo Community College Foundation provided support to Pueblo Community College in the amount of $743,577 for scholarships, rental properties, construction, and discretionary funds.

The University of Colorado Foundation is the sole member of University Summit I, LLC (the LLC). The LLC was formed in October 2007 for the purpose of purchasing property adjacent to the University of Colorado at Colorado Springs campus. At June 30, 2008, the LLC held $1,373,561 of property.

The University of Northern Colorado Foundation is the sole member of the University of Northern Colorado Student Housing LLC I (the LLC). The LLC was formed in 2001 to construct and operate a student housing facility and pays rent to the University equal to its net available cash flow as defined in a ground lease with the University that terminates in 2047. The foundation is not obligated under the bonds issued to finance the LLC's student housing facility. Title to the student housing facility transfers to the University at the end of the ground lease or upon earlier retirement of the bond issue. At June 30, 2008, the LLC had capital assets of $14.3 million, other assets of $7.5 million, long-term debt of $23.8 million, and current liabilities of $0.9 million. The total liabilities of the Foundation exceeded its total assets by $2.9 million. The LLC owed the University of Northern Colorado $432,976 for a working capital loan at June 30, 2008.

The Colorado School of Mines Building Corporation was established in 1976 to build a facility to house the United States Geological Survey. The Geological Survey leases the facility from the corporation. The net assets of the corporation were $2.3 million at June 30, 2008. At June 30, 2008, the Building Corporation had a receivable of $399,481 that was due from the Colorado School of Mines Development Corporation discussed below.

The Colorado School of Mines Development Corporation was established in September 2001 as a separate corporation for the purpose of financing and building a general research building on the School of Mines campus. The net assets of the Development Corporation were $896,944 and $691,476 at June 30, 2008 and 2007, respectively.

The Great Outdoors Colorado Board (GOCO) is a constitutionally created entity whose purpose is to administer the GOCO Program and Trust Fund. The purpose of the program is to promote the wildlife and outdoor recreation resources of the state using funds it receives from the Colorado Lottery. During Fiscal Year 2007-08, the board funded $30.4 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2008, GOCO owed the Department of Natural Resources $6.3 million in unreimbursed expenditures.

Component Units

The University of Colorado Hospital Authority and the University of Colorado Denver have developed and received approval for an Institutional Master Plan to create a new academic health sciences center over the next 20 to 50 years. The U.S. Department of Education approved the transfer of 186 acres of land (plus 41 additional acres) and buildings at the Anschutz Medical Campus to the University of Colorado. Various quitclaim deeds convey the property in an “as is” condition, without warranty, and include conditions subsequent that, if not met, provide for reverting the property to the Department of Education. In July 2004, the authority entered into a 98-year Amended and Restated Ground Lease agreement with a one-dollar annual fee. The original lease, entered into in 1998 for a period of 30 years, provided for approximately 18.4 acres of the property. The amended agreement increases the leased property to 45.5 acres, with an option for the authority to include an additional 7.0 acres, and provides for two renewals, up to 99 years each, for $100 per year. With certain exceptions, the Ground Lease states that the authority shall own all buildings or improvements, which it constructs on the property.

On January 14, 2005, the authority exercised its option to include the additional 7.0 acres and amended the lease to include the additional acreage on April 29, 2005. The authority used the 7.0 additional acres for the expansion of Anschutz Inpatient Pavilion and associated surface parking. During 2006, the authority began the design and development of an office building and parking structure on 4.2 acres of land adjacent to the Anschutz Inpatient Pavilion. In May 2006, the lease was again amended to add the additional 4.2 acres to the land currently leased to the authority.

Under an Operating Agreement between the University of Colorado Regents and the University of Colorado Hospital Authority dated July 1, 1991, the Regents have entered into contracts with the hospital for the provision of services in support of programs and operations of the hospital. The hospital paid approximately $29.6 million for these services in Fiscal Year 2007-08. Other contracts with the Regents for services that include clinic services, research projects, infrastructure expense, and other items resulted in payments by the University of Colorado Denver (UCD) to the hospital of approximately $8.4 million in Fiscal Year 2007-08. In total, the UCD paid the hospital $11.6 million in Fiscal Year 2007-08.

The hospital has contracted with University Physicians, Inc., a blended component unit of the state’s Higher Education Institutions enterprise fund, to provide support for clinical services, patient services, and recruitment for expanded clinical access. The hospital passed through $5.8 million of government external funds and paid UPI an additional $48.4 million for services in Fiscal Year 2007-08.

The hospital leases certain employees to the Adult Clinical Research Center (CRC), a related party, at full cost and provides overhead and ancillary services for CRC patients. Charges of approximately $2.0 million were billed to CRC for the cost of these services during Fiscal Year 2007-08. The amount due from the UCD, including CRC, was $1.3 million at June 30, 2008.

The hospital entered certain provider and network management agreements with TriWest. TriWest was formed to deliver health care services to eligible beneficiaries of TriCare, formerly known as CHAMPUS – the Civilian Health and Medical Program of the Uniformed Services. On June 27, 1996, the U.S. Department of Defense awarded TriWest the TriCare contract for a five-year period that began April 1997. The contract was renewed for 2006 and 2007. As part of the agreements, the hospital originally purchased a minority interest in TriWest for approximately $3.3 million. In October 2007, it sold 1,656.55 shares for approximately $18.1 million, but retains an option to repurchase the shares through October 2010, unless terminated sooner. This investment is accounted for under the cost method, and the hospital received dividends of approximately $1.2 million in Fiscal Year 2007-08.

The hospital created University Hospital Home Therapies (UHHT) in February 1996. Chartwell Rocky Mountain

LLP is a Colorado limited liability partnership between UHHT and Chartwell Home Therapies Limited Partnership, a Massachusetts limited partnership. Chartwell Rocky Mountain LLP was formed to provide home infusion and respiratory services to alternate-site patients. UHHT and Chartwell Home Therapies Limited Partnership each have a 50 percent ownership in Chartwell Rocky Mountain LLP.

The hospital and two other entities participate in Colorado Access, a Colorado nonprofit corporation that owns and operates a statewide HMO to provide services to medically underserved Coloradoans. There are no earning distribution agreements between Colorado Access and the hospital. In August 2001 the hospital entered into an agreement to loan Colorado Access $625,000. The principal and interest was originally due on or before August 24, 2004, but the hospital wrote down all of the accrued interest and $600,000 of the principal in 2006 due to uncertainty of repayment. Colorado Access is unable to specify a repayment timeline due to ongoing negotiations with the Colorado Division of Insurance regarding required levels of risk-based capital.

The Venture Capital Authority (VCA) has a Limited Partnership Agreement with Colorado Fund 1, LP and has selected High Country Venture, LLC, to serve as manager and general partner of the Fund. The partnership agreement allocates income or loss 20 percent to the general partner and 80 percent to the limited partners in accordance with their respective partnership percentages. As of December 31, 2007, VCA's investment in the fund totaled $6.6 million.

NOTE 37 – CONTINGENCIES

Primary Government

The Colorado Governmental Immunity Act sets upper limits on state liability at $150,000 per individual and $600,000 for two or more persons in a single occurrence. Judgments in excess of these amounts may be rendered, but the claimant must petition the General Assembly for an appropriation to pay any amount greater than the immunity limits. Judgments awarded against the state for which there is no insurance coverage or that are not payable from the Risk Management Fund ordinarily require a legislative appropriation before they may be paid.

Numerous court cases are pending in which the plaintiffs allege that the state has deprived persons of their constitutional rights, civil rights, inadequately compensated them for their property, or breached contracts. In the aggregate, the monetary damages (actual, punitive, and attorney's fees) claimed in the constitutional and civil rights cases would exceed the insurance coverage available by a material amount. The property compensation and breach of contract suits are generally limited to the appraised value of the property or the contract amount. In the breach of contract suits, the state often files counterclaims. The state believes it is highly unlikely that there will be actual awards of judgments in material amounts.

The state is the defendant in numerous lawsuits involving claims of inadequate, negligent, or unconstitutional treatment of prisoners, mental health patients, or the developmentally disabled. In some of these suits, plaintiffs are seeking or have obtained certification as a class for a class action suit. Most of these cases seek actual damages that are not material but include requests for punitive damages that may be material. There is also the potential that the courts may rule that the current conditions of confinement, Medicaid coverage, or residential services are unconstitutional, which could result in significant future construction, medical, or residential services costs that are not subject to reasonable estimation.

The state is the defendant in lawsuits by employees accusing the state of various infractions of law or contract. These may include claims related to age and sex discrimination, sexual harassment, wrongful termination, contractual agreements for paying salaries based on parity and equity, and overtime compensation under the Federal Fair Labor Standards Act. The state does not believe that any of these cases are material to its financial operations.

Many state agencies have grant and contract agreements with the federal government and other parties. These agreements generally provide for audits of the transactions pertaining to the agreements, with the state being liable to those parties for any disallowed expenditure. The Department of Agriculture has informed the state that it will disallow approximately $14.3 million of Food Stamps payments issued improperly due to problems in the implementation of the Colorado Benefits Management System. The state has entered into a settlement agreement for part of the disallowed payments. The agreement proposes a $9.5 million fine that requires approval by the legislature. The state is entering settlement negotiations for the remaining disputed payments and estimates the potential range of loss at $2.0 million to $2.5 million.

In the event of adverse loss experience, which is defined as a default rate in excess of 9 percent, College Assist could be liable for up to 25 percent, or $2.92 billion, of the $11.66 billion outstanding balance of loans in repayment status. However, the probability of a material loss is remote, and the state's liability is capped at the net assets of the College Assist program of approximately $85.3 million.

At June 30, 2008, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $489.0 million in the names of lottery or lotto prizewinners. The probability is remote that any of the sellers of these contracts will default, and thereby require the state to pay the annuity.

The Colorado Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to $15.0 million individually.

Various notes and bonds have been issued by state school districts that may impact the state. Colorado statutes provide that if a district indicates that it will not make the payment to bondholders by the date on which it is due, the State Treasurer shall forward to the paying agent the amount necessary to make the payment. The state shall then withhold state equalization payments to the defaulting school district for a period up to 12 months to cover the state's loss. Currently, notes or bonds valued at over $7.49 billion are outstanding. Of this amount, $6.48 billion is covered by private insurance.

The State of Kansas asserts claims against the State of Colorado related to litigation costs associated with settlement of a suit claiming violations of the Arkansas River Compact. In prior fiscal years the State of Colorado paid the State of Kansas a cumulative amount of $35.7 million for settlement of the original lawsuit and related litigation costs. The State of Kansas continues to seek to recover up to $9.0 million in additional litigation costs.

The State of Kansas will likely seek injunctive relief against Colorado in relation to a potential suit against Colorado and Nebraska claiming violations of the Republican River Compact. Although the state hopes to reach a resolution with the State of Kansas prior to any suit being filed, the estimated potential damages range from $1.0 million to $10.0 million.

The Department of Health Care Policy and Financing may be responsible for between $6.0 million and $10.0 million of attorney's fees incurred by a class of Aid to Needy Disabled (AND) program clients. The state advanced the AND benefits to clients expected to win appeals to the federal government for Social Security benefits. The state was reimbursed for the AND benefits from the Social Security benefits awarded; however, the state did not reimburse the AND clients for the attorney's fees the clients incurred in pursuing the Social Security benefits. State statutes were subsequently changed to clarify that the state will not reimburse such attorney's fees. The state has prevailed in district court and expects that the decision will be appealed.

School districts, students, and parents in the state's San Luis Valley have filed suit against the state asserting that the current school funding system fails to provide a thorough and uniform system of free public education as required by the Colorado Constitution. The plaintiffs seek to overturn the current funding system and ensure that additional capital facilities funding of $5.0 billion to $10.0 billion is provided. All claims were dismissed by the district court and the Colorado Court of Appeals. After the Colorado Court of Appeals decision, both the plaintiffs and the state petitioned the Colorado Supreme Court and the court accepted the petition. Estimates of plaintiff attorney fees and costs currently exceed $1.0 million.

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services approximately $11.7 million for Mental Health Child Placement Agency services. The Office of the Inspector General recommended the $11.7 million be recovered as a result of their audit of the Child Placement Agency program. The Department is currently appealing the recommendation and submitted its final response to the Office of the Inspector General on July 1, 2008.

The Department of Health Care Policy and Financing may be responsible for repaying Centers for Medicare and Medicaid Services (CMS) approximately $4.7 million for Supplemental Medical Insurance Benefits. The state paid the total amount correctly, but the payment may have overused federal funds and not provided the required matching amount of state general funding. The state estimates the actual range of loss is between $4.5 million to $5.0 million and is currently working with CMS to determine the actual amount that may be due to the federal government.

The Mesa County Board of County Commissioners and several Colorado taxpayers filed suit challenging the constitutionality of Senate Bill 199 enacted in the 2007 legislative session (SB07-199). The bill removed a provision from the Colorado School Finance Act that required a reduction of school district property tax mill levies when property values increased. The mill levy reduction is also an effect of Article X Section 20 (TABOR), which prevents school districts from collecting and spending monies in excess of the TABOR growth limits. However, school districts are allowed to retain and spend amounts in excess of the TABOR limit after voter approval, which most school districts have obtained. Prior to the enactment of SB07-199, school districts were required by the School Finance Act to reduce their mill levies even if they had obtained the voters' approval to retain any excess revenue. As a result of the school district mill levy reductions, the state's portion of school district funding continued to increase as the mill levies declined. In the lawsuit the plaintiffs claim that the removal of the School Finance Act provision violates the TABOR requirement for a vote of the people when spending limitations are weakened. The plaintiffs seek, among other things, a refund of the excess taxes paid to school districts which is estimated at $117.8 million, plus 10 percent interest, due to the absence of mill levy reductions when property valuations increased. The district court ruled in favor of the plaintiffs but did not require immediate reimbursement, citing concerns over its authority to do so. The state petitioned the Colorado Supreme Court and the case was accepted for review. On December 5, 2008, the Supreme Court denied a motion requesting issuance of a decision and stayed the district court decision pending further order of the

Supreme Court. This action allowed local taxing authorities to certify their mill levies.

The state is the defendant in a lawsuit asserting claims under the Americans with Disabilities Act. The plaintiff seeks monetary damages and to force the state to modify the Colorado Benefits Management System (CBMS) to ensure it is compatible with adaptive technology systems. Although the monetary damage amounts are not material, the costs of modifying CBMS could range from $1.0 to $4.0 million.

The Department of Local Affairs may be responsible for repaying the Department of Housing and Urban Development (HUD) approximately $1.7 million related to the Community Development Block Grant Program. The Office of the Inspector General recommended the $1.7 million be recovered as a result of noncompliance with program expenditure requirements. The Department has appealed the amount and has entered into negotiations with HUD.

The state believes it has a good chance of prevailing in the actions discussed in this Note 37, but the ultimate outcome cannot presently be determined. No provision for a liability has been made in the financial statements related to the contingencies discussed in this note.

Component Units

The Colorado School of Mines Foundation has guaranteed the debt of the Colorado School of Mines Development Corporation, an affiliate of the Colorado School of Mines formed for the purpose of purchasing, constructing, otherwise acquiring, extending, or improving an educational facility for the benefit of the Colorado School of Mines. Under the terms of the guarantee, the foundation may be called upon to repay principal, not to exceed $10.9 million, in the event of default of the Development Corporation. Any payment of principal, interest, or fees by the foundation will be reimbursed by the Colorado School of Mines through a transfer of investments held in trust for others by the foundation.

NOTE 38 – SUBSEQUENT EVENTS

DEBT ISSUANCE

On July 8, 2008, the State Treasurer issued $350.0 million of General Fund Tax Revenue Anticipation Notes Series 2008A. The notes are due and payable on June 26, 2009, at a coupon rate of 3.0 percent. The total interest related to this issuance will be $10.2 million (yield rate of approximately 1.68 percent). The notes are issued for cash management purposes.

On July 23, 2008, the State Treasurer issued $215.0 million of Education Loan Program Tax and Revenue Anticipation Notes (ETRAN) Series 2008A. The notes have a coupon rate of 1.75 percent (yield rate of 1.54 percent), which will result in approximately $3.7 million of interest due at maturity. The notes mature on August 7, 2009, but the State Treasurer has established a Series 2008A Note Repayment Account that will be funded by June 26, 2009, in an amount adequate to fully defease the outstanding notes.

On November 6, 2008, the State Treasurer entered a lease purchase agreement under which a Trustee issued $230,845,000 of State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation (COPs) Series 2008. The COPs were issued at a net premium of $180,940 and were a combination of serial and term maturities with the final maturity in November 2027. The COPs carried coupon rates ranging from 3.0 percent to 5.5 percent with a total interest cost of 5.38 percent.

The COPs proceeds will be used to fund renovations, additions, and new construction at twelve state institutions of Higher Education and were collateralized with existing properties at eleven of the twelve institutions. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to average $16.2 million for the first ten years and $16.8 million for the second ten years. The legislation envisions annual appropriations of Federal Mineral Lease (FML) Program revenues to fund the semi-annual lease payments required. Total lease payments anticipated from the FML source are $325.5 million, and three institutions will make $42.8 million of lease payments over the life of the COPs to fund the portion of their required project match that they elected to finance through the COPs.

Investments held by CollegeInvest in the Scholars Choice College Savings Plan (the Plan) experienced significant declines in fair value since June 30, 2008. However, because the values of the individual investments fluctuate with market conditions, the amount of investment losses that the Plan will recognize in its future financial statements cannot be determined.

On December 15, 2008, CollegeInvest entered into two agreements with the U.S. Department of Education (USDE), a Master Participation Agreement (MPA) and a Master Loan Sale Agreement (MLSA). Both programs were authorized by the Ensuring Continued Access to Student Loans Act (Public Law 110-227). The MPA allows CollegeInvest to use eligible student loans as collateral to receive funds from the USDE in order to originate additional loans. Under the agreement, CollegeInvest pays a fee based on commercial paper rate as determined quarterly by the USDE, plus 50 basis points (one half percent), on the outstanding amount. In order to facilitate the MPA, CollegeInvest also entered into a Custodian Agreement with Manufacturers and Traders Trust Company and amended its consortium servicing agreement with Nelnet to provide services required by the MPA. CollegeInvest will pay fees for these services. The MLSA allows CollegeInvest, at its discretion, to sell, or put, eligible loans to the USDE, whether or not those loans are currently collateral for borrowing from USDE. These agreements expire on September 30, 2009.

In order to facilitate the agreements, CollegeInvest obtained bridge financing from College Assist. On December 18, 2008, CollegeInvest and College Assist entered into a Revolving Financing Agreement (RFA). Under the RFA, CollegeInvest may borrow up to $30.0 million from College Assist. CollegeInvest will pay interest on the unpaid average daily principal balance outstanding based on the interest rate calculated monthly and published by the State Treasurer. The RFA expires on September 30, 2009 unless terminated prior to that date per the terms of the RFA. College Assist may, at its option, declare the loan(s) (including principal and interest) due and payable upon 15 days written notice.

On December 18, 2008, the State Treasurer issued $300.0 million of Education Loan Program Tax and Revenue Anticipation Notes (ETRAN) Series 2008B. The notes have a coupon rate of 1.0 percent (yield rate of 0.97 percent), which will result in approximately $1.9 million of interest due at maturity. The notes mature on August 7, 2009, but the State Treasurer has established a Series 2008B Note Repayment Account that will be funded by June 26, 2009, in an amount adequate to fully defease the outstanding notes.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS BUDGET AND ACTUAL - GENERAL FUNDED FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 2,173,037	
Income Taxes			5,073,701	
Other Taxes			191,994	
Federal Grants and Contracts			27	
Sales and Services			303	
Interest Earnings			37,193	
Other Revenues			46,803	
Transfers-In			191,670	
TOTAL REVENUES AND TRANSFERS-IN			7,714,728	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 7,414	$ 7,326	7,021	$ 305
Corrections	636,471	623,722	620,788	2,934
Education	3,064,213	3,023,328	3,023,181	147
Governor	17,304	17,877	17,863	14
Health Care Policy and Financing	1,424,274	1,452,261	1,468,458	(16,197)
Higher Education	746,249	748,022	747,741	281
Human Services	641,953	662,070	654,484	7,586
Judicial Branch	297,822	299,605	298,188	1,417
Law	8,744	8,866	8,524	342
Legislative Branch	32,716	33,074	31,218	1,856
Local Affairs	11,026	10,989	10,895	94
Military and Veterans Affairs	5,521	5,530	5,383	147
Natural Resources	30,336	30,260	30,069	191
Personnel & Administration	10,777	11,516	10,848	668
Public Health and Environment	23,914	23,932	23,875	57
Public Safety	72,830	73,281	72,643	638
Regulatory Agencies	1,416	1,416	1,402	14
Revenue	186,274	187,332	189,683	(2,351)
Treasury	126,672	128,926	128,849	77
SUB-TOTAL OPERATING BUDGETS	7,345,926	7,349,333	7,351,113	(1,780)
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	1,754	2,263	69	2,194
Corrections	13,720	72,739	21,156	51,583
Education	432	2,104	953	1,151
Governor	-	57	16	41
Health Care Policy and Financing	-	112	111	1
Higher Education	118,521	208,152	98,744	109,408
Human Services	10,684	73,233	41,082	32,151
Judicial Branch	-	834	285	549
Military and Veterans Affairs	5,219	9,506	897	8,609
Personnel & Administration	12,210	24,553	3,823	20,730
Public Health and Environment	-	2,960	1,560	1,400
Public Safety	1,218	10,194	1,407	8,787
Revenue	7,817	18,758	8,736	10,022
Transportation	9,000	45,000	25,050	19,950
Budgets/Transfers Not Booked by Department	352,626	352,626	352,626	-
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	533,201	823,091	556,515	266,576
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 7,879,127	$ 8,172,424	7,907,628	$ 264,796
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (192,900)	

The notes to the required supplementary information are an integral part of this schedule.

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,
AND CHANGES IN FUND BALANCES/NET ASSETS - BUDGETARY BASIS
BUDGET AND ACTUAL - CASH FUNDED
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 1,014,697	
Income Taxes			407,921	
Other Taxes			823,848	
Tuition and Fees			1,418,849	
Sales and Services			1,093,415	
Interest Earnings			612,578	
Other Revenues			2,548,260	
Transfers-In			5,714,080	
TOTAL REVENUES AND TRANSFERS-IN			13,633,648	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 26,435	$ 26,294	23,409	$ 2,885
Corrections	72,167	85,886	76,290	9,596
Education	3,421,776	3,343,183	3,298,408	44,775
Governor	71,102	86,708	44,403	42,305
Health Care Policy and Financing	489,716	475,539	436,635	38,904
Higher Education	2,725,866	2,745,464	2,310,729	434,735
Human Services	694,698	308,375	286,687	21,688
Judicial Branch	123,934	121,478	112,719	8,759
Labor and Employment	479,716	480,372	471,032	9,340
Law	37,363	38,194	33,337	4,857
Legislative Branch	4,111	4,111	2,641	1,470
Local Affairs	363,089	363,911	210,933	152,978
Military and Veterans Affairs	3,664	3,639	2,833	806
Natural Resources	617,707	544,980	314,715	230,265
Personnel & Administration	477,067	490,221	431,137	59,084
Public Health and Environment	230,613	252,966	145,080	107,886
Public Safety	129,503	126,910	120,580	6,330
Regulatory Agencies	73,448	73,012	69,454	3,558
Revenue	714,209	755,340	688,122	67,218
State	21,949	38,740	23,756	14,984
Transportation	303,124	303,109	265,366	37,743
Treasury	1,908,813	1,909,597	1,871,948	37,649
SUB-TOTAL OPERATING BUDGETS	12,990,070	12,578,029	11,240,214	1,337,815
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	1,481	680	801
Corrections	125,907	130,692	29,393	101,299
Governor	2,582	2,582	1,193	1,389
Higher Education	187,931	587,691	212,683	375,008
Human Services	847	1,001	594	407
Labor and Employment	3,040	42,213	34,654	7,559
Military and Veterans Affairs	2,100	875	579	296
Natural Resources	48,268	75,158	24,746	50,412
Personnel & Administration	10,997	25,616	17,413	8,203
Public Health and Environment	250	12,997	728	12,269
Public Safety	-	12	12	-
Revenue	847	2,938	127	2,811
Transportation	1,891,974	1,891,974	906,830	985,144
Budgets/Transfers Not Booked by Department	12,909	12,909	11,786	1,123
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,287,652	2,788,139	1,241,418	1,546,721
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 15,277,722	$ 15,366,168	12,481,632	$ 2,884,536
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 1,152,016	

The notes to the required supplementary information are an integral part of this schedule.

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN FUND BALANCES/NET ASSET - BUDGETARY BASIS BUDGET AND ACTUAL - FEDERALLY FUNDED FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 4,761,228	
TOTAL REVENUES AND TRANSFERS-IN			4,761,228	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 3,910	$ 16,767	7,261	$ 9,506
Corrections	7,358	8,431	4,900	3,531
Education	496,888	681,954	519,106	162,848
Governor	13,030	54,302	30,636	23,666
Health Care Policy and Financing	1,667,277	1,740,375	1,720,625	19,750
Higher Education	51,027	452,754	346,725	106,029
Human Services	620,634	1,209,126	970,559	238,567
Judicial Branch	2,291	6,021	3,633	2,388
Labor and Employment	102,076	182,290	118,126	64,164
Law	1,096	1,246	982	264
Local Affairs	80,264	205,741	90,073	115,668
Military and Veterans Affairs	177,933	21,571	12,826	8,745
Natural Resources	23,416	57,325	34,036	23,289
Personnel & Administration	121	1,048	895	153
Public Health and Environment	210,937	371,441	228,388	143,053
Public Safety	23,520	53,241	28,060	25,181
Regulatory Agencies	1,156	2,069	1,655	414
Revenue	1,546	3,463	2,039	1,424
State	111	474	167	307
Transportation	441,418	485,859	458,794	27,065
Treasury	-	159,890	159,261	629
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	3,926,009	5,715,388	4,738,747	976,641
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 3,926,009	$ 5,715,388	4,738,747	$ 976,641
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ 22,481	

The notes to the required supplementary information are an integral part of this schedule.

RECONCILING SCHEDULE
ALL BUDGET FUND TYPES
TO ALL GAAP FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL FUND TYPES					
	GENERAL	PUBLIC SCHOOL	HIGHWAY USERS TAX	CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS
BUDGETARY BASIS:						
Revenues and Transfers-In:						
General	$ 7,504,799	$ -	$ -	$ 209,929	$ -	$ -
Cash	824,048	2,900,528	2,359,384	237,152	424,883	2,268,335
Federal	3,570,662	-	458,466	16,590	-	301,942
Sub-Total Revenues and Transfers-In	11,899,509	2,900,528	2,817,850	463,671	424,883	2,570,277
Expenditures/Expenses and Transfers-Out						
General Funded	7,700,739	-	-	206,889	-	-
Cash Funded	819,316	2,925,831	2,273,643	265,250	301,516	2,035,181
Federally Funded	3,573,817	-	458,466	16,590	-	303,073
Expenditures/Expenses and Transfers-Out	12,093,872	2,925,831	2,732,109	488,729	301,516	2,338,254
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	(194,363)	(25,303)	85,741	(25,058)	123,367	232,023
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	9,156	-	13,671	5,010	3,964	31,995
Increase for Budgeted Non-GAAP Expenditures	-	-	-	-	-	22,973
Increase/(Decrease) for GAAP Expenditures Not Budgeted	237,755	-	84,451	204,842	-	1,314
Increase/(Decrease) for GAAP Revenue Adjustments	(258,452)	-	-	(204,842)	-	(4,688)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	(205,904)	(25,303)	183,863	(20,048)	127,331	283,617
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET ASSETS, JULY 1	413,317	48,019	1,377,197	521,900	225,818	2,426,084
Prior Period Adjustments (See Note 27)	-	-	(43,874)	-	-	-
FUND BALANCE/NET ASSETS, JUNE 30	$ 207,413	$ 22,716	$ 1,517,186	$ 501,852	$ 353,149	$ 2,709,701

The notes to the required supplementary information are an integral part of this schedule.

PROPRIETARY FUND TYPES							
HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE	COLLEGEINVEST	STATE LOTTERY	OTHER ENTERPRISE FUNDS	INTERNAL SERVICE	**FIDUCIARY FUND TYPES**	**TOTAL PRIMARY GOVERNMENT**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,714,728
1,456,064	429,445	82,905	515,797	298,029	113,536	1,723,542	13,633,648
17,278	15,540	26,767	-	353,576	407	-	4,761,228
1,473,342	444,985	109,672	515,797	651,605	113,943	1,723,542	26,109,604
-	-	-	-	-	-	-	7,907,628
1,486,346	333,559	116,365	516,061	295,749	113,546	999,269	12,481,632
17,278	15,540	-	-	353,576	407	-	4,738,747
1,503,624	349,099	116,365	516,061	649,325	113,953	999,269	25,128,007
(30,282)	95,886	(6,693)	(264)	2,280	(10)	724,273	981,597
181	-	(4,789)	347	2,412	28	(742,382)	(680,406)
-	-	-	17	27,496	2,041	-	52,527
4,625	(5,927)	(3,154)	(158)	(12,547)	(1,602)	(7)	509,591
-	-	-	-	287	-	-	(467,695)
186,555	-	-	-	-	-	-	186,555
161,079	89,959	(14,636)	(58)	19,928	457	(18,116)	582,169
3,604,915	675,574	199,851	2,671	387,807	21,741	3,814,344	13,719,238
-	-	-	-	-	752	-	(43,122)
$ 3,765,994	$ 765,533	$ 185,215	$ 2,613	$ 407,735	$ 22,950	$ 3,796,228	$ 14,258,285

GENERAL FUND

The General Fund is the principal operating fund of the state. It is used to account for all governmental financial resources and transactions not legally required to be accounted for in another fund. The General Fund Surplus is a statutorily defined amount that varies from the Unreserved – Undesignated Fund Balance on the *Balance Sheet – Governmental Funds* by revenues and expenditures that have been deferred into the following year for the budgetary basis (see Note RSI-1A). The schedule on the following page is presented to document compliance with the constitutional requirement for a positive General Fund Surplus on the budgetary basis. The schedule differs from the General Fund presentation in the *Statement of Revenues, Expenditures, and Changes in Fund Balances* and the *Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget-to-Actual – General Funded* in several ways as discussed below.

For the purpose of reporting in accordance with Generally Accepted Accounting Principles (GAAP), risk management activities are reported as part of the General Fund and represented on the *Balance Sheet – Governmental Funds* as "Reserved for Risk Management". For budgetary reporting purposes (including the following schedule), risk management activities are considered a cash fund (see Note RSI-1) and are not included in the General Fund.

After all legal and GAAP reserves are taken into consideration, the balance of net assets in the General Fund is represented on the *Balance Sheet – Governmental Funds* as "Fund Balances: Unreserved, Reported in: General Fund". When it is positive, the unreserved undesignated fund balance represents cumulative general-purpose and augmenting revenues in excess of expenditures. General-purpose revenues are revenues that are not designated for specific purposes. The following schedule shows the current fiscal year general-purpose revenues and the expenditures, by department, funded from those general-purpose revenues. The excess augmenting revenues shown represent earned revenues that were greater than the related appropriation for specific cash-funded expenditures in the General Fund. These revenues in excess of the related expenditures become part of unreserved undesignated fund balance. (See Note 8A beginning on page 82 for information regarding the negative reversions at the departments of Revenue and Health Care Policy and Financing)

Another purpose of this schedule is to establish the amount of General Fund Surplus that is available for subsequent transfer to the Highway Fund and the Capital Construction Fund. In order to identify that amount, encumbrances of the prior year are subtracted from the revised budget and the actual expenditure columns because they were considered expended in the prior year. In addition, encumbrances at the end of the current year are considered expenditures and are added to the actual expenditures column.

In order to properly state the amounts reverted, restrictions on the revised budget are not reflected in the amounts shown. Unspent unrestricted appropriations are reported as reversions on the schedule.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,085,600	$ 2,083,800	$ 2,079,726		
Other Excise Taxes	92,500	94,500	93,312		
Individual Income Tax, net	4,665,100	4,634,400	4,600,091		
Corporate Income Tax, net	414,700	476,500	473,610		
Estate Tax	500	500	183		
Insurance Tax	194,500	190,200	188,320		
Parimutuel, Courts, and Other	53,300	50,600	51,631		
Investment Income	37,500	23,900	17,926		
TOTAL GENERAL PURPOSE REVENUES	7,543,700	7,554,400	7,504,799		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	7,414	7,326	7,021	$ 305	$ 124
Corrections	635,194	624,606	623,565	1,041	179
Education	3,064,193	3,023,326	3,023,182	144	349
Governor	11,775	17,294	17,279	15	10
Health Care Policy and Financing	1,431,469	1,448,679	1,467,666	(18,987)	5
Higher Education	746,228	747,717	747,717	-	40
Human Services	641,757	656,711	655,920	791	(148)
Judicial Branch	297,471	299,604	298,188	1,416	437
Law	11,506	8,696	8,446	250	182
Legislative Branch	32,612	32,740	31,027	1,713	87
Local Affairs	11,026	10,989	10,895	94	252
Military and Veterans Affairs	5,521	5,531	5,384	147	1
Natural Resources	30,336	30,258	30,068	190	99
Personnel & Administration	10,095	11,439	10,823	616	252
Public Health and Environment	23,533	23,932	23,875	57	116
Public Safety	72,604	73,311	72,709	602	106
Regulatory Agencies	1,374	1,417	1,402	15	7
Revenue	187,691	187,266	189,687	(2,421)	685
State	-	-	-	-	51
Treasury	114,226	128,599	128,521	78	24
Appropriation to the Controlled Maintenance Trust Fund	-	327	327	-	-
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,336,025	7,339,768	7,353,702	$ (13,934)	$ 2,858
Variance Between Actual and Estimated Budgets	(825)	4,687	-		
TOTAL ESTIMATED BUDGET	7,335,200	7,344,455	7,353,702		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	208,500	209,945	151,097		
EXCESS AUGMENTING REVENUES			2,858		
TRANSFERS (Not Appropriated By Department):					
Net Transfers To/(From) the General Fund	(5,800)	-	-		
Transfer-Out to Capital Projects - General Fund	(47,000)	(73,700)	(80,352)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	-	(20,000)	(20,000)		
Excess Beginning Reserve Transferred to the Highway and Capital Projects Funds	(130,400)	(249,300)	(249,273)		
TOTAL TRANSFERS	(183,200)	(343,000)	(349,625)		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES			(195,670)		
BEGINNING GENERAL FUND SURPLUS	130,400	249,300	249,273		
GAAP Revenues/(Expenditures) Not Budgeted			6,330		
(Increase)/Decrease in Long-Term Asset Reserve			6		
Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement	(16,400)	(16,500)	(16,492)		
ENDING GENERAL FUND SURPLUS	139,300	99,745	43,447		
RECONCILIATION TO GAAP UNRESERVED FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2008-09 for Budget			(185,406)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2008-09 for Budget			(91,959)		
GAAP Revenues Related to Deferred Payroll and Medicaid Expenditures			102,127		
GAAP Basis - Shortfall in Statutory Reserve			131,791		
ENDING GAAP UNRESERVED FUND BALANCE			$ -		

The notes to the required supplementary information are an integral part of this schedule.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1. BUDGETARY INFORMATION

A. BUDGETARY BASIS

The three budget-to-actual schedules show revenues and expenditures that are legislatively appropriated or otherwise legally authorized (see pages 140 to 142). These schedules are presented in the budgetary fund structure discussed below. Higher Education Institution Funds, with the exception of the amounts included in the Long Appropriations Act as limitations on the earning of certain cash revenues, are excluded from these schedules.

The budgetary fund types used by the state differ from the generally accepted accounting fund types. The budgetary fund types are general, cash, and federal funds. For budgetary purposes, cash funds are all financial resources received by the state that have been designated to support specific expenditures. Federal funds are revenues received from the Federal government. All other financial resources received are general-purpose revenues, and are not designated for specific expenditures.

Eliminations of transfers and intrafund transactions are not made in the budgetary funds if those transactions are under budgetary control. Thus, revenues and expenditures in these funds are shown at their gross amounts. This results in significant duplicate recording of revenues and expenditures. An expenditure of one budgetary fund may be shown as a transfer-in or revenue in another budgetary fund and then be shown again as an expenditure in the second fund.

For budget purposes, depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting with the following exceptions:

- Payments to employees for time worked in June of each fiscal year are made on the first working day of the following month; for general funded appropriations those payments are reported as expenditures in the following fiscal year.
- Medicaid services claims are reported as expenditures only when the Department of Health Care Policy and Financing requests payment by the State Controller for medical services premiums under the Colorado Medical Services Act or for medical service provided by the Department of Human Services under the Colorado Medical Services Act. Similar treatment is afforded to nonadministrative expenditures that qualify for federal participation under Title XIX of the federal Social Security Act except for medically indigent program expenditures.
- Expenditures of the fiscal year in the following three categories that have not been paid at June 30 are reported in the following year: Old Age Pension Health and Medical Care program costs; state contributions required by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003; and financial administration costs of any non-administrative expenditure under the Children's Basic Health Plan.
- Unrealized gains and losses on investments are not recognized as changes in revenue on the budgetary basis.

B. BUDGETARY PROCESS

The financial operations of the legislative, judicial, and executive branches of state government, with the exception of custodial funds and federal moneys not requiring matching state funds, are controlled by annual appropriations made by the General Assembly. The Department of Transportation's portion of the Highway Fund is appropriated to the State Transportation Commission. Within the legislative appropriation, the Commission may appropriate the specific projects and other operations of the department. In addition, the Commission may appropriate available fund balance from its portion of the Highway Fund.

The total legislative appropriation is constitutionally limited to the unrestricted funds held at the beginning of the year plus revenues estimated to be received during the year as determined by the budgetary basis of accounting. The original appropriation by the General Assembly in the Long Appropriations Act segregates the budget of the state into its operating and capital components. The majority of the capital budgets are accounted for in the Capital Projects Fund, with the primary exception being budgeted capital funds used for infrastructure.

The Governor has line item veto authority over the Long Appropriations Act, but the General Assembly may override each individual line item veto by a two-thirds majority vote in each house.

General and cash funded appropriations, with the exception of capital projects, lapse at year-end unless executive action is taken to rollforward all or part of the remaining unspent budget authority. General funded appropriations that meet the strict criteria for rollforward are reported in the *Balance Sheet – Governmental Funds* as "Reserved for Encumbrances". Since capital projects appropriations are generally available for three years after appropriation, significant amounts of the capital budgets remain unexpended at fiscal year-end.

The appropriation controls the combined expenditures and encumbrances of the state, in the majority of the cases, to the level of line item within the state agency. Line items are individual lines in the official budget document and vary from specific payments for specific programs to single appropriations at the agency level. Statutes allow the

Judicial and Executive Branches, at year-end, to transfer legislative appropriations within departments for expenditures of like purpose. The appropriation may be adjusted in the following session of the General Assembly by a supplemental appropriation.

On the three budget-to-actual schedules, the column titled Original Appropriation consists of the Long Appropriations Act including anticipated federal funds, special bills, and estimates of statutorily authorized appropriations. The column titled Final Spending Authority includes the original appropriation, federal funds actually awarded if no general fund matching funds are required, supplemental appropriations of the Legislature, statutorily authorized appropriations, and other miscellaneous budgetary items.

C. OVEREXPENDITURES

Depending on the accounting fund type involved, expenditures/expenses are determined using the modified accrual or accrual basis of accounting even if the accrual will result in an overexpenditure. The modified and full accrual basis of accounting is converted to the budgetary basis of accounting as explained in Note RSI-1A. If earned cash revenues plus available fund balance and earned federal revenues are less than cash and federal expenditures, then those excess expenditures are considered general funded expenditures. If general funded expenditures exceed the general funded appropriation then an overexpenditure occurs even if the expenditures did not exceed the total legislative line item appropriation. Individual overexpenditures are listed in Note 8A.

A separately issued report comparing line item expenditures to authorized budget is available upon request from the State Controller's Office.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 144) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 140 to 142) relate to the change in fund balances/net assets for the funds presented in the fund level statements (see pages 48 to 65).

Certain expenditures on a generally accepted accounting principle (GAAP) basis, such as bad debt expense and depreciation, are not budgeted by the General Assembly. In addition, General Fund payroll disbursements for employee time worked in June, Medicaid and certain other assistance program payments (see Section A above) accrued but not paid by June 30, are excluded from the budget and from budget basis expenditures. These expenditures are not shown on the budget-to-actual schedules but are included in the budget-to-actual reconciliation schedule as "GAAP Expenditures Not Budgeted". Some transactions considered expenditures for budgetary purposes, such as loan disbursements and capital purchases in proprietary fund types, are not expenditures on a GAAP basis. These expenditures are shown as "Budgeted Non-GAAP Expenditures."

Some transactions considered revenues for budgetary purposes, such as intrafund sales, are not considered GAAP revenues. Some events, such as the recognition of unrealized gains/losses on investments, affect revenues on a GAAP basis but not on the budgetary basis. Federal Medicaid revenues related to deferred Medicaid expenditures result in revenues on the GAAP statements but not on the budgetary statements. These events and transactions are shown in the reconciliation as "Unrealized Gains/Losses" and/or "GAAP Revenue Adjustments".

The inclusion of these revenues and expenditures and the change in nonbudgeted funds along with the balances from the budget-to-actual statements is necessary to reconcile to the GAAP fund balance.

E. OUTSTANDING ENCUMBRANCES

The state uses encumbrance accounting as an extension of formal budget implementation in most funds except certain Fiduciary Funds, and certain Higher Education Institutions Funds. Under this procedure, purchase orders and contracts for expenditures of money are recorded to reserve an equivalent amount of the related appropriation. Encumbrances do not constitute expenditures or liabilities. They lapse at year-end unless specifically brought forward to the subsequent year.

NOTE RSI-2. ROADWAY INFRASTRUCTURE REPORTED UNDER THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the state has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the modified approach, the state expenses most maintenance and preservation costs and does not report depreciation expense for infrastructure. The state capitalizes costs related to new construction and major replacements or improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach. Colorado applies the modified approach only to roadway infrastructure owned and/or maintained by the Colorado Department of Transportation, including infrastructure acquired prior to Fiscal Year 1980-81. Assets accounted for under the modified approach include approximately 23,106 lane miles of roads for which the state has maintenance responsibilities. Lane mile statistics are developed and reported annually in June for the previous calendar year.

To use the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount necessary to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at or above the established condition level.

Measurement Scale

The Colorado Department of Transportation (CDOT) uses Remaining Service Life (RSL) to determine the condition of roadway pavements. In use since 1998, the RSL is a representation, in years, of functional and structural performance of the roadway pavement. CDOT has defined RSL into three conditions as follows:

Condition	Bituminous Surface	Concrete Surface
11 or more years = Good	No distress or some indication of initial distress, but no appreciable maintenance is required. Distress items include low or a small amount of moderate severity cracking such as transverse, longitudinal, or fatigue. Slight rutting in the wheel paths.	No distress or some indication of initial distress, but no appreciable maintenance is required. Distress items include low or a small amount of moderate severity cracking such as transverse or longitudinal or slight corner breaks.
6 to 10 years = Fair	Initial distresses are apparent requiring maintenance. Distress items include moderate and some high severity cracking such as transverse, longitudinal, or fatigue. Moderate rutting in the wheel paths.	Initial distresses are apparent requiring sealing. Distress items include moderate and some high severity cracking such as transverse or longitudinal or moderate corner breaks.
0 to 5 years = Poor	Excessive distresses requiring high maintenance, major rehabilitation, or reconstruction treatments. Distress items include a large amount of moderate to high severity cracking such as transverse, longitudinal, or fatigue. Moderate to severe rutting in the wheel paths.	Excessive distresses requiring high maintenance, major rehabilitation, or reconstruction. Distress items include a large amount of moderate to high severity transverse or longitudinal cracking or moderate to severe corner breaks.

Established Condition Level

The expected condition level for roadway is that 60 percent of roadways will be in the good and fair categories.

Assessed Conditions

Condition levels are assessed on a fiscal year basis. The following table reports the percentage of pavements meeting the "Good/Fair" condition for the past six years.

Rating	2007	2006	2005	2004	2003	2002
Good/Fair	59%	63%	65%	61%	58%	58%
Poor	41%	37%	35%	39%	42%	42%

Budgeted and Estimated Costs to Maintain

The Department of Transportation has an established process for reporting the estimated cost to maintain infrastructure assets at the established condition level that includes annually updated twenty-year projections. Prior to Fiscal Year 2006-07, the department did not report the projections in the Required Supplementary Information (RSI). Instead, the department reported budgeted amounts as a surrogate for the cost to maintain. Because of the multiple year nature of the infrastructure budgets, it was determined that the department's projections of costs are a better basis for the comparison of estimated and actual costs to maintain. Beginning in Fiscal Year 2006-07 and for future fiscal years, the department reports the estimated versus actual cost to maintain as follows:

	(Amounts in Millions)		
Fiscal Year	**Projected Cost**	**Budgeted Cost**	**Actual Spending**
2007-08	$894.6	N/A	$332.7
2006-07	$734.2	N/A	$380.4
2005-06	Not Available	$210.9	$460.6
2004-05	Not Available	$138.0	$274.6
2003-04	Not Available	$554.1	$529.9
2002-03	Not Available	$631.0	$1,457.1

The Department reported $52.1 million of construction in progress additions in Fiscal Year 2007-08, a portion of which will be capitalized as infrastructure in future years.

NOTE RSI-3. SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

As required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the following is the state's Schedule of Funding Progress for its other postemployment benefit plans. Under the standard, the state must disclose the funding progress of the other postemployment benefit plans for the most recent and two preceding actuarial valuations. Since the state has elected to implement Statement No. 45 prospectively, only Fiscal Year 2008 data is available and disclosed. When future year information becomes available, it will be added to the schedule below. See Note 19 on page 105 for additional information regarding the plans listed in the schedule.

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll[1] ((b-a)/c)
CU	7/1/2007	-	$ 195,972,332	$ 195,972,332	0.0%	$ 201,898,779	97.1%
CSU - RMPR	1/1/2007	-	22,079,791	22,079,791	0.0%	199,793,625	11.1%
CSU - RMPS	1/1/2008	-	54,012,423	54,012,423	0.0%	N/A	N/A
CSU - URX	1/1/2008	-	4,267,306	4,267,306	0.0%	N/A	N/A

[1] – Neither the CSU-RMPS nor the CSU-URX plans' contributions are based on salaries or covered payroll.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 1,500,162	$ -	$ -	$ 1,500,162
Taxes Receivable, net	57,352	-	-	57,352
Other Receivables, net	86,160	-	7,831	93,991
Due From Other Governments	8,530	340	-	8,870
Due From Other Funds	144,434	-	-	144,434
Inventories	268	-	-	268
Prepaids, Advances, and Deferred Charges	4,239	-	-	4,239
Restricted Cash and Pooled Cash	312,969	218	32,624	345,811
Restricted Investments	20,189	-	547,845	568,034
Restricted Receivables	13,421	-	-	13,421
Investments	92,076	-	-	92,076
Other Long-Term Assets	287,914	-	11,203	299,117
Land and Nondepreciable Infrastructure	85	-	10,492	10,577
TOTAL ASSETS	$ 2,527,799	$ 558	$ 609,995	$ 3,138,352
LIABILITIES:				
Tax Refunds Payable	$ 8,209	$ -	$ -	$ 8,209
Accounts Payable and Accrued Liabilities	81,254	-	12	81,266
Due To Other Governments	80,013	-	4	80,017
Due To Other Funds	197,801	-	4,054	201,855
Deferred Revenue	48,992	-	5,367	54,359
Claims and Judgments Payable	72	-	-	72
Other Current Liabilities	2,864	-	-	2,864
Deposits Held In Custody For Others	9	-	-	9
TOTAL LIABILITIES	419,214	-	9,437	428,651
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	383,435	-	21,695	405,130
Debt Service	-	558	-	558
Emergencies	93,000	-	-	93,000
Funds Reported as Restricted	231,916	-	574,966	806,882
Unreserved Undesignated, Reported in:				
Nonmajor Special Revenue Funds	1,391,483	-	-	1,391,483
Nonmajor Permanent Funds	-	-	2,326	2,326
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Nonmajor Special Revenue Funds	8,751	-	-	8,751
Reported in Nonmajor Permanent Funds	-	-	1,571	1,571
TOTAL FUND BALANCES	2,108,585	558	600,558	2,709,701
TOTAL LIABILITIES AND FUND BALANCES	$ 2,527,799	$ 558	$ 609,995	$ 3,138,352

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 272,706	$ -	$ -	$ 272,706
Excise	164,567	-	-	164,567
Other Taxes	340,572	-	-	340,572
Licenses, Permits, and Fines	323,288	-	-	323,288
Charges for Goods and Services	39,855	-	69	39,924
Rents	5,761	-	71,364	77,125
Investment Income (Loss)	103,820	-	41,079	144,899
Federal Grants and Contracts	306,451	-	-	306,451
Other	32,345	-	49	32,394
TOTAL REVENUES	1,589,365	-	112,561	1,701,926
EXPENDITURES:				
Current:				
General Government	15,981	-	-	15,981
Business, Community, and Consumer Affairs	160,417	-	-	160,417
Education	25,938	-	-	25,938
Health and Rehabilitation	82,946	-	-	82,946
Justice	20,866	-	-	20,866
Natural Resources	51,998	-	38	52,036
Social Assistance	166,694	-	-	166,694
Transportation	3,040	-	-	3,040
Capital Outlay	13,638	-	-	13,638
Intergovernmental:				
Cities	150,805	-	-	150,805
Counties	144,404	-	14	144,418
School Districts	76,481	-	-	76,481
Special Districts	28,941	-	-	28,941
Federal	1,866	-	-	1,866
Other	35,692	-	-	35,692
Debt Service	34	174,797	-	174,831
TOTAL EXPENDITURES	979,741	174,797	52	1,154,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	609,624	(174,797)	112,509	547,336
OTHER FINANCING SOURCES (USES):				
Transfers-In	292,645	174,797	1,085	468,527
Transfers-Out	(693,773)	-	(38,704)	(732,477)
Sale of Capital Assets	10	-	38	48
Insurance Recoveries	183	-	-	183
TOTAL OTHER FINANCING SOURCES (USES)	(400,935)	174,797	(37,581)	(263,719)
NET CHANGE IN FUND BALANCES	208,689	-	74,928	283,617
FUND BALANCE, FISCAL YEAR BEGINNING	1,899,896	558	525,630	2,426,084
FUND BALANCE, FISCAL YEAR END	$ 2,108,585	$ 558	$ 600,558	$ 2,709,701

SPECIAL REVENUE FUNDS

WATER PROJECTS	This fund accounts for construction loans made to local governments and special districts to enhance the water resources of the state.
LABOR	This fund accounts for injured workers' medical benefits provided by statutes when the injury is not covered by workers' compensation benefits.
GAMING	This fund accounts for operations of the Colorado Gaming Commission and its oversight of gaming operations in the state. It also accounts for the preservation activities of the Colorado Historical Society related to the revenues it receives from gaming.
TOBACCO IMPACT MITIGATION	This fund accounts for receipts directly from the tobacco litigation settlement, earnings on those funds, and the expenditures of programs funded by the tobacco master settlement agreement. In addition, it accounts for tax revenues received from an additional state tax on cigarettes and tobacco products approved by state voters in the 2004 general election and the expenditure of those tax revenues.
RESOURCE EXTRACTION	This fund accounts for receipts from severance taxes, mineral leasing, and fees associated with regulation of mining activities. Expenditures include distributions to local governments and regulatory costs. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds.
RESOURCE MANAGEMENT	This fund accounts for receipts from licenses, rents, and fees related to managing the water, oil and gas, parks, and outdoor recreation resources of the state. Most of the related programs are managed by the Colorado Department of Natural Resources. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds.
ENVIRONMENT AND HEALTH PROTECTION	This fund accounts for a large number of individual programs managed primarily by the Department of Public Health and Environment. The programs are primarily designed to regulate air, water, and other forms of pollution, control the spread of diseases, and regulate activities that impact the health of the citizens of Colorado. Prior to Fiscal Year 2006-07, these activities were primarily reported as Other Special Revenue Funds.
PUBLIC SCHOOL BUILDINGS	This fund category represents a collection of funds created to support improvements or additions to public school buildings. Prior to Fiscal year 2007-08, these activities were primarily reported as Other Special Revenue Funds.
OTHER SPECIAL REVENUE	This fund category represents a collection of 229 individual active funds created in statute that have a wide variety of purposes. Funds in this category also have a broad diversity of revenue types. (See page 202 for a detail listing of these funds that have net assets in excess of $150,000.)

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	WATER PROJECTS	LABOR	GAMING	TOBACCO IMPACT MITIGATION
ASSETS:				
Cash and Pooled Cash	$ 146,367	$ 81,217	$ 146,520	$ 133,655
Taxes Receivable, net	-	32,367	10,527	-
Other Receivables, net	12,766	1,067	39	53,100
Due From Other Governments	328	-	-	1,456
Due From Other Funds	1,503	632	5	-
Inventories	-	-	-	-
Prepaids, Advances, and Deferred Charges	56	-	39	-
Restricted Cash and Pooled Cash	-	72,811	-	194,625
Restricted Investments	-	20,189	-	-
Restricted Receivables	-	-	-	13,411
Investments	-	91,511	-	-
Other Long-Term Assets	262,684	-	-	-
Land and Nondepreciable Infrastructure	-	-	-	-
TOTAL ASSETS	$ 423,704	$ 299,794	$ 157,130	$ 396,247
LIABILITIES:				
Tax Refunds Payable	$ -	$ -	$ -	$ 5
Accounts Payable and Accrued Liabilities	3,243	1,053	2,205	25,213
Due To Other Governments	-	-	22,280	237
Due To Other Funds	94,251	-	39,049	1,141
Deferred Revenue	-	-	326	-
Claims and Judgments Payable	-	61	-	-
Other Current Liabilities	-	229	25	-
Deposits Held In Custody For Others	-	-	8	-
TOTAL LIABILITIES	97,494	1,343	63,893	26,596
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	264,117	-	-	-
Emergencies	-	93,000	-	-
Funds Reported as Restricted	-	-	1,684	185,662
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Nonmajor Special Revenue Funds	649	1,910	655	1,192
Undesignated	61,444	203,541	90,898	182,797
TOTAL FUND BALANCES	326,210	298,451	93,237	369,651
TOTAL LIABILITIES AND FUND BALANCES	$ 423,704	$ 299,794	$ 157,130	$ 396,247

RESOURCE EXTRACTION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	PUBLIC SCHOOL BUILDINGS	OTHER SPECIAL REVENUE	TOTALS
$ 504,678	$ 29,452	$ 88,213	$ 37,102	$ 332,958	$ 1,500,162
11,455	-	-	-	3,003	57,352
1,884	5,951	4,996	-	6,357	86,160
90	423	4,911	-	1,322	8,530
94,131	2,857	39	8,046	37,221	144,434
-	251	-	-	17	268
9	2,560	-	-	1,575	4,239
-	-	13,552	-	31,981	312,969
-	-	-	-	-	20,189
-	-	5	-	5	13,421
-	-	-	-	565	92,076
14,555	-	-	-	10,675	287,914
-	-	-	-	85	85
$ 626,802	$ 41,494	$ 111,716	$ 45,148	$ 425,764	$ 2,527,799
$ 8,084	$ -	$ -	$ -	$ 120	$ 8,209
3,553	4,345	11,101	1,068	29,473	81,254
43,261	285	210	-	13,740	80,013
201	1,438	705	-	61,016	197,801
26	1,365	1,532	-	45,743	48,992
-	-	-	-	11	72
-	7	-	-	2,603	2,864
-	-	-	-	1	9
55,125	7,440	13,548	1,068	152,707	419,214
108,643	-	-	-	10,675	383,435
-	-	-	-	-	93,000
-	-	13,455	-	31,115	231,916
2,498	144	410	86	1,207	8,751
460,536	33,910	84,303	43,994	230,060	1,391,483
571,677	34,054	98,168	44,080	273,057	2,108,585
$ 626,802	$ 41,494	$ 111,716	$ 45,148	$ 425,764	$ 2,527,799

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	WATER PROJECTS	LABOR	GAMING	TOBACCO IMPACT MITIGATION
REVENUES:				
Taxes:				
Sales and Use	$ -	$ -	$ -	$ -
Excise	-	-	-	162,228
Other Taxes	-	77,113	108,187	-
Licenses, Permits, and Fines	11	1,948	569	108,098
Charges for Goods and Services	107	194	749	-
Rents	-	1	481	-
Investment Income (Loss)	15,198	15,327	5,427	12,158
Federal Grants and Contracts	1,254	-	1,364	1,456
Other	370	319	198	5,650
TOTAL REVENUES	16,940	94,902	116,975	289,590
EXPENDITURES:				
Current:				
General Government	-	-	-	232
Business, Community, and Consumer Affairs	-	19,347	13,123	-
Education	-	-	20,625	25
Health and Rehabilitation	-	-	-	34,497
Justice	-	-	-	-
Natural Resources	11,778	-	-	-
Social Assistance	-	-	-	37,167
Transportation	-	-	-	-
Capital Outlay	148	-	78	-
Intergovernmental:				
Cities	273	-	18,093	1,286
Counties	1,668	-	17,225	20,286
School Districts	145	-	283	4,521
Special Districts	2,223	-	406	164
Federal	423	-	-	-
Other	238	-	-	10,463
Debt Service	-	-	-	-
TOTAL EXPENDITURES	16,896	19,347	69,833	108,641
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	44	75,555	47,142	180,949
OTHER FINANCING SOURCES (USES):				
Transfers-In	25,380	-	5,500	880
Transfers-Out	(1,586)	(28,260)	(40,722)	(135,404)
Sale of Capital Assets	-	-	-	-
Insurance Recoveries	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	23,794	(28,260)	(35,222)	(134,524)
NET CHANGE IN FUND BALANCES	23,838	47,295	11,920	46,425
FUND BALANCE, FISCAL YEAR BEGINNING	302,372	251,156	81,317	323,226
Prior Period Adjustment (See Note 27)	-	-	-	-
FUND BALANCE, FISCAL YEAR END	$ 326,210	$ 298,451	$ 93,237	$ 369,651

RESOURCE EXTRACTION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	PUBLIC SCHOOL BUILDINGS	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ -	$ -	$ 272,706	$ 272,706
-	-	-	-	2,339	164,567
151,751	-	-	-	3,521	340,572
1,429	17,558	26,959	-	166,716	323,288
11	9,902	12,669	-	16,223	39,855
-	5,240	-	-	39	5,761
27,510	1,284	7,491	1,164	18,261	103,820
156,768	2,267	81,102	-	62,240	306,451
159	11,980	771	-	12,898	32,345
337,628	48,231	128,992	1,164	554,943	1,589,365
-	-	148	-	15,601	15,981
486	106	10	-	127,345	160,417
-	-	-	229	5,059	25,938
-	-	28,767	-	19,682	82,946
-	-	-	-	20,866	20,866
11,703	26,355	-	-	2,162	51,998
-	-	125,872	-	3,655	166,694
-	-	-	-	3,040	3,040
124	10,276	190	-	2,822	13,638
59,267	265	268	-	71,353	150,805
68,950	400	1,274	-	34,601	144,404
8,942	-	22	33,137	29,431	76,481
13,119	4	6	-	13,019	28,941
-	51	235	-	1,157	1,866
717	1,019	61	-	23,194	35,692
-	-	-	-	34	34
163,308	38,476	156,853	33,366	373,021	979,741
174,320	9,755	(27,861)	(32,202)	181,922	609,624
4,760	17,230	62,874	55,764	120,257	292,645
(127,307)	(23,944)	(24,519)	(8)	(312,023)	(693,773)
-	10	-	-	-	10
-	182	-	-	1	183
(122,547)	(6,522)	38,355	55,756	(191,765)	(400,935)
51,773	3,233	10,494	23,554	(9,843)	208,689
519,904	30,821	87,674	-	303,426	1,899,896
-	-	-	20,526	(20,526)	-
$ 571,677	$ 34,054	$ 98,168	$ 44,080	$ 273,057	$ 2,108,585

PERMANENT FUNDS

STATE LANDS	This fund consists of the assets, liabilities, and operations related to lands granted to the state by the federal government for educational purposes.
OTHER PERMANENT TRUST	This fund category represents several minor permanent funds including the Land and Water Management Fund, the Hall Historical Marker Fund, the Wildlife for Future Generations Fund, and the Veterans Monument Preservation Fund.

COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 7,831	$ -	$ 7,831
Restricted Cash and Pooled Cash	24,643	7,981	32,624
Restricted Investments	547,845	-	547,845
Other Long-Term Assets	11,203	-	11,203
Capital Assets Held as Investments	10,492	-	10,492
TOTAL ASSETS	$ 602,014	$ 7,981	$ 609,995
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ 3	$ 9	$ 12
Due To Other Governments	4	-	4
Due To Other Funds	4,054	-	4,054
Deferred Revenue	5,363	4	5,367
TOTAL LIABILITIES	9,424	13	9,437
FUND BALANCES:			
Reserved for:			
Noncurrent Assets	21,695	-	21,695
Funds Reported as Restricted	568,144	6,822	574,966
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Nonmajor Permanent Funds	1,534	37	1,571
Undesignated	1,217	1,109	2,326
TOTAL FUND BALANCES	592,590	7,968	600,558
TOTAL LIABILITIES AND FUND BALANCES	$ 602,014	$ 7,981	$ 609,995

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Charges for Goods and Services	$ 69	$ -	$ 69
Rents	71,364	-	71,364
Investment Income (Loss)	40,669	410	41,079
Other	17	32	49
TOTAL REVENUES	112,119	442	112,561
EXPENDITURES:			
Current:			
Natural Resources	29	9	38
Intergovernmental:			
Counties	14	-	14
TOTAL EXPENDITURES	43	9	52
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	112,076	433	112,509
OTHER FINANCING SOURCES (USES):			
Transfers-In	1,085	-	1,085
Transfers-Out	(38,662)	(42)	(38,704)
Sale of Capital Assets	38	-	38
TOTAL OTHER FINANCING SOURCES (USES)	(37,539)	(42)	(37,581)
NET CHANGE IN FUND BALANCES	74,537	391	74,928
FUND BALANCE, FISCAL YEAR BEGINNING	518,053	7,577	525,630
FUND BALANCE, FISCAL YEAR END	$ 592,590	$ 7,968	$ 600,558

OTHER ENTERPRISE FUNDS

These funds account for operations of state agencies that provide a majority of their services to the public on a user charge basis; most of them have been designated by statute as enterprises. The major activities in these funds are:

WILDLIFE	Expenses of this fund are to preserve the state's wildlife and promote outdoor recreational activities, while revenues are from hunting and fishing license fees as well as various fines.
COLLEGE ASSIST	This fund records the activities of College Assist, which guarantees Colorado and certain nationwide loans made by private lending institutions in compliance with operating agreements with the U.S. Department of Education to students attending postsecondary schools. It also includes loan programs for Colorado residents that are not reinsured by the federal government.
STATE FAIR AUTHORITY	The State Fair Authority operates the Colorado State Fair, and other events, at the state fairgrounds in Pueblo.
CORRECTIONAL INDUSTRIES	This activity reports the production and sale of manufactured goods and farm products that are produced by convicted criminals who are incarcerated in the state prison system.
STATE NURSING HOMES	This activity is for nursing home and retirement care provided to the elderly at the state facilities at Aurora, Homelake, Walsenburg, Florence, Rifle, and Trinidad.
PRISON CANTEENS	This activity accounts for the various canteen operations in the state's prison system.
PETROLEUM STORAGE TANK	This activity accounts for grants, registration fees, environmental response surcharges, and penalties associated with the regulation and abatement of fire and safety issues related to above and underground petroleum storage tanks.
OTHER ENTERPRISE ACTIVITIES	The other enterprise activities of the state include the Business Enterprise Program, which is staffed by the visually impaired and manages food vending operations in state buildings; the Enterprise Services Fund of the Colorado Historical Society, which sells goods at state museums; and various smaller enterprise operations.

COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 8,993	$ 49,204	$ 1,585
Student and Other Receivables, net	1,965	187	22
Due From Other Governments	-	2,177	-
Due From Other Funds	11	-	-
Inventories	969	-	41
Prepaids, Advances, and Deferred Charges	412	213	170
Total Current Assets	12,350	51,781	1,818
Noncurrent Assets:			
Restricted Cash and Pooled Cash	72,813	30,640	-
Restricted Receivables	3,655	6,911	-
Other Long-Term Assets	-	-	21
Depreciable Capital Assets and Infrastructure, net	53,952	375	10,260
Land and Nondepreciable Infrastructure	129,240	-	793
Total Noncurrent Assets	259,660	37,926	11,074
TOTAL ASSETS	272,010	89,707	12,892
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	9,876	746	336
Due To Other Governments	-	203	-
Due To Other Funds	301	-	-
Deferred Revenue	30,254	-	657
Compensated Absences Payable	316	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	6
Notes, Bonds, and COP's Payable	-	-	971
Other Current Liabilities	39	3,171	9
Total Current Liabilities	40,786	4,120	1,979
Noncurrent Liabilities:			
Accrued Compensated Absences	5,027	134	132
Capital Lease Payable	-	-	-
Notes, Bonds, and COP's Payable	-	-	-
Other Long-Term Liabilities	-	118	-
Total Noncurrent Liabilities	5,027	252	132
TOTAL LIABILITIES	45,813	4,372	2,111
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	183,192	375	10,076
Restricted for:			
Emergencies	33,716	-	-
Court Awards and Other Purposes	-	37,324	-
Unrestricted	9,289	47,636	705
TOTAL NET ASSETS	$ 226,197	$ 85,335	$ 10,781

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 3,474	$ 5,843	$ 6,672	$ 10,039	$ 14,683	$ 100,493
2,071	763	536	3,997	743	10,284
161	986	-	913	54	4,291
2,263	1,902	-	-	-	4,176
11,481	124	441	-	114	13,170
263	123	-	-	239	1,420
19,713	9,741	7,649	14,949	15,833	133,834
-	-	-	-	-	103,453
-	-	-	-	-	10,566
1,637	402	-	-	183	2,243
3,913	30,731	2,217	83	11,001	112,532
1,055	4,103	-	-	3,948	139,139
6,605	35,236	2,217	83	15,132	367,933
26,318	44,977	9,866	15,032	30,965	501,767
3,856	4,543	848	5,807	1,621	27,633
-	175	-	-	-	378
124	4	1	-	-	430
258	2	-	-	5,035	36,206
46	192	-	-	215	769
-	-	-	-	-	-
-	214	-	-	-	220
-	365	-	-	325	1,661
6	-	-	-	3	3,228
4,290	5,495	849	5,807	7,199	70,525
968	1,669	167	318	349	8,764
-	3,139	-	-	-	3,139
-	4,015	-	-	7,471	11,486
-	-	-	-	-	118
968	8,823	167	318	7,820	23,507
5,258	14,318	1,016	6,125	15,019	94,032
4,968	27,056	2,217	83	7,153	235,120
-	-	-	-	-	33,716
-	-	-	-	-	37,324
16,092	3,603	6,633	8,824	8,793	101,575
$ 21,060	$ 30,659	$ 8,850	$ 8,907	$ 15,946	$ 407,735

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:			
License and Permits	$ 80,150	$ -	$ -
Tuition and Fees	13	-	-
Sales of Goods and Services	2,183	-	7,216
Investment Income (Loss)	-	5,724	-
Rental Income	-	-	577
Federal Grants and Contracts	20,343	319,640	-
Intergovernmental Revenue	20,364	-	-
Other	938	174	8
TOTAL OPERATING REVENUES	123,991	325,538	7,801
OPERATING EXPENSES:			
Salaries and Fringe Benefits	57,275	36,942	4,284
Operating and Travel	45,749	250,160	4,431
Cost of Goods Sold	-	-	-
Depreciation and Amortization	4,092	253	616
Intergovernmental Distributions	2,660	-	-
Debt Service	-	38,653	-
Prizes and Awards	24	-	828
TOTAL OPERATING EXPENSES	109,800	326,008	10,159
OPERATING INCOME (LOSS)	14,191	(470)	(2,358)
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	-	-	-
Fines and Settlements	536	-	-
Investment Income (Loss)	4,001	-	11
Rental Income	524	-	-
Gifts and Donations	1,459	-	385
Gain/(Loss) on Sale or Impairment of Capital Assets	17	-	1
Insurance Recoveries from Prior Year Impairments	3	-	-
Debt Service	(2)	-	(103)
Other Expenses	(1)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	6,537	-	294
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	20,728	(470)	(2,064)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	33	-	704
Transfers-In	-	-	3,284
Transfers-Out	(4,945)	(127)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	(4,912)	(127)	3,988
CHANGE IN NET ASSETS	15,816	(597)	1,924
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	210,381	85,932	8,857
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 226,197	$ 85,335	$ 10,781

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 562	$ 3,619	$ 84,331
-	-	-	-	383	396
49,430	37,395	16,156	7	8,447	120,834
-	-	-	-	-	5,724
-	-	-	-	1,507	2,084
-	10,656	-	1,889	1,045	353,573
-	197	-	-	-	20,561
202	96	37	20	109	1,584
49,632	48,344	16,193	2,478	15,110	589,087
9,790	36,227	3,226	8,362	6,005	162,111
8,042	8,978	2,060	28,748	6,348	354,516
30,048	-	9,805	-	117	39,970
1,392	1,725	64	24	617	8,783
-	1,878	-	-	-	4,538
-	-	-	-	-	38,653
1	-	-	-	-	853
49,273	48,808	15,155	37,134	13,087	609,424
359	(464)	1,038	(34,656)	2,023	(20,337)
-	-	-	36,963	-	36,963
-	-	-	-	440	976
128	145	415	475	703	5,878
170	8	-	-	-	702
-	35	-	-	296	2,175
45	(11)	-	-	(89)	(37)
-	-	-	-	-	3
-	(350)	-	-	(250)	(705)
-	(39)	-	-	(11)	(51)
343	(212)	415	37,438	1,089	45,904
702	(676)	1,453	2,782	3,112	25,567
-	196	-	-	-	933
-	916	-	-	-	4,200
(366)	(638)	(67)	(880)	(3,749)	(10,772)
(366)	474	(67)	(880)	(3,749)	(5,639)
336	(202)	1,386	1,902	(637)	19,928
20,724	30,861	7,464	7,005	16,583	387,807
$ 21,060	$ 30,659	$ 8,850	$ 8,907	$ 15,946	$ 407,735

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 13	$ -	$ -
Fees for Service	80,382	234	5,051
Sales of Products	743	-	127
Gifts, Grants, and Contracts	21,187	314,132	1
Income from Property	524	-	577
Other Sources	19,582	174	2,326
Cash Payments to or for:			
Employees	(51,613)	(2,269)	(2,043)
Suppliers	(36,182)	(44,499)	(6,502)
Sales Commissions and Lottery Prizes	(5,327)	-	-
Others for Student Loans and Loan Losses	-	(284,836)	-
Other Governments	(2,658)	-	-
Other	(9,578)	-	(952)
NET CASH PROVIDED BY OPERATING ACTIVITIES	17,073	(17,064)	(1,415)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	-	-	3,284
Transfers-Out	(4,945)	(127)	-
Receipt of Deposits Held in Custody	33	856	2
Release of Deposits Held in Custody	-	(856)	(2)
Gifts for Other Than Capital Purposes	1,459	-	-
NonCapital Debt Proceeds	-	-	-
NonCapital Debt Service Payments	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(3,453)	(127)	3,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(25,162)	(54)	(341)
Proceeds from Sale of Capital Assets	-	-	-
Capital Debt Proceeds	-	-	-
Capital Debt Service Payments	(3)	-	(92)
Capital Lease Payments	-	-	(15)
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(25,165)	(54)	(448)

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 12	$ -	$ -	$ 383	$ 408
6,107	36,933	-	37,775	7,571	174,053
40,451	33	16,802	-	770	58,926
-	10,932	-	1,841	1,467	349,560
170	8	-	-	1,316	2,595
247	41	37	-	3,774	26,181
(8,497)	(33,901)	(2,061)	(3,199)	(4,750)	(108,333)
(38,988)	(10,676)	(12,908)	(34,869)	(7,306)	(191,930)
-	-	-	-	-	(5,327)
-	-	-	-	-	(284,836)
-	(1,874)	-	-	-	(4,532)
(92)	(161)	(2)	(62)	(168)	(11,015)
(602)	1,347	1,868	1,486	3,057	5,750
-	916	-	-	-	4,200
(366)	(638)	(67)	(880)	(3,749)	(10,772)
-	-	-	-	-	891
-		-	-	-	(858)
-	-	-	-	296	1,755
-	714	-	-	-	714
-	(1,065)	-	-	-	(1,065)
(366)	(73)	(67)	(880)	(3,453)	(5,135)
(282)	(398)	(899)	(18)	(1,459)	(28,613)
-	-	-	-	767	767
-	32	-	-	5	37
-	(210)	-	-	(620)	(925)
-	(385)	-	-	-	(400)
(282)	(961)	(899)	(18)	(1,307)	(29,134)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(Continued)

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	2,979	4,743	6
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	1,022	981	5
NET CASH FROM INVESTING ACTIVITIES	4,001	5,724	11
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(7,544)	(11,521)	1,432
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	89,350	91,365	153
CASH AND POOLED CASH, FISCAL YEAR END	$ 81,806	$ 79,844	$ 1,585
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 14,191	$ (470)	$ (2,358)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	4,091	253	616
Investment/Rental Income and Other Revenue in Operating Income	-	(5,724)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	1,065	-	385
Loss on Disposal of Capital Assets	573	-	-
Compensated Absences	382	(5)	25
Interest and Other Expense in Operating Income	(238)	54	81
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(1,204)	1,363	78
(Increase) Decrease in Inventories	(38)	5	11
(Increase) Decrease in Other Operating Assets	(28)	(22)	(30)
Increase (Decrease) in Accounts Payable	(301)	(9,995)	(50)
Increase (Decrease) in Other Operating Liabilities	(1,420)	(2,523)	(173)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 17,073	$ (17,064)	$ (1,415)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	704
Capital Assets Acquired by Grants or Donations and Payable Increases	33	-	-
Gain/(Loss) on Disposal of Capital Assets	(558)	-	1
Amortization of Debt Valuation Accounts and Interest Payable Accruals	-	-	4

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
87	82	355	361	578	9,191
41	63	60	114	126	2,412
128	145	415	475	704	11,603
(1,122)	458	1,317	1,063	(999)	(16,916)
4,596	5,385	5,355	8,976	15,682	220,862
$ 3,474	$ 5,843	$ 6,672	$ 10,039	$ 14,683	$ 203,946
$ 359	$ (464)	$ 1,038	$ (34,656)	$ 2,023	$ (20,337)
1,391	1,724	64	24	617	8,780
-	-	-	-	-	(5,724)
215	41	-	36,963	440	39,109
-	-	-	-	196	769
81	296	24	147	26	976
-	35	-	-	334	266
(2,405)	(28)	646	174	194	(1,182)
(752)	-	43	-	(7)	(738)
236	(75)	-	-	(3)	78
739	(49)	53	(1,166)	(359)	(11,128)
(466)	(133)	-	-	(404)	(5,119)
$ (602)	$ 1,347	$ 1,868	$ 1,486	$ 3,057	$ 5,750
-	196	-	-	-	900
-	-	-	-	-	33
-	(11)	-	-	(285)	(853)
-	-	-	-	11	15

INTERNAL SERVICE FUNDS

These funds account for operations of state agencies that provide a majority of their services to other state agencies on a user charge basis. The major activities in these funds are:

CENTRAL SERVICES	This fund accounts for the sales of goods and services to other state agencies. The sales items include mail services, printing, quick copy, graphic design, microfilming, fleet, and motor pool.
GENERAL GOVERNMENT COMPUTER CENTER	This fund accounts for computer services sold to other state agencies.
TELECOMMUNICATIONS	This fund accounts for telecommunications services sold primarily to other state agencies.
CAPITOL COMPLEX	This fund accounts for the cost and income related to maintaining state office space in the complex surrounding the State Capitol. Only certain capitol complex capital assets are reported in this fund, and other capitol complex capital assets are reported on the government-wide financial statements.
HIGHWAYS	This fund is used to account for the operations of the Department of Transportation print shop.
PUBLIC SAFETY	This fund accounts for aircraft rental to state agencies by the Department of Public Safety.
OFFICE OF ADMINISTRATIVE COURTS	This fund accounts for the operations of the Office of Administrative Courts in the Department of Personnel & Administration.
DEBT COLLECTION	This fund accounts for the activities of the Central Collections Unit within the Department of Personnel & Administration. The unit collects receivables due to state agencies on a straight commission basis.

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 10,153	$ 2,633	$ 3,380
Other Receivables, net	396	2	28
Due From Other Governments	-	-	228
Due From Other Funds	28	-	7
Inventories	800	-	-
Prepaids, Advances, and Deferred Charges	3	337	36
Total Current Assets	11,380	2,972	3,679
Noncurrent Assets:			
Other Long-Term Assets	266	-	-
Depreciable Capital Assets and Infrastructure, net	50,087	530	1,821
Total Noncurrent Assets	50,353	530	1,821
TOTAL ASSETS	61,733	3,502	5,500
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	3,903	803	2,199
Due To Other Funds	49	-	-
Deferred Revenue	589	-	-
Compensated Absences Payable	16	22	20
Leases Payable	3,589	-	-
Notes, Bonds, and COP's Payable	6,215	-	-
Total Current Liabilities	14,361	825	2,219
Noncurrent Liabilities:			
Accrued Compensated Absences	458	355	436
Capital Lease Payable	20,417	-	-
Notes, Bonds, and COP's Payable	17,234	-	-
Total Noncurrent Liabilities	38,109	355	436
TOTAL LIABILITIES	52,470	1,180	2,655
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	2,632	530	1,821
Unrestricted	6,631	1,792	1,024
TOTAL NET ASSETS	$ 9,263	$ 2,322	$ 2,845

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ 2,535	$ 2,029	$ 399	$ 1,204	$ 443	$ 22,776
23	-	13	6	2	470
-	-	-	-	-	228
69	-	-	-	-	104
228	525	-	-	-	1,553
-	-	-	-	-	376
2,855	2,554	412	1,210	445	25,507
-	-	-	-	-	266
14,014	73	2,288	37	33	68,883
14,014	73	2,288	37	33	69,149
16,869	2,627	2,700	1,247	478	94,656
1,368	203	44	306	146	8,972
-	-	-	-	-	49
-	-	-	-	-	589
14	-	-	-	-	72
383	-	-	-	-	3,972
-	-	-	-	-	6,215
1,765	203	44	306	146	19,869
234	-	-	229	27	1,739
12,447	-	-	-	-	32,864
-	-	-	-	-	17,234
12,681	-	-	229	27	51,837
14,446	203	44	535	173	71,706
1,184	73	2,288	37	33	8,598
1,239	2,351	368	675	272	14,352
$ 2,423	$ 2,424	$ 2,656	$ 712	$ 305	$ 22,950

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
OPERATING REVENUES:			
Sales of Goods and Services	$ 52,109	$ 12,700	$ 23,214
Rental Income	-	-	-
Other	362	2	4
TOTAL OPERATING REVENUES	52,471	12,702	23,218
OPERATING EXPENSES:			
Salaries and Fringe Benefits	7,999	4,680	5,897
Operating and Travel	27,379	6,426	16,422
Cost of Goods Sold	7,494	-	-
Depreciation and Amortization	10,689	304	930
Intergovernmental Distributions	-	-	-
Prizes and Awards	3	1	2
TOTAL OPERATING EXPENSES	53,564	11,411	23,251
OPERATING INCOME (LOSS)	(1,093)	1,291	(33)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	267	-	-
Federal Grants and Contracts	-	-	184
Gain/(Loss) on Sale or Impairment of Capital Assets	970	-	10
Debt Service	(1,366)	-	-
Other Expenses	(120)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(249)	-	194
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,342)	1,291	161
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	1,275	-	-
Transfers-In	323	-	736
Transfers-Out	(1,194)	(685)	(518)
TOTAL CONTRIBUTIONS AND TRANSFERS	404	(685)	218
CHANGE IN NET ASSETS	(938)	606	379
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	10,201	1,716	2,466
Prior Period/Other Adjustments (See Note 27)	-	-	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 9,263	$ 2,322	$ 2,845

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ 3	$ 2,409	$ 179	$ 4,145	$ 2,444	$ 97,203
11,218	-	-	-	-	11,218
8	-	2	-	11	389
11,229	2,409	181	4,145	2,455	108,810
3,098	1,186	242	3,218	900	27,220
5,037	1,517	338	582	1,219	58,920
-	-	-	-	-	7,494
857	22	462	23	8	13,295
3	-	-	-	-	3
1	-	-	1	-	8
8,996	2,725	1,042	3,824	2,127	106,940
2,233	(316)	(861)	321	328	1,870
-	28	-	-	-	295
223	-	-	-	-	407
65	-	-	-	-	1,045
(591)	-	-	-	(7)	(1,964)
-	-	-	-	-	(120)
(303)	28	-	-	(7)	(337)
1,930	(288)	(861)	321	321	1,533
-	-	-	-	-	1,275
-	-	401	-	-	1,460
(990)	-	-	(215)	(209)	(3,811)
(990)	-	401	(215)	(209)	(1,076)
940	(288)	(460)	106	112	457
731	2,712	3,116	606	193	21,741
752	-	-	-	-	752
$ 2,423	$ 2,424	$ 2,656	$ 712	$ 305	$ 22,950

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 50	$ -	$ -
Fees for Service	51,512	12,697	23,178
Sales of Products	225	-	-
Gifts, Grants, and Contracts	-	-	197
Income from Property	-	-	-
Other Sources	499	2	8
Cash Payments to or for:			
Employees	(6,980)	(4,503)	(5,816)
Suppliers	(34,600)	(6,538)	(15,697)
Sales Commissions and Lottery Prizes	-	-	-
Other Governments	-	-	-
Other	(10)	(3)	(4)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,696	1,655	1,866
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	323	-	736
Transfers-Out	(1,194)	(685)	(518)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(871)	(685)	218
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(33,110)	(352)	(564)
Proceeds from Sale of Capital Assets	36,147	-	-
Capital Debt Proceeds	19,400	-	-
Capital Debt Service Payments	(30,135)	-	-
Capital Lease Payments	(4,829)	-	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(12,527)	(352)	(564)

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ -	$ -	$ -	$ -	$ -	$ 50
3	985	177	4,210	2,448	95,210
-	1,424	-	-	-	1,649
223	-	-	-	-	420
11,152	-	-	-	-	11,152
47	-	2	-	11	569
(2,986)	(1,251)	(238)	(3,121)	(882)	(25,777)
(5,100)	(1,757)	(346)	(644)	(540)	(65,222)
-	-	-	-	(706)	(706)
(3)	-	-	-	-	(3)
(1)	(9)	-	(2)	(84)	(113)
3,335	(608)	(405)	443	247	17,229
-	-	401	-	-	1,460
(990)	-	-	(215)	(209)	(3,811)
(990)	-	401	(215)	(209)	(2,351)
(817)	(51)	-	-	-	(34,894)
20	-	-	-	-	36,167
-	-	-	-	-	19,400
(591)	-	-	-	(7)	(30,733)
(383)	-	-	-	-	(5,212)
(1,771)	(51)	-	-	(7)	(15,272)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(Continued)

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	267	-	-
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	-	-	-
NET CASH FROM INVESTING ACTIVITIES	267	-	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(2,435)	618	1,520
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	12,588	2,015	1,860
CASH AND POOLED CASH, FISCAL YEAR END	$ 10,153	$ 2,633	$ 3,380
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ (1,093)	$ 1,291	$ (33)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	10,689	304	930
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	-	194
Compensated Absences	34	(9)	(45)
Interest and Other Expense in Operating Income	19	-	-
(Increase) Decrease in Operating Receivables	(131)	(1)	(25)
(Increase) Decrease in Inventories	(52)	-	-
(Increase) Decrease in Other Operating Assets	11	(129)	(21)
Increase (Decrease) in Accounts Payable	1,273	199	872
Increase (Decrease) in Other Operating Liabilities	(54)	-	(6)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 10,696	$ 1,655	$ 1,866
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Acquired by Grants or Donations and Payable Increases	1,275	-	-
Gain/(Loss) on Disposal of Capital Assets	(970)	-	-

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
-	-	-	-	-	267
-	28	-	-	-	28
-	28	-	-	-	295
574	(631)	(4)	228	31	(99)
1,961	2,660	403	976	412	22,875
$ 2,535	$ 2,029	$ 399	$ 1,204	$ 443	$ 22,776
$ 2,233	$ (316)	$ (861)	$ 321	$ 328	$ 1,870
857	22	462	23	8	13,295
288	-	-	-	-	482
32	-	-	(12)	(5)	(5)
33	50	-	-	-	102
(65)	-	(2)	66	4	(154)
(8)	(281)	-	-	-	(341)
78	-	-	1	-	(60)
(87)	(83)	(4)	44	(88)	2,126
(26)	-	-	-	-	(86)
$ 3,335	$ (608)	$ (405)	$ 443	$ 247	$ 17,229
-	-	-	-	-	1,275
-	-	-	-	-	(970)

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the state in a fiduciary capacity. Pension and Other Employee Benefits Trust Funds are included in this category. However, financial statements for the state's Pension and Other Employee Benefits Trust Funds are presented in the notes to the financial statements and are not repeated in this supplementary information. The major components of the remaining fiduciary funds are:

PRIVATE PURPOSE TRUST FUNDS

TREASURER'S

This fund primarily comprises the escheats fund managed by the State Treasurer. The receipts of the fund are from bank accounts, investment accounts, and insurance proceeds that are placed with the state when the owners of the assets cannot be located. The owner's rights to the asset are protected in perpetuity, and there is no provision for the state's governmental or proprietary funds to expend the escheated balances not expected to be distributed to the rightful owners. The fund records a liability for the expected payout based on historical percentages of payouts in relation to total receipts. Transfers out from the fund are for the annual audit and for promotional costs to locate the rightful owners, and are budgeted and expended from the General Fund.

COLLEGE SAVINGS PLAN

The College Savings Plan (commonly referred to as the Scholars Choice Fund) authorized in statute is used to record the deposits, withdrawals, and investment returns of participants in the college savings program. The moneys in the fund are neither insured nor guaranteed by the state.

COLLEGE OPPORTUNITY FUND

The College Opportunity Fund (COF) began operations in Fiscal Year 2005-06. It receives stipends appropriated by the Legislature and distributes them to qualified institutions on behalf of students attending public and certain private institutions of higher education in the state. The appropriated amounts are held in trust in the COF until students apply for the stipend. The COF administrator only distributes the stipend to the higher education institution as directed by the student. Any unused stipends remain in the COF and do not revert to the state.

MULTI-STATE LOTTERY WINNERS

The Multistate Lottery Winners Fund was created in Fiscal Year 2007-08 to account for the Colorado Lottery's investments held by the Multi-State Lottery Association (MUSL) for the benefit of Colorado's Powerball annuity prize winners. The winnings are invested by MUSL in bond funds with staggered maturities that correspond with the annual payments required under the terms of the annuity. Under an agreement with MUSL, the Colorado Lottery is responsible for making payments to the Colorado winners.

OTHER

This fund primarily accounts for receipts collected from racetracks and simulcast facilities for distribution to horse breeders and associations who participate in state-regulated parimutuel horse racing.

AGENCY FUNDS

These funds are held in custody for others. Major items include litigation settlement escrow accounts, contractor's performance escrow accounts, sales taxes collected for cities and counties, deposits held to ensure land restoration by mining and oil exploration companies, and assets invested for the Colorado Water Resources and Power Development Authority (a discretely presented component unit).

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
ASSETS:						
Current Assets:						
Cash and Pooled Cash	$ 184,372	$ 1,141	$ -	$ -	$ 1,199	$ 186,712
Other Receivables, net	416	8,035	-	-	1,019	9,470
Due From Other Funds	-	2,782	-	-	-	2,782
Noncurrent Assets:						
Investments:						
Government Securities	12,276	-		9,750	684	22,710
Corporate Bonds	10,750	-	-	-	-	10,750
Asset Backed Securities	13,587	-	-	-	-	13,587
Mortgages	22,843	-	-	-	-	22,843
Mutual Funds	-	3,170,608	-	-	-	3,170,608
Other Investments	-	25,636	-	-	-	25,636
TOTAL ASSETS	244,244	3,208,202	-	9,750	2,902	3,465,098
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	55,118	4,740	-	-	194	60,052
Due To Other Funds	1	116	-	-	-	117
Deferred Revenue	-	439	-	-	1,634	2,073
Noncurrent Liabilities:						
Deposits Held In Custody For Others	-	2,557	-	-	-	2,557
Other Long-Term Liabilities	2,615	-	-	-	-	2,615
TOTAL LIABILITIES	57,734	7,852	-	-	1,828	67,414
NET ASSETS:						
Held in Trust for:						
Individuals, Organizations, and Other Entities	186,510	3,200,350	-	9,750	1,074	3,397,684
TOTAL NET ASSETS	$ 186,510	$ 3,200,350	$ -	$ 9,750	$ 1,074	$ 3,397,684

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
ADDITIONS:						
Additions By Participants	$ -	$ 663,371	$ 328,170	$ 9,746	$ 119	$ 1,001,406
Investment Income/(Loss)	10,622	(389,676)	-	361	47	(378,646)
Unclaimed Property Receipts	67,482	-	-	-	-	67,482
Other Additions	551	603	-	-	1,248	2,402
TOTAL ADDITIONS	78,655	274,298	328,170	10,107	1,414	692,644
DEDUCTIONS:						
Distributions to Participants	-	-	330,004	357	-	330,361
Payments in Accordance with Trust Agreements	52,576	331,748	-	-	1,434	385,758
Transfers-Out	2,407	-	-	-	12	2,419
TOTAL DEDUCTIONS	54,983	331,748	330,004	357	1,446	718,538
CHANGE IN NET ASSETS	23,672	(57,450)	(1,834)	9,750	(32)	(25,894)
NET ASSETS AVAILABLE:						
FISCAL YEAR BEGINNING	162,838	3,257,800	1,834	-	1,106	3,423,578
FISCAL YEAR ENDING	$ 186,510	$ 3,200,350	$ -	$ 9,750	$ 1,074	$ 3,397,684

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 93,113	$ 2,230,171	$ 2,226,316	$ 96,968
Taxes Receivable, net	116,937	11,008	3,772	124,173
TOTAL ASSETS	$ 210,050	$ 2,241,179	$ 2,230,088	$ 221,141
LIABILITIES:				
Tax Refunds Payable	$ 777	$ 107	$ 72	$ 812
Due To Other Governments	209,020	3,311,456	3,300,409	220,067
Claims and Judgments Payable	164	3,967	3,900	231
Other Long-Term Liabilities	89	399	457	31
TOTAL LIABILITIES	$ 210,050	$ 3,315,929	$ 3,304,838	$ 221,141

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 114,767	$ 196,364	$ 184,652	$ 126,479
Taxes Receivable, net	4,278	1,005	314	4,969
Other Receivables, net	643	242	328	557
Due From Other Funds	216	240	216	240
Inventories	2	28	29	1
Other Long-Term Assets	15,847	7,058	847	22,058
TOTAL ASSETS	$ 135,753	$ 204,937	$ 186,386	$ 154,304
LIABILITIES:				
Tax Refunds Payable	$ 62	$ -	$ 11	$ 51
Accounts Payable and Accrued Liabilities	2,349	15,610	17,420	539
Due To Other Governments	7,712	120,591	119,760	8,543
Due To Other Funds	-	12,452	12,415	37
Deferred Revenue	-	252	252	-
Claims and Judgments Payable	482	25	171	336
Other Current Liabilities	120,960	100,615	84,722	136,853
Deposits Held In Custody For Others	4,188	4,824	1,067	7,945
TOTAL LIABILITIES	$ 135,753	$ 254,369	$ 235,818	$ 154,304

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 116,392	$ 96,790	$ 86,306	$ 126,876
Due From Other Funds	6,133	5,532	6,133	5,532
TOTAL ASSETS	$ 122,525	$ 102,322	$ 92,439	$ 132,408
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ -	$ 191	$ 191	$ -
Other Current Liabilities	75,582	103,726	111,706	67,602
Deposits Held In Custody For Others	46,943	20,696	2,833	64,806
TOTAL LIABILITIES	$ 122,525	$ 124,613	$ 114,730	$ 132,408

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 324,272	$ 2,523,325	$ 2,497,274	$ 350,323
Taxes Receivable, net	121,215	12,013	4,086	129,142
Other Receivables, net	643	242	328	557
Due From Other Funds	6,349	5,772	6,349	5,772
Inventories	2	28	29	1
Other Long-Term Assets	15,847	7,058	847	22,058
TOTAL ASSETS	$ 468,328	$ 2,548,438	$ 2,508,913	$ 507,853
LIABILITIES:				
Tax Refunds Payable	$ 839	$ 107	$ 83	$ 863
Accounts Payable and Accrued Liabilities	2,349	15,801	17,611	539
Due To Other Governments	216,732	3,432,047	3,420,169	228,610
Due To Other Funds	-	12,452	12,415	37
Deferred Revenue	-	252	252	-
Claims and Judgments Payable	646	3,992	4,071	567
Other Current Liabilities	196,542	204,341	196,428	204,455
Deposits Held In Custody For Others	51,131	25,520	3,900	72,751
Other Long-Term Liabilities	89	399	457	31
TOTAL LIABILITIES	$ 468,328	$ 3,694,911	$ 3,655,386	$ 507,853

COMPONENT UNITS

The following statements present the nonmajor component units aggregated in the combining component unit statements beginning on page 66. Descriptions of each of the nonmajor component units can be found in Note 35 on page 132.

COMBINING STATEMENT OF NET ASSETS
OTHER COMPONENT UNITS
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	RENEWABLE ENERGY AUTHORITY	TOTAL
ASSETS:					
Current Assets:					
Cash and Pooled Cash	$ 2,291	$ 3,204	$ 4,562	$ 6	$ 10,063
Investments	-	39,521	-	-	39,521
Taxes Receivable, net	264	-	-	-	264
Contributions Receivable, net	-	-	4,399	-	4,399
Other Receivables, net	95	573	-	-	668
Prepaids, Advances, and Deferred Charges	4	-	-	-	4
Total Current Assets	2,654	43,298	8,961	6	54,919
Noncurrent Assets:					
Investments	-	-	6,642	2,032	8,674
Other Long-Term Assets	310	-	25,181	-	25,491
Depreciable Capital Assets and Infrastructure, net	133,260	12	-	-	133,272
Land and Nondepreciable Infrastructure	18,176	-	-	-	18,176
Total Noncurrent Assets	151,746	12	31,823	2,032	185,613
TOTAL ASSETS	154,400	43,310	40,784	2,038	240,532
LIABILITIES:					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	71	442	-	-	513
Deferred Revenue	-	261	4,399	-	4,660
Claims and Judgments Payable	-	12,421	-	-	12,421
Total Current Liabilities	71	13,124	4,399	-	17,594
Noncurrent Liabilities:					
Other Long-Term Liabilities	-	-	25,181	-	25,181
Total Noncurrent Liabilities	-	-	25,181	-	25,181
TOTAL LIABILITIES	71	13,124	29,580	-	42,775
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	151,438	12	-	-	151,450
Restricted for:					
Emergencies	26	-	-	-	26
Court Awards and Other Purposes	491	30,174	-	2,038	32,703
Unrestricted	2,374	-	11,204	-	13,578
TOTAL NET ASSETS	$ 154,329	$ 30,186	$ 11,204	$ 2,038	$ 197,757

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS OTHER COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2008

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	RENEWABLE ENERGY AUTHORITY	TOTAL
OPERATING REVENUES:					
Fees	$ -	$ 23,793	$ -	$ -	$ 23,793
Investment Income (Loss)	-	-	(1,545)	38	(1,507)
Rental Income	638	-	-	-	638
Federal Grants and Contracts	-	1,528	-	-	1,528
Other	-	-	-	2,000	2,000
TOTAL OPERATING REVENUES	638	25,321	(1,545)	2,038	26,452
OPERATING EXPENSES:					
Operating and Travel	72	55,531	37	-	55,640
Depreciation and Amortization	3,945	10	-	-	3,955
TOTAL OPERATING EXPENSES	4,017	55,541	37	-	59,595
OPERATING INCOME (LOSS)	(3,379)	(30,220)	(1,582)	2,038	(33,143)
NONOPERATING REVENUES AND (EXPENSES):					
Taxes	147	-	-	-	147
Investment Income (Loss)	92	2,553	197	-	2,842
Gifts and Donations	-	4,978	4,462	-	9,440
Other Expenses	(625)	-	-	-	(625)
Other Revenues	747	11,923	-	-	12,670
TOTAL NONOPERATING REVENUES (EXPENSES)	361	19,454	4,659	-	24,474
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(3,018)	(10,766)	3,077	2,038	(8,669)
CHANGE IN NET ASSETS	(3,018)	(10,766)	3,077	2,038	(8,669)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	157,347	40,952	8,127	-	206,426
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 154,329	$ 30,186	$ 11,204	$ 2,038	$ 197,757

CAPITAL ASSETS

The following schedule presents the capital assets net of accumulated depreciation used in governmental activities by function and by department. The schedule includes the capital assets of the Internal Service Funds because those funds primarily sell to governmental activities. This treatment matches the presentation of the capital assets on the government-wide *Statement of Net Assets.* Except for the Internal Service Fund capital assets, the assets on this schedule are generally not reported on the fund-level financial statements.

SCHEDULE OF CAPITAL ASSETS
USED IN GOVERNMENTAL ACTIVITIES
INCLUDING INTERNAL SERVICE FUNDS
BY FUNCTION AND DEPARTMENT
JUNE 30, 2008

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ -	$ -	$ -
Legislature	-	30	-	-
Military Affairs	778	150	18,953	-
Personnel & Administration	5,684	2,689	67,067	-
Revenue	-	2,235	1,303	-
Subtotal	6,462	5,104	87,323	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	104	-	1,616	-
[1]GOV, GEO, OED	-	-	-	27
Labor and Employment	543	207	7,733	-
Local Affairs	-	107	1,359	-
Regulatory Agencies	-	-	-	-
Revenue	421	-	278	-
State	-	-	-	-
Subtotal	1,068	314	10,986	27
EDUCATION				
Education	155	89	7,717	1,255
Higher Education	1,842	1,294	7,176	8,868
Subtotal	1,997	1,383	14,893	10,123
HEALTH AND REHABILITATION				
Public Health and Environment	188	130	6,856	-
Human Services	3,068	3,731	29,141	-
Subtotal	3,256	3,861	35,997	-
JUSTICE				
Corrections	3,872	3,929	499,911	-
DHS, Division of Youth Services	75	1,492	96,059	-
Judicial	1,605	-	4,379	570
Law	-	-	-	-
Public Safety	1,394	42	20,506	-
Subtotal	6,946	5,463	620,855	570
NATURAL RESOURCES				
Natural Resources	95,766	39,789	32,815	-
SOCIAL ASSISTANCE				
Human Services	-	197	-	-
Military Affairs	36	2,231	2,331	-
Health Care Policy and Finance	-	-	-	-
Subtotal	36	2,428	2,331	-
TRANSPORTATION				
Transportation	15,087	-	80,716	-
TOTAL GENERAL FIXED ASSETS	$ 130,618	$ 58,342	$ 885,916	$ 10,720

[1]Governor's Office, Governor's Energy Office, and the Office of Economic Development and International Trade

VEHICLES AND EQUIPMENT	OTHER CAPITAL ASSETS	CONSTRUCTION IN PROGRESS	INFRASTRUCTURE	TOTALS
$ 16	$ -	$ -	$ -	$ 16
592	-	-	-	622
128	-	14,846	-	34,855
82,199	209	7,250	-	165,098
1,499	-	15,630	-	20,667
84,434	209	37,726	-	221,258
1,352	-	310	-	3,382
107	-	-	-	134
2,327	4,186	-	-	14,996
287	-	-	-	1,753
238	-	-	-	238
100	-	59	-	858
5,495	-	-	-	5,495
9,906	4,186	369	-	26,856
2,476	-	-	-	11,692
854	-	2,041	-	22,075
3,330	-	2,041	-	33,767
3,736	344	942	-	12,196
1,920	61	5,670	-	43,591
5,656	405	6,612	-	55,787
7,256	680	53,241	-	568,889
271	-	6,410	-	104,307
4,118	854	860	-	12,386
123	-	-	-	123
11,188	182	259	-	33,571
22,956	1,716	60,770	-	719,276
5,170	4,487	8,013	27,773	213,813
84,190	-	53,847	-	138,234
11	-	-	-	4,609
28	-	-	-	28
84,229	-	53,847	-	142,871
102,312	-	203,146	10,759,006	11,160,267
$ 317,993	$ 11,003	$ 372,524	$ 10,786,779	$ 12,573,895

OTHER FUNDS DETAIL

In the combined and combining statements several fund categories show a column titled "Other". The schedule on the following pages provides a summary of assets, liabilities, and net assets of the individually significant funds that comprise the columns titled "Other". Most of the funds shown in the schedule are Special Revenue Funds that are statutorily authorized.

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2008

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
OTHER PERMANENT FUNDS				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	$ 6,044	$ -	$ 6,044
Wildlife for Future Generations (Expendable)	33-1-112	1,123	9	1,114
Other Permanent-Nonexpendable	Various	748	-	748
Veterans Monument Preservation	24-80-1401	57	4	53
Hall Historical Marker-Nonexpendable	24-80-209	9	-	9
Total Other Permanent Funds		$ 7,981	$ 13	$ 7,968
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	685	-	685
Brand Estray Fund	35-41-102	222	-	222
Americans with Disabilities Act Contractor Settlement	24-34-301	151	6	145
Colorado Combined Campaign Administration	Restricted	88	69	19
Early Intervention Services	27-10.5-706	1,756	1,753	3
Total Other Private Purpose Funds		$ 2,902	$ 1,828	$ 1,074
OTHER ENTERPRISE FUNDS				
Capitol Parking Fund	None	15,801	8,220	7,581
Statewide Tolling Special Revenue	43-4-804(1)	2,353	115	2,238
Statewide Tolling Operating	43-4-805	1,959	12	1,947
Buildings and Grounds Rentals	None	2,101	181	1,920
Brand Inspection Fund	35-41-102	7,118	5,807	1,311
Business Enterprise Program	None	901	187	714
Enterprise Services	24-80-209	251	119	132
Clean Screen Authority	42-3-304(19)	379	328	51
Work Therapy	None	72	50	22
Conference & Training	None	20	-	20
Other Enterprise Funds	Various	10	-	10
Total Other Enterprise Funds		$ 30,965	$ 15,019	$ 15,946
OTHER SPECIAL REVENUE FUNDS				
Travel and Tourism Promotion	24-49.7-106	28,373	4,378	23,995
Aviation Fund	43-10-109	24,528	7,530	16,998
Federal Tax Relief Act - 2003	Restricted	16,761	56	16,705
Clean Energy Fund	24-75-1201(1)	14,504	451	14,053
Help America Vote Fund	HAVA 2002	15,103	2,336	12,767
Gear Up Scholarship Trust Fund	Restricted	12,616	-	12,616
Victims Assistance	24-4.2-104	11,610	28	11,582
Supreme Court Committee	Court Rule 227	14,839	3,338	11,501
Offender Services	16-11-214	8,387	21	8,366
Species Conservation-Capital Account	24-33-111(2)	8,334	-	8,334
Species Conservation-Oper. & Main. Account	24-33-111(2)	7,996	-	7,996
Economic Development Fund	24-46-105	7,973	123	7,850
Victims Compensation	24-4.1-124	6,287	15	6,272
Operating Vouchers	None	5,777	232	5,545
Consumer Protection - Custodial Funds	6-1-103	5,244	-	5,244
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Secretary of State Fees	24-21-104	7,815	3,310	4,505
Cumulative Surplus-HUD Section 8 Voucher	29-4-708(K)	4,440	143	4,297
Judicial Stabilization Cash Fund	13-32-101	4,062	-	4,062
Housing Rehabilitation Revolving Loans	29-4-728	3,809	419	3,390
Other Expendable Trusts	Various	12,387	9,224	3,163
Traumatic Brain Injury Fund	26-1-210(1)	3,334	207	3,127
Collaborative Management Incentive	24-1.9-104(1)	3,084	-	3,084
Drug Offender Surcharge Fund	18-19-103(4)	3,427	562	2,865
Excess Title IV-E Reimbursemnt	26-1-111(2)D	5,031	2,499	2,532

(continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2008

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Court Security Cash Fund	13-1-204(1)	2,596	222	2,374
Criminal Alien Assistance Cash Fund	17-1-107.5	2,139	-	2,139
Disaster Emergency Fund	24-32-2106	2,477	385	2,092
Patient Benefit Fund	None	2,094	32	2,062
Inspection & Consumer Service Cash Fund	35-1-106.5	2,609	739	1,870
Real Estate Proceeds	28-3-106	1,811	1	1,810
Victims Assistance Fund	24-33.5-506	1,898	116	1,782
Texaco Oil Overcharge Fund	None	1,768	49	1,719
Division of Registrations Cash Fund	24-34-105	15,416	13,718	1,698
Alternative Fuels Rebate	39-33-105	1,675	-	1,675
Advance Technology Fund	25-16.5-105	1,735	89	1,646
Transportation Renovation	43-1-210 6(B)	1,646	-	1,646
Judicial Performance Cash Fund	13-5.5-107	1,602	16	1,586
State Rail Bank Fund	43-1-1309	10,900	9,356	1,544
Ballot Information Publication & Distribution Fund	1-40-124.5	1,538	-	1,538
Law Examiner Board Fund	Court Rule 201	1,529	28	1,501
Building Regulation Fund	24-32-3309	1,562	76	1,486
Waste Tire Recycling Fund	25-17-202(3)	1,784	355	1,429
Uniform Consumer Credit Code Custodial Funds	Restricted	1,330	-	1,330
Travel and Tourism Additional Fund	24-49.7-106	1,492	263	1,229
Library Trust Fund	24-90-105	1,150	2	1,148
Mortgage Broker Registration Fund	12-61-908(2)	1,167	31	1,136
Donations	25-1-107(U)	5,486	4,378	1,108
Small Business Loan Investment and Development	36-1-153(1)	1,167	98	1,069
Stripper Well Settlement	None	1,136	73	1,063
Persistent Drunk Driver	42-3-130.5	1,215	203	1,012
Exxon Oil Overcharge Funds	None	972	-	972
Continuing Legal Education Fund	Court Rule 260	892	18	874
Colorado Comprehensive Health Education Fund	22-25-109	816	-	816
Howard Fund	26-8-104(1)C	788	-	788
Alcohol/Drug Driving Safety	42-4-1301.3	747	-	747
State Patrol Contraband	24-33.5-225	742	-	742
Public Safety Inspection	8-1-151	735	-	735
Agriculture Value-Added Fund	35-75-205	744	33	711
Fixed Utilities	40-2-114	1,347	671	676
Public School Transportation	22-51-103(1)	785	117	668
Notary Administration Cash Fund	12-55-102.5	698	69	629
Online Education Cash Fund	22-30.7-107	626	25	601
Educator Licensure Cash Fund	22-60.5-112	680	106	574
Liquor Law Enforcement	24-35-401	687	132	555
Division of Securities Cash Fund	11-51-707	1,433	887	546
Controlled Maintenance Trust (Nonexpendable)	24-75-302.5	1,278	744	534
Abandoned Mine Reclamation	34-34-102(1)	531	9	522
Historical Society Unrestricted	24-80-209	516	-	516
EPA - Settlement Projects	Restricted	498	-	498
Motor Carrier Identification Fees	40-2-110.5	596	111	485
Public Deposit Administration	11-10.5-112	738	267	471
Attorney's Fees and Costs	24-31-108(2)	430	-	430
Identity Theft Financial Fraud	24-33.5-1707	462	38	424
Colorado Dealer License Board	12-6-123	573	164	409
Colorado Family Support Loan	27-10.5-502	399	-	399
Legislative Legal Expenses Fund	2-3-1002(1)	539	160	379
Older Coloradans Cash Fund	26-11-205.5	1,282	917	365
Pesticide Registration Fund	35-9-126	995	633	362
Drug Offender Treatment Fund	18-19-103	350	-	350
Family-Friendly Court Program	13-3-113(6)	370	36	334
Organ & Tissue Donation Awareness	42-2-107(4)	332	-	332
Home Grant Revolving Loan Fund	None	328	-	328

(continued)

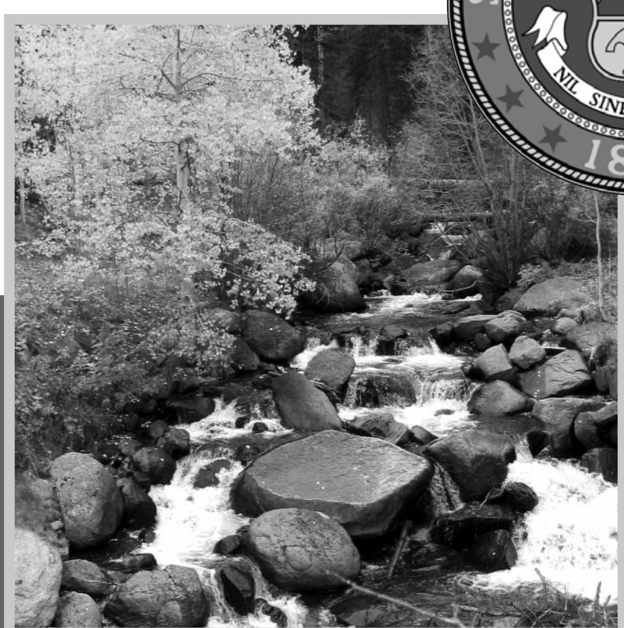
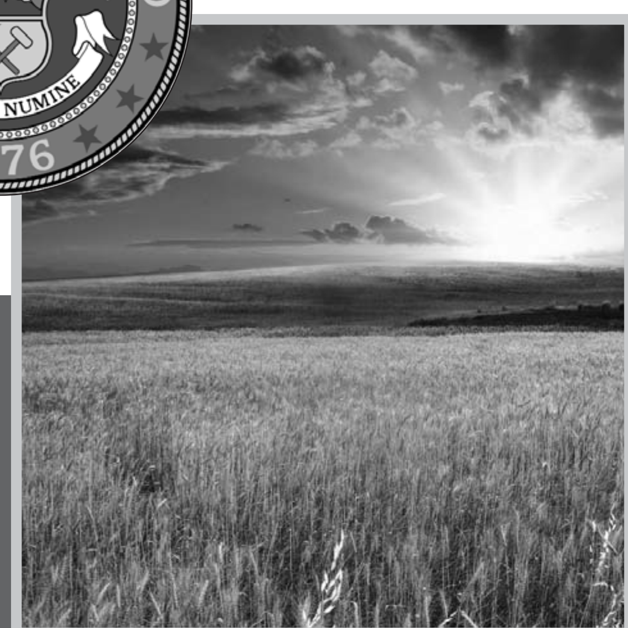
COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2008

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Colorado Heritage Communities Fund	24-32-3207	399	75	324
Sales And Use Tax Holding Fund	39-26-123(2)	58,950	58,635	315
Conservation Trust Fund	24-35-210(10)	11,250	10,937	313
Violent Offender Identification Fund	24-33.5-415.6	303	-	303
Racing Cash Fund	12-60-205	481	184	297
Mandatory Fruit & Vegetable Inspection Fund	35-23-114	576	280	296
Charter School Institute Fund	22-30.5-506	1,298	1,004	294
Western Slope Military Veterans Cemetery	28-5-708	298	9	289
Public School Energy Efficiciency	39-29-109.5	349	62	287
Colorado Bureau of Investigation Contraband	24-33.5-415	253	-	253
Ground Water Protection	25-8-205.5(8)	600	370	230
Diamond Shamrock Settlement	None	226	-	226
Diseased Livestock Fund	35-50-140.5	219	-	219
Vickers Oil Overcharge Funds	Executive Order 56	205	-	205
Child Welfare Action Committee	26-1-135(2)A	200	-	200
Cervidae Disease Fund	35-50-114.5	194	-	194
Start Smart Nutrition Program	22-82.7-105	237	59	178
Low Income Telephone Assistance	40-3.4-108(2)	170	5	165
Food Distribution Program Service	26-1-121(4B)	190	33	157
Disabled Telephone Users Fund	40-17-104	607	451	156
Property Tax Exemption Fund	39-2-117(3)	214	58	156
Domestic Abuse Program	39-22-802	209	56	153
Pet Animal Care and Facility	35-80-116	465	314	151
Highway Crossing	43-4-201	180	30	150
122 Funds with Net Assets Below $150,000		13,139	9,906	3,233
Total Other Special Revenue Funds		$ 425,764	$ 152,707	$ 273,057

Statistical Section



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

	GOVERNMENTAL		
	2007-08	2006-07	2005-06
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 2,632,601	$ 2,455,425	$ 2,334,948
Investments	565	998	12,637
Taxes Receivable, net	946,077	956,149	845,241
Other Receivables, net	188,347	153,218	153,916
Due From Other Governments	355,519	280,637	264,688
Internal Balances	14,545	13,756	26,313
Due From Component Units	63	65	56
Inventories	16,703	14,053	14,906
Prepaids, Advances, and Deferred Charges	23,790	28,527	28,735
Total Current Assets	4,178,210	3,902,828	3,681,440
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	2,061,543	1,689,703	1,349,184
Restricted Investments	620,325	552,211	491,780
Restricted Receivables	187,018	279,140	335,774
Investments	96,743	80,695	48,173
Other Long-Term Assets	442,911	425,886	395,612
Depreciable Capital Assets and Infrastructure, net	2,282,645	1,288,308	1,322,945
Land and Nondepreciable Infrastructure	10,291,250	11,799,975	11,649,792
Total Noncurrent Assets	15,982,435	16,115,918	15,593,260
TOTAL ASSETS	20,160,645	20,018,746	19,274,700
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	561,117	486,576	457,124
Accounts Payable and Accrued Liabilities	837,311	694,602	633,685
TABOR Refund Liability (Note 8B)	706	727	2,917
Due To Other Governments	183,696	176,864	247,548
Due to Component Units	-	-	-
Deferred Revenue	97,174	65,389	66,290
Accrued Compensated Absences	9,776	9,533	9,437
Claims and Judgments Payable	37,775	40,948	49,415
Leases Payable	6,002	2,807	1,461
Notes, Bonds, COP's Payable	574,150	427,250	526,235
Other Current Liabilities	11,794	9,615	10,318
Total Current Liabilities	2,319,501	1,944,311	2,004,430
Noncurrent Liabilities:			
Deposits Held In Custody For Others	16	17	17
Accrued Compensated Absences	128,760	116,262	112,860
Claims and Judgments Payable	335,636	295,874	343,452
Capital Lease Obligations	54,029	27,649	16,021
Capital Lease Payable to Component Units	-	-	-
Notes, Bonds, COP's Payable	1,274,720	1,390,671	1,503,686
Due to Component Units	-	-	-
Other Postemployment Benefits	-	-	-
Other Long-Term Liabilities	217,793	206,972	210,369
Total Noncurrent Liabilities	2,010,954	2,037,445	2,186,405
TOTAL LIABILITIES	4,330,455	3,981,756	4,190,835
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	11,348,995	11,804,908	11,662,529
Restricted for:			
Highway Construction and Maintenance	1,350,485	1,196,903	824,698
State Education	353,149	225,818	153,043
Unemployment Insurance	-	-	-
Debt Service	558	558	580
Emergencies	93,000	85,760	79,800
Permanent Funds and Endowments:			
Expendable	2,333	1,782	1,642
Nonexpendable	587,733	515,997	460,473
Court Awards and Other Purposes	231,532	299,777	198,996
Unrestricted	1,862,405	1,905,487	1,702,104
TOTAL NET ASSETS	$15,830,190	$16,036,990	$15,083,865

(Continued)

ACTIVITIES

2004-05	2003-04	2002-03	2001-02
$ 1,944,751	$ 1,387,469	$ 712,256	$ 571,293
10,440	10,209	-	-
731,647	738,769	758,887	809,839
146,906	143,717	104,475	125,181
307,704	282,252	515,860	378,906
18,122	22,070	(98,203)	20,287
110	-	-	-
18,266	16,696	17,580	16,895
23,700	29,628	27,413	99,893
3,201,646	2,630,810	2,038,268	2,022,294
1,199,258	1,360,083	1,236,865	1,306,432
465,819	408,790	571,970	-
311,462	347,245	-	-
24,162	4,055	152,495	1,142,818
356,325	325,376	332,964	244,499
1,348,957	1,208,235	1,191,785	1,138,996
11,613,109	11,583,157	11,032,850	10,827,222
15,319,092	15,236,941	14,518,929	14,659,967
18,520,738	17,867,751	16,557,197	16,682,261
476,445	425,610	431,132	384,040
679,425	687,136	684,956	569,102
41,064	-	-	48,920
192,611	172,239	151,989	172,691
-	-	-	-
73,609	84,431	114,149	84,906
7,900	7,992	7,394	6,123
38,738	12,084	14,743	35,576
3,403	2,821	3,492	1,298
628,395	419,778	21,125	19,530
25,092	37,152	33,987	37,050
2,166,682	1,849,243	1,462,967	1,359,236
16	10	8	12
111,418	112,104	113,548	112,027
430,978	29,200	29,200	-
18,905	13,219	5,054	2,175
-	-	-	-
1,467,924	1,540,053	1,309,153	1,328,072
-	-	-	-
-	-	-	-
198,520	516,756	501,390	263,034
2,227,761	2,211,342	1,958,353	1,705,320
4,394,443	4,060,585	3,421,320	3,064,556
11,771,877	11,747,276	11,444,442	10,633,044
679,440	559,450	509,354	1,376,522
123,867	147,286	218,545	303,827
-	-	-	-
3,298	7,965	5,241	6,495
71,000	172,202	150,762	81,917
1,953	1,297	986	810
433,538	392,542	378,369	356,004
141,933	134,658	95,135	16,006
899,389	644,490	333,043	843,080
$14,126,295	$13,807,166	$13,135,877	$13,617,705

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

	BUSINESS-TYPE		
	2007-08	2006-07	2005-06
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 1,555,782	$ 1,430,836	$ 1,188,953
Investments	272,804	326,087	328,466
Taxes Receivable, net	82,431	81,745	105,973
Other Receivables, net	239,790	219,488	209,497
Due From Other Governments	125,894	126,391	99,040
Internal Balances	(14,545)	(13,756)	(26,313)
Due From Component Units	16,348	15,334	11,141
Inventories	42,271	38,000	35,747
Prepaids, Advances, and Deferred Charges	17,055	15,751	13,148
Total Current Assets	2,337,830	2,239,876	1,965,652
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	446,681	149,811	187,895
Restricted Investments	259,115	555,310	424,826
Restricted Receivables	1,716,722	1,408,588	1,173,312
Investments	1,008,382	972,922	887,302
Other Long-Term Assets	119,650	112,693	108,606
Depreciable Capital Assets and Infrastructure, net	3,464,979	2,851,692	2,718,135
Land and Nondepreciable Infrastructure	576,755	835,182	561,525
Total Noncurrent Assets	7,592,284	6,886,198	6,061,601
TOTAL ASSETS	9,930,114	9,126,074	8,027,253
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	-
Accounts Payable and Accrued Liabilities	467,741	413,788	380,194
TABOR Refund Liability (Note 8B)	-	-	-
Due To Other Governments	26,885	38,501	30,749
Due to Component Units	1,112	273	1,067
Deferred Revenue	190,528	183,805	171,411
Accrued Compensated Absences	12,745	12,578	14,284
Claims and Judgments Payable	7,398	11,717	7,430
Leases Payable	5,976	4,950	4,851
Notes, Bonds, COP's Payable	75,567	62,998	83,271
Other Current Liabilities	208,542	126,574	94,214
Total Current Liabilities	996,494	855,184	787,471
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	-
Accrued Compensated Absences	166,402	153,320	136,837
Claims and Judgments Payable	28,482	28,220	48,396
Capital Lease Obligations	83,113	63,671	55,873
Capital Lease Payable to Component Units	4,285	-	-
Notes, Bonds, COP's Payable	3,466,484	3,100,764	2,488,738
Due to Component Units	1,233	-	-
Other Postemployment Benefits	15,775	-	-
Other Long-Term Liabilities	40,756	54,097	53,138
Total Noncurrent Liabilities	3,806,530	3,400,072	2,782,982
TOTAL LIABILITIES	4,803,024	4,255,256	3,570,453
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	2,411,662	2,256,929	2,256,602
Restricted for:			
Highway Construction and Maintenance	-	-	-
State Education	-	-	-
Unemployment Insurance	765,533	675,574	548,780
Debt Service	180,409	125,656	105,348
Emergencies	33,716	37,472	29,883
Permanent Funds and Endowments:			
Expendable	9,592	5,313	4,757
Nonexpendable	74,479	97,821	82,698
Court Awards and Other Purposes	491,492	411,112	364,310
Unrestricted	1,160,207	1,260,941	1,064,422
TOTAL NET ASSETS	$ 5,127,090	$ 4,870,818	$ 4,456,800

(Continued)

ACTIVITIES

2004-05	2003-04	2002-03	2001-02
$ 872,618	$ 678,233	$ 754,879	$ 1,193,338
670,346	182,572	-	-
103,598	92,485	46,597	36,237
206,946	180,707	219,048	884,919
95,170	86,355	98,017	74,061
(18,122)	(22,070)	98,203	(20,287)
9,294	5,406	-	
34,797	33,065	33,861	35,315
13,723	18,396	19,138	22,441
1,988,370	1,255,149	1,269,743	2,226,024
160,283	121,764	114,642	40,136
453,876	243,390	114,292	140,074
1,015,134	889,108	-	-
225,329	577,619	888,232	663,412
119,359	99,358	832,622	74,237
2,719,778	2,623,814	2,259,846	1,899,066
403,037	371,552	520,085	651,292
5,096,796	4,926,605	4,729,719	3,468,217
7,085,166	6,181,754	5,999,462	5,694,241
-	-	-	-
350,347	334,136	332,990	188,839
-	-	-	-
38,472	37,120	26,570	45,626
1,607	703	-	-
145,432	131,496	138,313	138,382
14,103	9,719	10,582	8,526
8,233	-	-	-
6,039	5,537	5,283	3,840
85,672	80,127	60,105	97,064
107,228	107,611	92,272	89,335
757,133	706,449	666,115	571,612
-	-	-	-
131,883	128,635	124,853	121,127
20,019	-	-	-
84,101	80,994	80,636	43,382
-	-	-	-
2,062,837	1,578,762	1,546,903	1,199,426
-	-	-	-
-	-	-	-
52,022	70,174	76,251	144,027
2,350,862	1,858,565	1,828,643	1,507,962
3,107,995	2,565,014	2,494,758	2,079,574
2,238,068	2,195,837	2,142,940	2,045,202
-	-	-	-
-	-	-	-
321,725	200,311	322,423	653,690
122,290	103,602	2,048	2,295
27,247	39,277	32,881	38,813
16,483	17,449	17,746	47,015
76,460	49,659	46,851	49,200
303,714	297,765	189,466	198,696
871,184	712,840	750,349	579,756
$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

	TOTAL		
	2007-08	2006-07	2005-06
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 4,188,383	$ 3,886,261	$ 3,523,901
Investments	273,369	327,085	341,103
Taxes Receivable, net	1,028,508	1,037,894	951,214
Other Receivables, net	428,137	372,706	363,413
Due From Other Governments	481,413	407,028	363,728
Internal Balances	-	-	-
Due From Component Units	16,411	15,399	11,197
Inventories	58,974	52,053	50,653
Prepaids, Advances, and Deferred Charges	40,845	44,278	41,883
Total Current Assets	6,516,040	6,142,704	5,647,092
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	2,508,224	1,839,514	1,537,079
Restricted Investments	879,440	1,107,521	916,606
Restricted Receivables	1,903,740	1,687,728	1,509,086
Investments	1,105,125	1,053,617	935,475
Other Long-Term Assets	562,561	538,579	504,218
Depreciable Capital Assets and Infrastructure, net	5,747,624	4,140,000	4,041,080
Land and Nondepreciable Infrastructure	10,868,005	12,635,157	12,211,317
Total Noncurrent Assets	23,574,719	23,002,116	21,654,861
TOTAL ASSETS	30,090,759	29,144,820	27,301,953
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	561,117	486,576	457,124
Accounts Payable and Accrued Liabilities	1,305,052	1,108,390	1,013,879
TABOR Refund Liability (Note 8B)	706	727	2,917
Due To Other Governments	210,581	215,365	278,297
Due to Component Units	1,112	273	1,067
Deferred Revenue	287,702	249,194	237,701
Accrued Compensated Absences	22,521	22,111	23,721
Claims and Judgments Payable	45,173	52,665	56,845
Leases Payable	11,978	7,757	6,312
Notes, Bonds, COP's Payable	649,717	520,248	609,506
Other Current Liabilities	220,336	136,189	104,532
Total Current Liabilities	3,315,995	2,799,495	2,791,901
Noncurrent Liabilities:			
Deposits Held In Custody For Others	16	17	17
Accrued Compensated Absences	295,162	269,582	249,697
Claims and Judgments Payable	364,118	324,094	391,848
Capital Lease Obligations	137,142	91,320	71,894
Capital Lease Payable to Component Units	4,285	-	-
Notes, Bonds, COP's Payable	4,741,204	4,491,435	3,992,424
Due to Component Units	1,233	-	-
Other Postemployment Benefits	15,775	-	-
Other Long-Term Liabilities	258,549	261,069	263,507
Total Noncurrent Liabilities	5,817,484	5,437,517	4,969,387
TOTAL LIABILITIES	9,133,479	8,237,012	7,761,288
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	13,760,657	14,061,837	13,919,131
Restricted for:			
Highway Construction and Maintenance	1,350,485	1,196,903	824,698
State Education	353,149	225,818	153,043
Unemployment Insurance	765,533	675,574	548,780
Debt Service	180,967	126,214	105,928
Emergencies	126,716	123,232	109,683
Permanent Funds and Endowments:			
Expendable	11,925	7,095	6,399
Nonexpendable	662,212	613,818	543,171
Court Awards and Other Purposes	723,024	710,889	563,306
Unrestricted	3,022,612	3,166,428	2,766,526
TOTAL NET ASSETS	$20,957,280	$20,907,808	$19,540,665

PRIMARY GOVERNMENT

2004-05	2003-04	2002-03	2001-02
$ 2,817,369	$ 2,065,702	$ 1,467,135	$ 1,764,631
680,786	192,781	-	-
835,245	831,254	805,484	846,076
353,852	324,424	323,523	1,010,100
402,874	368,607	613,877	452,967
-	-	-	-
9,404	5,406	-	-
53,063	49,761	51,441	52,210
37,423	48,024	46,551	122,334
5,190,016	3,885,959	3,308,011	4,248,318
1,359,541	1,481,847	1,351,507	1,346,568
919,695	652,180	686,262	140,074
1,326,596	1,236,353	-	-
249,491	581,674	1,040,727	1,806,230
475,684	424,734	1,165,586	318,736
4,068,735	3,832,049	3,451,631	3,038,062
12,016,146	11,954,709	11,552,935	11,478,514
20,415,888	20,163,546	19,248,648	18,128,184
25,605,904	24,049,505	22,556,659	22,376,502
476,445	425,610	431,132	384,040
1,029,772	1,021,272	1,017,946	757,941
41,064	-	-	48,920
231,083	209,359	178,559	218,317
1,607	703	-	-
219,041	215,927	252,462	223,288
22,003	17,711	17,976	14,649
46,971	12,084	14,743	35,576
9,442	8,358	8,775	5,138
714,067	499,905	81,230	116,594
132,320	144,763	126,259	126,385
2,923,815	2,555,692	2,129,082	1,930,848
16	10	8	12
243,301	240,739	238,401	233,154
450,997	29,200	29,200	-
103,006	94,213	85,690	45,557
-	-	-	-
3,530,761	3,118,815	2,856,056	2,527,498
-	-	-	-
-	-	-	-
250,542	586,930	577,641	407,061
4,578,623	4,069,907	3,786,996	3,213,282
7,502,438	6,625,599	5,916,078	5,144,130
14,009,945	13,943,113	13,587,382	12,678,246
679,440	559,450	509,354	1,376,522
123,867	147,286	218,545	303,827
321,725	200,311	322,423	653,690
125,588	111,567	7,289	8,790
98,247	211,479	183,643	120,730
18,436	18,746	18,732	47,825
509,998	442,201	425,220	405,204
445,647	432,423	284,601	214,702
1,770,573	1,357,330	1,083,392	1,422,836
$18,103,466	$17,423,906	$16,640,581	$17,232,372

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

			GOVERNMENTAL
Functions/Programs	2007-08	2006-07	2005-06
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 374,521	$ 352,819	$ 339,779
Service Fees	132,822	129,980	123,392
Education - Tuition, Fees, and Sales	-	-	-
Fines and Forfeits	155,692	126,612	121,859
Rents and Royalties	78,889	68,270	68,920
Sales of Products	4,592	3,703	3,100
Unemployment Surcharge	21,512	22,346	22,399
Other	57,622	64,964	79,810
Operating Grants and Contributions	4,222,670	4,122,360	3,909,382
Capital Grants and Contributions	439,693	414,602	447,283
TOTAL PROGRAM REVENUES	5,488,013	5,305,656	5,115,924
EXPENSES:			
General Government	55,789	163,412	164,276
Business, Community, and Consumer Affairs	667,381	565,769	449,411
Education	5,017,551	4,771,218	4,394,236
Health and Rehabilitation	603,296	560,153	524,736
Justice	1,436,009	1,313,767	1,197,334
Natural Resources	131,658	138,457	112,753
Social Assistance	4,822,437	4,496,696	4,348,466
Transportation	1,459,295	1,213,138	1,205,556
Payments to School Districts	-	-	- [1]
Payments to Other Governments	-	-	- [1]
Interest on Debt	37,567	42,269	31,969
Higher Education Institutions	-	-	-
Unemployment Insurance	-	-	-
CollegeInvest	-	-	-
Lottery	-	-	-
Wildlife	-	-	-
College Assist	-	-	-
Other Business-Type Activities	-	-	-
TOTAL EXPENSES	14,230,983	13,264,879	12,428,737
NET (EXPENSE) REVENUE	(8,742,970)	(7,959,223)	(7,312,813)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Taxes:			
Sales and Use Taxes	2,357,807	2,244,000	2,148,981
Excise Taxes	257,908	261,711	266,747
Individual Income Tax	4,591,481	4,508,845	4,044,581
Corporate Income Tax	461,390	470,853	422,656
Other Taxes	510,442	484,408	568,184
Restricted Taxes	986,274	946,757	922,872
Unrestricted Investment Earnings	42,478	43,638	35,372
Other General Revenues	113,603	84,328	84,335
Special and/or Extraordinary Item	(6,843)	(25,915)	(13,534)
Transfers (Out) In	(77,732)	(98,926)	(80,894) [2]
Internal Capital Contributions	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	9,236,808	8,919,699	8,399,300
TOTAL CHANGES IN NET ASSETS	493,838	960,476	1,086,487
NET ASSETS - BEGINNING	16,036,990	15,083,865	14,126,295
Prior Period Adjustment	(393,912)	(7,351)	(128,917)
Accounting Changes	(306,726)	-	-
NET ASSETS - ENDING	$15,830,190	$16,036,990	$15,083,865

[1] – In Fiscal Year 2005-06, the state began to report Payments to School Districts and Other Governments in the functional area that made the payment.

[2] – In Fiscal Year 2005-06, the state changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.

(Continued)

ACTIVITIES

2004-05	2003-04	2002-03	2001-02
$ 357,241	$ 353,628	$ 327,134	$ 310,343
128,101	132,644	117,253	105,932
-	-	-	-
117,666	109,341	99,654	87,994
61,524	45,340	32,314	31,673
2,841	3,164	2,296	3,001
21,524	20,112	19,500	19,630
54,254	55,216	47,264	72,996
3,684,878	3,601,808	3,552,745	3,166,623
409,458	487,442	410,070	352,125
4,837,487	4,808,695	4,608,230	4,150,317
141,320	161,588	244,062	210,837
367,553	343,589	327,935	253,054
194,723	173,823	194,436	285,636
475,668	477,572	475,405	471,198
1,026,282	936,374	971,227	957,320
62,638	81,114	103,888	103,801
3,016,668	2,954,217	2,830,164	2,608,748
919,388	746,153	890,081	750,759
3,283,590	3,131,486	2,946,679	2,689,452
1,848,922	1,674,416	1,687,006	1,596,066
26,925	9,625	16,219	16,750
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
11,363,677	10,689,957	10,687,102	9,943,621
(6,526,190)	(5,881,262)	(6,078,872)	(5,793,304)
1,980,785	1,920,934	1,829,380	1,881,162
182,726	112,741	86,048	91,761
3,450,493	3,253,027	2,996,597	3,168,499
291,583	220,236	205,569	172,257
491,214	465,826	371,089	363,190
868,251	835,680	731,138	818,234
29,736	16,534	16,577	37,236
95,912	99,200	146,516	122,527
(1,112)	-	-	(21,000)
(545,175)	(546,580)	(634,674)	(662,141)
(431)	(20)	(22,855)	25
6,843,982	6,377,578	5,725,385	5,971,750
317,792	496,316	(353,487)	178,446
13,807,166	13,135,877	13,617,705	5,457,647
1,337	174,973	(128,341)	(172,615)
-	-	-	8,154,227
$14,126,295	$13,807,166	$13,135,877	$13,617,705

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

	BUSINESS-TYPE		
Functions/Programs	2007-08	2006-07	2005-06
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 84,395	$ 84,302	$ 75,388
Service Fees	667,504	575,555	536,261 [2]
Education - Tuition, Fees, and Sales	1,867,806	1,734,996	1,622,045 [2]
Fines and Forfeits	999	1,174	729
Rents and Royalties	32,399	26,271	28,765
Sales of Products	579,935	520,838	522,715
Unemployment Surcharge	398,046	403,641	504,039
Other	165,804	140,376	162,045
Operating Grants and Contributions	1,728,669	1,685,417	1,466,045
Capital Grants and Contributions	9,426	22,263	16,856
TOTAL PROGRAM REVENUES	5,534,983	5,194,833	4,934,888
EXPENSES:			
General Government	-	-	-
Business, Community, and Consumer Affairs	-	-	-
Education	-	-	-
Health and Rehabilitation	-	-	-
Justice	-	-	-
Natural Resources	-	-	-
Social Assistance	-	-	-
Transportation	-	-	-
Payments to School Districts	-	-	-
Payments to Other Governments	-	-	-
Interest on Debt	-	-	-
Higher Education Institutions	3,865,244	3,661,270	3,446,716
Unemployment Insurance	354,967	316,577	305,447
CollegeInvest	116,286	96,720	73,745
Lottery	447,101	401,969	402,391
Wildlife	109,800	96,515	91,221 [3]
College Assist	326,080	199,677	115,200 [3]
Other Business-Type Activities	173,928	163,727	138,773
TOTAL EXPENSES	5,393,406	4,936,455	4,573,493
NET (EXPENSE) REVENUE	141,577	258,379	361,395
GENERAL REVENUES AND			
OTHER CHANGES IN NET ASSETS:			
Taxes:			
Sales and Use Taxes	-	-	-
Excise Taxes	-	-	-
Individual Income Tax	-	-	-
Corporate Income Tax	-	-	-
Other Taxes	36,963	39,446	34,728
Restricted Taxes	-	-	-
Unrestricted Investment Earnings	-	-	-
Other General Revenues	-	-	-
Special and/or Extraordinary Item	-	-	(707)
Transfers (Out) In	77,732	98,926	80,894 [2]
Internal Capital Contributions	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	114,695	138,372	114,915
TOTAL CHANGES IN NET ASSETS	256,272	396,751	476,310
NET ASSETS - BEGINNING	4,870,818	4,456,800	3,977,171
Prior Period Adjustment	-	17,267	3,319
Accounting Changes	-	-	-
NET ASSETS - ENDING	$ 5,127,090	$ 4,870,818	$ 4,456,800

[2] – In Fiscal Year 2005-06, the state changed the funding method for Higher Education Institutions and amounts previously reported as transfers are now reported as service fees and tuition.
[3] – In Fiscal Year 2005-06, the state segregated the Wildlife and College Assist enterprise funds out of the Other Business-Type Activities.

(Continued)

ACTIVITIES

2004-05	2003-04	2002-03	2001-02
$ 64,864	$ 66,196	$ 59,426	$ 57,546
273,541	242,809	188,614	153,983
1,294,488	1,227,187	1,143,890	1,062,083
596	554	1,025	1,379
21,527	44,783	16,576	21,084
467,088	449,910	440,902	459,317
462,416	338,063	190,461	153,024
120,145	117,682	130,239	255,970
1,403,928	1,344,191	1,398,401	1,176,005
16,667	73,952	28,662	47,202
4,125,260	3,905,327	3,598,196	3,387,593
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
3,294,154	3,128,126	3,108,493	2,942,776
352,712	591,789	742,745	583,508
54,453	37,355	45,213	41,351
367,474	354,159	341,907	349,955
-	-	-	-
-	-	-	-
267,408	246,988	253,633	229,773
4,336,201	4,358,417	4,491,991	4,147,363
(210,941)	(453,090)	(893,795)	(759,770)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
545,175	546,580	634,674	662,141
10,303	15,330	76,210	151,465
555,478	561,910	710,884	813,606
344,537	108,820	(182,911)	53,836
3,616,740	3,504,704	3,614,667	4,887,925
15,894	3,216	72,948	95,811
-	-	-	(1,422,905)
$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

	TOTAL		
Functions/Programs	2007-08	2006-07	2005-06
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 458,916	$ 437,121	$ 415,167
Service Fees	800,326	705,535	659,653
Education - Tuition, Fees, and Sales	1,867,806	1,734,997	1,622,045
Fines and Forfeits	156,691	127,786	122,588
Rents and Royalties	111,288	94,541	97,685
Sales of Products	584,527	524,541	525,815
Unemployment Surcharge	419,558	425,987	526,438
Other	223,426	205,340	241,855
Operating Grants and Contributions	5,951,339	5,807,777	5,375,427
Capital Grants and Contributions	449,119	436,865	464,139
TOTAL PROGRAM REVENUES	11,022,996	10,500,490	10,050,812
EXPENSES:			
General Government	55,789	163,412	164,276
Business, Community, and Consumer Affairs	667,381	565,769	449,411
Education	5,017,551	4,771,218	4,394,236
Health and Rehabilitation	603,296	560,153	524,736
Justice	1,436,009	1,313,767	1,197,334
Natural Resources	131,658	138,457	112,753
Social Assistance	4,822,437	4,496,696	4,348,466
Transportation	1,459,295	1,213,138	1,205,556
Payments to School Districts	-	-	-
Payments to Other Governments	-	-	-
Interest on Debt	37,567	42,269	31,969
Higher Education Institutions	3,865,244	3,661,270	3,446,716
Unemployment Insurance	354,967	316,577	305,447
CollegeInvest	116,286	96,720	73,745
Lottery	447,101	401,969	402,391
Wildlife	109,800	96,515	91,221
College Assist	326,080	199,677	115,200
Other Business-Type Activities	173,928	163,727	138,773
TOTAL EXPENSES	19,624,389	18,201,334	17,002,230
NET (EXPENSE) REVENUE	(8,601,393)	(7,700,844)	(6,951,418)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Taxes:			
Sales and Use Taxes	2,357,807	2,244,000	2,148,981
Excise Taxes	257,908	261,711	266,747
Individual Income Tax	4,591,481	4,508,845	4,044,581
Corporate Income Tax	461,390	470,853	422,656
Other Taxes	547,405	523,854	602,912
Restricted Taxes	986,274	946,757	922,872
Unrestricted Investment Earnings	42,478	43,638	35,372
Other General Revenues	113,603	84,328	84,335
Special and/or Extraordinary Item	(6,843)	(25,915)	(14,241)
Transfers (Out) In	-	-	-
Internal Capital Contributions	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	9,351,503	9,058,071	8,514,215
TOTAL CHANGES IN NET ASSETS	750,110	1,357,227	1,562,797
NET ASSETS - BEGINNING	20,907,808	19,540,665	18,103,466
Prior Period Adjustment	(393,912)	9,916	(125,598)
Accounting Changes	(306,726)	-	-
NET ASSETS - ENDING	$20,957,280	$20,907,808	$19,540,665

PRIMARY GOVERNMENT

2004-05	2003-04	2002-03	2001-02
$ 422,105	$ 419,824	$ 386,560	$ 367,889
401,642	375,453	305,867	259,915
1,294,488	1,227,187	1,143,890	1,062,083
118,262	109,895	100,679	89,373
83,051	90,123	48,890	52,757
469,929	453,074	443,198	462,318
483,940	358,175	209,961	172,654
174,399	172,898	177,503	328,966
5,088,806	4,945,999	4,951,146	4,342,628
426,125	561,394	438,732	399,327
8,962,747	8,714,022	8,206,426	7,537,910
141,320	161,588	244,062	210,837
367,553	343,589	327,935	253,054
194,723	173,823	194,436	285,636
475,668	477,572	475,405	471,198
1,026,282	936,374	971,227	957,320
62,638	81,114	103,888	103,801
3,016,668	2,954,217	2,830,164	2,608,748
919,388	746,153	890,081	750,759
3,283,590	3,131,486	2,946,679	2,689,452
1,848,922	1,674,416	1,687,006	1,596,066
26,925	9,625	16,219	16,750
3,294,154	3,128,126	3,108,493	2,942,776
352,712	591,789	742,745	583,508
54,453	37,355	45,213	41,351
367,474	354,159	341,907	349,955
-	-	-	-
-	-	-	-
267,408	246,988	253,633	229,773
15,699,878	15,048,374	15,179,093	14,090,984
(6,737,131)	(6,334,352)	(6,972,667)	(6,553,074)
1,980,785	1,920,934	1,829,380	1,881,162
182,726	112,741	86,048	91,761
3,450,493	3,253,027	2,996,597	3,168,499
291,583	220,236	205,569	172,257
491,214	465,826	371,089	363,190
868,251	835,680	731,138	818,234
29,736	16,534	16,577	37,236
95,912	99,200	146,516	122,527
(1,112)	-	-	(21,000)
-	-	-	-
9,872	15,310	53,355	151,490
7,399,460	6,939,488	6,436,269	6,785,356
662,329	605,136	(536,398)	232,282
17,423,906	16,640,581	17,232,372	10,345,572
17,231	178,189	(55,393)	(76,804)
-	-	-	6,731,322
$18,103,466	$17,423,906	$16,640,581	$17,232,372

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES (AND EXPENDABLE TRUST FUNDS BEFORE FISCAL YEAR 2001-02)
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2007-08	2006-07	2005-06	2004-05
REVENUES:				
Taxes	$ 9,203	$ 8,936	$ 8,396	$ 7,323
Less: Excess TABOR Revenues	-	-	-	(41)
Licenses, Permits, and Fines	643	575	541	565
Charges for Goods and Services	104	99	99	99
Rents (reported in 'Other' prior to FY05)	79	68	69	62
Investment Income	316	272	117	126
Federal Grants and Contracts	4,308	4,073	4,054	3,831
Other	179	320	341	321
TOTAL REVENUES	14,832	14,343	13,617	12,286
EXPENDITURES:				
Current:				
General Government	123	251	256	278
Business, Community and Consumer Affairs	311	303	274	277
Education	802	713	673	129
Health and Rehabilitation	561	530	486	443
Justice	1,195	1,088	998	978
Natural Resources	112	107	97	90
Social Assistance	3,669	3,400	3,263	3,026
Transportation	1,055	950	962	983
Capital Outlay	243	124	82	92
Intergovernmental:				
Cities	289	239	251	218
Counties	1,799	1,721	1,616	1,474
School Districts	3,814	3,719	3,455	3,284
Other	258	242	197	157
Deferred Compensation Distributions	-	-	-	-
Debt Service	208	213	204	114
TOTAL EXPENDITURES	14,439	13,600	12,814	11,543
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	393	743	803	743
OTHER FINANCING SOURCES (USES)				
Transfers-In	4,298	4,202	3,645	3,198
Transfers-Out:				
Higher Education	(131)	(120)	(128)	(597)
Other	(4,237)	(4,137)	(3,580)	(3,136)
Face Amount of Debt Issued	-	-	-	-
Bond Premium/Discount	-	-	-	-
Capital Lease Debt Issuance	18	4	132	27
Sale of Capital Assets	1	-	4	10
Insurance Recoveries	2	1	1	-
Debt Refunding Issuance	-	-	-	-
Debt Refunding Payments	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(49)	(50)	74	(498)
NET CHANGE IN FUND BALANCE	344	693	877	245
FUND BALANCE - BEGINNING	5,012	4,319	3,441	3,196
Prior Period Adjustments	(44)	-	1	-
FUND BALANCE - ENDING	$ 5,312	$ 5,012	$ 4,319	$ 3,441

[1] – Significant changes in the content of this schedule occurred between Fiscal Year 2000-01 and 2001-02. The changes occurred because of the revised fund classifications prescribed by Governmental Accounting Standards Board Statement No. 34 and related statements. The primary changes were the exclusion of the Unemployment Insurance Fund and the Deferred Compensation Plan (Expendable Trust Funds that converted to Enterprise and Private Purpose Trust Funds respectively) and the inclusion of the State Lands Fund (a Nonexpendable

2003-04	2002-03	2001-02[1]	2000-01	1999-00	1998-99
$ 6,794	$ 6,261	$ 6,499	$ 7,501	$ 7,058	$ 6,443
-	-	-	(927)	(941)	(680)
551	517	504	534	505	422
108	108	99	109	117	181
-	-	-	-	-	-
54	259	240	314	244	233
3,880	3,471	3,104	2,809	2,673	2,473
358	351	299	308	220	179
11,745	10,967	10,745	10,648	9,876	9,251
267	229	238	224	216	208
296	317	277	426	391	368
119	116	122	112	74	71
450	450	453	467	434	413
897	933	924	851	776	694
85	82	82	137	130	123
2,969	2,851	2,619	2,367	2,152	1,992
1,098	1,105	1,127	1,069	958	877
74	136	276	185	223	253
211	198	209	196	192	191
1,319	1,328	1,229	1,162	1,074	1,011
3,131	2,947	2,689	2,389	2,257	2,158
144	160	158	146	141	138
-	-	-	18	17	15
92	99	85	54	5	23
11,152	10,951	10,488	9,803	9,040	8,535
593	16	257	845	836	716
2,819	3,507	3,987	676	469	772
(605)	(695)	(742)	(907)	(898)	(778)
(2,750)	(3,406)	(3,880)	(655)	(391)	(712)
235	-	208	539	536	-
53	-	12	-	-	-
2	12	5	1	4	3
12	3	3	-	-	-
-	-	-	-	-	-
280	443	10	-	-	-
(311)	(436)	(10)	-	-	-
(265)	(572)	(407)	(346)	(280)	(715)
328	(556)	(150)	499	556	1
2,827	3,383	4,043	3,523	2,959	2,673
41	-	(510)	21	8	285
$ 3,196	$ 2,827	$ 3,383	$ 4,043	$ 3,523	$ 2,959

Trust Fund that converted to a Permanent Fund). As a result of these changes, the prior period adjustment shown for Fiscal Year 2001-02 does not agree to the Fiscal Year 2001-02 financial statements where beginning balances were restated for the conversion. In addition, the amount reported as transfers increased significantly because many transfers that previously occurred within the General Fund are now reported as transfers between funds.

GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)
GENERAL FUND
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2007-08	2006-07	2005-06	2004-05
Income Tax:				
Individual	$ 4,600	$ 4,510	$ 4,044	$ 3,421
Less: Excess TABOR Revenues	-	-	-	-
Corporate	474	464	422	293
Net Income Tax	5,074	4,974	4,466	3,714
Sales, Use, and Excise Taxes	2,173	2,076	1,995	2,146
Less: Excess TABOR Revenues	-	-	-	(41)
Net Sales, Use, and Excise Taxes	2,173	2,076	1,995	2,105
Estate Taxes	-	1	7	26
Insurance Tax	188	179	175	189
Gaming and Other Taxes	-	7	18	40
Investment Income	18	28	33	28
Medicaid Provider Revenues	-	-	-	-
Other	52	48	52	59
TOTAL GENERAL REVENUES	$ 7,505	$ 7,313	$ 6,746	$ 6,161
Percent Change Over Previous Year	2.6%	8.4%	9.5%	6.8%

(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)

	2007-08	2006-07	2005-06	2004-05
Net Income Tax	67.6%	68.0%	66.2%	60.3%
Sales, Use, and Excise Taxes	29.0	28.4	29.5	34.1
Estate Taxes	0.0	0.0	0.1	0.4
Insurance Tax	2.5	2.4	2.6	3.1
Other Taxes	0.0	0.1	0.3	0.6
Interest	0.2	0.4	0.5	0.5
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.7	0.7	0.8	1.0
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
$ 3,189	$ 2,945	$ 3,086	$ 3,867	$ 3,718	$ 3,327
-	-	-	(209)	(192)	(30)
218	214	165	316	289	276
3,407	3,159	3,251	3,974	3,815	3,573
2,005	1,915	1,962	1,809	1,775	1,628
-	-	-	(719)	(750)	(650)
2,005	1,915	1,962	1,090	1,025	978
47	53	73	83	60	67
176	171	155	142	129	118
40	38	34	31	29	27
20	51	25	45	42	48
-	16	11	-	7	73
72	74	61	63	67	59
$ 5,767	$ 5,477	$ 5,572	$ 5,428	$ 5,174	$ 4,943
5.3%	-1.7%	2.7%	4.9%	4.7%	5.6%
59.1%	57.7%	58.3%	65.8%	65.5%	64.0%
34.8	34.9	35.3	28.5	29.0	29.0
0.8	1.0	1.3	1.3	1.0	1.2
3.1	3.1	2.8	2.2	2.1	2.1
0.7	0.7	0.6	0.5	0.5	0.5
0.3	0.9	0.4	0.7	0.7	0.9
0.0	0.3	0.2	0.0	0.1	1.3
1.2	1.4	1.1	1.0	1.1	1.0
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

EXPENDITURES BY DEPARTMENT[1] AND TRANSFERS FUNDED BY GENERAL PURPOSE REVENUES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2007-08	2006-07	2005-06	2004-05
Department:[1]				
Agriculture	$ 7,124	$ 5,197	$ 4,038	$ 4,107
Corrections	626,246	577,482	534,233	495,234
Education	3,023,255	2,882,876	2,718,667	2,514,427
Governor	17,346	11,991	15,862	15,808
Health Care Policy and Financing	1,482,803	1,369,321	1,362,893	1,247,254
Higher Education	747,717	693,999	636,341	587,958
Human Services	749,974	718,366	590,071	568,461
Judicial Branch	300,674	265,161	237,673	219,612
Labor and Employment	-	108	-	-
Law	8,474	8,975	7,143	6,738
Legislative Branch	31,139	29,880	27,633	26,745
Local Affairs	10,895	9,973	8,500	8,573
Military and Veterans Affairs	5,407	5,050	4,324	3,883
Natural Resources	30,086	28,550	22,806	22,481
Personnel & Administration	10,934	9,385	8,181	7,805
Public Health and Environment	23,596	23,081	20,586	13,061
Public Safety	72,806	67,169	58,785	56,315
Regulatory Agencies	1,400	1,273	1,390	1,047
Revenue	73,593	65,398	57,928	57,702
Transportation	-	-	-	-
Treasury	13,902	12,403	18,443	15,027
Transfer to Capital Construction Fund	183,443	291,467	104,841	40,759
Transfer to Various Cash Funds	327	3,748	67,100	185,628
Transfer to the Highway Users Tax Fund	166,182	291,179	65,345	81,212
Other Transfers and Nonoperating Disbursements	137,747	130,598	49,190	20,264
	$ 7,725,070	$ 7,502,630	$ 6,621,973	$ 6,200,101
TOTALS				
Percent Change	3.0%	13.3%	6.8%	10.3%
(AS PERCENT OF TOTAL)				
Education	39.1%	38.4%	41.1%	40.6%
Health Care Policy and Financing	19.2	18.3	20.6	20.1
Higher Education	9.7	9.3	9.6	9.5
Human Services	9.7	9.6	8.9	9.2
Corrections	8.1	7.7	8.1	8.0
Transfer to Capital Construction Fund	2.4	3.9	1.6	0.7
Transfer to Various Cash Funds	0.0	0.0	1.0	3.0
Transfers to the Highway Users Tax Fund	2.2	3.9	1.0	-
Judicial	3.9	3.5	3.6	3.5
Revenue	1.0	0.9	0.9	0.9
All Others	4.7	4.5	3.6	4.5
TOTALS	100.0%	100.0%	100.0%	100.0%

[1] – Expenditures in this schedule are reported on the modified accrual basis (GAAP basis) rather than the budgetary basis, which defers certain payroll, Medicaid costs and related revenues, and other statutorily defined expenditures to the following fiscal year. Certain expenditures are shown in the department that makes the external payment rather than being shown in the department that receives the original general-funded appropriation.

2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
$ 3,716	$ 8,700	$ 10,118	$ 9,866	$ 8,106	$ 7,675
467,207	476,972	443,334	417,677	381,669	338,715
2,417,490	2,313,588	2,268,794	2,143,115	2,041,087	1,914,294
13,317	31,465	19,566	19,754	5,877	7,388
1,142,620	1,132,643	1,076,838	1,028,785	951,827	891,319
591,221	685,686	739,556	747,332	715,933	676,449
534,759	551,299	560,716	553,364	509,309	486,325
207,432	213,939	214,619	205,341	194,420	180,282
-	-	-	-	-	-
6,266	8,141	9,677	8,571	10,106	9,144
26,818	28,100	27,224	27,356	25,393	23,062
4,565	7,419	10,361	10,525	37,758	29,958
3,739	4,273	3,973	4,090	3,800	3,874
19,337	23,599	24,434	28,893	28,863	26,864
7,457	12,282	14,028	14,825	15,026	15,245
12,359	16,573	31,790	33,496	23,731	22,596
53,895	54,465	56,597	56,616	49,492	43,910
1,028	1,582	1,914	1,975	1,919	1,730
57,066	66,898	69,297	78,317	69,682	69,871
-	-	-	1	203	239
690	62,171	4,198	2,378	2,240	2,970
12,270	9,489	25,564	285,255	175,154	470,179
-	-	-	-	-	-
5,559	-	35,179	-	-	-
34,257	58,746	68,325	61,894	66,588	56,992
$ 5,623,068	$ 5,768,030	$ 5,716,102	$ 5,739,426	$ 5,318,183	$ 5,279,081
-2.5%	0.9%	-0.4%	7.9%	0.7%	11.7%
43.0%	40.1%	39.7%	37.3%	38.4%	36.3%
20.3	19.6	18.8	17.9	17.9	16.9
10.5	11.9	12.9	13.0	13.5	12.8
9.5	9.6	9.8	9.6	9.6	9.2
8.3	8.3	7.8	7.3	7.2	6.4
0.2	0.2	0.4	5.0	3.3	8.9
0.0	-	-	-	-	-
-	-	-	-	-	-
3.7	3.7	3.8	3.6	3.7	3.4
1.0	1.2	1.2	1.4	1.3	1.3
3.5	5.4	5.6	4.9	5.1	4.8
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

FUND BALANCE - RESERVED AND UNRESERVED
GENERAL FUND AND ALL OTHER GOVERNMENTAL FUND TYPES
Last Seven Fiscal Years

(DOLLARS IN THOUSANDS)

	2007-08	2006-07	2005-06
GENERAL FUND:			
Reserved for:			
Encumbrances	$ 16,487	$ 11,912	$ 12,233
Noncurrent Assets	7	13	91
Statutory Purposes	151,721	267,020	251,704
Risk Management	35,559	38,593	32,851
Unreserved Undesignated:			
General Fund	-	95,779	295,882
Unreserved:			
Designated for Unrealized Investment Gains:			
General Fund	3,639	-	-
TOTAL RESERVED	203,774	317,538	296,879
TOTAL UNRESERVED	3,639	95,779	295,882
TOTAL FUND BALANCE	207,413	413,317	592,761
ALL OTHER GOVERNMENTAL FUNDS:			
Reserved for:			
Encumbrances	$ 966,477	$ 821,112	$ 814,811
Noncurrent Assets	425,830	385,248	342,341
Debt Service	558	558	580
Statutory Purposes	109,322	130,000	137,530
Emergencies	93,000	85,760	79,800
Funds Reported as Restricted	1,902,755	1,669,326	1,233,272
Unreserved, Reported in:			
Special Revenue Funds	54,676	72,830	872,212
Capital Projects Funds	134,470	199,126	(47,740)
Nonmajor Special Revenue Funds	1,391,483	1,233,276	291,488
Nonmajor Permanent Funds	2,326	1,782	1,642
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Major Funds	13,385	-	-
Reported in Nonmajor Special Revenue Funds	8,751	-	-
Reported in Nonmajor Permanent Funds	1,571	-	-
TOTAL RESERVED	3,497,942	3,092,004	2,608,334
TOTAL UNRESERVED	1,606,662	1,507,014	1,117,602
TOTAL FUND BALANCE	5,104,604	4,599,018	3,725,936
TOTAL RESERVED	3,701,716	3,409,542	2,905,213
TOTAL UNRESERVED	1,610,301	1,602,793	1,413,484
TOTAL FUND BALANCE	$ 5,312,017	$ 5,012,335	$ 4,318,697

2004-05	2003-04	2002-03	2001-02
$ 3,497	$ 2,106	$ 3,684	$ 2,093
192	300	231	320
198,751	207,003	60,731	39,622
36,473	33,301	39,412	-
-	-	-	137,595
-	4,272	30,657	26,697
238,913	242,710	104,058	42,035
-	4,272	30,657	164,292
238,913	246,982	134,715	206,327
$ 629,430	$ 795,414	$ 916,053	$ 994,758
292,336	278,843	278,006	245,051
3,298	7,965	5,137	6,495
10,263	11,565	10,929	14,328
71,000	172,202	150,762	81,917
1,104,061	998,428	770,874	1,118,886
812,706	41,589	27,692	29,918
(12,545)	(39,986)	4,555	43,029
274,941	664,258	448,766	591,846
1,954	1,291	961	810
4,484	6,884	30,944	14,847
347	5,491	20,380	15,662
9,926	4,718	27,429	18,644
2,110,388	2,264,417	2,131,761	2,461,435
1,091,813	684,245	560,727	714,756
3,202,201	2,948,662	2,692,488	3,176,191
2,349,301	2,507,127	2,235,819	2,503,470
1,091,813	688,517	591,384	879,048
$ 3,441,114	$ 3,195,644	$ 2,827,203	$ 3,382,518

DEBT SERVICE EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2007-08	RESTATED 2006-07	RESTATED 2005-06	RESTATED 2004-05
DEBT SERVICE EXPENDITURES:				
Principal	$ 104,924	$ 100,681	$ 97,583	$ 15,574
Interest	102,652	112,145	106,322	98,829
TOTAL DEBT SERVICE EXPENDITURES	$ 207,576	$ 212,826	$ 203,905	$ 114,403
Percent Change Over Previous Year	-2.5%	4.4%	78.2%	24.1%
TOTAL NONCAPITAL EXPENDITURES[1]	14,196,496	13,365,782	12,586,379	11,298,334
TOTAL CAPITAL EXPENDITURES[1]	242,572	233,914	228,077	244,178
TOTAL GOVERNMENTAL EXPENDITURES	14,439,068	13,599,696	12,814,456	11,542,512
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.7%	0.8%	0.8%	0.1%
Interest	0.7%	0.8%	0.8%	0.9%
Total Debt Service Expenditures	1.5%	1.6%	1.6%	1.0%

[1] – For fiscal years prior to 2002-03 capitalizable expenditures for infrastructure are not individually identifiable and are therefore included in Noncapital Expenditures.

TOTAL OUTSTANDING DEBT[2]
PRIMARY GOVERNMENT
Last Ten Fiscal Years

(DOLLARS IN THOUSANDS)

	2007-08	2006-07	2005-06	2004-05
Governmental Activities:				
Revenue Backed Debt	$1,216,006	$1,319,718	$1,418,446	$1,512,987
Certificates of Participation	172,864	183,203	196,475	63,332
Capital Leases	60,031	30,456	17,482	22,308
Notes and Mortgages	460,000	345,000	415,000	520,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,908,901	1,878,377	2,047,403	2,118,627
Business-Type Activities:				
Revenue Backed Debt	3,325,690	2,935,383	2,304,485	2,063,378
Certificates of Participation	210,150	218,916	260,578	75,729
Capital Leases	93,374	68,621	60,724	90,140
Notes and Mortgages	6,211	9,463	6,946	9,402
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	3,635,425	3,232,383	2,632,733	2,238,649
Total Primary Government:				
Revenue Backed Debt	4,541,696	4,255,101	3,722,931	3,576,365
Certificates of Participation	383,014	402,119	457,053	139,061
Capital Leases	153,405	99,077	78,206	112,448
Notes and Mortgages	466,211	354,463	421,946	529,402
TOTAL OUTSTANDING DEBT[1]	$5,544,326	$5,110,760	$4,680,136	$4,357,276
Percent Change Over Previous Year	8.5%	9.2%	7.4%	17.1%
Colorado Population (In Thousands)	4,747	4,862	4,766	4,674
Per Capita Debt (Dollars Per Person)	$1,168	$1,051	$982	$932
Per Capita Income (Thousands Per Person)	$44.0	$41.0	$39.5	$37.5
Per Capita Debt as a Percent of Per Capita Income	2.7%	2.6%	2.5%	2.5%

[1] – General Obligation Debt is prohibited by the State Constitution except to fund buildings for state use, to defend the state or the U.S. (in time of war), or to provide for unforeseen revenue deficiencies.
[2] – Colorado State Constitution requires multiple year obligations to be approved by voters; therefore, there is no specific legal debt limitation.

RESTATED 2003-04	RESTATED 2002-03	2001-02	2000-01	1999-00	1998-99
$ 11,932	$ 16,581	$ 9,245	$ 4,188	$ 3,943	$ 13,837
80,281	82,116	76,096	49,658	1,491	8,687
$ 92,213	$ 98,697	$ 85,341	$ 53,846	$ 5,434	$ 22,524
-6.6%	15.7%	58.5%	890.9%	-75.9%	-45.1%
10,664,540	10,541,507	10,212,475	9,620,382	8,817,399	8,282,321
488,140	409,971	275,873	184,945	223,490	253,159
11,152,680	10,951,478	10,488,348	9,805,327	9,040,889	8,535,480
0.1%	0.2%	0.1%	0.0%	0.0%	0.2%
0.8%	0.8%	0.7%	0.5%	0.0%	0.1%
0.9%	0.9%	0.8%	0.6%	0.1%	0.3%

2003-04	2002-03	2001-02	2000-01 [3]	1999-00 [3]	1998-99
$1,518,564	$1,273,146	$1,293,196	$1,028,880	$ 524,360	$ -
44,244	57,132	54,406	-	-	-
16,040	8,546	3,473	63,123	69,710	70,079
397,023	-	-	4	113	-
1,975,871	1,338,824	1,351,075	1,092,007	594,183	70,079
1,578,903	1,553,595	1,240,946	1,017,866 [4]	329,733	347,336
73,724	46,811	54,545	-	-	-
86,531	85,919	47,222	103,001	115,566	125,383
6,262	6,602	1,444	19,590	22,304	1,817
1,745,420	1,692,927	1,344,157	1,140,457	467,603	474,536
3,097,467	2,826,741	2,534,142	2,046,746	854,093	347,336
117,968	103,943	108,951	-	-	-
102,571	94,465	50,695	166,124	185,276	195,462
403,285	6,602	1,444	19,594	22,417	1,817
$3,721,291	$3,031,751	$2,695,232	$2,232,464	$1,061,786	$ 544,615
22.7%	12.5%	20.7%	110.3% [4]	95.0%	1.9%
4,609	4,555	4,508	4,434	4,328	4,226
$807	$666	$598	$503	$245	$129
$35.5	$34.0	$34.0	$34.4	$33.4	$30.5
2.3%	2.0%	1.8%	1.5%	0.7%	0.4%

[3] – For fiscal years prior to 2001-02, data is presented in the governmental versus business-type activity format for comparability although that classification scheme was not used in those years.

[4] – In Fiscal Year 2000-01, CollegeInvest (formerly Colorado Student Obligation Bond Authority) increased revenue backed debt related to student loans when it became a state agency.

TABOR REVENUES, EXPENDITURES, FISCAL YEAR SPENDING LIMITATIONS, AND REFUNDS
Last Twelve Fiscal Years

(DOLLARS IN THOUSANDS)	Unaudited 2007-08	2006-07	2005-06	Restated 2004-05
DISTRICT REVENUES:				
Exempt District Revenues	$12,129,557	$11,759,914	$10,899,936	$11,015,958
Nonexempt District Revenues	9,998,559	9,641,867	9,161,391	8,482,963
TOTAL DISTRICT REVENUES	22,128,116	21,401,781	20,061,327	19,498,921
Percent Change In Nonexempt District Revenues	3.7%	5.2%	8.0%	1.8%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	12,129,556	11,759,914	10,899,936	11,015,958
Nonexempt District Expenditures	9,535,192	8,847,334	8,029,686	9,473,642
TOTAL DISTRICT EXPENDITURES	21,664,748	20,607,248	18,929,622	20,489,600
Percent Change In Nonexempt District Expenditures	7.8%	10.2%	-15.2%	21.5%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ 463,368	$ 794,533	$ 1,131,705	$ (990,679)
LIMIT AND REFUND CALCULATIONS:				
Prior Fiscal Year Spending Limitation	$ 8,333,827	$ 8,045,256	$ 8,314,374	$ 8,331,991
Adjustments To Prior Year Limit[2]	(1,055)	(173)	(372,471)	(383,103)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	8,332,773	8,045,083	7,941,903	7,948,888
Allowable Growth Rate (Population Plus Inflation)	5.5%	3.5%	1.3%	2.2%
Current Fiscal Year Spending Limitation	8,791,075	8,326,662	8,045,148	8,123,764
Adjustments To Current Year Limit	38,056	7,165	109	190,610
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	8,829,131	8,333,827	8,045,257	8,314,374
NONEXEMPT DISTRICT REVENUES	9,998,559	9,641,867	9,161,391	8,482,963
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	1,169,428	1,308,040	1,116,134	168,589
Correction Of Prior Years' Refunds	-	-	-	284
Voter Approved or Statutory Retention of Excess Revenue	1,169,428	1,308,040	1,116,134	127,810
FISCAL YEAR REFUND	$ -	$ -	$ -	$ 41,063

[1] – The implementation of Governmental Accounting Standards Board Statement No. 34 in Fiscal Year 2001-02 resulted in a significant change in the state's fund structure that increased the amount of intra and interfund transfers. Because most of the transfers result in exempt revenues and expenditures, most of the change shows in the exempt categories.

[2] – Large adjustments to the prior year limit are primarily related to activities qualifying as TABOR enterprises, after which the activities revenues and expenditures are no longer shown in the district amounts.

2003-04	2002-03	2001-02	Restated 2000-01[1]	Restated 1999-00	Restated 1998-99	Restated 1997-98	1996-97
$11,650,100	$12,059,372	$11,702,980	$ 8,213,400	$ 7,437,634	$ 6,398,011	$ 5,845,712	$ 5,141,032
8,331,991	7,712,512	7,752,211	8,877,105	8,502,952	7,923,019	7,435,202	6,647,618
19,982,091	19,771,884	19,455,191	17,090,505	15,940,586	14,321,030	13,280,914	11,788,650
8.0%	-0.5%	-12.7%	4.4%	7.3%	6.6%	11.8%	8.5%
11,650,100	12,059,372	11,702,980 [1]	8,213,399	7,437,634	6,398,011	5,845,712	5,280,058
7,799,832	8,198,724	7,729,239	6,945,742	6,474,840	7,125,736	6,485,675	6,108,964
19,449,932	20,258,096	19,432,219	15,159,141	13,912,474	13,523,747	12,331,387	11,389,022
-4.9%	6.1%	11.3%	7.3%	-9.1%	9.9%	6.2%	10.5%
$ 532,159	$ (486,212)	$ 22,972	$ 1,931,364	$ 2,028,112	$ 797,283	$ 949,527	$ 399,628
$ 7,712,512	$ 7,752,211	$ 7,948,550	$ 7,563,710	$ 7,243,385	$ 6,872,039	$ 6,508,592	$ 6,124,314
(31,732)	(12,865)	(53,497)	-	-	-	-	-
7,680,780	7,739,346	7,895,053	7,563,710	7,243,385	6,872,039	6,508,592	6,124,314
3.6%	6.9%	4.0%	5.1%	4.4%	5.3%	5.5%	6.6%
7,957,288	8,273,361	8,210,855	7,949,459	7,562,093	7,236,257	6,866,565	6,528,518
374,703	23,426	(84,666)	(909)	1,617	7,128	5,474	(19,926)
8,331,991	8,296,787	8,126,189	7,948,550	7,563,710	7,243,385	6,872,039	6,508,592
8,331,991	7,712,512	7,752,211	8,877,105	8,502,952	7,923,019	7,435,202	6,647,618
-	(584,275)	(373,978)	928,555	939,242	679,634	563,163	139,026
-	-	8,284	(1,354)	1,887	-	-	-
-	-	-	-	-	-	-	-
$ -	$ -	$ -	$ 927,201	$ 941,129	$ 679,634	$ 563,163	$ 139,026

INDIVIDUAL INCOME TAX RETURNS[1]
BY ADJUSTED GROSS INCOME CLASS
1996 to 2005

(NUMBER OF RETURNS, PERCENT OF NET INCOME TAX REVENUE)

	2005		2004		2003		2002	
	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
ADJUSTED GROSS INCOME CLASS								
Negative Income	23,916	0.0%	24,570	0.0%	24,632	0.0%	22,477	0.0%
$0 to $5,000	76,547	0.0%	73,929	0.0%	74,854	0.0%	73,714	0.0%
$5,001 to $10,000	112,703	0.0%	112,776	0.0%	114,615	0.1%	115,045	0.1%
$10,001 to $15,000	128,661	0.3%	129,339	0.4%	132,540	0.5%	134,152	0.5%
$15,001 to $20,000	134,643	0.8%	134,988	1.0%	137,195	1.1%	139,267	1.2%
$20,001 to $25,000	130,647	1.4%	131,424	1.6%	133,960	1.8%	136,897	1.9%
$25,001 to $35,000	236,285	4.1%	236,162	4.7%	239,657	5.3%	243,253	5.6%
$35,001 to $50,000	267,939	7.6%	266,625	8.6%	268,253	9.6%	271,283	9.9%
$50,001 to $75,000	295,028	13.6%	289,548	15.1%	286,609	16.5%	291,227	17.1%
$75,001 to $100,000	179,635	12.9%	171,170	14.0%	163,572	14.7%	161,047	14.7%
$100,000 and Over	256,424	59.3%	227,936	54.6%	202,886	50.4%	196,065	49.0%
TOTAL	1,842,428	100.0%	1,798,467	100.0%	1,778,773	100.0%	1,784,427	100.0%

Source: Colorado Department of Revenue

[1] – Returns and taxes generated by taxpayers claimed as dependents are excluded from this data.
[2] – Data is not available for calendar year 1998.

SALES TAX RETURNS
BY INDUSTRY CLASS
2003 to 2007[1]

(NUMBER OF RETURNS, PERCENT OF NET SALES TAX REVENUE)

	2007		2006	
	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
INDUSTRY CLASS				
Agriculture, Forestry, & Fisheries	3,632	0.1%	3,808	0.1%
Mining	4,104	1.7%	3,775	1.4%
Public Utilities	8,725	3.0%	7,904	3.1%
Construction Trades	30,929	1.5%	32,291	1.6%
Manufacturing	87,475	4.9%	85,822	4.8%
Wholesale Trade	74,498	6.7%	78,156	6.8%
Retail Trade	399,395	51.5%	409,029	52.2%
Transportation & Warehousing	4,733	0.3%	5,346	0.4%
Information Producers/Distributors	170,488	5.8%	163,953	5.8%
Finance & Insurance	34,308	1.2%	37,478	1.0%
Real Estate, Rental, & Leasing Services	71,969	3.8%	72,110	3.7%
Professional, Scientific, & Technical Services	66,352	1.8%	71,590	1.8%
Bus. Admin., Support, Waste/Remediation Services	23,014	0.7%	23,497	0.6%
Educational Services	5,566	0.2%	5,136	0.2%
Health Care & Social Assistance Services	12,233	0.2%	12,290	0.2%
Arts, Entertainment, & Recreation Services	17,196	0.6%	16,957	0.6%
Hotel & Other Accommodation Services	20,995	3.5%	20,717	3.3%
Food & Drinking Services	125,682	10.2%	121,234	10.0%
Other Personal Services	85,361	2.1%	85,499	2.1%
Government Services	7,445	0.2%	10,479	0.3%
TOTAL	1,254,100	100%	1,267,071	100%

Source: Colorado Department of Revenue

[1] – Data is not available in this format prior to calendar year 2003.

2001		2000		1999		1998[2]	1997		1996	
# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax		# of Tax Returns	% of Income Tax	# of Tax Returns	% of Income Tax
16,539	0.0%	13,946	0.0%	13,043	0.0%	N/A	14,433	0.0%	17,282	0.0%
75,710	0.0%	73,929	0.0%	75,022	0.1%	N/A	106,941	0.0%	111,845	0.0%
113,237	0.1%	116,422	0.1%	122,123	0.2%	N/A	138,612	0.2%	145,503	0.2%
131,411	0.5%	134,898	0.5%	142,185	0.8%	N/A	153,626	1.1%	155,657	1.3%
139,013	1.2%	144,220	1.2%	151,091	1.4%	N/A	150,479	2.2%	147,985	2.5%
136,429	1.9%	140,010	1.9%	143,324	2.1%	N/A	134,014	3.1%	128,846	3.5%
244,586	5.5%	243,715	5.2%	239,847	5.6%	N/A	211,119	7.6%	200,512	8.2%
269,802	9.3%	263,657	8.7%	255,652	9.4%	N/A	219,857	12.4%	210,920	13.2%
290,662	15.9%	283,693	14.9%	270,042	16.2%	N/A	219,788	19.1%	203,686	19.9%
159,483	13.5%	150,626	12.2%	135,419	12.6%	N/A	98,073	12.7%	86,358	12.5%
203,312	52.1%	203,040	55.3%	170,546	51.6%	N/A	112,812	41.6%	94,500	38.7%
1,780,184	100.0%	1,768,156	100.0%	1,718,294	100.0%	N/A	1,559,754	100.0%	1,503,094	100.0%

2005		2004		2003	
# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
3,529	0.1%	3,268	0.1%	2,756	0.1%
3,617	1.0%	2,673	0.8%	2,481	0.6%
7,419	2.8%	6,210	2.6%	6,497	2.4%
30,741	1.6%	29,916	1.4%	28,342	1.6%
75,927	4.4%	73,996	4.1%	68,682	3.8%
78,351	6.6%	77,908	6.0%	66,412	5.7%
392,892	53.5%	388,011	54.4%	371,658	54.7%
5,583	0.3%	4,878	0.3%	4,125	0.2%
149,711	5.9%	144,908	6.3%	127,785	6.5%
35,960	1.0%	33,723	1.0%	33,680	1.1%
71,331	3.6%	70,647	3.7%	64,212	3.6%
74,471	2.0%	89,310	2.4%	105,807	2.9%
21,979	0.7%	20,707	0.6%	19,070	0.6%
4,767	0.2%	4,263	0.2%	3,747	0.1%
11,142	0.2%	10,092	0.2%	8,685	0.1%
14,965	0.6%	13,440	0.6%	11,587	0.6%
20,176	3.1%	19,959	3.1%	20,087	3.2%
116,291	10.0%	110,799	9.9%	105,168	9.8%
83,498	2.2%	79,398	2.1%	72,999	2.2%
9,938	0.2%	7,967	0.2%	8,390	0.2%
1,212,288	100%	1,192,073	100%	1,132,170	100%

COLORADO TAX RATES[1]
1999 to 2008

Calendar Year	Income Tax Rate	Sales Tax Rate
2008	4.63%	2.90%
2007	4.63%	2.90%
2006	4.63%	2.90%
2005	4.63%	2.90%
2004	4.63%	2.90%
2003	4.63%	2.90%
2002	4.63%	2.90%
2001	4.63%	2.90%
2000	4.63%	3.00%
1999	4.75%	3.00%

Source: Colorado Department of Revenue

[1] – Tax rates can be lowered by the General Assembly, but cannot be raised without a vote of the people.

DEMAND DRIVERS OF THE PRIMARY GOVERNMENT[1] BY FUNCTIONS/PROGRAMS

Last Ten Years[2]

	2008	2007	2006	2005
GOVERNMENTAL ACTIVITIES:				
General Government:				
Funds	556	515	492	484
Employees (calculated Full-Time Equivalent)	61,915	59,873	58,468	58,046
Balance in Treasury Pool (in millions)	$6,159.4	$5,250.7	$4,615.3	$3,951.1
Business, Community, and Consumer Affairs:				
Active Licenses at Regulatory Agencies[3]	640,332	575,124	576,982	517,597
Unemployment Rate (percent)[4]	4.9	3.8	4.3	5.1
Employment Level[4]	*	2,602,015	2,537,037	2,436,795
Education:				
Public Schools	1,771	1,771	1,731	1,667
Primary School Students	802,639	794,026	780,708	766,657
Health and Rehabilitation:				
Average Daily Population of Mental Health Institutes[3]	548	528	539	539
Regional Center Residential Beds[3]	403	403	403	403
Justice:				
District Court Cases Filed[3]	199,681	189,884	187,498	*
County Court Cases Filed[3]	579,069	552,592	547,143	*
Inmate Admissions	*	10,625	10,168	9,433
Inmate Releases	*	10,110	8,954	8,249
Average Daily Inmate Population	22,887	22,424	21,438	20,228
Citations Issued by the State Patrol	200,649	226,324	234,052	246,918
Crashes Covered by the State Patrol	22,879	28,277	28,648	30,645
Natural Resources:				
Active Oil and Gas Wells[3]	35,000	34,000	30,000	25,300
Oil and Gas Drilling Permits[3]	6,780	4,200	3,800	2,200
Annual State Park Visitors[3]	11,272,418	11,475,000	11,869,897	11,190,201
Water Loans	258	255	244	241
Social Assistance:				
Medicaid Recipients[3]	383,784	429,233	446,341	375,410
Average # of Cash Assistance Payments per Month[3]	62,647	66,728	68,822	68,150
Transportation:				
Lane Miles	*	22,999,470	23,105,769	23,029,858
Bridges	*	3,775	3,757	3,754
BUSINESS-TYPE ACTIVITIES:				
Higher-Education:				
Resident Students[3]	135,275	136,108	140,601	141,692
Nonresident Students[3]	22,069	20,670	21,380	22,729
Unemployment Insurance:				
Individuals Served - Employment and Training[3]	300,000	270,000	270,000	240,000
Initial Unemployment Claims[3]	119,561	120,290	132,337	176,270
CollegeInvest:				
Loans Issued or Purchased	239,060	218,518	200,332	189,522
Average Balance per Loan	$6,328	$6,057	$5,546	$5,098
Lottery:				
Scratch Tickets Sold	101,604,127	99,199,686	111,883,645	119,441,166
Lotto Tickets Sold	41,071,837	39,835,761	38,332,996	38,266,176
Powerball Tickets Sold	109,565,516	101,570,695	119,757,642	80,912,792
Other Lottery Tickets Sold	19,148,564	17,407,163	16,858,542	15,052,291
Wildlife:				
Hunting & Fishing Licenses Sold[3]	1,545,659	1,399,978	1,409,064	1,450,000
College Assist:				
Guaranteed Loans - In State	140,232	146,616	*	*
Guaranteed Loans - Out of State	18,859	5,080	*	*

Source: JBC Budget in Brief and various state departments.

* – Data is not available.
1 – All amounts are counts, except where dollars or percentages are indicated.

2004	2003	2002	2001	2000	1999
465	444	434	415	385	372
57,643	58,239	57,974	56,639	54,385	52,921
$3,174.6	$2,241.4	$2,068.5	$3,080.6	$3,013.2	$3,035.6
*	*	*	229,903	227,604	219,897
5.6	6.1	5.7	3.8	2.7	2.9
2,384,562	2,323,554	2,304,109	2,303,494	2,300,192	2,198,147
1,728	1,613	1,658	1,656	*	*
757,021	751,862	742,145	724,508	*	*
570	688	699	697	720	727
411	400	397	413	443	472
*	165,467	160,245	168,325	167,749	349,937
*	461,847	457,246	460,149	465,118	779,150
8,165	7,799	7,802	6,952	6,853	6,602
7,504	6,977	6,554	6,114	5,532	5,521
19,478	18,636	17,367	16,605	15,441	14,139
206,052	176,869	160,919	149,872	155,922	146,924
33,635	34,133	37,102	40,541	41,203	39,108
24,000	23,423	*	*	*	*
*	*	*	*	*	*
11,565,810	11,170,000	11,400,000	10,755,581	12,518,476	13,683,100
227	213	206	197	189	192
362,654	326,058	304,508	281,430	263,321	276,926
85,339	*	*	67,100	66,975	65,981
23,138,578	23,061,021	22,851,000	22,814,000	22,699,000	22,896,000
3,714	3,698	3,698			
135,392	127,632	123,383	*	*	*
22,809	22,824	22,152	*	*	*
200,000	194,000	*	*	*	*
156,594	132,657	*	*	*	*
174,724	168,453	*	*	*	*
$4,871	$4,486	*	*	*	*
114,543,013	111,793,347	129,775,201	143,418,930	153,595,323	158,485,043
40,818,461	48,272,866	57,651,698	88,945,211	125,475,804	120,368,415
85,041,776	75,705,463	79,893,821	0	0	0
14,508,537	13,245,564	13,222,846	12,482,380	11,482,648	14,743,446
1,235,551	1,525,679	1,423,377	1,478,617	1,487,052	1,489,195
*	*	*	*	*	*
*	*	*	*	*	*

[2] – Data is presented by either fiscal year or calendar year based on availability of information.
[3] – Data represents estimates from budgetary documents and is not adjusted to actual.
[4] – Data represents annual averages of monthly estimates from Department of Labor and Employment and is not adjusted to actual.

BUILDING SQUARE FOOTAGE OWNED BY THE PRIMARY GOVERNMENT BY FUNCTIONS / PROGRAMS

	2008
GOVERNMENTAL ACTIVITIES:	
General Government	2,982,413
Business, Community, and Consumer Affairs[1]	937,389
Education	317,884
Health and Rehabilitation	1,561,507
Justice	8,047,872
Natural Resources	1,672,897
Social Assistance	1,351,964
Transportation	2,575,421
BUSINESS-TYPE ACTIVITIES:	
Higher-Education	41,437,896
Wildlife	901,526

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

BUILDING SQUARE FOOTAGE LEASED BY THE PRIMARY GOVERNMENT BY FUNCTIONS / PROGRAMS

	2008
GOVERNMENTAL ACTIVITIES:	
General Government	235,386
Business, Community, and Consumer Affairs[1]	484,071
Education	9,396
Health and Rehabilitation	139,950
Justice	1,144,704
Natural Resources	49,495
Social Assistance	26,213
BUSINESS-TYPE ACTIVITIES:	
Higher-Education	1,310,831
CollegeInvest	11,330
Lottery	61,681
Wildlife	83,624
College Assist	12,807

Source: Colorado Office of the State Architect

[1] – Building information for Unemployment Insurance (a business-type activity) cannot be segregated from the Colorado Department of Labor and Employment which is included in Business, Community, and Consumer Affairs.

NUMBER OF FULL-TIME EQUIVALENT STATE EMPLOYEES BY FUNCTION, AND AVERAGE MONTHLY SALARY
Last Ten Fiscal Years

	2007-08	2006-07	2005-06	2004-05
General Government	2,392	2,322	2,255	2,219
Business, Community, and Consumer Affairs	2,372	2,335	2,342	2,367
Education	34,469	33,464	32,680	32,664
Health and Rehabilitation	3,865	3,774	3,729	3,681
Justice	12,467	11,791	11,372	11,083
Natural Resources	1,583	1,522	1,485	1,472
Social Assistance	1,656	1,593	1,520	1,462
Transportation	3,111	3,072	3,085	3,098
TOTAL FTE	61,915	59,873	58,468	58,046
TOTAL CLASSIFIED FTE	31,995	31,075	30,677	30,967
AVERAGE MONTHLY SALARY	$ 4,278	$ 4,108	$ 4,036	$ 3,955
TOTAL NON-CLASSIFIED FTE	29,920	28,798	27,791	27,079
AVERAGE MONTHLY SALARY	$ 5,467	$ 5,214	$ 5,066	$ 4,926

Classified employees are those holding positions within the State Personnel System. Non-classified employees are excluded from the State Personnel System and are not subject to the rule-making authority of the State Personnel Director. Non-classified positions are found primarily in the Judicial Branch, the Legislative Branch, the Governor's cabinet and office staff, the Department of Law, the Department of Education, and as administrators and faculty in the Department of Higher Education.

2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
2,180	2,300	2,422	2,409	2,422	2,411
2,343	2,344	2,334	2,284	2,290	2,311
32,595	32,435	31,887	31,165	29,463	28,774
3,717	3,803	3,766	3,668	3,726	3,784
10,767	11,257	11,437	11,100	10,542	9,730
1,446	1,453	1,453	1,395	1,397	1,372
1,482	1,567	1,610	1,570	1,530	1,514
3,113	3,080	3,065	3,048	3,015	3,025
57,643	58,239	57,974	56,639	54,385	52,921
30,770	31,857	32,092	31,510	30,866	30,157
$ 3,867	$ 3,913	$ 3,700	$ 3,491	$ 3,364	$ 3,232
26,873	26,382	25,882	25,129	23,519	22,764
$ 4,759	$ 4,788	$ 4,563	$ 4,352	$ 4,387	$ 4,216

FTE is an acronym for Full-Time Equivalent employee. Employees on the state's payroll system are designated as either full-time or part-time. Each full-time employee was counted as one FTE. For each state agency, the average salary for full-time employees was divided into the part-time employee payroll amount to determine the FTE for part-time employees.

REVENUE BOND COVERAGE[1]
1999 to 2008

(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
2007-08	$167,989	$ -	$167,989	$102,475	$ 65,514	$167,989	1.00
2006-07	167,982	-	167,982	97,490	70,492	167,982	1.00
2005-06	167,991		167,991	92,835	75,156	167,991	1.00
2004-05	84,787	-	84,787	5,870	78,917	84,787	1.00
2003-04	72,875	-	72,875	3,250	69,625	72,875	1.00
2002-03	71,141	-	71,141	10,005	61,136	71,141	1.00
2001-02	66,813	-	66,813	5,070	61,743	66,813	1.00
2000-01	33,792	-	33,792	1,850	31,942	33,792	1.00
Enterprise Funds (Excluding Higher Education): State Fair and CollegeInvest							
2007-08	$351,308	$126,788	$224,520	$ 155	$ 41,492	$ 41,647	5.39
2006-07	402,013	101,632	300,381	16,155	76,077	92,232	3.26
2005-06	106,230	79,489	26,741	39,747	53,783	93,530	0.29
2004-05	71,365	55,119	16,246	44,077	33,182	77,259	0.21
2003-04	221,271	39,812	181,459	39,012	14,924	53,936	3.36
2002-03	204,866	42,252	162,614	29,142	15,564	44,706	3.64
2001-02	180,471	46,063	134,408	24,834	19,845	44,679	3.01
2000-01	166,092	59,185	106,907	30,212	37,482	67,694	1.58
Higher Education Institutions							
2007-08	$793,013	$420,908	$372,105	$ 36,940	$ 58,466	$ 95,406	3.90
2006-07	687,200	391,433	295,767	34,145	48,073	82,218	3.60
2005-06	649,238	376,431	272,807	29,365	45,699	75,064	3.63
2004-05	623,247	354,669	268,578	28,375	30,028	58,403	4.60
2003-04	555,602	329,204	226,398	24,390	29,533	53,923	4.20
2002-03	522,448	332,697	189,751	20,665	24,550	45,215	4.20
2001-02	508,615	311,778	196,837	17,390	18,876	36,266	5.43
2000-01	508,892	369,334	139,558	22,263	16,459	38,722	3.60
1999-00	552,417	399,148	153,269	17,585	18,026	35,611	4.30
1998-99	395,699	274,163	121,536	16,280	18,307	34,587	3.51

[1] – Pledged revenues supporting the Governmental Funds TRANs are primarily federal grants under agreement with the Federal Highway Administration (FHWA), and sales and use tax revenues of the Highway Users Tax Fund which were diverted from the General Fund. Pledged revenues supporting the Enterprise Funds' borrowings, excluding Higher Education, are primarily student loan repayment amounts at CollegeInvest, which are used to make the required debt service payments. Pledged revenues supporting Higher Education Institutions' borrowings are primarily auxiliary fees related to student housing and tuition.

COLORADO STATE HIGHWAY SYSTEM
CENTERLINE AND LANE MILES
1998 to 2007

Mileage Type	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
CenterLine Miles[1]:										
Urban	1,398	1,419	1,411	1,421	1,421	1,038	1,033	1,035	1,049	840
Rural	7,736	7,742	7,737	7,736	7,736	8,105	8,104	8,051	8,110	8,287
TOTAL CENTERLINE MILES	9,134	9,161	9,148	9,157	9,157	9,143	9,137	9,086	9,159	9,127
Percent Change	-0.3%	0.1%	-0.1%	0.0%	0.2%	0.1%	0.6%	-0.8%	0.4%	-0.4%
Lane Miles[2]:										
Urban	5,232	5,322	5,247	5,262	5,236	4,058	4,031	4,041	4,090	3,991
Rural	17,767	17,784	17,784	17,875	17,825	18,792	18,782	18,659	18,807	18,767
TOTAL LANE MILES	22,999	23,106	23,031	23,137	23,061	22,850	22,813	22,700	22,897	22,758
Percent Change	-0.5%	0.3%	-0.5%	0.3%	0.9%	0.2%	0.5%	-0.9%	0.6%	-0.6%

Source: Colorado Department of Transportation

1 – Centerline miles measure roadway miles without accounting for the number of lanes.
2 – Lane miles measure the total distance of all roadway lanes, and are therefore a better indicator of actual maintenance requirements.

COLORADO STATE-OWNED BRIDGES
BY FUNCTIONAL CLASSIFICATION
2002 to 2007[3]

Functional Classification	2007	2006	2005	2004	2003	2002
Principal Arterial[1]	1,686	1,678	1,680	1,676	1,949	1,945
Other Principal Arterial[2]	911	884	943	894	321	322
Minor Arterial	802	798	787	798	818	817
Collector	350	368	319	326	403	405
Local	26	29	25	20	207	209
TOTAL BRIDGES	3,775	3,757	3,754	3,714	3,698	3,698
Percent Change	0.5%	0.1%	1.1%	0.4%	0.0%	NA

Source: Colorado Department of Transportation

1 – Includes interstate, expressways, and freeways.
2 – Prior to 2004, Other Principal Arterials in rural areas were included in the Principal Arterial category.
3 – Data is not available in this format prior to calendar year 2002.

VALUE OF TOTAL CONSTRUCTION IN COLORADO BY TYPE 1999 to 2008

(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2008 est	$ 5,867	$ 4,900	$ 1,720	$ 12,487
2007 est	5,974	4,400	1,600	11,974
2006	7,770	4,310	2,967	15,047
2005	8,803	4,221	1,788	14,812
2004	8,050	3,291	1,754	13,095
2003	6,258	2,720	1,732	10,710
2002	6,357	2,787	2,162	11,306
2001	6,593	3,500	1,687	11,780
2000	7,029	3,476	1,835	12,340
1999	6,229	3,783	1,590	11,602

Source: F.W. Dodge Company, the Colorado Contractors Association, and the Colorado Business Economic Outlook Committee.

COLORADO SALES AND GROSS FARMING REVENUES 1999 to 2008

(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2008 est	$ 67.0	$ 6.84
2007 est	64.7	7.10
2006	61.7	6.66
2005	58.7	6.72
2004	55.8	6.53
2003	52.8	5.85
2002	52.9	5.42
2001	52.9	5.63
2000	52.2	5.44
1999	47.4	5.31

Retail sales based on SIC Codes 52-59.

Source: Colorado Department of Revenue, Colorado Agricultural Statistics Services, and the Colorado Business Economic Outlook Committee.

COLORADO DEMOGRAPHIC DATA
1999 to 2008

Year	Population (000)	Percentage Share of U.S. Population	Total Personal Income (Billions)	Per Capita Personal Income (Dollars)	% of U.S. Per Capita Income	Employ-ment (000)	Unemploy-ment %
2008 est	4,747	1.56%	$209.0	$ 44,033	110.1%	*	4.9%
2007	4,862	1.62	199.4	41,019	106.4%	2,602	3.8
2006	4,766	1.60	188.2	39,489	107.5%	2,537	4.3
2005	4,674	1.59	175.4	37,522	108.3%	2,437	5.1
2004	4,609	1.57	163.7	35,523	107.2%	2,385	5.6
2003	4,555	1.58	154.8	33,989	107.9%	2,324	6.1
2002	4,508	1.57	153.1	33,956	110.2%	2,304	5.7
2001	4,434	1.56	152.7	34,438	112.6%	2,304	3.8
2000	4,328	1.54	144.4	33,361	111.8%	2,300	2.7
1999	4,226	1.51	128.9	30,492	109.1%	2,198	2.9

Source: U.S. Department of Commerce, Bureau of Economic Analysis, U.S. Census Bureau, and Colorado Department of Labor and Employment

* – Data is not available.

COLORADO EMPLOYMENT[1]
BY INDUSTRY
1999 to 2008

(AMOUNTS IN THOUSANDS)

Industry[2]	2008 est	2007 est	2006	2005	2004	2003	2002	2001	2000	1999
Natural Resources and Mining	29.8	24.8	20.8	17.2	14.4	13.2	12.9	12.9	12.2	12.3
Construction	164.5	165.5	167.7	160.0	151.3	149.9	160.4	167.7	163.6	148.5
Manufacturing	140.7	144.7	149.1	150.4	151.8	153.9	163.8	179.5	188.9	187.4
Transportation, Trade, and Utilities	436.0	430.6	419.5	413.0	406.6	404.5	412.1	423.0	418.9	404.9
Information	76.6	75.7	75.6	76.9	81.2	84.6	92.9	107.3	108.4	97.0
Financial Activities	162.3	161.9	160.7	158.5	154.6	154.1	149.5	148.3	147.0	147.4
Professional and Business Services	366.3	350.8	331.8	316.8	304.1	292.0	296.2	312.3	318.8	302.4
Educational and Health Services	248.0	240.0	230.9	224.6	218.5	213.0	208.5	200.8	192.8	186.9
Leisure and Hospitality	279.5	273.5	265.0	257.5	251.3	245.6	247.0	247.2	246.0	238.5
Other Services	94.9	92.9	90.9	88.5	87.4	85.9	85.6	83.8	80.2	79.0
Government	379.1	374.0	367.3	362.6	358.5	356.2	355.4	344.1	337.0	328.4
Total	2,377.7	2,334.4	2,279.3	2,226.0	2,179.7	2,152.9	2,184.3	2,226.9	2,213.8	2,132.7

Source: Colorado Department of Labor and Employment and the Colorado Business Economic Outlook Committee.

[1] – Provided in lieu of information regarding Colorado's principal employers for which employer data could not be obtained.
[2] – Excludes nonagricultural self-employed, unpaid family, and domestic workers.

OTHER COLORADO FACTS

Important Dates

1803 The United States purchases land, including what is now most of eastern Colorado, from France in the Louisiana Purchase.

1806 Lt. Zebulon M. Pike and a small party of U.S. soldiers sent to explore the southwestern boundary of the Louisiana Purchase discover the peak that bears his name but fail in their effort to climb it. However, they do reach the headwaters of the Arkansas River near Leadville.

1848 By the Treaty of Guadalupe Hidalgo, Mexico cedes to the United States most of that part of Colorado not acquired by the Louisiana Purchase.

1858 Gold is discovered along Cherry Creek near present day Denver.

1861 Congress establishes the Colorado Territory with the boundaries of the present state and chooses its name from the Spanish word for "colored red." President Lincoln appoints William Gilpin as the first territorial governor. The State Supreme Court is organized. The first assembly meets and creates 17 counties, authorizes the University of Colorado, and selects Colorado City as the territorial capital.

1867 Denver is established as the permanent seat of the territorial government by the legislature meeting in Golden.

1870 The Denver Pacific Railroad is completed to Denver.

1876 Colorado is admitted to the Union as the 38th state. John L. Routt is elected the first governor.

1877 The University of Colorado opens classes at Boulder with two teachers and forty-four students.

1894 The State Capitol Building, designed by Elijah E. Meyers, is completed at a cost of $2.5 million. Colorado becomes the second state, after Wyoming, to extend suffrage to women.

1906 The U.S. Mint at Denver issues its first coins.

1958 The U.S. Air Force Academy's permanent campus opens near Colorado Springs.

1992 TABOR amendment is added to the State Constitution.

Geography

Area: 104,247 square miles.

Highest Elevation: Mt Elbert – 14,431 feet above sea level.

Lowest Elevation: Along the Arkansas River in Prowers County – 3,350 feet above sea level.

Colorado has the highest average elevation of all fifty states – 6,800 feet above sea level.

State Symbols and Emblems

State Motto – Nil Sine Numine – Nothing Without the Deity

State Nickname – Centennial State

State Animal – Rocky Mountain Bighorn Sheep

State Bird – Lark Bunting

State Fish – Greenback Cutthroat Trout

State Flower – White and Lavender Columbine

State Folk Dance – Square Dance

State Fossil - Stegosaurus

State Songs – "Where the Columbine Grow" and "Rocky Mountain High"

State Gemstone – Aquamarine

State Grass – Blue Grama Grass

State Insect – Colorado Hairstreak Butterfly

State Mineral – Rhodochrosite

State Reptile – Western Painted Turtle

State Rock – Yule Marble

State Tree – Colorado Blue Spruce

APPENDIX B

Forms of Master Indenture, Supplemental Indenture, 2009A Lease Purchase Agreement, 2009A Site Leases and 2009A Subleases

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After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
MASTER TRUST INDENTURE

by

ZIONS FIRST NATIONAL BANK,
as Trustee

authorizing

State of Colorado
Building Excellent Schools Today
Certificates of Participation

Dated as of August ~~__,~~12, 2009

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
MASTER TRUST INDENTURE

This State of Colorado Building Excellent Schools Today Master Trust Indenture (this "Master Indenture") is dated as of August ~~—,~~12, 2009, and is executed and delivered by Zions First National Bank, a national banking association duly organized and validly existing under the laws of the United States, as trustee for the benefit of the Owners of the Certificates (the "Trustee"). ***Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached hereto, as such Glossary is amended, supplemented and restated from time to time***.

RECITALS

This Master Indenture is being executed and delivered to provide for the execution, delivery and payment of and security for the Certificates, the proceeds of which will be used to finance Projects. The Certificates evidence undivided interests in the right to receive Lease Revenues. The Certificates will be executed and delivered in Series and Supplemental Indentures will be executed and delivered to provide additional terms applicable to each Series of Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners and the State as follows:

ARTICLE I

SECURITY FOR CERTIFICATES

Section 1.01. Trust Estate. The Trustee, in consideration of the premises, the purchase of the Certificates by the Owners and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Certificates and all other amounts payable to the Owners with respect to the Certificates, to secure the performance and observance of all the covenants and conditions set forth in the Certificates and the Indenture, and to declare the terms and conditions upon and subject to which the Certificates are executed, delivered and secured, has executed and delivered this Master Indenture and has granted, assigned, pledged, bargained, sold, alienated, remised, released, conveyed, set over and confirmed, and by these presents does grant, assign, pledge, bargain, sell, alienate, remise, release, convey, set over and confirm, in trust upon the terms set forth herein all and singular the following described property, franchises and income, including any title or interest therein acquired after these presents, all and singular the following described property, franchises and income, including any title therein acquired after these presents:

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

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

(c) all Base Rent payable pursuant to each Lease;

(d) all Federal Direct Payments with respect to the interest component of Base Rentals paid to the Trustee pursuant to any Lease;

(e) the State's Purchase Option Price paid pursuant to each Lease, if paid (including any Net Proceeds used to pay the State's Purchase Option Price);

(f) all money and securities from time to time held by the Trustee under this Indenture in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and

(g) any and all other property, revenues or funds from time to time hereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security hereunder, by any Person in favor of the Trustee, which shall accept any and all such property and hold and apply the same subject to the terms hereof.

The Subleases, the Matching Money Bonds and moneys paid by the Sublessees pursuant to the Subleases and the Matching Money Bonds are not included in the Trust Estate.

Section 1.02. Discharge of Indenture. If this Master Indenture is discharged in accordance with Section 9.01 hereof, the right, title and interest of the Trustee and the Owners in and to the Trust Estate shall terminate and be discharged; otherwise this Master Indenture is to be and remain in full force and effect.

Section 1.03. Certificates Secured on a Parity Unless Otherwise Provided. The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of all Outstanding Certificates, and any of them, without preference, priority or distinction as to lien or otherwise, except as expressly set forth in the Indenture.

Section 1.04. Limited Obligations.

(a) Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the Colorado General Assembly to the Assistance Fund in accordance with the Act from any legally available source if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under the Leases shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments thereunder. The obligations of the State to pay Rent and all other obligations of the State under the Leases are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning of Section 20(4) of Article X of the State Constitution. In the event the State does not renew any Lease, the sole security available to the Trustee, as lessor under the Leases, shall be the Leased Property leased under the Leases, subject to the terms of the Leases.

(b) The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Site Lease, any Sublease, any Matching Moneys Bond or any other document or instrument shall be construed or interpreted (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly for Rent for such Fiscal Year; (ii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI, Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statues or other State law; (iii) as a delegation of governmental powers by the State; (iv) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

(c) The provisions of this Section are hereby expressly incorporated into each Supplemental Indenture. The Certificates shall contain statements substantially in the form of subsections (a) and (b) of this Section.

Section 1.05. Certificates Constitute a Contract. The Certificates shall constitute a contract between the Trustee and the Owners. In no event shall any decision by the Colorado General Assembly not to appropriate any amounts payable under a Lease be construed to constitute an action impairing such contract.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND DELIVERY OF CERTIFICATES

Section 2.01. Authorization, Name and Amount. No Certificates may be executed and delivered hereunder except in accordance with this Article. The Certificates may be issued in one or more Series. Each Series of Certificates shall be named State of Colorado Building Excellent Schools Today Certificates of Participation, followed by the Tax Treatment Designation of such Series (omitting the word "Certificates"), a year and letter that corresponds to the year and letter in the name of the Lease that is entered into in connection with the issuance of such Series of Certificates and, if more than one Series of Certificates are issued at the same time, a dash and a number to distinguish such Series of Certificates from the other Series of

Certificates issued at the same time. The aggregate principal amount of Certificates that may be executed and delivered is not limited in amount.

Section 2.02. Purpose, Payment, Authorized Denominations and Numbering.

(a) The Certificates shall be sold, executed and delivered for the purpose of paying the Costs of the Projects and the Costs of Issuance, making deposits to funds, accounts and subaccounts held by the Trustee or, if proceeds of the applicable Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, making deposits to a defeasance escrow account and paying other costs associated with the defeasance.

(b) The Certificates shall be issuable only as fully registered Certificates in Authorized Denominations. The Certificates shall be numbered in such manner as shall be determined by the Trustee.

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

Section 2.03. Form of Certificates. The Certificates of each Series shall be in substantially the form set forth in the Supplemental Indenture authorizing such Series of Certificates or an exhibit, appendix or other attachment thereto, with such changes thereto, not inconsistent with this Master Indenture or such Supplemental Indenture, as may be necessary or desirable and approved by the State.

Section 2.04. Execution and Authentication of Certificates. The manual signature of a duly authorized signatory of the Trustee shall appear on each Certificate. Any Certificate shall be deemed to have been executed by a duly authorized signatory of the Trustee if signed by the Trustee, but it shall not be necessary that the same signatory sign all of the Certificates executed and delivered hereunder. If any signatory of the Trustee whose signature appears on a Certificate shall cease to be such official before delivery of the Certificates, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained a duly authorized signatory of the Trustee until delivery.

Section 2.05. Mutilated, Lost, Stolen or Destroyed Certificates. In the event that any Certificate is mutilated, lost, stolen or destroyed, a new Certificate may be executed on behalf of the Trustee, of like Series, date, maturity, interest rate and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received such evidence, information or indemnity from the Owner of the Certificate as the Trustee may reasonably require, and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee. In the event that any such Certificate shall have matured, instead of issuing a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the Owner of the Certificate with its reasonable fees and expenses in this connection and require payment of such fees and expenses as a condition precedent to the delivery of a new Certificate.

Section 2.06. Registration of Certificates; Persons Treated as Owners; Transfer and Exchange of Certificates.

(a) Records for the registration and transfer of Certificates shall be kept by the Trustee which is hereby appointed the registrar for the Certificates. The principal of, interest on, and any prior redemption premium on any Certificate shall be payable only to or upon the order of the Owner or his legal representative (except as otherwise herein 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 shall enter such transfer on the registration records and shall execute and deliver in the name of the transferee or transferees a new fully registered Certificate or Certificates of a like Series, aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned.

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

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

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

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

(f) Notwithstanding any other provision hereof, except as otherwise provided in a Supplemental Indenture with respect to one or more Series of Certificates, the Certificates shall be delivered only in book-entry form registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, acting as securities depository of the Certificates and principal of, premium, if any and interest on the Certificates shall be paid by wire transfer to DTC; provided, however, if at any time the State or the Trustee determines that DTC is no longer able to act as, or is no longer satisfactorily performing its duties as, securities depository for the Certificates, the State may, at its discretion, either (i) designate a substitute securities depository for DTC, whereupon the Trustee shall reregister the Certificates as directed by such substitute securities depository or (ii) terminate the book-entry registration system, whereupon the Trustee shall reregister the Certificates in the names of the beneficial owners thereof provided to it by DTC. The Trustee shall have no liability to DTC, Cede & Co., any substitute securities depository, any Person in whose name the Certificates are reregistered at the direction of any substitute securities depository, any beneficial owner of the Certificates or any other Person for (A) any determination made by the State or the Trustee pursuant to the proviso at the end of the immediately preceding sentence or (B) any action taken to implement such determination and the procedures related thereto that is taken pursuant to any direction of or in reliance on any information provided by DTC, Cede & Co., any substitute securities depository or any Person in whose name the Certificates are reregistered.

Section 2.07. Cancellation of Certificates. Whenever any Outstanding Certificate shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment thereof or for or after replacement pursuant to Section 2.05 or 2.06 hereof, such Certificate shall be promptly cancelled by the Trustee.

Section 2.08. Negotiability. Subject to the registration provisions hereof, the Certificates shall be fully negotiable and shall have all the qualities of negotiable paper, and the Owners thereof shall 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 shall be paid, and the Certificates shall 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.

Section 2.09. Conditions to Execution and Delivery of Certificates. No Series of Certificates may be executed and delivered unless each of the following conditions has been satisfied:

(a) The Trustee has received a form of Supplemental Indenture that specifies the following: (i) the Tax Treatment Designation, the Series name, the aggregate principal amount, the Authorized Denominations, the dated date, the maturity dates, the interest rates, if any, the redemption provisions, if any, the form and any variations from the terms set forth in this Master Indenture with respect to such Series of Certificates; (ii) any amendment, supplement or restatement of the Glossary required or deemed by the State to be advisable or desirable in connection with such Supplemental Indenture; and (iii) any other provisions deemed by the State to be advisable or desirable and that do not violate and are not in conflict with this Master Indenture or any previous Supplemental Indenture.

(b) The Trustee has received forms of a new Site Lease and Lease or amendments to an existing Site Lease and Lease adding any new Leased Property and/or amendments to an existing Site Lease and Lease removing or modifying any Leased Property that is to be removed or modified.

(c) If the proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, the Trustee shall have received a form of a defeasance escrow agreement and the other items required by Section 9.01 hereof.

(d) The State has certified to the Trustee that: (i) the Fair Market Value of the property added to the Leased Property in connection with the execution and delivery of such Series of Certificates is at least equal to 90% of the principal amount of such Series of Certificates; and (ii) no Event of Default or Event of Nonappropriation exists under any Lease. The certification of the State pursuant to clause (i) may be given based and in reliance upon certifications by the Sublessees that leased the Leased Property to the Trustee pursuant to Site Leases.

(e) The Trustee has received evidence that the execution and delivery of the Series of Certificates will not result in a reduction of the then current rating by any Rating Agency of any Outstanding Certificates, which evidence may take the form of a letter from a Rating Agency, a certificate of a financial advisor to the State or a certificate of an underwriter of Certificates.

(f) The State has directed the Trustee in writing as to the delivery of the Series of Certificates and the application of the proceeds of the Series of Certificates, including, but not limited to, the amount to be deposited into the Project Account established for each Sublessee, the amount, if any, of the Allocated Investment Earnings for each Project Account, the amount to be deposited into the Cost of Issuance Account and, if proceeds of such Series of Certificates are to be used to defease Outstanding Certificates pursuant to Section 9.01 hereof, the amount to be deposited into the defeasance escrow account established pursuant to Section 9.01 hereof.

(g) The Trustee has received a written opinion of Bond Counsel to the effect that (i) the Certificates of such Series have been duly authorized, executed and delivered pursuant to the Act and the Indenture (including the Supplemental Indenture executed and delivered in connection with the execution and delivery of such Series of Certificates) and will not cause an Adverse Tax Event, and (ii) the execution, sale and delivery of the Series of Certificates will not constitute an Event of Default or a Failure to Perform or cause any violation of the covenants set forth in the Indenture.

Section 2.10. Execution and Delivery of Supplemental Indenture, Site Lease, Lease, Amendment to Site Lease, Lease or Defeasance Escrow Agreement; Delivery of Certificates; Application of Proceeds. If the conditions set forth in Section 2.09 hereof have been satisfied, the Trustee shall execute and deliver the Supplemental Indenture, any Site Lease, any Lease, any amendment to any existing Site Lease, Lease or any defeasance escrow agreement provided to it pursuant to Section 2.09 hereof in the form provided to it and shall deliver the Series of Certificates and apply the proceeds of the Series of Certificates as directed by the State.

Section 2.11. Principal Strips, Interest Strips and Tax Credit Strips. If and as provided in a Supplemental Indenture, (a) Principal Strips and Interest Strips, (b) Principal Strips and Tax Credit Strips or (c) Principal Strips, Interest Strips and Tax Credit Strips may be authorized, executed, authenticated and delivered in lieu of or to replace any Certificate. If Principal Strips and Interest Strips and/or Tax Credit Strips are authorized, executed, authenticated and delivered in lieu of or to replace a Certificate, (i) the rights of the Owners of such Certificate shall be allocated among the owners of the Principal Strips and Interest Strips and/or Tax Credit Strips as provided in such Supplemental Indenture and (ii) all references to such Certificate in the Indenture, the Leases, the Subleases, the Site Leases and all related documents shall, except as otherwise provided in such Supplemental Indenture, be deemed to refer to the owners of the Principal Strip and Interest Strip and/or the Tax Credit Strip authorized, executed, authenticated and delivered in lieu of or to replace such Certificate, collectively.

ARTICLE III

FUNDS AND ACCOUNTS

Section 3.01. Certificate Fund.

(a) ***Creation of Certificate Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Certificates of Participation Certificate Fund (the "Certificate Fund") and, within such fund, the Interest Account; the Principal Account; the Purchase Option Account; and a separate Sinking Fund Account for each Series of Qualified School Construction Certificates, the names of each of which Sinking Fund Accounts shall include the same Series designation as the related Series of Qualified School Construction Certificates.

(b) ***Deposits into Accounts of Certificate Fund.***

(i) *Deposits into Interest Account.* There shall be deposited into the Interest Account: (A) accrued interest and capitalized interest, if any, received at the time of the execution and delivery of each Series of Certificates; (B) that portion of each payment of Base Rent by the State which is designated and paid as the interest component of Base Rent under a Lease; (C) any Federal Direct Payment received with respect to the interest component of Base Rent payable by the State under any Lease; (D) any moneys transferred to the Interest Account from the State Expense Fund pursuant to Section 3.03(c) hereof; (E) any moneys transferred to the Interest Account from the Rebate Fund pursuant to Section 3.04(d) hereof; and (F) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Interest Account.

(ii) *Deposits into Principal Account.* There shall be deposited into the Principal Account: (A) that portion of each payment of Base Rent by the State which is designated and paid as the Amortizing Principal component of Base Rent under a Lease; (B) any moneys transferred to the Principal Account from a Sinking Fund Account pursuant to paragraph (iv) of subsection (c) of this Section; (C) any moneys transferred to the Principal Account from the State Expense Fund pursuant to Section 3.03(c) hereof; and (~~C~~D) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Principal Account.

(iii) *Deposits into Purchase Option Account.* There shall be deposited into the Purchase Option Account: (A) the State's Purchase Option Price; (B) any money transferred to the Purchase Option Account from the State Expense Fund pursuant to Section 3.02(c) hereof; and (C) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into the Purchase Option Account.

(iv) *Deposits into Sinking Fund Accounts.* There shall be deposited into each Sinking Fund Account (A) that portion of each payment of Base Rent by the State which is designated and paid as the Sinking Fund Principal component of Base Rent under the Lease with the same Series designation as such Sinking Fund Account; (B) any moneys transferred to such Sinking Fund Account from the State Expense Fund pursuant to Section 3.03(c) hereof; and (C) all other moneys received by the Trustee that are accompanied by directions from the State that such moneys are to be deposited into such Sinking Fund Account.

(c) ***Use of Moneys in Accounts of Certificate Fund.***

(i) *Use of Moneys in Interest Account.* Except as otherwise specifically provided below in this paragraph, moneys in the Interest Account shall be used solely for the payment of interest on the Certificates, except that:

(A) interest on Certificates payable as part of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under a Lease to purchase a portion of (but not all) the Leased Property shall be paid solely from the Purchase Option Account;

(B) moneys representing accrued interest and capitalized interest received at the time of the execution and delivery of any Series of Certificates shall be used solely to pay the first interest due on such Series of Certificates;

(C) any moneys other than those described in clause (B) above that are transferred to the Interest Account with specific instructions as to their use shall be used solely in accordance with such instructions;

(D) any moneys remaining in the Interest Account after all the interest payable from the Interest Account on all Certificates has been paid shall be transferred to the Principal Account; and

(E) notwithstanding the foregoing, all moneys in the Interest Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(ii) *Use of Moneys in Principal Account.* Except as otherwise specifically provided below in this paragraph, moneys in the Principal Account shall be used solely for the payment of principal of the Certificates, except that:

(A) principal of Qualified School Construction Certificates of any Series shall be paid solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates;

(B) principal of Certificates payable as part of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under a Lease to purchase a portion of (but not all) the Leased Property shall be paid solely from the Purchase Option Account;

(C) except as otherwise provided in clause (A) or (B) above, any moneys that are transferred to the Principal Account with specific instructions as to their use shall be used solely in accordance with such instructions; and

(D) notwithstanding the foregoing, all moneys in the Principal Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) shall be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(iii) *Use of Moneys in Purchase Option Account*. Except as otherwise specifically provided below in this paragraph, moneys in the Purchase Option Account shall be used solely for the payment of the redemption price of Certificates that are redeemed as a result of the exercise by the State of its option under one or more Leases to purchase a part or all of the Leased Property, except that:

(A) the State's Purchase Option Price paid with respect to a portion (but not all) of the Leased Property subject to a Lease shall be used only to pay the redemption price of Certificates with the same Series designation as such Lease;

(B) the portion of the redemption price of Qualified School Construction Certificates of any Series representing Funded Principal shall be paid solely from the Sinking Fund Account with the same Series designation as such Series of Qualified School Construction Certificates; and

(C) notwithstanding the foregoing, all moneys in the Purchase Option Account shall be used (I) in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

(iv) *Use of Moneys in Sinking Fund Accounts*. Except as otherwise specifically provided below in this paragraph, moneys in each Sinking Fund Account shall be used solely for the payment of the principal of and the principal portion of the redemption price of Qualified School Construction Fund Certificates with the same Series designation as such Sinking Fund Account. Notwithstanding the foregoing, (A) moneys remaining in a Sinking Fund Account after payment of the principal of and the principal portion of the redemption price of Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account shall be transferred to the Principal Account; and (B) all moneys in the Sinking Fund Accounts shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

Section 3.02. Capital Construction Fund.

(a) ***Creation of Capital Construction Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Capital Construction Fund (the "Capital Construction Fund"), and, within such fund, the Costs of Issuance Account and a separate Project Account for each Project that is being financed for each Sublessee with proceeds of each Series of Certificates. The names of the Project Accounts for the Projects to be financed with proceeds of each Series of Certificates shall include the Series designation of such Series of Certificates and the name of the Sublessee for which the Project is being financed. The Trustee may establish such additional accounts within the Capital Construction Fund or such subaccounts within any of the existing or any future accounts of the Capital Construction Fund as may be necessary or desirable.

(b) ***Deposits into Accounts of Capital Construction Fund***.

(i) *Proceeds of Certificates*. Proceeds from the sale of each Series of Certificates shall be deposited into the Costs of Issuance Account and the Project Accounts in the amounts designated by the State in connection with the execution and delivery of such Series of Certificates. When the State designates the amount of proceeds from the sale of a Series of Certificates to be deposited into a Project Account, it shall also designate the Allocated Investment Earnings, if any, for such Project Account.

(ii) *Earnings from Investment of Project Accounts*. Earnings from the investment of moneys in all the Project Accounts when received shall be aggregated and allocated among the Project Accounts in proportion to the ratio of (A) the Allocated Investment Earnings for each Project Account that have not previously been deposited into such Project Account pursuant to this paragraph to (B) the Allocated Investment Earnings for all Project Accounts that have not previously been deposited into the Project Accounts pursuant to this paragraph. The amount of investment earnings so allocated to a Project Account shall be deposited into such Project Account until the amount so deposited equals the Allocated Investment Earnings for such Project Account. After the amount of investment earnings allocated to a Project Account exceeds the Allocated Investment Earnings for such Project Account, the excess shall be deposited into the State Expense Fund, ~~subject to any limitations described in a~~except that any such investment earnings resulting from the investment of proceeds of any Series of Qualified School Construction Certificates, at the direction of the State, (I) shall be transferred to another Project Account or the Assistance Fund and, subject to terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of ~~any Series of Certificates. If a tax compliance or similar certificate executed by the State in connection with the execution and delivery of any Series of Certificates prohibits the deposit of such excess into the State Expense Fund, such excess may be transferred to another Project Account or~~such Series of Qualified School Construction Certificates, shall be used to pay the costs of a capital construction project as defined in the Act; or

(II) shall be used in any other manner directed by the State upon receipt of an opinion of Bond Counsel that such transfer or use will not cause an Adverse Tax Event.

(iii) *Other Deposits to Accounts*. There shall also be deposited into the Costs of Issuance Account and any Project Account any moneys received by the Trustee that are accompanied by instructions to deposit the same into such account.

(iv) *Transfers Between Project Accounts at Direction of State*. Notwithstanding any other provision hereof, the State may, at any time but subject to the terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of the Series of Certificates from the Project Account from which the moneys are transferred, direct the Trustee to transfer any moneys held in any Project Account to any other Project Account or to the Assistance Fund to pay the costs of a capital construction project as defined in the Act if the State determines that (A) the sum of the money remaining in, and money expected to be deposited in the future into, the Project Account from which the transfer is made will be sufficient to pay the unpaid Costs of the Project for the Project for which such Project Account was established or (B) no further Costs of the Project will be funded from the Project Account from which the transfer is made.

(c) ***Use of Moneys in Costs of Issuance Account***. Moneys held in the Costs of Issuance Account shall be used to pay Costs of Issuance as directed by the State. The Trustee shall transfer any amounts held in the Costs of Issuance Account that are not required to pay Costs of Issuance to the State Expense Fund or one or more Project Accounts as directed by the State. Notwithstanding the foregoing, moneys in the Costs of Issuance Account shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Lease to purchase all the Leased Property subject to all Leases.

(d) ***Use of Moneys in Project Accounts***.

(i) Moneys held in each Project Account shall be disbursed to the Sublessee for whose Project the Account was established to pay, or reimburse the Sublessee for, Costs of the Project for which such Project Account was established upon receipt of a requisition in substantially the form attached hereto as Appendix A, signed by the Sublessee Representative and the State Representative.

(ii) Upon the receipt by the Trustee of the Completion Certificate for the Project, the remaining moneys held in such Project Account shall be transferred by the Trustee to the State Expense Fund.

(iii) Notwithstanding the foregoing, (A) the Trustee shall separately account for Available Project Proceeds of each Series of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of each Series of Qualified School Construction Certificates); (B) Available Project Proceeds of any Series of Qualified School Construction Certificates held in any Project Account that have not been expended as of the last day of the Available Project Proceeds Expenditure Period for such Series of Qualified School Construction Certificates shall be used to pay the redemption price of Qualified School Construction Certificates of such Series in connection with an Unexpended Proceeds Redemption of such Series of Qualified School Construction Certificates; and (C) all moneys in all Project Accounts shall be (I) used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Lease to purchase all the Leased Property subject to all Leases.

Section 3.03. State Expense Fund.

(a) ***Creation of State Expense Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Certificates of Participation State Expense Fund (the "State Expense Fund").

(b) ***Deposits into State Expense Fund***. There shall be deposited into the State Expense Fund: (i) upon the execution and delivery of each Series of Certificates, proceeds from the sale of such Series of Certificates in the amount, if any, directed by the State; (ii) earnings from the investment of moneys in the Project Accounts allocated to such Project Account pursuant to Section 3.02(b)(ii) hereof, to the extent the earnings so allocated exceed the Allocated Investment Earnings for such Project Account; (iii) any moneys transferred to the State Expense Fund from the Costs of Issuance Account of the Capital Construction Fund pursuant to Section 3.02(c) hereof; (iv) any moneys transferred to the State Expense Fund from a Project Account pursuant to Section 3.02(d)(ii) hereof; and (v) all other moneys received by the Trustee that are accompanied by instructions from the State to deposit the same into the State Expense Fund.

(c) ***Use of Moneys in State Expense Fund***.

(i) Moneys held in the State Expense Fund that are not Available Project Proceeds of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds of Qualified School Construction Certificates) shall be applied by the Trustee as directed in writing by the State to: (A) reimburse or compensate the State for costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Subleases, the Matching Money Bonds or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead;

(B) pay Base Rent to the Trustee or Additional Rent to the appropriate recipient; (C) make a deposit to the Certificate Fund, the Capital Construction Fund, the Rebate Fund or any account or subaccount of any such fund; and (D) pay the Costs of any Project or the costs of any capital construction project as defined in the Act.

(ii) Moneys held in the State Expense Fund that are Available Project Proceeds of any Series of Qualified School Construction Certificates (which includes earnings from the investment of Available Project Proceeds~~)~~ of Qualified School Construction Certificates) shall be applied ~~by the Trustee~~ as directed in writing by the State, subject to the terms of the tax compliance or similar certificate executed by the State in connection with the execution and delivery of such Series of Qualified School Construction Certificates, to pay the Costs of any Project or the costs of a capital construction project as defined in the Act.

(iii) Notwithstanding the foregoing, (A) the Trustee shall separately account for Available Project Proceeds of each Series of Qualified School Construction Certificates (including earnings from the investment of Available Project Proceeds of each Series of Qualified School Construction Certificates); (B) Available Project Proceeds of any Series of Qualified School Construction Certificates held in the State Expense Fund that have not been expended as of the last day of the Available Project Proceeds Expenditure Period for such Series of Qualified School Construction Certificates shall be used to pay the redemption price of Qualified School Construction Certificates of such Series in connection with an Unexpended Proceeds Redemption of such Series of Qualified School Construction Certificates; and (C) all moneys in the State Expense Fund shall (I) be used in accordance with Section 7.15 hereof following an Event of Default or Event of Nonappropriation and (II) be available to the extent moneys in the Purchase Option Account are not sufficient to pay the redemption price of all the Certificates following the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases.

Section 3.04. Rebate Fund.

(a) ***Creation of Rebate Fund***. A special fund is hereby created and established with the Trustee to be designated the State of Colorado Building Excellent Schools Today Capital Construction Fund Rebate Fund (the "Rebate Fund"). The Trustee shall create separate accounts within the Rebate Fund for each Series of Certificates (except that more than one Series may be combined for this purpose on the advice of Bond Counsel).

(b) ***Deposits into Rebate Fund***. There shall be deposited into the appropriate account of the Rebate Fund (i) any moneys transferred to the Rebate Fund from the State Expense Fund pursuant to Section 3.03(c) hereof; (ii) all amounts paid by the State pursuant to subsection (e) of this Section; and (iii) all other moneys received by the Trustee that are accompanied by instructions to deposit the same into the Rebate Fund.

(c) ***Use of Moneys in Rebate Fund***. Not later than 60 days after the date designated in the tax compliance certificate or similar certificate executed and delivered by the State in connection with the execution and delivery of a Series of Certificates and every five years thereafter, the Trustee shall, at the direction of the State, pay to the United States of America 90% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates as of such payment date. No later than 60 days after the final retirement of each Series of Certificates, the Trustee shall, at the direction of the State, pay to the United States of America 100% of the amount required to be on deposit in the account of the Rebate Fund established for such Series of Certificates, which account shall remain in effect for such period of time as is necessary for such final payment to be made. Each payment required to be paid to the United States of America pursuant to this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201. Each payment shall be accompanied by a copy of the Internal Revenue Form 8038-T executed by the State and a statement prepared by the State or its agent summarizing the determination of the amount to be paid to the United States of America. The Trustee acknowledges that the State has reserved the right, in all events, to pursue such remedies and procedures as are available to it in order to assert any claim of overpayment of any rebated amounts.

(d) ***Administration of Rebate Fund***. The State, in the Leases, has agreed to make or cause to be made all rebate calculations required to provide the information required to transfer moneys to the Rebate Fund pursuant to subsection (b) of this Section. The Trustee shall make deposits to and disbursements from accounts of the Rebate Fund in accordance with the written directions of the State given pursuant to the tax compliance certificates or similar certificates (including any investment instructions attached thereto) executed and delivered by the State in connection with the execution and delivery of the each Series of Certificates. The Trustee shall, at the written direction of the State, invest moneys in each account of the Rebate Fund pursuant to the investment instructions attached to such tax compliance certificates and shall deposit income from said investments immediately upon receipt thereof in such account of the Rebate Fund, all as set forth in such certificates. The Trustee shall conclusively be deemed to have complied with such tax compliance certificates if it follows the written directions of the State, including supplying all necessary information requested by the State in the manner set forth in the tax compliance certificates, and shall not be required to take any actions thereunder in the absence of written directions from the State. Such investment instructions may be superseded or amended by new instructions drafted by, and accompanied by an opinion of, Bond Counsel addressed to the Trustee to the effect that the use of such new instructions will not cause an Adverse Tax Event. The State may employ, at its expense, a designated agent to calculate the amount of deposits to and disbursements from the Rebate Fund. If a withdrawal from the Rebate Fund is permitted as a result of the computation described in the investment instructions, the amount withdrawn shall be deposited in the Interest Account of the Certificate Fund.

(e) ***Payments by State***. The State has agreed in the Leases, subject to the terms of the Leases, that, if, for any reason, the amount on deposit in the Rebate Fund is less than the amount required to be paid to the United States of America on any date, the

State will pay to the Trustee as Additional Rent under the Leases the amount required to make such payment on such date.

Section 3.05. Nonpresentment of Certificates. In the event any Certificate shall not be presented for payment when due, if funds sufficient to pay such Certificate shall have been made available to the Trustee for the benefit of the Owner thereof, it shall 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 shall be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture or on or with respect to such Certificate. Except as otherwise required by State escheat laws, funds so held but unclaimed by an Owner shall be transferred to the Principal Account of the Certificate Fund and shall be applied to the payment of the principal of other Certificates after the expiration of five years or, upon receipt by the Trustee of an opinion of Bond Counsel that such funds may be made available for such use on such earlier date, on any earlier date designated by the Trustee.

Section 3.06. Moneys to be Held in Trust. The Certificate Fund, the Capital Construction Fund, the State Expense Fund and, except for the Rebate Fund and any defeasance escrow account established pursuant to Section 9.01 hereof and the accounts and subaccounts thereof, any other fund or account created hereunder shall 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 Leases. The Rebate Fund and the accounts thereof shall be held by the Trustee for the purpose of making payments to the United States of America pursuant to Section 3.04(c) hereof. Any escrow account established pursuant to Section 9.01 hereof shall be held for the benefit of the Owners of the Certificates to be paid therefrom as provided in the applicable escrow agreement.

Section 3.07. Repayment to the State from Trustee. After payment in full of the principal of, premium, if any, and interest on the Certificates, all rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts required to be paid hereunder, any remaining amounts held by the Trustee hereunder shall be paid to the State.

ARTICLE IV

REDEMPTION OF CERTIFICATES

Section 4.01. Redemption Provisions Set Forth in Supplemental Indentures. The terms on which each Series of Certificates are subject to redemption shall be as set forth in the Supplemental Indenture authorizing the execution and delivery of such Series of Certificates.

Section 4.02. Notice of Redemption.

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

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

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

Section 4.03. Redemption Payments.

(a) On or prior to the date fixed for redemption, the Trustee shall apply funds to the payment of the Certificates called for redemption, together with accrued interest thereon to the redemption date, and any required premium. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to this Indenture (which, in the case of certain redemptions, may be less than the full principal amount of the Outstanding Certificates and accrued interest thereon to the redemption date), interest on the Certificates or portions thereof thus called for redemption shall no longer accrue after the date fixed for redemption.

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

Section 4.04. Cancellation. All Certificates which have been redeemed shall not be reissued but shall be canceled by the Trustee in accordance with Section 2.07 hereof.

Section 4.05. Delivery of New Certificates Upon Partial Redemption of Certificates. Upon surrender and cancellation of a Certificate for redemption in part only, a new Certificate or Certificates of the same Series and maturity and of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion thereof, shall be executed on behalf of and delivered by the Trustee.

ARTICLE V

INVESTMENTS

Section 5.01. Investment of Moneys.

(a) All moneys held as part of any fund, account or subaccount created hereunder shall, subject to Sections 5.02 and 6.04 hereof, be invested and reinvested by the Trustee, at the written direction of the State, in Permitted Investments. The Trustee may conclusively presume that any investment so directed by the State is a Permitted Investment. Any and all such investments shall be held by or under the control of the

Trustee. The Trustee may invest in Permitted Investments through its own investment department, through the investment department of any Trust Bank or trust company under common control with the Trustee or through the State Treasurer. The Trustee may sell or present for redemption any investments so purchased whenever it shall be necessary in order to provide moneys to meet any payment hereunder, and the Trustee shall not be liable or responsible for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation hereunder.

(b) Except as otherwise provided below or by Article III hereof, investments shall at all times be a part of the fund, account or subaccount from which the moneys used to acquire such investments shall have come, and all earnings on such investments shall be credited to, and losses thereon shall be charged against, such fund, account or subaccount. Notwithstanding the preceding sentence:

(i) Earnings from investments of moneys held in the Project Accounts shall be deposited as provided in Section 3.02(b)(ii) hereof.

(ii) Earnings from investments of moneys held in the Rebate Fund shall be deposited as provided in Section 3.04 hereof.

(iii) Earnings from investments of moneys held in any defeasance escrow account established pursuant to Section 9.01 hereof shall be deposited as provided in the defeasance escrow agreement governing such defeasance escrow account.

(c) The Trustee shall sell and reduce to cash a sufficient amount of such investments in the respective funds, accounts and subaccounts whenever the cash balance in any Project Account is insufficient to pay a requisition when presented, whenever the cash balance in the Principal Account or Interest Account of the Certificate Fund is insufficient to pay the principal of or interest on the Certificates when due, or whenever the cash balance in any fund, account or subaccount is insufficient to satisfy the purposes of such fund, account or subaccount. In computing the amount in any fund, account or subaccount for any purpose hereunder, investments shall be valued at their Fair Market Value.

Section 5.02. Tax Certification. The Trustee certifies and covenants to and for the benefit of the Owners that so long as any of the Certificates remain Outstanding, moneys in any fund or account held by the Trustee under this Indenture, whether or not such moneys were derived from the proceeds of the sale of the Certificates or from any other source, will not be deposited or invested in a manner which will be a violation of Section 6.04 hereof.

ARTICLE VI

CONCERNING THE TRUSTEE

Section 6.01. Certifications, Representations and Agreements. The Trustee certifies, represents and agrees that:

(a) The Trustee (i) is a commercial bank and a national banking association that is duly organized, validly existing and in good standing under the laws of the United States, (ii) is duly qualified to do business in the State, (iii) is authorized, under its articles of association and bylaws and applicable law, to act as trustee under the Indenture, to own and hold, in trust and as Trustee, the Leased Property leased to the Trustee pursuant to the Site Leases, to lease the Leased Property to the State pursuant to the Leases and to execute, deliver and perform its obligations under the Lease, the Indenture and the Site Leases.

(b) The execution, delivery and performance of the Leases, the Indenture and the Site Leases and the ownership of the Leased Property by the Trustee have been duly authorized by the Trustee.

(c) The Leases, the Indenture and the Site Leases have been duly executed and delivered by the Trustee and are valid and binding obligations enforceable against the Trustee in accordance with their respective 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.

(d) The execution, delivery and performance of the Leases, the Indenture the Site Leases and the ownership of the Leased Property by the Trustee 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 Trustee is now a party or by which the Trustee is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Trustee, or, except as specifically provided in the Leases, the Indenture, the Subleases or the Site Leases, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Trustee.

(e) There is no litigation or proceeding pending or threatened against the Trustee affecting the right of the Trustee to execute, deliver or perform its obligations under the Leases, the Indenture, the Subleases or the Site Leases or to own the Leased Property.

(f) The Trustee acknowledges and recognizes that the Leases will be terminated upon the occurrence of an Event of Nonappropriation, and that a failure by the Colorado General Assembly to appropriate funds in a manner that results in an Event of Nonappropriation is solely within the discretion of the Colorado General Assembly.

Section 6.02. Duties of the Trustee. The Trustee hereby 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 shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default or Event of Nonappropriation and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically assigned to it in the Leases and the Indenture. In case an Event of Default or Event of Nonappropriation has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Leases and the Indenture, and use the degree of care as a reasonable and prudent person would exercise under the circumstances in the conduct of the affairs of another. Notwithstanding the foregoing, the Trustee shall in all events be liable for damages and injury resulting from its negligence or willful misconduct.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same retained in accordance with the standard of care set forth in subsection (a) of this Section, and shall be entitled to act upon an Opinion of Counsel concerning all matters of trust hereof and the duties hereunder, 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 hereof. The Trustee may act upon an Opinion of Counsel and shall 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 shall not be responsible for any recital herein, in this Master Indenture or any Certificate, Supplemental Indenture, Lease, Sublease, Matching Money Bond or any offering document or other document related thereto, for collecting any insurance moneys, for the sufficiency of the security for the Certificates executed and delivered hereunder or intended to be secured hereby, or for the value of or title to the Leased Property. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates, except for information about the Trustee furnished by the Trustee, if any.

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

(e) The Trustee shall be protected in acting, without inquiry, upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this 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 shall be conclusive and binding upon any Certificates executed and delivered in place thereof.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for actions that are in accordance with the standard of care set forth in subsection (a) of this Section.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default or Event of Nonappropriation under a Lease, except failure by the State to cause to be made any of the payments to the Trustee required to be made under such Lease, unless (i) an officer in the Trustee's Denver, Colorado corporate trust department has actual knowledge thereof or (ii) the Trustee has been notified in writing thereof by the State or by the Owners of at least 10% in aggregate principal amount of Certificates then Outstanding.

(h) All moneys received by the Trustee shall, until used or applied or invested as herein 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.

(i) The Trustee shall 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.

(j) Notwithstanding anything in the Indenture to the contrary, the Trustee shall have the right, but shall 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 hereof required, as a condition of such action by the Trustee.

(k) Notwithstanding any other provision hereof, the Trustee shall not be required to advance any of its own funds in the performance of its obligations hereunder unless it has received assurances from the Owners of the Certificates or indemnity from the Owners of the Certificates satisfactory to it that it will be repaid.

(l) Notwithstanding any other provision hereof, the Trustee shall not be directly or indirectly obligated, in its individual capacity, to make any payment of principal, interest or premium in respect to the Certificates.

(m) Records of the deposits to, withdrawals from and investment earnings on moneys in the funds and accounts held by the Trustee hereunder shall be retained by the Trustee until six years after the later of the final payment of the related Series of Certificates.

(n) The Trustee shall deliver written reports to the State within 15 days after the end of each calendar month that include at least the following information: (i) the balance in each fund, account and subaccount created hereunder as of the first day and the last day of such calendar month; (ii) all moneys received by the Trustee during such calendar month, broken down by source, including but not limited to Base Rent, Federal Direct Payments and earnings from the investment moneys held as part of any fund, account or subaccount created hereunder, and by the fund, account or subaccount into which such moneys are deposited; (iii) all disbursements from each fund, account and subaccount created hereunder during such calendar month; and (iv) all transfers to and from each fund, account and subaccount created hereunder during such calendar month.

(o) The Trustee shall notify the State within 10 days after any claim by any Owner or any other Person that any certification, representation or agreement of the Trustee set forth in Section 6.01 hereof is not accurate or complete or that the Trustee has failed to perform any of its duties or obligations under or has failed to comply with any provision of the Indenture, any Lease or any Site Lease.

(p) The Trustee shall provide to any Sublessee at its request an accounting of all receipts and disbursements from such Sublessee's Project Account.

Section 6.03. Maintenance of Existence; Performance of Obligations.

(a) The Trustee shall at all times maintain its existence and will use its best efforts to maintain, preserve and renew all the rights and powers provided to it under its articles of association and bylaws, action of its board of directors and applicable law; provided, however, that this covenant shall not prevent the assumption, by operation of law or otherwise, by any Person of the rights and obligations of the Trustee 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 or the State.

(b) The Trustee shall do and perform or cause to be done and performed all acts and things required to be done or performed in its capacity as Trustee under the provisions of the Indenture, the Leases or the Site Leases and any other instrument or other arrangement to which it is a party.

Section 6.04. Tax Covenant. The Trustee shall not take any action or omit to take any action with respect to the Certificates, the proceeds of the Certificates, the Trust Estate or any other funds or property that would result in an Adverse Tax Event or Adverse Federal Direct Payment Event. In furtherance of this covenant, the Trustee agrees, at the written direction of the State, to comply with the procedures set forth in the tax compliance certificate or similar certificate delivered by the State in connection with the execution and delivery of each Series of Certificates. The covenants set forth in this Section shall remain in full force and effect notwithstanding the payment in full or defeasance of the Certificates until the date on which all obligations of the Trustee in fulfilling such covenants have been met.

Section 6.05. 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 Leases otherwise specifically require, the Trustee shall not sell or otherwise dispose of any of the Leased Property unless it determines that such sale or other disposal will not materially adversely affect the rights of the Owners.

Section 6.06. Rights of Trustee under Leases and Site Leases. The Trustee hereby covenants for the benefit of the Owners that the Trustee will observe and comply with its obligations under the Leases and the Site Leases. Wherever in any Lease or Site Lease it is stated that the Trustee shall be notified or wherever any Lease or Site Lease gives the Trustee some right or privilege, such part of such Lease or Site Lease shall be as if it were set forth in full in this Master Indenture.

Section 6.07. Defense of Trust Estate. The Trustee shall at all times, to the extent permitted by law, defend, preserve and protect its interest in the Leased Property and the other property or property rights included in the Trust Estate and all the rights of the Owners under this Indenture against all claims and demands of all Persons whomsoever.

Section 6.08. Compensation of Trustee. During the Lease Term for each Lease, the Trustee shall be entitled to compensation in the form of Additional Rent in accordance with such Lease. In no event shall the Trustee be obligated to advance its own funds in order to take any action in its capacity as Trustee hereunder.

Section 6.09. Resignation or Replacement of Trustee.

(a) The present or any future Trustee may resign by giving written notice to the Owners of a majority in principal amount of the Certificates and the State not less than 60 days before such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor qualified as provided in subsection (d) of this Section; provided, however, that if no successor is appointed within 90 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.

(b) The present or any future Trustee may be removed at any time (i) by the State, for any reason upon delivery to the Trustee of an instrument signed by the State Representative seeking such removal, provided that the State shall not be entitled to remove the Trustee pursuant to this clause if an Event of Default has occurred and is continuing or if any Event of Nonappropriation has occurred; (ii) if an Event of Default has occurred and is continuing or if an Event of Nonappropriation has occurred, by the Owners of a majority in principal amount of the Certificates Outstanding upon delivery to the Trustee of an instrument or concurrent instruments signed by such Owners or their attorneys in fact duly appointed; or (iii) by any Owner, upon delivery to the Trustee of an instrument signed by such Owner or his or her attorney in fact duly appointed following a determination by a court of competent jurisdiction that the Trustee is not duly performing its obligations hereunder or that such removal is in the best interests of the Owners.

(c) 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 State. The State, upon making such appointment, shall forthwith give notice thereof to each Owner, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. The Owners of a majority in principal amount of the Certificates Outstanding may thereupon act to appoint a successor trustee to such successor appointed by the State, by an instrument or concurrent instruments signed by such Owners, or their attorneys in fact duly appointed. Any successor so appointed by the State shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Owners of a majority in principal amount of the Certificates Outstanding.

(d) Every successor shall be a commercial bank with trust powers in good standing, located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, qualified to act hereunder, having a capital and surplus of not less than $50,000,000. Any successor trustee shall execute, acknowledge and deliver to the present or then trustee an instrument accepting appointment as successor trustee hereunder, lessor under the Leases and lessee under the Site Leases, and thereupon such successor shall, without any further act, deed or conveyance, (i) become vested with all the previous rights, title and interest in and to, and shall become responsible for the previous obligations with respect to, the Leased Property and the Trust Estate and (ii) become vested with the previous rights, title and interest in, to and under, and shall become responsible for the trustee's obligations under the Indenture, the Leases and the Site Leases, with like effect as if originally named as Trustee herein and therein. The previous trustee shall execute and deliver to the successor trustee (A) such transfer documents as are necessary to transfer the Trustee's interest in the Leased Property to the successor trustee, (B) an instrument in which the previous trustee resigns as trustee hereunder, as lessor under the Leases and as lessee under the Site Leases and (C) at the request of the successor trustee, one or more instruments conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the previous trustee in the Leased Property, the Trust Estate, the Indenture, the Leases and the Site Leases in a manner sufficient, in the reasonable judgment of the successor trustee, to duly assign, transfer and deliver to the successor all properties and moneys held by the previous trustee in accordance with the laws of the State. Should any other instrument in writing from the previous trustee be required by any successor for more fully and certainly vesting in and confirming to it the rights, title and interest to be transferred pursuant to this Section, the previous trustee shall, at the reasonable discretion and at the request of the successor trustee, make, execute, acknowledge and deliver the same to or at the direction of the successor trustee.

(e) The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section shall be filed and/or recorded by the successor trustee in each recording office, if any, where the Indenture, the Lease and/or the Site Leases shall have been filed and/or recorded.

Section 6.10. Conversion, Consolidation or Merger of Trustee. Any commercial bank with trust powers into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole or substantially as a whole shall be the successor of the Trustee under the Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto or thereto, anything herein or therein to the contrary notwithstanding. In case any of the Certificates shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case any of such Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of such successor Trustee.

Section 6.11. Intervention by Trustee. In any judicial proceeding to which the State 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 shall do so if requested in writing by the Owners of at least 10% in principal amount of Certificates Outstanding and provided indemnification in accordance with Section 6.02(k) hereof.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Remedies of Trustee Upon the Occurrence of an Event of Default or Event of Nonappropriation. Upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease, subject to the terms of the Subleases granting each Sublessee the option to purchase the Leased Property subject to its Sublease:

(a) the Trustee shall use moneys in the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund and any defeasance escrow account) in accordance with Section 7.15(b) hereof;

(b) the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without any further demand or notice, exercise any of the remedies available to it under the Leases (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues enforcing remedies following a similar event under a similar instrument; and

(c) the Trustee may take any other action at law or in equity that may appear necessary or desirable to enforce the rights of the Owners.

Section 7.02. Remedies of Trustee Upon Material Breach by Sublessee of Site Lease. Upon a material breach by the Site Lessor of a Site Lease, the Trustee may, and at the request of the Owners of a majority in principal amount of the Certificates then Outstanding shall, without further demand or notice, take any action at law or in equity that may appear necessary or desirable to enforce the rights of the Trustee and the Owners (provided that the Trustee may require, as a condition to taking any action, assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such action in a form reasonably satisfactory to it and customarily required by trustees of Colorado municipal bond issues enforcing remedies following a breach of a similar instrument).

Section 7.03. Failure to Perform by Trustee. Any of the following shall constitute a Failure to Perform:

(a) default in the payment of the principal of, premium, if any, and interest on any Certificate when due to the extent such failure is not directly caused by an Event of Default or an Event of Nonappropriation;

(b) failure of the Trustee to enforce and diligently pursue any remedy available under Section 7.01 or 7.02 hereof; and

(c) failure by the Trustee to comply with any other provision of the Indenture within 30 days after receiving notice of noncompliance (subject to any right to indemnification applicable to the Trustee's compliance with such provision of the Indenture).

Section 7.04. Remedies of Owners Upon a Failure to Perform. Subject to the other provisions of this Article, upon the occurrence of any Failure to Perform, the Owner of any Certificate may:

(a) commence proceedings in any court of competent jurisdiction to enforce the provisions of this Indenture against the Trustee;

(b) subject to Section 6.09 hereof, cause the Trustee to be removed and replaced by a successor trustee; and

(c) subject to Section 7.05 hereof, take any other action at law or in equity that may appear necessary or desirable to enforce the rights of such Owner.

Section 7.05. Limitations Upon Rights and Remedies of Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Leases or the Site Leases unless (a) an Event of Default or Event of Nonappropriation or a breach by the Sublessee of a Site Lease has occurred of which the Trustee has been notified as provided in Section 6.02(g) hereof, or of which by Section 6.02(g) hereof it is deemed to have notice, (b) the Owners of not less than a majority in principal amount of Certificates then Outstanding shall have made written request to the Trustee to institute such suit, action or proceeding and shall have offered Trustee assurances from the Owners of the Certificates limiting its liability, or an agreement with the Owners of the Certificates indemnifying it for liability, resulting from such suit, action or proceeding in a form reasonably satisfactory to the Trustee and customarily required by trustees of Colorado municipal bond issues enforcing remedies under similar instruments; and (c) the Trustee has not, after reasonable opportunity, instituted such action, suit or proceedings in its own name.

Section 7.06. Majority of Owners May Control Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in principal amount of the Certificates then Outstanding shall 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 Trustee to act or refrain from acting or to direct the manner or timing of any action by the Trustee under the Indenture or any Lease or Site Lease or to control any proceeding relating to the Indenture or any Lease or Site Lease; provided that such direction shall not be otherwise than in accordance with the provisions hereof.

Section 7.07. Trustee to File Proofs of Claim in Receivership, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting the State or the Leased Property, the Trustee shall, to the extent permitted by law, be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings for the entire amount due and payable on the Certificates under this Indenture, at the date of the institution of such proceedings and for any additional amounts which may become due and payable by it after such date, without prejudice, however, to the right of any Owner to file a claim in its own behalf.

Section 7.08. Trustee May Enforce Remedies Without Certificates. The Trustee may enforce its rights and remedies under the Leases, the Site Leases and the Indenture without the possession of any of the Certificates or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners of the Certificates, and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions hereof.

Section 7.09. No Remedy Exclusive. No right or remedy available under this Article or otherwise is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.10. Waivers. The Trustee may in its discretion waive any Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease and its consequences, and, notwithstanding anything else to the contrary contained in this Indenture, shall do so upon the written request of the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding; provided, however, that an Event of Nonappropriation shall not be waived without the consent of the Owners of 100% of the Certificates then Outstanding as to which the Event of Nonappropriation exists, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be (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 Nonappropriation 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, Event of Nonappropriation or breach by a Sublessee of a Site Lease shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Trustee, the Owners and the State shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, Event of Nonappropriation or breach by a Sublessee of a Site Lease or impair any right consequent thereon.

Section 7.11. 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, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform, 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.

Section 7.12. No Waiver of Default or Breach to Affect Another. No waiver of any Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to

Perform by the Trustee shall extend to or affect any subsequent or any other then existing Event of Default, Event of Nonappropriation, breach by a Sublessee of a Site Lease or Failure to Perform or shall impair any rights or remedies consequent thereon.

Section 7.13. Position of Parties Restored Upon Discontinuance of Proceedings. In case the Trustee or the Owners shall have proceeded to enforce any right under the Leases, the Site Leases or the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Person or Persons enforcing the same, then and in every such case the State, the Trustee and the Owners shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee and the Owners shall continue as if no such proceedings had been taken.

Section 7.14. Purchase of Leased Property by Owner; Application of Certificates Toward Purchase Price. Upon the occurrence of an Event of Default or Event of Nonappropriation and the sale or lease of the Leased Property by the Trustee pursuant to a Lease (but subject to the Sublessees' purchase options set forth in the Subleases), any Owner may bid for and purchase or lease the Leased Property; and, upon compliance with the terms of sale or lease, 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 or lessee at any such sale may, if permitted by law, after allowing for payment of the costs and expenses of the sale, compensation and other charges, in paying purchase or rent money, turn in Certificates then Outstanding in lieu of cash. Upon the happening of any such sale or lease, the Trustee may take any further lawful action with respect to the Leased Property which it shall deem to be in the best interest of the Owners, including but not limited to the enforcement of all rights and remedies set forth in the Lease and this Indenture and the taking of all other courses of action permitted herein or therein.

Section 7.15. Use of Moneys Received from Exercise of Remedies.

(a) Moneys received from the exercise of remedies pursuant to this Article shall be used as follows:

(i) Moneys in the Certificate Fund shall be used, first, to make payments to the Owners of the Certificates pursuant to subsection (b) of this Section.

(ii) Moneys in each Project Account shall be used, first, to pay Costs of the Project payable from such Project Account if and to the extent the Trustee determines that it is in the best interests of the Owners to do so.

(iii) Moneys in the State Expense Fund shall be used, first, to pay costs and expenses described in Section 3.03(c)(i)(A) hereof.

(iv) Moneys in the Certificate Fund, the Project Accounts and the State Expense Fund that are not used pursuant to paragraphs (i), (ii) or (ii) above, moneys in the Costs of Issuance Account of the Capital Construction Fund and all other moneys received from the exercise of remedies pursuant to this Article shall be used in the following order of priority:

(A) *First*, to pay Additional Rent due to third parties other than the Trustee and the State;

(B) *Second*, to pay the fees and expenses of the Trustee determined in accordance with Section 9.05 of the 2009A Lease and similar provisions of other Leases;

(C) *Third*, to make payments to the Owners in accordance with subsection (b) of this Section; and

(D) *Fourth*, the remainder shall be paid to the State.

(b) Moneys that are available to make payments to the Owners pursuant to subsection (a) of this Section shall be used as follows:

(i) Moneys in each Sinking Fund Account shall be used to pay the unpaid principal of Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account. If the amount in a Sinking Fund Account is not sufficient to pay all principal due on the School Construction Certificates with the same Series designation as such Sinking Fund Account, the amount available shall be used to pay unpaid principal of the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account in the order in which such principal was originally due, with unpaid principal due on the earliest principal payment dates paid first. If the amount available in a Sinking Fund Account is not sufficient to pay all unpaid principal due on the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account on a particular principal payment date, the amount available shall be used to pay principal of the Owners of the Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account in proportion to the amount of unpaid principal due to such Owners on such principal payment date. For purposes of this paragraph, the principal component of the redemption price of Qualified School Construction Certificates subject to mandatory sinking fund redemption shall be treated as principal.

(ii) All other moneys available to make payments to the Owners shall be applied in the following order of priority:

(A) *First*, to pay the unpaid interest, plus interest on past due interest, on the Certificates. If the amount available is not sufficient to pay all such interest, the amount available shall be used to pay interest (including interest on past due interest) in the order in which the interest was originally due, with interest payable on the earliest Interest Payment Dates (plus interest on such interest) paid first. If the amount available is not sufficient to pay all such interest with respect to a particular Interest Payment Date, the amount available shall be used to pay interest (including interest on past due interest) to the Owners in proportion to the amount that would have been paid to them if the amount available had been sufficient.

(B) *Second*, to pay the unpaid principal of the Certificates. If the amount available is not sufficient to pay all such principal, the amount available shall be used to pay unpaid principal in the order in which it was originally due, with principal due on the earliest principal payment dates paid first. If the amount available is not sufficient to pay all unpaid principal due on a particular principal payment date, the amount available shall be used to pay unpaid principal to the Owners in proportion to the amount of principal that would have been paid to them if the amount available had been sufficient. For purposes of this paragraph, the principal component of the redemption price of Certificates subject to mandatory sinking fund redemption shall be treated as principal.

(C) *Third*, to pay an amount equal to the premium, if any, that would have been paid to Owners as a result of the exercise by the State of its options under the Leases to purchase all the Leased Property subject to all Leases if their Certificates had been redeemed prior to maturity on the date on which payments are made pursuant to this subsection. If the amount available is not sufficient to pay all such amounts, the amount available shall be paid to the Owners to which a premium would have been paid in proportion to the amount of premium that would have been paid to them if the amount available had been sufficient.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.01. Supplemental Indentures Not Requiring Consent of Owners. The Trustee may, with the written consent of the State but without the consent of, or notice to, the Owners, execute and deliver a Supplemental Indenture for any one or more or all of the following purposes:

(a) to amend, modify or restate the Glossary attached hereto in any manner directed by the State in writing, provided that the State has certified in writing that, after such amendment, modification or restatement, the Glossary is accurate and that such amendment, modification or restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases;

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

(c) 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 the State certifies in writing that such provisions are necessary or desirable;

(d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases;

(e) to subject to the Indenture additional revenues, properties or collateral;

(f) to set forth the terms and conditions and other matters in connection with the execution and delivery of any Series of Certificates or Principal Strips, Interest Strips or Tax Credit Strips pursuant to Article II hereof;

(g) to facilitate the Stripping of Certificates;

(h) to effect or facilitate any change to avoid an Adverse Tax Event or Adverse Federal Direct Payment Event, including, but not limited to, a change to conform to any guidance or regulations promulgated by the United States Internal Revenue Service or the United States Treasury Department that relate to the treatment for federal income tax purposes of any Outstanding or proposed Certificates;

(i) to effect any other change that, in the reasonable judgment of the State (which may be exercised in reliance upon certifications or advice provided by investment bankers or others with experience in the municipal bond industry), does not materially adversely affect the rights of the Owners; or

(j) to modify any Certificate to conform to any Supplemental Indenture or to any amendment to the Master Indenture, any Supplemental Indenture, any Lease or any Site Lease.

Section 8.02. Supplemental Indentures Requiring Consent of Owners.

(a) Exclusive of Supplemental Indentures under Section 8.01 hereof, the written consent of the State and the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding shall be required for the execution and delivery by the Trustee of any Supplemental Indenture; provided, however, that without the consent of the Owners of all the Certificates Outstanding nothing herein contained shall permit, or be construed as permitting:

(i) a change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or 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;

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

(iii) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, except as permitted herein; or

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

(b) If at any time the Trustee shall propose to execute and deliver any Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution and delivery 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 shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Denver, Colorado corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as shall be prescribed by the Trustee following the mailing of such notice, the Owners of not less than a majority, or, with respect to the matters specified in paragraphs (i) through (iv) of subsection (a) of this Section, 100%, in aggregate principal amount of the Certificates Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or to enjoin or restrain the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

Section 8.03. Execution of Supplemental Indenture. Any Supplemental Indenture executed and delivered in accordance with the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such Supplemental Indenture shall be deemed to be part of this 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 executed and delivered thereafter, if any, if deemed necessary or desirable by the Trustee. As a condition to executing any Supplemental Indenture, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under this Indenture and the Act and will not cause an Adverse Tax Event.

Section 8.04. Amendments of Leases or Site Leases Not Requiring Consent of Owners. The Trustee shall, at the direction of the State without the consent of or notice to the Owners, amend, change or modify any Lease or Site Lease, as the State determines is required:

(a) by the provisions of the Leases, the Indenture or the Site Leases;

(b) for the purpose of curing any ambiguity or formal defect or omission in the Leases, the Indenture or the Site Leases;

(c) in order more precisely to identify the Leased Property; or

(d) to add additional Leased Property, to release, substitute or modify Leased Property or to amend the description of Leased Property in accordance with the Leases or the Site Leases;

(e) in connection with the execution and delivery of any Series of Certificates;

(f) in connection with the redemption of any Certificates;

(g) in connection with any Supplemental Indenture permitted by this Article;

(h) to effect any change in any Lease or Site Lease for any purpose for which a Supplemental Indenture may be executed and delivered pursuant to Section 8.01 hereof;

(i) to effect any change that (i) does not reduce the revenues available to the Trustee from the Leases below the amount required to make all the payments and transfers required by Article III hereof, (ii) does not reduce the Fair Market Value of the Leased Property and (iii) does not cause an Adverse Tax Event;

(j) to effect any change to any Project permitted by the Act;

(k) to effect any other change in any Lease or Site Lease that, in the reasonable judgment of the State (which may be exercised in reliance upon certifications or advice provided by investment bankers or others with experience in the municipal bond industry), does not materially adversely affect the rights of the Owners.

Section 8.05. Amendments of Leases or Site Leases Requiring Consent of Owners. Except for the amendments, changes or modifications permitted by Section 8.04 hereof, the Trustee shall not consent to any other amendment, change or modification of any Lease or Site 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 provided in Section 8.02 hereof. If at any time the State shall request the consent of the Trustee to any such proposed amendment, change or modification of any Lease or Site Lease, the Trustee shall, 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 provided in Section 8.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the office of the Trustee designated therein for inspection by all Owners.

Section 8.06. Execution of Amendment of Lease or Site Lease. As a condition to executing any amendment to any Lease or Site Lease, the Trustee shall be entitled to receive and rely upon a written opinion of Bond Counsel to the effect that the execution thereof is authorized or permitted under the Indenture and the Lease or Site Lease, as applicable, and will not cause an Adverse Tax Event.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Discharge of Indenture.

(a) If, when the Certificates secured hereby shall become due and payable in accordance with their terms or otherwise as provided in this 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 rebate payments due to the United States of America, the fees and expenses of the Trustee and all other amounts payable hereunder, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Trustee to the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall transfer and convey to (or to the order of) the State all property then held in trust by the Trustee pursuant to this Indenture, and the Trustee shall execute such documents as may be reasonably required by the State and shall turn over to (or to the order of) the State any surplus in any fund, account or subaccount created under this Indenture, except any escrow accounts theretofore established pursuant to this Section.

(b) All or any portion of the Outstanding Certificates shall prior to the maturity or redemption date thereof be deemed to have been paid ("defeased") within the meaning and with the effect expressed in subsection (a) of this Section if (i) in case such Certificates are to be redeemed on any date prior to their maturity, the Trustee shall have given 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 of Article IV hereof, and (ii) there shall have been deposited in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which shall not contain provisions permitting the redemption thereof at the option of the issuer of such Defeasance Securities, 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, shall 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. Neither the Defeasance Securities nor moneys deposited in trust pursuant to this Section or principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, 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, shall, 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 shall be deemed paid as aforesaid, such Certificates shall no longer be secured by or entitled to the benefits of this Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Defeasance Securities deposited in trust.

(c) Prior to any discharge of this Indenture pursuant to this Section or the defeasance of any Certificates pursuant to this Section becoming effective, there shall have been delivered to the Trustee (i) a verification report from a certified public accountant verifying the deposit described in subsection (b)(ii) of this Section; and (ii) an opinion of Bond Counsel, addressed to the Trustee, to the effect that all requirements of the Indenture for such defeasance have been complied with and that such discharge or defeasance will not cause an Adverse Tax Event.

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

Section 9.02. Further Assurances and Corrective Instruments. So long as the Indenture is in full force and effect, the Trustee shall have full power to carry out the acts and agreements provided to the Indenture and 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 requested by the State 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.

Section 9.03. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under the Indenture, except those resulting from a violation of the standard of care set forth in Section 6.02(a) hereof.

Section 9.04. Evidence of Signature of Owners and Ownership of Certificates.

(a) Any request, consent or other instrument which the Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing, proof of the execution of any such instrument or of an instrument appointing any such attorney, or the ownership of Certificates shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(i) the fact and date of the execution by any Owner or his attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he purports to act that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public; and

(ii) the fact of the ownership by any person of Certificates and the amounts and numbers of such Certificates, and the date of the ownership of the same, may be proved by the registration records of the Trustee.

(b) Any request or consent of the Owner of any Certificate shall bind all transferees of such Certificate in respect of anything done or suffered to be done by the Trustee or the Trustee in accordance therewith.

Section 9.05. Parties Interested Herein. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person other than the Trustee, the Owners of the Certificates and the State, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture; and all the covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Trustee shall be for the sole and exclusive benefit of the Owners, the State, the Trustee and their respective successors and assigns.

Section 9.06. Trustee Representative. Whenever under the provisions of the Indenture the approval of the Trustee is required or the Trustee is required to take some action at the request of the State or the Owners, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, and the State and the Owners shall be authorized to act on any such approval or request.

Section 9.07. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of the Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 9.08. Interpretation and Construction. This Master Indenture and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Master Indenture. For purposes of this Master Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Master Indenture to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Master Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Master Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 9.09. Manner of Giving Notices. All notices, certificates or other communications under the Indenture shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: eric.rothaus@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: David J. McDermott, facsimile number: 303-866-4233, electronic mail address:

david.mcdermott@state.co.us; if to the Trustee, to Zions First National Bank, 1001 Seventeenth Street, Suite 1050, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 720-947-7480, electronic mail address: corporatetrust@zionsbank.com; and if to any Sublessee, to the notice address set forth in such Sublessee's Sublease. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 9.10. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the Trustee, as the case may be, contained in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Trustee and not of any member, director, officer, employee, servant or other agent of the Trustee in his or her individual capacity. No recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Trustee or any natural person executing the Indenture or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 9.11. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under the Indenture is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture.

Section 9.12. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to the 2009A Lease is set forth in Appendix B to the Series 2009A Supplemental Indenture. As additional Leased Property is leased pursuant to a Lease other than the 2009A Lease, legal descriptions of the land included in such additional Leased Property will be set forth in such Lease and in the Supplemental Indenture with the same Series designation as such Lease. If the land included in the Leased Property subject to a Lease is modified pursuant to the terms of such Lease or other land is substituted for land included in Leased Property subject to any Lease pursuant to the terms of such Lease, the legal descriptions set forth in the applicable Supplemental Indenture will be amended to describe the land included in such Leased Property after such modification or substitution.

Section 9.13. Severability. In the event that any provision of the Indenture, other than the placing of the Trust Estate in trust, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 9.14. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of the Indenture. Any provision of the Indenture, whether or not incorporated in the Indenture by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated in the Indenture by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of the Indenture to the extent that the Indenture is capable of execution. At all times during the performance of the Indenture, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 9.15. Execution in Counterparts. This Master Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has executed this Master Indenture as of the date first above written.

ZIONS FIRST NATIONAL BANK, as Trustee

By ______________________________________
Authorized Signatory

[Signature Page to Master Indenture]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day of August, 2009, by ________________________________ as an authorized signatory of Zions First National Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

____
Notary Public

My commission expires:

____

APPENDIX A

FORM OF PROJECT ACCOUNT REQUISITION

Zions First National Bank
1001 Seventeenth Street, Suite 1050
Denver, Colorado 80202
Attention: Corporate Trust Services

State of Colorado
Building Excellent Schools Today
Master Trust Indenture
dated as of August ~~—,~~12, 2009

Ladies and Gentlemen:

This Project Account Requisition is delivered by the Sublessee identified below (the "Sublessee") and the State of Colorado, acting by and through the State Treasurer (the "State"), to Zions First National Bank in its capacity as trustee (the "Trustee") under the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August ~~—,~~12, 2009, as it may be supplemented or amended from time-to-time by a Supplemental Indenture or otherwise (the "Indenture"). Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

The Sublessee and the State, in accordance with the Indenture and the Sublessee's Sublease, hereby requisitions the dollar amount described below from the Project Account identified below to pay, or reimburse the Sublessee for the payment of, Costs of the Project for which such Project Account was established.

Representations of Sublessee and State. The Sublessee and the State each represent that:

1. If this Requisition is the first requisition for a withdrawal from the Sublessee's Project Account, the Trustee has previously received, or this Requisition is accompanied by~~,~~ a standard leasehold title insurance policy, an amendment or supplement to a previously issued standard leasehold title insurance policy or a commitment to issue such a policy, amendment or supplement, which, when considered together with policies or amendments or supplements to policies previously received by the Trustee, insure(s) the Trustee's interest in the real estate included in the Leased Property leased to the Sublessee under its Sublease, and if all or any portion of the Trustee's title to the real estate included in such Leased Property is a leasehold interest, then also insuring the title of the fee owner of such real estate, subject only to Permitted Encumbrances, in an amount that is not less than the lesser of (a) the ~~maximum dollar amount of the title insurance that is available with respect to~~Fair Market Value of the Sublessee's Leased Property or (b) the amount resulting from multiplying (i) the principal amount of the Series of Certificates from which proceeds have been deposited into such Sublessee's Project Account, *times* (ii) a fraction, (A) the numerator of which is the

amount of proceeds of such Series of Certificates and Allocated Investment Earnings deposited into such Sublessee's Project Account and (B) the denominator of which is the total amount of proceeds of such Series of Certificates and Allocated Investment Earnings deposited into all Project Accounts (including the Sublessee's Project Account).

2. The Sublessee has entered into or has a reasonable expectation that it will enter into one or more Project Contracts that comply with the Public School Capital Construction Guidelines for substantially all the Work required to complete the Project.

3. The total amount withdrawn from the Project Account pursuant to this Requisition and all previous requisitions does not exceed the amount of proceeds of Certificates and Allocated Investment Earnings deposited into such– Project Account pursuant to the Indenture.

Representations of Sublessee. The Sublessee represents that:

(a) This Requisition is not for an amount that the Sublessee does not intend to pay to a Contractor or material supplier because of a dispute or other reason.

(b) Title to all Work to be paid for with moneys withdrawn pursuant to this Requisition will pass to the Trustee no later than the time of payment. If the moneys withdrawn pursuant to this Requisition are to be used to pay for materials or equipment, the materials or equipment have already been delivered and title thereto has already been transferred to the Trustee.

(c) If the moneys withdrawn pursuant to this Requisition are to be used to pay, or to reimburse the Sublessee for the payment of, Costs of the Project incurred in connection with the acquisition of any real estate included in or to be added to the Leased Property: (i) the Trustee owns such real estate or a leasehold interest in such real estate free and clear of encumbrances other than Permitted Encumbrances and (ii) the Fair Market Value of such real estate is at least equal to the amount of money to be withdrawn.

(d) If this Requisition is for the final installment of the Costs of the Project, a Certificate of Completion has been delivered to or is being delivered with this Requisition to the State and the Trustee.

(e) There is no Event of Default or Event of Nonappropriation has occurred and is continuing under the Sublessee's Sublease and the Sublessee has paid all amounts due under, and is not otherwise in default with respect to any of its obligations under, its Matching Money Bond.

Representations of State. The State represents that no Event of Default or Event of Nonappropriation has occurred and is continuing under the 2009A Lease.

PROJECT ACCOUNT CERTIFICATE SERIES: ____________________________________

NAME OF SUBLESSEE: ____

TOTAL DOLLAR AMOUNT REQUESTED PURSUANT TO THIS REQUISITION:____

The Trustee is hereby directed to mail checks in the amounts to the payees, and to deliver an IRS Form 1099 for the total amount paid to each such payee pursuant to this Requisition and other Requisitions during each calendar year, at the addresses shown in the Payment Schedule attached hereto.

The undersigned hereby certifies that he/she is, as appropriate, the Sublessee Representative and the State Representative and is authorized to sign and deliver this Requisition to the Trustee pursuant to the Indenture.

NAME OF SUBLESSEE:

____

By ______________________________
Sublessee Representative

STATE OF COLORADO, ACTING BY AND THROUGH THE STATE TREASURER

By ______________________________
State Representative

Date: ______________________________

PAYMENT SCHEDULE TO PROJECT ACCOUNT REQUISITION

Payee	Address	Amount to be Paid

APPENDIX B

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

1. LAND INCLUDED IN LEASED PROPERTY OF ALAMOSA SCHOOL DISTRICT RE-11J

A TRACT OF LAND SITUATED IN THE NORTH HALF OF THE SOUTHEAST QUARTER AND IN THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 9, TOWNSHIP 37 NORTH, RANGE 10 EAST OF THE NEW MEXICO PRINCIPAL MERIDIAN, BEING A PART OF WASHINGTON ADDITION TO ALAMOSA, COUNTY OF ALAMOSA, STATE OF COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE LINE BETWEEN THE CENTER QUARTER CORNER AND THE EAST QUARTER CORNER OF SAID SECTION 9 AS BEARING S89°47'26"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO;

COMMENCING AT THE EAST QUARTER CORNER OF SAID SECTION 9; THENCE S82°35'29"W A DISTANCE OF 2427.60 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE FOR WEST 8TH STREET IN ALAMOSA AND THE **TRUE POINT OF BEGINNING**;

THENCE S00°12'51"W A DISTANCE OF 395.00 FEET;
THENCE S89°47'09"E A DISTANCE OF 450.00 FEET;
THENCE S00°12'51"W A DISTANCE OF 30.00 FEET;
THENCE S89°47'09"E A DISTANCE OF 270.00 FEET;
THENCE S00°12'51"W A DISTANCE OF 425.00 FEET TO A POINT ON THE NORTH RIGHT-OF-WAY LINE FOR WEST 10TH STREET;
THENCE N89°47'09"W ALONG THE NORTH RIGHT-OF-WAY LINE FOR WEST 10TH STREET A DISTANCE OF 1710.00 FEET;
THENCE N00°12'51"E A DISTANCE 850.00 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE FOR WEST 8TH STREET;
THENCE S89°47'09"E ALONG SAID SOUTH RIGHT-OF-WAY LINE A DISTANCE OF 990.00 FEET TO THE **TRUE POINT OF BEGINNING**.

2. LAND INCLUDED IN LEASED PROPERTY OF SANGRE DE CRISTO SCHOOL DISTRICT RE-22J

Parcel 2,
FRYE DIVISION OF LAND NO. 1, according to the Plat thereof
recorded May 11, 2009 at Reception No. 338506,
County of Alamosa,
State of Colorado.

3. LAND INCLUDED IN LEASED PROPERTY OF SARGENT SCHOOL DISTRICT RE-33J

A TRACT OF LAND SITUATED IN THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 8 EAST, NEW MEXICO PRINCIPAL MERIDIAN, RIO GRANDE COUNTY, COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 28 AS BEARING N00°12'30"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 28; THENCE N28°46'48"E A DISTANCE OF 416.98 FEET TO THE **TRUE POINT OF BEGINNING**;

THENCE NORTH 79.67 FEET;
THENCE EAST 40.62 FEET;
THENCE NORTH 113.75 FEET;
THENCE WEST 107.50 FEET;
THENCE NORTH 26.58 FEET;
THENCE WEST 15.92 FEET;
THENCE NORTH 30.60 FEET;
THENCE EAST 15.97 FEET;
THENCE NORTH 28.58 FEET;
THENCE EAST 246.62 FEET;
THENCE SOUTH 85.77 FEET;
THENCE WEST 13.79 FEET;
THENCE SOUTH 58.08 FEET;
THENCE EAST 13.33 FEET;
THENCE SOUTH 150.00 FEET;
THENCE WEST 80.21 FEET;
THENCE NORTH 14.67 FEET;
THENCE WEST 99.12 FEET TO THE **TRUE POINT OF BEGINNING**;

AND THE FOLLOWING PARCEL MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A PARCEL SITUATED IN THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 8 EAST, NEW MEXICO PRINCIPAL MERIDIAN, RIO GRANDE COUNTY, COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 28 AS BEARING N00°12'30"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 28:
THENCE N03°08'22"E A DISTANCE OF 586.66 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE FOR COUNTY ROAD 2 EAST AND THE **TRUE POINT OF BEGINNING**;

THENCE N00°12'30"E ALONG THE EAST RIGHT-OF-WAY LINE FOR SAID COUNTY ROAD 2 EAST A DISTANCE OF 30.60 FEET;
THENCE S89°47'30"E A DISTANCE OF 85.71 FEET;
THENCE SOUTH 30.60 FEET;
THENCE N89°47'30"W A DISTANCE OF 85.82 FEET TO THE **TRUE POINT OF BEGINNING**.

LEGAL DESCRIPTION PREPARED BY:
REYNOLDS ENGINEERING COMPANY
MARTIN REYNOLDS, PLS #23847

APPENDIX C

GLOSSARY

"*Act*" means the Building Excellent Schools Today Act, part 1 of article 43.7 of title 22, C.R.S., as it may be amended from time to time.

"*Additional Rent*" means (a) when used with respect to amounts payable by the State pursuant to the 2009A Lease, the costs and expenses incurred by the State in performing its obligations under the 2009A Lease other than its obligations with respect to Base Rent and the State's Purchase Option Price; (b) when used with respect to amounts payable by the State pursuant to any other Lease, similar costs and expenses; and (c) when used with respect to amounts payable by a Sublessee pursuant to a Sublease, the costs and expenses incurred by the Sublessee in performing its obligations under such Sublease other than its obligations with respect to the Sublessee's Purchase Option Price under such Sublease. Amounts payable by a Sublessee pursuant to a Sublease are not included in the Trust Estate.

"*Adverse Federal Direct Payment Event*" means an event that would cause a Taxable Build America Certificate to fail to qualify as a build America bond within the meaning of Section 54AA of the Code for which the issuer has made an irrevocable election to have Sections 54AA(g) and 6431 of the Code apply.

"*Adverse Tax Event*" means:

(a) with respect to a Tax Credit Build America Certificate, an event that would cause the Certificate to fail to qualify as a build America bond within the meaning of Section 54AA of the Code for which the issuer has made an irrevocable election to have Sections 54AA(g) and 6431 of the Code apply;

(b) with respect to a Taxable Build America Certificate or a Taxable No Tax Credit Certificate, the term Adverse Tax Event shall have no meaning;

(c) with respect to a Tax Exempt Certificate, an event that would cause interest on any of the Certificates to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining "adjusted current earnings" for the purpose of computing the alternative minimum tax imposed on such corporations); and

(d) with respect to a Qualified School Construction Certificate, an event that would cause the Certificate to fail to qualify as a qualified school construction bond within the meaning of Section 54F of the Code.

"*Allocated Investment Earnings*" means, when used with respect to any Project Account, the dollar amount, if any, designated by the State at the time such account is created of investment earnings from the Project Accounts that is to be deposited over time into such Project Account pursuant to Section 3.02(b)(ii) of the Master Indenture.

"*Amortizing Principal*" means the payments of Base Rent by the State pursuant to a Lease that are designated and paid as Amortizing Principal under such Lease.

"*Assistance Board*" means the public school capital construction assistance board created in section 22-43.7-106(1) of the Act.

"*Assistance Fund*" means the public school capital construction assistance fund created in section 22-43.7-104(1) of the Act.

"*Authorized Denominations*" means, with respect to any Series of Certificates, the denominations specified in the Supplemental Indenture authorizing such Series of Certificates.

"*Available Project Proceeds*" with respect to any Series of Qualified School Construction Certificates has the meaning assigned to it in Section 54A of the Code.

"*Available Project Proceeds Expenditure Period*" means, with respect to any Series of Qualified School Construction Certificates, the third anniversary of the date such Series of Qualified School Construction Certificates are originally executed and delivered or, in the event the United States Internal Revenue Service grants an extension of the three year expenditure period, the last day of the extended expenditure period.

"*Base Rent*" means (a) when used with respect to amounts payable by the State pursuant to a Lease, the amounts designated and paid as Base Rent under such Lease; and (b) when used with respect to amounts payable by a Sublessee pursuant to a Sublease, the payments, if any, by the Sublessee pursuant to such Sublease that are designated and paid as Base Rent under such Sublease. Base Rent payable by Sublessees pursuant to Subleases is not included in the Trust Estate.

"*Base Rent Payment Date*" means, when used with respect to Base Rent payable pursuant to a Lease or Sublease, one of the dates in the "Base Rent Payment Date" column in the Exhibit to such Lease or Sublease that includes the schedule for payment of Base Rent payable pursuant to such Lease or Sublease.

"*Bond Counsel*" means (a) as of the date of execution and delivery of the Series 2009A Certificates, Kutak Rock LLP, and (b) as of any other date, Kutak Rock LLP or such other attorneys selected by the State with nationally recognized expertise in the issuance of municipal securities that qualify as Taxable Build America Certificates, Tax Credit Build America Certificates, School Construction Certificates and Tax Exempt Certificates.

"*Building Excellent Schools Today Lease Purchase Agreement*" means a lease purchase agreement entered into by the State Treasurer on behalf of the State on the instructions of the Assistance Board to provide financial assistance as defined in the Act to Eligible K-12 Institutions pursuant to section 22-43.7-110(2) of the Act.

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

"*Capital Construction Fund*" means the special fund created by Section 3.02 of the Master Indenture.

"*Certificate Fund*" means the special fund created by Section 3.01 of the Master Indenture.

"*Certificates*" means all the certificates executed and delivered pursuant to the Master Indenture.

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

"*Completion Certificate*" for each Project is defined in the Sublease of the Sublessee for which the Project was financed.

"*Completion Date*" for each Project is defined in the Sublease of the Sublessee for which the Project was financed.

"*Contractor*" means any Person who performs Work in connection with a Project.

"*Costs*" or "*Costs of a Project*" means, with respect to each Project, the costs of capital construction (as defined in § 22-43.7-103(6) of the Act) of such Project that are incurred prior to the Completion Date for such Project.

"*Costs of Issuance*" means costs incurred in connection with the preparation, negotiation, execution and delivery of any Site Lease, Lease, Sublease, Matching Moneys Bond, the Indenture, the Certificates or any other document related thereto and due diligence, title and other nonconstruction costs incurred with respect to the Leased Property and the Projects prior to the last Completion Date for a Project that is financed with the proceeds of such Certificates, including, but not limited to, any fees and expenses of the Trustee, any fees and expenses of any underwriter or financial advisor that provides services in connection with the execution and delivery of any Certificates, costs of environmental assessments or reports and title insurance, 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.

"*Costs of Issuance Account*" means the account of the Capital Construction Fund created by and designated as such in Section 3.02(a) of the Master Indenture.

"*C.R.S.*" means Colorado Revised Statutes, as amended.

"*Defeasance Securities*" means Permitted Investments which are:

(a) cash;

(b) U.S. Treasury Certificates, Notes and Bonds, including State and Local Government Series ("SLGs");

(c) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, including CATS, TIGRS and similar securities;

(d) Resolution Funding Corp. (REFCORP): only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(e) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided that if the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA-rated pre-refunded municipal bonds;

(f) the following obligations issued by the following agencies which are backed by the full faith and credit of the United States are pledged for the payment of principal and interest:

(i) U.S. Export-Import Bank (Eximbank) direct obligations or fully guaranteed certificates of beneficial ownership;

(ii) Farmers Home Administration (FmHA) certificates of beneficial ownership;

(iii) Federal Financing Bank;

(iv) General Services Administration participation certificates;

(v) U.S. Maritime Administration Guaranteed Title XI financing;

(vi) U.S. Department of Housing and Urban Development (HUD):

(A) Project Notes;

(B) Local Authority Bonds;

(C) New Communities Debentures—U.S. government guaranteed debentures; and

(D) U.S. Public Housing Notes and Bonds—U.S. government guaranteed public housing notes and bonds.

"*Eligible K-12 Institution*" means an applicant as defined in the Act.

"*Event of Default*" means (a) when the term is used in the 2009A Lease or is used to refer to an event occurring under the 2009A Lease, an event described in Section 11.01 of the 2009A Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to the 2009A Lease or is used to refer to an event occurring under such a Sublease, an event described in Section 11.01 of such Sublease; (c) when the term is used in a Site Lease with respect to Leased Property subject to the 2009A Lease or is used to refer to an event occurring under such Site Lease, an event described in Section 10.01 of such Site Lease; (d) when the term is used in any other Lease, Sublease or Site Lease or is used to refer to an event occurring under any other Lease or Sublease or the Site Lease, any event similar to an event described in clause (a), (b) or (c) of this definition; and (e) when the term is used in the Indenture, an Event of Default under the 2009A Lease or any other Lease.

"*Event of Nonappropriation*" means (a) when the term is used in the 2009A Lease or is used to refer to an event occurring under the 2009A Lease, an event described in Section 5.04(b) of the 2009A Lease; (b) when the term is used in a Sublease with respect to Leased Property subject to the 2009A Lease or is used to refer to an event occurring under such a Sublease, an event described in Section 5.04(b) of such Sublease; (c) when the term is used in any other Lease or Sublease or is used to refer to an event occurring under any other Lease or Sublease, any similar event; and (d) when the term is used in the Indenture, an Event of Nonappropriation under the 2009A Lease or any other Lease.

"*Failure to Perform*" is defined in Section 7.03 of the Master Indenture.

"*Fair Market Value*" means:

(a) with respect to real property improved pursuant to a Project after a Certificate of Completion has been delivered with respect to such Project and with respect to Leased Property that is not improved pursuant to a Project, (i) the value of the land included in such property as estimated by the Site Lessor in the Site Lease pursuant to which such property is leased to the Trustee, *plus* (ii) the replacement value of such property determined by the Colorado School District Self Insurance Pool or other insurer providing casualty and property damage for such property;

(b) with respect to real property improved pursuant to a Project before a Certificate of Completion has been delivered with respect to such Project, (i) the value of the land included in such property as estimated by the Site Lessor in the Site Lease pursuant to which such property is leased to the Trustee,~~ ~~ *plus* (ii) the sum of (A) the amount ~~on deposit in~~of proceeds of Certificates deposited into the Project Account for such Project; (B) Allocated Investment ~~earnings~~Earnings expected to be deposited into such Project Account; and (C) the amount expended on improvements to such property from such Project Account; *minus* (iii) the amount that has been or is expected to be spent from such Project Account to acquire or improve property for the Sublessee for which such Project Account was established that is not included in the Leased Property;

(c) with respect to other property, the price at which a willing seller would sell and a willing buyer would buy property in an arm's length transaction; and

(d) if Fair Market Value is being determined for a portion of the property for which a value is determined pursuant to clauses (a), (b) and/or (c), the State's determination as to the amount of the value determined pursuant to clauses (a), (b) and/or

(c) that is allocable to the portion of the property for which Fair Market Value is being determined shall be conclusive and binding on all Persons.

"*Federal Direct Payments*" means payments by the federal government in connection with the interest on Taxable Build America Bonds pursuant to Sections 54AA(g) and 6431 of the Code.

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

"*Force Majeure*" means any event that is not within the control of the State, 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.

"*Glossary*" means this Glossary as it may be amended, supplemented or restated from time to time.

"*Governing Body*" means, (a) when used with respect to a Participating K-12 Institution that is a school district, the Board of Education of such school district; and (b) when used with respect to any other Participating K-12 Institution, the legislative body of such Participating K-12 Institution.

"*Indenture*" means the Master Indenture and all Supplemental Indentures, collectively.

"*Initial Purchaser*" means the Person who initially purchases a Series of Certificates pursuant to a certificate purchase agreement or otherwise.

"*Initial Term*" means, with respect to each Lease and Sublease, the period commencing on the date the Lease or Sublease is executed and delivered (unless a different commencement date is specifically set forth in such Lease or Sublease) and ending on the following June 30.

"*Interest Account*" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"*Interest Payment Date*" (a) has no meaning with respect to the Series 2009A Certificates; and (b) means, with respect to other Certificates, unless this definition is amended at or prior to the execution and delivery of such other Certificates, May 1 and November 1, commencing on the first such date that is at least 75 days after the original dated date of such Certificates.

"*Interest Strip*" means an instrument evidencing the right to receive the interest on a Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the tax credit available to the owner of, the principal of such Qualified School Construction Certificate or Tax Credit Build America Certificate.

"*Land*" means (a) with respect to the land included in the Leased Property subject to the 2009A Lease, the land described in Exhibit A to the 2009A Lease, subject to the terms of the 2009A Lease relating to modifications and substitutions of Leased Property; (b) with respect to land included in a Sublessee's Leased Property subject to the 2009A Lease, the land described in Exhibit B to such Sublease, subject to the terms of such Sublease relating to modifications and substitutions of Leased Property; (c) with respect to the land included in a Site Lessor's Leased Property subject to the 2009A Lease, the land described in Exhibit A to such Site Lease, subject to the terms of such Site Lease relating to modifications and substitutions of Leased Property; and (d) with respect to the land included in the Leased Property subject to any other Lease, Sublease or Site Lease, the land described in the such Lease, Sublease or Site Lease on the date such Lease, Sublease or Site Lease is executed and delivered, subject to the terms of such Lease, Sublease or Site Lease relating to modifications and substitutions of Leased Property.

"*Lease*" means (a) when the term is used in a particular Building Excellent Schools Today Lease Purchase Agreement to refer to "this Lease," the particular Building Excellent Schools Today Lease Purchase Agreement in which the term is used; (b) when the term is used in the Indenture or another document other than a Building Excellent Schools Today Lease Purchase Agreement and is not preceded by the Series designation of the Lease, any of the 2009A Lease or any other Building Excellent Schools Today Lease Purchase Agreement revenues from which are to be used to pay principal of, premium, if any, and interest on Certificates; and (c) when the terms is preceded by the Series designation of the Lease, the Building Excellent Schools Today Lease Purchase Agreement with that Series designation.

"*Lease Revenues*" means, (a) with respect to the 2009A Lease: (i) the Base Rent~~,~~; (ii) the State's Purchase Option Price, if paid (including any Net Proceeds applied to the payment of the State's Purchase Option Price pursuant to a Lease)~~,~~; (iii) earnings on moneys on deposit in ~~any fund, account or subaccount and all other revenues from the 2009A Lease, to the extent such earnings or revenues are deposited into a fund, account or subaccount that is part of the Trust Estate,~~the Certificate Fund, the Capital Construction Fund and the State Expense Fund (but not the Rebate Fund or any defeasance escrow account); and (iv) any other moneys to which the Trustee may be entitled for the benefit of the Owners; and (b) with respect to other Leases, similar amounts with respect thereto. Lease Revenues does not include amounts payable by any Sublessee under a Sublease or any Matching Moneys Bond.

"*Lease Term*" means the period of time during which a Lease is in force and effect, as set forth in Section 3.01 of the 2009A Lease and any similar provision of any other Lease.

"*Leased Property*" means (a) when the term is used in a particular Lease or to refer to property leased pursuant to a particular Lease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Trustee to the State pursuant to such Lease, subject to the terms of such Lease relating to modifications and substitutions of Leased Property; (b) when the term is used in a particular Sublease, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) that are subleased to the Sublessee pursuant to the Sublease, subject to the terms of such Sublease relating to modifications and substitutions of Leased Property; (c) when the term is used in a particular Site Lease, the Land and the buildings, structures and improvements located on such Land (including any fee interest, leasehold estate or other interest therein) that are leased by the Site Lessor to the Trustee pursuant to such Site Lease; (d) when the term is used together with a possessive reference to a particular Sublessee or Site Lessor, the Land and the buildings, structures and improvements now or hereafter located on such Land (including any fee interest, leasehold estate or other interest therein) leased to such Sublessee under a Sublease or leased by such Site Lessor under a Site Lease; and (e) when the term is used in other contexts, all the property (including any fee interest, leasehold estate or other interest therein and the Land and the building, structures and improvements now or hereafter located on such Land) leased to the State pursuant to all the Leases, subject to the terms of the Leases relating to modifications and substitutions of Leased Property.

"*Master Indenture*" means the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August ~~___,~~12, 2009 by the Trustee, as it may be supplemented and amended from time-to-time by a Supplemental Indenture or otherwise.

"*Matching Moneys*" has the meaning assigned to it in the Act.

"*Matching Moneys Bond*" means any bond issued by a Sublessee and delivered to the State to satisfy the Sublessee's obligation to pay Matching Moneys with respect to its Project.

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

"*Net Proceeds*" means the gross proceeds received from any insurance, performance bond, condemnation award or contract or any source as a consequence of a Property Damage, Defect or Title Event *minus* any expenses incurred in connection with the collection of such gross proceeds.

"*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 shall have been surrendered to the Trustee for cancellation;

(b) Certificates in lieu of which other Certificates have been executed under Section 2.05 or 2.06 of the Master Indenture;

(c) Certificates which have been redeemed as provided in Article IV of the Master Indenture (including Certificates redeemed on payment of an amount less than the outstanding principal thereof and accrued interest thereon to the redemption date);

(d) Certificates which are due and for which the Trustee holds funds for the benefit of the Owner thereof pursuant to Section 3.05 of the Master Indenture;

(e) Certificates which are otherwise deemed discharged pursuant to Section 9.01 of the Master Indenture; and

(f) Certificates held by the State.

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

"*Participating K-12 Institution*" means an Eligible K-12 Institution for which the Assistance Board has recommended, and the State Board has approved, the provision of financial assistance for the Eligible K-12 Institution's Project in accordance with the Act and for which the Assistance Board has instructed the State Treasurer to enter into a Building Excellent Schools Today Lease Purchase Agreement to provide such financial assistance.

"*Permitted Encumbrances*" means, as of any particular time, (a) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to Section 7.02(b) of the 2009A Lease or any similar provision of any other Lease; (b) the Leases, the Indenture, the Site Leases and the Subleases; (c) easements, licenses, rights-of-way, rights and privileges, reversion clause, use or other restrictions and exceptions which a State 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 pursuant to Section 7.03 of the 2009A Lease or any similar provision of any other Lease; (d) any financing statements filed with respect to the Trustee's interest in the Leased Property, the Leases, the Site Leases or the Subleases; (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, as certified by the Sublessee that leased the Leased Property to the Trustee, materially impair title to the Leased Property. In addition, with respect to the Leased Property described in Exhibit A to the State of Colorado Building Excellent Schools Today Sublease Agreement dated as of August __, 2009 between Sargent School District RE-33J and the State, Permitted Encumbrances includes the deed restriction providing that the ownership of the Leased Property reverts to a third party if such Leased Property is not used for school purposes.

"*Permitted Investments*" means any investment which is a lawful investment permitted for the investment of funds of the State by the laws of the State under C.R.S. § 24-75-601.1 or any successor thereto.

"*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.

"*Principal Account*" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"*Principal Component*" means (a) the rights of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate not included in the Tax Component, including the right to payment of the principal of such Credit Certificate in accordance with the

Indenture and the rights of the Owner of such Certificate under the Indenture based on the principal amount of such Certificate.

"*Principal Strip*" means an instrument evidencing the right to receive the principal of a Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the tax credit available to the owner of or the interest on such Qualified School Construction Certificate or Tax Credit Build America Certificate.

"*Project*" means (a) when the term is used to refer to a Project financed with the proceeds of a Series of Certificates, a capital construction project as defined in the Act that is financed with the proceeds of such Series of Certificates; (b) when the term is used in a particular Lease, a capital construction project as defined in the Act that is financed with proceeds of Certificates with the same Series designation as the Lease; (c) when the term is used together with a possessive reference to a Sublessee, capital construction project as defined in the Act that is identified as the Project of such Sublessee in a Lease, a Sublease, a Site Lease, the Indenture or other document; and (d) when the term is used in other contexts, all the capital construction projects as defined in the Act financed with proceeds of Certificates.

"*Project Account*" means an account of the Capital Construction Fund that is to be used to fund a particular Project.

"*Project Contract*" means the contract or agreement pursuant to which a Contractor performs Work in connection with a Project.

"*Property Damage, Defect or Title Event*" means one of the following events: (a) any portion of the Leased Property is destroyed or damaged by fire or other casualty, (b) title to, or the temporary or permanent use of, any portion of the Leased Property or the estate of the State or the Trustee in any portion of the Leased Property, 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 any portion of the Leased Property becomes apparent or (d) title to or the use of any portion of the Leased Property is lost by reason of a defect in the title thereto.

"*Proportionate Share*" means (a) when the term is used to refer to a Sublessee's share of an amount payable (or another amount to be allocated among Sublessees) pursuant to a particular Lease, the share determined by multiplying the total amount by a fraction, the numerator of which is the costs of the Sublessee's Project financed with the proceeds of Certificates or Allocated Investment Earnings from Project Accounts with the same Series designation as such Lease and the denominator of which is the sum of the costs all Sublessees' Projects financed with the proceeds of Certificates or Allocated Investment Earnings from Project Accounts with the same Series designation as such Lease; and (b) when the term is used to refer to a Sublessee's share of the sum of all amounts payable (or all other amounts to be allocated among Sublessees) pursuant to all the Leases for a particular category of cost or expense (or for a particular purpose), the share determined by multiplying the sum of all such amounts by a fraction, the numerator of which is the costs of the Sublessee's Project financed with the proceeds of Certificates and Allocated Investment Earnings and the denominator of which is sum of the costs all Sublessees' Projects financed with the proceeds of all Certificates and Allocated Investment Earnings.

"*Purchase Option Account*" means the special account of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture.

"*Qualified School Construction Certificate*" means any Certificate of any Series of Certificates designated as Qualified School Construction Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Rating Agency*" means S&P, but only if S&P then maintains a rating on any Outstanding Certificates at the request of the State, and Moody's, but only if Moody's then maintains a rating on any Outstanding Certificates at the request of the State.

"*Rebate Fund*" means the special fund created by Section 3.04 of the Master Indenture.

"*Record Date*" means, (a) with respect to each Interest Payment Date that occurs on the first day of a calendar month, the fifteenth day of the immediately preceding calendar month (whether or not a Business Day); and (b) with respect to each Interest Payment Date that occurs a day other than the first day of a calendar month, the first day of the month (whether or not a Business Day) in which the Interest Payment Date occurs.

"*Renewal Term*" means, with respect to each Lease and Sublease, each twelve-month period, commencing on July 1 of each year and ending on June 30 of such year, for which the State renews a Lease Term or a Sublessee renews a Sublease Term after the Initial Term of such Lease or Sublease.

"*Rent*" means Base Rent and Additional Rent, collectively.

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

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

"*Scheduled Lease Term*" means the period that begins on the first day of the Initial Term of a Lease and ends on (a) in the case of the 2009A Lease, the date described in Section 3.01(b)(i) of the 2009A Lease and (b) in the case of any other Lease, the date described in any similar provisions of that Lease.

"*Scheduled Site Lease Term*" means the period that begins on the first day of the Site Lease Term of a Site Lease and ends on (a) in the case of a Site Lease pursuant to which Leased Property is leased to the Trustee that is leased by the State pursuant to the 2009A Lease, the date described in Section 3.01(a)(i) of such Site Lease and (b) in the case of any other Site Lease, the date described in any similar provision of that Site Lease.

"*Scheduled Sublease Term*" means the period that begins on the first day of the Initial Term of a Sublease and ends on (a) in the case of Subleases with respect to the Leased Property subject to the 2009A Lease, the date described in Section 3.01(b)(i) of such Sublease and (b) with respect to any other Sublease, the date described in any similar provisions of that Sublease.

"*Series*" means, (a) when used to refer to any series of Certificates, a series of Certificates authorized by and named in a Supplemental Indenture; and (b) when used to refer to a Lease, Sinking Fund Account or any other term with a series designation, the Lease, Sinking Fund Account or other term identified by a series designation. If the name of more than one Series of Certificates or Sinking Fund Accounts includes the same year and letter, (i) the letter in the Series name for such Series of Certificates or Sinking Fund Account shall be followed by a dash and a number in order to distinguish it from other Series of Certificates or Sinking Fund Accounts with the same year and letter in its name; (ii) references to Certificates by a year and letter shall include all Series of Certificates the name of which includes the same year and letter; and (iii) references to the Lease "with the same Series designation" as a Series of Certificates or Sinking Fund Account shall mean the Lease the name of which includes the same year and letter as such Series of Certificates or Sinking Fund Account.

"*Series 2009A Certificates*" means the Series of Certificates authorized by the Series 2009A Supplemental Indenture.

"*Series 2009A Sinking Fund Account*" means the Sinking Fund Account created for the payment of the Series 2009A Certificates by Section 3.02 of the Master Indenture.

"*Series 2009A Sinking Fund Principal*" means the payments of Base Rent by the State pursuant to the 2009A Lease that are designated and paid as Series 2009A Sinking Fund Principal under the 2009A Lease.

"*Series 2009A Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Trust Indenture dated as of August ~~___,~~12, 2009 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Sinking Fund Account*" means one of the special accounts of the Certificate Fund established and designated as such by Section 3.01 of the Master Indenture. The name of each Sinking Fund Account shall include the same Series designation as the Series of Qualified School Construction Certificates for which it is established.

"*Sinking Fund Principal*" means the payments of Base Rent by the State that are designated in the Lease as [Series year, letter and number] Sinking Fund Principal under such Lease.

"*Site Lease*" means a lease pursuant to which a Sublessee has leased Leased Property to the Trustee, as amended or supplemented from time-to-time. When the term is preceded by a possessive, it means the Site Lease pursuant to which the particular Sublessee has leased Leased Property to the Trustee.

"*Site Lease Term*" means the period of time during which a Site Lease is in force and effect as set forth in Section 3.01 of each of the Site Leases with respect to the Leased Property that is subject to the 2009A Lease and any similar provision of any other Site Lease.

"*Site Lessor*" means a Sublessee that has leased Leased Property to the Trustee pursuant to a Site Lease in its capacity as lessor under such Site Lease.

"*Special Record Date*" means a special date fixed to determine the names and addresses of Owners of Certificates for purposes of paying defaulted interest in accordance with Section 2.02 of the Master Indenture.

"*Specifications*" means, for each Project, the Specifications attached to the Sublease of the Sublessee for which such Project was financed.

"*State*" means (a) when used with respect to a party to a Sublease, the State of Colorado, acting by and through the State Treasurer and the Assistance Board acting on behalf of the State; (b) when used with respect to a party to a Lease or any other document other than a Sublease, the State of Colorado, acting by and through the State Treasurer; and (c) when used in any other context, the State of Colorado.

"*State Board*" means the State Board of Education created and existing pursuant to section 1 of article IX of the State Constitution.

"*State Expense Fund*" means the special fund created by Section 3.03 of the Master Indenture.

"*State Representative*" means the (a) the State Treasurer; (b) the Deputy State Treasurer; or (c) any other officer or employee of the State authorized by law or by a writing signed by the State Treasurer to act as a State Representative under the Leases, the Indenture, the Site Leases and the Subleases.

"*State's Purchase Option Price*" means (a) when the term is used to refer to the State's Purchase Option Price under the 2009A Lease, the amount that the State must pay to purchase the interest of the Trustee in all the Leased Property subject to the 2009A Lease pursuant to Section 8.01 of the 2009A Lease or a portion of the Leased Property subject to the Series 2009A Lease pursuant to Section 8.02 of the 2009A Lease; and (b) when the term is used to refer to the State's Purchase Option Price under any other Lease, the amount that the State must pay to purchase the interest of the Trustee all the Leased Property subject to such Lease or a portion of the Leased Property subject to such Lease, as applicable, pursuant to any similar provision(s) of that Lease.

"*Stripping*" means the creation of a Principal Strip, Interest Strip and/or Tax Credit Strip from a Certificate pursuant to a Supplemental Indenture.

"*Stripped*" when used with respect to a Certificate means that a Principal Strip, Interest Strip and/or Tax Credit Strip have been created from such Certificate pursuant to a Supplemental Indenture.

"*Stripping Request*" means a request delivered by the Owner of a Certificate to the Trustee to create separate Principal Strips, Interest Strips and/or Tax Credit Strips from such Certificate in accordance with the Series 2009A Supplemental Indenture.

"*Sublease*" means a sublease pursuant to which a Sublessee subleases Leased Property from the State, as amended or supplemented from time-to-time.

"*Sublease Term*" means the period of time during which a Sublease is in force and effect as set forth in Section 3.01 of each of the Subleases with respect to the Leased Property that is subject to the 2009A Lease and any similar provision of any other Sublease.

"*Sublessee*" means (a) when the term is used in or to refer to a particular Sublease, the Participating K-12 Institution that is subleasing the Leased Property subject to the Sublease from the State pursuant to the Sublease; and (b) when the term is used in a Lease, the Indenture or another document, any Participating Institution that is subleasing Leased Property from the State pursuant to a Sublease.

"*Sublessee Representative*" means a Person identified as such in the Sublessee's Sublease.

"*Sublessee's Purchase Option Price*" means (a) when the term is used to refer to the Sublessee's Purchase Option Price under any Sublease with respect to Leased Property subject to the 2009A Lease, the amount that the Sublessee must pay to purchase the interest of the Trustee in all the Leased Property subject to such Sublease following an Event of Default or Event of Nonappropriation under the 2009A Lease pursuant to Section 8.01 of such Sublessee's Sublease; and (b) when the term is used to refer to the Sublessee's Purchase Option Price under any Sublease with respect to Leased Property subject to any other Lease, the amount that the Sublessee must pay to purchase the interest of the Trustee in all the Leased Property subject to such Sublease following an Event of Default or Event of Nonappropriation under such Lease pursuant to any similar provision of that Sublease.

"*Supplemental Indenture*" means any indenture supplementing or amending the Indenture that is adopted pursuant to Article VIII of the Master Indenture.

"*Tax Credit*" means the federal tax credit that the Owner of a Qualified School Construction Certificate or a Tax Credit Build America Certificate has the right to claim with respect to such Certificate under the Code.

"*Tax Credit Build America Certificate*" means any Certificate of any Series designated as Tax Credit Build America Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Tax Credit Component*" means the right of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate, or if such Certificate has been

Stripped the Owner of the related Tax Credit Strip, to claim the Tax Credit with respect to such Certificate.

"*Tax Credit Coupon*" means the coupon attached to a Tax Credit Build America Certificate or a Qualified School Construction Certificate evidencing the right to claim a Tax Credit with respect to such Certificate.

"*Tax Credit Strip*" means an instrument evidencing the right to receive the tax credit available to the owner of a Qualified School Construction Certificate or Tax Credit Build America Certificate independently of the right to receive the principal of or the interest on such Qualified School Construction Certificate or Tax Credit Build America Certificate.

"*Tax Exempt Certificate*" means any Certificate of any Series of Certificates designated as Tax Exempt Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Tax Treatment Designation*" means the designation assigned to a Series of Certificates in the Supplemental Indenture authorizing the Series of Certificates as Taxable Build America Certificates, Tax Credit Build America Certificates, Taxable No Tax Credit Certificates, Tax Exempt Certificates or Qualified School Construction Certificates.

"*Taxable Build America Certificate*" means any Certificate of any Series of Certificates designated as Taxable Build America Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*Taxable No Tax Credit Certificate*" means any Certificate of any Series designated as Taxable No Tax Credit Certificates in the Supplemental Indenture authorizing the issuance of the Series of Certificates of which such Certificate is a part.

"*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 placed in trust by the Trustee pursuant to Section 1.01 of the Master Indenture.

"*Trustee*" means Zions First National Bank, 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 Leases, the Indenture, the Site Leases and the Subleases by a written certificate furnished to the State Treasurer 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 State Treasurer.

"*2009A Lease*" means the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated as of August ~~___,~~12, 2009 between the Trustee and the State, as amended or supplemented from time to time.

"*2009A Leased Property*" means the Leased Property subject to the 2009A Lease.

"*2009A Participating K-12 Institutions*" means Alamosa School District Re-11J, Sangre De Cristo School District Re-22J and Sargent School District Re-33J.

"*2009A Project Accounts*" means the Project Accounts into which proceeds of the Series 2009A Certificates are deposited.

"*2009A Projects*" means the Projects financed with proceeds of the Series 2009A Certificates.

"*2009A Site Leases*" means the Site Leases between the Trustee and the 2009A Participating K-12 Institutions as Site Lessors, as amended or supplemented from time to time.

"*2009A Subleases*" means the Subleases between the State and the 2009A Sublessees as Sublessees, as amended or supplemented from time to time.

"*2009A Sublessees*" means the 2009A Participating K-12 Institutions in their capacities as Sublessees under the 2009A Subleases.

"*Unexpended Proceeds Redemption*" means any redemption of Certificates of a Series of Qualified School Construction Certificates, pursuant to the applicable redemption provisions of a Supplemental Indenture, as a result of the failure to expend the Available Project Proceeds within the Available Project Proceeds Expenditure Period.

"*Work*" for each Project is defined in the Sublease of the Sublessee for which such Project was financed.

After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2009A SUPPLEMENTAL TRUST INDENTURE

by

ZIONS FIRST NATIONAL BANK,
as Trustee

authorizing

State of Colorado
Building Excellent Schools Today
Certificates of Participation
Qualified School Construction ~~Certificates~~ Series 2009A

Dated as of August ~~__,~~ 12, 2009

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2009A SUPPLEMENTAL TRUST INDENTURE

This State of Colorado Building Excellent Schools Today Series 2009A Supplemental Trust Indenture (this "Series 2009A Supplemental Indenture") is dated as of August ~~__,~~12, 2009, and is executed and delivered by Zions First National Bank, a national banking association duly organized and validly existing under the laws of the United States, as trustee for the benefit of the Owners of the Certificates (the "Trustee"). ***Capitalized terms used but not defined herein have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August ~~__,~~12, 2009, as such Glossary is amended, supplemented and restated from time to time***.

RECITALS

The Master Indenture has been executed and delivered to provide for the issuance and payment of and security for Certificates. This Series 2009A Supplemental Indenture is a Supplemental Indenture and is being executed to provide additional terms applicable to the Series 2009A Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners as follows:

Article I

AUTHORIZATION AND TERMS OF SERIES 2009A CERTIFICATES

Section 1.01. Authorization and Name. The following Series 2009A Certificates shall be executed and delivered pursuant to this Series 2009A Supplemental Indenture: State of Colorado Building Excellent Schools Today Certificates of Participation, Qualified School Construction Series 2009A.

Section 1.02. Principal Amounts, Dated Dates, Maturity Dates and Interest.

(a) The Series 2009A Certificates are hereby designated as Qualified School Construction Certificates.

(b) The aggregate principal amount of the Series 2009A Certificates shall be $~~________.~~87,145,000.

(c) The Authorized Denominations of the Series 2009A Certificates are $40,000 and any integral multiple thereof, provided that one Series 2009A Certificate may be in a smaller denomination to the extent that aggregate principal amount of the Series 2009A Certificates exceed $40,000 and any integral multiple thereof.

(d) The Series 2009A Certificates executed and delivered on the date the Series 2009A Certificates are first executed and delivered shall be dated the date they are originally executed and delivered. Any Series 2009A Certificate executed and delivered upon transfer and exchange of another Series 2009A Certificate shall be dated as of its date of authentication.

(e) The Series 2009A Certificates shall mature on ~~________~~March 15, 2024 and shall not bear interest.

Section 1.03. Event of Default or Event of Nonappropriation Redemption.

(a) The Series 2009A Certificates shall be redeemed in whole, at a redemption price determined pursuant to subsection (b) of this Section, on any date, upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease.

(b) The redemption price for any redemption pursuant to this Section shall be the lesser of (i) the principal amount of the Series 2009A Certificates; or (ii) the sum of (A) available moneys, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and any defeasance escrow accounts established pursuant to Section 9.01 of the Master Indenture) and (B) the amount, if any, received by the Trustee from the exercise of remedies under the Indenture and the Leases. If more than one Series of Certificates is subject to redemption upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease under any similar provision of any other Supplemental Indenture, the amounts available to pay the redemption price shall be allocated among the Series 2009A Certificates and such other Series of Certificates in proportion to the principal amount of each such Certificate, provided that available moneys in any Sinking Fund Account shall be allocated only among Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account. Notwithstanding any other provision hereof, the payment of the redemption price of any Certificate pursuant to this Section and any similar provision of any other Supplemental Indenture shall be deemed to be the payment in full of such Certificate and no Owner of any Certificate redeemed pursuant to this Section or any similar provision of any other Supplemental Indenture shall have any right to any payment from the Trustee or the State in excess of such redemption price.

(c) In addition to any other notice required to be given under the Indenture, the Trustee shall, immediately upon obtaining knowledge of the occurrence of an Event of Default or Event of Nonappropriation under any Lease, notify the Owners of the Series 2009A Certificates and all other Series of Certificates that are subject to redemption upon the occurrence of an Event of Default or Event of Nonappropriation under such Lease (i) that such event has occurred and (ii) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price set forth in clause (i) of subsection (b) of this Section or any similar provision of any other Supplemental Indenture. If the funds then available to the Trustee are sufficient to pay the redemption price set forth in clause (i) of subsection (b) of this Section, such redemption price shall be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the redemption price set forth in clause (i) of subsection (b) of this Section, the Trustee shall

(A) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Indenture and the Leases and (B) subject to the applicable provisions of the Indenture, immediately begin to exercise and shall diligently pursue all remedies available to it under the Leases in connection with such Event of Default or Event of Nonappropriation. The remainder of the redemption price, if any, shall be paid to the Owners of the Certificates subject to redemption if and when funds become available to the Trustee from the exercise of remedies under the Indenture and the Leases.

Section 1.04. Unexpended Proceeds Redemption. The Series 2009A Certificates shall be redeemed in whole or in part, and if in part in Authorized Denominations by lot, at a redemption price equal to the principal amount of the redeemed Series 2009A Certificates, on a date designated by the State that is no later than 90 days after the third anniversary of the date the Series 2009A Certificates are originally executed and delivered, or, in the event the United States Internal Revenue Service grants an extension of the three year Available Project Proceeds Expenditure Period, on any later date designated by the State that is no later than 90 days after the end of the extended Available Project Proceeds Expenditure Period, in an amount equal to the unexpended Available Project Proceeds of the Series 2009A Certificates held by the Trustee as of the third anniversary of the date the Series 2009A Certificates are originally executed and delivered or, in the event the United States Internal Revenue Service grants an extension of the three year Available Project Proceeds Expenditure Period, the last day of the extended Available Project Proceeds Expenditure Period.

Section 1.05. Form of Certificates. The Series 2009A Certificates shall be in substantially the form set forth in Appendix A hereto, with such changes thereto not inconsistent with the Indenture, as may be necessary or desirable and approved by the State. Although attached as an appendix for the convenience of the reader, Appendix A is an integral part of this Series 2009A Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.

Section 1.06. Stripping of Series 2009A Certificates.

(a) *Tax Credit Components and Principal Components*. The Owner of each Series 2009A Certificate has the right to claim a Tax Credit on its federal income tax return in accordance with and subject to Sections 54F and 54A of the Code (the Tax Credit Component of such Series 2009A Certificate). The other rights of the Owner of such Series 2009A Certificate, including the right to payment of the principal of such Series 2009A Certificate in accordance with the Indenture and the rights of the Owner of such Series 2009A Certificate under the Indenture based on the principal amount of such Certificate is the Principal Component of such Series 2009A Certificate. Each Series 2009A Certificate will initially be delivered in a form that combines the Tax Credit Component and the Principal Component of such Series 2009A Certificate but with a Tax Credit Coupon attached.

(b) *Stripping*.

(i) *Stripping Request*. Upon receipt by the Trustee of a Stripping Request in the form of Appendix D hereto with respect to a Series 2009A Certificate, the Trustee shall:

(A) assign a new CUSIP number to such Series 2009A Certificate that is distinct from the CUSIP number for such Series 2009A Certificate ~~prior to the delivery of the Stripping Request~~before it is Stripped and insert the new CUSIP number (or confirm that such a CUSIP number has been assigned and inserted) and the date on, and execute, the "Principal Strip Legend" section of such Series 2009A Certificate (the Series 2009A Certificate, as so modified, is referred to as the "Principal Strip");

(B) assign a CUSIP number to the Tax Credit Coupon attached to such Series 2009A Certificate that is distinct from the CUSIP number for such Series 2009A Certificate ~~prior to the delivery of the Stripping Request~~before it is Stripped and the new CUSIP number assigned to the Principal Strip subparagraph (A) above and insert the new CUSIP number (or confirm that such a CUSIP number has been assigned and inserted) on the Tax Credit Coupon under "CUSIP number of Tax Credit Strip" (the Tax Credit Coupon, as so modified, is referred to as the "Tax Credit Strip") (the creation of the Principal Strip as described in subparagraph (A) above and the Tax Credit Strip as described in this subparagraph is referred to as "Stripping"; a Series 2009A Certificate from which a Principal Strip and a Tax Credit Strip have been created is referred to as having been "Stripped");

(C) deliver the Principal Strip and the Tax Credit Strip in accordance with the delivery instructions set forth in the Stripping Request; and

(D) register the ownership of the Principal Strip and the Tax Credit Strip in the records for registration and transfer of Certificates maintained by the Trustee pursuant to the Master Indenture.

(ii) *Modification of Stripping Process and form of Stripping Request to Permit Book Entry Registration and Transfer*. The process by which Stripping occurs, the form of the Stripping Request, the Principal Strips and the Tax Credit Strips shall be modified to conform to procedures established by The Depository Trust Company so as to permit the registration and transfer of the Principal Strips and Tax Credit Strips in the book entry records of The Depository Trust Company, including, but not limited to, to accommodate the assignment of separate CUSIP numbers to the Principal Strips and the Tax Credit Strips for each Credit Allowance Date on the date the Series 2009A Certificates are executed and delivered or when the Stripping occurs.

(iii) *Trustee Charges for Stripping*. The Trustee may require the payment, by the Owner of a Series 2009A Certificate, of any reasonable charges, as well as any taxes, transfer fees or other governmental charges required to be paid, with respect to the Stripping of any Series 2009A Certificate.

(c) *Authorized Denominations; Execution, Authentication, Replacement, Registration, Transfer, Exchange, Cancellation and Negotiability of Principal Strips and Tax Credit Strips; Applicability of Redemption Provisions of Master Indenture*. Except as otherwise specifically provided in this Section, (i) the Authorized Denomination of a Principal Strip shall be based on the principal amount of the Principal Strip; (ii) a Tax Credit Strip shall not have a principal amount but instead shall have a notional amount equal to the principal amount of the Series 2009A Certificate from which it was created and such notional amount shall be used in lieu of principal amount in determining the Authorized Denomination of such Tax Credit Strip; (iii) Principal Strips and Tax Credit Strips shall be executed and authenticated, shall be replaced if mutilated, lost, stolen or destroyed and shall be registered, transferred, exchanged and cancelled and shall be negotiable in the same manner as Certificates under Article II of the Master Indenture; (iv) subject to subsection (d) of this Section, the redemption provisions of Article IV of the Master Indenture shall apply to Principal Strips and Tax Credit Strips created from the Stripping, pursuant to this Section, of the Series 2009A Certificate to which such redemption provisions apply in the same manner as they apply to such Series 2009A Certificate; and (v) any such Tax Credit Strip created from the Stripping of a Series 2009A Certificate shall cease to be Outstanding when the related Principal Strip is not Outstanding.

(d) *Allocation of Redemption Price and Use of Money from the Exercise of Remedies under Article VII of the Master Indenture*. Notwithstanding any other provision hereof or of the Master Indenture, the redemption price of Series 2009A Certificates and moneys received from the exercise of remedies under Article VII of the Master Indenture that are to be paid to the Owners of the Series 2009A Certificates (for purposes of this Section, the "Available Money") shall be paid to the Owners of the Principal Strips and the Tax Credit Strips ~~in the proportions and values set forth in Appendix C hereto.~~as follows:

(i) to the Owners of the Principal Strips (if there is more than one Owner of Principal Strips, to the Owners of the Principal Strips in proportion to the principal amount of Principal Strips owned by each of them), a portion of the Available Money determined by the following formula:

AM x PAVP

Where:

AM = Available Money

PAVP = the percentage shown in Table 2 in Appendix C hereto in the column entitled Principal Maturity Date for the Redemption Date on which the Available Money is paid (or if paid on a date that does not coincide with a Redemption Date, the percentage determined for such payment date by straight line interpolation between the percentage for the immediately preceding Redemption Date and the immediately succeeding Redemption Date); and

(ii) to the Owners of the Tax Credit Strips evidencing the right to claim the Tax Credit on a particular Credit Allowance Date (if there is more than one Owner of such Tax Credit Strips, to the Owners of such Tax Credit Strips in proportion to the notional amount of such Tax Credit Strips owned by each of them), a portion of the Available Moneys determined by the following formula:

CS x AM/PS x CAVP

Where:

CS = the aggregate amount of Tax Credit shown in Table 1 in Appendix C hereto for the Credit Allowance Date on which the Owner of such Tax Credit Strips is entitled to claim the Tax Credit

AM = Available Money

PS = the aggregate principal amount of the Principal Strips

CAVP = the percentage shown in Table 2 in Appendix C hereto in the column entitled Credit Allowance Date for the Credit Allowance Date for such Tax Credit and the Redemption Date on which the Available Money is paid (or if paid on a date that does not coincide with a Redemption Date, the percentage determined for such payment date by straight line interpolation between the percentage for the immediately preceding Redemption Date and the immediately succeeding Redemption Date).

(e) *Control, Consent Rights and Other Rights of Owners of Series 2009A Certificates.* The rights of the Owner of any Series 2009A Certificate that has been Stripped to direct or request the Trustee to act or refrain from acting, to direct the manner and timing of any action by the Trustee or to control proceedings, to consent to Supplemental Indentures and amendments, changes or modifications of Leases and Site Leases, to take any other action that may be taken by the Owners of a percentage or a majority of the principal amount of Certificates and to receive notices and other information under the Indenture shall be rights of the Owners of the Principal Strips and the Tax Credit Strips shall not participate therein.

Article II

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS OF TRUSTEE

The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Series 2009A Supplemental Indenture as if set forth in full herein.

Article III

MISCELLANEOUS

Section 3.01. Titles, Headings, Etc. The titles and headings of the articles, sections and subdivisions of this Series 2009A Supplemental Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 3.02. Interpretation and Construction. This Series 2009A Supplemental Indenture and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Series 2009A Supplemental Indenture. For purposes of this Series 2009A Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Series 2009A Supplemental Indenture to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Series 2009A Supplemental Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Series 2009A Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 3.03. Legal Description of Land Included in Leased Property Subject to 2009A Lease. The legal description of the land included in the Leased Property subject to the 2009A Lease is set forth in Appendix B hereto. If the land included in the Leased Property subject to the 2009A Lease is modified pursuant to the terms of the 2009A Lease or other land is substituted for land included in the Leased Property subject to the 2009A Lease pursuant to the terms of the 2009A Lease, the legal description set forth in Appendix B hereto will be amended to describe the land included in the Leased Property subject to the 2009A Lease after such modification or substitution.

Section 3.04. Execution in Counterparts. This Series 2009A Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.05. Incorporation of Certain Miscellaneous Provisions of Master Indenture. The provisions of Sections 9.02, 9.03, 9.04, 9.05, 9.06, 9.09, 9.10, 9.11, 9.13 and 9.14 of the Master Indenture shall apply to this Series 2009A Supplemental Indenture as if set forth in full herein.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee has executed this Series 2009A Supplemental Indenture as of the date first above written.

ZIONS FIRST NATIONAL BANK, as Trustee

By ____________________________________
Authorized Signatory

[Signature Page to Series 2009A Supplemental Indenture]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day of August, by ______________________________________ as an authorized signatory of Zions First National Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[SEAL]

____
Notary Public

My commission expires:

____

APPENDIX A

FORM OF SERIES 2009A CERTIFICATE

The State of Colorado, acting by and through the State Treasurer, has designated this Certificate as a qualified school construction bond within the meaning of Section 54F of the Internal Revenue Code of 1986, as amended. By accepting this Certificate or a beneficial interest herein, the Owner and any owner of any beneficial interest herein agrees to treat the State's obligation to pay Base Rent under any Lease as indebtedness of the State for federal income tax purposes, including in connection with the preparation of all tax returns.

No. R-___ $___________

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
QUALIFIED SCHOOL CONSTRUCTION SERIES 2009A

Maturity Date	Tax Credit Rate	Delivery Date	CUSIP
~~_______ 1, 20__~~March 15, 2024	~~_______~~7.18%	~~__________ __,~~August 12, 2009	19668QAA3

REGISTERED OWNER: **CEDE & CO.**
Tax Identification Number: 13-2555119

PRINCIPAL SUM: **_______________________________________ DOLLARS**

THIS CERTIFIES THAT the registered owner specified above, or registered assigns, has an undivided interest in rights to receive certain revenues payable by the State of Colorado (the "State") under the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated as of August ~~__,~~12, 2009 (the "2009A Lease") by and between Zions First National Bank, Denver, Colorado (which bank, under the Indenture, defined below, is referred to as the "Trustee"), as lessor, and the State, acting by and through the State Treasurer, as lessee. The interest of the registered owner of this certificate is secured as provided in the State of Colorado Building Excellent Schools Today Master Trust Indenture (the "Master Indenture"), as supplemented by the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Indenture (the "Series 2009A Supplemental Indenture" and, together with the Master Indenture, the "Indenture), each dated as of August ~~__,~~12, 2009, by the Trustee, pursuant to which certain rights of the Trustee as lessor under the 2009A Lease and certain rights of the Trustee in the property leased to the State pursuant to the 2009A Lease (as described in the 2009 Lease, the "2009 Leased Property") have been placed in trust for the benefit of the registered owners (the "Owners") of the State of Colorado Building Excellent Schools Today Certificates of Participation Qualified School Construction Series 2009A (the "Series 2009A Certificates") and any additional Series of Certificates issued pursuant to the Indenture (together with the Series 2009A Certificates, the "Certificates") evidencing undivided interests in the right to receive revenues payable by State under the 2009A Lease or any other Building Excellent Schools Today Lease Purchase Agreement. Capitalized terms used but not defined herein have the meaning assigned to them in the Glossary attached to the Master Indenture.

Payment of Principal

The principal of this Certificate shall be payable to the Owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof and upon presentation and surrender at the Operations Center of the Trustee.

No provision of the Certificates, the Indenture, the 2009A Lease, the 2009A Site Leases or the 2009A Subleases, shall be construed or interpreted (a) to directly or indirectly obligate the State 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 State 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 State; (d) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State 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 State to, or in aid of, any person, company or corporation within the meaning of Article XI, Section 2 of the Colorado Constitution.

Base Rent and Additional Rent; Termination of Lease

Under the 2009A Lease, the Leased Property has been leased by the Trustee to the State; and the State has agreed, subject to the terms of the 2009A Lease, to pay directly to the Trustee Base Rent in consideration for its right to use the Leased Property, which Base Rent is part of the Trust Estate. In addition to the Base Rent, the State has agreed, subject to the terms of the 2009A Lease, to make certain other payments as Additional Rent with respect to costs and expenses incurred by the State in performing its obligations under the 2009A Lease other than its obligations with respect to Base Rent and the State's Purchase Option Price.

The Lease Term of the 2009A Lease is the Initial Term commencing on the date the 2009A Lease is executed and delivered and ending on June 30 of that Fiscal Year and successive one year Renewal Terms, subject to the provisions described below. The Lease Term of the 2009A Lease shall expire upon the earliest of any of the following events: (a) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with the 2009A Lease; (b) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred; (c) the purchase of all the Leased Property by the State pursuant to the 2009A Lease; or (d) termination of the 2009A Lease following an Event of Default in accordance the 2009A Lease.

Upon termination of the Lease Term, all unaccrued obligations of the State under the 2009A Lease shall terminate, but all obligations of the State that have accrued thereunder prior to such termination shall continue until they are discharged in full; and if the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the State's right to possession of the Leased Property thereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto. If the termination occurs because of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee will be entitled to exercise certain remedies with respect to the Leased Property.

Redemption of Series 2009A Certificates

~~[INSERT REDEMPTION PROVISIONS FROM BODY OF SUPPLEMENTAL INDENTURE]~~

Event of Default or Event of Nonappropriation Redemption

(a) The Series 2009A Certificates shall be redeemed in whole, at a redemption price determined pursuant to subsection (b) below, on any date, upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease.

(b) The redemption price for any redemption pursuant to this Section shall be the lesser of (i) the principal amount of the Series 2009A Certificates; or (ii) the sum of (A) available moneys, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and any defeasance escrow accounts established pursuant to Section 9.01 of the Master Indenture) and (B) the amount, if any, received by the Trustee from the exercise of remedies under the Indenture and the Leases. If more than one Series of Certificates is subject to redemption upon the occurrence of an Event of Default or Event of Nonappropriation under any Lease under any similar provision of any other Supplemental Indenture, the amounts available to pay the redemption price shall be allocated among the Series 2009A Certificates and such other Series of Certificates in proportion to the principal amount of each such Certificate, provided that available moneys in any Sinking Fund Account shall be allocated only among Qualified School Construction Certificates with the same Series designation as such Sinking Fund Account. Notwithstanding any other provision hereof, the payment of the redemption price of any Certificate pursuant to this redemption provision and any similar provision of any other Supplemental Indenture shall be deemed to be the payment in full of such Certificate and no Owner of any Certificate redeemed pursuant to this redemption provision or any similar provision of any other Supplemental Indenture shall have any right to any payment from the Trustee or the State in excess of such redemption price.

(c) In addition to any other notice required to be given under the Indenture, the Trustee shall, immediately upon obtaining knowledge of the occurrence of an Event of Default or Event of Nonappropriation under any Lease, notify the Owners of the Series 2009A Certificates and all other Series of Certificates that are subject to redemption upon the occurrence of an Event of Default or Event of Nonappropriation under such Lease (i) that such event has occurred and (ii) whether or not the funds then available to it for such purpose are sufficient to pay the redemption price set forth in clause (i) of subsection (b) above or any similar provision of any other Supplemental Indenture. If the funds then available to the Trustee are sufficient to pay the redemption price set forth in clause (i) of subsection (b) above, such redemption price shall be paid as soon as possible. If the funds then available to the Trustee are not sufficient to pay the redemption price set forth in clause (i) of subsection (b) above, the Trustee shall (A) immediately pay the portion of the redemption price that can be paid from the funds available, net of any funds which, in the judgment of the Trustee, should be set aside to pursue remedies under the Indenture and the Leases and (B) subject to the applicable provisions of the Indenture, immediately begin to exercise and shall diligently pursue all remedies available to it under the Leases in connection with such Event of Default or Event of Nonappropriation. The remainder of the redemption price, if any, shall be paid to the Owners of the Certificates subject to redemption if and when funds become available to the Trustee from the exercise of remedies under the Indenture and the Leases.

Unexpended Proceeds Redemption

The Series 2009A Certificates shall be redeemed in whole or in part, and if in part in Authorized Denominations by lot, at a redemption price equal to the principal amount of the redeemed Series 2009A Certificates, on a date designated by the State that is no later than 90 days after the third anniversary of the date the Series 2009A Certificates are originally executed and delivered, or, in the event the United States Internal Revenue Service grants an extension of the three year Available Project Proceeds Expenditure Period, on any later date designated by the State that is no later than 90 days after the end of the extended Available Project Proceeds Expenditure Period, in an amount equal to the unexpended Available Project Proceeds of the Series 2009A Certificates held by the Trustee as of the third anniversary of the date the Series 2009A Certificates are originally executed and delivered or, in the event the United States Internal Revenue Service grants an extension of the three year Available Project Proceeds Expenditure Period, the last day of the extended Available Project Proceeds Expenditure Period.

Notice of Redemption~~.~~

Notice of the call for any redemption, identifying the Series 2009A Certificates or portions thereof to be redeemed and specifying the terms of such redemption, shall be given by the Trustee by mailing a copy of the redemption notice by United States first class mail, at least 30 days prior to the date fixed for redemption, and to the Owner of each Certificate to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings of any Series 2009A Certificates as to which no such failure has occurred. Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, whether or not the Owner receives the notice. If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2009A Certificates called for redemption, which moneys are or will be available for redemption of Series 2009A Certificates, such notice will state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Supplements to Indenture

The Indenture permits supplements to the Indenture by the Trustee with the approval of the State and the Owners of not less than a majority or, in certain instances, 100% in aggregate principal amount of the Certificates at the time Outstanding, as defined in the Indenture. The Indenture also contains provisions permitting the Trustee to execute supplements to the Indenture with the consent of the State but without the consent of the Owners of the Certificates for certain purposes, including, without limitation, the execution and delivery of additional Series of Certificates.

Amendments of Leases and Site Leases

The Indenture permits amendments to the 2009A Lease or 2009A Site Leases with the approval of the Owners of not less than a majority or, in certain instances, 100% in aggregate principal amount of the Certificates at the time Outstanding, as defined Indenture. The Indenture also contains provisions permitting amendments to the 2009A Lease or 2009A Site Leases without the consent of the Owners of the Certificates for certain purposes, including without limitation, the execution and delivery of additional Series of Certificates.

Additional Certificates

The Master Indenture permits the execution and delivery of Series of Certificates in addition to the Series 2009A Certificates secured by the Trust Estate on parity with the Series 2009A Certificates, without notice to or approval of the owners of the Outstanding Series 2009A Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. If any Certificates in addition to the Series 2009A Certificates are executed and delivered, the 2009A Lease must be amended or an additional Lease shall be entered by the State to include as Leased Property thereunder such additional Leased Property, if any, as may be leased by the State in connection with the execution and delivery of such additional Series of Certificates.

Tax Credit, Principal Strip and Tax Credit Strip

The State has designated this Certificate as a qualified school construction bond within the meaning of Section 54F of the Code. The Owner of this Certificate has the right to claim a Tax Credit on its federal income tax return in accordance with and subject to Sections 54F and 54A of the Code (the Tax Credit Component of this Certificate). The other rights of the Owner of this Certificate, including the right to payment of the principal of this Certificate in accordance with the Indenture and the rights of the Owner of this Certificate under the Indenture based on the principal amount of this Certificate is the Principal Component of this Certificate. This Certificate will initially be delivered in a form that combines the Tax Credit Component and the Principal Component of this Certificate but with a Tax Credit Coupon attached as an Exhibit hereto. In accordance with the Series 2009A Supplemental Indenture, upon receipt by the Trustee of a Stripping Request in the form of Appendix D to the Series 2009A Supplemental Indenture, signed by the Owner of this Certificate and accompanied by this Certificate, this Certificate shall be Stripped to create a separate Tax Credit Strip and Principal Strip, the Owners of each which shall, after such Stripping, have the respective rights described in the Series

2009A Supplemental Indenture, which includes, among other provisions, provisions for the allocation of the redemption price of Series 2009A Certificates and moneys received from the exercise of remedies under Article VII of the Master Indenture between the Owners of Tax Credit Strips and Principal Strips.

THE INDENTURE CONSTITUTES THE CONTRACT BETWEEN THE REGISTERED OWNER OF THIS CERTIFICATE AND THE TRUSTEE. THIS CERTIFICATE IS ONLY EVIDENCE OF SUCH CONTRACT AND, AS SUCH, IS SUBJECT IN ALL RESPECTS TO THE TERMS OF THE INDENTURE, WHICH SUPERSEDES ANY INCONSISTENT STATEMENT IN THIS CERTIFICATE.

This Certificate is issued with the intent that the laws of the State of Colorado shall govern its legality, validity, enforceability and construction.

This Certificate shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture, unless it shall have been manually signed on behalf of the Trustee.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Certificate has been executed with the manual signature of an authorized signatory of the Trustee as of the date specified above.

ZIONS FIRST NATIONAL BANK, as Trustee

By ______________________________________
Authorized Signatory

[PRINCIPAL STRIP LEGEND]

[If a separate Tax Credit Strip and a separate Principal Strip have been created for this Certificate in accordance with the Series 2009A Supplemental Indenture, the following legend shall be applied to this Certificate to evidence that it is a Principal Strip.]

This is a PRINCIPAL STRIP of one of the State of Colorado Building Excellent Schools Today Certificates of Participation Qualified School Construction Series 2009A described in the Indenture. The Owner this Principal Strip does not have the right to claim a Tax Credit with respect to this Certificate and is not entitled to any of the other rights of the Owner of the Tax Credit Strip created in connection with the Stripping of this Certificate under the Indenture. The undersigned has duly executed this Principal Strip on _______________.

Principal Strip CUSIP number: ~~__________________________~~ 19668QAB1

ZIONS FIRST NATIONAL BANK, as Trustee

By ______________________________________
Authorized Signatory

ASSIGNMENT

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

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto __________________________ the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints __________________________ attorney to transfer the within Certificate on the records kept for registration thereof, with full power of substitution in the premises.

Dated: _________________________

____

NOTICE: The signature to this Assignment must correspond with the name as written on the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed by a Member
of a Medallion Signature Program:

____

Address of transferee:

____
____
____

Social Security or other
tax identification number of transferee:

____

EXHIBIT 1

TAX CREDIT COUPON

relating to

**STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
QUALIFIED SCHOOL CONSTRUCTION SERIES 2009A**

Notional amount: ~~—~~$__________

Sale Date of Related Certificate	Issuance Date of Related Certificate	Maturity Date of Related Certificate	Applicable Tax Credit Rate	CUSIP ~~NO~~no. of Related Certificate before Stripping	CUSIP no. of Related Principal Strip after Stripping
~~__________~~, July 29, 2009	~~__________~~, August 12, 2009	~~__________, 2009~~March 15, 2024	~~______~~7.18%	~~__________~~19668Q AA3	19668Q AB1

Credit Allowance Date	CUSIP number of Tax Credit Coupon and Tax Credit Strip ~~(if stripped from Related Certificate)~~	Credit Allowance Date	CUSIP number of Tax Credit Coupon and Tax Credit Strip ~~(if stripped from Related Certificate)~~	Credit Allowance Date	CUSIP number of Tax Credit Coupon and Tax Credit Strip ~~(if stripped from Related Certificate)~~	Credit Allowance Date	CUSIP number of Tax Credit Coupon and Tax Credit Strip ~~(if stripped from Related Certificate)~~
-		-		9/15/2009	19668Q AC9	12/15/2009	19668Q AD7
3/15/2010	19668Q AE5	6/15/2010	19668Q AF2	9/15/2010	19668Q AG0	12/15/2010	19668Q AH8
3/15/2011	19668Q AJ4	6/15/2011	19668Q AK1	9/15/2011	19668Q AL9	12/15/2011	19668Q AM7
3/15/2012	19668Q AN5	6/15/2012	19668Q AP0	9/15/2012	19668Q AQ8	12/15/2012	19668Q AR6
3/15/2013	19668Q AS4	6/15/2013	19668Q AT2	9/15/2013	19668Q AU9	12/15/2013	19668Q AV7
3/15/2014	19668Q AW5	6/15/2014	19668Q AX3	9/15/2014	19668Q AY1	12/15/2014	19668Q AZ8
3/15/2015	19668Q BA2	6/15/2015	19668Q BB0	9/15/2015	19668Q BC8	12/15/2015	19668Q BD6
3/15/2016	19668Q BE4	6/15/2016	19668Q BF1	9/15/2016	19668Q BG9	12/15/2016	19668Q BH7
3/15/2017	19668Q BJ3	6/15/2017	19668Q BK0	9/15/2017	19668Q BL8	12/15/2017	19668Q BM6
3/15/2018	19668Q BN4	6/15/2018	19668Q BP9	9/15/2018	19668Q BQ7	12/15/2018	19668Q BR5
3/15/2019	19668Q BS3	6/15/2019	19668Q BT1	9/15/2019	19668Q BU8	12/15/2019	19668Q BV6
3/15/2020	19668Q BW4	6/15/2020	19668Q BX2	9/15/2020	19668Q BY0	12/15/2020	19668Q BZ7
3/15/2021	19668Q CA1	6/15/2021	19668Q CB9	9/15/2021	19668Q CC7	12/15/2021	19668Q CD5
3/15/2022	19668Q CE3	6/15/2022	19668Q CF0	9/15/2022	19668Q CG8	12/15/2022	19668Q CH6
3/15/2023	19668Q CJ2	6/15/2023	19668Q CK9	9/15/2023	19668Q CL7	12/15/2023	19668Q CM5
3/15/2024	19668Q CN3	~~6/15/2024~~		-		-	
-		-		-		-	

Dated: ~~__________~~, August 12, 2009

Registered Owner: **CEDE & CO.**

Tax Identification Number: 13-2555119

Notional Amount of this
Tax Credit Coupon: **_______________________________________ DOLLARS**

THIS CERTIFIES THAT the registered owner specified above, or registered assigns, has the right to claim a Tax Credit on its federal income tax return in accordance with and subject to Sections 54F and 54A of the Code with respect to the State of Colorado Building Excellent Schools Today Certificates of Participation Qualified School Construction Series 2009A identified above (the "Related Certificate"), which has been designated as a qualified school construction bond pursuant to Section 54F of the Code~~ by the State~~. Capitalized terms used but not defined herein have the meaning assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture (the "Master Indenture"), as supplemented by the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Indenture (the "Series 2009A Supplemental Indenture" and, together with the Master Indenture, the "Indenture), each dated as of August ~~__,~~12, 2009, by Zions First National Bank, as Trustee.

"Credit Allowance Date" means each March 15, June 15, September 15, and December 15, beginning on the date of issuance of the Related Certificate and ending on the maturity date thereof or such of those dates as are specified in the table on the cover page of this Tax Credit Coupon.

The Owner of this Tax Credit Coupon on the Credit Allowance Dates specified above shall have the right to claim a credit on its federal income tax return in an amount equal to ~~twenty-five percent (~~25%~~)~~ of the annual credit determined with respect to the Related ~~Certificates~~Certificate, being the product of: (~~1~~a) the applicable tax credit rate set forth above (the "Applicable Rate"), and (~~2~~b) the outstanding face amount of the Related Certificate (the "Notional Amount").

The terms of the Related Certificate are incorporated herein by this reference as if set forth in full herein. If the Related Certificate has been Stripped to create a separate Principal Strip and a separate Tax Credit Strip (the Principal Strip created by the Stripping of the Related Certificate is referred to as the "Related Principal Strip"), the Owner of this Tax Credit Coupon shall be the Owner of a Tax Credit Strip of the Related Certificate and shall, after such Stripping, have the rights described in the Series 2009A Supplemental Indenture, which includes, among other provisions, provisions for the allocation of the redemption price of Series 2009A Certificates and moneys received from the exercise of remedies under Article VII of the Master Indenture between the Owners of Tax Credit Strips and Principal Strips.

THE INDENTURE CONSTITUTES THE CONTRACT BETWEEN THE REGISTERED OWNER OF THE RELATED CERTIFICATE~~ AND~~, THIS TAX CREDIT COUPON AND ANY SEPARATE PRINCIPAL STRIP AND TAX CREDIT STRIP CREATED BY THE STRIPPING OF THE RELATED CERTIFICATE, AND THE TRUSTEE. THE RELATED CERTIFICATE~~ AND~~, THIS TAX CREDIT COUPON AND ANY

SEPARATE PRINCIPAL STRIP AND TAX CREDIT STRIP CREATED BY THE STRIPPING OF THE RELATED CERTIFICATE ARE ONLY EVIDENCE OF SUCH CONTRACT AND, AS SUCH, ARE SUBJECT IN ALL RESPECTS TO THE TERMS OF THE INDENTURE, WHICH SUPERSEDES ANY INCONSISTENT STATEMENT IN THE RELATED CERTIFICATE ~~AND~~, THIS TAX CREDIT COUPON AND ANY SEPARATE PRINCIPAL STRIP AND TAX CREDIT STRIP CREATED BY THE STRIPPING OF THE RELATED CERTIFICATE.

This Tax Credit Coupon shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture, unless it shall have been manually signed on behalf of the Trustee.

IN WITNESS WHEREOF, this Tax Credit Coupon has been executed with the manual signature of an authorized signatory of the Trustee as of the date specified above.

ZIONS FIRST NATIONAL BANK, as Trustee

By ______________________________________

Authorized Signatory

ASSIGNMENT

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

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto __________________________ the within Tax Credit Coupon and all rights thereunder, and hereby irrevocably constitutes and appoints __________________________ attorney to transfer the within Tax Credit Coupon on the records kept for registration thereof, with full power of substitution in the premises.

Dated: _________________________

____

NOTICE: The signature to this Assignment must correspond with the name as written on the face of the within Tax Credit Coupon in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed by a Member
of a Medallion Signature Program:

____

Address of transferee:

____
____
____

Social Security or other
tax identification number of transferee:

____

APPENDIX B

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY SUBJECT TO THE 2009A LEASE

1. LAND INCLUDED IN LEASED PROPERTY OF ALAMOSA SCHOOL DISTRICT RE-11J

A TRACT OF LAND SITUATED IN THE NORTH HALF OF THE SOUTHEAST QUARTER AND IN THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 9, TOWNSHIP 37 NORTH, RANGE 10 EAST OF THE NEW MEXICO PRINCIPAL MERIDIAN, BEING A PART OF WASHINGTON ADDITION TO ALAMOSA, COUNTY OF ALAMOSA, STATE OF COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE LINE BETWEEN THE CENTER QUARTER CORNER AND THE EAST QUARTER CORNER OF SAID SECTION 9 AS BEARING S89°47'26"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO;

COMMENCING AT THE EAST QUARTER CORNER OF SAID SECTION 9; THENCE S82°35'29"W A DISTANCE OF 2427.60 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE FOR WEST 8TH STREET IN ALAMOSA AND THE **TRUE POINT OF BEGINNING**;

THENCE S00°12'51"W A DISTANCE OF 395.00 FEET;
THENCE S89°47'09"E A DISTANCE OF 450.00 FEET;
THENCE S00°12'51"W A DISTANCE OF 30.00 FEET;
THENCE S89°47'09"E A DISTANCE OF 270.00 FEET;
THENCE S00°12'51"W A DISTANCE OF 425.00 FEET TO A POINT ON THE NORTH RIGHT-OF-WAY LINE FOR WEST 10TH STREET;
THENCE N89°47'09"W ALONG THE NORTH RIGHT-OF-WAY LINE FOR WEST 10TH STREET A DISTANCE OF 1710.00 FEET;
THENCE N00°12'51"E A DISTANCE 850.00 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE FOR WEST 8TH STREET;
THENCE S89°47'09"E ALONG SAID SOUTH RIGHT-OF-WAY LINE A DISTANCE OF 990.00 FEET TO THE **TRUE POINT OF BEGINNING**.

2. LAND INCLUDED IN LEASED PROPERTY OF SANGRE DE CRISTO SCHOOL DISTRICT RE-22J

Parcel 2,
FRYE DIVISION OF LAND NO. 1, according to the Plat thereof
recorded May 11, 2009 at Reception No. 338506,
County of Alamosa,
State of Colorado.

3. LAND INCLUDED IN LEASED PROPERTY OF SARGENT SCHOOL DISTRICT RE-33J

A TRACT OF LAND SITUATED IN THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 8 EAST, NEW MEXICO PRINCIPAL MERIDIAN, RIO GRANDE COUNTY, COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 28 AS BEARING N00°12'30"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 28; THENCE N28°46'48"E A DISTANCE OF 416.98 FEET TO THE **TRUE POINT OF BEGINNING**;

THENCE NORTH 79.67 FEET;
THENCE EAST 40.62 FEET;
THENCE NORTH 113.75 FEET;
THENCE WEST 107.50 FEET;
THENCE NORTH 26.58 FEET;
THENCE WEST 15.92 FEET;
THENCE NORTH 30.60 FEET;
THENCE EAST 15.97 FEET;
THENCE NORTH 28.58 FEET;
THENCE EAST 246.62 FEET;
THENCE SOUTH 85.77 FEET;
THENCE WEST 13.79 FEET;
THENCE SOUTH 58.08 FEET;
THENCE EAST 13.33 FEET;
THENCE SOUTH 150.00 FEET;
THENCE WEST 80.21 FEET;
THENCE NORTH 14.67 FEET;
THENCE WEST 99.12 FEET TO THE **TRUE POINT OF BEGINNING**;

AND THE FOLLOWING PARCEL MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A PARCEL SITUATED IN THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 8 EAST, NEW MEXICO PRINCIPAL MERIDIAN, RIO GRANDE COUNTY, COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 28 AS BEARING N00°12'30"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 28:
THENCE N03°08'22"E A DISTANCE OF 586.66 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE FOR COUNTY ROAD 2 EAST AND THE **TRUE POINT OF BEGINNING**;

THENCE N00°12'30"E ALONG THE EAST RIGHT-OF-WAY LINE FOR SAID COUNTY ROAD 2 EAST A DISTANCE OF 30.60 FEET;
THENCE S89°47'30"E A DISTANCE OF 85.71 FEET;
THENCE SOUTH 30.60 FEET;
THENCE N89°47'30"W A DISTANCE OF 85.82 FEET TO THE **TRUE POINT OF BEGINNING**.

LEGAL DESCRIPTION PREPARED BY:
REYNOLDS ENGINEERING COMPANY
MARTIN REYNOLDS, PLS #23847

APPENDIX C

TABLE OF REDEMPTION VALUES

$87,145,000
State Of Colorado
Building Excellent Schools Today
Certificates Of Participation
Qualified School Construction, Series 2009A

Table 1 - Tax Credit Payment Schedule

Payment Date	Principal	Tax Credit Rate (%)	Credit Amount
8/12/2009			-
9/15/2009			$573,559.34
12/15/2009			1,564,252.75
3/15/2010			1,564,252.75
6/15/2010			1,564,252.75
9/15/2010			1,564,252.75
12/15/2010			1,564,252.75
3/15/2011			1,564,252.75
6/15/2011			1,564,252.75
9/15/2011			1,564,252.75
12/15/2011			1,564,252.75
3/15/2012			1,564,252.75
6/15/2012			1,564,252.75
9/15/2012			1,564,252.75
12/15/2012			1,564,252.75
3/15/2013			1,564,252.75
6/15/2013			1,564,252.75
9/15/2013			1,564,252.75
12/15/2013			1,564,252.75
3/15/2014			1,564,252.75
6/15/2014			1,564,252.75
9/15/2014			1,564,252.75
12/15/2014			1,564,252.75
3/15/2015			1,564,252.75
6/15/2015			1,564,252.75
9/15/2015			1,564,252.75
12/15/2015			1,564,252.75
3/15/2016			1,564,252.75
6/15/2016			1,564,252.75
9/15/2016			1,564,252.75
12/15/2016			1,564,252.75
3/15/2017			1,564,252.75
6/15/2017			1,564,252.75
9/15/2017			1,564,252.75
12/15/2017			1,564,252.75
3/15/2018			1,564,252.75
6/15/2018			1,564,252.75
9/15/2018			1,564,252.75
12/15/2018			1,564,252.75
3/15/2019			1,564,252.75
6/15/2019			1,564,252.75
9/15/2019			1,564,252.75
12/15/2019			1,564,252.75
3/15/2020			1,564,252.75
6/15/2020			1,564,252.75
9/15/2020			1,564,252.75
12/15/2020			1,564,252.75
3/15/2021			1,564,252.75
6/15/2021			1,564,252.75
9/15/2021			1,564,252.75
12/15/2021			1,564,252.75
3/15/2022			1,564,252.75
6/15/2022			1,564,252.75
9/15/2022			1,564,252.75
12/15/2022			1,564,252.75
3/15/2023			1,564,252.75
6/15/2023			1,564,252.75
9/15/2023			1,564,252.75
12/15/2023			1,564,252.75
3/15/2024	$87,145,000	7.180%	1,564,252.75
TOTAL	**$87,145,000**		**91,300,218.84**

TABLE 2 - CREDIT ACCRETED VALUE PERCENTAGES (CAVP) AND PRINCIPAL ACCRETED VALUE PERCENTAGES (PAVP) AT THE CREDIT RATE OF 7.180%

Redemption Date	(CAVP) Credit Allowance Date of 09/15/2009	(CAVP) Credit Allowance Date of 12/15/2009	(CAVP) Credit Allowance Date of 03/15/2010	(CAVP) Credit Allowance Date of 06/15/2010	(CAVP) Credit Allowance Date of 09/15/2010	(CAVP) Credit Allowance Date of 12/15/2010	(CAVP) Credit Allowance Date of 03/15/2011	(CAVP) Credit Allowance Date of 06/15/2011	(CAVP) Credit Allowance Date of 09/15/2011	(CAVP) Credit Allowance Date of 12/15/2011	(CAVP) Credit Allowance Date of 03/15/2012	(CAVP) Credit Allowance Date of 06/15/2012	(CAVP) Credit Allowance Date of 09/15/2012	(CAVP) Credit Allowance Date of 12/15/2012	(CAVP) Credit Allowance Date of 03/15/2013
08/12/2009	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%
09/15/2009	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%
12/15/2009	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%
03/15/2010	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%
06/15/2010	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%
09/15/2010	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%
12/15/2010	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%
03/15/2011	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%
06/15/2011	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%
09/15/2011	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%
12/15/2011	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%
03/15/2012	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%
06/15/2012	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%
09/15/2012	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%
12/15/2012	-	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%
03/15/2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%
06/15/2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 2 - CREDIT ACCRETED VALUE PERCENTAGES (CAVP) AND PRINCIPAL ACCRETED VALUE PERCENTAGES (PAVP) AT THE CREDIT RATE OF 7.180%

Redemption Date	(CAVP) Credit Allowance Date of 06/15/2013	(CAVP) Credit Allowance Date of 09/15/2013	(CAVP) Credit Allowance Date of 12/15/2013	(CAVP) Credit Allowance Date of 03/15/2014	(CAVP) Credit Allowance Date of 06/15/2014	(CAVP) Credit Allowance Date of 09/15/2014	(CAVP) Credit Allowance Date of 12/15/2014	(CAVP) Credit Allowance Date of 03/15/2015	(CAVP) Credit Allowance Date of 06/15/2015	(CAVP) Credit Allowance Date of 09/15/2015	(CAVP) Credit Allowance Date of 12/15/2015	(CAVP) Credit Allowance Date of 03/15/2016	(CAVP) Credit Allowance Date of 06/15/2016	(CAVP) Credit Allowance Date of 09/15/2016	(CAVP) Credit Allowance Date of 12/15/2016
08/12/2009	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%
09/15/2009	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%
12/15/2009	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%
03/15/2010	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%
06/15/2010	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%
09/15/2010	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%
12/15/2010	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%
03/15/2011	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%
06/15/2011	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%
09/15/2011	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%
12/15/2011	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%
03/15/2012	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%
06/15/2012	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%
09/15/2012	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%
12/15/2012	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%
03/15/2013	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%
06/15/2013	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%
09/15/2013	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%
12/15/2013	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%
03/15/2014	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%
06/15/2014	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%
09/15/2014	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%
12/15/2014	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%
03/15/2015	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%
06/15/2015	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%
09/15/2015	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%
12/15/2015	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%
03/15/2016	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%
06/15/2016	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%
09/15/2016	-	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%
12/15/2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%
03/15/2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 2 - CREDIT ACCRETED VALUE PERCENTAGES (CAVP) AND PRINCIPAL ACCRETED VALUE PERCENTAGES (PAVP) AT THE CREDIT RATE OF 7.180%

Redemption Date	(CAVP) Credit Allowance Date of 03/15/2017	(CAVP) Credit Allowance Date of 06/15/2017	(CAVP) Credit Allowance Date of 09/15/2017	(CAVP) Credit Allowance Date of 12/15/2017	(CAVP) Credit Allowance Date of 03/15/2018	(CAVP) Credit Allowance Date of 06/15/2018	(CAVP) Credit Allowance Date of 09/15/2018	(CAVP) Credit Allowance Date of 12/15/2018	(CAVP) Credit Allowance Date of 03/15/2019	(CAVP) Credit Allowance Date of 06/15/2019	(CAVP) Credit Allowance Date of 09/15/2019	(CAVP) Credit Allowance Date of 12/15/2019	(CAVP) Credit Allowance Date of 03/15/2020	(CAVP) Credit Allowance Date of 06/15/2020	(CAVP) Credit Allowance Date of 09/15/2020
08/12/2009	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%
09/15/2009	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%
12/15/2009	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%
03/15/2010	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%
06/15/2010	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%
09/15/2010	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%
12/15/2010	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%
03/15/2011	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%
06/15/2011	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%
09/15/2011	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%
12/15/2011	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%
03/15/2012	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%
06/15/2012	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%
09/15/2012	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%
12/15/2012	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%
03/15/2013	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%
06/15/2013	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%
09/15/2013	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%
12/15/2013	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%
03/15/2014	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%
06/15/2014	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%
09/15/2014	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%
12/15/2014	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%
03/15/2015	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%
06/15/2015	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%
09/15/2015	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%
12/15/2015	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%
03/15/2016	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%
06/15/2016	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%
09/15/2016	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%
12/15/2016	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%
03/15/2017	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%
06/15/2017	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%
09/15/2017	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%
12/15/2017	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%
03/15/2018	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%
06/15/2018	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%
09/15/2018	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%
12/15/2018	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%
03/15/2019	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%
06/15/2019	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%
09/15/2019	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%
12/15/2019	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%
03/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%
06/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%
09/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%
12/15/2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2022	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
06/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
09/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
03/15/2024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 2 - CREDIT ACCRETED VALUE PERCENTAGES (CAVP) AND PRINCIPAL ACCRETED VALUE PERCENTAGES (PAVP) AT THE CREDIT RATE OF 7.180%

Redemption Date	(CAVP) Credit Allowance Date of 12/15/2020	(CAVP) Credit Allowance Date of 03/15/2021	(CAVP) Credit Allowance Date of 06/15/2021	(CAVP) Credit Allowance Date of 09/15/2021	(CAVP) Credit Allowance Date of 12/15/2021	(CAVP) Credit Allowance Date of 03/15/2022	(CAVP) Credit Allowance Date of 06/15/2022	(CAVP) Credit Allowance Date of 09/15/2022	(CAVP) Credit Allowance Date of 12/15/2022	(CAVP) Credit Allowance Date of 03/15/2023	(CAVP) Credit Allowance Date of 06/15/2023	(CAVP) Credit Allowance Date of 09/15/2023	(CAVP) Credit Allowance Date of 12/15/2023	(CAVP) Credit Allowance Date of 03/15/2024	(PAVP) Principal Maturity Date of 03/15/2024
08/12/2009	44.114713%	43.336817%	42.572638%	41.821934%	41.084468%	40.360006%	39.648318%	38.949181%	38.262371%	37.587672%	36.924871%	36.273757%	35.634124%	35.005771%	35.005771%
09/15/2009	44.906572%	44.114713%	43.336817%	42.572638%	41.821934%	41.084468%	40.360006%	39.648318%	38.949181%	38.262371%	37.587672%	36.924871%	36.273757%	35.634124%	35.634124%
12/15/2009	45.712645%	44.906572%	44.114713%	43.336817%	42.572638%	41.821934%	41.084468%	40.360006%	39.648318%	38.949181%	38.262371%	37.587672%	36.924871%	36.273757%	36.273757%
03/15/2010	46.533187%	45.712645%	44.906572%	44.114713%	43.336817%	42.572638%	41.821934%	41.084468%	40.360006%	39.648318%	38.949181%	38.262371%	37.587672%	36.924871%	36.924871%
06/15/2010	47.368458%	46.533187%	45.712645%	44.906572%	44.114713%	43.336817%	42.572638%	41.821934%	41.084468%	40.360006%	39.648318%	38.949181%	38.262371%	37.587672%	37.587672%
09/15/2010	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%	44.114713%	43.336817%	42.572638%	41.821934%	41.084468%	40.360006%	39.648318%	38.949181%	38.262371%	38.262371%
12/15/2010	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%	44.114713%	43.336817%	42.572638%	41.821934%	41.084468%	40.360006%	39.648318%	38.949181%	38.949181%
03/15/2011	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%	44.114713%	43.336817%	42.572638%	41.821934%	41.084468%	40.360006%	39.648318%	39.648318%
06/15/2011	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%	44.114713%	43.336817%	42.572638%	41.821934%	41.084468%	40.360006%	40.360006%
09/15/2011	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%	44.114713%	43.336817%	42.572638%	41.821934%	41.084468%	41.084468%
12/15/2011	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%	44.114713%	43.336817%	42.572638%	41.821934%	41.821934%
03/15/2012	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%	44.114713%	43.336817%	42.572638%	42.572638%
06/15/2012	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%	44.114713%	43.336817%	43.336816%
09/15/2012	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%	44.114713%	44.114712%
12/15/2012	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	44.906572%	44.906571%
03/15/2013	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	45.712645%	45.712644%
06/15/2013	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	46.533187%	46.533186%
09/15/2013	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	47.368458%	47.368457%
12/15/2013	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	48.218721%	48.218721%
03/15/2014	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.084247%	49.084247%
06/15/2014	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	49.965310%	49.965309%
09/15/2014	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	50.862187%	50.862186%
12/15/2014	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	51.775164%	51.775163%
03/15/2015	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	52.704527%	52.704527%
06/15/2015	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	53.650573%	53.650573%
09/15/2015	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	54.613601%	54.613601%
12/15/2015	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	55.593915%	55.593915%
03/15/2016	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	56.591826%	56.591826%
06/15/2016	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	57.607649%	57.607649%
09/15/2016	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	58.641707%	58.641706%
12/15/2016	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	59.694326%	59.694325%
03/15/2017	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	60.765839%	60.765838%
06/15/2017	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	61.856586%	61.856585%
09/15/2017	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	62.966911%	62.966911%
12/15/2017	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	64.097167%	64.097167%
03/15/2018	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	65.247711%	65.247711%
06/15/2018	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	66.418908%	66.418907%
09/15/2018	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	67.611127%	67.611127%
12/15/2018	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	68.824747%	68.824746%
03/15/2019	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	70.060150%	70.060150%
06/15/2019	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	71.317730%	71.317730%
09/15/2019	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	72.597883%	72.597883%
12/15/2019	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	73.901015%	73.901015%
03/15/2020	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	75.227539%	75.227539%
06/15/2020	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	76.577873%	76.577873%
09/15/2020	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	77.952445%	77.952446%
12/15/2020	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	79.351692%	79.351692%
03/15/2021	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	80.776055%	80.776055%
06/15/2021	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	82.225985%	82.225985%
09/15/2021	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	83.701941%	83.701942%
12/15/2021	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	85.204391%	85.204392%
03/15/2022	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	86.733810%	86.733810%
06/15/2022	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	88.290682%	88.290682%
09/15/2022	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	89.875500%	89.875500%
12/15/2022	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	91.488765%	91.488765%
03/15/2023	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	93.130989%	93.130989%
06/15/2023	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	94.802690%	94.802690%
09/15/2023	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	96.504398%	96.504398%
12/15/2023	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%	98.236652%	98.236652%
03/15/2024	-	-	-	-	-	-	-	-	-	-	-	-	-	100.000000%	100.000000%

APPENDIX D

FORM OF STRIPPING REQUEST

Zions First National Bank
1001 Seventeenth Street, Suite 1050
Denver, Colorado 80202
Attention: Corporate Trust Services

State of Colorado
Building Excellent Schools Today
Certificates of Participation
Qualified School Construction Series 2009A

Ladies and Gentlemen:

The undersigned is the Owner of the State of Colorado Building Excellent Schools Today Certificates of Participation Qualified School Construction Series 2009A identified below (the "Certificate to be Stripped"). Capitalized terms used but not defined herein have the meanings assigned to them in Master Trust Indenture dated as of August ~~—,~~12, 2009 by Zions First National Bank, as trustee. In accordance with Section 1.06 of the Series 2009A Supplemental Indenture, the undersigned hereby requests that the Trustee:

(a) assign a new CUSIP number to the Certificate to be Stripped that is distinct from the CUSIP number for the Certificate to be Stripped ~~prior to the delivery of this Stripping Request~~before it is Stripped and insert the new CUSIP number (or confirm that such a CUSIP number has been assigned and inserted) and the date on, and execute, the "Principal Strip Legend" section of the Certificate to be Stripped (the Certificate to be Stripped, as so modified, is referred to as the "Principal Strip");

(b) assign a CUSIP number to such Tax Credit Coupon that is distinct from the CUSIP number for the Certificate to be Stripped ~~prior to the delivery of this Stripping Request~~before it is Stripped, and the new CUSIP number assigned to the Principal Strip paragraph (a) above and insert the new CUSIP number (or confirm that such a CUSIP number has been assigned or inserted) on the Tax Credit Coupon under "CUSIP number of Tax Credit Strip" (the Tax Credit Coupon, as so modified, is referred to as the "Tax Credit Strip");

(c) deliver the Principal Strip and the Tax Credit Strip in accordance with the delivery instructions set forth below; and

(d) register the ownership of the Principal Strip and the Tax Credit Strip in the records for registration and transfer of Certificates maintained by the Trustee pursuant to the Master Indenture.

The undersigned agrees that the Trustee may require the payment, by the Owner of the Certificate to be Stripped, of any reasonable charges, as well as any taxes, transfer fees or other governmental charges required to be paid with respect to the Stripping of the Certificate to be Stripped.

The below signature of the Owner of the Certificate to be Stripped must correspond with the name in which the Certificate to be Stripped is registered on the records maintained by the Trustee pursuant to the Master Indenture for the registration and transfer of the Certificates.

Certificate to be Stripped CUSIP number: ____
Certificate to be Stripped principal amount: ____
Delivery instructions for Principal Strip:____
____
Delivery instructions for Tax Credit Strip:____
____

DATE OF STRIPPING REQUEST:

____

SIGNATURE OF OWNER OF CERTIFICATE TO BE STRIPPED:

By ____________________________________

SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF OWNER OF CERTIFICATE TO BE STRIPPED:

____

SIGNATURE GUARANTEED BY MEMBER OF A SIGNATURE MEDALLION SIGNATURE PROGRAM:

____

After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2009A LEASE PURCHASE AGREEMENT

by and between

ZIONS FIRST NATIONAL BANK,
solely in its capacity as Trustee under the Indenture identified herein,
as lessor

and

STATE OF COLORADO,
acting by and through the State Treasurer,
as lessee

Dated as of August ~~___,~~12, 2009

ARTICLE XIII
MISCELLANEOUS

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2009A LEASE PURCHASE AGREEMENT

This State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement (this "Lease") is dated as of August ~~—,~~12, 2009 and is entered into by and between Zions First National Bank, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the "Trustee"), as lessor, and the State of Colorado, acting by and through the State Treasurer (the "State"), as lessee. ***Capitalized terms used but not defined in this Lease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August ~~—,~~12, 2009, as such Glossary may be amended, supplemented and restated from time to time.***

RECITALS

A. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, is authorized by the Act (a) to enter into one or more Building Excellent Schools Today Lease Purchase Agreements with a commercial bank as trustee to finance Projects for Eligible K-12 Institutions that are recommended by the Assistance Board and approved by the State Board for financing under the Act and (b) to enter into a Sublease with each such Eligible K-12 Institution, in its capacity as Sublessee, to sublease the Leased Property improved by its Project to such Sublessee. Each Participating K-12 Institution is an Eligible K-12 Institution and is authorized under title 22, C.R.S., to enter into a Site Lease and a Sublease with respect to the Participating K-12 Institution's Leased Property.

B The Assistance Board has recommended and the State Board has approved the financing of the 2009A Projects for the 2009A Participating K-12 Institutions under the Act. The Assistance Board has instructed the State Treasurer to enter into a Building Excellent Schools Today Lease Purchase Agreement on behalf of the State to finance the 2009A Projects for the 2009A Participating K-12 Institutions and to enter into a Sublease with each 2009A Participating K-12 Institution with respect to its Leased Property.

C. The Leased Property of each Participating K-12 Institution will be leased to the Trustee pursuant to the Participating K-12 Institution's Site Lease. All the Leased Property will be leased to State Treasurer, acting on behalf of the State, pursuant to this Lease, which is a Building Excellent Schools Today Lease Purchase Agreement, with the Trustee, which is a commercial bank.

D. Certificates will be issued pursuant to the Indenture. Proceeds of the Certificates will be used pursuant to the terms of the Indenture to finance all or a portion of the Costs of the Project of the Participating K-12 Institutions and other Participating K-12 Institutions identified in other Building Excellent Schools Today Lease Purchase Agreements. The first Series of Certificates issued pursuant to the Indenture are the Series 2009A Certificates, the proceeds of which will be used to finance the 2009A Projects of the 2009A Participating K-12 Institutions.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Lease as if set forth in full herein.

Section 1.02. Certifications, Representations and Agreements by State. The State certifies, represents and agrees that:

(a) Each Participating K-12 Institution is an Eligible K-12 Institution. Each Project is a capital construction project as defined in the Act.

(b) The Assistance Board has recommended, and the State Board has approved, the provision of financial assistance as defined in the Act, to each Participating K-12 Institution for its Project in accordance with the Act. This Lease is a Building Excellent Schools Today Lease Purchase Agreement that is being entered into by the State Treasurer on behalf of the State pursuant to instructions from the Assistance Board to the State Treasurer in order to provide financial assistance as defined in the Act to each Participating K-12 Institution for its Project approved by the Assistance Board and the State Board in the amount approved by the Assistance Board, all in accordance with the Act.

(c) Each Participating K-12 Institution is providing Matching Moneys in the amount approved by the Assistance Board for the financial assistance provided to it pursuant to this Lease in the form of a Matching Moneys Bond delivered to the State, the payments on which will be credited to the Assistance Fund.

(d) The maximum total amount of annual lease payments payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements is less than the maximum total amount of annual lease payments set forth below. If the maximum total amount of annual lease payments of principal or interest payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements is greater than one-half of the maximum amount of annual lease purchase agreements set forth below, the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund pursuant to §§ 22-43.7-110(2)(c) and 22-43.7-104(2)(b)(IV) of the Act and any interest or income derived from the deposit and investment of the Matching Moneys is at least equal to the annual amount of lease payments of principal and interest payable by the State during any Fiscal Year under this

Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements that exceed one-half of the maximum total amount of annual lease payments set forth below. The maximum total amount of annual lease payments referenced above are:

(i) $20 million for the 2008-09 Fiscal Year;

(ii) $40 million for the 2009-2010 Fiscal Year;

(iii) $60 million for the 2010-2011 Fiscal Year; and

(iv) $80 million for the 2011-12 Fiscal Year and for each Fiscal Year thereafter.

(e) The State will not enter into any Building Excellent Schools Today Lease Purchase Agreements that will cause the maximum total amount of annual lease payments payable by the State during any Fiscal Year under this Lease and all other outstanding Building Excellent Schools Today Lease Purchase Agreements to exceed the amounts permitted under paragraph (d) of this Section unless the Act is amended to permit larger amounts, in which case such amounts may be increased to the larger amounts permitted by the Act as amended.

(f) The State has agreed in Section 5.01(e) hereof to cause any Federal Direct Payments with respect to the interest component of Base Rent to be paid directly to the Trustee for deposit into the Interest Account of the Certificate Fund. Pursuant to the Indenture, moneys in the Interest Account of the Certificate Fund are irrevocably pledged to the payment of interest on the Certificates for purposes of C.R.S. § 11-59.7-105(4). Accordingly, any Federal Direct Payments expected to be received with respect to the interest component of Base Rent shall be netted against and shall reduce the annual lease payments of the State for purposes of subsections (d) and (e) of this Section and § 22-43.7-110(2) of the Act.

(g) The State Treasurer has provided written notice to the Joint Budget Committee of the Colorado General Assembly that the State Treasurer has determined that the use of interest or income on the deposit and investment of moneys in the State Public School Fund to make lease payments under a lease purchase agreement entered into pursuant to § 24-43.7-110(2) of the Act will prevent the interest component of the lease payments from qualifying for exemption from federal income taxation. The State Treasurer has not rescinded such determination.

(h) This Lease, the financial assistance to Participating K-12 Institutions pursuant to this Lease and the financing pursuant to this Lease and the Series 2009A Certificates comply with the applicable provisions of the Act.

(i) The State is authorized under the Act to lease the Leased Property from the Trustee and to execute, deliver and perform its obligations under this Lease.

(j) The State has received all approvals and consents required for the State's execution, delivery and performance of its obligations under this Lease and for the financing of the Projects pursuant to this Lease and the Indenture.

(k) This Lease has been duly executed and delivered by the State and is valid and binding obligation enforceable against the State 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.

(l) The execution, delivery and performance of this Lease by the State 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 State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State or, except as specifically provided in this Lease, the Indenture, the Subleases, the Site Leases, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(m) There is no litigation or proceeding pending or threatened against the State or any other Person affecting the right of the State to execute, deliver or perform the obligations of the State under this Lease.

(n) The Participating K-12 Institutions are political subdivisions of the State and benefits received by the Participating K-12 Institutions by the leasing of the Leased Property by the State pursuant to this Lease accrue to the State. The Participating K-12 Institutions and the State will receive economic and other benefits by the leasing of the Leased Property by the State pursuant to this Lease. The initial Leased Property is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Participating K-12 Institutions and the State. The State expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Lease Term.

(o) The Rent payable in each Fiscal Year during the Lease Term is not more than the fair value of the use of the Leased Property during such Fiscal Year. The Rent payable in any Fiscal Year during the Lease Term does not exceed a reasonable amount so as to place the State under an economic compulsion to take any of the following actions in order to avoid forfeiting such excess (i) to continue this Lease beyond such Fiscal Year, (ii) not to exercise its right to terminate this Lease at any time through an Event of Nonappropriation or (iii) to exercise any of its options to purchase the Leased Property hereunder. The State's Purchase Option Price for the Leased Property pursuant to Section 8.01 hereof is the State's best estimate of the fair purchase price of such Leased Property at the time of exercise of the State's option to purchase such Leased Property by paying the State's Purchase Option Price. The Scheduled Lease Term and the final maturity of the Series 2009A Certificates do not exceed the weighted average useful life of the real property improvements included in the Leased Property. In making the representations, covenants and warranties set forth above in this subsection, the State has given due consideration to the Projects, the purposes for which the Leased Property will be used by the State and the Sublessees, the benefits to the State and the Sublessees from the use of the Leased Property, the State's options to purchase the Leased Property hereunder and the terms of this Lease governing the use of the Leased Property.

(p) The State presently intends and expects to continue this Lease annually until title to the Leased Property is acquired by the State pursuant to this Lease; but this representation does not obligate or otherwise bind the State.

(q) The State is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(r) The State has appropriated sufficient moneys in the Assistance Fund to pay (i) the Base Rent payable in the current Fiscal Year; and (ii) the Additional Rent estimated to be payable in the current Fiscal Year that it does not expect to pay from the State Expense Fund.

(s) The certifications, representation and agreements set forth in the tax compliance certificate executed by the State in connection with the issuance of the Series 2009A Certificates are hereby incorporated in the Lease as if set forth in full in this subsection.

~~(t) The State used a competitive bidding process soliciting at least three bids prior to awarding to the Trustee the roles of site lessee under the Site Leases, lessor under this Lease, and trustee under the Indenture and, consequently, this Lease, the Site Leases and the Indenture are not "sole source contracts" as defined in Article XXVIII of the State Constitution.~~

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The Trustee demises and leases the Trustee's leasehold estate under the Site Leases in the land described in Exhibit A hereto (the "Land" for purposes of this Lease) and the buildings, structures and improvements now and hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Lease) to the State in accordance with the terms of this Lease, subject only to Permitted Encumbrances, to have and to hold for the Lease Term.

Section 2.02. Enjoyment of Leased Property. The Trustee covenants that, during the Lease Term and so long as no Event of Default hereunder shall have occurred, the State shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Trustee, except as expressly required or permitted by this Lease.

ARTICLE III

LEASE TERM; TERMINATION OF LEASE

Section 3.01. Lease Term.

(a) The Lease Term is the Initial Term and successive one-year Renewal Terms, subject to subsection (b) of this Section.

(b) The Lease Term shall expire upon the earliest of any of the following events:

(i) the last day of the month in which the final Base Rent payment is scheduled to be paid in accordance with Exhibit B hereto;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation has occurred;

(iii) the purchase of all the Leased Property by the State pursuant to Section 8.01 hereof; or

(iv) termination of this Lease following an Event of Default in accordance with Section 11.02(a) hereof.

Section 3.02. Effect of Termination of Lease Term. Upon termination of the Lease Term:

(a) all unaccrued obligations of the State hereunder shall terminate, but all obligations of the State that have accrued hereunder prior to such termination shall 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 State's right to possession of the Leased Property hereunder shall terminate and (i) the State shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Colorado General Assembly has appropriated funds for payment of Rent payable during, or with respect to the State's use of the Leased Property during, the period between termination of the Lease Term and the date the Leased Property is vacated pursuant to clause (i), the State shall pay Base Rent to the Trustee and Additional Rent to the Person entitled thereto.

ARTICLE IV

PROJECTS

Section 4.01. Sublessees' Obligations to Construct Projects. Each Sublessee has agreed in its Sublease to construct the Project that is to improve the Leased Property subject to such Sublease in accordance with Article IV of its Sublease.

Section 4.02. State's Obligation to Construct Projects. The State hereby agrees (a) to cause each Project to be constructed in accordance with Article IV of the applicable Sublease and (b) to comply with all of the covenants of each Sublessee set forth in Article IV of its Sublease as if Article IV of such Sublease were set forth in full in this Lease with the State named wherever the Sublessee is named.

Section 4.03. State Obligated Regardless of Sublessee's Actions. The State may comply with Section 4.02 hereof with respect to a Project by causing the Sublessee to comply with Article IV of its Sublease, but no failure of any Sublessee to comply any provision of Article IV of its Sublease shall relieve the State of any of the State's obligations to the Trustee under Section 4.02 hereof.

ARTICLE V

RENT; EVENT OF NONAPPROPRIATION

Section 5.01. Base Rent.

(a) The State shall, subject only to the remainder of this Section and the other Sections of this Article, pay Base Rent directly to the Trustee during the Lease Term in immediately available funds.

(b) The portion of each payment of Base Rent identified as such on Exhibit B hereto, as such Exhibit is amended or supplemented from time to time, is paid as, and represents payment of: (i) Amortizing Principal; (ii) Series 2009A Sinking Fund Principal; and (iii) interest.

(c) The Amortizing Principal, Series 2009A Sinking Fund Principal and interest components of Base Rent and total Base Rent shall be paid in the amounts and on the Base Rent Payment Dates set forth in Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time; provided, however, that, subject to subsections (d) and (e) of this Section:

(i) there shall be credited against the amount of Amortizing Principal and the total Base Rent payable on any Base Rent Payment Date, any moneys in the Principal Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered;

(ii) there shall be credited against the amount of Series 2009A Sinking Fund Principal and the total Base Rent payable on any Base Rent Payment Date, any moneys in the Series 2009A Sinking Fund that (A) exceed the aggregate amount of all Series 2009A Sinking Fund Principal scheduled to be paid on all Base Rent Payments Dates preceding such Base Rent Payment Date and (B) are not held to pay the redemption price of Series 2009A Certificates for which a notice of redemption has been delivered; and

(iii) there shall be credited against the amount of interest and the total Base Rent payable on any Base Rent Payment Date, any moneys in the Interest

Account that are not held to pay the redemption price of Certificates for which a notice of redemption has been delivered.

(d) Thirty days prior to each Base Rent Payment Date, the Trustee shall notify the State as the exact amounts, if any, on deposit in each account of the Certificate Fund that will be credited, pursuant to subsection (c) of this Section against the Amortizing Principal, Series 2009A Sinking Fund Principal, interest and total Base Rent payable on such Base Rent Payment Date. Except as otherwise provided in subsection (e) of this Section with respect to Federal Direct Payments, if further amounts that are to be credited against the Amortizing Principal, Series 2009A Sinking Fund Principal, interest and total Base Rent payable on such Base Rent Payment Date accrue during such 30-day period, such amounts shall be carried over to be applied as a reduction of Amortizing Principal, Series 2009A Sinking Fund Principal, interest and total Base Rent, as applicable, payable on the next succeeding Base Rent Payment Date.

(e) The State shall cause any Federal Direct Payments with respect to the interest component of Base Rent to be paid directly to the Trustee for deposit into the Interest Account. Federal Direct Payments received by the Trustee shall be treated as a payment by the State of, and shall be netted against and shall reduce, the interest component of Base Rent and the total Base Rent payable by the State under this Lease. Any moneys representing Federal Direct Payments that are on deposit in the Interest Account on the second Business Day before a Base Rent Payment Date shall be credited against the Base Rent payable by the State on such Base Rent Payment Date. Any moneys representing Federal Direct Payments that are deposited into the Interest Account after the second Business Day before a Base Rent Payment Date shall be credited against the Base Rent payable by the State on the next Base Rent Payment Date.

(f) Upon receipt by the Trustee of each payment of Base Rent and each Federal Direct Payment, the Trustee shall apply the amount of such payment:

(i) *first*, the amount of each Federal Direct Payment and each payment of Base Rent designated and paid as interest under Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time, plus the amount of any past due interest on the Series 2009A Certificates, shall be deposited into the Interest Account; and

(ii) *second*, the amount of each payment of Base Rent designated and paid as Amortizing Principal under Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time, shall be deposited into the Principal Account; and

(iii) *third*, the amount of each payment of Base Rent designated and paid as Series 2009A Sinking Fund Principal under Exhibit B hereto, as such Exhibit may be amended or supplemented from time to time, shall be deposited into the Series 2009A Sinking Fund Account.

Section 5.02. Additional Rent. The State shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, pay Additional Rent directly to the Persons to which it is owed (which, in the case of payments required to be made to fund the Rebate Fund pursuant to the Indenture, is the Trustee) in immediately available funds in the amounts and on the dates on which they are due.

Section 5.03. Unconditional Obligations. The obligation of the State to pay Base Rent during the Lease Term shall, subject only to the other Sections of this Article, and the obligation of the State to pay Additional Rent during the Lease Term shall, subject only to Sections 6.01(b) and 7.02(b) hereof, and the other Sections of this Article, including, without limitation, Sections 5.04 and 5.05 hereof and Section 13.16 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the State and the Trustee or between the State or the Trustee and any other Person relating to the Leased Property, the State shall, during the Lease Term, pay all Rent when due; the State shall not withhold any Rent payable during the Lease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Rent, provided, however, that the payment of any Rent shall not constitute a waiver by the State of any rights, claims or defenses which the State may assert; and no action or inaction on the part of the Trustee shall affect the State's obligation to pay Rent during the Lease Term.

Section 5.04. Event of Nonappropriation.

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

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the State's right to cure pursuant to subsection (c) of this Section, on June 30 of any Fiscal Year if the Colorado General Assembly has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Base Rent scheduled to be paid and all Additional Rent estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding subsection (b) of this Section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 15 of the next ensuing Fiscal Year, (i) the Colorado General Assembly has appropriated amounts sufficient to avoid an Event of Nonappropriation under subsection (b) of this Section and (ii) the State has paid all Rent due during the period from June 30 through the date of such appropriation.

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

(e) The State shall furnish the Trustee with copies of all appropriation measures relating to Rent or the Purchase Option Price promptly upon the adoption thereof by the Colorado General Assembly, but not later than 30 days following the adoption thereof by the Colorado General Assembly; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the State from terminating this Lease or (iii) result in any liability on the part of the State.

(f) The amount included in the budget proposals submitted to the Colorado General Assembly and the amount appropriated by the Colorado General Assembly with respect to Base Rent pursuant to this Section shall be determined without reference to any Federal Direct Payments (i.e., expected Federal Direct Payments shall not be netted against and shall not reduce the amount included in the budget proposals and the amount appropriated even though expected Federal Direct Payments shall be netted against and shall reduce the annual lease payments of the State for purposes of Section 1.02(d) and (e) hereof and § 22-43.7-110(2) of the Act and Federal Direct Payments received by the Trustee shall be credited against the interest component of and total Base Rent payable by the State in accordance with Section 5.01 hereof).

Section 5.05. Limitations on Obligations of the State.

(a) Payment of Rent and all other payments by the State shall constitute currently appropriated expenditures of the State and may be paid solely from legally available moneys in the Assistance Fund, including any moneys appropriated or transferred by the Colorado General Assembly to the Assistance Fund in accordance with the Act from any legally available source if the amount of money in the Assistance Fund that is available to pay Rent will be insufficient to cover the full amount of Rent. All obligations of the State under this Lease shall be subject to the action of the Colorado General Assembly in annually making moneys available for payments hereunder. The obligations of the State to pay Rent and all other obligations of the State hereunder are subject to appropriation by the Colorado General Assembly in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the State within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the State and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the State within the meaning Section 20(4) of Article X of the State Constitution. In the event the State does not renew this Lease, the sole security available to the Trustee, as lessor under this Lease, shall be the Leased Property.

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

(c) The Certificates evidence undivided interests in the right to receive Lease Revenues and shall be payable solely from the Trust Estate. No provision of the Certificates, the Indenture, any Lease, any Sublease, any Matching Money Bond, any Site Lease or any other document or instrument shall be construed or interpreted (i) to directly or indirectly obligate the State to make any payment in any Fiscal Year in excess of amounts appropriated by the Colorado General Assembly for Rent for such Fiscal Year; (ii) as creating a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the State within the meaning of Section 3 of Article XI, Section 20 of Article X of the State Constitution or any other limitation or provision of the State Constitution, State statutes or other State law; (iii) as a delegation of governmental powers by the State; (iv) as a loan or pledge of the credit or faith of the State or as creating any responsibility by the State for any debt or liability of any person, company or corporation within the meaning of Section 1 of Article XI of the State Constitution; or (v) as a donation or grant by the State to, or in aid of, any person, company or corporation within the meaning of Section 2 of Article XI of the State Constitution.

(d) The State shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article VIII hereof.

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

ARTICLE VI

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

Section 6.01. Taxes, Utilities and Insurance.

(a) Except to the extent such expenses are paid by a Sublessee pursuant to its Sublease, the State shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property;

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the full replacement value of the Leased Property;

(iv) public liability insurance with respect to the activities to be undertaken by the State and the Sublessees in connection with the Leased

Property and this Lease: (A) to the extent such activities result in injuries for which immunity is available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the State and the Sublessees may be liable to third parties under such Act and (B) for all other activities, in an amount not less than $1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the State shall 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 State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee 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 Trustee shall notify the State or the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the State or the Sublessee, as applicable, by nonpayment of any such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered or the Leased Property or any portion thereof will be subject to loss or forfeiture, in which event such tax, assessment, other governmental charge or utility charge shall be paid forthwith; provided, however, that such payment shall 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 State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this Section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by A.M. Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least ~~10~~30 days in advance of such cancellation or modification; (v) upon request, each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any co-insurance penalty.

(d) The insurance required by this Section may be provided under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks or through a self insurance program.

(e) The Leased Property is not covered by the State risk management program. The Sublessees of the Leased Property have agreed in their Subleases to provide insurance required by this Section with respect to the Leased Property subject to their Subleases pursuant to the Colorado School Districts Self Insurance Pool or in another manner permitted by their Subleases. The State's obligations with respect to insurance shall only apply if and to the extent a Sublessee fails to provide the required insurance in accordance with its Sublease.

Section 6.02. Maintenance and Operation of Leased Property. The State shall 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, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 7.05 and 7.07 hereof.

ARTICLE VII

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 7.01. Title to Leased Property. Title to the leasehold estate in the Leased Property under the Site Leases shall be held in the name of the Trustee, subject to the Site Leases and this Lease, until the Leased Property is conveyed or otherwise disposed of as provided herein, and the State shall have no right, title or interest in the Leased Property except as expressly set forth herein.

Section 7.02. Limitations on Disposition of and Encumbrances on Leased Property.

(a) Except as otherwise permitted in this Article or Article VIII or XI hereof and except for Permitted Encumbrances, (i) neither the Trustee nor the State shall 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 State shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this Section, if the State or the Sublessee shall first notify the Trustee of the intention of the State or the Sublessee to do so, the State or the Sublessee 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 Trustee shall notify the State and, if the Sublessee has notified the Trustee pursuant to this Section, the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the State or the Sublessee, as applicable, by failing to discharge or satisfy such item the interest of the Trustee in the Leased Property will be materially interfered with or endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event such item shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the State or the Sublessee of the right to continue to contest such item. At the request of the State or the Sublessee, the Trustee will cooperate fully with the State and the Sublessee in any such contest.

Section 7.03. Granting of Easements. As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the Trustee shall, at the request of the State or the Sublessee:

(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 Leased Property, free from this Lease, the Indenture and the Subleases and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights-of-way and other rights and privileges with respect to the Leased Property, free from this Lease, the Indenture and the Subleases and any security interest or other encumbrance created hereunder or 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 subsection (a) or (b) of this Section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the State Representative or the Sublessee Representative of the Sublessee 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.

Section 7.04. Subleasing and Other Grants of Use. The State may sublease each Sublessee's Leased Property to such Sublessee pursuant to a Sublease and such Sublessee may further sublease or otherwise grant the right to use such Leased Property to another Person, but only if:

(a) the Sublease includes the covenant by the Sublessee described in Section 9.04 hereof;

(b) the sublease or grant of use by the Sublessee complies with the covenant in the Sublease described in clause (a) above; and

(c) the obligations of the State under this Lease shall remain obligations of the State, and the State shall maintain its direct relationship with the Trustee, notwithstanding any such Sublease, sublease or grant of use.

Section 7.05. Modification of Leased Property. The Sublessee, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and additions (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and additions shall be at least as great as the value of the Leased Property prior thereto; (c) the Leased Property, after such remodeling, substitutions, additions, modifications and additions, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Lease.

Section 7.06. Substitution of Other Property for Leased Property. The State may at any time substitute other property for any portion of the Leased Property upon delivery to the Trustee of the items listed below. Upon delivery thereof, the Trustee shall execute and deliver any documents or instruments requested by the State to accomplish the substitution. The items are:

(a) A certificate by the State certifying that, following such substitution, either (i) the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Fair Market Value of the property for which it is substituted; or (ii) the Fair Market Value of all the Leased Property will be at least equal to the principal amount of the Outstanding Certificates, both determined as of the date the substitution occurs. Such certifications of the State may be given based and in reliance upon certifications by the Sublessees that leased the Leased Property to the Trustee pursuant to Site Leases.

(b) A title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would allow the appropriate Sublessee and the State to make the title insurance representations set forth in the form of Project Account requisition attached as Appendix A to the Master Indenture.

(c) A certificate by the Sublessee certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Certificates of the same Series designation as this Lease and (ii) the substituted property is at least as essential to the Sublessee or another Sublessee as the property for which it was substituted.

(d) An opinion of Bond Counsel to the effect that such substitution is permitted by this Lease and will not cause the State to violate its tax covenant set forth in Section 9.04 hereof.

Section 7.07. Property Damage, Defect or Title Event.

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the State.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then the State shall elect one of the following alternatives:

(i) to use the Net Proceeds and other moneys paid by the State, subject to Article V hereof, as Additional Rent to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property;

(ii) to substitute property for the affected portion of the Leased Property pursuant to Section 7.06 hereof, in which case the Net Proceeds shall be delivered to the State; or

(iii) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property to the extent possible with the Net Proceeds.

(d) The State shall 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 any portion of the Leased Property without the written consent of the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the State to pay Rent hereunder except as otherwise provided in subsection (c)(i) hereof.

Section 7.08. Condemnation by State. The State agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, such proceeding shall be with respect to all the Leased Property and the value of the Leased Property for purposes of such proceeding shall be not less than the State's Purchase Option Price determined pursuant to Section 8.01 hereof.

Section 7.09. Personal Property of Sublessee. The Sublessee, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall 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.

ARTICLE VIII

STATE'S PURCHASE OPTION; CONVEYANCE TO STATE AT END OF LEASE TERM; SUBLESSEES' PURCHASE OPTIONS

Section 8.01. State's Option to Purchase All Leased Property in Connection with Defeasance of Series 2009A Certificates.

(a) The State is hereby granted the option to purchase all, but not less than all, of the Leased Property in connection with the defeasance of all the Series 2009A Certificates by paying to the Trustee the State's Purchase Option Price (defined below), subject to compliance with all conditions to the defeasance of the Series 2009A Certificates under the Indenture, including, but not limited to, the receipt of an opinion of Bond Counsel that the defeasance will not cause an Adverse Tax Event. The "State's Purchase Option Price" for purposes of a purchase of all the Leased Property pursuant to this Section is an amount sufficient (i) to defease all the Series 2009A Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date on which the Leased Property is conveyed to the State or its designee pursuant to this Article, including, but not limited to, all fees and expenses of the Trustee relating to the conveyance of the Leased Property and the payment, redemption or defeasance of the Outstanding Series Certificates; provided, however, that (A) the State's Purchase Option Price shall be reduced by the moneys, if any, in the funds and accounts created under the Master Indenture (except the Rebate Fund and any existing defeasance escrows accounts established pursuant to Section 9.01 of the Master Indenture) that are available for deposit in the defeasance escrow account established pursuant to Section 9.01 of the Master Indenture for the Series 2009A Certificates; and (B) if any Series 2009A Certificates have been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this subsection, Outstanding Certificates of the Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2009A Certificates shall be substituted for the Series 2009A Certificates that were paid, redeemed or defeased, which substitution shall be accomplished in any reasonable manner selected by the State in its sole discretion.

(b) In order to exercise its option to purchase the Leased Property pursuant to this Section, the State must: (i) give written notice to the Trustee (A) stating that the State intends to purchase the Leased Property pursuant to this Section, (B) identifying the source of funds it will use to pay the State's Purchase Option Price and (C) specifying a closing date for such purpose which is at least 30 and no more than 90 days after the delivery of such notice; and (ii) pay the State's Purchase Option Price to the Trustee in immediately available funds on the closing date.

Section 8.02. [Reserved].

Section 8.03. Conveyance of Leased Property. At the closing of any purchase of Leased Property pursuant to Section 8.01 hereof, the Trustee shall execute and deliver to the State all necessary documents assigning, transferring and conveying to the State the same ownership in the purchased Leased Property that was conveyed to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Lease, the Indenture, the Subleases and the Site Leases; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee as required or permitted by this Lease, the Indenture and Site Lease pursuant to which the Leased Property was leased to the Trustee or arising as a result of any action taken or omitted to be taken by the Trustee as required or permitted by this Lease, the Indenture and the Site Leases; (iii) any lien or encumbrance created or suffered to exist by action of the State or any Sublessee of the Leased Property to be purchased; and (iv) those liens and encumbrances (if any) to which the Leased Property purchased by the State pursuant to this Article was subject when acquired by the Trustee.

Section 8.04. Conveyance of Leased Property to State at End of Scheduled Lease Term. If all Base Rent scheduled to be paid through the end of the Scheduled Lease Term, all Additional Rent payable through the date of conveyance of the Leased Property to the State pursuant to this Section shall have been paid, all Certificates with the same Series designation as this Lease have been paid in full in accordance with the Indenture and all other amounts payable pursuant to the Indenture and this Lease have been paid, the Leased Property that remains subject to this Lease shall be assigned, transferred and conveyed to the State at the end of the Scheduled Lease Term in the manner described in Section 8.03 hereof without any additional payment by the State.

Section 8.05. Sublessees' Purchase Options. Upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease, each Sublessee has the option to purchase the Leased Property that is subject to its Sublease as provided in Article VIII of such Sublease. The Trustee agrees to notify each Sublessee upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease and to comply with the provisions of Article VIII of each Sublease.

ARTICLE IX

GENERAL COVENANTS

Section 9.01. Further Assurances and Corrective Instruments. So long as this Lease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the Trustee and the State shall have full power to carry out the acts and agreements provided herein and the State and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Lease.

Section 9.02. Compliance with Requirements of Law. On and after the date hereof, neither the State nor the Trustee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the State, in particular, shall 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

State's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall 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 in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Section 9.03. Participation in Legal Actions.

(a) At the request of and at the cost of the State (payable as Additional Rent hereunder), the Trustee shall join and cooperate fully in any legal action in which the State or a Sublessee 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 enjoyment of the Leased Property by the State or such Sublessee; or that involves the imposition of any charges, costs or other obligations with respect to the State's execution, delivery and performance of its obligations under this Lease or such Sublessee's execution, delivery and performance of its obligations under a Site Lease, Sublease or Matching Money Bond.

(b) At the request of the Trustee and upon a determination by the State that such action is in the best interests of the State, the State shall, at the cost of the State (payable as Additional Rent hereunder), join and cooperate fully in any legal action in which the Trustee 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 Trustee is responsible hereunder; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Lease, the Indenture or the Site Leases by the Trustee or the performance of its obligations hereunder or thereunder.

Section 9.04. Tax Covenant of the State. The State (a) will not use or permit any other Person to use the Projects and will not use, invest or direct the Trustee to use or invest proceeds of the Certificates or any moneys in the funds and amounts held by the Trustee under the Indenture in a manner that would cause, or take any other action that would cause, an Adverse Tax Event and (b) will comply with the certifications, representations and agreements set forth in the tax compliance certificate executed by the State in connection with the Series 2009A

Certificates. The State (i) will require each Sublessee to covenant in its Sublease that (A) such Sublessee will not use or permit any other Person to use such Sublessee's Project and will not use, invest or direct any other Person to use or invest any moneys that it withdraws from its Project Account in a manner that would cause an Adverse Tax Event and (B) such Sublessee will comply with the other certifications, representations and agreements set forth in ~~Exhibit A to its Sublease~~the tax compliance certificate executed in connection with its Matching Moneys Bond; and (ii) will enforce such covenant against the Sublessee.

Section 9.05. Payment of Fees and Expenses of the Trustee. The State shall pay as Additional Rent the reasonable fees and expenses of the Trustee in connection with the Leased Property, the Projects, the Leases, the Indenture, the Certificates, the Site Leases and the Subleases or any matter related thereto, including, but not limited to, costs of defending any claim or action brought against the Trustee or its directors, officers, employees or agents relating to the foregoing, in accordance with the schedule attached hereto as Exhibit C. The State shall not, however, pay any fees or expenses incurred in connection with any action or omission, or any liability incurred in connection with any action or omission, that constituted willful misconduct or negligence of the Trustee or its directors, officers, employees or agents.

Section 9.06. Payments to Rebate Fund; Rebate Calculations. The State shall pay to the Trustee as Additional Rent the amount required to be paid to the United States of America on any date on which a rebate payment is due to the extent the amount on deposit in the Rebate Fund is not sufficient. The State also agrees to make or cause to be made all rebate calculations required pursuant to the Indenture and to pay the costs as Additional Rent.

Section 9.07. Investment of Funds. By authorizing the execution and delivery of this Lease, the State specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture), including Permitted Investments where the period from the date of purchase thereof to the maturity date is in excess of five years.

ARTICLE X

LIMITS ON OBLIGATIONS OF TRUSTEE

Section 10.01. Disclaimer of Warranties. THE TRUSTEE 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. In no event shall the Trustee be liable for any incidental, special or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or use by the State of any item, product or service provided for herein.

Section 10.02. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

Section 11.01. Events of Default Defined.

(a) Any of the following shall constitute an "Event of Default" under this Lease:

(i) failure by the State to pay any specifically appropriated Base Rent to the Trustee on or before the applicable Base Rent Payment Date; provided, however, that a failure by the State to pay Base Rent on the applicable Base Rent Payment Date shall not constitute an Event of Default if such payment is received by the Trustee on or before the Business Day prior to the first date immediately following the scheduled Base Rent Payment Date on which principal or interest is payable on Certificates;

(ii) failure by the State to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the Trustee, when nonpayment thereof has, or may have, a material adverse effect upon the Certificates, the Leased Property or the interest of the Trustee in the Leased Property;

(iii) failure by the State to vacate the Leased Property within 90 days following an Event of Nonappropriation in accordance with Section 3.02(b) hereof;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the State in all or any portion of this Lease or the Leased Property in violation of Section 12.02(a) hereof or any succession to all or any portion of the interest of the State in the Leased Property in violation of Section 12.02(b) hereof;

(v) failure by the State to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the State by the Trustee, unless the Trustee shall consent in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; or

(vi) the occurrence of an Event of Default under any other Lease (as the term "Event of Default" is defined in such other Lease).

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the State shall be obligated to pay Rent only during the Lease Term, except as otherwise expressly provided in Section 3.02(b)(ii) hereof; and

(ii) if, by reason of Force Majeure, the State shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay Rent hereunder, the State shall not be deemed in default during the continuance of such inability; provided, however, that the State shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the State from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the State.

Section 11.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee may take one or any combination of the following remedial steps:

(a) terminate the Lease Term and give notice to the State to immediately vacate the Leased Property in the manner provided in Section 3.02(b) hereof;

(b) sell or lease its interest in all or any portion of the Leased Property, subject to the Sublessees' purchase options under the Subleases;

(c) recover any of the following from the State that is not recovered pursuant to subsection (b) of this Section:

(i) the portion of Rent payable pursuant to Section 3.02(b)(ii) hereof;

(ii) the portion of Base Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, regardless of when the State vacates the Leased Property; and

(iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Colorado General Assembly, but only to the extent such Additional Rent are payable prior to the date, or are attributable to the use of the Leased Property prior to the date, the State vacates the Leased Property;

(d) enforce any provision of this Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease, subject, however, to the limitations on the obligations of the State set forth in Sections 5.05 and 11.03 hereof.

Section 11.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the State by reason of an Event of Default only as to the State's liabilities described in Section 11.02(c) hereof. A judgment requiring a payment of money may be entered against the State by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 11.02(c)(i) hereof.

Section 11.04. No Remedy Exclusive. Subject to Section 11.03 hereof, no remedy herein conferred upon or reserved to the Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall 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 Trustee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 11.05. Waivers.

(a) The Trustee may waive any Event of Default under this Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

(b) In the event the Trustee waives any Event of Default described in Section 11.01(a)(i) hereof, any subsequent payment by the State of Base Rent then due and owing shall be paid to the Trustee to be applied in accordance with the terms of the Indenture.

ARTICLE XII

TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 12.01. Trustee's Rights, Title and Interest in Trust for Benefit of Owners; Successor Trustee; Assignment by Trustee. The Trustee shall hold its interest in the Leased Property and its rights, title and interest in, to and under this Lease (other than the Trustee's rights to payment of its fees and expenses and the rights of third parties to Additional Rent payable to them) in trust for the benefit of the Owners pursuant to the Indenture. Any successor trustee under the Indenture shall 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 this Lease. The Trustee shall not, except as provided in this Section or as otherwise provided elsewhere in this Lease or in the Indenture, assign, convey or otherwise transfer to any Person any of the Trustee's interest in the Leased Property or the Trustee's rights, title or interest in, to or under this Lease.

Section 12.02. Transfer of the State's Interest in Lease and Leased Property Prohibited.

(a) Except as otherwise permitted by Section 7.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 7.06 with respect to substitutions of other property for Leased Property and subsection (b) of this Section with respect to transfers of the Leased Property following termination of this Lease or as otherwise required by law, the State shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

(b) Notwithstanding subsection (a) of this Section, the State may transfer its interest in the Leased Property after, and only after, this Lease has terminated and the Leased Property has been conveyed to the State pursuant to Article VIII hereof.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Trustee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XII hereof. The Sublessee that leased Leased Property to the Trustee and its successors and assigns is an intended third party beneficiary of the covenants of the State in Articles VI and VII and Sections 9.02, 9.03(a) and 12.02 hereof and of the Trustee in Section 9.03(b) hereof. This Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Lease.

Section 13.02. Interpretation and Construction. This Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Lease. For purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Lease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 13.03. Acknowledgement of Indenture. The State has received a copy of, and acknowledges the terms of, the Indenture.

Section 13.04. Trustee, State and Sublessee Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or a Sublessee is required, or the Trustee, the State or a Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Sublessee by the Sublessee Representative identified in the Sublessee's Sublease and the Trustee, the State and the Sublessees shall be authorized to act on any such approval or request.

Section 13.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: eric.rothaus@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: David J. McDermott, facsimile number: 303-866-4233, electronic mail address: david.mcdermott@state.co.us, if to the Trustee, to Zions First National Bank, 1001 Seventeenth Street, Suite 1050, Denver, Colorado 80202, Attention: Corporate Trust Services facsimile number: 720-947-7480, electronic mail address: corporatetrust@zionsbank.com; and if to any Sublessee, to the notice address set forth in such Sublessee's Sublease. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 13.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Trustee or any natural person executing this Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 13.07. Amendments, Changes and Modifications. Except as otherwise provided herein or in the Indenture, this Lease may only be amended, changed, modified or altered by a written instrument executed by the State and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to this Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

Section 13.08. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Lease.

Section 13.09. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Lease is modified pursuant to the terms of this Lease or other land is substituted for land included in the Leased Property subject to this Lease pursuant to the terms of this Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Lease after such modification or substitution.

Section 13.10. Merger. The Trustee and the State intend that the legal doctrine of merger shall have no application to this Lease, any Site Lease or any Sublease and that none of the execution and delivery of this Lease by the Trustee and the State, any such Site Lease by a Sublessee and the Trustee or any Sublease by the State and a Sublessee or the exercise of any remedies by any party under this Lease, any Site Lease or any Sublease shall operate to terminate or extinguish this Lease, any Site Lease or any Sublease.

Section 13.11. Severability. In the event that any provision of this Lease, other than the obligation of the State to pay Rent hereunder and the obligation of the Trustee to provide quiet enjoyment of the Leased Property and to convey the Leased Property to the State pursuant to Article VIII hereof, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.12. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Lease.

Section 13.13. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Lease. Any provision of this Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Lease to the extent that this Lease is capable of execution. At all times during the performance of this Lease, the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 13.14. State Controller's Approval. This Lease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

Section 13.15. Non-Discrimination. The Trustee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Section 13.16. Vendor Offset. Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39-21-101 et seq.; (c) unpaid balances of tax, accrued interest or other charges specified in C.R.S. § 39-21-101 et seq.; (d) unpaid loans due to the Student Loan Division of the Department of Higher Education; (e) amounts required to be paid to the Unemployment Compensation Fund; and (f) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Section 13.17. Employee Financial Interest. The signatories to this Lease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

Section 13.18. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee and the State have executed this Lease as of the date first above written.

ZIONS FIRST NATIONAL BANK, solely in its capacity as trustee under the Indenture

By ____
Authorized Signatory

STATE OF COLORADO, acting by and through the State Treasurer

By ____
Cary Kennedy, Colorado State Treasurer

APPROVALS:

ATTORNEY GENERAL
JOHN W. SUTHERS

By ____________________________________
Heidi Dineen, Assistant Attorney General

STATE CONTROLLER
DAVID J. MCDERMOTT, CPA

By ____________________________________
David J. McDermott, State Controller

STATE OF COLORADO
BILL RITTER, JR., GOVERNOR
DEPARTMENT OF PERSONNEL & ADMINISTRATION
OFFICE OF STATE ARCHITECT, REAL ESTATE PROGRAMS

For the Executive Director

By ____________________________________
Michael R. Karbach, Manger, Real Estate Programs

[Signature Page to 2009A Lease]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of August, 2009 by ______________________________________ as an authorized signatory of Zions First National Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of August, 2009, by Cary Kennedy, Colorado State Treasurer, acting on behalf of the State of Colorado.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

EXHIBIT A

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

1. LAND INCLUDED IN LEASED PROPERTY OF ALAMOSA SCHOOL DISTRICT RE-11J

A TRACT OF LAND SITUATED IN THE NORTH HALF OF THE SOUTHEAST QUARTER AND IN THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 9, TOWNSHIP 37 NORTH, RANGE 10 EAST OF THE NEW MEXICO PRINCIPAL MERIDIAN, BEING A PART OF WASHINGTON ADDITION TO ALAMOSA, COUNTY OF ALAMOSA, STATE OF COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE LINE BETWEEN THE CENTER QUARTER CORNER AND THE EAST QUARTER CORNER OF SAID SECTION 9 AS BEARING S89°47'26"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO;

COMMENCING AT THE EAST QUARTER CORNER OF SAID SECTION 9; THENCE S82°35'29"W A DISTANCE OF 2427.60 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE FOR WEST 8TH STREET IN ALAMOSA AND THE **TRUE POINT OF BEGINNING**;

THENCE S00°12'51"W A DISTANCE OF 395.00 FEET;
THENCE S89°47'09"E A DISTANCE OF 450.00 FEET;
THENCE S00°12'51"W A DISTANCE OF 30.00 FEET;
THENCE S89°47'09"E A DISTANCE OF 270.00 FEET;
THENCE S00°12'51"W A DISTANCE OF 425.00 FEET TO A POINT ON THE NORTH RIGHT-OF-WAY LINE FOR WEST 10TH STREET;
THENCE N89°47'09"W ALONG THE NORTH RIGHT-OF-WAY LINE FOR WEST 10TH STREET A DISTANCE OF 1710.00 FEET;
THENCE N00°12'51"E A DISTANCE 850.00 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE FOR WEST 8TH STREET;
THENCE S89°47'09"E ALONG SAID SOUTH RIGHT-OF-WAY LINE A DISTANCE OF 990.00 FEET TO THE **TRUE POINT OF BEGINNING**.

2. LAND INCLUDED IN LEASED PROPERTY OF SANGRE DE CRISTO SCHOOL DISTRICT RE-22J

Parcel 2,
FRYE DIVISION OF LAND NO. 1, according to the Plat thereof recorded May 11, 2009 at Reception No. 338506,
County of Alamosa,
State of Colorado.

3. LAND INCLUDED IN LEASED PROPERTY OF SARGENT SCHOOL DISTRICT RE-33J

A TRACT OF LAND SITUATED IN THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 8 EAST, NEW MEXICO PRINCIPAL MERIDIAN, RIO GRANDE COUNTY, COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 28 AS BEARING N00°12'30"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 28; THENCE N28°46'48"E A DISTANCE OF 416.98 FEET TO THE **TRUE POINT OF BEGINNING**;

THENCE NORTH 79.67 FEET;
THENCE EAST 40.62 FEET;
THENCE NORTH 113.75 FEET;
THENCE WEST 107.50 FEET;
THENCE NORTH 26.58 FEET;
THENCE WEST 15.92 FEET;
THENCE NORTH 30.60 FEET;
THENCE EAST 15.97 FEET;
THENCE NORTH 28.58 FEET;
THENCE EAST 246.62 FEET;
THENCE SOUTH 85.77 FEET;
THENCE WEST 13.79 FEET;
THENCE SOUTH 58.08 FEET;
THENCE EAST 13.33 FEET;
THENCE SOUTH 150.00 FEET;
THENCE WEST 80.21 FEET;
THENCE NORTH 14.67 FEET;
THENCE WEST 99.12 FEET TO THE **TRUE POINT OF BEGINNING**;

AND THE FOLLOWING PARCEL MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A PARCEL SITUATED IN THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 8 EAST, NEW MEXICO PRINCIPAL MERIDIAN, RIO GRANDE COUNTY, COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 28 AS BEARING N00°12'30"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 28:
THENCE N03°08'22"E A DISTANCE OF 586.66 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE FOR COUNTY ROAD 2 EAST AND THE **TRUE POINT OF BEGINNING**;

THENCE N00°12'30"E ALONG THE EAST RIGHT-OF-WAY LINE FOR SAID COUNTY ROAD 2 EAST A DISTANCE OF 30.60 FEET;
THENCE S89°47'30"E A DISTANCE OF 85.71 FEET;
THENCE SOUTH 30.60 FEET;
THENCE N89°47'30"W A DISTANCE OF 85.82 FEET TO THE **TRUE POINT OF BEGINNING**.

LEGAL DESCRIPTION PREPARED BY:
REYNOLDS ENGINEERING COMPANY
MARTIN REYNOLDS, PLS #23847

EXHIBIT B

BASE RENT PAYMENT SCHEDULE

Base Rent Payment Date	Amortizing Principal	Series 2009A Sinking Fund Principal	Interest	Total Base Rent
03/12/2010	$0	$ 3,535,000	$0	$ 3,535,000
03/12/2011	0	5,975,000	0	5,975,000
03/12/2012	0	5,975,000	0	5,975,000
03/12/2013	0	5,975,000	0	5,975,000
03/12/2014	0	5,975,000	0	5,975,000
03/12/2015	0	5,975,000	0	5,975,000
03/12/2016	0	5,970,000	0	5,970,000
03/12/2017	0	5,970,000	0	5,970,000
03/12/2018	0	5,970,000	0	5,970,000
03/12/2019	0	5,970,000	0	5,970,000
03/12/2020	0	5,970,000	0	5,970,000
03/12/2021	0	5,970,000	0	5,970,000
03/12/2022	0	5,970,000	0	5,970,000
03/12/2023	0	5,970,000	0	5,970,000
03/12/2024	0	5,975,000	0	5,975,000
Total		$87,145,000		$87,145,000

EXHIBIT C

TRUSTEE'S FEES AND EXPENSES

Lessor Fees .... Included in Annual Trustee Fee

Acceptance Fee $1,500.00
Covering the trustee's study and consideration of the governing documents, including the preparation and establishment of the necessary accounts and files and performing all duties associated with the closing.

Annual Trustee Fee $2,000.00
Covering ordinary administrative duties of the Trustee, Paying Agent, Registrar and Lessor/Trustee as set forth in the governing documents so long as no default exists. The annual trustee fee is payable in advance.

Legal Fees...Waived
We do not anticipate having to use outside counsel for this transaction.

Paying Agent and Registrar Fees... Included in Annual Trustee Fee

The fees quoted above for usual and routine administration are not subject to change. Special or extraordinary events, such as amendments or defaults are not included in the above fees and we reserve the right to charge an additional amount based on the time incurred in handling such events should they occur. Out-of-pocket costs, such as overnight delivery charges, would be added to the annual administration fee only if excessive.

After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SITE LEASE OF [NAME OF SITE LESSOR]

by and between

____________________,
as site lessor

and

ZIONS FIRST NATIONAL BANK ,
solely in its capacity as Trustee under the Indenture identified herein,
as site lessee

Dated as of August ~~__,~~12, 2009

4841-1075-~~0723.7~~0723.10

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MISCELLANEOUS

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2009A SITE LEASE

This State of Colorado Building Excellent Schools Today Site Lease (this "Site Lease") is dated as of August ~~___,~~12, 2009 and is entered into by and between ______________________________ (the "Site Lessor"), as lessor, and Zions First National Bank, a national banking association duly organized and validly existing under the laws of the United States, solely in its capacity as trustee under the Indenture (the "Trustee"), as lessee. ***Capitalized terms used but not defined in this Site Lease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August ~~___,~~12, 2009, as such Glossary may be amended, supplemented and restated from time to time.***

RECITALS

A. The Site Lessor owns the land described in attached Exhibit A hereto (the "Land") and the buildings, structures and improvements now or hereafter located on the Land (the Land and such buildings, structures and improvements, collectively, are referred to as the "Leased Property").

B. The Site Lessor is authorized by title 22, C.R.S. to, and will, lease the Leased Property to the Trustee pursuant to this Site Lease. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, will lease the Leased Property from the Trustee pursuant to the 2009A Lease.

C. The State Treasurer, on behalf of the State, on the instructions of the Assistance Board and as authorized under the Act, will sublease the Leased Property to the Site Lessor as Sublessee under a Sublease.

D. Proceeds of the Series 2009A Certificates issued pursuant to the Indenture will be used to finance the Project of the Site Lessor as Sublessee.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Representations, Covenants and Warranties by Trustee. The Trustee hereby certifies, represents and agrees that all the certifications, representations and agreements of the Trustee set forth in Section 6.01 of the Master Indenture are true and accurate and makes the same certifications, representations and agreements under this Site Lease as if set forth in full herein.

Section 1.02. Certifications, Representations and Agreements by Site Lessor. The Site Lessor certifies, represents and agrees that:

(a) The Site Lessor is an Eligible K-12 Institution that is duly organized, validly existing and in good standing under Colorado and is authorized under title 22, C.R.S., to lease the Leased Property to the Trustee pursuant to this Site Lease, to lease the Leased Property from the State pursuant to a Sublease, to issue its Matching Money Bond and to execute, deliver and perform its obligations under this Site Lease, the Sublease and its Matching Money Bond.

(b) The Site Lessor is the owner of the fee interest in the Leased Property, subject only to Permitted Encumbrances.

(c) The execution, delivery and performance of this Site Lease have been duly authorized by the Governing Body of the Site Lessor.

(d) The Site Lessor has received all approvals and consents required for the Site Lessor's execution, delivery and performance of its obligations under this Site Lease.

(e) This Site Lease has been duly executed and delivered by the Site Lessor and is enforceable against the Site Lessor 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.

(f) The execution, delivery and performance this Site Lease 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 Site Lessor is now a party or by which the Site Lessor is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Site Lessor, or, except as specifically provided in the 2009A Lease, the Indenture and the Site Lessor's Sublease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Site Lessor.

(g) There is no litigation or proceeding pending or threatened against the Site Lessor or any other Person affecting the right of the Site Lessor to execute, deliver or perform the obligations of the Site Lessor under this Site Lease.

(h) The Site Lessor will receive economic and other benefits by the leasing of the Leased Property by the Site Lessor pursuant to this Site Lease. The initial Leased Property leased pursuant to this Site Lease is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Site Lessor. The Site Lessor expects that the Leased Property will adequately serve the needs for which it is being leased throughout the Scheduled Site Lease Term.

(i) The Site Lessor is not aware of any current violation of any Requirement of Law relating to the Leased Property.

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The Site Lessor demises and leases the land described in Exhibit A hereto (the "Land" for purposes of this Site Lease) and the buildings, structures and improvements now or hereafter located on the Land (the "Leased Property" for purposes of this Site Lease) to the Trustee in accordance with the terms of this Site Lease, subject only to Permitted Encumbrances, to have and to hold for the Site Lease Term.

Section 2.02. Enjoyment of Leased Property. The Site Lessor covenants that, during the Site Lease Term and so long as no Event of Default hereunder shall have occurred, the Trustee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Site Lessor, except as expressly required or permitted by this Site Lease.

ARTICLE III

SITE LEASE TERM; TERMINATION OF SITE LEASE

Section 3.01. Site Lease Term.

(a) The Site Lease Term shall commence on the date this Site Lease is executed and delivered and shall expire upon the earliest of any of the following events:

(i) August ~~__, 20__; [2009A CERTIFICATES FINAL MATURITY PLUS X YEARS]~~12, 2039;

(ii) the purchase of all the Leased Property subject to the 2009A Lease by the State pursuant to Section 8.01 of the 2009A Lease;

(iii) the conveyance of the Leased Property to the Site Lessor as Sublessee pursuant to Article VIII of the Site Lessor's Sublease; or

(iv) termination of this Site Lease following an Event of Default under this Site Lease in accordance with Section 10.02(a) hereof.

Section 3.02. Effect of Termination of Site Lease Term. Upon termination of the Site Lease Term, all unaccrued obligations of the Trustee hereunder shall terminate, but all obligations of the Trustee that have accrued hereunder prior to such termination shall continue until they are discharged in full.

Section 3.03. Cancellation and Release of Site Lease Upon Cancellation of Site Lessor's Sublease by State. Notwithstanding any other provision hereof, if the State cancels the

Site Lessor's Sublease pursuant to Section 3.03 of such Sublease, the Trustee shall cancel and release this Site Lease.

ARTICLE IV

SITE LESSOR IS THIRD PARTY BENEFICIARY OF CERTAIN COVENANTS OF STATE IN 2009A LEASE

The Site Lessor and its successors and assigns are intended third party beneficiaries of the covenants of the State in Articles VI and VII and Section 9.02, 9.03(a) and 12.02 and of the Trustee in Section 9.03(b) of the 2009A Lease (the "Site Lessor Protection Provisions"). If the 2009A Lease is terminated for any reason, this Site Lease is not terminated and the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease, as a condition to such lease, sublease or assignment, the lessee, sublessee or assignee must execute an instrument, in form and substance reasonably satisfactory to the Site Lessor, that contains substantially the same covenants as the Site Lessor Protection Provisions and names the Site Lessor and its successors and assigns as intended third party beneficiaries of such covenants. Any provision of this Site Lease that is similar to any of the Site Lessor Protection Provisions shall not be interpreted to limit or restrict the rights of the Site Lessor under this Article.

ARTICLE V

RENT

The Trustee is not obligated to pay any rent under this Site Lease. The consideration to the Site Lessor for the right to use the Leased Property during the Site Lease Term is the deposit of proceeds of the Series 2009A Certificates into the Site Lessor's Project Account held by the Trustee under the Indenture to finance the Site Lessor's Project. The provisions of Article IV of this Site Lease are intended to assure that the State or another lessee, sublessee or assignee pays Additional Rent in accordance with the 2009A Lease or an amount equal to the Additional Rent that would have been paid under the 2009A Lease under another instrument executed and delivered pursuant to Article IV of this Site Lease.

ARTICLE VI

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 6.01. Title to Leased Property. Title to the Leased Property shall be held in the name of the Site Lessor, subject to this Site Lease, the 2009A Lease and the Site Lessor's Sublease.

Section 6.02. Limitations on Disposition of and Encumbrances on Leased Property. Except as otherwise permitted in this Article or Article VII or VIII hereof and except for Permitted Encumbrances, the Site Lessor shall not 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.

Section 6.03. Granting of Easements. The Site Lessor shall, at the request of the Trustee or the State consent to grants of easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Leased Property on the same terms and in the same manner as the Trustee is required to do so pursuant to Section 7.03 of the 2009A Lease.

Section 6.04. Subleasing and Other Grants of Use. The Trustee is expressly authorized to lease or sublease the Leased Property to the State pursuant to the 2009A Lease. The State is expressly authorized to sublease the Leased Property to the Site Lessor as Sublessee pursuant to the Site Lessor's Sublease. The Trustee is expressly authorized to lease or sublease the Leased Property to or create other interests in the Leased Property for the benefit of any other Person or Persons in connection with the exercise of the Trustee's remedies under the 2009A Lease and the Indenture following an Event of Default or Event of Nonappropriation under the 2009A Lease.

Section 6.05. Substitution of Other Property for Leased Property. If the State substitutes other real property under the 2009A Lease for any portion of the Site Lessor's Leased Property, the property so substituted under the 2009A Lease may also be substituted for Leased Property under this Site Lease in any manner and on any terms determined by the State in its sole discretion.

Section 6.06. Property Damage, Defect or Title Event. If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited and used in accordance with Section 7.07 of the 2009A Lease.

Section 6.07. Condemnation by State or Site Lessor. In the event the State brings an eminent domain or condemnation proceeding with respect to the Leased Property and the 2009A Lease has not terminated, the terms of Section 7.08 of the 2009A Lease shall apply. In the event the Site Lessor brings an eminent domain or condemnation proceeding with respect to the Leased Property and the Site Lessor's Sublease has not terminated, the terms of Section 7.08 of the Site Lessor's Sublease shall apply. If (a) the 2009A Lease or the Site Lessor's Sublease are terminated for any reason, (b) this Site Lease is not terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease to a governmental entity that has eminent domain or condemnation powers, such lease or sublease shall include a provision similar to Section 7.08 of the Site Lessor's Sublease.

Section 6.08. Personal Property of Trustee, State and Others. The Trustee, the State and any other Person who has the right to use the Leased Property under this Site Lease, the 2009A Lease or the Site Lessor's Sublease, at its own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall 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.

ARTICLE VII

LICENSES AND SHARED UTILITIES

Section 7.01. Access Licenses. The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on real property owned by the Site Lessor that is adjacent to but not included in the Leased Property (the "Access Area") for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Leased Property; provided that such license shall not conflict with or adversely affect the use of the Access Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, a non-exclusive blanket license over, upon and through the roadways, drive lanes, parking areas and sidewalks now or hereafter located on the Leased Property for the purpose of walking upon, moving equipment and goods and supplies through and driving vehicles upon, over and across all of the sidewalk areas, entrances, drives, lanes and parking areas, alleys and other areas for ingress and egress to and from the Access Area; provided that such license shall not conflict with or adversely affect the Trustee's use of the Leased Property.

Section 7.02. Appurtenant Staging Areas Licenses. The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through real property owned by the Site Lessor that is adjacent to but not included in the Leased Property (the "Appurtenant Staging Area") for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Leased Property and for the maintenance of any nonmaterial encroachments of the improvements constituting the Leased Property; provided that such license shall not adversely affect the use of the Appurtenant Staging Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, non-exclusive licenses over, upon and through the Leased Property for the purposes of constructing, placing, operating and maintaining all necessary pipes, vents, conduits, wires and utilities necessary to maintain and operate the Appurtenant Staging Area and for the maintenance of any nonmaterial encroachments of the improvements constituting the Appurtenant Staging Area; provided that such license shall not adversely affect the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them.

Section 7.03. Offsite Parking Licenses. The Site Lessor grants to the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on real property owned by the Site Lessor but not included in the Leased Property (the "Offsite Parking

Area") for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of the Leased Property by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Offsite Parking Area by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Site Lessor reserves the right to implement and enforce reasonable rules and regulations for the use of the Offsite Parking Area, including, without limitation: (a) to direct and regulate vehicular traffic and provide safe vehicular access to and from the Offsite Parking Area; (b) to specify and enforce rules and regulations with regard to the use of the Offsite Parking Area spaces; (c) to designate certain parking spaces to be used only by handicapped drivers, employees or visitors; (d) to implement and enforce parking fees and fines; and (e) to restrict time periods for permitted parking. The Trustee grants to the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them, during the Site Lease Term, a non-exclusive license for the use of areas designated as parking areas, and access to and from such parking areas, now or hereafter located on the Leased Property (the "Onsite Parking Area") for the purpose of parking of passenger vehicles (buses and similar vehicles excluded) in connection with the use of other real property not included in the Leased Property by the Site Lessor and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; provided that such license shall not conflict with or adversely affect the use of the Onsite Parking Area by the Trustee and its subtenants, successors and assigns, and the tenants, customers, employees and invitees of all of them; and provided, further that, the Trustee reserves the right to implement and enforce reasonable rules and regulations for the use of the Onsite Parking Area similar to those implemented and enforced by the Site Lessor with respect to the Offsite Parking Area.

Section 7.04. Shared Utilities. The Site Lessor agrees to provide the Leased Property with all gas, water, steam, electricity, heat, power and other utilities provided by Site Lessor to the Leased Property on the date hereof on a continuous basis except for periods of repair. The Site Lessor shall be entitled to reimbursement for its actual and reasonable costs incurred in providing such utilities, determined in a fair and reasonable manner based on the use of such utilities by the Leased Property or portions thereof, the operational, maintenance and repair costs of such utilities elements and any costs to acquire or relocate any easements or lines relating to or used in connection with the operation of such utilities. Pursuant to the 2009A Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the 2009A Lease. Pursuant to the Site Lessor's Sublease, the Site Lessor, as Sublessee, has agreed to reimburse the State for such costs during the Sublease Term of the Site Lessor's Sublease. If, (a) the 2009A Lease is terminated for any reason, (b) this Site Lease is not terminated and (c) the Trustee leases or subleases all or any portion of the Leased Property or assigns an interest in this Site Lease, the lessee, sublessee or assignee, as a condition to such lease, sublease or assignment, must agree to reimburse the Site Lessor for such costs.

ARTICLE VIII

GENERAL COVENANTS

Section 8.01. Further Assurances and Corrective Instruments. So long as this Site Lease is in full force and effect, the Trustee and the Site Lessor shall have full power to carry out the acts and agreements provided herein and the Site Lessor and the Trustee, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Site Lease.

Section 8.02. Compliance with Requirements of Law. On and after the date hereof, the Site Lessor shall not take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law.

Section 8.03. Participation in Legal Actions. At the request of and at the cost of the Trustee or the State, the Site Lessor shall join and cooperate fully in any legal action in which the Trustee or a State 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 enjoyment of the Leased Property by the Trustee or the State; or that involves the imposition of any charges, costs or other obligations with respect to the Trustee's execution, delivery and performance of its obligations under this Site Lease or the State's execution, delivery and performance of its obligations under a the 2009A Lease.

ARTICLE IX

LIMITS ON OBLIGATIONS

Section 9.01. Disclaimer of Warranties. THE SITE LESSOR 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. In no event shall the Site Lessor be liable for any incidental, special or consequential damage in connection with or arising out of this Site Lease or the existence, furnishing, functioning or use by the Trustee of any item, product or service provided for herein.

Section 9.02. Financial Obligations of Trustee Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the Trustee under this Site Lease, except those resulting from its willful misconduct or negligence, are limited to the Trust Estate.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

Section 10.01. Event of Default Defined. An "Event of Default" under this Site Lease shall be deemed to have occurred upon failure by the Trustee to observe and perform any covenant, condition or agreement on its part to be observed or performed for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Trustee by the Site Lessor, unless the Site Lessor shall consent in writing to an extension of such time prior to its expiration; provided, however, that:

(a) if the failure stated in the notice cannot be corrected within the applicable period, the Site Lessor shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected; and

(b) if, by reason of Force Majeure, the Trustee shall be unable in whole or in part to carry out any agreement on its part herein contained the Trustee shall not be deemed in default during the continuance of such inability; provided, however, that the Trustee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Trustee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Trustee.

Section 10.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Site Lessor may take one or any combination of the following remedial steps:

(a) terminate the Site Lease Term and give notice to the Trustee to immediately vacate the Leased Property;

(b) sell or lease its interest in all or any portion of the Leased Property, subject to the Site Lessor's purchase option in its capacity as Sublessee under its Sublease;

(c) enforce any provision of this Site Lease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XI hereof by specific performance, writ of mandamus or other injunctive relief; and

(d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Site Lease, subject, however, to the limitations on the obligations of the Trustee set forth in Section 9.02 hereof.

Section 10.03. No Remedy Exclusive. Subject to Section 9.02 hereof, no remedy herein conferred upon or reserved to the Site Lessor is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall 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 Site Lessor to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 10.04. Waivers. The Site Lessor may waive any Event of Default under this Site Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XI

TRANSFERS OF INTERESTS IN LEASE OR LEASED PROPERTY

Section 11.01. Assignment by Site Lessor. The Site Lessor shall not, except as otherwise provided elsewhere in this Site Lease, assign, convey or otherwise transfer to any Person any of the Site Lessor's interest in the Leased Property or the Site Lessor's rights, title or interest in, to or under this Site Lease.

Section 11.02. Transfer of the Trustee's Interest in Lease and Leased Property Prohibited. Except as otherwise permitted by Section 6.04 hereof with respect to subleasing or grants of use of the Leased Property and Section 6.05 hereof with respect to substitutions or as otherwise required by law, the Trustee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Site Lease or the Leased Property to any Person, whether now in existence or organized hereafter.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Binding Effect. This Site Lease shall inure to the benefit of and shall be binding upon the Trustee and the Site Lessor and their respective successors and assigns, including, but not limited to, the State under the 2009A Lease and the Site Lessor in its capacity as Sublessee under its Sublease, subject, however, to the limitations set forth in Article XI hereof. This Site Lease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Site Lease.

Section 12.02. Interpretation and Construction. This Site Lease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Site Lease. For purposes of this Site Lease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Site Lease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Site Lease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Site Lease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 12.03. Acknowledgement of 2009A Lease and Site Lessor's Sublease. The Trustee has received a copy of, and acknowledges the terms of, the 2009A Lease and the Site Lessor's Sublease.

Section 12.04. Trustee, State and Sublessee Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or the Site Lessor is required, or the Trustee, the State or the Site Lessor is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Site Lessor by the Sublessee Representative identified in the Site Lessor's Sublease and the Trustee, the State and the Site Lessor shall be authorized to act on any such approval or request.

Section 12.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the Site Lessor, to ______________________, Attention: ______________________________Superintendent, facsimile number: ________, electronic mail address: __________; if to the Trustee, to Zions First National Bank, 1001 Seventeenth Street, Suite 1050, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 720-947-7480, electronic mail address: corporatetrust@zionsbank.com; and if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: eric.rothaus@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: David J. McDermott, facsimile number: 303-866-4233, electronic mail address: david.mcdermott@state.co.us. Any notice party may, by written notice to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Site Lessor or the Trustee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the Site Lessor or the Trustee or any natural person executing this Site Lease or any related document or instrument; provided that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 12.07. Amendments, Changes and Modifications. Except as otherwise provided herein or in the Indenture, this Site Lease may only be amended, changed, modified or altered by a written instrument executed by the Site Lessor and the Trustee; and the Trustee shall, if and when requested by the State, execute and deliver any amendment to this Site Lease proposed by the State upon delivery to the Trustee of an opinion of Bond Counsel stating that such amendment does not violate the Indenture or the Leases.

Section 12.08. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Site Lease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Site Lease.

Section 12.09. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Site Lease is set forth in Exhibit A hereto. If the land included in the Leased Property subject to this Site Lease is modified pursuant to the terms of this Site Lease or other land is substituted for land included in the Leased Property subject to this Site Lease pursuant to the terms of this Site Lease, the legal description set forth in Exhibit A hereto will be amended to describe the land included in the Leased Property subject to this Site Lease after such modification or substitution.

Section 12.10. Merger. The Site Lessor and the Trustee intend that the legal doctrine of merger shall have no application to this Site Lease, the 2009A Lease or the Sublessee's Sublease and that none of the execution and delivery of this Site Lease by the Site Lessor and the Trustee, the 2009A Lease by the Trustee and the State or the Site Lessor's Sublease by the State and the Site Lessor as Sublessor or the exercise of any remedies by any party under this Site Lease, the 2009A Lease or the Site Lessor's Sublease shall operate to terminate or extinguish this Site Lease, the 2009A Lease or the Site Lessor's Sublease.

Section 12.11. Severability. In the event that any provision of this Site Lease, other than the obligation of the Site Lessor to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.12. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Site Lease.

Section 12.13. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Site Lease. Any provision of this Site Lease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Site Lease to the extent that this Site Lease is capable of execution. At all times during the performance of this Site Lease, the Site Lessor and the Trustee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 12.14. Execution in Counterparts. This Site Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.15. Value of Land. The Site Lessor estimates that the value of the land included in the Leased Property as of the date this Site Lease is entered into is [INSERT APPROPRIATE NUMBER FOR THE SUBLESSEE'S LEASED PROPERTY FROM THIS LIST: Sangre de Cristo: $32,667; Alamosa: $226,000; Sargent: $61,138].

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Trustee and the Site Lessor have executed this Site Lease as of the date first above written.

ZIONS FIRST NATIONAL BANK, solely in its capacity as trustee under the Indenture

By ____
Authorized Signatory

[______________________]

By ____

[Signature Page to Site Lease of _______________]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of August, 2009 by ______________________________________ as an authorized signatory of Zions First National Bank.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of August, 2009, by __________________________ as ____________________ of the Board of Education of ________________________________.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

EXHIBIT A

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

INSERT THE APPROPRIATE LEGAL DESCRIPTION FOR THE SITE LESSOR'S LEASED PROPERTY FROM THE LEGAL DESCRIPTIONS SET FORTH BELOW:

1. LAND INCLUDED IN LEASED PROPERTY OF ALAMOSA SCHOOL DISTRICT RE-11J

A TRACT OF LAND SITUATED IN THE NORTH HALF OF THE SOUTHEAST QUARTER AND IN THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 9, TOWNSHIP 37 NORTH, RANGE 10 EAST OF THE NEW MEXICO PRINCIPAL MERIDIAN, BEING A PART OF WASHINGTON ADDITION TO ALAMOSA, COUNTY OF ALAMOSA, STATE OF COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE LINE BETWEEN THE CENTER QUARTER CORNER AND THE EAST QUARTER CORNER OF SAID SECTION 9 AS BEARING S89°47'26"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO;

COMMENCING AT THE EAST QUARTER CORNER OF SAID SECTION 9; THENCE S82°35'29"W A DISTANCE OF 2427.60 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE FOR WEST 8TH STREET IN ALAMOSA AND THE **TRUE POINT OF BEGINNING**;

THENCE S00°12'51"W A DISTANCE OF 395.00 FEET;
THENCE S89°47'09"E A DISTANCE OF 450.00 FEET;
THENCE S00°12'51"W A DISTANCE OF 30.00 FEET;
THENCE S89°47'09"E A DISTANCE OF 270.00 FEET;
THENCE S00°12'51"W A DISTANCE OF 425.00 FEET TO A POINT ON THE NORTH RIGHT-OF-WAY LINE FOR WEST 10TH STREET;
THENCE N89°47'09"W ALONG THE NORTH RIGHT-OF-WAY LINE FOR WEST 10TH STREET A DISTANCE OF 1710.00 FEET;
THENCE N00°12'51"E A DISTANCE 850.00 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE FOR WEST 8TH STREET;
THENCE S89°47'09"E ALONG SAID SOUTH RIGHT-OF-WAY LINE A DISTANCE OF 990.00 FEET TO THE **TRUE POINT OF BEGINNING**.

2. LAND INCLUDED IN LEASED PROPERTY OF SANGRE DE CRISTO SCHOOL DISTRICT RE-22J

Parcel 2,
FRYE DIVISION OF LAND NO. 1, according to the Plat thereof
recorded May 11, 2009 at Reception No. 338506,
County of Alamosa,
State of Colorado.

3. LAND INCLUDED IN LEASED PROPERTY OF SARGENT SCHOOL DISTRICT RE-33J

A TRACT OF LAND SITUATED IN THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 8 EAST, NEW MEXICO PRINCIPAL MERIDIAN, RIO GRANDE COUNTY, COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 28 AS BEARING N00°12'30"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 28; THENCE N28°46'48"E A DISTANCE OF 416.98 FEET TO THE **TRUE POINT OF BEGINNING**;

THENCE NORTH 79.67 FEET;
THENCE EAST 40.62 FEET;
THENCE NORTH 113.75 FEET;
THENCE WEST 107.50 FEET;
THENCE NORTH 26.58 FEET;
THENCE WEST 15.92 FEET;
THENCE NORTH 30.60 FEET;
THENCE EAST 15.97 FEET;
THENCE NORTH 28.58 FEET;
THENCE EAST 246.62 FEET;
THENCE SOUTH 85.77 FEET;
THENCE WEST 13.79 FEET;
THENCE SOUTH 58.08 FEET;
THENCE EAST 13.33 FEET;
THENCE SOUTH 150.00 FEET;
THENCE WEST 80.21 FEET;
THENCE NORTH 14.67 FEET;
THENCE WEST 99.12 FEET TO THE **TRUE POINT OF BEGINNING**;

AND THE FOLLOWING PARCEL MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A PARCEL SITUATED IN THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 8 EAST, NEW MEXICO PRINCIPAL MERIDIAN, RIO GRANDE COUNTY, COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 28 AS BEARING N00°12'30"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 28:
THENCE N03°08'22"E A DISTANCE OF 586.66 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE FOR COUNTY ROAD 2 EAST AND THE **TRUE POINT OF BEGINNING**;

THENCE N00°12'30"E ALONG THE EAST RIGHT-OF-WAY LINE FOR SAID COUNTY ROAD 2 EAST A DISTANCE OF 30.60 FEET;
THENCE S89°47'30"E A DISTANCE OF 85.71 FEET;
THENCE SOUTH 30.60 FEET;
THENCE N89°47'30"W A DISTANCE OF 85.82 FEET TO THE **TRUE POINT OF BEGINNING**.

LEGAL DESCRIPTION PREPARED BY:
REYNOLDS ENGINEERING COMPANY
MARTIN REYNOLDS, PLS #23847

After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

FORM OF

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SUBLEASE OF [NAME OF SUBLESSEE]

by and between

STATE OF COLORADO,
acting by and through the State Treasurer,
and
PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD,
acting on behalf of the State of Colorado,
both as sublessor

and

________________________,
as sublessee

Dated as of August ~~___~~,12, 2009

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MISCELLANEOUS

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SUBLEASE OF [NAME OF INSTITUTION]

This State of Colorado Building Excellent Schools Today Sublease of [name of institution] (this "Sublease") is dated as of August ~~___,~~12, 2009 and is entered into by and between the State of Colorado, acting by and through the State Treasurer, and the Public School Capital Construction Assistance Board, acting on behalf of the State (collectively, the "State"), both as sublessor, and [name of school district], as sublessee (the "Sublessee"). ***Capitalized terms used but not defined in this Sublease have the meanings assigned to them in the Glossary attached to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated August ~~___,~~12, 2009, as such Glossary may be amended, supplemented and restated from time to time.***

RECITALS

A. The Sublessee has leased the Leased Property to the Trustee pursuant to a Site Lease. The State Treasurer, on behalf of the State and on the instructions of the Assistance Board, has leased the Leased Property from the Trustee pursuant to the 2009A Lease.

B. The State, acting by and through the State Treasurer on the instructions of the Assistance Board set forth in a resolution adopted by the Assistance Board on June 29, 2009 and as authorized under the Act, and the Assistance Board, acting on behalf of the State and as authorized under the Act, will sublease the Leased Property to the Sublessee pursuant to this Sublease; and the Sublessee, as authorized by title 22, C.R.S. and action of its Governing Body, will sublease the Leased Property from the State pursuant to this Sublease.

C. The Sublessee has delivered a Matching Moneys Bond to the State Treasurer, acting on behalf of the State, to satisfy the Sublessee's obligation to pay Matching Moneys to the State with respect to the Sublessee's Project.

D. Proceeds of the Series 2009A Certificates issued pursuant to the Indenture will be used to finance the Project of the Sublessee.

AGREEMENT

For and in consideration of the mutual covenants and the representations, covenants and warranties herein contained, the parties hereto hereby agree as follows:

ARTICLE I

CERTIFICATIONS, REPRESENTATIONS AND AGREEMENTS

Section 1.01. Certifications, Representations and Agreements by State. The State hereby certifies, represents and agrees that:

(a) The State Treasurer, pursuant to § 22-43.7-110(2)(f) of the Act, has reviewed this Sublease and ~~provided~~, by executing this Sublease, is providing written authorization to the Assistance Board to enter into it. The State Treasurer, acting on behalf of the State, is entering into this Sublease pursuant to the instructions of the Assistance Board set forth in a resolution of the Assistance Board adopted on June 29, 2009.

(b) The State is authorized under the Act to lease the Leased Property to the Sublessee pursuant to this Sublease and to execute, deliver and perform its obligations under this Sublease.

(c) This Sublease has been duly executed and delivered by the State and is valid and binding obligation enforceable against the State 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.

(d) The execution, delivery and performance of the terms of this Sublease by the State 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 State is now a party or by which the State is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the State, or, except as specifically provided in the 2009A Lease, the Indenture, this Sublease or the Sublessee's Site Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the State.

(e) There is no litigation or proceeding pending or threatened against the State or any other Person affecting the right of the State to execute, deliver or perform its obligations of the State under this Sublease.

Section 1.02. Certifications, Representations and Agreements by Sublessee. The Sublessee certifies, represents and agrees that:

(a) The Sublessee is an Eligible K-12 Institution that is duly organized, validly existing and in good standing under Colorado law and is authorized under title 22, C.R.S., to lease the Leased Property to the Trustee pursuant to the Site Lease, to sublease the Leased Property from the State pursuant to this Sublease, to issue the Sublessee's Matching Moneys Bond and to execute, deliver and perform its obligations under this Sublease, the Sublessee's Site Lease and Sublessee's Matching Moneys Bond.

(b) The Sublessee's Project is a capital construction project as defined in the Act and all moneys requisitioned from the Sublessee's Project Account pursuant to Section 4.10 hereof will be used to pay costs of capital construction as defined in the Act.

(c) The execution, delivery and performance of this Sublease, the Sublessee's Site Lease and the Sublessee's Matching Moneys Bond have been duly authorized by the Governing Body of the Sublessee.

(d) The Sublessee has received all approvals and consents required for the Sublessee's execution, delivery and performance of its obligations under this Sublease, the Sublessee's Site Lease and the Sublessee's Matching Moneys Bond.

(e) This Sublease, the Sublessee's Site Lease and the Sublessee's Matching Moneys Bond have been duly executed and delivered by the Sublessee and are valid and binding obligations enforceable against the Sublessee in accordance with their respective 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.

(f) The execution, delivery and performance of this Sublease, the Sublessee's Site Lease and the Sublessee's Matching Moneys Bond do 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 Sublessee is now a party or by which the Sublessee is bound, or constitute a default under any of the foregoing, violate any Requirement of Law applicable to the Sublessee, or, except as specifically provided in the 2009A Lease, the Indenture, this Sublease or the Sublessee's Site Lease, result in the creation or imposition of a lien or encumbrance whatsoever upon any of the property or assets of the Sublessee.

(g) There is no litigation or proceeding pending or threatened against the Sublessee affecting the right of the Sublessee to execute, deliver or perform its obligations under this Sublease, the Sublessee's Site Lease or the Sublessee's Matching Moneys Bond.

(h) The Sublessee will receive economic and other benefits by the subleasing of the Leased Property by the Sublessee pursuant to this Sublease. The initial Leased Property is, and any Leased Property substituted for the initial Leased Property will be, property that is necessary and essential to the purposes and operations of the Sublessee. The Sublessee expects that the Leased Property will adequately serve the needs for which it is being subleased throughout the Scheduled Sublease Term.

(i) The Sublessee's Proportionate Share of the Base Rent payable by the State under the 2009A Lease in each Fiscal Year during the Lease Term of the 2009A Lease is not more than the fair value of the use of the Sublessee's Leased Property during such Fiscal Year.

(j) The sum of the principal, premium, if any, and interest payable by the Sublessee under its Matching Moneys Bond and the Additional Rent payable by the

Sublessee under this Sublease in each Fiscal Year during the Sublease Term does not exceed a reasonable amount so as to place the Sublessee under an economic compulsion to take one of the following actions in order to avoid forfeiting such excess (i) to continue this Sublease beyond any Fiscal Year, (ii) not to exercise its right to terminate this Sublease at any time through an Event of Nonappropriation or (iii) to exercise its option to purchase the Leased Property hereunder. The Sublessee's Purchase Option Price pursuant to Section 8.01 hereof is the Sublessee's current best estimate of the fair purchase price of the Leased Property that will be in effect at the time of exercise of the Sublessee's option to purchase the Leased Property pursuant to such Section. The Scheduled Sublease Term of this Sublease does not exceed the weighted average useful life of the improvements or any other real property improvements included in the Leased Property. In making the representations, covenants and warranties set forth above in this subsection and the immediately preceding subsection of this Section, the Sublessee has given due consideration to the Sublessee's Project, the purposes for which the Leased Property will be used by the Sublessee, the benefits to the Sublessee from the use of the Leased Property, the Sublessee's option to purchase the Leased Property hereunder and the terms of this Sublease governing the use of the Leased Property.

(k) The Sublessee presently intends and expects to continue the Sublease Term annually until title to the Leased Property is acquired by the Sublessee pursuant to this Sublease; but this representation does not obligate or otherwise bind the Sublessee.

(l) The Sublessee is not aware of any current violation of any Requirement of Law relating to the Leased Property.

(m) The Governing Body of the Sublessee has appropriated sufficient moneys to pay the Additional Rent estimated to be payable hereunder and the principal and interest payable under its Matching Moneys Bond in the current Fiscal Year.

(n) The certifications, representations and agreements with respect to federal income tax matters set forth in Exhibit A hereto are hereby incorporated in this Sublease as if set forth in full in this subsection.

ARTICLE II

DEMISING CLAUSE; ENJOYMENT OF LEASED PROPERTY

Section 2.01. Demising Clause. The State demises and leases the State's leasehold estate under the 2009A Lease in the land described in Exhibit B hereto (the "Land" for purposes of this Sublease) and the buildings, structures and improvements now or hereafter located on the Land (together with the Land, the "Leased Property" for purposes of this Sublease) to the Sublessee in accordance with the terms of this Sublease, subject only to Permitted Encumbrances, to have and to hold for the Sublease Term.

Section 2.02. Enjoyment of Leased Property. The State covenants that, during the Sublease Term and so long as no Event of Default hereunder shall have occurred, the Sublessee shall peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the State, except as expressly required or permitted by this Sublease.

ARTICLE III

SUBLEASE TERM; TERMINATION OF SUBLEASE TERM

Section 3.01. Sublease Term.

(a) The Sublease Term is the Initial Term and successive one-year Renewal Terms, subject to subsection (b) of this Section.

(b) The Sublease Term shall expire upon the earliest of any of the following events:

(i) termination of the 2009A Lease in accordance with its terms;

(ii) June 30 of the Initial Term or June 30 of any Renewal Term during which, in either case, an Event of Nonappropriation under this Sublease has occurred; or

(iii) termination of this Sublease following an Event of Default under this Sublease in accordance with Section 11.02(a) hereof.

Section 3.02. Effect of Termination of Sublease Term. Upon termination of the Sublease Term:

(a) all unaccrued obligations of the Sublessee under this Sublease shall terminate, but all such obligations of the Sublessee that have accrued hereunder prior to such termination shall 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 under this Sublease or because of the termination of the 2009A Lease as a result of an Event of Nonappropriation or an Event of Default under the 2009A Lease, the Sublessee's right to possession of the Leased Property hereunder shall terminate and (i) the Sublessee shall, within 90 days, vacate the Leased Property; and (ii) if and to the extent the Governing Body of the Sublessee has appropriated funds for payment of Additional Rent payable during, or with respect to the Sublessee's use of the Leased Property during, the period between termination of the Sublease Term and the date the Leased Property is vacated pursuant to clause (i), the Sublessee shall pay Additional Rent to the Person entitled thereto; and

(c) the obligations of the Sublessee under the Sublessee's Matching Moneys Bond shall continue until all amounts payable under the Sublessee's Matching Moneys Bond are paid in full or the Sublessee's Matching Moneys Bond is redeemed or cancelled in accordance with its terms.

Section 3.03. Cancellation of Sublease by State. Notwithstanding any other provision hereof, the State, in its sole discretion, may cancel this Sublease at any time if, on or before September 1, 2010, (a) the Trustee has not received the title insurance policy for the Sublessee's Leased Property described in paragraph 1 of the form of requisition attached as Appendix A to the Master Indenture and (b) the ~~State has not approved~~Sublessee has not entered into and does not have a reasonable expectation that it will enter into one or more Project Contracts for the Sublessee's Project as described in paragraph 2 of the form of requisition attached as Appendix A to the Master Indenture. The State shall deliver written notice to the Sublessee specifying the effective date of any such cancellation at least 15 days prior to the effective date of the cancellation. Upon cancellation, the Sublessee shall have no further rights under this Sublease, the State may direct the Trustee to use the moneys in the Sublessee's Project Account for the Costs of another Project or for any purpose permitted under the Indenture, the State shall cancel and return to the Sublessee the Sublessee's Matching Moneys Bond, the Sublessee shall execute and deliver to the State a release of this Sublease and the State shall cause the Trustee to cancel and release the Sublessee's Site Lease.

ARTICLE IV

PROJECT

Section 4.01. Sublessee to Construct Project in Accordance with Specifications. The Sublessee shall construct the Project (the "Work") in accordance with (a) the Public School Facility Capital Construction Guidelines established by the Assistance Board pursuant to the Act; and (b) the Specifications attached hereto as Exhibit ~~C~~B, with such changes in the Specifications, if any, (i) that are in accordance with the Public School Capital Construction Guidelines and (ii) are approved by the State in writing.

Section 4.02. Completion Date.

(a) The Sublessee shall cause the Work to be done promptly and with due diligence and shall use its best efforts to cause the Completion Date to occur by the third anniversary of this Sublease (the "Scheduled Completion Date"). The "Completion Date" is the date the Sublessee delivers a certificate (the "Completion Certificate") to the State and the Trustee (i) stating that to the best of the Sublessee's knowledge, based upon the representations of contractors, architects, engineers, vendors or other consultants, (A) the Project has been completed in accordance with Section 4.01 hereof and (B) except for any amounts estimated by the Sublessee to be necessary for payment of any Costs of the Project not then due and payable and costs of the Project included in requisitions that have been submitted to the Trustee but have not yet been paid by the Trustee, all Costs of the Project have been paid; (ii) stating that the real property improved by the Project has been insured in accordance with Section 6.01 hereof in the dollar amount set forth in such certificate or the certificate of insurance attached thereto; and (iii) to which is attached a certificate of insurance in which the insurer certifies that the real property improved by the Project has been insured by such insurer in the dollar amount set forth therein.

(b) If the Completion Date does not occur by the Scheduled Completion Date for any reason other than Force Majeure, the State or the Trustee, with the consent of the

State, may, but shall not be required to, retain a Person other than the Sublessee to complete the Project and recover from the Sublessee all reasonable costs incurred by or on behalf of the State or the Trustee in completing the Project.

Section 4.03. Contractor Guarantees. The Sublessee shall cause each Contractor with which the Sublessee contracts directly to guarantee all Work performed by it or any ~~subcontrator~~subcontractor or other Person performing Work on its behalf against defective workmanship and materials for a period of one year after the Completion Date, provided that such one year period shall not begin with respect to any item that is not completed on the Completion Date until such item is completed. The Sublessee shall assign to the State any guarantee of workmanship and materials which it may receive but shall retain the right to enforce such guarantee directly.

Section 4.04. Performance and Payment Bonds. The Sublessee shall require that each Contractor provide a performance bond and a separate labor and material payment bond, which shall (a) be executed by a corporate surety licensed to do business in the State, (b) be in customary form, (c) be in the amount payable to such Contractor pursuant to its Project Contract and (d) be payable to the Sublessee. If, at any time prior to completion of the Work covered by any such bond, the surety shall be disqualified from doing business within the State, a new bond shall be provided from an alternate surety licensed to do business in the State. The amount of each bond shall be increased or decreased, as appropriate, to reflect changes to the Specifications orders under Section 4.01 hereof. A copy of each such bond and all modifications thereto shall be furnished to the State within 60 days of the effective date of the related Project Contract. The Sublessee hereby assigns its rights to any proceeds under such bonds to the State and the Trustee.

Section 4.05. Builder's Risk Completed Value Insurance. The Sublessee shall procure and maintain, at its own cost and expense, until the property to which such insurance relates is insured by the Sublessee pursuant to Section 6.01 hereof, standard, all risk of loss builder's risk completed value insurance upon such property. A certificate of insurance evidencing such insurance shall be provided to the State.

Section 4.06. General Public Liability and Property Damage Insurance. The Sublessee shall require that each Contractor procure and maintain, at his own cost and expense, during such Contractor's Project Contract, standard form comprehensive general public liability and property damage insurance that includes coverage for (a) all claims for bodily injury, including death, and property damage; and (b) contractual liability in an amount equal to the maximum amount payable to it under its Project Contract. Such policies shall include the State and the Trustee as additional insureds and shall include a provision prohibiting cancellation, termination or alteration without 30 days' prior notice by certified mail to the State and the Trustee. A certificate of insurance evidencing such insurance shall be provided to the State with respect to each Contractor within 60 days of the effective date of the related Project Contract.

Section 4.07. Workers' Compensation Insurance. The Sublessee shall require that each Contractor procure and maintain, at his own cost and expense, workers' compensation insurance as required by Colorado law during the term of its contract, covering all persons working under its Project Contract. Such insurance, if issued by a private carrier, shall contain a provision that such coverage shall not be canceled, terminated or altered without 30 days' prior written notice to the State and the Trustee. Certificates evidencing such coverage shall be provided to the State.

Section 4.08. Defaults Under Project Contracts. In the event of any default under any Project Contract, or in the event of a breach of warranty with respect to any materials, workmanship or performance or other Work, which default or breach results in frustration of the purpose for which the Leased Property was intended, the Sublessee shall promptly proceed, either separately or in conjunction with others, to pursue diligently its remedies, including any remedy against the surety of any bond securing the performance of the Project Contract.

Section 4.09. Assignment of Rights Under Project Contracts. The Sublessee hereby assigns to the State and the Trustee, and each Project Contract shall expressly provide that the State and the Trustee shall have, the right to enforce each Project Contract against the Contractor (a) following termination of this Sublease and (b) in any case where, in the reasonable judgment of the State or the Trustee, with the consent of the State, the Sublessee has failed to enforce the terms of such Project Contract in a manner consistent with the obligations of the Sublessee under this Sublease.

Section 4.10. Costs of the Project. The Sublessee may withdraw available money from the Sublessee's Project Account in an amount up to the proceeds of the Series 2009A Certificates and Allocated Investment Earnings deposited into the Sublessee's Project Account pursuant to the Indenture to pay, or reimburse the Sublessee for the payment by Sublessee of, Costs of the Sublessee's Project by delivering to the Trustee a Requisition in the form of Appendix A to the Master Indenture, signed by the Sublessee Representative and the State Representative. Upon and effective on the date a Requisition is signed and delivered to the Trustee, the representations of the Sublessee set forth therein are incorporated in this Sublease as if set forth herein in full.

Section 4.11. Excess Costs and Cost Savings. The Sublessee shall pay all Costs of the Project that exceed the ~~amount that it withdraws from its~~proceeds of the Series 2009A Certificates and Allocated Investment Earnings deposited into the Sublessee's Project Account pursuant to ~~this Article~~the Indenture from sources other than money withdrawn from the Sublessee's Project Account. If the Costs of the Project are less than the proceeds of the Series 2009A Certificates and Allocated Investment Earnings deposited into the Sublessee's Project Account pursuant to the Indenture (a "cost savings"), a portion of such cost savings, as determined by the State Treasurer, may, upon the consent of the Assistance Board, be shared with the Sublessee through the State Treasurer's forgiveness of a portion of the debt service that would otherwise be due on the Sublessee's Matching Moneys Bond.

Section 4.12. Compliance with Tax Certificate. The Sublessee shall comply with the provisions of Exhibit A hereto that are applicable to the construction of the Project, including but not limited to, complying with the prevailing wage standards under 40 U.S.C. § 3141 (sometimes referred to as the Davis-Bacon Act).

Section 4.13. Records. The Sublessee shall maintain copies of all requisition ~~loans~~forms and Project Contracts, including but not limited to subcontracts, purchase orders and procurement documents, and provide copies to the State and the Assistance Board upon request. All such documents and records relating to the Project shall be retained by the Sublessee during the term of this Sublease and shall be provided to the State upon request. The Trustee is required under the Indenture to provide to the Sublessee at its request an accounting of all receipts and disbursements from the Sublessee's Project Account.

ARTICLE V

ADDITIONAL RENT; EVENT OF NONAPPROPRIATION

Section 5.01. Base Rent. There is no Base Rent payable under this Sublease. The Sublessee has issued and delivered to the State the Sublessee's Matching Moneys Bond to satisfy the Sublessee's obligation to pay Matching Moneys for credit to the Assistance Fund with respect to its Project. The obligations and rights of the Sublessee and the State with respect to the Sublessee's Matching Moneys Bond are independent of the obligations and rights of the Sublessee and the State under this Sublease and, except as otherwise specifically provided herein, (a) the obligations and rights of the Sublessee and the State with respect to the Sublessee's Matching Moneys Bond shall survive the termination of this Sublease and (b) no failure to perform or other action of the State with respect to this Sublease shall affect the State's rights to enforce the obligations of the Sublessee under the Sublessee's Matching Moneys Bond.

Section 5.02. Additional Rent. The Sublessee shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, pay Additional Rent in immediately available funds in the amounts and on the dates on which it is due. The Sublessee shall pay all Additional Rent payable pursuant to Article VI and Section 7.02(a)(ii) hereof and all other Additional Rent that specifically relates to the Leased Property subject to this Sublease directly to the Persons to which it is owed. The Sublessee shall pay its Proportionate Share of any Additional Rent that does not specifically relate to the Leased Property subject to this Sublease that the State, in its sole discretion, determines should be paid by the Sublessees, to the State within 14 days of notice from the State or the Trustee of the amount due. The State's determinations as to whether any Additional Rent is specifically related to the Leased Property subject to this Sublease and as to whether any Additional Rent not specifically related to the Leased Property subject to this Sublease should be paid by the Sublessees, shall be binding on and shall not be subject to dispute or negotiation by the Sublessee. It is the expectation of the State that Additional Rent payable pursuant to any provisions other than Sections 6.01 and 6.02 hereof will not be significant.

Section 5.03. Unconditional Obligations. The obligation of the Sublessee to pay Additional Rent during the Sublease Term shall, subject only to Sections 6.01(b) and 7.02(b) hereof and the other Sections of this Article, including, without limitation, Sections 5.04 and 5.05 hereof, be absolute and unconditional and shall not be abated or offset for any reason related to the Leased Property. Notwithstanding any dispute between the Sublessee and the State or between the Sublessee or the State and any other Person relating to the Leased Property, the Sublessee shall, during the Sublease Term, pay all Additional Rent when due; the Sublessee shall not withhold any Additional Rent payable during the Sublease Term pending final resolution of such dispute and shall not assert any right of set-off or counter-claim against its obligation to pay Additional Rent, provided, however, that the payment of any Additional Rent shall not constitute a waiver by the Sublessee of any rights, claims or defenses which the Sublessee may assert; and no action or inaction on the part of the State shall affect the Sublessee's obligation to pay Additional Rent during the Sublease Term.

Section 5.04. Event of Nonappropriation.

(a) The officer of the Sublessee who is responsible for formulating budget proposals with respect to payments of Additional Rent is hereby directed (i) to estimate the Additional Rent payable in the next ensuing Fiscal Year prior to the submission of each annual budget proposal to the Governing Body of the Sublessee during the Sublease Term and (ii) to include as a line item in each annual budget proposal submitted to the Governing Body of the Sublessee during the Sublease Term the entire amount of Additional Rent estimated to be payable during the next ensuing Fiscal Year; it being the intention of the Sublessee that any decision to continue or to terminate the Sublease Term shall be made solely by the Governing Body of the Sublessee, in its sole discretion, and not by any other department, agency or official of the Sublessee.

(b) An Event of Nonappropriation shall be deemed to have occurred, subject to the Sublessee's right to cure pursuant to subsection (c) of this Section, on June 30 of any Fiscal Year if the Governing Body of the Sublessee has, on such date, failed, for any reason, to appropriate sufficient amounts authorized and directed to be used to pay all Additional Rent estimated to be payable in the next ensuing Fiscal Year.

(c) Notwithstanding subsection (b) of this Section, an Event of Nonappropriation shall not be deemed to occur if, on or before August 1 of the next ensuing Fiscal Year, (i) the Governing Body of the Sublessee has appropriated amounts sufficient to avoid an Event of ~~-~~ Nonappropriation under subsection (b) of this Section and (ii) the Sublessee has paid all Additional Rent due during the period from June 30 through the date of such appropriation or substitution.

(d) If the Sublessee shall determine to exercise its annual right to terminate the Sublease Term effective on June 30 of any Fiscal Year, the Sublessee shall give written notice to such effect to the State not later than March 1 of such Fiscal Year; provided, however, that a failure to give such notice shall not (i) constitute an Event of Default, (ii) prevent the Sublessee from terminating this Sublease or (iii) result in any liability on the part of the Sublessee.

(e) The Sublessee shall furnish the State with copies of all appropriation measures relating to Additional Rent or the Purchase Option Price promptly upon the adoption thereof by the Governing Body of the Sublessee, but not later than 20 days following the adoption thereof by the Governing Body of the Sublessee; provided however, that a failure to furnish copies of such measures shall not (i) constitute an Event of Default, (ii) prevent the Sublessee from terminating this Sublease or (iii) result in any liability on the part of the Sublessee.

Section 5.05. Limitations on Obligations of Sublessee.

(a) Payment of Additional Rent and all other payments by the Sublessee hereunder shall constitute currently appropriated expenditures of the Sublessee. All obligations of the Sublessee under this Sublease shall be subject to the action of the Governing Body of the Sublessee in annually making moneys available for payments hereunder. The obligations of the Sublessee to pay Additional Rent and all other obligations of the Sublessee hereunder are subject to appropriation by the Governing Body of the Sublessee in its sole discretion, and shall not be deemed or construed as creating an indebtedness of the Sublessee within the meaning of any provision of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness of the Sublessee and shall not constitute a multiple fiscal year direct or indirect debt or other financial obligation of the Sublessee within the meaning Section 20(4) of Article X of the State Constitution. In the event the Sublessee does not renew the Sublease Term, the sole security available to the State, as sublessor under this Sublease, for any obligation of the Sublessee under this Sublease shall be the Leased Property.

(b) All of the Sublessee's obligations under the Lease shall be subject to the Sublessee's annual right to terminate this Sublease upon the occurrence of an Event of Nonappropriation.

(c) The Sublessee shall be under no obligation whatsoever to exercise its option to purchase the Leased Property pursuant to Article VIII hereof.

Section 5.06. No Right to Compel Payment of Rent by State or ~~Another~~another Sublessee. The Sublessee shall have no right to compel the State or any other Sublessee to pay any Rent under any Lease or Rent under any Sublease or to pay the principal of, premium, if any, and interest on any Sublessee's Matching Money Bond and neither the State nor any such other Sublessee shall have any liability to the Sublessee for a failure by the State to pay Rent under any Lease or a failure by any such other Sublessee to pay such other Sublessee's Rent under any such other Sublease or principal, premium, if any, or interest on its Matching Money Bond for any reason.

ARTICLE VI

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

Section 6.01. Taxes, Utilities and Insurance.

(a) The Sublessee shall pay, as Additional Rent, all of the following expenses with respect to the Leased Property:

(i) all taxes, assessments and other charges lawfully made by any governmental body, provided that any such taxes, assessments or other charges that may lawfully be paid in installments may be paid in installments as such installments are due;

(ii) all gas, water, steam, electricity, heat, power and other utility charges incurred in connection with the Leased Property (including but not limited to, amounts paid to a Site Lessor for utilities provided by such Site Lessor pursuant to a Site Lease);

(iii) casualty and property damage insurance with respect to the Leased Property in an amount equal to the full replacement value of the Leased Property;

(iv) public liability insurance with respect to the activities to be undertaken by the Sublessee in connection with the Leased Property, the Sublessee's Project and this Sublease: (A) to the extent such activities result in injuries for which immunity is not available under the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et seq. or any successor statute, in an amount not less than the amounts for which the Sublessee may be liable to third parties thereunder and (B) for all other activities, in an amount not less than $1,000,000 per occurrence.

(b) Except for Permitted Encumbrances, the Sublessee shall 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 Sublessee shall first notify the Trustee and the State of the intention of the Sublessee to do so, the Sublessee 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 Trustee or the State shall notify the Sublessee that, in the opinion of Independent Counsel, whose fees and expenses shall be paid by the Sublessee, by nonpayment of any such item the interest of the Trustee or the State 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 shall be paid forthwith; provided, however, that such payment shall 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 Sublessee, the State will cooperate fully with the Sublessee in any such contest.

(c) The insurance policies provided pursuant to subsection (a) of this Section shall meet the following conditions: (i) any insurance policy may have a deductible clause in an amount deemed reasonable by the State; (ii) each insurance policy shall be provided by an insurer that, at the time such policy is obtained or renewed, is rated "A" by A.M. Best or in the two highest rating categories of S&P and Moody's; (iii) each insurance policy shall be so written or endorsed as to make losses, if any, payable to the State, the Sublessee and the Trustee, as their respective interests may appear; (iv) each insurance policy shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of the State, the Sublessee or the Trustee without first giving written notice thereof to the State, the Sublessee and the Trustee at least ~~10~~30 days in advance of such cancellation or modification; (v) upon request each insurance policy, or each certificate evidencing such policy, shall be provided to the Trustee; (vi) full payment of insurance proceeds under any insurance policy up to the dollar limit required by this Section in connection with damage to the Leased Property shall, under no circumstance, be contingent on the degree of damage sustained at other property owned or leased by the State or any Sublessee; and (vii) each insurance policy shall explicitly waive any co-insurance penalty.

(d) In the Sublessee's discretion, the insurance required by this Section may be provided under blanket insurance policies which insure not only the risks required to be insured hereunder but also other similar risks or may be provided through a self-insurance program described in this subsection. If the Sublessee is covered by the Colorado School Districts Self Insurance Pool, the self-insurance program shall be the Colorado School Districts Self Insurance Pool. If the Sublessee is not covered by the Colorado School Districts Self Insurance Pool, the self-insurance program shall be the Sublessee's independent risk management program, if any.

(e) At the request of the State or the Trustee, the Sublessee shall cause one or more insurance consultants to annually review the self-insurance program through which insurance is provided pursuant to this Section and confirm that it is maintained on an actuarially sound basis.

Section 6.02. Maintenance and Operation of Leased Property. The Sublessee shall 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, shall operate the Leased Property, or cause the Leased Property to be operated, in an efficient manner and at a reasonable cost, and shall make or cause to be made all necessary and proper repairs, except as otherwise provided in Sections 7.05 and 7.07 hereof.

Section 6.03. Capital Renewal Reserve. The Sublessee shall establish a capital renewal budget and make annual contributions to a capital renewal reserve as defined in § 22-43.7-109(4)(d) of the Act for the purpose of replacing major systems of the Project with projected life cycles such as roofs, interior finishes, electrical systems and heating, ventilating and air conditioning systems.

ARTICLE VII

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 7.01. Title to Leased Property. Title to the leasehold estate in the Leased Property under the Series 2009A Lease shall be held in the name of the State, subject to the Sublessee's Site Lease, the 2009A Lease and this Sublease, until the Leased Property is conveyed or otherwise disposed of as provided herein, and the Sublessee shall have no right, title or interest in the Leased Property except as expressly set forth herein.

Section 7.02. Limitations on Disposition of and Encumbrances on Leased Property.

(a) Except as otherwise permitted in this Article or Article VIII or X hereof and except for Permitted Encumbrances, (i) neither the State nor the Sublessee shall 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 Sublessee shall promptly take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Notwithstanding subsection (a) of this Section, if the Sublessee shall first notify the Trustee and the State of the intention of the Sublessee to do so, the Sublessee 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 Trustee or the State has notified the Sublessee that, in the opinion of Independent Counsel, whose fees shall be paid by the Sublessee, by failing to discharge or satisfy such item the interest of the Trustee or the State 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 shall be satisfied and discharged forthwith; provided, however, that such satisfaction and discharge shall not constitute a waiver by the Sublessee of the right to continue to contest such item. At the request of the Sublessee, the State will cooperate fully with the Sublessee in any such contest.

Section 7.03. Granting of Easements. As long as no Event of Nonappropriation or Event of Default shall have happened and be continuing, the State shall, at the request of the Sublessee and with the consent of the Trustee:

(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 Leased Property, free from this Sublease and the 2009A Lease and any security interest or other encumbrance created hereunder or thereunder;

(b) consent to the release of existing easements, licenses, rights-of-way and other rights and privileges with respect to the Leased Property, free from this Sublease or the 2009A Lease and any security interest or other encumbrance created hereunder or 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 subsection (a) or (b) of this Section, upon receipt of: (i) a copy of the instrument of grant or release; and (ii) a written application signed by the Sublessee 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.

Section 7.04. Subleasing and Other Grants of Use. The Sublessee may sublease or otherwise grant the right to use such Leased Property to another Person, but only if:

(a) the sublease or grant of use by the Sublessee complies with the covenant in Section 9.04 hereof; and

(b) the obligations of the Sublessee under this Sublease shall remain obligations of the Sublessee, and the Sublessee shall maintain its direct relationship with the State, notwithstanding any such sublease or grant of use.

Section 7.05. Modification of Leased Property. The Sublessee, at its own expense, may remodel, or make substitutions, additions, modifications or improvements to, its portion of the Leased Property, provided that: (a) such remodeling, substitutions, additions, modifications and ~~additions~~improvements (i) shall not in any way damage such portion of the Leased Property as it existed prior thereto and (ii) shall become part of the Leased Property; (b) the value of the Leased Property after such remodeling, substitutions, additions, modifications and ~~additions~~improvements shall be at least as great as the value of the Leased Property prior thereto; (c) the cost of all remodeling, substitutions, additions, modifications and ~~additions~~improvements shall not exceed 10% of the sum of the proceeds of the Series 2009A Certificates and Allocated Investment Earnings deposited into the Sublessee's Project Account without the written approval of the State; and (d) the Leased Property, after such remodeling, substitutions, additions, modifications and ~~additions~~improvements, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Sublease.

Section 7.06. Substitution of Other Property for Leased Property. The Sublessee, with the consent of the State, which may be granted or withheld at the sole discretion of the State, may at any time propose that other property be substituted for the Leased Property subject to the Sublease under both the 2009A Lease and this Sublease. Any such proposal must be accompanied by the items listed below in form and substance satisfactory to the State. If the items listed below are delivered, the State consents to the substitution and the Sublessee pays the costs of the substitution, the State shall, and shall cooperate with the Sublessee to cause the Trustee to, execute and deliver any documents or instruments requested by the Sublessee to accomplish the substitution. The items are:

(a) A certificate by the Sublessee certifying that, following such substitution, the Fair Market Value of the substituted property, determined as of the date of substitution, is equal to or greater than the Fair Market Value of the property for which it is to be substituted.

(b) A title insurance policy, an amendment or supplement to a previously issued title insurance policy or a commitment to issue such a policy, amendment or supplement that would allow the Sublessee and the State to make the title insurance representation set forth in the form of Project Account requisition attached as Appendix A to the Master Indenture.

(c) A certificate by the Sublessee certifying that (i) the useful life of the substituted property extends to or beyond the final maturity of the Series 2009A Certificates and (ii) the substituted property is at least as essential to the Sublessee as the property for which it was substituted.

(d) An agreement by the Sublessee to pay all costs incurred by the Sublessee, the State, the Trustee or any other Person in connection with the substitution, including but not limited to, the costs of the title insurance required by clause (b) of this Section, the Trustee's fees and expenses, the State's third party costs and reasonable charges for the time of State employees and allocable overhead.

(e) An opinion of Bond Counsel to the effect that such substitution is permitted by Section 7.06 of the 2009A Lease, will not cause the Sublessee to violate its tax covenant set forth in Section 9.04 hereof and will not cause the State to violate its tax covenant set forth in Section 9.04 of the 2009A Lease.

Section 7.07. Property Damage, Defect or Title Event.

(a) If a Property Damage, Defect or Title Event occurs with respect to any portion of the Leased Property, the Net Proceeds received as a consequence thereof shall be deposited into a special trust fund held by the Trustee.

(b) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are equal to or less than the Net Proceeds, the Net Proceeds shall be used promptly to repair, restore, modify, improve or replace the affected portion of the Leased Property and any excess shall be delivered to the Sublessee.

(c) If the costs of the repair, restoration, modification, improvement or replacement of the portion of the Leased Property affected by the Property Damage, Defect or Title Event are more than the Net Proceeds, then, the Sublessee shall elect one of the following alternatives:

(i) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property with property of a value equal to or in excess of the value of such portion of the Leased Property, in which case the Net Proceeds shall be used to pay a portion of the costs thereof and the Sublessee shall, subject to Article V hereof, pay the remainder of such costs as Additional Rent;

(ii) to substitute property for the affected portion of the Leased Property pursuant to Section 7.06 hereof, in which case the Net Proceeds shall be delivered to the Sublessee; or

(iii) to use the Net Proceeds to promptly repair, restore, modify or improve or replace the affected portion of the Leased Property to the extent possible with the Net Proceeds.

(d) The Sublessee shall 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 any portion of the Leased Property without the written consent of the State and the Trustee.

(e) No Property Damage, Defect or Title Event shall affect the obligation of the Sublessee to pay Additional Rent hereunder.

Section 7.08. Condemnation by Sublessee. The Sublessee agrees that, to the extent permitted by law, in the event it brings an eminent domain or condemnation proceeding with respect to the Leased Property, such proceeding shall be with respect to all the Leased Property and the value of the Leased Property for purposes of such proceeding shall be not less than the Sublessee's Purchase Option Price.

Section 7.09. Personal Property of State or Sublessee. The State or the Sublessee, at their own expense, may install equipment and other personal property in or on any portion of the Leased Property, which equipment or other personal property shall 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.

ARTICLE VIII

SUBLESSEE'S PURCHASE OPTION; CONVEYANCE TO SUBLESSEE UPON CONVEYANCE TO STATE

Section 8.01. Sublessee's Purchase Option.

(a) The Sublessee is hereby granted the option to purchase all, but not less than all, of the Leased Property subject to this Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the 2009A Lease by paying to the Trustee the "Sublessee's Purchase Option Price," which is an amount equal to the principal amount of the Attributable Certificates (defined below in this subsection) and interest thereon through the closing date for the purchase of the Leased Property, and (b) to pay all Additional Rent payable through the date of conveyance of such Leased Property to the Sublessee, including, but not limited to, all fees and expenses of the Trustee and all expenses of the State relating to the conveyance of the Leased Property and the payment of the Attributable Certificates.

As used in this subsection, the term "*Attributable Certificates*" means, subject to the next sentence, (i) a principal amount of the Outstanding Series 2009A Certificates determined by multiplying the principal amount of all the Outstanding Series 2009A Certificates by a fraction, the numerator of which is the sum of the proceeds of the Series 2009A Certificates and the Allocated Investment Earnings deposited into the Sublessee's Project Account and the denominator of which is sum of the proceeds of the Series 2009A Certificates and the Allocated Investment Earnings deposited into the Project Accounts of all 2009A Sublessees; and (ii) which principal amount shall be allocated among the maturities of the Outstanding Series 2009A Certificates in proportion to the principal amount of each maturity of the Outstanding Series 2009A Certificates, rounded to the nearest $5,000 in principal amount of each such maturity. Notwithstanding the preceding sentence, (A) in applying this definition, the principal amount of the Outstanding Series 2009A Certificates shall be reduced by the amount, if any, on deposit in the Series 2009A Sinking Fund Account; and (B) if any portion of the Series 2009A Certificates has been paid, redeemed or defeased with the proceeds of another Series of Certificates, in applying this definition, Outstanding Certificates of the portion of the other Series of Certificates the proceeds of which were used to pay, redeem or defease the Series 2009A Certificates shall be substituted for the Series 2009A Certificates that were paid, redeemed or defeased. The rounding pursuant to clause (ii) of the first sentence of this definition and the substitution of Outstanding Certificates of another Series of Certificates pursuant to the immediately preceding sentence shall be accomplished in any reasonable manner selected by the State in its sole discretion.

(b) In order to exercise its option to purchase the Leased Property pursuant to subsection (a) of this Section, the Sublessee must: (i) give written notice to the Trustee and the State within 15 Business Days after the Sublessee is notified by the Trustee that an Event of Default or an Event of Nonappropriation under the 2009A Lease has occurred (A) stating that the Sublessee intends to purchase the Leased Property pursuant to this Section, (B) identifying the source of funds it will use to pay Sublessee's Purchase Option Price and (C) specifying a closing date for such purpose which is no more than 90 days after the delivery of such notice; and (ii) pay the Sublessee's Purchase Option Price to the Trustee in immediately available funds on the closing date.

(c) Upon payment of the Sublessee's Purchase Option Price to the Trustee pursuant to this Section, the State shall cancel the Sublessee's Matching Moneys Bond or return it to the Sublessee, as directed by the Sublessee.

Section 8.02. Conveyance of Leased Property. At the closing of any purchase of the Leased Property pursuant to Section 8.01 hereof, the State shall execute and deliver, and shall cooperate with the Sublessee to cause the Trustee to execute and deliver, to the Sublessee all necessary documents assigning, transferring and conveying to the Sublessee or its designee the same ownership in the Leased Property that was conveyed by the Sublessee as Site Lessor under its Site Lease to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Sublease, the 2009A Lease, the Indenture and the Site Lease pursuant to which the Leased Property was leased to the Trustee; (ii) all liens, encumbrances and restrictions created or suffered to exist by the Trustee or the State as required or permitted by the 2009A Lease or this Sublease or arising as a result of any action taken or omitted to be taken by the Trustee or the State as required or permitted by this Sublease, the 2009A Lease, the Indenture, the Sublessee's Site Lease; (iii) any lien or encumbrance created or suffered to exist by action of the Sublessee; and (iv) those liens and encumbrances (if any) to which the Leased Property was subject when acquired by the Trustee and the State.

Section 8.03. Conveyance to Sublessee upon Conveyance to State. If the Sublessee has complied with and performed all of its obligations under this Sublease and its Matching Moneys Bond, upon the conveyance of the Leased Property to the State pursuant to Section 8.04 of the 2009A Lease, the State shall assign, transfer and convey the Leased Property to the Sublessee in the manner described in, and subject to the provisions of, Section 8.02 hereof without any additional payment by the Sublessee hereunder. Such conveyance will not, however, extinguish or otherwise affect the Sublessee's independent obligations to continue to pay any unpaid principal of, premium, if any, and interest on its Matching Moneys Bond.

ARTICLE IX

GENERAL COVENANTS

Section 9.01. Further Assurances and Corrective Instruments. So long as this Sublease is in full force and effect and no Event of Nonappropriation or Event of Default shall have occurred, the State and the Sublessee shall have full power to carry out the acts and agreements provided herein and the Sublessee and the State, at the written request of the other, shall from time to time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased or intended to be leased hereunder, or for otherwise carrying out the intention of or facilitating the performance of this Sublease.

Section 9.02. Compliance with Requirements of Law. On and after the date hereof, neither the State nor the Sublessee shall take any action with respect to the Leased Property that violates the terms hereof or is contrary to the provisions of any Requirement of Law. Without limiting the generality of the preceding sentence, the Sublessee, in particular, shall 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 Sublessee's use of the Leased Property are obtained, maintained in full force and effect and complied with; (c) there shall 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 in violation of any Requirements of Law; (d) there shall be no disposal of any of the items referred to in clause (c) on, from, into or out of the Leased Property in violation of any Requirements of Law; and (e) there shall be no spillage, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, disposing, depositing or dispersing of any of the items referred to in clause (c) into the indoor or outdoor environment from, into or out of the Leased Property, including but not limited to the movement of any such items through or in the air, soil, surface water, ground water from, into or out of the Leased Property or the abandonment or discard of barrels, containers or other open or closed receptacles containing any such items from, into or out of the Leased Property in violation of any Requirements of Law.

Section 9.03. Participation in Legal Actions.

(a) At the request of and at the cost of the Sublessee (payable as Additional Rent hereunder), the State shall, and shall cooperate with the Sublessee to cause the Trustee to, join and cooperate fully in any legal action in which the Sublessee 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 enjoyment of the Leased Property by the Sublessee; or that involves the imposition of any charges, costs or other obligations with respect to the Sublessee's execution, delivery and performance of its obligations under this Sublease, the Sublessee's Matching Moneys Bond or the Sublessee's Site Lease.

(b) At the request of the State or the Trustee, the Sublessee shall, at the cost of the Sublessee (payable as Additional Rent hereunder), join and cooperate fully in any legal action in which the State or the Trustee 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 Trustee or the State is responsible under the 2009A Lease or this Sublease; or that involves the imposition of any charges, costs or other obligations with respect to the execution and delivery or acceptance of this Sublease, the Sublessee's Matching Moneys Bond, the Sublessee's Site Lease, the 2009A Lease or the Indenture by the State or the Trustee or the performance of the obligations of the State or the Trustee hereunder or thereunder.

Section 9.04. Tax Covenant of Sublessee. The Sublessee (a) will not use or permit any other Person to use its Project and will not use, invest or direct any other Person to use or invest any moneys that it withdraws from its Project Account in a manner that would cause an Adverse Tax Event or Adverse Federal Direct Payment Event and (b) will comply with the certifications, representations and agreements set forth in ~~Exhibit A hereto~~the tax compliance certificate executed in connection with its Matching Moneys Bond. The Sublessee acknowledges that the State, in the 2009A Lease, has agreed to enforce the covenant of the Sublessee set forth in this Section against the Sublessee.

Section 9.05. Fees and Expenses of Trustee; State Expenses; Deposits to Rebate Fund; Rebate Calculations. The Additional Rent that may be payable by the Sublessee in accordance with Section 5.02 hereof shall include the Sublessee's Proportionate Share of (a) the fees and expenses payable to the Trustee pursuant to Section 9.05 of the 2009A Lease and any similar provision of any other Lease; (b) the costs and expenses incurred by the State in connection with the Leased Property, the Projects, the Certificates, the Leases, the Indenture, the Site Leases, the Subleases, the Matching Money Bonds or any matter related thereto, including, but not limited to, a reasonable charge for the time of State employees and allocable overhead; (c) the amounts paid by the State pursuant to Section 9.07 of the 2009A Lease and any similar provision of any other Lease to make deposits to the Rebate Fund; and (d) the costs and expenses incurred in connection with the rebate calculations required by the Master Indenture.

Section 9.06. Investment of Funds. By authorizing the execution and delivery of this Sublease, the Sublessee specifically authorizes the investment of moneys held by the Trustee in Permitted Investments (as defined in the Indenture) where the period from the date of purchase thereof to the maturity date is in excess of five years.

ARTICLE X

LIMITS ON OBLIGATIONS OF STATE

Section 10.01. Disclaimer of Warranties. THE STATE 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. In no event shall the State be liable for any incidental, special or consequential damage in connection with or arising out of this Sublease or the existence, furnishing, functioning or use by the Sublessee of any item, product or service provided for herein.

Section 10.02. Financial Obligations of State Limited to Trust Estate. Notwithstanding any other provision hereof, all financial obligations of the State under this Sublease are limited to the Sublessee's Project Account.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

Section 11.01. Events of Default Defined.

(a) Any of the following shall constitute an "Event of Default" under this Sublease:

(i) ~~Failure~~failure by the Sublessee to pay any principal of, premium, if any, or interest on its Matching Moneys Bond when due;

(ii) failure by the Sublessee to pay any Additional Rent for which funds have been specifically appropriated when due, or if such Additional Rent is payable to a Person other than the State, when nonpayment thereof has, or may have, a material adverse effect upon any of the Certificates, any of the Leased Property or the interest of the State in any of the Leased Property;

(iii) failure by the Sublessee to vacate the Leased Property within 90 days following an Event of Nonappropriation or Event of Default under this Sublease or a termination of the 2009A Lease as a result of an Event of Nonappropriation or Event of Default under the 2009A Lease;

(iv) any sublease, assignment, encumbrance, conveyance or other transfer of the interest of the Sublessee in all or any portion of this Sublease or the Leased Property in violation of Section 12.01 hereof or any succession to all or any portion of the interest of the Sublessee in the Leased Property in violation of Section 12.02 hereof; or

(v) failure by the Sublessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Sublease, in its Matching Moneys Bond or in any instrument (including but not limited to any tax compliance certificate executed or issued in connection with this Sublease or its Matching Moneys Bonds), other than as referred to in clause (i), (ii), (iii) or (iv) above, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied shall be given to the Sublessee by the State, unless the State shall consent 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 State shall not withhold its consent to an extension of such time if corrective action shall be instituted within the applicable period and diligently pursued until the default is corrected.

(b) The provisions of subsection (a) of this Section are subject to the following limitations:

(i) the Sublessee shall remain obligated to pay principal of, premium, if any, and interest on its Matching Moneys Bond when due, notwithstanding any termination of the Sublease Term or this Sublease or any limitation on any of the other obligations of the Sublessee hereunder;

(ii) the Sublessee shall be obligated to pay Additional Rent only during the Sublease Term, except as otherwise expressly provided in Section 3.02(b)(ii) hereof; and

(iii) if, by reason of Force Majeure, the Sublessee shall be unable in whole or in part to carry out any agreement on its part herein contained, other than its obligation to pay Additional Rent hereunder, the Sublessee shall not be deemed in default during the continuance of such inability; provided, however, that the Sublessee shall, as promptly as legally and reasonably possible, remedy the cause or causes preventing the Sublessee from carrying out such agreement, except that the settlement of strikes, lockouts and other industrial disturbances shall be solely within the discretion of the Sublessee; and provided further that this paragraph shall not apply to any obligation of the Sublessee under the Sublessee's Matching Moneys Bond.

Section 11.02. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the State, with the consent of the Trustee, may take one or any combination of the following remedial steps:

(a) terminate the Sublease Term and give notice to the Sublessee to immediately vacate the Leased Property in the manner provided in Section 3.02(b) hereof;

(b) sell or lease its interest in all or any portion of the Leased Property;

(c) recover any of the following from the Sublessee that is not recovered pursuant to subsection (b) of this Section:

(i) all amounts due under the Sublessee's Matching Moneys Bond in accordance with the terms of the Sublessee's Matching Moneys Bond;

(ii) the portion of Additional Rent payable pursuant to Section 3.02(b)(ii) hereof; and

(iii) the portion of the Additional Rent for the then current Fiscal Year that has been specifically appropriated by the Sublessee's Governing Body, but only to the extent such Additional Rent is payable prior to the date, or is attributable to the use of the Leased Property prior to the date, the Sublessee vacates the Leased Property;

(d) enforce any provision of this Sublease by equitable remedy, including, but not limited to, enforcement of the restrictions on assignment, encumbrance, conveyance, transfer or succession under Article XII hereof by specific performance, writ of mandamus or other injunctive relief; and

(e) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Sublease, subject, however, to the limitations on the obligations of the Sublessee under Sections 5.05 and 11.03 hereof.

Section 11.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the Sublessee by reason of an Event of Default only as to the Sublessee's liabilities described in Section 11.02(c) hereof. A judgment requiring a payment of money may be entered against the Sublessee by reason of an Event of Nonappropriation, or a failure to vacate the Leased Property following an Event of Nonappropriation, only to the extent provided in Section 11.02(c)(i), (ii) and (iii) hereof.

Section 11.04. No Remedy Exclusive. Subject to Section 11.03 hereof, no remedy herein conferred upon or reserved to the State is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall 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 Sublessee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

Section 11.05. Waivers. The State, with the consent of the Trustee, may waive any Event of Default under this Sublease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XII

TRANSFERS OF INTERESTS IN SUBLEASE OR LEASED PROPERTY

Section 12.01. Transfers Prohibited. Except as otherwise permitted by Section 8.04 hereof with respect to subleasing or grants of use of the Leased Property, Section 8.06 with respect to substitutions of other property for Leased Property and Section 12.02 hereof with respect to transfers of the Leased Property following termination of the Sublease Term or as otherwise required by law, the Sublessee shall not sublease, assign, encumber, convey or otherwise transfer all or any portion of its interest in this Sublease or the Leased Property to any Person, whether now in existence or organized hereafter.

Section 12.02. Transfer after Conveyance of Leased Property to Sublessee. Notwithstanding Section 12.01 hereof, the Sublessee may transfer its interest in the Leased Property after, and only after, this Sublease Term has terminated and the Leased Property has been conveyed to the Sublessee pursuant to Article VIII hereof.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Binding Effect. This Sublease shall inure to the benefit of and shall be binding upon the Sublessee and the State and their respective successors and assigns, subject, however, to the limitations set forth in Article XII hereof. This Sublease and the covenants set forth herein are expressly intended to be covenants, conditions and restrictions running with the Leased Property and the leasehold estate in the Leased Property under this Sublease.

Section 13.02. Interpretation and Construction. This Sublease and all terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Sublease. For purposes of this Sublease, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Sublease to designated "Articles," "Sections," "subsections," "paragraphs," "clauses" and other subdivisions are to the designated Articles, Sections, subsections, paragraphs, clauses and other subdivisions of this Sublease. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this Sublease as a whole and not to any particular Article, Section or other subdivision.

(b) The terms defined in the Glossary have the meanings assigned to them in the Glossary and include the plural as well as the singular.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time.

(d) The term "money" includes any cash, check, deposit, investment security or other form in which any of the foregoing are held hereunder.

(e) In the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and each of the words "to" and "until" means "to but excluding."

Section 13.03. Acknowledgement of and Subordination to 2009A Lease and Indenture. The Sublessee has received copies of, and acknowledges the terms of, the 2009A Lease and the Indenture and agrees that its rights hereunder are subordinate and subject to the rights of the Trustee and the Owners of the Certificates under the 2009A Lease and the Indenture.

Section 13.04. Trustee, State and Sublessee Representatives. Whenever under the provisions hereof the approval of the Trustee, the State or the Sublessee is required, or the Trustee, State or the Sublessee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Trustee by the Trustee Representative, for the State by the State Representative and by the Sublessee by the Sublessee Representative and the Trustee, the State and the Sublessee shall be authorized to act on any such approval or request. The Sublessee Representative is the ______________ ~~of the Governing Body~~Superintendent of the Sublessee.

Section 13.05. Manner of Giving Notices. All notices, certificates or other communications hereunder shall be in writing and shall be deemed given when mailed by first class United States mail, postage prepaid, or when sent by facsimile transmission or electronic mail, addressed as follows: if to the State, to Colorado State Treasurer, 140 State Capitol, Denver, CO 80203, Attention: Deputy State Treasurer, facsimile number: 303-866-2123, electronic mail address: eric.rothaus@state.co.us, with a copy to Colorado State Controller, 633 Seventeenth Street, Suite 1500, Denver, Colorado 80203, Attention: David J. McDermott, facsimile number: 303-866-4233, electronic mail address: david.mcdermott@state.co.us, and with a copy to Public School Capital Construction Assistance Board, 1525 Sherman Street, Suite B17, Denver, Colorado 80203, Attention: Chair, facsimile number: 303.866.6168, electronic mail address: hughes_t@cde.state.co.us; if to the Trustee, to Zions First National Bank, 1001 Seventeenth Street, Suite 1050, Denver, Colorado 80202, Attention: Corporate Trust Services, facsimile number: 720-947-7480, electronic mail address: corporatetrust@zionsbank.com; and if to the Sublessee, to ___________________, Attention: Superintendent, facsimile number: ________, electronic mail address: __________. Any notice party may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 13.06. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the State or the Sublessee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the State or the Sublessee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, officer, employee, servant or other agent of the State or the Sublessee or any natural person executing this Sublease or any related document or instrument; provided, however, that such person is acting within the scope of his or her employment, membership, directorship or agency, as applicable, and not in a manner that constitutes gross negligence or willful misconduct.

Section 13.07. Amendments, Changes and Modifications. Except as otherwise provided herein, this Sublease may only be amended, changed, modified or altered by a written instrument executed by the State, the Assistance Board and the Sublessee.

Section 13.08. State May Rely on Certifications, Representations and Agreements of Sublessee. The State may rely on the certifications, representations and agreements of the Sublessee in this Sublease (including any Exhibit hereto) and may assume that the Sublessee will perform all of its obligations under this Sublease for purposes of making certifications, representations and agreements to and with the Trustee in the 2009A Lease and making certifications and representations to Bond Counsel, Owners or potential Owners of Certificates and any other Person with respect to the Leased Property, the Projects, the Leases, the Site Leases, the Matching Money Bonds, the Certificates, the Indenture or any matter related thereto.

Section 13.09. Events Occurring on Days that are not Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right under this Sublease is a day that is not a Business Day, such payment may be made, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Sublease.

Section 13.10. Legal Description of Land Included in Leased Property. The legal description of the land included in the Leased Property subject to this Sublease is set forth in Exhibit B hereto. If the land included in Leased Property subject to this Sublease is modified pursuant to the terms of this Sublease or other land is substituted for land included in the Leased Property subject to this Sublease pursuant to the terms of this Sublease, the legal description set forth in Exhibit B hereto will be amended to describe the land included in the Leased Property subject to this Sublease after such modification or substitution.

Section 13.11. Merger. The Trustee and the Sublessee intend that the legal doctrine of merger shall have no application to this Sublease, the 2009A Lease or the Sublessee's Site Lease and that none of the execution and delivery of this Sublease by the State and the Sublessee, the 2009A Lease by the Trustee and the State or the Sublessee's Site Lease by the Sublessee and the Trustee or the exercise of any remedies by any party under this Sublease, the 2009A Lease or the Sublessee's Site Lease shall operate to terminate or extinguish this Sublease, the 2009A Lease or the Sublessee's Site Lease.

Section 13.12. Severability. In the event that any provision of this Sublease, other than the obligation of the Sublessee to pay Additional Rent hereunder and the obligation of the State to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.13. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Sublease.

Section 13.14. Applicable Law. The laws of the State and rules and regulations issued pursuant thereto, as the same may be amended from time to time, shall be applied in the interpretation, execution and enforcement of this Sublease. Any provision of this Sublease, whether or not incorporated herein by reference, which provides for arbitration by an extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision hereof or incorporated herein by reference which purports to negate this Section in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this Section will not invalidate the remainder of this Sublease to the extent that this Sublease is capable of execution. At all times during the performance of this Sublease, the Sublessee shall strictly adhere to all applicable federal and State laws, rules and regulations that have been or may hereafter be established.

Section 13.15. Execution in Counterparts. This Sublease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.16. State Controller's Approval. This Sublease shall not be deemed valid until it has been approved by the State Controller or such assistant as the State Controller may designate. Financial obligations of the State payable after the current Fiscal Year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

Section 13.17. Non-Discrimination. The Sublessee agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.

Section 13.18. Vendor Offset. Pursuant to C.R.S. §§ 24-30-202(1) and 24-30-202.4, the State Controller may withhold payment of certain amounts owed by State agencies under the State's vendor offset intercept system for (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in C.R.S. § 39-21-101 et seq.; (c) unpaid balances of tax, accrued interest or other charges specified in C.R.S. § 39-21-101 et seq.; (d) unpaid loans due to the Student Loan Division of the Department of Higher Education; (e) amounts required to be paid to the Unemployment Compensation Fund; and (f) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.

Section 13.19. Employee Financial Interest. The signatories to this Sublease aver that, to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described herein.

Section 13.20. Accounting Allocation of State's Base Rent. Exhibit ~~D~~C hereto allocates the Base Rent payments of the State under the 2009A Lease among the 2009A Sublessees for accounting purposes. Exhibit ~~D~~C is included solely at the request of the Sublessee for its accounting purposes and shall not affect, and may not be used to determine, any rights or obligations of the State, the Sublessee or any other Person under this Sublease, the 2009A Lease, the Indenture or the Site Lease or for any other purpose.

Section 13.21. Assistance Board as Party. The Assistance Board is a party to this Sublease solely for the purpose of complying with the Act. Except as otherwise provided in Section 13.05 and 13.07 hereof, all actions hereunder or with respect hereto may be taken by the State, acting by and through the State Treasurer, without any participation by the Assistance Board.

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IN WITNESS WHEREOF, the State and the Sublessee have executed this Sublease as of the date first above written.

STATE OF COLORADO, acting by and through the State Treasurer

By ______________________________________
Cary Kennedy, Colorado State Treasurer

PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD, acting on behalf of the State of Colorado

By ______________________________________
Mary Wickersham, Chair

APPROVALS:

ATTORNEY GENERAL
JOHN W. SUTHERS

By ______________________________________
Heidi Dineen, Assistant Attorney General

STATE CONTROLLER
DAVID J. MCDERMOTT, CPA

By ______________________________________
David J. McDermott, State Controller

STATE OF COLORADO
BILL RITTER, JR., GOVERNOR
DEPARTMENT OF PERSONNEL & ADMINISTRATION
OFFICE STATE ARCHITECT, REAL ESTATE PROGRAMS

For the Executive Director

By ______________________________________
Michael R. Karbach, Manager, Real Estate Programs

[State's Signature Page to Sublease of _______________]

[SUBLESSEE]

By ______________________________________

[Sublessee's Signature Page to Sublease of ______________]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of August, 2009, by Cary Kennedy, Colorado State Treasurer, acting on behalf of the State of Colorado, and by Mary Wickersham, Chair of the Public School Capital Construction Assistance Board, acting on behalf of the State of Colorado.

WITNESS MY HAND AND OFFICIAL SEAL the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of August, 2009 by ______________________________________ as ______________________ of the Board of Education of ____.

WITNESS MY HAND AND OFFICIAL SEAL, the day and year above written.

[NOTARIAL SEAL]

____
Notary

My commission expires:

____

EXHIBIT A

~~TAX COMPLIANCE CERTIFICATE AND AGREEMENT~~LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

INSERT THE APPROPRIATE LEGAL DESCRIPTION FOR THE SUBLESSEE'S LEASED PROPERTY FROM THE LEGAL DESCRIPTIONS SET FORTH BELOW:

1. LAND INCLUDED IN LEASED PROPERTY OF ALAMOSA SCHOOL DISTRICT RE-11J

A TRACT OF LAND SITUATED IN THE NORTH HALF OF THE SOUTHEAST QUARTER AND IN THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 9, TOWNSHIP 37 NORTH, RANGE 10 EAST OF THE NEW MEXICO PRINCIPAL MERIDIAN, BEING A PART OF WASHINGTON ADDITION TO ALAMOSA, COUNTY OF ALAMOSA, STATE OF COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE LINE BETWEEN THE CENTER QUARTER CORNER AND THE EAST QUARTER CORNER OF SAID SECTION 9 AS BEARING S89°47'26"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO;

COMMENCING AT THE EAST QUARTER CORNER OF SAID SECTION 9; THENCE S82°35'29"W A DISTANCE OF 2427.60 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE FOR WEST 8TH STREET IN ALAMOSA AND THE **TRUE POINT OF BEGINNING**;

THENCE S00°12'51"W A DISTANCE OF 395.00 FEET;
THENCE S89°47'09"E A DISTANCE OF 450.00 FEET;
THENCE S00°12'51"W A DISTANCE OF 30.00 FEET;
THENCE S89°47'09"E A DISTANCE OF 270.00 FEET;
THENCE S00°12'51"W A DISTANCE OF 425.00 FEET TO A POINT ON THE NORTH RIGHT-OF-WAY LINE FOR WEST 10TH STREET;
THENCE N89°47'09"W ALONG THE NORTH RIGHT-OF-WAY LINE FOR WEST 10TH STREET A DISTANCE OF 1710.00 FEET;
THENCE N00°12'51"E A DISTANCE 850.00 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE FOR WEST 8TH STREET;
THENCE S89°47'09"E ALONG SAID SOUTH RIGHT-OF-WAY LINE A DISTANCE OF 990.00 FEET TO THE **TRUE POINT OF BEGINNING**.

2. LAND INCLUDED IN LEASED PROPERTY OF SANGRE DE CRISTO SCHOOL DISTRICT RE-22J

Parcel 2,
FRYE DIVISION OF LAND NO. 1, according to the Plat thereof
recorded May 11, 2009 at Reception No. 338506,
County of Alamosa,
State of Colorado.

3. LAND INCLUDED IN LEASED PROPERTY OF SARGENT SCHOOL DISTRICT RE-33J

A TRACT OF LAND SITUATED IN THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 8 EAST, NEW MEXICO PRINCIPAL MERIDIAN, RIO GRANDE COUNTY, COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 28 AS BEARING N00°12'30"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 28; THENCE N28°46'48"E A DISTANCE OF 416.98 FEET TO THE **TRUE POINT OF BEGINNING**;

THENCE NORTH 79.67 FEET;
THENCE EAST 40.62 FEET;
THENCE NORTH 113.75 FEET;
THENCE WEST 107.50 FEET;
THENCE NORTH 26.58 FEET;
THENCE WEST 15.92 FEET;
THENCE NORTH 30.60 FEET;
THENCE EAST 15.97 FEET;
THENCE NORTH 28.58 FEET;
THENCE EAST 246.62 FEET;
THENCE SOUTH 85.77 FEET;
THENCE WEST 13.79 FEET;
THENCE SOUTH 58.08 FEET;
THENCE EAST 13.33 FEET;
THENCE SOUTH 150.00 FEET;
THENCE WEST 80.21 FEET;
THENCE NORTH 14.67 FEET;
THENCE WEST 99.12 FEET TO THE **TRUE POINT OF BEGINNING**;

AND THE FOLLOWING PARCEL MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A PARCEL SITUATED IN THE SOUTHWEST QUARTER OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 8 EAST, NEW MEXICO PRINCIPAL MERIDIAN, RIO GRANDE COUNTY, COLORADO, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS TO-WIT:

CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 28 AS BEARING N00°12'30"E AND WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 28:
THENCE N03°08'22"E A DISTANCE OF 586.66 FEET TO A POINT ON THE EAST RIGHT-OF-WAY LINE FOR COUNTY ROAD 2 EAST AND THE **TRUE POINT OF BEGINNING**;

THENCE N00°12'30"E ALONG THE EAST RIGHT-OF-WAY LINE FOR SAID COUNTY ROAD 2 EAST A DISTANCE OF 30.60 FEET;
THENCE S89°47'30"E A DISTANCE OF 85.71 FEET;
THENCE SOUTH 30.60 FEET;
THENCE N89°47'30"W A DISTANCE OF 85.82 FEET TO THE **TRUE POINT OF BEGINNING**.

LEGAL DESCRIPTION PREPARED BY:
REYNOLDS ENGINEERING COMPANY
MARTIN REYNOLDS, PLS #23847

EXHIBIT B

~~LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY~~SPECIFICATIONS FOR PROJECT

INSERT THE APPROPRIATE SPECIFICATIONS FOR THE SUBLESSEE'S PROJECT FROM THE SPECIFICATIONS SET FORTH BELOW:

SPECIFICATIONS
ALAMOSA RE-11j

Two (2) New Schools (K-2 & 3-5) on Shared Site

Each new 2-story school building will be type II-B fully sprinklered construction and approximately 72,700 square feet, and includes 35 full size classrooms and 5 half-size classrooms. The project will be LEED "gold" certified. Construction components include the following:

Foundation: Concrete shallow spread footings/ grade beams.
Structure: Structural steel (beams, girders, joists, columns), load-bearing insulated concrete forms walls and load-bearing precast concrete walls.
Exterior Skin: Masonry veneer/ stucco on a combination of insulated concrete forms and metal stud walls, painted precast concrete walls, standing seam metal roof/ membrane roof and 1" insulated glass in aluminum window system with operable sections.
Interior Walls: Steel studs with gypsum wall board and a combination of non-load/ load-bearing masonry.
Interior Finishes: Painted walls, wall tile, carpet, floor tile, wood floor, sealed concrete floor, gypsum ceiling, soffits, suspended acoustical tile, painted exposed structure and masonry wainscot.
Equipment: Elevator, athletic and kitchen.
Fire Protection: Wet-type system tied to city water main.
HVAC: High efficiency boiler radiant in-floor heat with dedicated ventilation systems and energy recovery units.
Plumbing: Domestic drain, waste, vent system tied to city sewer main.
Electrical: 1,600 amp 3-phase service with power, data and lighting.
Site work: Bus loop, parent drop-off loop, parking lots, delivery drive, sidewalks, landscaping, play grounds w/ hard & soft surface and grass play area.

Programmed spaces for each school include the following:

- (35) Full sized classrooms
- (5) Half sized classrooms
- Library Media Center w/ offices
- Administration Area w/ offices & conference room
- (2) Teacher work rooms
- (5) Male/ Female Restroom Groups
- Gymnasium w/ platform (@ K-2 only)
- Gymnasium (@ 3-5)
- Kitchen w/ storage & office

- Cafeteria
- Janitor and storage rooms

Sargent School Project Specifications

New Sargent JR/ SR High School

The new 2-story school building will be type II-B fully sprinklered construction and approximately 62,463 square feet, and includes 15 full size classrooms and 3 half-size classrooms. The project will be LEED "gold" certified.

Construction components include the following:

- Foundation: Concrete shallow spread footings/ grade beams.
- Structure: Structural steel (beams, girders, joists, columns) and load-bearing precast concrete walls.
- Exterior Skin: Steel studs with masonry veneer/ stucco, painted precast concrete walls, standing seam metal roof/ EPDM roof and 1" insulated glass in aluminum window system with operable sections.
- Interior Walls: Steel studs with gypsum wall board and non-load bearing masonry.
- Interior Finishes: Painted walls, wall tile, carpet, floor tile, wood floor, sealed concrete floor, gypsum ceiling, soffits, suspended acoustical tile, painted exposed structure.
- Equipment: Elevator, athletic, science and kitchen
- Fire Protection: Wet-type system with 25,000 gallon storage tank and vertical shaft type pump.
- HVAC: Ground source radiant in-floor heat with dedicated ventilation systems and energy recovery units.
- Plumbing: Domestic drain, waste, vent system tied to on-site waste water treatment plant.
- Electrical: 1,600 amp 3-phase service with power, data and lighting.
- Site work: Bus loop, parent drop-off loop, delivery drive, sidewalks, landscaping
- Programmed spaces include the following:
- (15) Full sized classrooms
- (3) Half sized classrooms
- Library Media Center w/ offices
- Administration Area w/ offices & conference room
- (3) Male/ Female Restroom Groups
- (2) Male/ Female Locker Room Groups
- Gymnasium
- Auditorium w/ storage & dressing rooms
- Kitchen w/ storage & office
- Cafeteria w/ concessions
- Weight room
- Wrestling room
- Science Prep room
- Janitor and storage rooms

Elementary School Renovation as outlined below:

- Hallway addition connecting gym and elementary school
- To address safety issues from icing between buildings
- Drainage improvements between gym and elementary school
- Roof replacement on elementary school
- Roof replacement on elementary gym
- Add canopy at north side elementary gym
- To address safety issues from icing above doorway
- Elevator replacement to meet ADA requirements
- Electronic security lock at main entrance
- Video camera & entry access control at main entrance
- Add handrail main staircase to meet ADA requirements
- Add restroom group on 3rd floor to meet ADA requirements
- (1) Kindergarten classroom remodel
- Convert Cafeteria to the following spaces:
- (2) 1st grade classrooms
- Conference room
- Information Technology room
- Nurse office
- Storage room
- Add skylights to interior classrooms
- Window replacement of single pane windows
- Technology upgrades
- Tele/data cabling at I.T. room
- Charging Station Power
- HVAC upgrades to meet ventilation requirements
- Restroom fixture replacement to meet ADA requirement and water conservation

Existing High School Partial Demolition and Gym Renovation as outlined below:

- Demolition of existing non-historic portions of High School to the extent permitted with proceeds of the Series 2009A Certificates under the Tax Compliance Certificate executed by the district in connection with the execution of this Sublease
- Site concrete and asphalt paving removal.
- Gymnasium Upgrades
- Wood floor replacement
- Roof replacement
- (4) Auxiliary basketball goal replacement

- Window replacement
- Gymnasium Lobby Addition
- New entrance
- Public restroom group
- Concessions
- Proposed Maintenance Office
- Minor renovation of existing art building into maintenance office
- Heating unit repair
- Floor finish replacement after asbestos abatement

SPECIFICATIONS
SANGRE DE CRISTO RE-22J NEW PK-12 SCHOOL

The Sangre de Cristo School RE 22-J will open its doors in August 2011. Currently, the project is in the Schematic Design Phase. It is currently planning at 80,969 SF with (24) classrooms for the PK-12 school. Other types of spaces will include Administration, Library, Media Center/Computer Room, Main & Auxiliary Gymnasium(s), Kitchen/Cafeteria & Restrooms. A Bus Shed and Transportation & Maintenance Building is not included in the 80,969 SF and at 5,400 SF will be built at a reduced cost per square foot to which financials will be provided as further planning progresses.

Site Improvements will include Staff & Visitor Parking, Football Field with Track, Baseball Field, Elementary & PK Play Area, Ticket Booth/Concessions Area & Softball/Flex Field.

Because this project is in the Schematic Design Phase, firm details have not yet been established. However, it is anticipated that the building will consist of traditional spread footings; the roof will most likely be a combination of metal panel peak roof and other; the walls are anticipated to be masonry construction; the building will be sprinklered to meet code; further planning will define if the building is one story or two story; finishes will be in compliance with LEED 2009 for Schools, as well as tailored to provide reduced maintenance and longevity.

EXHIBIT C

ACCOUNTING ALLOCATION OF STATE'S BASE RENT

BEST Program
State Debt Service (By Project)

	Total Debt Service By Project: $87,145,000				Matching Money Bond Debt Service*				
Maturity	**Alamosa**	**Sangre De Cristo**	**Sargent**	**Total**	**Alamosa**	**Sangre De Cristo**	**Sargent**	**Total**	**Difference**
2010	$1,620,000	$980,000	$935,000	$3,535,000	$789,853	$300,490	$379,363	$1,469,706	($2,065,294)
2011	$2,740,000	$1,660,000	$1,575,000	$5,975,000	$789,272	$301,893	$377,211	$1,468,377	($4,506,623)
2012	$2,740,000	$1,660,000	$1,575,000	$5,975,000	$789,178	$301,104	$374,975	$1,465,257	($4,509,743)
2013	$2,740,000	$1,660,000	$1,575,000	$5,975,000	$788,465	$300,108	$376,357	$1,464,929	($4,510,071)
2014	$2,740,000	$1,660,000	$1,575,000	$5,975,000	$792,131	$311,483	$380,708	$1,484,322	($4,490,678)
2015	$2,740,000	$1,660,000	$1,575,000	$5,975,000	$789,970	$314,525	$377,438	$1,481,933	($4,493,067)
2016	$2,735,000	$1,660,000	$1,575,000	$5,970,000	$792,188	$317,496	$378,961	$1,488,645	($4,481,355)
2017	$2,735,000	$1,660,000	$1,575,000	$5,970,000	$788,580	$320,052	$380,070	$1,488,702	($4,481,298)
2018	$2,735,000	$1,660,000	$1,575,000	$5,970,000	$789,351	$317,195	$380,766	$1,487,312	($4,482,688)
2019	$2,735,000	$1,660,000	$1,575,000	$5,970,000	$789,295	$319,132	$376,048	$1,484,475	($4,485,525)
2020	$2,735,000	$1,660,000	$1,575,000	$5,970,000	$793,413	$315,654	$376,124	$1,485,191	($4,484,809)
2021	$2,735,000	$1,660,000	$1,575,000	$5,970,000	$791,496	$316,971	$380,786	$1,489,252	($4,480,748)
2022	$2,735,000	$1,660,000	$1,575,000	$5,970,000	$788,752	$317,873	$379,827	$1,486,453	($4,483,547)
2023	$2,735,000	$1,660,000	$1,575,000	$5,970,000	$790,182	$318,362	$378,456	$1,486,999	($4,483,001)
2024	$2,740,000	$1,660,000	$1,575,000	$5,975,000	$790,577	$318,438	$376,670	$1,485,685	($4,489,315)
2025					$789,939	$318,100	$379,471	$1,487,510	$1,487,510
2026					$788,267	$317,348	$376,652	$1,482,267	$1,482,267
2027					$790,561	$316,183	$378,420	$1,485,164	$1,485,164
2028					$791,615	$314,604	$379,567	$1,485,786	$1,485,786
2029					$791,428	$317,612	$380,094	$1,489,133	$1,489,133
Total	$39,940,000	$24,220,000	$22,985,000	**$87,145,000**	$15,804,511	$6,274,623	$7,567,963	**$29,647,098**	

*Assumes supplemental interest is paid.

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APPENDIX C

Form of Continuing Disclosure Undertaking

$87,145,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
QUALIFIED SCHOOL CONSTRUCTION, SERIES 2009A

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "**Disclosure Certificate**") is executed and delivered by the State of Colorado (the "**State**"), acting by and through the State Treasurer, in connection with the issuance of the above-referenced Certificates of Participation (the "**2009A Certificates**") evidencing assignments of proportionate interests in the right to receive certain payments payable under an annually renewable State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement, dated as of August 12, 2009, entered between Zions First National Bank, as Trustee under a Master Trust Indenture (the "**Master Indenture**") and a Series 2009A Supplemental Trust Indenture, each dated as of August 12, 2009 (the "**2009A Supplemental Indenture**" and, together with the Master Indenture, the "**Indenture**"), and the State. The 2009A Certificates are being delivered pursuant to the Indenture and under authority granted by the laws of the State, including particularly House Bill 08-1335 and Senate Bill 09-257, each codified in part by Article 43.7 of Title 22, Colorado Revised Statutes.

The State covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the owners of the Certificates and in order to allow the Participating Underwriters (as defined by Rule 15c2-12) to comply with Rule 15c2-12.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information or operating data with respect to the State, delivered at least annually pursuant to Section 3 hereof, of the type set forth in the Official Statement, including but not limited to, such financial information and operating data under **Appendix E –** "THE STATE GENERAL FUND," **Appendix F** – "PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE FUND," and **Appendix G** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION."

"Audited Financial Statements" means the annual financial statements for the State, prepared in accordance with generally accepted accounting principles as applicable to governmental entities as in effect from time to time, audited by the State Auditor.

"Events" means any of the events listed in Section 4(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board. The address of the MSRB as of the date hereof is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314; fax 703-683-1930. As of the date hereof, the MSRB's required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system, with a portal at http://emma.msrb.org.

"Official Statement" means the final Official Statement delivered in connection with the original issue and sale of the Certificates.

"Owner of the Certificates" means the registered owner of the Certificates, and so long as the Certificates are subject to the book entry system, any Beneficial Owner as such term is defined in the Indenture.

"Rule 15c2-12" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Information.

(a) Commencing with the Fiscal Year ended June 30, 2009, and annually while the Certificates remain outstanding, the State shall provide to the MSRB the Annual Financial Information and Audited Financial Statements.

(b) Such Annual Financial Information shall be provided by the State not later than 270 days after the end of each Fiscal Year of the State. The Audited Financial Statements will be provided when available but in no event later than 210 days after the end of each Fiscal Year; provided, however, that in the event the Audited Financial Statements are not available within the time specified, such Audited Financial Statements will be provided as soon as they are available.

(c) The State may provide Annual Financial Information and Audited Financial Statements by specific cross-reference to other documents which have been submitted to the MSRB or filed with the Securities and Exchange Commission. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must also be available from the MSRB. The State shall clearly identify each such other document so incorporated by cross-reference.

SECTION 4. Reporting of Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Certificates:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on any credit enhancement relating to the Certificates reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions or events affecting the tax-exempt status of the Certificates.

7. Modifications to the rights of the security holders.

8. Certificate calls (other than mandatory sinking fund redemption).

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the securities.

11. Rating changes.

(b) At any time when the Certificates are Outstanding and the State obtains knowledge of the occurrence of an Event, the State shall determine if such Event would constitute material information for owners of Certificates, *provided*, that any Event under subsection (a)(7), (8) or (11) will always be deemed to be material.

(c) If the State determines that knowledge of the occurrence of an Event would be material, the State shall provide, in a timely manner, a notice of such occurrence to the MSRB. Notwithstanding the foregoing, notice of Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates pursuant to the Indenture.

(d) At any time the Certificates are outstanding, the State shall provide, in a timely manner, to the MSRB, notice of any failure of the State to timely provide the Annual Financial Information as specified in Section 3 hereof.

SECTION 5. Term. This Disclosure Certificate shall be in effect from and after the execution and delivery of the Certificates and shall extend to the earliest of (a) the date all principal and interest on the Certificates shall have been deemed paid pursuant to the terms of the Indenture; (b) the date that the State shall no longer constitute an "obligated person" with respect to the Certificates within the meaning of Rule 15c2-12; and (c) the date on which those portions of Rule 15c2-12 which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates, which determination may be made in any manner deemed appropriate by the State, including by an opinion of any attorney or firm of attorneys experienced in federal securities laws selected by the State. The State shall file a notice of any such termination with the MSRB.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is required or permitted by Rule 15c2-12. Written notice of any such amendment or waiver shall be provided by the State to the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The State shall provide notice of any such amendment or waiver to the MSRB.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that the State shall not be required to do so. If the State chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or notice of occurrence of an Event.

SECTION 8. Default and Enforcement. If the State fails to comply with any provision of this Disclosure Certificate, any owner of the Certificates may take action to seek specific performance by court order to compel the State to comply with its undertaking in this Disclosure Certificate; provided that any Certificate Owner seeking to require the State to so comply shall first provide at least 30 days' prior written notice to the State of the State's failure (giving reasonable details of such failure), following which notice the State shall have 30 days to comply and, provided further, that only the owners of no less than a majority in aggregate principal amount of the Certificates may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by the State in accordance with this Disclosure Certificate, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of jurisdiction in the State. A DEFAULT UNDER THIS DISCLOSURE CERTIFICATE SHALL NOT BE DEEMED AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE CERTIFICATES, AND THE SOLE REMEDY UNDER THIS DISCLOSURE CERTIFICATE IN THE EVENT OF ANY FAILURE OF THE STATE TO COMPLY WITH THIS DISCLOSURE CERTIFICATE SHALL BE AN ACTION TO COMPEL PERFORMANCE.

SECTION 9. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the State, the Participating Underwriters and owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: August 12, 2009

STATE OF COLORADO,
acting by and through the State Treasurer

By: ____________________________________
Cary Kennedy, Colorado State Treasurer

APPENDIX D

Form of Bond Counsel Opinion

August 12, 2009

State of Colorado, acting by and through the State Treasurer
Zions First National Bank
RBC Capital Markets Corporation
JP Morgan Securities, Inc.
George K. Baum & Company
Stifel Nicolaus and Company, Incorporated

$87,145,000
State of Colorado
Building Excellent Schools Today
Certificates of Participation
Qualified School Construction, Series 2009A

We have been engaged by the State of Colorado, acting by and through the State Treasurer (the "State"), to act as bond counsel in connection with the execution and delivery of the captioned certificates (the "Series 2009A Certificates"). The Series 2009A Certificates are being executed and delivered pursuant to a State of Colorado Building Excellent Schools Today Master Trust Indenture and a State of Colorado Building Excellent Schools Today Series 2009A Supplemental Trust Indenture, each dated as of August 12, 2009 (collectively, the "Indenture"), by Zions First National Bank, as trustee thereunder (the "Trustee"), and evidence undivided interests in the right to certain payments by the State under a State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated as of August 12, 2009 (the "2009A Lease") by and between the Trustee, as lessor, and the State, acting by and through the State Treasurer, as lessee. Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

We have examined the documents listed in the preceding paragraph as well as the Tax Compliance Certificates related to the Series 2009A Certificates; the Constitution and the laws of the State; the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinions set forth below; 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 2009A Lease, the Indenture and the Series 2009A Certificates by the Trustee and have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion, dated the date hereof, of the Attorney General of the State with respect to the authorization, execution and delivery of the 2009A Lease and other matters (other than the enforceability of the 2009A Lease).

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the State. We have assumed compliance with all covenants and agreements contained in such documents, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause the Series 2009A Certificates to fail to qualify as qualified school construction bonds within the meaning of Section 54F of the Code. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents we reviewed.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Further, we call attention to the fact that the opinion expressed herein with respect to the qualification of the Series 2009A Certificates as qualified school construction bonds is based on new legal authorities, selected topics of which later may be supplemented through promulgation of temporary or proposed regulations or other published guidance with possible retroactive effect. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events, matters or future temporary or proposed regulations or other published guidance. Our engagement with respect to the Series 2009A Certificates has concluded with their issuance, and we disclaim any obligation to update this letter.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The State has the power to enter into and perform its obligations under the 2009A Lease.

2. The 2009A Lease has been duly authorized executed and delivered and is a legal, valid and binding obligation of the State enforceable against the State in accordance with its terms.

3. The Series 2009A Certificates evidence legal, valid and binding undivided interests in the right to certain payments, as provided in the Series 2009A Certificates and the Indenture, from Base Rent payable by the State under the 2009A Lease as provided in the 2009A Lease.

4. Under existing laws, regulations, rulings and judicial decisions, the Series 2009A Certificates are qualified school construction bonds within the meaning of Section 54F of the Code. Taxpayers who, for federal income tax purposes, own Series 2009A Certificates or Tax Credit Strips as of the credit allowance date (as defined in Section 54A of the Code) are entitled, subject to the limitations on the amount of credit set forth in Code Section 54A(c), to a federal income tax credit for such taxable year. With regard to the Tax Credits which have not been Stripped from the related Series 2009A Certificates, the amount of the Tax Credit will be treated as interest for federal income tax purposes and will be included in gross income for the Owners of Series 2009A Certificates. With regard to Tax Credit Strips and Principal Strips, the amount of original issue discount accruing thereon during each taxable year will be included in gross income by the Owner of such instrument. We express no opinion regarding (a) other federal tax consequences related to the ownership or disposition of, or the receipt of the Tax Credit or the accrual or receipt of the deemed interest with respect to, the Series 2009A Certificates, Principal Strips or Tax Credit Strips, (b) the effect of any termination of the State's obligations under the 2009A Lease, under certain circumstances as provided in the 2009A Lease, upon the treatment for federal income tax

purposes of any moneys received by the Owners of the Series 2009A Certificates, Principal Strips or Tax Credit Strips, or the availability of the Tax Credit, subsequent to such termination, or (c) the effect of any refunding, reissuance or defeasance of the Series 2009A Certificates.

5. Under existing Colorado statutes, interest on and income from the Series 2009A Certificates, Principal Strips or Tax Credit Strips, including the amount of the Tax Credit that is treated as interest for federal income tax purposes, is exempt from taxation and assessments in the State of Colorado. We express no opinion regarding (a) other tax consequences related to the ownership or disposition of, or the receipt of the Tax Credit or the accrual or receipt of the deemed interest with respect to, the Series 2009A Certificates, Principal Strips or Tax Credit Strips under the laws of the State or any other state or jurisdiction, (b) the effect of any termination of the State's obligations under the 2009A Lease, under certain circumstances as provided in the 2009A Lease, upon the treatment for State income tax purposes of any moneys received by the Owners of the Series 2009A Certificates, Principal Strips or Tax Credit Strips subsequent to such termination, or (c) the effect of any refunding, reissuance or defeasance of the Series 2009A Certificates.

The rights of the Owners of the Series 2009A Certificates and the enforceability of the Series 2009A Certificates and the 2009A 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 of judicial discretion, 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.

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 2009A Lease, the Indenture or the Series 2009A Certificates against the Trustee; legal title to the 2009A Leased Property; the creditworthiness or financial condition of the State or the Trustee; the accuracy or completeness of the statements made in connection with the offer and sale of the Series 2009A Certificates; or the ability of the State to use moneys from any particular source for the purpose of making payments under the 2009A Lease.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the Series 2009A Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

Investors are urged to obtain independent tax advice regarding the Series 2009A Certificates based upon their particular circumstances. The opinions herein with respect to State and federal and State of Colorado income tax matters above regarding the Series 2009A Certificates are not intended or written to be used and cannot be used, for the purposes of avoiding federal taxpayer penalties and were written to support the promotion or marketing of the Series 2009A Certificates. The preceding sentence is intended to comply with the provisions of Section 10.35 of the United States Treasury publication Circular 230.

Respectfully submitted,

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APPENDIX E

The State General Fund

General Fund Overview

The General Fund is the principal operating fund of the State. All revenues and moneys not required by the State constitution or statutes to be credited and paid into a special fund are required to be credited and paid into the General Fund.

The following table sets forth a comparative summary of the actual results of operations of the General Fund for Fiscal Year 2003-04 through Fiscal Year 2007-08, as well as the forecast of the operations of the General Fund for Fiscal Year 2008-09 and Fiscal Year 2009-10 from the OSPB June 2009 Revenue Forecast.

The table assumes current law for General Fund appropriations, transfers to the General Fund and rebates and expenditures. It also reflects legislation passed by the 2009 General Assembly and signed into law by the Governor, the impact of the exercise by the Governor of the provisions of SB 09-279 for Fiscal Year 2008-09 as discussed in "Revenue Estimation – *Revenue Shortfalls*" and "OSPB Revenue and Economic Forecasts – Revenue Forecast" below, and the effect of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "2003 Jobs Act") enacted in 2003 and the American Recovery and Reinvestment Act ("ARRA") enacted in 2009. The 2003 Jobs Act funds two types of financial assistance for the states. Colorado received a total of about $86.4 million through the federal Medical Assistance Percentage Enhancement for Medicaid, which is reflected in the table. In addition, the State received approximately $146.0 million as flexible federal grants that are not reflected in the table because they were treated as custodial funds.

The table also takes into account two provisions of the 2003 Jobs Act that provide tax relief for State taxpayers but also affect State tax revenues. The growth incentives for businesses offered under the 2003 Jobs Act include a 50% bonus depreciation allowance and a small business expensing provision. These incentives have the effect of reducing federal adjusted income, which is the basis for the State's income tax, thus resulting in a corresponding reduction in State income tax revenues.

The table also assumes the infusion of federal stimulus funding for Medicaid over three Fiscal Years, beginning with Fiscal Year 2008-09. Based on the current forecast, Colorado is anticipated to receive an anticipated 8.78% in enhanced federal funding, increasing the State's federal match rate up from 50% to 58.78% for the second and third quarters of Fiscal Year 2008-09. Beginning in the fourth quarter of Fiscal Year 2008-09, Colorado is anticipated to receive an additional 1.41% federal match, based on the unemployment rate thresholds included in ARRA. All of these additional federal funds are anticipated to reduce General Fund expenditures.

The format of the following table is used by the State in developing its annual budget, as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations." See also "FORWARD LOOKING STATEMENTS."

State of Colorado
General Fund Overview

(Dollar amounts expressed in millions; totals may not add due to rounding)

	Actual (Unaudited)[1]					OSPB Forecast	
	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10
REVENUE:							
Beginning Reserve	$ 216.6	$ 224.0	$ 237.4	$ 251.7	$ 267.0	$ 283.5	$ 142.6
Gross General Fund Revenue [2]:	6,045.2	6,474.8	6,964.6	7,539.8	7,742.9	6,689.0	7,160.0
General Fund	--	--	*5,848.5*	*6,231.6*	*6,573.5*	*6,689.0*	*7,160.0*
General Fund Exempt [3]	--	--	*1,116.1*	*1,308.2*	*1,169.4*	--	--
Deposit to the State Education Fund [2]	--	--	357.2	395.1	407.9	343.1	363.8
Gross General Fund Revenue Plus Deposit to the State Education Fund[2]	6,045.2	6,474.8	7,321.8	7,934.9	8,150.8	7,032.1	7,523.8
Diversion to the Highway Users Tax Fund[4]	--	--	(220.4)	(228.6)	(238.1)	--	--
Transfer to the State Education Fund (net) [2]	(278.7)	(313.9)	--	--	--	--	--
Net Transfers to (from) the General Fund[5]	52.1	64.2	155.1	--	(5.0)	612.5	(23.3)
TOTAL REVENUE	6,035.2	6,449.0	7,139.5	7,562.9	7,766.9	7,585.1	7,284.4
EXPENDITURES:							
Allowable General Fund Appropriations Limit[6]	5,600.2	5,935.2	6,292.7	6,675.6	7,087.8	7,546.9	10,466.1
Total General Fund Appropriations Limit Not Supported by Revenues	--	--	--	--	--	(161.3)	(3,136.7)
Current Appropriation Subject to Limit	5,600.2	5,935.2	6,292.7	6,675.6	7,087.8	7,385.5	7,411.2
Current Appropriation (Above) Below Revenues[7]	--	--	--	--	--	--	(81.8)
General Fund Appropriations (Subject to Limit) Supported by Forecast	5,600.2	5,935.2	6,292.7	6,675.6	7,087.8	7,385.5	7,329.4
Appropriations Change From Prior Year	*185.8*	*337.2*	*361.2*	*382.9*	*412.3*	*297.7*	*(56.2)*
Percent Change	*3.4%*	*6.0%*	*6.1%*	*6.1%*	*6.2%*	*4.2%*	*(0.8)%*
Exemptions to the Appropriations Limit [8]	--	1.3	5.0	11.1	31.9	0.2	--
Spending Outside the Appropriations Limit:	88.6	176.4	153.4	360.0	320.2	250.0	154.2
Federal Medical Assistance Enhancement for Medicaid	*(71.4)*	--	--	--	--	--	--
TABOR Refund	–	*41.1*	--	--	--	--	--
Rebates and Expenditures[9]	*112.8*	*110.7*	*153.4*	*164.6*	*173.8*	*137.4*	*153.2*
Senior Homestead Exemption[10]	--	--	--	*74.2*	*79.8*	*87.7*	*1.0*
Transfers to the Capital Construction Fund[11]	*9.5*	*0.2*	*10.1*	*145.9*	*93.7*	*24.9*	--
Transfer to Controlled Maintenance Trust Fund[12]	--	*55.0*	--	--	--	--	--
General Fund Payback[13]	*56.2*	--	--	--	--	--	--
Reversions and Accounting Adjustments	*(18.5)*	*(30.6)*	*(10.1)*	*(24.7)*	*(27.1)*	--	--
Enhanced Medicaid Match (Reduces General Fund Expenditures) [14]	--	--	--	--	--	(198.4)	(345.8)
TOTAL OBLIGATIONS	5,688.8	6,112.9	6,451.1	7,046.6	7,439.9	7,437.3	7,137.8
RESERVES							
Year-End Reserve	346.3	335.4	688.4	516.3	327.0	147.7	146.6
Year-End Reserve as a Percent of Appropriations[15]	*6.2%*	*5.6%*	*10.9%*	*7.7%*	*4.6%*	*2.0%*	*2.0%*
Unappropriated Reserve Requirement[15]	224.5	237.4	251.7	267.0	283.5	147.7	146.6
Moneys in Excess of Statutory Reserve:	121.8	98.0	436.7	249.3	43.4	--	--
Transfer to the Highway Users Tax Fund (2/3) [16]	*81.2*	*65.3*	*291.1*	*166.2*	*29.0*	--	--
Transfer to the Capital Construction Fund (1/3) [16]	*40.6*	*32.7*	*145.6*	*83.1*	*14.5*	--	--

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(1) This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's Comprehensive Annual Financial Reports which are audited for the applicable Fiscal Years.

(2) Amendment 23 mandates that, effective January 1, 2001, an amount equal to all State revenues collected from a tax of one-third of one percent on federal taxable income, as modified by law, of every individual, estate, trust and corporation, as defined by law, is to be deposited to the State Education Fund. For Fiscal Years 2003-04 and 2004-05, for purposes of the OSPB revenue forecasts, the amount deposited to the State Education Fund was included in gross General Fund revenues and then deducted to arrive at total funds available. Beginning with Fiscal Year 2005-06, such deposit is no longer included in gross General Fund revenues but rather is shown in the OSPB revenue forecasts as an addendum for informational purposes. For comparative purposes, for Fiscal Years 2005-06 and thereafter, gross General Fund revenues are shown as the sum of the amount reported in the OSPB revenue forecasts plus the amount deposited to the State Education Fund.

(3) Under Referendum C, a "General Fund Exempt Account" is created in the General Fund, which consists of moneys collected in excess of the TABOR limit in accordance with Referendum C. See "STATE FINANCIAL INFORMATION – Taxpayer's Bill of Rights – *Colorado Economic Recovery Act of 2005*."

[Footnotes continued on next page]

(4) For Fiscal Years 2006-07, 2007-08 and 2008-09, per SB 97-1 and HB 00-1259, a portion of net sales and use tax revenues was required to be diverted to the Highway Users Tax Fund if General Fund revenues are sufficient to fund appropriations and maintain the Unappropriated Reserve. This requirement was repealed for Fiscal Year 2009-10.

(5) This line item constitutes other transfers both to and from the General Fund, including, without limitation, repayment to the Colorado State Veteran's Trust Fund and the Older Coloradans Cash Fund, budget balancing cash fund transfer bills (such as SB 09-210, SB 09-208 and SB 09-279), transfers from tobacco tax and litigation settlement moneys (per SB 09-269 and SB 09-270), Government Services Funds from ARRA and transfers of enhanced federal financial participation per SB 09-264 for specific programs that incorporate the certification of public expenditures process. For Fiscal Year 2008-09 it also includes the conditional transfers authorized by SB 09-279 upon written direction of the Governor as discussed in "Revenue Estimation – *Revenue Shortfalls*" and "OSPB Revenue and Economic Forecasts – *Revenue Forecast*" below.

(6) See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Expenditures, Balanced Budget and Statutory Spending Limitation*."

(7) This projected shortfall exceeds one-half of the 2% Unappropriated Reserve requirement for Fiscal Year 2009-10, and therefore the Governor will be required to implement the procedures discussed in "Revenue Estimation – *Revenue Shortfalls*" below.

(8) In Fiscal Year 2005-06, $5.0 million was appropriated to the Department of Education as a result of a requirement of a state court order. In Fiscal Years 2006-07 and 2007-08, a total of $11.1 million and $31.9 million, respectively, is not subject to the Appropriations Limit pursuant to Section 24-75-201.1(1)(a)(III)(B), C.R.S., but is used as the base for calculation of the following year's Appropriation Limit. For Fiscal Year 2008-09, $0.2 million is currently projected to be exempt from the Appropriations Limit.

(9) This generally includes the Cigarette Rebate, Old Age Pension Fund, Property Tax, Heat and Rent Credit and Fire and Police Pensions. Per SB 03-263, State expenditures for unfunded, old hire pension plans in the Fire and Police Pensions Association were eliminated in Fiscal Years 2003-04 and 2004-05. Per SB 05-209, the Volunteer Firefighter Retirement Plan and Volunteer Firefighter Death and Disability Insurance appropriations are not subject to the limitation on General Fund appropriation growth limit and are included in the amounts shown for Fiscal Years 2003-04 and beyond. This line item also includes the impact of the reduction or suspension of contributions to the Fire and Police Pensions Association old hire plan members' benefit trust fund in Fiscal Years 2008-09, 2009-10 and 2010-11 per SB 09-203 and SB 09-227.

(10) The senior Homestead Exemption property tax credit was suspended for Fiscal Years 2003-04 through 2005-06, reinstated in Fiscal Years 2006-07 through 2008-09 and again suspended for Fiscal Year 2009-10 (except for an exemption for qualified disabled veterans).

(11) HB 04-1412 eliminated the General Fund transfer to the Capital Construction Fund provided by Section 24-75-302(2), C.R.S., in Fiscal Years 2004-05 and 2005-06. The transfers shown in the table in these Fiscal Years are per HB 04-1003 and HB 04-1021, respectively. Also included are continuation costs for Fiscal Year 2009-10 capital requests, Level I Controlled Maintenance funding and certificate of participation payments appropriated from capital construction funds.

(12) HB 04-1267 repealed the statutory requirement to repay the Controlled Maintenance Trust Fund in Fiscal Years 2004-05 and 2005-06. Per SB 05-211, $55 million was transferred to the Controlled Maintenance Trust Fund on June 30, 2005.

(13) Per HB 02-1391, the State is required to pay back some transfers into the General Fund if there are sufficient revenues. SB 03-191 required that $10 million be repaid to the Major Medical Fund on July 1, 2003, and SB 03-274 required that up to $6.9 million be repaid to the Local Government Limited Gaming Impact Fund by September 1, 2003, from any revenues above $5 million collected through the tax amnesty program.

(14) The forecast assumes the infusion of federal stimulus funding for Medicaid over three Fiscal Years, beginning with Fiscal Year 2008-09. Based on the current forecast, Colorado is anticipated to receive an anticipated 8.78% in enhanced federal funding, increasing the State's federal match rate from 50% to 58.78% for the second and third quarters of Fiscal Year 2008-09. Beginning in the fourth quarter of Fiscal Year 2008-09, Colorado is anticipated to receive an additional 1.41% federal match, based on the unemployment rate thresholds included in ARRA. All of these additional federal funds are anticipated to reduce General Fund expenditures and are therefore shown as negative values.

(15) See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*."

(16) Per HB 02-1310, two-thirds of the General Fund reserve in excess of the Unappropriated Reserve requirement is required to be credited to the Highway Users Tax Fund, and one-third of such excess is to be credited to the Capital Construction Fund. This statutory requirement was repealed for Fiscal Year 2009-10.

Sources: State Treasurer's Office and OSPB June 2009 Revenue Forecast

Discussion of Recent General Fund Operations

The following is a discussion of the operations of the General Fund for the past five Fiscal Years. All figures are approximate unless otherwise stated. See also "General Fund Revenue Sources" above.

Fiscal Year 2007-08. General Fund revenues increased by 2.7% in Fiscal Year 2007-08 compared to an increase of 8.3% in Fiscal Year 2006-07. In Fiscal Year 2007-08, sales and use tax revenues increased by 4.9% compared to an increase of 4.1% in Fiscal Year 2006-07. Other excise tax revenue declined by 0.7% in Fiscal Year 2007-08 compared to an increase of 2.0% in Fiscal Year 2006-07. Corporate and individual income tax collections increased by 2.1% in Fiscal Year 2007-08 compared to an increase of 11.3% in Fiscal Year 2006-07. Other revenues declined by 1.7% in Fiscal Year 2007-08 compared to a decline of 7.2% in Fiscal Year 2006-07. Total available funds for Fiscal

Year 2007-08 (which excludes the amount deposited into the State Education Fund) were $7,766.9 million and total obligations were $7,439.9 million. In accordance with Amendment 23, $407.9 million was transferred to the State Education Fund, and in accordance with SB 97-1, $238.1 million was transferred to the Highway Users Tax Fund. The General Fund year-end reserve was $327.0 million, which was allocated as follows: $283.5 million constituted the statutorily required Unappropriated Reserve for that Fiscal Year, and in accordance with HB 02-1310, two-thirds of the amount in excess of the Unappropriated Reserve ($29.0 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($14.5 million) was transferred to the Capital Construction Fund. See also Management's Discussion and Analysis in "APPENDIX A – STATE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008," as well as "OSPB Revenue and Economic Forecasts" below.

Fiscal Year 2006-07. General Fund revenues increased by 8.3% in Fiscal Year 2006-07 compared to an increase of 13.1% in Fiscal Year 2005-06. In Fiscal Year 2006-07, sales and use tax revenues increased by 4.1% compared to an increase of 5.7% in Fiscal Year 2005-06. "Other Revenue" category of the General Fund revenues decreased by 7.2% partially due to a $6.0 million, or 88.5%, decrease in estate taxes which was due to the nearly complete phase out of federal estate taxes and related credit claimed by the State against those taxes. Total available funds for Fiscal Year 2006-07 (which excludes the amount deposited to the State Education Fund) were $7,562.9 million and total obligations were $7,046.6 million. In accordance with Amendment 23, $395.1 million was transferred to the State Education Fund, and in accordance with SB 97-1, $228.6 million was transferred to the Highway Users Tax Fund. The General Fund year-end reserve was $516.3 million, which was allocated as follows: $267.0 million constituted the statutorily required Unappropriated Reserve for that Fiscal Year, and in accordance with HB 02-1310, two-thirds of the General Fund reserve in excess of the Unappropriated Reserve requirement ($166.2 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($83.1 million) was transferred to the Capital Construction Fund.

Fiscal Year 2005-06. General Fund revenues (including deposits to the State Education Fund per Amendment 23) grew 13.1% in Fiscal Year 2005-06, compared to an increase of 7.1% in Fiscal Year 2004-05. Sales and use tax revenues increased 5.7% in Fiscal Year 2005-06 compared to an increase of 5.2% in Fiscal Year 2004-05. Individual income tax revenues increased 17.9%, compared to an increase of 7.6% in Fiscal Year 2004-05. Total available funds for Fiscal Year 2005-06 (which excludes the amount deposited to the State Education Fund) were $7,139.5 million and total obligations were $6,451.1 million. In accordance with Amendment 23, $357.2 million was transferred to the State Education Fund, and in accordance with SB 97-001, $220.4 million was transferred to the Highway Users Tax Fund. The General Fund year-end reserve was $688.4 million, which was allocated as follows: $251.7 million constituted the statutorily required Unappropriated Reserve for that Fiscal Year, and in accordance with HB 02-1310, two-thirds of the General Fund reserve in excess of the Unappropriated Reserve requirement ($291.1 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($145.6 million) was transferred to the Capital Construction Fund.

Fiscal Year 2004-05. General Fund revenues grew 7.1% in Fiscal Year 2004-05, compared to an increase of 6.7% in Fiscal Year 2003-04. Sales and use tax revenues increased 5.2% compared to an increase of 3.7% in Fiscal Year 2003-04. Individual income tax revenues increased 7.6% compared with an increase of 10.5% in Fiscal Year 2003-04. Total available funds for Fiscal Year 2004-05 were $6,449.0 million and total obligations were $6,112.9 million. In accordance with Amendment 23, $313.9 million was transferred to the State Education Fund. The General Fund year-end reserve was $335.4 million, which was allocated as follows: $237.4 million constituted the statutorily required Unappropriated Reserve for that Fiscal Year, and in accordance with HB 02-1310, two-thirds of the General Fund reserve in excess of the Unappropriated Reserve requirement ($65.3 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($32.7 million) was transferred to the Capital Construction Fund.

Fiscal Year 2003-04. General Fund revenues rose 6.7% in Fiscal Year 2003-04, compared to a decrease of 3.1% in Fiscal Year 2002-03. Sales and use tax revenues increased 3.7% compared to a decline of 3.0% in Fiscal Year 2002-03. Individual income tax revenues increased 10.5%, compared to a decline of 6.7% in Fiscal Year 2002-03. Total available funds for Fiscal Year 2003-04 were $6,035.2 million and total obligations were $5,688.8 million. In accordance with Amendment 23, $278.7 million was transferred to the State Education Fund. The General Fund year-end reserve was $346.3 million, which was allocated as follows: $224.5 million constituted the statutorily required Unappropriated Reserve for that Fiscal Year, and in accordance with HB 02-1310, two-thirds of the General Fund reserve in excess of the Unappropriated Reserve requirement ($81.2 million) was transferred to the Highway Users Tax Fund and one-third of such excess ($40.6 million) was transferred to the Capital Construction Fund.

General Fund Revenue Sources

The following is a description of the revenue sources to the General Fund. The major revenue sources are the individual income tax, the general sales and use tax and the corporate income tax. In Fiscal Year 2007-08, individual and corporate income taxes comprised approximately 67% of total General Fund revenues, and general sales and use taxes contributed approximately 28% of total General Fund revenues (General Fund revenues described above are before State Education Fund diversion adjustments). The OSPB forecasts that General Fund revenue will grow at a compound average of annual rate of 1.6% between Fiscal Years 2007-08 and 2011-12, with nearly all of this growth anticipated between Fiscal Year 2010-11 and Fiscal Year 2011-12.

Individual Income Tax. The largest source of General Fund revenues is receipts generated by the individual income tax. Individual income tax revenues comprised 61.0% of total General Fund revenues (total receipts before State Education Fund diversions) in Fiscal Year 2007-08, and are forecast by the OSPB to comprise 61.1% of total General Fund revenues in Fiscal Year 2008-09 and 60.1% of total General Fund revenues in Fiscal Year 2009-10. Individual income tax revenues increased by 10.5% in Fiscal Year 2003-04, 7.6% in Fiscal Year 2004-05, 17.9% in Fiscal Year 2005-06, 11.3% in Fiscal Year 2006-07 and 2.1% in Fiscal Year 2007-08. However, the OSPB forecasts that Fiscal Year 2008-09 individual income tax revenues will decline by 13.6% over Fiscal Year 2007-08 as a result of high unemployment and negative or very little job growth, but that Fiscal Year 2009-10 individual income tax revenues will increase by 5.2% over Fiscal Year 2008-09.

Corporate Income Tax. Corporate income tax revenues accounted for 6.2% of total General Fund revenues (total receipts before State Education Fund diversions) in Fiscal Year 2007-08, and are forecast by the OSPB to comprise 4.0% of total General Fund revenues in Fiscal Year 2008-09 and 4.6% of total General Fund revenues in Fiscal Year 2009-10. Corporate tax receipts are the most volatile revenue source for the General Fund. Corporate income tax revenues increased 4.5% in Fiscal Year 2003-04. In Fiscal Year 2004-05, corporate income tax receipts rose 33.9% as a result of the 50% bonus depreciation and increased small business expensing provisions of the federal 2003 Jobs Act, the depreciation and expensing provisions of which expired in calendar year 2004. In addition, the cost cutting measures undertaken over the past several years, coupled with productivity increases, have improved corporate profitability and minimized losses. In Fiscal Year 2005-06, corporate income tax receipts increased 42.0% due to one-time revenue received from the repatriation of corporate foreign earnings under the American Jobs Creation Act of 2004. Corporate income tax receipts increased 11.3% in Fiscal Year 2006-07 and 2.0% in Fiscal Year 2007-08, but are forecast by the OSPB to decline in Fiscal Year 2008-09 by 44.6% over Fiscal Year 2007-08. The OSPB forecasts that a recovery will begin in Fiscal Year 2009-10 as credit markets thaw and financial markets return to more stable rates of change, especially as federal stimulus funding begins to generate increased economic activity, with corporate income tax receipts forecast to increase by 22.6% over Fiscal Year 2008-09.

Sales and Use Taxes. Sales and use tax receipts accounted for 28.4% of General Fund revenue (total receipts before State Education Fund diversions) in Fiscal Year 2007-08, and are forecast by the OSPB to comprise 30.0% of total General Fund revenues in Fiscal Year 2008-09 and 30.4% of total General Fund revenues in Fiscal Year 2009-10. Sales and use tax revenues increased 3.7% in Fiscal Year 2003-04, 5.2% in Fiscal Year 2004-05, 5.7% in Fiscal Year 2005-06, 4.1% in Fiscal Year 2006-07, and 4.9% in Fiscal Year 2007-08. However, sales and use tax revenues for Fiscal Year 2008-09 are anticipated to decline by 8.9% from the previous year, attributable largely to the rapid collapse of auto sales, the rise in fuel prices and the subsequent inflationary increase in goods that drove out disposable income. The OSPB forecasts that as consumer confidence begins to rise and markets begin to stabilize, the State will experience relatively stable retail trade spending in the near term before pent up demand begins to escalate consumer spending again. However, per SB 09-275, the State will retain the full amount allowable from the 2.9% sales tax rate, without a reduction for administrative costs associated with vendors collecting the tax. This is forecast to result in the State receiving nearly $90 million in additional sales tax revenue during Fiscal Years 2009-10 and 2010-11, before this change is repealed. Therefore, the State is forecast to experience sizable revenue growth during these next two Fiscal Years before returning to a lesser rate of growth for Fiscal Year 2011-12.

Other Excise Taxes. In addition to the State sales and use tax, the State imposes excise taxes on the sale of cigarettes, tobacco products and liquor. These other excise tax receipts accounted for 1.1% of General Fund revenue (total receipts before State Education Fund diversions) in Fiscal Year 2007-08, and are forecast by the OSPB to comprise 1.3% of total General Fund revenues in Fiscal Year 2008-09 and 1.2% of total General Fund revenues in Fiscal Year 2009-10. Other excise tax revenues increased 2.3% in Fiscal Year 2003-04 and 0.2% in Fiscal Year 2004-05, followed by a decline of 4.9% in Fiscal Year 2005-06, an increase of 2.0% in Fiscal Year 2006-07 and a decline of 0.7% in Fiscal Year 2007-08. The OSPB forecasts that other excise tax receipts will decrease 0.4% in Fiscal Year 2008-09 and 0.9% in Fiscal Year 2009-10.

In 2004, Colorado voters passed Amendment 35, which increased the tax on all tobacco products by 20% and increased the tax on cigarettes by $0.60 per pack beginning in 2005. This caused a decline in sales of cigarettes and other tobacco products which in turn contributed to the 4.9% decline in other excise tax revenues in Fiscal Year 2005-06 and the decline in tobacco and cigarette tax revenues in Fiscal Year 2006-07 and thereafter. The additional revenues generated by the tax are TABOR exempt. Therefore, while cash collections increased as a result of the additional tax, General Fund revenues declined as the number of cigarette and other tobacco products purchased decreased. The additional cash collections are deposited to the Tobacco Tax Cash Fund created by Amendment 35. To the extent available and unappropriated by law, funds in the Tobacco Tax Cash Fund are Borrowable Resources.

Other Revenues. This category includes a diverse group of revenues such as estate taxes, insurance taxes, pari-mutuel taxes, interest income, court receipts, gaming taxes, Medicaid revenues and other income, and as a group are relatively volatile. Other revenues accounted for 3.2% of total General Fund revenues (total receipts before State Education Fund diversions) in Fiscal Year 2007-08, and are forecast by the OSPB to comprise 3.5% of total General Fund revenues in Fiscal Year 2008-09 and 3.7% of total General Fund revenues in Fiscal Year 2009-10. As a whole, revenues in this category declined 12.1% in Fiscal Year 2003-04, 3.6% in Fiscal Year 2004-05, 17.3% in Fiscal Year 2005-06, 7.2% in Fiscal Year 2006-07 and 1.7% in Fiscal Year 2007-08. The large decrease in Fiscal Year 2005-06 was a result of HB 06-1201, which redirected approximately $24.0 million of Limited Gaming cash fund revenue that was previously transferred to the General Fund to the Colorado Travel and Tourism Promotion Fund ($18.0 million), the State Council on the Arts Cash Fund ($1.5 million), the Film

Incentives Cash Fund ($0.5 million) and the New Jobs Incentives Cash Fund ($3.0 million). SB 07-246 transferred $7.0 million from the Limited Gaming Cash Fund revenues to the Clean Energy Fund, and the remainder of $6.5 million remained in the General Fund. In Fiscal Year 2007-08 and thereafter, all moneys from the Limited Gaming Cash Fund that previously would have been transferred to the General Fund are instead transferred to the Clean Energy Fund. The OSPB forecasts that other revenues will decline 4.8% in Fiscal Year 2008-09, followed by an increase of 12.1% in Fiscal Year 2009-10.

Historical and Projected Major Tax Receipts. The following table sets forth the State's receipts from major taxes for the past five Fiscal Years, as well as current OSPB estimates for Fiscal Years 2008-09 and 2009-10. See also "OSPB Revenue and Economic Forecasts" below and "FORWARD LOOKING STATEMENTS."

State of Colorado
Receipts from Major Taxes
(Dollar amounts expressed in millions)

	Actual					**OSPB Estimate[1]**	
	Fiscal Year 2003-04	**Fiscal Year 2004-05**	**Fiscal Year 2005-06**	**Fiscal Year 2006-07**	**Fiscal Year 2007-08**	**Fiscal Year 2008-09**	**Fiscal Year 2009-10**
Individual Income Tax	$3,450.0	$3,712.7	$4,376.1	$4,870.9	$4,973.7	$4,299.6	$4,523.7
Change from Prior Year	10.5%	7.6%	17.9%	11.3%	2.1%	(13.6)%	5.2%
Corporate Income Tax[2]	$235.2	$315.0	$447.4	$497.9	$507.9	$281.4	$345.1
Change from Prior Year	4.5%	33.9%	42.0%	11.3%	2.0%	(44.6)%	22.6%
Sales and Use Tax[3] [4]	$1,908.3	$2,008.0	$2,123.2	$2,209.5	$2,317.9	$2,112.6	$2,287.7
Change from Prior Year	3.7%	5.2%	5.7%	4.1%	4.9%	(8.9)%	8.3%
Other Excise Taxes	$96.7	$96.9	$92.2	$94.0	$93.3	$92.9	$92.1
Change from Prior Year	2.3%	0.2%	(4.9)%	2.0%	(0.7)%	(0.4)%	(0.9)%
Other Revenues	$355.0	$342.2	$282.9	$262.5	$258.1	$245.6	$275.2
Change from Prior Year	(12.1)%	(3.6)%	(17.3)%	(7.2)%	(1.7)%	(4.8)%	12.1%

(1) OSPB June 2009 Revenue Forecast.

(2) The federal tax relief packages adopted in 2001, 2002 and 2003 significantly reduced State net corporate income tax revenues in Fiscal Year 2003-04. In Fiscal Year 2004-05, a number of these federal tax relief provisions were no longer in effect, resulting in a large percentage increase in Fiscal Year 2004-05 State net corporate income tax revenues.

(3) For Fiscal Years 2006-07, 2007-08 and 2008-09, a portion of net sales and use tax revenues is required to be diverted to the Highway Users Tax Fund if General Fund revenues are sufficient to fund appropriations and maintain the Unappropriated Reserve. This requirement was repealed for Fiscal Year 2009-10. The full amount of sales and use taxes collected are reported in this table although the amount diverted to the Highway Users Tax Fund is deducted from available revenues in the General Fund Overview table above.

(4) Sales tax figures for Fiscal Year 2008-09 and beyond include the impact of SB 09-212, which reduced vendor allowances from 3.33% to 1.35% of all sales tax revenue. In addition, per SB 09-275, no vendor allowance is allowed in Fiscal Years 2009-10 or 2010-11. Finally, HB 09-1342 eliminated the $0.84 cigarette tax exemption for Fiscal Years 2009-10 and 2010-11.

Source: Office of State Planning and Budgeting

Revenue Estimation

Revenue Estimating Process. The State relies on revenue estimation as the basis for establishing aggregate funds available for expenditure for its appropriation process. By statute, the OSPB is responsible for developing the General Fund revenue estimate. The General Assembly is required to certify to the Controller by February 1st of each year the revenue estimate for the next Fiscal Year, taking into consideration the estimates of the OSPB and the staff of the Legislative Council. No later than June 20th prior to the beginning of each Fiscal Year, and no later than September 20th, December 20th and March 20th within each Fiscal Year, the Governor, with the assistance of the Controller and the OSPB, is required to make an estimate of General Fund revenues for the current and certain future years. The revenue estimates are not binding on the General Assembly in determining the amount of General Fund revenues available for appropriation for the ensuing Fiscal Year. The revenue estimates may be subject to more frequent review and adjustment in response to significant changes in economic conditions, policy decisions and actual revenue flow.

The OSPB begins estimating revenue by obtaining macroeconomic forecasts for national and State variables. The national forecast is provided by Action Economics, which describes itself as delivering in-depth analysis of all relevant data releases featuring a wide range of fundamental and technical analysis of key market instruments. The OSPB forecasts the State economy using a model developed in-house.

The model of the State economy is updated quarterly. This model is comprised of numerous dynamic regression equations and identities. Action Economics forecasts for national variables are inputs to many of the Colorado equations. The model of the State economy generates forecasts of key indicators such as employment, retail sales, inflation and personal income. These forecasts are then used as inputs to revenue forecasts for income tax receipts, corporate collections, sales tax receipts, etc.

The econometric model used to forecast General Fund revenue relies on the economic series estimated using the model of the State economy discussed above. The models used for forecasting General Fund revenues incorporate changes in policy, both State and federal, as well as changes in the economic climate and historical patterns. The General Fund models are comprised of regression equations for many of the revenue categories. There are three main categories of tax revenues: excise tax receipts, income tax receipts and other tax receipts. The General Fund models forecast the majority of the categories of General Fund receipts separately. For example, the model forecasts each type of income tax receipt (withholding, estimated payments, cash with returns and refunds) individually and then aggregates the numbers to arrive at a net individual income tax receipts forecast. However, for corporate income tax receipts, the model forecasts only net corporate income tax revenues. For sales tax revenues, the forecast model uses separate equations for the 19 retail sales industries. Then, the separate forecasts are aggregated to arrive at a sales tax revenue forecast. For many of the smaller tax revenue categories, simple trend analyses are utilized to derive a forecast.

Revenue Shortfalls. The State's Fiscal Year budgets are prepared and surplus revenues determined using the modified accrual basis of accounting in accordance with the standards promulgated by the Governmental Accounting Standards Board ("GASB"), with certain statutory exceptions. As a result, although Fiscal Year budgets may be balanced and, based upon current forecasts, there is anticipated to be an Unappropriated Reserve, the State may nevertheless experience temporary and cumulative cash shortfalls. This is caused by differences in the timing of the actual receipt of cash revenues and payment of cash expenditures by the State compared to the inclusion of such revenues and expenditures in the State's Fiscal Year budgets on an accrual basis, which does not take into account the timing of when such amounts are received or paid.

Whenever the Governor's revenue estimate for the current Fiscal Year indicates that General Fund expenditures for such Fiscal Year, based on appropriations then in effect, will result in the use of one-half or more of the Unappropriated Reserve, the Governor is required to formulate a plan for the General Fund expenditures so that the Unappropriated Reserve as of the close of the Fiscal Year will be at least one-half of the required amount. The Governor is required by statute to notify the General Assembly of the plan and to promptly implement it by: (i) issuing an executive order to suspend or discontinue, in whole or in part, the functions or services of any department, board, bureau or agency of the State government; (ii) approving the action of other State officials to require that heads of departments set aside reserves out of the total amount appropriated or available (except the cash funds of the Department of Education); or (iii) after a finding of fiscal emergency by a joint resolution of the General Assembly approved by the Governor, taking such actions necessary to be utilized by each principal department and institution of higher education to reduce State personnel expenditures.

The OSPB June 2009 Revenue Forecast projects a Fiscal Year 2009-10 budgetary shortfall in excess of one-half of the 2% Unappropriated Reserve requirement for such Fiscal Year, and thus the Governor will be required to implement the procedures described above. See "General Fund Overview," "OSPB Revenue and Economic Forecasts – *Revenue Forecast*" and "Budgetary Reduction Measures for Fiscal Years 2008-09 and 2009-2010 – *Fiscal Year 2009-2010*" in this Appendix.

Budgetary Reduction Measures for Fiscal Years 2008-09 and 2009-10.

Fiscal Year 2008-09. During the 2009 regular legislative session of the General Assembly, which concluded on May 6, 2009, a number of budgetary reduction measures were enacted in order to address the additional General Fund revenue shortfall for Fiscal Year 2008-09. Such legislation provides for, among other things, transfers of up to $362.0 million from various cash funds to the General Fund in Fiscal Year 2008-09 and the reduction in the Unappropriated Reserve for Fiscal Year 2008-09 from 4% to 2% as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*." In addition, approximately $198.4 million of additional Federal Medicaid funding authorized under ARRA was used to balance the State budget for Fiscal Year 2008-09.

SB 09-219 and SB 09-279 provide that if the OSPB June Revenue Forecast indicates that General Fund expenditures for Fiscal Year 2008-09, based on appropriations then in effect, will exceed the General Fund revenues available for expenditure in that Fiscal Year, the Governor may order a reduction in the Unappropriated Reserve for Fiscal Year 2008-09 from 2% to either a lower percentage or to zero as discussed in "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*" and may order a temporary transfer of funds to the General Fund on June 30, 2009, up to $565.9 million, from certain identified cash funds. Based on the OSPB June Revenue Forecast, revenue estimates prepared by the Legislative Council and the recommendation of the Controller, on June 29, 2009, pursuant to the authority granted by SB 09-279, the Governor ordered the Treasurer and the Controller to transfer $458,057,698 from specified cash funds to the General Fund on June 30, 2009, in order to balance the Fiscal Year 2008-09 budget. This amount was comprised of (i) the Controller's estimated General Fund deficit at June 30, 2009, of approximately $228.1 million, assuming the maintenance of the 2% Unappropriated Reserve in the General Fund, plus (ii) an additional amount as a contingency to mitigate the effects of any statutorily authorized overexpenditure and any additional shortfall between estimated and actual revenues, which are not finally determinable until after the end of the Fiscal Year. Due to the uncertainty of final revenues and expenditures, the entire amount of such transfer ultimately may not be needed to meet actual Fiscal Year 2008-09 appropriations. Pursuant to the provisions of SB 09-279, these amounts were restored to the various cash funds on July 1, 2009. See also "*Fiscal Year 2009-10*" below. In addition, SB 09-278 required the Treasurer to transfer the balance ($219.0 million) of the Sales and Use Tax Holding Fund (the "SUTHF") to the General Fund on June 30, 2009. Under previously existing statutes, the balance in the SUTHF was transferred to the Highway Users Tax Fund except to the extent that it was needed to ensure that the Unappropriated Reserve was maintained at the statutorily required percentage.

Overall, the measures described above provided for the approximately $1,163.7 million of additional resources in the General Fund, including amounts made available, as the result of the reduction in the required amount of the Unappropriated Reserve and transfers or the diversion of approximately $1,027.9 million of other cash funds into the General Fund, in order to balance the Fiscal Year 2008-09 budget. The use of some of these funds to balance the Fiscal Year 2008-09 budget was authorized by statute only for Fiscal Year 2008-09. Similar transfers were approved for balancing the Fiscal Year 2009-10 budget. However, these sources of funds will not continue to be available as a long-term balancing mechanism.

Fiscal Year 2009-10. Several bills enacted by the General Assembly during the 2009 legislative session also directly affect moneys available for the Fiscal Year 2009-10 budget, including the reduction in the Unappropriated Reserve for Fiscal Year 2009-10 from 4% to 2%.

The OSPB June Revenue Forecast projects that gross General Fund revenues in Fiscal Year 2008-09 will fall 13.6% below prior year levels, followed by an increase of 7.0% in Fiscal Year 2009-10 over Fiscal Year 2008-09 levels. Although the Fiscal Year 2009-10 budget signed by the Governor provides for only a 0.35% increase in appropriations over the Fiscal Year 2008-09 budget, the OSPB June Revenue Forecast projects that nevertheless there will be a Fiscal Year 2009-10 budgetary shortfall of $81.1 million. This projection is based in part on the assumption that there would be a one-day transfer of cash funds to the General Fund of at least $261.4 million for Fiscal Year 2008-09 in accordance with SB 09-279, which funds were required to be repaid on July 1, 2009. As discussed above, the actual transfer of cash funds to the General Fund pursuant to SB 09-279 was approximately $458.1 million. However, the portion of such transfer in excess of $228.1 million constituted a contingency to cover any variance between the projected deficit used to calculate the amount of the transfer and the actual Fiscal Year 2008-09 General Fund deficit (before the transfer) as eventually determined. The amount of this contingency that will actually be needed to meet Fiscal Year 2008-09 appropriations, and the impact of the larger than assumed SB 09-279 transfer on the Fiscal Year 2009-10 budgetary shortfall projected in the OSPB June Revenue Forecast, cannot yet be determined.

As the result of the-Fiscal Year 2009-10 budgetary shortfall projected in the OSPB June Revenue Forecast, additional reductions in appropriations and/or transfer of funds will be required in order to maintain a balanced budget for Fiscal Year 2009-10. The Governor has announced that immediate steps will be taken to determine the exact amount of the shortfall and then formulate a plan to balance the Fiscal Year 2009-10 budget. In addition, since the projected shortfall is in excess of one-half of the 2% Unappropriated Reserve requirement for Fiscal Year 2009-10, the Governor will also be required to implement the procedures described in "Revenue Estimation – *Revenue Shortfall*" above. See also "General Fund Overview," "Recent General Fund Financial Results," "General Fund Revenue Sources," and "OSPB Revenue and Economic Forecasts – *Revenue Forecast.*"

OSPB Revenue and Economic Forecasts

The OSPB prepares quarterly revenue estimates covering a four year period. Currently, the OSPB is forecasting for Fiscal Year 2008-09 through Fiscal Year 2011-12. The forecasts are based on historical patterns, with economic and legislative changes explicitly included in the models that forecast revenue growth, and include both State and national economic forecasts. The most recent OSPB Revenue Forecast was issued on June 22, 2009, and is summarized below.

Prospective investors are cautioned that any forecast is subject to uncertainties, and inevitably some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guaranty is made herein as to the accuracy of the forecasts. See also "FORWARD LOOKING STATEMENTS."

Revenue Forecast. The OSPB June 2009 Revenue Forecast projects that gross General Fund revenues in Fiscal Year 2008-09 will fall 13.6% below prior year levels, attributable predominately to individual income tax collections declining by the same percentage and corporate income taxes falling more than 44.6%. State revenues are anticipated to begin a slow recovery over the next two Fiscal Years, mirroring the anticipated movement of Colorado's economy.

The OSPB June 2009 Revenue Forecast also indicates that Fiscal Year 2008-09 revenues will be less than current appropriated amounts by $256.3 million. However, per SB 09-279, for Fiscal Year 2008-09 only, if the OSPB June 2009 Revenue Forecast indicates that General Fund expenditures for Fiscal Year 2008-09, based on appropriations then in effect, will exceed General Fund revenues available for expenditure, upon written order of the Governor, the State Treasurer and the State Controller are to transfer to the General Fund on June 30, 2009, up to $565.9 million from certain identified cash funds in the amounts required to permit prompt disbursement from the General Fund of any appropriations made therefrom for any lawful purpose. The OSPB June 2009 Revenue Forecast assumed that the Governor will exercise his authority under SB 09-279 and forecasted that the necessary transfer would be $261.4 million, which would result in a balanced budget for Fiscal Year 2008-09. The actual Fiscal Year 2008-09 revenues were less than currently appropriated expenses by approximately $228.1 million and the Governor ordered the transfer of $458,057,698 from specified cash funds to the General Fund to balance the budget. Such transfer was repaid on July 1, 2009 as required by SB 09-279. See "Budgetary Reduction Measures for Fiscal Years 2008-09 and 2009-2010 – *Fiscal Year 2008-09*" above.

The OSPB June 2009 Revenue Forecast indicates that the State will have a budgetary shortfall of $81.8 million in Fiscal Year 2009-10. Because this projected shortfall exceeds one-half of the 2% Unappropriated Reserve requirement for Fiscal Year 2009-10, the Governor would be required to implement the procedures discussed in "Revenue Estimation – *Revenue Shortfalls*" above. See also "Budgetary Reduction Measures for Fiscal Years 2008-09 and 2009-2010 – *Fiscal Year 2009-10*" below.

While economic conditions are anticipated to improve by the end of 2009, projected TABOR revenues in Fiscal Year 2009-10 are not anticipated to exceed Fiscal Year 2007-08 levels. Consequently, Fiscal Year 2007-08 is forecast to be the highest TABOR revenue year under Referendum C and, as a result, no TABOR refunds are anticipated during the forecast period.

No General Fund revenues are forecast to be available for transfer to the Highway Users Tax Fund or the Capital Construction Fund pursuant to SB 97-1 or HB 02-1310 in Fiscal Year 2008-09. This statutory requirement was repealed for Fiscal Year 2009-10.

See also "General Fund Overview" above.

Economic Forecast. The OSPB quarterly revenue forecasts also include both Colorado and national economic forecasts. The OSPB June 2009 Revenue Forecast states that both the national and Colorado economies remain in a recession; however, Colorado continues to fare better by comparison, due largely to its diverse base and its expansion of renewable energy, aerospace and biotechnology industries. The mix of Colorado's base will allow the State to emerge strongly, once conditions improve. For purposes of the OSPB June 2009 Revenue Forecast, OSPB projects improvement in economic conditions in Colorado toward the end of calendar year 2009 and continuing into 2010.

The OSPB June 2009 Revenue Forecast notes that although some signs of recovery are becoming apparent, the national economy remains weakened, and the main risk to the Colorado economic forecast is that the national economy will contract further. Additional considerations include the extent to which ARRA affects the economy, further unanticipated fiscal or monetary intervention, and energy market volatility.

The following is a discussion of the OSPB June 2009 Revenue Forecast of Colorado economic and demographic indicators. Following this discussion is a table that presents the historical trends of these indicators for calendar years 2004 through 2008, together with the OSPB forecast of such indicators for calendar years 2009 and 2010.

Employment

In April 2009, the Colorado seasonally adjusted unemployment rate decreased to 7.4%, down from 7.5% in March. While the decline of one-tenth of a percentage point does represent the first time since October 2007 that the unemployment rate has fallen, several months of data are needed in order to determine a trend. Between April 2008 and April 2009, the number of Coloradoans unsuccessfully seeking work increased by 74,000, and total employment has fallen 62,900 over the same period.

The OSPB forecasts that it is likely that unemployment will continue to remain high in Colorado, especially as new graduates emerge from educational institutions and due to the lagging nature of job creation. Further, it should be noted that unemployment is a lagging indicator, which means that despite an economic turnaround, it will take some time before Colorado will realize more traditional levels of unemployed individuals relative to the workforce. The OSPB forecasts unemployment rates of 7.2% both in 2009 and 2010.

The OSPB forecasts that total nonagricultural employment will decline by 2.2% in 2009 and then increase only 1.0% in 2010 from the lower 2009 base.

Inflation

The Consumer Price Index ("CPI") measures the average price of a specified market basket of goods and services purchased by consumers. Measured by the federal Bureau of Labor Statistics every six months for the Denver-Boulder-Greeley metropolitan area, the CPI identifies price fluctuations for many components, including food, housing, medical care, transportation, education, energy, entertainment, etc.

Consumer prices in the Denver-Boulder-Greeley area increased 3.9% in 2008, following a 2.2% increase in 2007. High fuel prices that extended through the second and third quarters of calendar year 2008 contributed to upward price pressure for clothing, food, transportation and even heating and cooling costs in Colorado. National data trends and significant slack in labor markets suggest diminished inflationary pressures in Colorado for the near term, and high unemployment and decreased aggregate demand are expected to minimize the potential for demand-pull inflationary pressure. However, for the long term, movement toward historical averages is still anticipated. The OSPB forecasts that inflation will remain flat in 2009 and increase by only 1.5% in 2010.

Wages and Income

Colorado personal income increased 4.7% in 2008 compared to 2007, while national personal income increased 3.8%. The OSPB forecasts that Colorado personal income will increase 0.2% in 2009 and 2.5% in 2010 as the economy begins to expand. These forecasted increases are consistent with expectations of slight investment earnings and reduced or flat wage growth, both for hourly and non-hourly workers.

The OSPB forecasts that Colorado wage and salary income will remain relatively unchanged in 2009 (declining only 0.2%) and increase by 1.0% in 2010. Wage and salary income expectations are influenced by current labor market conditions and the expected absence of upward inflationary pressures in 2009. This variable is projected to show improvement in 2010 as labor market conditions improve.

Population and Migration

In 2008, net in-migration to Colorado was approximately 50,000 and total population growth was 2.0%. The diversity of Colorado's economic base and unique tourist attractions make the State an attractive destination for both companies and people alike. Additionally, Colorado is positioned to emerge strongly from the current nationwide recession, and population growth is expected to increase as the State's economy recovers. The OSPB forecasts that Colorado population will increase by 2.8% in 2009 and 1.8% in 2010.

Construction

Housing starts in Colorado were down 35.6% in 2008 from the prior year. The housing sector continues to remain sluggish as the economic downturn persists. The OSPB forecasts housing starts to decrease 44.2% in 2009 followed by an increase of 41.5% in 2010 from the prior year. The OSPB June 2009 Revenue Forecast notes that the increase in 2010 will be from a base that is comparable to levels not seen since the early 1990s.

Nonresidential construction value declined 12.5% in 2008 from the prior year. The OSPB forecasts that nonresidential construction will continue to decrease 10.0% in 2009 but will increase by 3.6% in 2010. The construction sector is forecast to show improvements in 2010 as lending is expected to increase and demand increases.

Retail Trade

The OSPB reports that negative job growth, high unemployment and diminished consumer confidence contributed to a 0.8% decline in retail trade sales in 2008. The OSPB forecasts that retail trade sales will further decline by 1.7% in 2009, attributable to declining employment opportunities and expectations of low wage and salary growth during 2009, which will then be followed by an increase of 3.0% in 2010 influenced by an expectation of increased personal income in that year and consistent with expectations of economic expansion toward the end of 2009 and into 2010. Another contributing factor is the personal saving rate, which continues to trend upward but is anticipated to be reversed as consumer confidence improves and the economy stabilizes, at which point pent-up savings is expected to bolster retail trade sales.

See also **Appendix G** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information relating to State's economy.

Historical and Projected Key Colorado Economic Variables. The following table presents the economic and demographic indicators discussed above for the past four calendar years, as well as current OSPB estimates for calendar years 2009 and 2010. See also "APPENDIX G – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information relating to State's economy, as well as "FORWARD LOOKING STATEMENTS."

State of Colorado
History and Forecast of Key Colorado Economic Indicator Variables
(Calendar Years)

	Actual				**OSPB Estimate**	
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Current Income:						
Personal Income (billions)	$175.4	$188.2	$199.5	$209.3	$209.8	$215.1
Change from Prior Year	7.1%	7.3%	6.0%	4.9%	0.2%	2.5%
Wage and Salary Income (billions)	$97.4	$104.1	$110.9	$116.1	$115.8	$117.0
Change from Prior Year	5.8%	6.9%	6.5%	4.7%	(0.2)%	1.0%
Per Capita Income ($/person)	$37,611	$39,612	$41,192	$42,377	$41,313	$41,626
Change from Prior Year	5.7%	5.3%	4.0%	2.9%	(2.5)%	0.8%
Population and Employment:						
Population (thousands)	4,662.7	4,751.5	4,842.8	4,939.5	5,078.3	5,167.4
Change from Prior Year	1.4%	1.9%	1.9%	2.0%	2.8%	1.8%
Net Migration (thousands)	30.1	49.1	50.5	50.0	38.5	46.1
Civilian Unemployment Rate	5.1%	4.4%	3.9%	4.9%	7.2%	7.2%
Total Nonagricultural Employment (thousands)	2,226.0	2.279.1	2,331.4	2,350.0	2,297.6	2,320.6
Change from Prior Year	2.1%	2.4%	2.3%	0.8%	(2.2)%	1.0%
Construction Variables:						
Total Housing Permits Issued (thousands)	45.9	38.3	29.5	19.0	10.6	15.0
Change from Prior Year	(1.3)%	(16.4)%	(23.2)%	(35.6)%	(44.2)%	41.5%
Nonresidential Construction Value (millions)	$3,979.5	$3,890.4	$4,294.5	$3,756.9	$3,381.2	$3,502.9
Change from Prior Year	26.1%	(2.2)%	10.4%	(12.5)%	(10.0)%	3.6%
Prices and Sales Variables:						
Retail Trade Sales (billions)(1)	$65.5	$70.4	$75.4	$74.8	$73.5	$75.7
Change from Prior Year	5.1%	7.6%	7.0%	0.8%	(1.7)%	3.0%
Denver-Boulder-Greeley CPI (1982-84=100)	190.9	197.7	202.0	209.9	209.9	213.0
Change from Prior Year	2.1%	3.6%	2.2%	3.9%	0.0%	1.5%

(1) The OSPB includes Food and Drinking Services as Retail Trade Sales, and therefore the total Retail Trade Sales in this table differ from those reported the table captioned "Colorado Retail Sales by Industry" in "APPENDIX G – CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION – Retail Sales."

Source: OSPB June 2009 Revenue Forecast

Investment of the State Pool

General. The investment of public funds by the Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The Treasurer has adopted investment policies further restricting the investment of State pool moneys, which includes the General Fund. The purpose of these investment policies is to limit investment risk by limiting the amount of the portfolio that may be invested in particular types of obligations, or in obligations of particular issuers or in particular issues, by imposing rating or financial criteria for particular types of investments more restrictive than those required by law, and by limiting the maximum term of certain types of investments. A minimum of 10% of the portfolio is required to be held in U.S. Treasury securities. Any reverse repurchase agreements may be for interest rate arbitrage only, and not for liquidity or leverage purposes. Each reverse repurchase agreement and the total investment it is arbitraged against must be closely matched in both dollar amount and term.

Moneys invested by the Treasurer are valued and "marked to market" on a monthly basis according to market prices provided by J.P. Morgan Chase, the Treasury's investment safekeeping bank.

Fiscal Year 2007-08 and Fiscal Year 2008-09 Investments of the State Pool. The following tables set forth the investment by category of the moneys in the State pool as of the end of each month in Fiscal Year 2007-08 and Fiscal Year 2008-09 for which information is available.

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2007-08
(Amounts expressed in millions)[(1)]

	Jul 2007	Aug 2007	Sept 2007	Oct 2007	Nov 2007	Dec 2007	Jan 2008	Feb 2008	Mar 2008	Apr 2008	May 2008	Jun 2008
Agency CMOs	$ 158.1	$ 156.7	$ 206.6	$ 204.9	$ 203.2	$ 201.4	$ 200.0	$ 218.4	$ 221.0	$ 237.8	$ 234.3	$ 261.8
Commercial Paper	1,418.8	1,498.9	1,374.8	1,562.0	1,510.4	1,174.1	1,193.0	1,024.3	1,132.6	1,013.1	745.1	1,025.6
U.S. Treasury Notes	555.2	515.9	515.7	510.3	515.5	525.0	525.0	525.1	525.1	525.3	510.6	515.6
Federal Agencies	1,966.3	1,639.1	1,672.8	1,414.9	1,386.0	1,893.3	2,169.1	2,030.1	2,027.8	2,701.2	3,102.3	2,605.0
Asset-Backed Securities	874.6	855.6	857.4	843.3	844.8	844.8	830.6	858.3	858.2	897.3	893.2	877.8
Money Market	140.0	185.0	355.0	355.0	380.0	400.0	435.0	445.0	490.0	460.0	430.0	385.0
Corporates	528.7	520.7	517.5	522.2	516.2	511.2	511.2	511.2	486.4	491.4	483.5	481.5
Certificates of Deposit	51.9	61.5	61.5	62.0	67.5	69.0	75.3	75.4	74.9	72.9	70.8	73.3
Totals	$5,693.6	$5,433.4	$5,561.3	$5,474.6	$5,423.6	$5,618.8	$5,939.2	$5,687.8	$5,816.0	$6,399.0	$6,469.8	$6,225.6

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(1) This table includes all moneys in the State pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

State of Colorado
State Pool Portfolio Mix
Fiscal Year 2008-09
(Amounts expressed in millions)[(1)]

	Jul 2008	Aug 2008	Sept 2008	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	Jun 2009
Agency CMOs	$ 291.8	$ 297.3	$ 293.0	$ 314.2	$ 340.9	$ 336.0	$ 331.1	$ 324.8	$ 317.8	$ 310.7	303.0	--
Commercial Paper	724.0	409.5	403.4	--	79.7	149.7	50.0	0.0	99.9	189.9	99.9	--
U.S. Treasury Notes	520.5	510.6	485.5	490.9	581.3	569.0	448.8	423.8	414.1	414.1	429.1	--
Federal Agencies	3,183.0	3,011.3	3,145.5	3,319.6	3,061.9	2,613.1	3,354.5	3,137.5	3,118.5	3,341.0	3,358.7	--
Asset-Backed Securities	878.6	850.1	819.6	786.9	765.6	974.2	734.1	693.1	676.7	646.0	631.3	--
Money Market	370.0	320.0	265.0	235.0	365.0	466.4	382.0	297.0	256.5	347.0	297.0	--
Corporates	478.5	451.1	449.1	447.8	455.8	454.2	449.2	434.2	429.2	414.5	416.5	--
Certificates of Deposit	76.3	79.2	76.2	73.7	72.4	79.7	78.3	78.0	78.0	76.5	77.2	--
Totals	$6,522.7	$5,929.1	$5,937.3	$5,668.1	$5,722.6	$5,642.3	$5,828.0	$5,388.4	$5,390.7	$5,739.7	5,612.7	--

(1) This table includes all moneys in the State pool, which includes the General Fund, Borrowable Resources and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

APPENDIX F

Public School Capital Construction Assistance Fund

Introduction

Pursuant to House Bill 08-1335 and Senate Bill 09-257 (codified in part by Article 43.7 of Title 22, Colorado Revised Statutes, as amended) (the "Act"), the Colorado General Assembly has created the Public School Capital Construction Assistance Board (the "Assistance Board") and the Public School Capital Construction Assistance Fund (the "Assistance Fund"). In accordance with the Act, the Assistance Fund is funded from revenues received by the State of Colorado (the "State") from (i) a portion of rental income and royalties derived from State public school lands, (ii) a portion of State lottery proceeds, (iii) amounts paid by certain K-12 public schools ("Participating K-12 Institutions") for which capital projects are financed through the State's Building Excellent Schools Today Program (the "Program"); and (iv) State appropriations described in the following paragraph.

Under the Act, the State Treasurer may enter into lease-purchase agreements (the "Leases") for which the State may decide annually to appropriate rent from the Assistance Fund. The General Assembly is also authorized to appropriate or transfer moneys to the Assistance Fund from any legally available source, including the State General Fund, if the amount in the Assistance Fund is insufficient to pay the full amount of the payments due to be made under the Leases. See "APPENDIX E – The State General Fund."

The decision of the State to appropriate funds to pay its obligations under the Leases or make up any shortfall in the Assistance Fund may be impacted by the amount and stability of revenues allocated to the Assistance Fund under the Act. As of June 19, 2009, the amount of $56.8 million was on deposit in the Assistance Fund. The revenue sources for the Assistance Fund are further described below.

Rental Income and Royalties

The Territory of Colorado was established in 1861 pursuant to an enabling act (the "Enabling Act"). In the Enabling Act, the federal government declared that certain land previously owned by the federal government was to be granted in trust to the State for the support of the State's public schools (the "Public School Lands"). On the date it was admitted to the United States, the State held roughly 3.7 million acres of Public School Lands. As of July 1, 2008, the Colorado State Land Board of Commissioners (the "State Land Board") reported that the State held 2.7 million surface acres and 3.9 million mineral acres in trust as Public School Lands.

The Act provides that the following moneys are to be deposited in the Assistance Fund: the greater of 50% of the gross amount of "Public School Lands Income" received during a fiscal year or an amount of such income equal to the difference between the total amount of lease payments to be made by the State under the terms of the Leases and the total amount of Matching Moneys (as described below under "Matching Moneys") to be paid to the State pursuant to the Matching Money Bonds issued by the Participating K-12 Institutions. Public School Lands Income is defined under the Act to include: (i) the sale of timber on Public School Lands, and rentals or lease payments for the use and occupation of Public School Lands, and rentals or lease payments for sand, gravel, clay, stone, coal, oil, gas, geothermal resources, gold, silver, or other minerals on Public School Lands (the "Timber Sales and Rents"); and (ii) royalties and other payments for the extraction of any natural resource on Public School Lands (the "Royalties"). Proceeds from the sale of Public School Lands are not part of Public School Lands Income, but such proceeds may be used by the State to purchase additional income-producing Public

School Lands. The State believes that the regulatory environment applicable to Public School Lands is stable and conducive to continued sale of timber, rental of minerals and extraction of natural resources.

The following table shows the Timber Sales and Rents and Royalties generated in each of the last five full fiscal years. There is no certainty that Timber Sales and Rents and Royalties will exceed or meet current levels.

Timber Sales and Rents and Royalties

	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009[(2)]
Timber Sales and Rents[(1)]	$14,065,252	$13,146,774	$14,165,247	$16,463,597	$14,559,856
Royalties[(1)]	40,688,892	48,851,022	46,339,555	53,791,573	55,636,747
Total	$54,754,144	$61,997,796	$60,504,802	$70,255,170	$70,196,603

(1) Includes interest earned on these revenues before they are distributed.
(2) Preliminary, does not reflect certain accrual adjustments.

Source: State Land Board

State Lottery Proceeds

Article XXVII of the State constitution (the "Lottery Amendment") created the Great Outdoors Colorado Program which allocates the "Net Proceeds" of State-supervised lottery games to various purposes. Net Proceeds are defined as all proceeds from all programs including Lotto and every other State-supervised lottery game operated under the authority of the Lottery Amendment less the cost of prizes and expenses of the State Lottery Division and other operational expenses of the State lottery. Section 3(1)(b)(III) of the Lottery Amendment requires that in every quarter of the State's fiscal year, 50% of the Net Proceeds exceeding $53.1 million for fiscal year 2007-2008 (or such amount as adjusted each year for changes from the 1992 Consumer Price Index-Denver) is to be allocated to the State's General Fund. Effective May 22, 2008, the Act provides that all moneys that would otherwise be transferred to the State's General Fund pursuant to Section 3(1)(b)(III) of the Lottery Amendment (the "BEST Lottery Share") are to be deposited in the Assistance Fund.

If the Act had been in effect for the last five full fiscal years, the BEST Lottery Share deposits to the Assistance Fund would have been as provided in the table below. There is no certainty that the BEST Lottery Share will exceed or meet current levels.

BEST Lottery Share[(1)]

	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Best Lottery Share	$2,396,438	$1,691,454	$12,545,316	$8,219,905	$8,045,692

(1) Amounts reflected above were generated in the prior fiscal year and received in the fiscal year as shown. Funds for the 2009-2010 fiscal year are expected to be received in August or September 2009.

Source: Colorado Department of Education

Matching Moneys

The Act defines "Matching Moneys" as moneys required to be paid to the State or used directly to pay a portion of the costs of a public school capital construction project by a Participating K-12 Institution as a condition of an award of financial assistance to the Participating K-12 Institution under the Program. The Assistance Board determines which percentage of the total financing for the Participating K-12 Institution's project will constitute the required Matching Moneys for such Participating K-12 Institution. Such percentage varies depending on the Participating K-12 Institution. The obligations of Participating K-12 Institutions to pay Matching Moneys to the State may be evidenced by bonds issued by the Participating K-12 Institutions and delivered to the State (the "Matching Money Bonds") or other types of obligations permitted by the Act and approved by the Assistance Board.

Currently, all of the Participating K-12 Institutions have obtained voter approval for their respective interest-bearing Matching Money Bonds, so the payment of the related Matching Moneys are not subject to annual appropriation by the Participating K-12 Institutions. Each of the Matching Money Bonds will constitute general obligations of the related Participating K-12 Institution and all of the taxable property within the boundaries of the Participating K-12 Institution will be subject to the levy of an ad valorem tax to pay the principal of, premium, if any, and interest on the related Matching Money Bonds without limitation as to rate and in an amount sufficient to pay the Matching Money Bonds when due. Based upon the opinion of bond counsel for the relevant 2009A Participating K-12 Institutions, the Matching Money Bonds may bear a supplemental coupon as part of fully funding the related Matching Money requirement if permissible under the ballot approved by voters.

Unless a Participating K-12 Institution opts not to participate, Section 22-41-110, C.R.S. (the "Bond Payment Act") applies to general obligation bonds, such as the Matching Money Bonds. Each of the Participating K-12 Institutions has notified the State of its participation under the Bond Payment Act.

Under the Bond Payment Act, if the paying agent with respect to a particular Matching Money Bond has not received a payment on the Matching Money Bond on the business day immediately prior to the date on which such payment is due, the paying agent is required to notify the State Treasurer and the Participating K-12 Institution that issued the Matching Money Bond. The State Treasurer is then required to contact the Participating K-12 Institution to determine whether the Participating K-12 Institution will make the payment by the date on which it is due. If the Participating K-12 Institution indicates to the State Treasurer that it will not make the payment on the Matching Money Bond by the date on which it is due, the State Treasurer is required to forward to the paying agent, in immediately available funds from any legally available funds of the State, the amount necessary to make the payment of the principal of and interest on the Matching Money Bond.

If the State Treasurer makes a payment on a Matching Money Bond under the Bond Payment Act, he or she is required to withhold such amount from the next succeeding payment to that school district of the State's share of the school district's required funding under Colorado's Public School Finance Act of 1994 and from property tax and specific ownership revenues collected by the county treasurer on behalf of the district (except property taxes levied for the payment of bonds) on each occasion on which the State Treasurer makes a payment on a bond on behalf of a district. While the withholding of such funding and property and specific ownership tax payments by the State is limited to 12 monthly payments, the Bond Payment Act does not correspondingly limit the State's contingent obligation to pay the Matching Money Bonds.

If the State Treasurer is required to make a payment on a Matching Money Bond, the State Department of Education is required to initiate an audit of the school district to determine the reason for the nonpayment of the Matching Money Bond and to assist the school district, if necessary, in developing and implementing measures to assure that future payments will be made when due.

The State has covenanted that it will not repeal, revoke, rescind, modify or amend the Bond Payment Act so as to limit or impair the rights and remedies granted under the Bond Payment Act. The Bond Payment Act provides, however, that it shall not be deemed or construed to require the State to continue the payment of State assistance to any school district or to limit or prohibit the State from repealing, amending, or modifying any law relating to the amount of State assistance to school districts or the manner of payment or the timing thereof. The Bond Payment Act further provides that it shall not be deemed or construed to create a debt of the State with respect to any Matching Money Bond within the meaning of any State constitutional provision or to create any liability except as specifically provided in the Bond Payment Act.

The Act provides that the maximum total of annual lease payments payable by the State under the Leases during any fiscal year under the terms of all outstanding Leases is (i) $20 million for the 2008-2009 fiscal year, (ii) $40 million for the 2009-2010 fiscal year, (iii) $60 million for the 2010-2011 fiscal year and (iv) $80 million for the 2011-2012 fiscal year and for each fiscal year thereafter. The State Treasurer may enter into Leases for which the aggregate annual lease payments of principal or interest for any fiscal year exceed one-half of the maximum total amount of annual lease payments provided in the preceding sentence only if the aggregate amount of Matching Moneys expected to be credited to the Assistance Fund and any interest or income derived from the deposit and investment of the Matching Moneys is at least equal to the annual lease payments of principal and interest payable by the State during any fiscal year that exceed one-half of said maximum total amount. Rent under the 2009A Certificates is not expected to reach 50% of the maximum amounts stated above.

State Appropriation or Transfer From Legally Available Sources

If the amount of moneys in the Assistance Fund that is available to pay lease payments under the Leases will be insufficient to cover the full amount of the lease payments required by the Leases, the Act provides that the General Assembly may appropriate or transfer from any legally available source to the Assistance Fund sufficient moneys to make the lease payments. **However, the General Assembly is not obligated to appropriate or transfer moneys for such purpose and the decision whether or not to appropriate any such amount for such purpose will be in the General Assembly's sole discretion.** See **Appendix E** hereto.

Future Changes in Laws

Various Colorado laws, including the Act, apply to the priority and allocation of Public School Lands Income, availability of funds for appropriation by the State and other operations of the State. 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 affect, directly or indirectly, on the affairs of the State or amounts deposited in the Assistance Fund.

APPENDIX G

Certain State Economic And Demographic Information

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the State. The statistics have been obtained from the referenced sources and represent the most current information available; however, certain information is released only after a significant amount of time has passed since the most recent date of the reported data, and therefore such information may not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information concerning the State not presented herein may be available, and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the State, the Treasurer, the Financial Advisor or any other officer or employee of or advisor to the State.*

Overview

Colorado is the most populous state in the Rocky Mountain region. The State has two distinctive geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open and largely devoted to farming, and the Front Range, that contains the major metropolitan areas. The western half of the State includes the Rocky Mountains and the Western Slope. A significant portion of the land in the western half of the State is heavily forested and mountainous, owned by the federal government and devoted to national parks or forests.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Denver/Boulder, Colorado Springs, Fort Collins/Greeley and Pueblo. Denver, the State capital, is the major economic center in the State and the Rocky Mountain region, having developed as a regional center for transportation, communication, finance and banking. More recently, the Front Range has attracted advanced-technology industries and is experiencing a resurgence in natural gas, oil and coal extraction.

The State's economy is sensitive to the national economy, leading to economic performance that depends a great deal on economic performance at the national level.

Population and Age Distribution

The following table sets forth population figures for Colorado and the United States since the last census.

Population Estimates
(As of July 1)

	Colorado		United States	
Year	**Population (Millions)**	**% Change**	**Population (Millions)**	**% Change**
2000	4.33	--	282.17	--
2001	4.43	3.0%	285.04	1.3%
2002	4.50	1.6	287.73	0.9
2003	4.55	1.0	290.21	0.9
2004	4.60	1.1	292.89	0.9
2005	4.66	1.4	295.56	0.9
2006	4.75	1.9	298.36	0.9
2007	4.84	1.9	301.29	1.0
2008	4.94	2.0	304.06	0.9

Source: U.S. Department of Commerce, Bureau of the Census

The following table sets forth a comparative age distribution profile for Colorado and the United States.

Age Distribution as of July 1, 2008
(Totals may not add due to rounding)

Age	**Colorado Population (Millions)**	**% of Total**	**U.S. Population (Millions)**	**% of Total**
Under 18	1.21	24.4%	73.94	24.3%
18 to 24	0.47	9.4	29.76	9.8
25 to 44	1.46	29.7	83.43	27.4
45 to 64	1.29	26.1	78.06	25.7
65 and over	0.51	10.3	38.87	12.8
Total	4.94	100.0%	304.06	100.0%
Median Age	35.7		36.8	

Source: United States Department of Commerce, Bureau of the Census

Income

The following table sets forth annual per capita personal income levels of Colorado, the Rocky Mountain region and the United States.

Per Capita Personal Income in Current Dollars

	Colorado		Rocky Mountain Region[1]		United States	
Year	Income	% Change	Income	% Change	Income	% Change
2004	$35,594	4.6%	$31,337	5.0%	$33,157	5.2%
2005	37,611	5.7	33,213	6.0	34,690	4.6
2006	39,612	5.3	35,082	5.6	36,794	6.1
2007	41,192	4.0	36,527	4.1	38,615	4.9
2008	42,377	2.9	37,459	2.6	39,751	2.9

(1) Includes Colorado, Utah, Idaho, Montana and Wyoming.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Employment

The following table sets forth recent Colorado employment statistics, as well as recent Colorado and U.S. unemployment rates.

Civilian Labor Force, Nonfarm Employment and Unemployment Rates
(Seasonally Adjusted)

					Unemployment Rate (Annual Average)	
Year	Colorado Civilian Labor Force (Thousands)	% Change	Colorado Nonfarm Employment (Thousands)	% Change	Colorado	United States
2004	2,535.4	1.7%	2,179.7		5.6%	5.5%
2005	2,580.8	1.8	2,226.0	2.1	5.1	5.1
2006	2,642.7	2.4	2,279.1	2.4	4.4	4.6
2007	2,686.4	1.7	2,331.4	2.3	3.9	4.6
2008	2,730.4	1.6	2,350.0	0.8	4.9	5.8
2009[1][2]	2,719.7	--	2,261.6	--	7.6	9.4

(1) As of May 2009.
(2) Preliminary.

Source: U.S. Depart of Labor, Bureau of Labor Statistics

The following table sets forth the number of individuals employed within selected industries in Colorado for the past five years based on the North American Industrial Classification System ("NAICS") codes.

Average Number of Employees Within Selected Industries in the State of Colorado Subject to State Unemployment Laws – NAICS Classifications

Industry	2004	2005	2006	2007	2008
Agriculture, Forestry, Fishing, Hunting	14,547	14,963	14,834	14,592	14,083
Mining	14,374	17,007	20,682	25,033	28,328
Utilities	7,927	7,949	8,101	7,949	8,220
Construction	151,430	160,102	167,623	167,697	161,801
Manufacturing	154,548	150,586	148,848	146,744	144,158
Wholesale Trade	92,229	93,781	96,343	99,389	100,137
Retail Trade	241,410	246,048	248,443	253,591	252,685
Transportation and Warehousing	61,025	61,103	62,089	64,064	63,611
Information	81,243	77,438	75,614	76,132	76,977
Finance and Insurance	104,415	106,823	109,057	108,021	104,918
Real Estate, Rental and Leasing	46,005	46,854	47,690	47,865	46,857
Professional and Technical Services	144,793	155,997	162,988	170,573	176,438
Management of Companies and Enterprises	22,437	24,900	26,992	28,418	28,641
Administrative and Waste Services	131,697	135,276	141,856	149,122	146,470
Educational Services	23,485	24,823	25,754	26,969	27,687
Health Care and Social Assistance	192,430	197,134	202,378	210,524	219,877
Arts, Entertainment and Recreation	42,144	43,212	44,226	44,261	45,674
Accommodation and Food Services	209,187	214,191	220,745	225,799	227,275
Other Services	65,315	65,132	65,656	67,048	68,500
Nonclassifiable	196	263	268	510	906
Government	341,707	345,972	351,372	358,032	367,684
Total	2,142,544	2,189,554	2,241,559	2,292,693	2,310,936

Source: Colorado Department of Labor and Employment

Set forth in the following table are the estimated largest private sector employers in Colorado in 2008. No independent investigation has been made of and no representation is made herein as to the financial condition of the employers listed below or the likelihood that such employers will maintain their status as major employers in the State.

Estimated Largest Private Sector Employers in Colorado – 2008

Employer	Type of Business	Estimated Employees[1]
Wal-Mart	Discount Stores	25,674
Dillon Companies (King Soopers/City Market)	Supermarkets	17,965
Centura Health	Health Care	13,000
Safeway Stores	Supermarkets	10,795
HCA-HealthOne	Health Care	9,600
Qwest Corporation	Telecommunications	9,055
Target Corporation	Discount Retailer	7,500
Exempla Healthcare	Hospital	7,092
Wells Fargo	Banking/Financial Services	6,000
University of Denver	Private University	5,989
United Airlines	Air Transportation	5,400
Kaiser Foundation Health Plan	Health Maintenance Organization	5,285
United Parcel Service	Delivery Services	4,910
International Business Machines Corp	Computers	4,750
Ecosphere	Satellite Television	4,519
Comcast Mo Group	Cable Service Provider	4,500
Frontier Airlines	Air Transportation	4,500
Lockheed Martin Space Systems	Aerospace and Defense	4,500
Molson Coors Brewing	Brewery	4,100
Xcel Energy	Utility	3,853
Ball Corporation	Containers, Aerospace	3,800
University of Colorado Hospital	Hospital	3,688
Children's Hospital Association	Hospital	3,422
Albertson's	Supermarkets	2,800
Sun Microsystems	Computers	2,593

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(1) Figures include full-time and part-time employees.

Source: Colorado Department of Labor and Employment

Set forth in the following table are the estimated largest public sector employers in Colorado in 2008.

Estimated Largest Public Sector Employers in Colorado – 2008

Employer	**Estimated Employees**(1)
Federal Government	35,141
State of Colorado	33,000
University of Colorado System	28,089
City and County of Denver	13,081
Jefferson County School District No. R-1	12,122
Denver County School District No. 1	11,324
US Postal Service	11,169
Arapahoe County School District No. 5 (Cherry Creek)	9,167
Colorado State University	6,900
Douglas County School District Number Re1	7,362
Denver Health	4,880
Adams 12 Five Star Schools	4,868
Colorado Springs Memorial Hospital	4,800
Adams-Arapahoe School District No. 28J (Aurora)	4,744
Poudre School District R-1	4,100
Boulder Valley School District No. Re-2	3,964
Colorado Springs School District No. 11	3,915
City of Aurora	3,868
St. Vrain Valley School District No. RE1J	3,550
Mesa County Valley School District No. 51	3,380
City of Colorado Springs	2,840
Jefferson County	2,693
Academy School District No. 20 (Colorado Springs)	2,554
Thompson School District R-2J (Loveland)	2,534
Pueblo School District No. 60	2,450
Regional Transportation District (RTD)	2,407
Greeley School District No. 6	2,380
Littleton School District No. 6	2,102
Arapahoe County	1,953

(1) Figures include full-time and part-time employees.

Source: Colorado Department of Labor and Employment

Retail Sales

Set forth below are recent annual sales figures for Colorado as reported for State sales tax purposes.

Colorado Retail Sales
(Dollar amounts in billions)

	Gross Sales		Retail Sales	
Year	**Amount**	**% Change**	**Amount**	**% Change**
2004	$152.571	9.8%	$114.281	8.4%
2005	164.998	8.1	122.907	7.5
2006	184.677	11.9	133.531	8.6
2007	202.478	9.6	148.673	11.3
2008	211.215	4.3	152.748	2.7

Source: Colorado Department of Revenue

The following table sets forth Colorado retail sales figures by industry.

Colorado Retail Sales by Industry[(1)]
(Dollar amounts in billions)

	2004		2005		2006		2007		2008	
Agriculture, Forestry and Fisheries	$ 0.165	15.6%	$ 0.173	5.2%	$ 0.299	72.4%	$ 0.341	14.1%	$ 0.306	(10.3)%
Mining	0.991	48.0	1.400	41.3	2.102	50.2	2.843	35.2	3.383	19.0
Public Utilities	4.679	16.5	5.840	24.8	5.455	(6.6)	6.300	15.5	7.068	12.2
Construction Trades	2.548	6.0	.679	5.2	3.261	21.7	3.678	12.8	3.771	2.5
Manufacturing	7.356	15.0	.383	14.0	10.057	20.0	11.351	12.9	11.878	4.6
Wholesale Trade	9.488	19.7	11.111	17.1	12.394	11.5	14.553	17.4	14.476	(0.5)
Retail Trade:										
Motor Vehicles and Auto Parts	13.977	2.1	13.592	(2.8)	13.263	(2.4)	14.135	6.6	12.133	(14.2)
Furniture and Home Furnishings	2.328	9.9	2.381	2.3	2.487	4.4	2.577	3.6	2.353	(8.7)
Electronics and Appliance Stores	1.875	5.7	1.911	1.9	2.068	8.2	2.306	11.5	2.244	(2.7)
Building Materials/Improvement/Nurseries	4.962	15.1	5.582	12.5	5.822	4.3	5.786	(0.6)	5.308	(8.3)
Food & Beverage Stores	9.836	2.3	10.429	6.0	11.068	6.1	12.091	9.2	12.931	6.9
Health/Personal Care Stores	1.725	19.3	1.733	0.5	1.984	14.5	2.139	7.8	2.263	5.8
Service Stations	3.580	16.6	4.329	20.9	4.886	12.9	5.210	6.6	5.767	10.7
Clothing/Accessory Stores	2.601	6.9	2.588	(0.5)	2.878	11.2	3.190	10.8	3.104	(2.7)
Sporting Goods/Hobby/Book/Music Stores	2.296	2.1	2.383	3.8	2.543	6.7	2.694	6.0	2.593	(3.8)
General Merchandisers/Warehouse Stores	9.126	7.1	9.803	7.4	10.300	5.1	10.992	6.7	11.335	3.1
Miscellaneous Stores	2.193	(6.9)	2.388	8.9	2.416	1.2	2.460	1.8	2.364	(3.9)
Non-Store Retailers	1.380	15.2	.536	11.3	2.003	30.4	.710	5.2	4.300	15.9
Total Retail Trade[(2)]	55.878	5.9	58.655	5.0	61.718	5.2	67.291	9.0	66.695	(0.9)
Transportation and Warehousing	0.703	25.6	0.790	2.3	0.887	12.3	0.829	(6.5)	0.760	(8.3)
Information Producers/Distributors	5.164	2.6)	5.691	10.2	.799	1.9	6.242	7.6	6.880	10.2
Finance and Insurance	1.014	(4.8)	1.368	35.0	1.994	45.7	2.294	15.0	2.965	29.3
Real Estate, Rental and Leasing Services	2.823	3.2	3.028	7.3	3.392	12.0	.647	7.5	3.615	(0.9)
Professional, Scientific and Technical Services	6.367	14.2	5.501	(13.6)	5.987	8.8	6.622	10.6	6.913	4.4
Business, Administrative, Support, Waste/ Remediation Services	1.286	11.9	1.402	9.0	1.446	3.1	1.740	20.3	1.956	12.4
Educational Services	0.263	20.5	0.329	25.3	0.390	18.3	0.425	9.1	.462	8.6
Health Care and Social Assistance Services	3.019	6.2	3.267	8.2	3.566	9.2	4.472	25.4	5.275	17.9
Arts, Entertainment and Recreation Services	0.713	1.1	0.771	8.2	0.890	15.4	0.955	7.3	0.972	1.7
Hotel and Other Accommodation Services	2.103	3.8	2.271	8.0	2.602	14.6	2.905	11.7	3.035	4.5
Food and Drinking Services[2]	6.470	9.2	6.746	4.3	7.456	10.5	8.052	8.0	8.265	2.6
Other Personal Services	2.976	8.7	3.146	5.7	3.480	10.6	3.826	9.9	3.825	(0.0)
Government Services	0.275	9.0	0.354	28.9	0.357	0.7	0.306	(14.1)	0.250	(18.5)
	$114.281	8.4%	$122.908	7.5%	$133.531	8.6%	$148.673	11.3%	$152.748	2.7%

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(1) Does not reflect all sales due to data suppressed to protect the confidentiality of employers, and therefore may not accurately estimate the increase or decrease in sales in certain years.

(2) The OSPB also includes Food and Drinking Services in the Retail Trade category for purposes of its quarterly forecasts, and therefore the total retail trade figures in this table differ from the retail trade figures discussed in "HISTORICAL AND PROJECTED GENERAL FUND PERFORMANCE – OSPB Revenue and Economic Forecasts – *Economic Forecast - Historical and Projected Key Colorado Economic Variables*."

Source: State of Colorado Department of Revenue

Tourism

The following table presents tourism information in Colorado as reflected by visits to National Parks and ski areas in the State, as well as statistics regarding conventions in the Denver area.

Colorado Tourism Statistics

	National Parks Visits		Conventions[1]						Skier Visits[2]	
			Conventions		Delegates		Spending			
Year	Number (Millions)	% Change	Number	% Change	Number (Thousands)	% Change	Amount (Millions)	% Change	Number (Millions)	% Change
2004	5.98	(4.0)%	30	15.4%	114.5	8.8%	$181.6	8.8%	11.25	(3.1)%
2005	5.99	0.2	40	33.3	153.4	34.0	305.7	68.3	11.82	5.0
2006	5.90	(1.5)	55	37.5	180.2	17.5	358.9	17.4	12.53	6.1
2007	5.66	(4.1)	75	36.4	215.4	19.5	429.1	19.5	12.57	0.3
2008	5.44	(3.9)	75	--	293.4	36.2	n/a	n/a	12.54	(0.2)

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(1) Includes only those conventions held at the Colorado Convention Center.
(2) Data for skier visits reflects the number of visits in the ski season ending in the referenced year.

Source: Colorado Office of Economic Development & International Trade, Colorado Tourism Office, National Parks Service, Denver Metropolitan Convention & Visitors Bureau, Downtown Denver, Inc., and Colorado Ski Country USA

Residential Housing Starts

The following table sets forth a five-year history of residential building permits for Colorado.

New Privately Owned Housing Units Authorized in Colorado

Year	1 Unit	2 Units	3 and 4 Units	5+ Units	Total	% Change
2004	40,753	434	744	4,568	46,499	--
2005	40,140	580	653	4,518	45,891	(1.3)%
2006	30,365	654	563	6,761	38,343	(16.4)
2007	20,516	448	411	8,079	29,454	(23.2)
2008	11,147	290	181	7,380	18,998	(35.5)

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Source: U.S. Department of Commerce, Bureau of the Census

Residential Foreclosures

The following are recent residential foreclosure statistics for Colorado. The foreclosure "filing" is the event that begins the foreclosure process. In general, when a borrower is at least three months delinquent and in default, the borrower will receive a "notice of election and demand" from the Public Trustee of the county in which the property is located. At this point, the property is in foreclosure. A foreclosure filing can be "cured" and "withdrawn" before the home is sold at auction, meaning that not all foreclosure filings result in a final foreclosure sale. Approximately 120 days after the initial filing, the property may be sold at the Public Trustee auction to a third party or to the mortgage company. Once the foreclosure sale takes place, eviction proceedings will proceed during the next several weeks.

The following table sets forth residential foreclosure filings and foreclosure sales in Colorado for the past five years and the first quarters of 2008 and 2009.

Foreclosure Filings and Sales in Colorado

Year	Foreclosure Filings	% Change	Foreclosure Sales at Auction	% Change
2004	16,801	23.8%	7,782	24.4%
2005	21,782	29.6	12,699	63.2
2006	28,435	30.5	17,451	37.4
2007	39,915	40.4	25,054	43.6
2008[1]	39,307	(1.5)	21,301	(15.0)
First Quarter				
2008[(1)(2)]	11,634	--	5,899	--
2009	10,745	(7.6)	4,354	(26.2)

(1) Due to the legal change in the foreclosure process, foreclosure sales of new foreclosures filed during 2008 were not permitted during March and April, and legislation that took effect in August effectively prevented the issuance of a large number of notices of election and demand. The effect of these changes was to lessen the amount of foreclosure activity that could legally take place during the first, second and third quarters of 2008.

(2) First quarter 2007 information was incomplete and therefore no percentage changes are shown.

Source: Colorado Division of Housing

APPENDIX H

Form of Series 2009A Certificate and Tax Credit Coupon

[See Appendix A to 2009A Supplemental Indenture attached as **Appendix B** to the Official Statement]

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APPENDIX I

Table of Redemption Values

[See Appendix C to Supplemental Indenture attached as **Appendix B** to the Official Statement]

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