NEW ISSUE - Book-Entry Only

RATINGS: Moody's: "Aa3"
S&P: "AA-"
See "RATINGS"

The portion of Base Rent paid by the State which is designated and paid as interest on the Series 2010B Certificates is included in gross income for federal income tax purposes. 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, the portion of Base Rent paid by the State which is designated and paid as interest on the Series 2010C Certificates is excludable from gross income for federal income tax purposes is not a specific preference item for purposes of the federal alternative minimum tax and is not included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations. Under existing Colorado statutes: the interest received and other income of the Owners of the Series 2010B Certificates with respect to their undivided interests in the Base Rent paid by the State under the Leases are exempt from taxation and assessments in the State of Colorado; and the interest received by the Owners of the Series 2010C Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases that is excludable from gross income for federal income tax purposes is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of Series 2010B-C Certificates. See "TAX MATTERS" herein.

$85,715,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAXABLE BUILD AMERICA SERIES 2010B

$13,970,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2010C

Dated: Date of Delivery

Due: March 15, as shown on the inside cover

The Series 2010B Certificates and the Series 2010C Certificates (together, the "**Series 2010B-C Certificates**") are being executed and delivered as fully registered certificates in denominations of $5,000, or any integral multiple thereof. The Series 2010B-C Certificates bear interest at the rates set forth herein, payable on September 15, 2010, and semiannually thereafter on March 15 and September 15 of each year, to and including the maturity dates shown on the inside cover hereof (unless the Series 2010B-C Certificates are redeemed earlier) by check or draft mailed to the registered owner of the Series 2010B-C Certificates, initially Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), securities depository for the Series 2010B-C Certificates.

DTC initially will act as securities depository for the Series 2010B-C Certificates. Individual purchases will be made in book-entry form only. Purchasers of the Series 2010B-C Certificates will not receive physical delivery of certificates, all as more fully described herein. Payments on the Series 2010B-C 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 2010B-C Certificates, as more fully described herein. *Capitalized terms used but not defined on this cover page have the meanings assigned to them in the Glossary included in the form xof 2010B-C Supplemental Indenture attached as **Appendix B** to this Official Statement.*

Maturity and interest rate information for the Series 2010B-C Certificates is located on the inside cover page of this Official Statement.

The Series 2010B-C Certificates will be executed and delivered pursuant to and secured by a Master Trust Indenture (the "**Master Indenture**") dated as of August 12, 2009 as supplemented and amended by a Series 2009A Supplemental Trust Indenture, dated as of August 12, 2009 (the "**2009A Supplemental Indenture**") and a Series 2010B-C Supplemental Trust Indenture (the "**2010B-C Supplemental Indenture**"), dated as of the date of delivery of the Series 2010B-C Certificates by Zions First National Bank, Denver, Colorado, as trustee (the "**Trustee**"). (The Master Indenture, as supplemented by the 2009A Supplemental Indenture and 2010B-C Supplemental Indenture and as further supplemented and amended from time to time, is referred to as the "**Indenture**"). The Series 2010B-C Certificates are not the only Certificates to be executed and delivered pursuant to the Indenture. The 2009A Certificates have been previously executed and delivered pursuant to the Indenture. The Series 2010B-C Certificates, 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 August 12, 2009 (the "**2009A Lease**"), the Series 2010B-C Lease Purchase Agreement dated as of the date of delivery of the Series 2010B-C Certificates (the "**2010B-C 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, the 2010B-C Lease and such other annually renewable lease-purchase agreements, collectively, are referred to as the "**Leases**"). Pursuant to applicable statutes, 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 of Matching Moneys from certain K-12 public school institutions, including charter 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, any moneys that the Colorado General Assembly transfers to the Assistance Fund from any other legally available sources, including the State General Fund.

The net proceeds of the Certificates have been and 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 2010B-C Certificates will be used to pay the costs of certain projects approved by the State Board (the "**2010B-C Projects**") for certain Participating K-12 Institutions as further described herein (the "**2010B-C Participating K-12 Institutions**"), to make a deposit to the State Expense Fund and to pay the costs of issuance of the Series 2010B-C 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 (or, in the case of some charter schools, the chartering school districts) 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 the relevant Participating K-12 Institutions pursuant to Subleases. The Leased Property subject to the 2010B-C Lease is referred to as the "**2010B-C Leased Property**" and is further described herein.

The Series 2010B-C Certificates are subject to redemption prior to their stated maturity date, 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 Participation Agreement, any obligation to pay Matching Moneys 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 2010B-C 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 2010B-C Certificates. It is expected that the Series 2010B-C Certificates will be executed and available for delivery through the facilities of DTC, on or about March 16, 2010.

RBC Capital Markets **J.P. Morgan**
D.A. Davidson & Co. **Stifel, Nicolaus & Company, Incorporated**

Dated: March 2, 2010

MATURITY SCHEDULES
(CUSIP© 6-digit issuer number: 19668Q)[1]

$85,715,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAXABLE BUILD AMERICA SERIES 2010B

Maturing (March 15)	Principal Amount	Interest Rate	Price	CUSIP© Issue Number	Maturing (March 15)	Principal Amount	Interest Rate	Price	CUSIP© Issue Number
2017	$2,645,000	4.186%	100%	CQ6	2020	$2,880,000	4.862%	100%	CT0
2018	2,715,000	4.512	100	CR4	2021	2,970,000	5.062	100	CU7
2019	2,795,000	4.712	100	CS2	2022	3,070,000	5.262	100	CV5

$15,850,000 5.737% Term Certificate due March 15, 2025 – Price: 100% CUSIP© 19668Q CY9
$52,790,000 6.242% Term Certificate due March 15, 2030 – Price: 100% CUSIP© 19668Q DD4

$13,970,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2010C

Maturing (March 15)	Principal Amount	Interest Rate	Yield	CUSIP© Issue Number	Maturing (March 15)	Principal Amount	Interest Rate	Yield	CUSIP© Issue Number
2011	$2,175,000	2.000%	0.686%	DE2	2015	$2,435,000	4.000%	2.120%	DJ1
2012	2,205,000	3.000	1.020	DF9	2016	2,000,000	4.000	2.560	DK8
2013	2,275,000	3.000	1.340	DG7	2016	540,000	5.000	2.560	DL6
2014	2,340,000	4.000	1.700	DH5					

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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 2010B-C 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.

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 2010B-C 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 2010B-C 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 2010B-C 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 2010B-C 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 2010B-C Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Series 2010B-C 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 2010B-C Certificates and the terms of the offering, including the merits and risks involved. The Series 2010B-C 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 2010B-C 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 2010B-C CERTIFICATES, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE SERIES 2010B-C CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

* * *

CAUTIONARY STATEMENTS REGARDING
PROJECTIONS, ESTIMATES AND OTHER
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

This Official Statement, including but not limited to the material set forth under "STATE FINANCIAL INFORMATION," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," "LITIGATION AND SOVEREIGN IMMUNITY" and in **Appendices E and F**, 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. The State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations change or events, conditions or circumstances on which these statements are based occur.

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OFFICIAL STATEMENT

$85,715,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAXABLE BUILD AMERICA SERIES 2010B

$13,970,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2010C

Changes from Preliminary Official Statement

This Official Statement contains changes made to the Preliminary Official Statement dated February 24, 2010. Such changes reflect: (i) pricing information; (ii) redemption terms; (iii) rating information on the cover and under the caption "RATINGS" herein; (iv) changes to the table captioned "Leased Property" on page 25 hereto resulting in an aggregate decrease of $11,163,161 in Fair Market Value of Leased Property; (v) inclusion of disclosure relating to a Participation Agreement for a 2010B-C Participating K-12 Institution (Crestone Charter School, Inc.) whose property is not to be leased to the Trustee pursuant to a Site Lease and who will not sublease Leased Property pursuant to a Sublease as of March 16, 2010; (vi) modification of the definition of "Fair Market Value" as reflected in the blacklined changes in the Glossary in the form of 2010B-C Supplemental Indenture attached as Appendix B hereto; and (vii) modification of the terms pursuant to which property may be substituted for 2010B-C Leased Property as reflected in the blacklined changes to Section 7.06 in the form of 2010B-C Lease attached as Appendix B hereto. Further, the Official Statement has been revised to reflect that State of Colorado Building Excellent Schools Today Certificates of Participation Qualified School Construction Series 2010A were not issued to finance part of the 2010B-C Projects because the United States Secretary of the Treasury had not yet made a 2010 allocation to the State relating to "qualified school construction bonds" pursuant to Section 54F of the Internal Revenue Code of 1986. Such changes relating to the omission of such Certificates, as well as others, are reflected in the blacklined modifications to the documents included in Appendix B hereto.

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, Taxable Build America Series 2010B (the "**Series 2010B Certificates**") and State of Colorado Building Excellent Schools Today Certificates of Participation Tax-Exempt Series 2010C (the "**Series 2010C Certificates**" and together with the Series 2010B Certificates, the "**Series 2010B-C Certificates**"). The Series 2010B-C Certificates are being delivered pursuant to a Master Trust Indenture, dated as of August 12, 2009 (the "**Master Indenture**") as supplemented and amended by a Series 2009A Supplemental Indenture, dated as of August 12, 2009 (the "**2009A Supplemental Indenture**") and a Series 2010B-C Supplemental Trust Indenture (the "**2010B-C**

Supplemental Indenture"), dated as of the date of delivery of the Series 2010B-C Certificates by Zions First National Bank, Denver, Colorado, as trustee (the "**Trustee**"). (The Master Indenture, as supplemented and amended by the 2009A Supplemental Indenture, 2010B-C Supplemental Indenture and as further supplemented and amended from time-to-time, is referred to as the "**Indenture**"). The Series 2010B-C Certificates are not the only Series of Certificates (as defined in the forms of Master Indenture and 2010B-C Supplemental Indenture attached hereto in **Appendix B**) to be executed and delivered pursuant to the Indenture. The State of Colorado Building Excellent Schools Today Certificates of Participation, Qualified School Construction Series 2009A (the "**Series 2009A Certificates**") in the aggregate principal amount of $87,145,000 have been previously executed and delivered pursuant to the Indenture. The Series 2009A Certificates, the Series 2010B-C 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 August 12, 2009 (the "**2009A Lease**"), the Series 2010B-C Lease Purchase Agreement, dated as of the date of delivery of the Series 2010B-C Certificates (the "**2010B-C 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 (the "**State**"), acting by and through the State Treasurer (the "**State Treasurer**"), as lessee. (The 2009A Lease, the 2010B-C Lease and such other annually renewable lease-purchase agreements, collectively, are referred to as the "**Leases**."). Capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Glossary attached in the form of the 2010B-C Supplemental 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 2010B-C Certificates to potential investors is made only by means of the entire Official Statement.

Authority for Delivery

The Series 2010B-C Certificates are being delivered pursuant to the Indenture, the American Recovery and Reinvestment Act of 2009 (the "**Recovery Act**"), Section 54AA of the Code and under authority granted by the laws of the State, including certain statutes 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 2010B-C Lease is being entered by the State in order to fund certain Projects already approved by the State Board in 2009 (the "**2009 State Board Approval**") as described in "The **2010B-C Projects**" under this caption for the 2010B-C Participating K-12 Institutions in accordance with the Act. See "The Program" and "The 2010B-C 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 2010B-C Certificates will be payable solely from amounts annually appropriated by the Colorado General Assembly to make payments under the Leases, as described in "Sources of Payment for the Series 2010B-C 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, any 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 2010B-C 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 2010B-C Participating K-12 Institutions are to be deposited in the Assistance Fund. The obligation, if any, of a 2010B-C Participating K-12 Institution to pay Matching Moneys to the State will be satisfied by (a) cash delivered at the time the Series 2010B-C Certificates are delivered, (b) an obligation to pay Base Rent under the applicable 2010B-C Sublease, subject to annual appropriation by the applicable Participating K-12 Institution, (c) a bond issued by a 2010B-C Participating K-12 Institution or its chartering school district and delivered to the State (a "**Matching Moneys Bond**") or (d) an obligation to pay cash installments under the applicable Sublease subject to annual appropriation by the applicable Participating K-12 Institution (the "**Matching Moneys Installment Payments**). **Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2010B-C Certificates. Once Matching Moneys are deposited in the Assistance Fund, such amounts are available to be appropriated by the State to pay principal and interest on the Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects.** 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 Program has been designed to provide funds to rebuild, repair or replace the State's most dangerous and most needy K-12 institutions and leverage such financial assistance through local matching contributions from such institutions. Schools and projects for funding are evaluated by the Assistance Board through an ongoing application process supplemented by a Statewide needs assessment and site visits. Projects are prioritized by the Assistance Board based on the following criteria, in descending order of importance: (1) projects addressing health, safety and security; (2) projects to relieve overcrowding; (3) projects that incorporate technology into the educational environment; and (4) all other projects. The Assistance Board's review results in a prioritized list of projects to submit to the State Board for final approval.

The 2010B-C Lease is being entered into by the State in order to fund certain Projects as further described in "The 2010B-C Projects" under this caption (the "**2010B-C Projects**"). The Master Indenture permits the execution of other Leases or an amendment to the Leases 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 2010B-C CERTIFICATES – Additional Series of Certificates." The Series

2009A Certificates have been previously executed and delivered pursuant to the Indenture in order to fund certain projects as further described under "SECURITY AND SOURCES OF PAYMENT – The Leased Property" and are paid and secured on a parity with the Series 2010B-C Certificates and any future Certificates executed and delivered pursuant to the Master Indenture. 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 2010B-C 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 2009 State Board Approval and by the Colorado General Assembly if the Rent payable under the Leases 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 2010B-C Certificates

Proceeds from the sale of the Series 2010B-C Certificates will be used to finance the Costs of the 2010B-C Projects for the 2010B-C Participating K-12 Institutions, as more fully described in "The 2010B-C Participating K-12 Institutions" under this caption and "PLAN OF FINANCING – The 2010B-C Projects and 2010B-C Participating K-12 Institutions." Proceeds of the Series 2010B-C Certificates will also be used to fund a deposit to the State Expense Fund and to pay the costs of issuance associated with the Series 2010B-C Certificates. See "PLAN OF FINANCING – Sources and Uses of Funds" for a description of the estimated uses of proceeds of the Series 2010B-C Certificates.

The 2010B-C Participating K-12 Institutions

Proceeds of the Series 2010B-C Certificates are expected to be used to fund the 2010B-C Projects for the benefit of the following entities in Colorado (collectively, the "**2010B-C Participating K-12 Institutions**"): (1) Alta Vista Charter School, Inc. (within the chartering school district, Lamar School District RE-2), (2) Colorado School for the Deaf and Blind, (3) Crestone Charter School, Inc. (within the chartering school district, Moffat Consolidated School District #2),* (4) Delta County Joint School District 50, (5) Douglas County School District, Number Re1, (6) El Paso County School District No. 8, (7) Miami Yoder School District JT-60, (8) Park County School District Re-2, (9) San Juan County School District No. 1, and (10) Swink School District No. 33. See "PLAN OF FINANCING – The 2010B-C Projects and 2010B-C Participating K-12 Institutions."

The 2010B-C Projects

The 2010B-C Projects involve various capital projects for the 2010B-C Participating K-12 Institutions approved in the 2009 State Board Approval, at certain funding levels. In accordance with the terms of the 2010B-C Subleases or Participation Agreements between the State and the 2010B-C Participating K-12 Institutions, each of the 2010B-C Participating K-12 Institutions agrees to construct the respective projects, and in accordance with the 2010B-C Lease, the State has agreed to cause the projects of the 2010B-C Participating K-12 Institutions that will execute and deliver 2010B-C Subleases (all of the 2010B-C Participating K-12 Institutions except Crestone Charter School, Inc., which, upon the satisfaction of certain conditions, is expected to execute a Participation Agreement instead of a 2010B-C Sublease) to be constructed by causing such 2010B-C Participating K-12 Institution to comply with its related 2010B-C Sublease, but no failure of the related 2010B-C Participating K-12 Institution to comply with the relevant provisions of its 2010B-C Sublease will relieve the State of its obligation to cause the

* Payment of the costs of this Project is contingent upon satisfaction of certain conditions and the execution and delivery of a Participation Agreement by such 2010B-C Participating K-12 Institution.

facilities to be constructed. See "PLAN OF FINANCING – The 2010B-C Projects and 2010B-C Participating K-12 Institutions" for further information about the 2010B-C Projects. Projects other than the 2010B-C Projects have been funded with the proceeds of the Series 2009A Certificates and other 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 2010B-C Lease or the 2009A Lease but will require further authorization by the State Board for any Projects not approved in the 2009 State Board Approval and by the Colorado General Assembly if the Base Rent payable under the 2010B-C Lease, the 2009A Lease and the additional Lease or an amendment to the 2010B-C Lease or 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 2010B-C Certificates – Additional Series of Certificates" under this caption and "PLAN OF FINANCING – The Program."

The Leased Property

Each of the 2010B-C Participating K-12 Institutions (or, in the case of some charter schools, the chartering school district), except for Crestone Charter School, Inc., is entering into a Site Lease with the Trustee dated as of the date of delivery of the Series 2010B-C Certificates (the "**2010B-C Site Leases**") pursuant to which, in each case, certain land owned by the respective 2010B-C Participating K-12 Institution (or, in the case of some charter schools, the chartering school districts) and the buildings, structures and improvements now or hereafter located on such land (collectively, the "**2010B-C Leased Property**") will be leased to the Trustee. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property." The 2010B-C Leased Property collectively with the additional Leased Property which has already or may in the future be leased under the 2009A Lease, additional Leases or amendments to the 2009A Lease or the 2010B-C Lease is referred to herein as the "**Leased Property**." The 2010B-C Leased Property is being leased by the Trustee to the State, pursuant to the 2010B-C Lease, and the State is subleasing the 2010B-C Leased Property to the respective 2010B-C Participating K-12 Institutions under certain Subleases each dated as of the date of delivery of the Series 2010B-C Certificates (the "**2010B-C Subleases**"). Any additional Leased Property which the State has already chosen or chooses in the future to lease under the 2009A Lease, additional Leases or amendments to the 2009A Lease or the 2010B-C Lease will secure all holders of Certificates under the Master Indenture, including holders of the Series 2010B-C 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 Leased Property – Substitution of Leased Property." **Upon any decision of the State not to appropriate and thereby terminate the 2010B-C Lease or any other Lease in a particular year, the State would relinquish its right to use all of the Leased Property (including the 2010B-C Leased Property) or any portion thereof through the term of the respective Site Leases. In such event, the 2010B-C Participating K-12 Institutions which are Sublessees (and, in the case of charter schools, their chartering school districts) will have the option to purchase a portion of the 2010B-C Leased Property under the respective 2010B-C Subleases upon certain conditions as further described herein. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Sublessee's Purchase Option."**

Terms of the Series 2010B-C Certificates

Payments

Principal of and premium, if any, on the Series 2010B-C Certificates is payable when due upon surrender of the Series 2010B-C Certificates at the office of the Trustee. Interest on each Series 2010B-C Certificate shall be payable by check or draft of the Trustee mailed on or before each Interest Payment Date to the Owner thereof at the close of business on the first day of the month (whether or not such day is a Business Day) in which such Interest Payment Date occurs (the "**Record Date**"); provided that, such

interest payable to any Owner may be paid by alternative means agreed to by such Owner and the Trustee.

Designation of the Series 2010B Certificates as "Build America Bonds"

The State has elected to designate the Series 2010B Certificates as "build America bonds" for purposes of the Recovery Act and to receive federal direct payments (the "**Federal Direct Payments**") from the United States Treasury in connection therewith. Such Federal Direct Payments, to the extent received by the State from the United States Treasury and held by the Trustee on behalf of the State, are required under the Indenture to be deposited in the Interest Account of the Certificate Fund to net against and reduce the gross Base Rent payable by the State each Fiscal Year under the 2010B-C Lease. See "BASE RENT," "THE SERIES 2010B-C CERTIFICATES – Designation of the Series 2010B Certificates as "build America bonds" and "TAX MATTERS." See "THE SERIES 2010B-C CERTIFICATES – Designation of the Series 2010B Certificates as 'Build America Bonds'" and "CERTAIN RISK FACTORS – Federal Direct Payments."

Denominations

The Series 2010B-C Certificates are deliverable in the authorized denomination of $5,000 and integral multiples thereof.

Redemption

The Series 2010B-C Certificates are subject to optional and mandatory redemption prior to their stated maturity date under certain circumstances described herein under "THE SERIES 2010B-C CERTIFICATES – Redemption."

Additional Certificates

The Master Indenture permits the execution and delivery of Series of Certificates in addition to the Series 2010B-C Certificates and the Series 2009A Certificates secured by the Trust Estate on parity with the Series 2010B-C Certificates and the Series 2009A Certificates, without notice to or approval of the owners of the Outstanding Series 2010B-C Certificates or 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 2010B-C CERTIFICATES – Additional Series of Certificates." If any additional Certificates are executed and delivered, the 2009A Lease or 2010B-C 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 2010B-C Certificates, the 2010B-C Lease, the 2010B-C Site Leases, the 2010B-C Subleases and the Indenture pursuant to which such Series 2010B-C Certificates are being executed and delivered, see "Forms of Master Indenture, Supplemental Indenture, 2010B-C Lease Purchase Agreement, 2010B-C Site Leases, and the 2010B-C Subleases" attached hereto in Appendix B.

Sources of Payment for the Series 2010B-C Certificates

The principal of the Series 2010B-C 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 2010B-C 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 Leases, including the sale or lease of the Trustee's interest in the Leased Property, subject to the purchase option of the Participating K-12 Institutions (and, in the case of charter schools, the chartering school district) under the respective Subleases. Each such Participating K-12 Institution (and, in the case of charter schools, the chartering school district) 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 are to be applied toward the payment of the Certificates under the Master Indenture, including the Series 2010B-C 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 2010B-C Certificates.**

The State has the option to terminate the 2010B-C Lease and release the **2010B-C Leased** Property from the Indenture in connection with the defeasance of the Series 2010B-C Certificates by paying the State's Purchase Option Price as described under "THE SERIES 2010B-C 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 Leased Property – Substitution of 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, including the State General Fund, 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 2010B-C Certificates

Certain factors described in this Official Statement could affect the payment of Base Rent under the Leases (including the 2010B-C Lease) and could affect the market price of the Series 2010B-C 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 2010B-C Certificates, the State will execute a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners of the Series 2010B-C 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 2010B-C Participating K-12 Institutions and the purchasers or holders of any of the Series 2010B-C Certificates.

PLAN OF FINANCING

The Program

The Series 2010B-C 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 Leases 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 Leases 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 Leases 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 (the "**Maximum Annual Lease Payments**") referenced above is:

(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.

For purposes of complying with the limitations on Maximum Annual Lease Payments, the Colorado Recovery and Reinvestment Finance Act of 2009, Title 11, Article 59.7, Colorado Revised Statues (the "**CRRFA**"), permits the Base Rent due under the Leases to be netted against, and reduced by, the Federal Direct Payments with respect to the Series 2010B Certificates expected to be received by the Trustee on behalf of the State pursuant to the Indenture, as a result of the designation of the Series 2010B Certificates as "build America bonds." See "SERIES 2010B-C CERTIFICATES – Designation of the Series 2010B Certificates as 'Build America Bonds.'"

The annual lease payments due under the 2009A Lease and the 2010B-C Lease and payable by the State in any Fiscal Year during the term of such Leases, net of 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 and net of the Federal Direct Payments with respect to the Series 2010B Certificates expected to be received by the Trustee on behalf of the State pursuant to the Indenture, are expected to be less than one-half of the Maximum Annual Lease Payments set forth above. See "BASE RENT."

The Colorado General Assembly has established the Program in order to implement the Act. See "INTRODUCTION – The Program." 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 2010B-C Projects. See "The 2010B-C Projects and 2010B-C Participating K-12 Institutions" below for a description of the 2010B-C Projects. The 2010B-C Lease is the second lease-purchase agreement being entered by the State in order to finance Projects under the Program. The Series 2009A Certificates outstanding in the aggregate principal amount of $87,145,000 evidence undivided interests in the right to receive certain payments by the State under the 2009A Lease. 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 2010B-C 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 2010B-C Certificates. The execution by the State of future leases or an amendment to the 2010B-C Lease or 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 2010B-C Lease, 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 2010B-C Certificates are set forth in the following table.

	Estimated Amount
SOURCES OF FUNDS:	
Par amount of Series 2010B Certificates	$ 85,715,000
Par amount of Series 2010C Certificates	13,970,000
Premium on Series 2010C Certificates	880,041
TOTAL SOURCES OF FUNDS	$100,565,041
USES OF FUNDS:	
Deposit to 2010B-C Project Accounts of Capital Construction Fund	$ 98,765,738[1]
Deposit to State Expense Fund	692,188
For costs of issuance, including Underwriters' discount[2]	1,107,115
TOTAL USES OF FUNDS	$100,565,041

(1) The difference between this amount and the aggregate total project cost of $113,353,513 shown in the table below is $14,587,775 representing certain 2010B-C Project costs that are to be paid from the Assistance Fund in amounts corresponding to Matching Moneys obligations in the form of cash deposited therein at or prior to the execution and delivery of the Series 2010B-C Certificates and Matching Money Installment Payments, to be paid, subject to annual appropriation, in accordance with the applicable Sublease.

(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 2010B-C Projects and 2010B-C Participating K-12 Institutions

The following table describes the 2010B-C Participating K-12 Institutions and Projects expected to be funded as the 2010B-C Projects using proceeds of the Series 2010B-C Certificates, moneys in the Assistance Fund in an amount equal to Matching Moneys to be deposited therein when received and total cost of the related 2010B-C Project.

2010B-C Projects and 2010B-C Participating K-12 Institutions

2010B-C Participating K-12 Institution	2010B-C Project Description	Matching Moneys[1]	Total Project Cost
Alta Vista Charter School, Inc.	Addition to K-8 School	$ 246,791[3]	$ 6,169,766
Colorado School for the Deaf and Blind	Historical Building Renovation	0	10,601,140
Crestone Charter School, Inc.[2]	New K-12 School	726,519	6,054,325
Delta County Joint School District 50	Major Elementary School Renovation	2,619,026	11,387,070
Douglas County School District, Re1	High School Safety-Security Upgrades	2,693,250[3]	4,488,750
El Paso County School District No. 8	New Elementary School	10,327,623[3]	13,588,978
Miami Yoder School District JT-60	Phase II of New PK-12 School	0	17,590,273
Park County School District Re-2	New PK-12 Campus	15,060,382	30,120,764
San Juan County School District No. 1	Renovate Historical K-12 School	2,369,731[3]	11,848,656
Swink School District No. 33	Elementary School Classroom Addition	150,379[3]	1,503,791
		$34,193,701	$113,353,513

(1) The respective amounts shown on this chart as Matching Moneys are required to be funded as described in **Appendix F** hereto by the related 2010B-C Participating K-12 Institution and are to be deposited into the Assistance Fund when received. See the form of 2010B-C 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 2010B-C 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 and interest on the Series 2010B-C Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects.** See **Appendix F** for a description of the sources of revenue of the Assistance Fund.

(2) Funding of the Project for such 2010B-C Participating K-12 Institution is contingent upon satisfaction of certain conditions and the execution and delivery of a Participation Agreement by such 2010B-C Participating K-12 Institution. The related Matching Moneys Bond is not to be delivered to the State until such conditions are satisfied.

(3) Certain Matching Moneys are to be deposited to the Assistance Fund at or prior to the execution of the Series 2010B-C Certificates.

Under the 2010B-C Subleases and the Participation Agreements, the 2010B-C Participating K-12 Institutions will agree to construct and use the respective 2010B-C Projects in a manner which satisfies the restrictions of the Internal Revenue Code and the Act. In accordance with the terms of the 2010B-C Subleases and the Participation Agreements between the State and the 2010B-C Participating K-12 Institutions, each of the 2010B-C Participating K-12 Institutions agrees to construct the respective facilities. In accordance with the 2010B-C Lease, the State has agreed to cause such facilities (except the project of Crestone Charter School, Inc.) to be constructed by causing a 2010B-C Participating K-12 Institution to comply with its related 2010B-C Sublease, but no failure of the related 2010B-C Participating K-12 Institution to comply with the relevant provisions of its 2010B-C Sublease will relieve the State of its obligation to cause the facilities to be constructed. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property – The 2010B-C Subleases and Matching Moneys" and "CERTAIN RISK FACTORS – Actions under the 2010B-C Subleases."

THE SERIES 2010B-C CERTIFICATES

Generally

General information describing the Series 2010B-C 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 2010B-C Site Leases, the 2010B-C Lease, the 2010B-C Subleases, the Master Indenture, the 2010B-C Supplemental Indenture and the forms of Series 2010B Certificates and Series 2010C Certificates included in the 2010B-C Supplemental Indenture, all as attached hereto in **Appendix B** hereto.

The Series 2010B-C Certificates will be dated as the date of delivery and will mature and bear interest (calculated based on a 360-day year of twelve 30-day months) as described on the inside cover page of this Official Statement. Principal and premium, if any, is payable when due upon surrender of the Series 2010B-C Certificates at the office of the Trustee. The forms of the Series 2010B-C Certificates are set forth at **Appendix H** – "FORMS OF SERIES 2010B-C CERTIFICATES." The Series 2010B-C Certificates will be executed and delivered as fully registered certificates in the denomination of $5,000 or any integral multiple thereof.

Designation of the Series 2010B Certificates as "Build America Bonds"

Pursuant to the CRRFA, the State has elected to designate the Series 2010B Certificates as "build America bonds" for purposes of the Recovery Act and to receive Federal Direct Payments from the United States Treasury in connection therewith. Pursuant to the Recovery Act, the State expects Federal Direct Payments from the United States Treasury equal to 35% of the interest payable on the Series 2010B Certificates provided that it complies with certain covenants and subject to offset against certain amounts that may, for unrelated reasons, be owed by the State to an agency of the United States. Such Federal Direct Payments, to the extent received by the State from the United States Treasury and held by the Trustee on behalf of the State, are required under the Indenture to be deposited in the Interest Account of the Certificate Fund. In accordance with the terms of the CRRFA (enacted pursuant to HB 09-1346), such Federal Direct Payments will be netted against and reduce the interest portion of the gross Base Rent payable by the State each Fiscal Year under the 2010B-C Lease. See "BASE RENT," "SECURITY AND SOURCES OF PAYMENT – Federal Direct Payments," "CERTAIN RISK FACTORS – Federal Direct Payments" and "TAX MATTERS."

To receive the Federal Direct Payments, under currently existing procedures, a Form 8038-CP must be filed with the Internal Revenue Service no less than 45 to 90 days prior to each Interest Payment Date. Federal Direct Payments are expected to be received on or before each Interest Payment Date. Depending on the timing of the filing and other factors, the Federal Direct Payments may, however, be received before or after the corresponding Interest Payment Dates. See "CERTAIN RISK FACTORS – Federal Direct Payments" and "TAX MATTERS."

Book-Entry System

DTC will act as securities depository for the Series 2010B-C Certificates. The Series 2010B-C 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 2010B-C 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 2010B-C Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010B-C Certificates on DTC's records. The ownership interest of each actual purchaser ("**Beneficial Owner**") of each Series 2010B-C Certificate 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 2010B-C Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2010B-C Certificates, except in the event that use of the book-entry system for the Series 2010B-C Certificates is discontinued.

To facilitate subsequent transfers, all Series 2010B-C Certificates and 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 2010B-C Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010B-C Certificates; 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 2010B-C Certificates

may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2010B-C Certificates, such as redemption, tenders, defaults and proposed amendments to the underlying documents. For example, Beneficial Owners of the Series 2010B-C Certificates may wish to ascertain that the nominee holding the Series 2010B-C Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010B-C Certificates within an issue are being redeemed, DTC's practice is to determine by pro rata 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 2010B-C 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 2010B-C Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and redemption proceeds on the Series 2010B-C 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 2010B-C Certificates 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 2010B-C Certificates 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 2010B-C Certificates will be printed and delivered as described in the Indenture.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2010B-C Certificate and payment of principal and other payments on the Series 2010B-C Certificates to Direct Participants, Indirect Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2010B-C 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.

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

Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default

The Series 2010B-C Certificates and all other outstanding Certificates shall be redeemed in whole, on such date as the Trustee may determine to be in the best interest of the Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, at a redemption price equal to the lesser of: (i) the principal amount of the Series 2010B-C Certificates (with no premium), plus accrued interest, if any, to the redemption date or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Leases with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under any Lease that gave rise to such redemption and (B) the other amounts available in the Trust Estate for payment of the redemption price of the Series 2010B-C Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, which amounts shall be allocated among the Series 2010B-C Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease 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 Series 2010B-C Certificate pursuant to the 2010B-C Supplemental Indenture and any similar redemption provision applicable to any other Certificate shall be deemed to be the payment in full of such Series 2010B-C Certificate and such other Certificate, and no Owner of any such Series 2010B-C Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate 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 the occurrence of an Event of Nonappropriation or Event of Default under any Lease, notify the Owners of the Series 2010B-C Certificates and all other Certificates that are subject to redemption upon the occurrence and continuation of an Event of Nonappropriation or the occurrence and continuation of an Event of Default 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 thereof. If the funds then available to the Trustee are sufficient to pay the redemption price, 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 of the Series 2010B-C Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) 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 Leases, (bb) subject to the applicable provisions of the Indenture, immediately begin to exercise and diligently pursue all remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

Optional Redemption

Series 2010B Certificates. The Series 2010B Certificates maturing on and after March 15, 2021 are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations pro rata from the remaining maturities and within each maturity, on any date on and after March 15, 2020, at a redemption price equal to the principal amount of the Series 2010B Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

Series 2010C Certificates. The Series 2010C Certificates are not subject to redemption at the option of the State prior to their maturity dates.

Extraordinary Optional Redemption

Series 2010B Certificates. The Series 2010B Certificates are subject to extraordinary redemption at the option of the State, in whole or in part and if in part in Authorized Denominations pro rata from the remaining maturities and within each maturity, on any date designated by the State following the State's determination (which determination shall be conclusive and not subject to challenge) that a Taxable Build America Certificates Tax Law Change has occurred at a redemption price equal to accrued interest to the redemption date plus the greater of (i) the principal amount of the Series 2010B Certificates to be redeemed, and (ii) the present value of all principal and interest payments scheduled to be paid on the Series 2010B Certificates after the redemption date, discounted to the redemption date on a semiannual basis at the Treasury Rate plus 100 basis points.

Mandatory Pro Rata Redemption

Series 2010B Certificates. The Series 2010B Certificates maturing on March 15, 2025 and March 15, 2030 are subject to mandatory pro rata redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2010B Certificates maturing on a particular date shall be selected for redemption on each mandatory pro rata redemption date on a pro rata basis (and not by lot) from all Series 2010B Certificates maturing on such date, rounded to the nearest Authorized Denomination.

Series 2010B Certificates maturing on March 15, 2025

Mandatory Pro Rata Redemption Date (March 15)	Principal Amount
2023	$3,175,000
2024	3,290,000
2025*	9,385,000

* Maturity date

Series 2010C Certificates maturing on March 15, 2030

Mandatory Pro Rata Redemption Date (March 15)	Principal Amount
2026	$ 9,735,000
2027	10,130,000
2028	10,540,000
2029	10,970,000
2030*	11,415,000

* Maturity date

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

Notice of Redemption

Notice of the call for any redemption, identifying the Series 2010B-C 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 2010B-C 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 2010B-C 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 2010B-C Certificates called for redemption, which moneys are or will be available for redemption of Series 2010B-C 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 2010B-C Certificates called for redemption. The Trustee is required to pay to the Owners of Series 2010B-C Certificates so redeemed, the amounts due on the Series 2010B-C Certificates at the Operation Center of the Trustee upon presentation and surrender of the Series 2010B-C Certificates.

State's Purchase Option Price

State's Option to Purchase all Leased Property in Connection with Defeasance of Series 2010B-C Certificates

The State has been granted in the 2010B-C Lease the option to purchase all, but not less than all, of the 2010B-C Leased Property in connection with the defeasance of all the Series 2010B-C Certificates by paying to the Trustee the "State's Purchase Option Price," subject to compliance with all conditions to the defeasance of the Series 2010B-C 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 2010B-C Leased Property as described in this paragraph, the "**State's Purchase Option Price**" is an amount sufficient (i) to defease all the Series 2010B-C Certificates in accordance with the defeasance provisions of the Indenture and (ii) to pay all Additional Rent payable through the date on which the 2010B-C 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 2010B-C Leased Property and the payment, redemption or defeasance of the Outstanding Series 2010B-C 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 2010B-C Certificates, and (B) if any Series 2010B-C 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 2010B-C Certificates shall be substituted for the Series 2010B-C 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 2010B-C 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 2010B-C 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 2010B-C Certificates (assuming that the State chooses not to terminate the Leases during the Lease Term, which it has an annual option to do).

	Base Rent Series 2010B-C Certificates				
Fiscal Year (ended June 30)	Principal Component[1]	Interest Component[1]	Less Expected Federal Direct Payments[2][3]	Total Series 2009 Certificates Base Rent	Total Fiscal Year Net Base Rent
2010	--	--	--	$ 3,535,000	$ 3,535,000
2011	$ 2,175,000	$ 5,481,927	($1,752,572)	5,975,000	11,879,355
2012	2,205,000	5,453,697	(1,757,454)	5,975,000	11,876,243
2013	2,275,000	5,387,547	(1,757,454)	5,975,000	11,880,093
2014	2,340,000	5,319,297	(1,757,454)	5,975,000	11,876,843
2015	2,435,000	5,225,697	(1,757,454)	5,975,000	11,878,243
2016	2,540,000	5,128,297	(1,757,454)	5,970,000	11,880,843
2017	2,645,000	5,021,297	(1,757,454)	5,970,000	11,878,843
2018	2,715,000	4,910,577	(1,718,702)	5,970,000	11,876,876
2019	2,795,000	4,788,077	(1,675,827)	5,970,000	11,877,250
2020	2,880,000	4,656,376	(1,629,732)	5,970,000	11,876,645
2021	2,970,000	4,516,351	(1,580,723)	5,970,000	11,875,628
2022	3,070,000	4,366,009	(1,528,103)	5,970,000	11,877,906
2023	3,175,000	4,204,466	(1,471,563)	5,970,000	11,877,903
2024	3,290,000	4,022,316	(1,407,811)	5,975,000	11,879,506
2025	9,385,000	3,833,569	(1,341,749)	--	11,876,820
2026	9,735,000	3,295,151	(1,153,303)	--	11,876,849
2027	10,130,000	2,687,493	(940,623)	--	11,876,871
2028	10,540,000	2,055,178	(719,312)	--	11,875,866
2029	10,970,000	1,397,271	(489,045)	--	11,878,227
2030	11,415,000	712,524	(249,384)	--	11,878,141
Total	$99,685,000	$82,463,127	($28,203,175)	$87,145,000	$241,089,951

(1) There will be credited against the amount of Base Rent otherwise payable under the 2010B-C 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.

(2) Represents amount of expected Federal Direct Payments on the Series 2010B Certificates. See "SECURITY AND SOURCES OF PAYMENT – Payments by the State" and " – Federal Direct Payments," "CERTAIN RISK FACTORS – Federal Direct Payments," "FORWARD-LOOKING STATEMENTS," AND "TAX MATTERS."

(3) The State has covenanted in the 2010B-C Lease to request the Federal Direct Payments from the United States Treasury and the Trustee in the 2010B-C Lease has agreed to assist the State in doing so. See "THE SERIES 2010B-C CERTIFICATES – Designation of the Series 2010B-C Certificates as 'Build America Bonds,'" "CERTAIN RISK FACTORS – Build Federal Direct Payments." See the form of 2010B-C Lease attached hereto as **Appendix B**.

SECURITY AND SOURCES OF PAYMENT

Payments by the State

Each Series 2010B-C Certificate evidences undivided interests in the right to receive Lease Revenues pursuant to the Leases, including: (i) the Base Rent; (ii) Federal Direct Payments; (iii) 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); (iv) 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 (v) any other moneys to which the Trustee may be entitled for the benefit of the Owners. All payment obligations of the State under the 2010B-C 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 2010B-C Lease attached hereto in **Appendix B**, following an Event of Nonappropriation, the Lease Term of the 2010B-C 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 2010B-C Lease, 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. In addition, amounts on deposit in the Assistance Fund are not restricted to the payment of the Certificates and may be used for any purpose permitted by the Act, including, without limitation, defraying the cost of Projects. 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, INCLUDING THE STATE GENERAL FUND, 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 with 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 2010B-C Site Leases, the 2010B-C Lease, the 2010B-C 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 2010B-C 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 2010B-C Leased Property). However, the Indenture and the 2010B-C Lease permit the State to purchase the Leased Property in connection with the defeasance of all of the Series 2010B-C Certificates, as described in "THE SERIES 2010B-C CERTIFICATES – State's Purchase Option Price." The 2010B-C Participating K-12 Institutions (and, in the case of charter schools, the chartering school districts) 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 2010B-C Lease as described in "The Leased Property - The 2010 Sublessee's Purchase Option" under this caption and to substitute different property for certain of the 2010B-C Leased Property as described in "The Leased Property – The 2010B-C Subleases and Matching Moneys" 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 2010B-C Participating K-12 Institution has not exercised the purchase option of its portion of the 2010B-C Leased Property, the State and such 2010B-C Participating K-12 Institutions (and, in the case of charter schools, the chartering school districts) 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 2010B-C 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 2010B-C Site Leases, 2010B-C Lease, the 2010B-C Subleases and the Indenture attached hereto in **Appendix B**.

The 2010B-C 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 2010B-C 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 2010B-C Leased Property as required by the 2010B-C Lease and only as to certain liabilities as described in the 2010B-C Lease. All property, funds and rights acquired by the Trustee upon the nonrenewal of the 2010B-C 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 2010B-C Lease and the Indenture), are required to be used to redeem the Series 2010B-C Certificates, if and to the extent any such moneys are realized. See "CERTAIN RISK FACTORS," and forms of the 2010B-C Site Leases, 2010B-C Lease, 2010B-C Subleases and the Indenture attached hereto in **Appendix B.**

The Leased Property

Generally

The Leased Property upon issuance of the Series 2010B-C Certificates is described generally below. As described above, the State is not permitted to renew any Lease (including the 2010B-C Lease) with respect to less than all of the Leased Property (including the 2010B-C Leased Property) and a decision not to renew any Lease would mean a loss of all of the Leased Property subject to a Lease (including the 2010B-C Leased Property) for the State unless the purchase option for all of the Leased Property has been exercised by the State. See "THE SERIES 2010B-C CERTIFICATES – State's Purchase Option Price." The State may make substitutions, or may consent to substitutions by the 2010B-C Participating K-12 Institutions, of 2010B-C Leased Property in accordance with the terms of the

2010B-C Leases and the respective 2010B-C Subleases as described in "Substitution of Leased Property" under this caption. Owners of the Series 2010B-C 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 and the Series 2010B-C 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.

In some cases, the Leased Property for a Participating K-12 Institution is comprised of leasehold interests in land and the school facilities for such Participating K-12 Institutions to be built thereon consistent with construction guidelines adopted by the Assistance Board (the "**Construction Guidelines**"). Under such circumstances, such Participating K-12 Institutions have covenanted to complete construction of their respective facilities within three years of the date of the related Sublease, but the State expects all of the facilities to be completed within 18 to 25 months. In other cases, the Leased Property for a Participating K-12 Institution is comprised of existing facilities, which were not financed with the Certificates.

The following table describes the Leased Property subject to Site Leases between the Trustee and the respective Participating K-12 Institutions as indicated on the table:

Leased Property[1]

Participating K-12 Institutions	Description of Leased Property	Land	Fair Market Value[2]
Alamosa School District No. Re-11J	Two elementary schools (144,688 sq. ft./72 classrooms)	26.6 acre parcel of undeveloped land valued at $226,000	$39,432,655[3]
Sangre de Cristo School District Re-22J	One K-12 school (81,000 sq. ft/24 classrooms)	40 acre parcel of agricultural land valued at $32,667	23,909,250[3]
Sargent Re-33J	One junior/senior high school (62,463 sq. ft/18 classrooms)	1.2 acre parcel valued at $6,656[5]	22,696,795[3] [4]
Alta Vista Charter School, Inc.	Addition to K-8 School (18,000 sq. ft. + renovation)	7.4 acre parcel valued at $37,634	7,032,043[4]
Colorado School for the Deaf and Blind	Historical Building Renovation (6,000 sq. ft. addition/ 7 classrooms)	0.6 acre parcel valued at $55,756	15,314,369[4]
Delta County Joint School District 50	Existing Elementary School	10.5 acre parcel valued at $60,000	10,163,261[4]
Douglas County School District, Re1	Existing Administrative Building	2.1 acre parcel valued at $283,484	2,174,917[4]
El Paso County School District No. 8	Existing Activity Center Building	4.1 acre parcel valued at $78,000	3,578,000[4]
Miami Yoder School District JT-60	Phase II of New PK-12 School (64,974 sq. ft.)	2 acre parcel valued at $1,300	17,591,573[4]
Park County School District Re-2	New PK-12 Campus (125,000 sq. ft./40 classrooms)	9.8 acre parcel valued at $657,416	24,730,242
San Juan County School District No. 1	Renovate Historical K-12 School (21,500 sq. ft. bldg + 10,000 sq. ft. gym)	1.1 acre parcel valued at $1,108,600	16,165,349[4]
Swink School District No. 33	Elementary School Classroom Addition (5,800 sq. ft./6 classrooms)	0.3 acre parcel valued at $230[5]	1,504,021
		Total:	**$184,292,475**
		Percentage of Total Principal Amount of Certificates:	**98.64%**

(1) The Leased Property shown on this list, or any portion thereof, may be released and other property substituted therefor as described in "Substitution of Leased Property" under this caption. In some cases, the Leased Property is comprised of existing facilities which were not wholly or partially financed with the proceeds of the Certificates.

(2) As defined in the Glossary included in the form of 2010B-C Supplemental Indenture attached as **Appendix B** hereto.

(3) The Projects funded by the related Certificates have not been completed. These values include, entirely or in part (in the case of renovations and additions), moneys held in the Project Accounts under the Indenture and certain Matching Moneys that may be withdrawn from the Assistance Fund to pay the Project costs. To the extent some of the Project cost funds have been expended, there is no assurance that the liquidation value of such partially completed Project is equal to the amount expended.

(4) These amounts include, entirely or in part (in the case of renovations or additions), the valuation of existing buildings on the Leased Property based on a determination by the Colorado School District Self Insurance Pool, the Participating K-12 Institution's private carrier, the State, or the State's risk management program and have not been determined or confirmed by any third party evaluation. New construction value is equal to the amount deposited to the related Project Account and amounts that may be withdrawn from the Assistance Fund.

(5) 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 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."

Replacement of 2010B-C Leased Property Due to Cancellation of Sublease by State

As of the date hereof, the State has not completed its review of the title documentation relating to any of the 2010B-C Leased Property. Accordingly, it is possible that restrictions or reservations in such title documentation could negatively affect the Trustee's ability to liquidate such property in the event of a termination of the 2010B-C Lease Term. See "CERTAIN RISK FACTORS – Effect of a Nonrenewal of a Lease." The 2010B-C Subleases provide that if, on or before March 16, 2011, the Trustee has not received the title insurance policy for the 2010B-C Participating K-12 Institution's Leased Property described in paragraph 1 of the form of requisition attached as Appendix C to the 2010B-C Supplemental Indenture and the 2010B-C 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 2010B-C Participating K-12 Institution's Project as described in paragraph 2 of the form of requisition attached as Appendix C to the 2010B-C Supplemental Indenture, the State may, in its sole discretion, cancel the related 2010B-C Sublease and 2010B-C Site Lease and return any Matching Moneys paid to the State and direct the Trustee to use the moneys in such 2010B-C Participating K-12 Institution's Project Account for the Costs of another Project or for any purpose permitted under the Indenture. Until the Trustee has received the title insurance policy referenced above, the Trustee will not authorize the expenditure of Project Costs for the related 2010B-C Participating K-12 Institution..

The 2010B-C Subleases and Matching Moneys

In connection with the execution and delivery of the Series 2010B-C Certificates, the State and each of the 2010B-C Participating K-12 Institutions, except Crestone Charter School, Inc., is entering into a 2010B-C Sublease pursuant to which each of such 2010B-C Participating K-12 Institutions, as Sublessee, will agree, in exchange for use of a portion of the 2010B-C Leased Property, to pay (subject to their right not to appropriate) all Additional Rent due under the 2010B-C Lease with respect to such portion of the 2010B-C Leased Property and the Series 2010B-C Certificates. The respective 2010B-C Participating K-12 Institution's obligations to pay such amounts under the 2010B-C Sublease are subject to annual appropriation by such 2010B-C Participating K-12 Institution. Pursuant to the 2010B-C Subleases, each of the 2010B-C Participating K-12 Institutions has agreed to maintain the respective 2010B-C Leased Property and to provide all insurance for such 2010B-C Leased Property as required by the 2010B-C Lease.

Certain 2010B-C Participating K-12 Institutions or their chartering school districts have agreed to pay Matching Moneys to the State for credit to the Assistance Fund with respect to such 2010B-C Participating K-12 Institution's Project in the form of cash, Base Rent, Matching Moneys Installment Payments or principal of and interest on Matching Moneys Bonds. The obligations of the 2010B-C Participating K-12 Institutions to pay Matching Moneys as Base Rent or Matching Moneys Installment Payments are subject to annual appropriation by the 2010B-C Participating K-12 Institutions. The obligations of a 2010B-C Participating K-12 Institution or its chartering school district to pay principal and interest on its Matching Moneys Bond are <u>not</u> subject to annual appropriation by the issuer of such bond. The obligations and rights of a 2010B-C Participating K-12 Institution and the State with respect to the 2010B-C Participating K-12 Institution's Matching Moneys Bonds and Matching Moneys Installment Payments are independent of the obligations of the 2010B-C Participating K-12 Institution, as Sublessee or Participant, and the rights of the State under the 2010B-C Subleases and Participation Agreements and, except as otherwise specifically provided in the related 2010B-C Sublease or Participation Agreement, (a) the obligations of the 2010B-C Participating K-12 Institution or its chartering school district and the rights of the State with respect to the 2010B-C Participating K-12 Institution's obligations to with respect to the Matching Moneys Bonds will survive the termination of the 2010B-C Subleases and Participation Agreements and (b) no failure to perform or other action of the State with respect to the 2010B-C

Subleases and Participation Agreements will affect the State's rights to enforce the obligations of the 2010B-C Participating K-12 Institutions or their chartering school districts to make payments under their Matching Moneys Bonds or to pay Matching Moneys Installment Payments.

Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2010B-C Certificates. Once Matching Moneys 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 and interest on the Series 2010B-C Certificates or for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects.

Sublessee's Purchase Option

Each Sublessee has the option to purchase all, but not less than all, of the 2010B-C Leased Property subject to its 2010B-C Sublease following the occurrence of an Event of Default or an Event of Nonappropriation under the 2010B-C Lease as described in the forms of 2010B-C Site Leases, 2010B-C Lease, 2010B-C Subleases and the Indenture attached hereto in **Appendix B**. In the 2010B-C Lease, the Trustee has agreed to notify each Sublessee of the occurrence of an Event of Default or Event of Nonappropriation under any 2010B-C Lease.

Substitution of Leased Property

The Sublessees are permitted by the respective 2010B-C Subleases to substitute other property for the respective 2010B-C 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 2010B-C 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 2010B-C 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 2010B-C Lease or the 2010B-C Participating K-12 Institution's tax covenant set forth in Section 10.04 of the 2010B-C Subleases. See Section 10.04 in the form of 2010B-C Subleases in **Appendix B**. Furthermore, the State is permitted under the 2010B-C Lease to substitute other property for certain 2010B-C 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 2010B-C Leased Property for which it is being substituted, or (ii) all of the Leased Property has a Fair Market Value at least equal to 90% of the principal amount of all Outstanding Certificates and the Trustee receives adequate title insurance documentation, a certificate as to the useful life and essentiality of the substituted property and an opinion of Bond Counsel that such substitution will not cause the State to violate its tax covenant set forth in Section 9.04 of the 2010B-C Lease. The State's certification as to the value may be given based and in reliance upon certifications by the Sublessees and the certifications as to useful file and essentiality may also be provided by the Sublessees.

Insurance

The 2010B-C Leased Property is required to be insured by the 2010B-C 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 2010B-C Lease "- Damage, Destruction and Condemnation," in **Appendix B**. Pursuant to the 2010B-C Subleases, the 2010B-C Participating K-12 Institutions will undertake to provide such insurance with respect to the respective 2010B-C Leased Property as required by the 2010B-C Lease. See "The 2010B-C Subleases and Matching Moneys" under this caption.

Federal Direct Payments

The Federal Direct Payments, to the extent received from the United States Treasury and deposited with the Trustee on behalf of the State, and in accordance with the terms of the CRRFA, will be netted against, and reduce, the interest portion of the gross Base Rent due each Fiscal Year from the State under the 2010B-C Lease. The amount of Base Rent to be included in the annual budget proposal submitted to the Colorado General Assembly pursuant to the terms of the Leases, however, will be the gross Base Rent not reduced by the Federal Direct Payments. See "CERTAIN RISK FACTORS - Federal Direct Payments" and "TAX MATTERS." If any such budget proposal includes an amount exceeding the Maximum Annual Lease Payments permitted under the Act, a request shall be made of the Colorado General Assembly to modify such Maximum Annual Lease Payments prior to submitting a budget proposal which includes an amount equal to the gross Base Rent not reduced by the Federal Direct Payments.

CERTAIN RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2010B-C CERTIFICATES ARE SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2010B-C 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 2010B-C CERTIFICATES AND COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2010B-C CERTIFICATES TO AN EXTENT THAT CANNOT BE DETERMINED.

Option to Renew the Leases Annually

The obligation of the State, as lessee, to make payments under the Leases (including the 2010B-C 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 2010B-C Lease), the Lease Term of the 2010B-C 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 2010B-C 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 2010B-C Sublease has been exercised, the 2010B-C 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 2010B-C 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 2010B-C Participating K-12 Institutions for the Leased Property (including the 2010B-C 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 2010B-C Lease) is dependent upon several factors outside the State's control, such as the economy, legislative changes 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 2010B-C 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 2010B-C Lease) would mean the loss of the use of all of the Leased Property by the State. However, each of the 2010B-C Participating K-12 Institutions which is a Sublessee has the right to exercise a purchase option under its respective 2010B-C Sublease in order to purchase and retain the right to use its portion of the 2010B-C Leased Property in the event that the State chooses not to appropriate and thereby terminate the Leases (including the 2010B-C Lease). See "SECURITY AND SOURCES OF PAYMENT – The Leased Property."

The Trustee, as Lessor or Trustee, has no obligation to, nor will it make any payment on the Certificates or otherwise pursuant to the Leases 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 Sublessees are required to vacate the respective Leased Property being used under the Subleases (unless the purchase option under any Sublease has been exercised by any 2010B-C Participating K-12 Institution) within 90 days. The Subleases will automatically terminate upon any nonrenewal of any Lease by the State. Subject to the right of the respective Sublessees to purchase the Leased Property under the 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 Leases place certain limitations on the availability of money damages against the State as a remedy. For example, the Leases provide 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 related Lease and only as to certain liabilities as described in such 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 2010B-C Lease – "Events of Default" and "– Remedies on Default" in **Appendix B** and "THE SERIES 2010B-C 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 2010 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 2010B-C 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 Leased Property has not been based on any independent third party appraisal or evaluation. See "SECURITY AND SOURCES OF PAYMENT – The Leased Property." To the extent Leased Property constitutes Projects financed by outstanding Certificates and such Projects are partially constructed, the Trustee's ability to liquidate such Leased Property may be hindered. The value of the Leased Property could also 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. Further, a considerable amount of Leased Property is located in areas of the State with lower population and commercial densities, which could have a detrimental effect on the Trustee's efforts to liquidate such properties. The Sublessees and the State may also substitute other property for certain Leased Property as described in "SECURITY AND SOURCES OF PAYMENT – The Leased Property – Substitution of Leased Property."

As described under "SECURITY AND SOURCES OF PAYMENT – The Leased Property," the Trustee may only be able to lease certain 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 2010B-C Certificates by the State or the Trustee.

Federal Direct Payments

No assurances are provided that the State or the Trustee will receive Federal Direct Payments pursuant to the Recovery Act. The amount of any Federal Direct Payment is subject to legislative changes by Congress. Further, Federal Direct Payments will only be paid if the Series 2010B Certificates qualify as "qualified bonds" and "build America bonds" within the meaning of the Recovery Act. For the Series 2010B Certificates to be and remain "qualified bonds" and "build America bonds" within the meaning of the Recovery Act, the State and the 2010B-C Participating K-12 Institutions must comply with certain covenants and the State and the 2010B-C Participating K-12 Institutions must establish

certain facts and expectations with respect to the Series 2010B Certificates, the use and investment of proceeds thereof and the use of property financed thereby.

There are currently no procedures for requesting a Federal Direct Payment after the 45th day prior to an interest payment date; therefore, if the request for a Federal Direct Payment is not filed in a timely fashion, it is possible that the State will never receive such Federal Direct Payment. In addition, Federal Direct Payments are subject to offset against certain amounts that may, for unrelated reasons, be owed by the State to an agency of the United States of America. The amount expected to be appropriated each year by the State for payment of Base Rent is the gross Base Rent not reduced by the Federal Direct Payments under the 2010B-C Lease. See "SECURITY AND SOURCES OF PAYMENTS – Sources of Payment."

If the Trustee leases the Leased Property to a non-governmental entity as a result of an Event of Nonappropriation or Event of Default and the Series 2010B Certificates remain outstanding, the Federal Direct Payment will no longer be paid by the United States Treasury because the Series 2010B Certificates will no longer qualify as "qualified bonds" and "build America bonds."

Moreover, the IRS has implemented an examination program for obligations such as the Series 2010B Certificates designated as "build America bonds" for purposes of the Recovery Act and no assurance can be given that the Series 2010B Certificates will be not be selected for a more detailed or comprehensive examination. In the event the IRS files a proposed adverse determination letter as a result of such an examination, currently announced IRS policy is to suspend payment of the Federal Direct Payments, pending a final determination of the qualification of the Series 2010B Certificates. Suspension of the Federal Direct Payment may adversely affect the State's willingness or ability to renew the 2010B-C Lease in future fiscal years.

Enforceability of Remedies

Under the Leases, 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 Leases is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the 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 a 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 relevant 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 Leases and the Indenture or to redeem or pay the Series 2010B-C Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT."

Effects on the Series 2010B-C 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 2010B-C Lease under certain circumstances as provided in the 2010B-C Lease, upon the treatment for federal or State income tax purposes of any moneys received by the Owners of the Series 2010B-C Certificates subsequent to such termination. See "TAX MATTERS." If the 2010B-C 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 Series 2010B-C Certificates will be transferable without registration, or a

transactional exemption from registration, under the federal securities law following the termination of the 2010B-C Lease.

Insurance of the Leased Property

The Subleases require that the 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 Leased Property subject to their respective Subleases in an amount equal to the full replacement value of the Leased Property. The Subleases also require that the 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 Participating K-12 Institutions in connection with the Leased Property subject to their respective Subleases and the Leases: (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 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 Leases require 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 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, in the case of the Colorado School for the Deaf and Blind, the State's risk management program or, with the State's consent, the Participating K-12 Institution's risk management program. The insurance required by the Leases will be provided by the Participating K-12 Institutions pursuant to the Colorado School District Self Insurance Program, in the case of the Colorado School for the Deaf and Blind, the State's risk management program or, with the State's consent, the Participating K-12 Institution's independent risk management program, if any. See "LITIGATION AND SOVEREIGN IMMUNITY – Self Insurance." There is no assurance that, in the event the Lease is terminated as a result of damage to or destruction or condemnation of the related Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Series 2010B-C Certificates at a price equal to the principal amount thereof outstanding. See "THE SERIES 2010B-C CERTIFICATES – Redemption."

Actions under the Subleases

Although the State's payment of Rent under the Leases will not depend or be conditioned upon payment of Rent, if any, under the Subleases, certain actions by the Participating K-12 Institutions in respect of the related Leased Property or Project could have an adverse affect on the interests of the owners of the Series 2010B-C Certificates. For example, failure to operate or maintain the Leased Property under a related Sublease in accordance with the terms thereof could diminish the value of that Leased Property; if, for whatever reason, such 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 Certificate principal or to redeem the full Series 2010 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 Participating K-12 Institution to obtain the casualty and property insurance policies required by the applicable Sublease could limit the principal amount of Series 2010B-C Certificates redeemed upon the damage or destruction of the subject Leased Property under certain circumstances. In addition, while the State expects that Certificate principal and interest 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 Leased Property will be used by Participating K-12 Institutions, which are governmental units, use of the Projects financed with Series 2010B-C Certificate proceeds by private persons or businesses, within the meaning of applicable tax law, could adversely affect the federal tax treatment of Series 2010B-C 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. If the OSPB forecast projects a budgetary shortfall in excess of one-half of the Unappropriated Reserve (as further described under "THE STATE OF COLORADO – Budget Process and Other Considerations – Revenues and Unappropriated Amounts") requirement for the current Fiscal Year, by statute the Governor is required to take certain budget balancing measures to ensure that the Unappropriated Reserve as of the close of such Fiscal Year will be at least one-half of the required amount. See **Appendix E** – "THE STATE GENERAL FUND – Revenue Estimation – Revenue Shortfall" and "– OSPB Revenue and Economic Forecasts." Additionally, the Colorado Legislative Council also prepares quarterly revenue forecasts which are released on the same dates as the OSPB revenue forecasts.

The most recent OSPB revenue forecast was issued on December 18, 2009 (the "**OSPB December 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 OSPB December Revenue Forecast states that, based on the budget balancing plans submitted by the Governor to the Joint Budget Committee on August 25, 2009 and December 1, 2009 to address previously forecasted revenue shortfalls of $589.4 million, the State budget for Fiscal Year 2009-10 is balanced, such balancing plan is sufficient to restore the Unappropriated Reserve to the required 2% level, and there is no additional projected Fiscal Year 2009-10 revenue shortfall. See **Appendix D** – "THE STATE GENERAL FUND – Revenue Estimation – Revenue Shortfall" and "– Budgetary Reduction Measures for Fiscal Years 2008-09, 2009-10 and 2010-11."

The Colorado Legislative Council forecast released on December 18, 2009 projected an additional revenue shortfall in Fiscal Year 2009-10 of $39.9 million as compared to its prior forecast released on September 21, 2009. Further budget balancing measures for Fiscal Year 2009-10 will be necessary in order to address this increased shortfall projected by the Colorado Legislative Council.

The next OSPB revenue forecast and the Colorado Legislative Council revenue forecast will be released on March 18, 2010. General Fund revenue projections in the new forecasts may be materially different from the December revenue forecasts and may project an additional revenue shortfall in either or both of these forecasts. Due to the volatility in the State and national economies, on average the last six forecasts from both offices have been significantly lower than the immediately preceding forecast, and such volatility may be reflected in the March 2010 forecasts. If an additional revenue shortfall is projected for Fiscal Year 2009-10 and subsequent forecasted years, further budget cuts will be necessary to ensure the balanced budget. A further revenue shortfall could adversely affect the State's ability to appropriate sufficient amounts to pay Base Rent in subsequent Fiscal Years.

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."

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 2010B-C 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 potential impact of three citizen's initiatives to be submitted to State voters in November 2010 is discussed below under "Colorado Ballot Initiative Process."

Colorado Ballot Initiative Process

The State Constitution provides that the people of the State reserve to themselves the power to propose laws and amendments to the State Constitution ("**Initiatives**") and to enact or reject such Initiatives by a vote of the people by Statewide ballot. The process for placing a Statewide Initiative on the ballot is governed by the State Constitution and State law, and involves the development of language and a title for each ballot and obtaining a certain number of signatures of registered voters. The Elections Division of the Colorado Secretary of State maintains information about the text and status of current Initiatives on its website at www.colorado.gov under "Government – Elections & Voting – Elections and voting information – Initiatives Information." **The reference to the website of the Colorado Secretary of State is included herein for informational purposes only, and information available at such website is not incorporated herein by reference. The State makes no representations regarding the accuracy of the information available at such website.**

The Colorado Secretary of State recently certified three Initiatives (Proposition 101 and Amendments 60 and 61 and identified as Initiatives 10, 12 and 21 in the website described above) to be submitted to the Colorado voters on November 2, 2010. Among other things, these Initiatives are proposed to (1) decrease the State income tax from 4.63% to 3.5% over ten years and reduce vehicle ownership fees and telecommunication fees payable to the State, (2) mandate that all school districts

phase out equally by 2020 half of their respective 2011 tax rates and require the State to replace such revenues yearly with State funds, and (3) prohibit the State from borrowing in any form for any reason or period of time.

Generally, it cannot be predicted at this time whether other measures will qualify to be included on the ballot in any given year, and for measures that have been or are included, whether any of such measures will be approved by the voters of the State. Approval by the voters of certain measures, including the Initiatives described above, may have a material adverse effect on the General Fund and other State revenues. The State does not plan to issue any updates or revisions to these statements if or when measures are proposed by the voters of the State.

THE STATE OF COLORADO

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 3,315 to 14,431 feet above sea level. The current population of the State is approximately five 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, 2009" 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 serve 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 A*** *– STATE OF COLORADO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009,"* ***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 State Treasurer

The State constitution provides that the State Treasurer is to be the custodian of public funds in the State Treasurer's care, subject to legislative direction concerning safekeeping and management of such funds. The State Treasurer is the head of the statutorily created Department of the Treasury (the "**State 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 State 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 State Treasury under procedures prescribed by law or by fiscal rules promulgated by the Office of the State Controller (the "**State Controller**"). The State Treasurer and the State Controller may authorize any department, institution or agency collecting or receiving State moneys to deposit such moneys to a depository to the State Treasurer's credit in lieu of transmitting such moneys to the State Treasury

The State 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

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 2009-10, the Long Appropriation Bill (the "**Long Bill**"), in conjunction with other legislation, designates the funds that constitute the TABOR Reserve. These funds include portions of the Major Medical Insurance Fund and the Wildlife Cash Fund and up to $81.1 million in aggregate value of State properties as designated by the Governor.

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 of 1.8% in Fiscal Year 2004-05, 8.0% in Fiscal Year 2005-06, 5.3% in Fiscal Year 2006-07 and 3.7% in Fiscal Year 2007-08. By statute, the OSPB is responsible for developing the General Fund revenue estimate. According to the OSPB December 2009 Revenue Forecast, in Fiscal Year 2008-09 TABOR revenues declined by 8.7% and will decline by 3.0% in Fiscal Year 2009-10. The actual results of TABOR revenues in Fiscal Year 2008-09 show a decline of 9.0%,

which actual results are expected to be reflected on the State Controller's TABOR Schedule of Computations which is expected to be released in the related State Auditor's report in March 2010.

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 did not, however, eliminate the 6% limit on the annual growth of total

appropriations from the General Fund. The 6% limit was eliminated for Fiscal Year 2009-10 and thereafter by SB 09-228. See "—Budget Process and Other Considerations – *Expenditures: The Balanced Budget and Statutory Spending Limitation*" below under this caption.

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 Colorado 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.

Accordingly, in Fiscal Years 2005-06, 2006-07 and 2007-08, the State was allowed to retain $1.116 billion, $1.308 billion and $1.169 billion, respectively. State revenues did not exceed the TABOR limit in Fiscal Year 2008-09. See **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview."

The OSPB currently forecasts that TABOR revenues in Fiscal Year 2009-10 will not exceed Fiscal Year 2007-08 levels, resulting in Fiscal Year 2007-08 being the highest TABOR revenue year under Referendum C.

Effect of TABOR on the Series 2010B-C Certificates

Voter approval under TABOR is not required for the execution and delivery of the Series 2010B-C 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" within the meaning of TABOR.

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 departmental 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 JBC 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) General Fund Exempt appropriations primarily funded by excess TABOR revenues retained under Referendum C, (iii) Cash Fund appropriations supported primarily by grants, transfers and departmental charges for services, (iv) reappropriated amounts funded by transfers and earnings appropriated elsewhere in the Long Bill; and (v) 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 and approved in part and disapproved in part by the Governor on May 1, 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.

Phase IV (Legislative). During the Fiscal Year for which appropriations have been made, the General Assembly may increase or decrease appropriations through supplemental 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 (the "**Unappropriated Reserve**"), which Unappropriated Reserve may be used for possible deficiencies in General Fund 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 the previously designated 4% to 2% of the amount appropriated for expenditure from the General Fund in each such Fiscal Year. The Governor's Fiscal Year 2010-11 Budget Request includes the continuation of the 2% Unappropriated Reserve requirement for Fiscal Year 2010-11. See **Appendix E** – "THE STATE GENERAL FUND – General Fund Overview – Recent General Fund Financial Results – Revenue Estimation – Revenue Shortfalls."

Expenditures: The Balanced Budget and Statutory Spending Limitation

The State constitution requires that expenditures for any Fiscal Year not exceed available resources 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 were 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 this 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 limitation on the level of General Fund appropriations may also 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.

See "Taxpayer's Bill of Rights" above for a discussion of spending limits imposed on the State by TABOR and changes to these limits as the result of the approval of Referendum C.

Fiscal Year Spending and Emergency Reserves

Through TABOR, the State Constitution 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 State Controller is the head of the Office of the State Controller Office and the State 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 State Treasury are made by warrants signed by the State Controller and countersigned by the State Treasurer, or by electronic funds transfer. The signature of the State Controller on a warrant is full authority for the State Treasurer to pay the warrant upon presentation.

The State Controller is appointed by the Executive Director of the Department of Personnel and Administration. The State 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 State Controller prepares a comprehensive annual financial report ("**CAFR**") 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 financial statements in the State's Fiscal Year 2008-09 CAFR 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 receipts that are related to fees, permits and other charges rather than to the general taxing power of the State.

Financial Audits

Financial and post-performance audits of all State agencies are performed by the State Auditor (the "**Auditor**") through the Auditor's 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 comprised 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 2008-09 CAFR, 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 such CAFR, nor has the Office of the State Auditor performed any procedures relating to this Official Statement.

Investment and Deposit of State Funds

The State Treasurer is empowered by Articles 36 and 75 of Title 24, C.R.S., 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 State 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 State Treasurer is also required to formulate investment policies regarding the liquidity, maturity and diversification appropriate to each Fund or pool of funds in the State Treasurer's custody available for investment. In accordance with this directive, the State 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 State 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 financial statements in the State's Fiscal Year 2008-09 CAFR appended to this Official Statement as **Appendix A** and **Appendix E** – "THE STATE GENERAL FUND – Investment of the State Pool."

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 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. At June 30, 2009, the minimum lease payments due under lease-purchase agreements entered into by the State were estimated to be $55.39 million in Fiscal Year 2009-10 and $54.87 million in Fiscal Year 2010-11. See Notes 24 and 39 to the financial statements included in the State's CAFR for Fiscal Year 2008-09 appended to this Official Statement as **Appendix A** for a discussion of the State's notes and bonds payable and material subsequent events that occurred after June 30, 2009.

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. At June 30, 2009, the minimum lease/rental payments due for buildings and/or equipment for Fiscal Year 2009-10 and Fiscal Year 2010-11 were estimated to be $79.18 million and $76.32 million, respectively. See Note 22 to the financial statements in the State's CAFR for Fiscal Year 2008-09 appended to this Official Statement as part of **Appendix A**.

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 had outstanding $1.061 billion 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, 2009, see Notes 24 and 39 to the financial statements in the State's CAFR for Fiscal Year 2008-09 appended to this Official Statement as **Appendix A**.

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 has made all of the statutorily required contributions to the PERA Health Care Trust Fund. See Notes 18, 19 and 20 to the financial statements in the State's CAFR appended to this Official Statement as **Appendix A**.

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 legally separate, 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 State 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 1984-85, the State has issued tax and revenue anticipation notes in order 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. Since Fiscal Year 2003-04, 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," "DEBT AND CERTAIN OTHER FINANCIAL OBLIGATIONS," LITIGATION AND SOVEREIGN IMMUNITY" and in **Appendices E and F,** 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. The State does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations change or events, conditions in circumstances on which these statements are based occur.

LITIGATION AND SOVEREIGN IMMUNITY

No Litigation Affecting the 2010B-C 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 2010B-C Certificates or questioning or affecting the validity of the Series 2010B-C 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 2010B-C 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 6H, 6I, 21 and 37 to the financial statements in the State's CAFR for Fiscal Year 2008-09 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 38 to the financial statements in the State's CAFR for Fiscal Year 2008-09 appended as **Appendix A** to this Official Statement. The State Attorney General does not believe that any other actions described in that Note, 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 2010B-C Certificates. There can be no assurance, however, regarding the ultimate outcome of the actions described in Note 38 and no provision has been made in the financial statements related to the actions discussed in Note 38. The State Attorney General also does not believe that since June 30, 2009, 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 2010B-C Certificates.

TAX MATTERS

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the 2010B-C Certificates for the investors described below and is based on the advice of Kutak Rock LLP, as Bond Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. 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. In addition, this

summary is generally limited to investors that are "U.S. holders" (as defined below) who will hold the 2010B-C Certificates as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (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 2010B-C Certificates. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "**Service**") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

As used herein, a "**U.S. holder**" is a "**U.S. person**" that is a beneficial owner of a 2010B-C Certificate. A "**non U.S. holder**" is a holder (or beneficial owner) of a 2010B-C Certificate that is not a U.S. person. 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 been granted the authority to control all of the trust's substantial decisions.

Series 2010C Certificates

General. In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Series 2010C Certificates, under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2010C Certificates is excludable from gross income for federal income tax purposes, is not a specific preference item for purposes of the federal alternative minimum tax and is not included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations.

The State and the 2010B-C Participating K-12 Institutions have covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2010C Certificates to be excludible from gross income for federal tax purposes. The opinions set forth above are subject to continuing compliance by the State and the 2010B-C Participating K-12 Institutions with such covenants. Failure to comply with such covenants could cause interest on the Series 2010C Certificates to be included in gross income retroactive to the date of issue of such Series 2010C Certificates.

The accrual or receipt of interest on the Series 2010C Certificates may otherwise affect the federal income tax liability of certain recipients such as banks, thrift institutions, property and casualty insurance companies, corporations (including S corporations and foreign corporations operating branches in the United States), Social Security or Railroad Retirement benefit recipients, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, among others. The extent of these other tax consequences will depend upon the recipients' particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences and investors should consult their own tax advisors regarding the tax consequences of purchasing or holding the Series 2010C Certificates.

Bond Counsel expresses no opinion regarding the effect of any termination of the State's obligations under the Leases, under certain circumstances as provided in the Leases, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2010C Certificates; or any other federal tax consequences related to the ownership or disposition of the Series 2010C Certificates.

Original Issue Premium. The Series 2010C Certificates are being sold at a premium (each a "**Premium Series 2010C Certificate**"). An amount equal to the excess of the issue price of a Premium Series 2010C Certificate over its stated redemption price at maturity constitutes premium on such Premium Series 2010C Certificate. An initial purchaser of a Premium Series 2010C Certificate must amortize any premium over such Premium Series 2010C Certificate's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Series 2010C Certificates callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Series 2010C Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Series 2010C Certificate prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Series 2010C Certificates should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Series 2010C Certificate.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Series 2010C Certificates if the purchasers, upon issuance, fail to supply the indenture trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the indenture trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding.

Series 2010B Certificates

In General. The State intends to designate the Series 2010B Certificates as taxable "build America bonds" pursuant to Section 54AA of the Code. Although the Series 2010B Certificates are issued by the State, interest on the Series 2010B Certificates is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2010B Certificates will be fully subject to federal income taxation. Thus, owners of the Series 2010B Certificates generally must include interest (including original issue discount) on the Series 2010B Certificates in gross income for federal income tax purposes.

To ensure compliance with Treasury Circular 230, holders of the Series 2010B Certificates should be aware and are hereby put on notice that: (a) the discussion in this Official Statement with respect to U.S. federal income tax consequences of owning the Series 2010B Certificates 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; (b) such discussion was written in connection with the promotion or marketing (within the meaning of Treasury Circular 230) of the transactions or matters addressed by such discussion; and (c) each taxpayer should seek advice based on its particular circumstances from an independent tax advisor.

Because build America bonds are a relatively new product, and the investors and future investors therein may be different than the typical investors in tax-exempt bonds, which have a more developed market, our discussion of Series 2010B Certificates is more detailed than our discussion of the Series 2010C Certificates.

Build America Bonds. The Series 2010B Certificates are expected to be issued as taxable build America bonds as authorized by the Recovery Act. Pursuant to the Recovery Act, the State expects to

receive cash subsidy payments from the United States Treasury equal to 35% of the interest portion of the Base Rent payable on the Series 2010B Certificates. The Code imposes requirements on the Series 2010B Certificates that the State must continue to meet after the Series 2010B Certificates are issued in order to receive the cash subsidy payments. These requirements generally involve the way that Series 2010B Certificates proceeds must be invested and ultimately used, and the periodic submission of requests for payments. If the State does not meet these requirements, it is possible that the State may not receive the cash subsidy payments.

Characterization of the Series 2010B Certificates as Indebtedness. Kutak Rock LLP will render on the closing date, with respect to the Series 2010B Certificates, its opinion to the effect that the obligations of the State to pay Base Rent under the 2010B-C Lease (and the Series 2010B Certificates evidencing undivided interests in the receipt of such Base Rent) will be treated as indebtedness of the State for federal income tax purposes. Similarly, the State intends that the Series 2010B Certificates will be treated as indebtedness of the State for federal income tax purposes. The owners of the Series 2010B Certificates, by accepting such Series 2010B Certificates, have agreed to treat the Series 2010B Certificates as indebtedness of the State for federal income tax purposes.

Notwithstanding the characterization of the obligations of the State to pay Base Rent under the 2010B-C Lease (and the Series 2010B Certificates evidencing undivided interests in the receipt of such Base Rent) as indebtedness of the State for federal income tax purposes, they do not constitute a general obligation or other indebtedness of the State, or a multiple fiscal year direct or indirect State debt or other financial obligation whatsoever, within the meaning of any State constitutional or statutory provision.

Taxation of Interest Income of the Series 2010B Certificates. Payments of interest with regard to the Series 2010B Certificates will be includible 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.

Payments of interest received with respect to the Series 2010B 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 2010B Certificates should consult their own tax advisors concerning the treatment of interest payments with regard to the Series 2010B Certificates.

A purchaser (other than a person who purchases a Series 2010B Certificate upon issuance at the issue price) who buys a Series 2010B Certificate at a discount from its principal amount (or its adjusted issue price if issued with original issue discount 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 2010B Certificates which 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 original issue discount should be utilized. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Series 2010B Certificates.

Bond Counsel has expressed no opinion as to the effect of any termination of the State's obligations under the 2010B-C Lease, under certain circumstances as provided in the 2010B-C Lease, upon the treatment for federal income tax purposes of any moneys received by the owners of the Series 2010B Certificates subsequent to such termination.

Sale or Exchange of Series 2010B Certificates. If a Certificateholder sells a Series 2010B Certificate, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the Certificateholder's basis in such Series 2010B Certificate. 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 2010B 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%. The State and Bond Counsel cannot predict whether this increase will receive Congressional approval or become law.

If the terms of a Series 2010B 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 which may be treated as material are those which relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential holder of a Series 2010B Certificate should consult its own tax advisor concerning the circumstances in which the Series 2010B Certificates would be deemed reissued and the likely effects, if any, of such reissuance.

The legal defeasance of Series 2010B Certificates may result in a deemed sale or exchange of such Series 2010B Certificates under certain circumstances. Owners of such Series 2010B Certificates should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding. Certain purchasers may be subject to backup withholding at the application rate determined by statute with respect to interest paid with respect to the Series 2010B Certificates if the purchasers, upon issuance, fail to supply the applicable party or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the applicable party with a certified statement, under penalty of perjury, that they are not subject to backup withholding.

State, Local or Foreign Taxation. The State makes no representations regarding the tax consequences of purchase, ownership or disposition of the Series 2010B Certificates under the tax laws of any other state, locality or foreign jurisdiction (except as provided in "**Exemption Under State Law**" below). Investors considering an investment in the Series 2010B 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. However, as noted above, bond counsel has rendered its opinion that the Series 2010B Certificates will be characterized as debt for federal income tax purposes. Therefore, except to the extent any holder of a Series 2010B Certificate incurs acquisition indebtedness with respect to a Series 2010B Certificate, interest paid or accrued with respect to such Certificateholder may be excluded by such tax exempt Certificateholder from the calculation of unrelated business taxable income. Each potential tax exempt holder of a Series 2010B 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 2010B 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 2010B 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 2010B 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 2010B 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 2010B Certificates. The sale of the Series 2010B Certificates to a plan is in no respect a representation by the State or the Underwriter 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 2010B 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.

Exemption Under State Tax Law

Under existing Colorado statutes: the interest received and other income of the Owners of the Series 2010B Certificates with respect to their undivided interests in the Base Rent paid by the State under the Leases are exempt from taxation and assessments in the State of Colorado; and the interest received by the Owners of the Series 2010C Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases that is excludable from gross income for federal income tax purposes is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. Bond Counsel expresses no opinion regarding the effect of any termination of the State's obligations under the Leases on interest received or income of the Owners of the Series 2010B-C Certificates subsequent to such termination; or other tax consequences related to the ownership or disposition of Series 2010B-C Certificates under the laws of the State of Colorado or any other state or jurisdiction.

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 2010B-C Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to obligations issued prior to enactment. 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 2010B-C Certificates. 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 2010B-C Certificates or the market value thereof would be impacted thereby. Purchasers of the Series 2010B-C Certificates 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 2010B-C 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 2010B-C Certificates are to be purchased by the Underwriters listed on the front cover page of this Official Statement at a price equal to $100,035,917.25 (representing the aggregate principal amount of the Series 2010B-C Certificates plus premium on the Series 2010C Certificates of $880,041.00 less an aggregate underwriting discount of $529,123.75). The Underwriters have agreed to accept delivery of and pay for all the Series 2010B-C 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 related to the Series 2010B-C Certificates, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2010B-C Certificates to certain dealers (including dealers depositing such Series 2010B-C Certificates into investment funds) and others at prices lower than the public officer price stated on the inside cover page hereof. The public offering price set forth on the inside cover page hereof may be changed after the initial offering by the Underwriters.

J.P. Morgan Securities Inc., one of the Underwriters of the 2010B-C Certificates, has entered into an agreement (the "**Distribution Agreement**") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2010B-C Certificates, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the 2010B-C Certificates with UBS Financial Services Inc.

LEGAL MATTERS

Legal matters relating to the validity of the Series 2010B-C Certificates are subject to the approving opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2010B-C 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 2010B-C 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 2010B-C 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 2010B-C Certificates.

RATINGS

Standard & Poor's Ratings Services has assigned the Series 2010B-C Certificates a rating of "AA-" and Moody's Investors Service has assigned the Series 2010B-C 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 2010B-C Certificates and the 2010B-C 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, suspended or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of any such rating may have an adverse effect on the market price of the Series 2010B-C Certificates. Neither the State, the Financial Advisor (hereinafter defined) nor any Underwriter undertakes any responsibility to oppose any such revision, suspension or withdrawal.

FINANCIAL ADVISOR

The State has retained Piper Jaffray & Co., Denver, Colorado as financial advisor (the "**Financial Advisor**") in connection with the Series 2010B-C Certificates and with respect to the authorization, execution and delivery of the Series 2010B-C 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 firm and will not be engaged in underwriting or distributing the Series 2010B-C Certificates.

CONTINUING DISCLOSURE

In connection with its execution and delivery of the Series 2010B-C 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 2010B-C 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, 2010, 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. During the previous five years, the State Treasurer has complied in all material respects with the continuing disclosure undertakings entered into by the State 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 2010B-C 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 State Treasurer. This Official Statement is hereby approved by the State 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

APPENDIX A

State of Colorado Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2009

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COLORADO

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2009

STATE · OF · COLORADO
UNION
AND
CONSTITUTION
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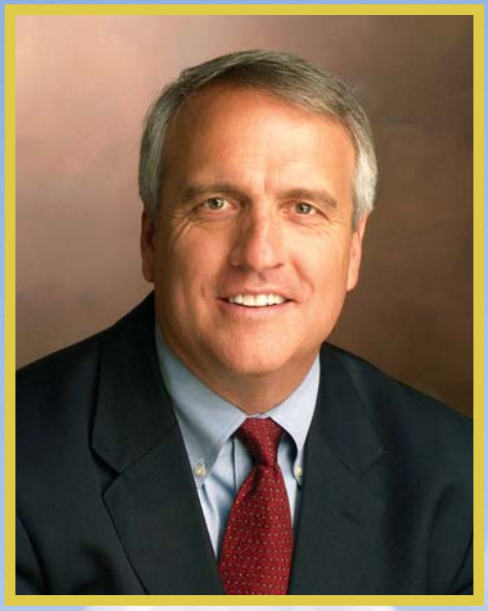
Comprehensive Annual Financial Report



Bill Ritter, Jr.
Governor

For the Fiscal Year Ended June 30, 2009

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, 2009

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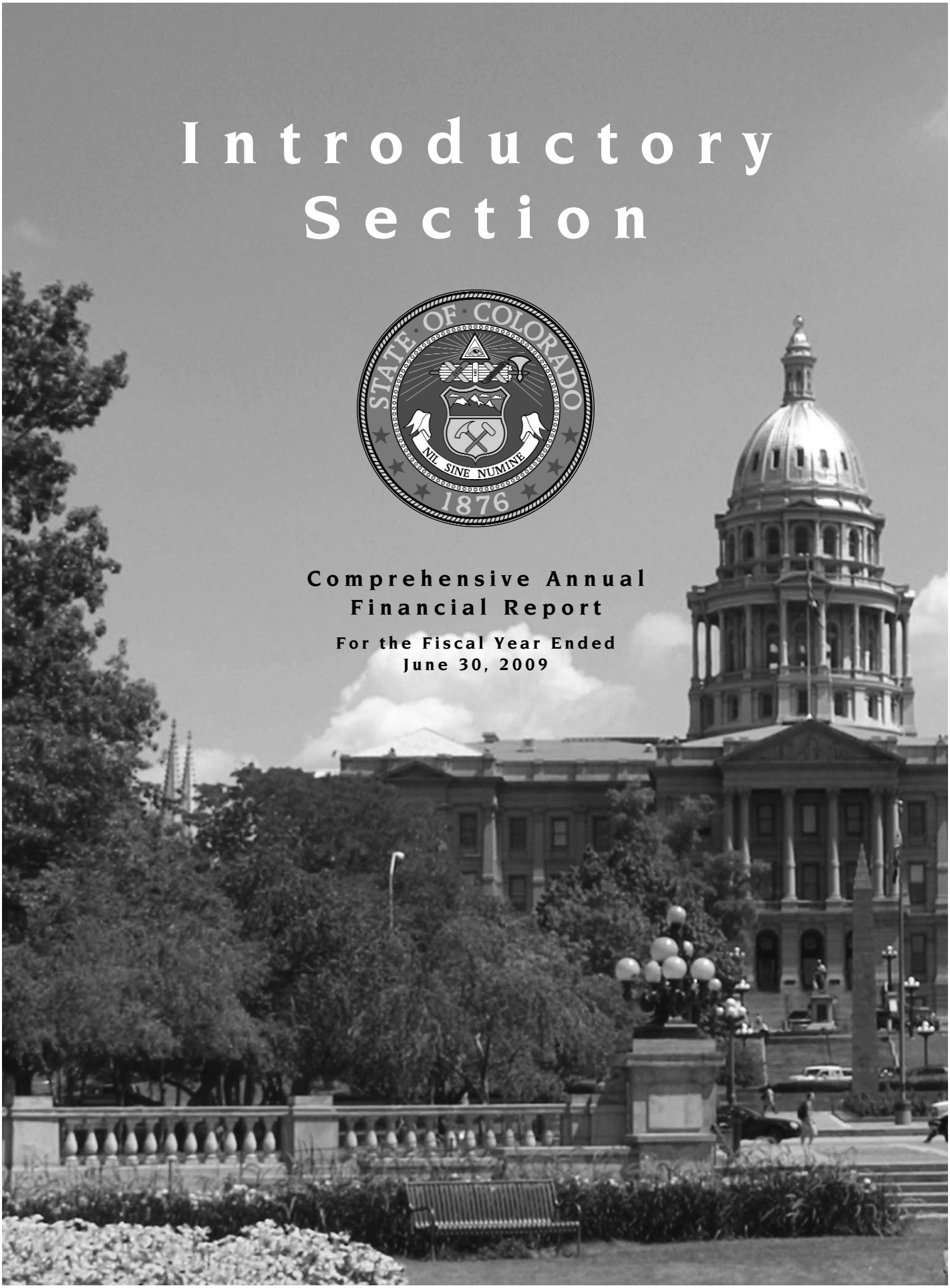


Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

STATE · OF · COLORADO
UNION
AND
CONSTITUTION
NIL SINE NUMINE
1876

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 18, 2009

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, 2009. 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 21, 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 41 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
- Higher Education Competitive Research Authority

Additional information about these component units and other related entities is presented in Note 2 of the financial statements (see page 73). 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 3,315 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.

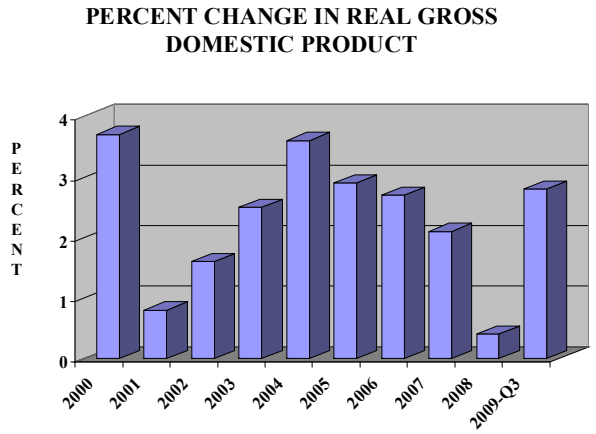
The state maintains a separation of powers utilizing three branches of government – executive, legislative, and judicial. The executive branch comprises four major elected officials – Governor, State Treasurer, Attorney General, and Secretary of State. Most departments of the state report directly to 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 more than 300 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 2008-09; General Fund revenues decreased by $980.0 million (13.1 percent) from the prior year. In absolute dollars, personal income in the state grew by approximately 4.9 percent for 2008 and is forecast to decrease by 0.9 percent for 2009. The growth in new state employment significantly declined with only 18,000 jobs added in 2008 and 86,000 forecast to be lost in 2009.



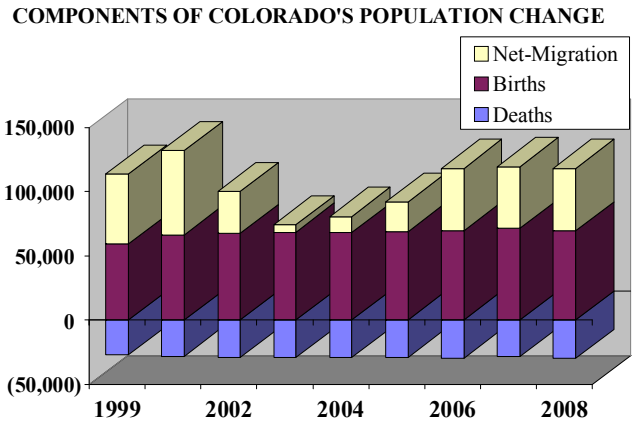
Inflation adjusted national gross domestic product (GDP) grew at an annual rate of 0.4 percent in calendar year 2008 and by an estimated 2.8 percent in the third quarter of 2009. Inflation adjusted GDP decreased 2.5 percent from the third quarter of 2008 to the third quarter of 2009 (all percentage changes 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 0.1 percent, while private domestic investment (including nonresidential structures, equipment and software, residential, and changes in inventories) was down 25.3 percent in aggregate. Residential investment declined 18.8 percent (fourteenth consecutive quarter of decline) and private investment related to nonresidential structures declined by 22.1 percent. Government spending exceeded the quarter-over-quarter growth rate at 2.0 percent largely related to a 5.7 percent increase in nondefense expenditures, as well as an increase in federal defense spending of 5.1 percent. Quarter-over-quarter exports declined by 10.8 percent and imports declined by 14.1 percent due to a weak global economy.

After six consecutive years of expansion, US real GDP became negative in the second half of 2008. Falling housing prices initiated numerous economic problems including the failure and near-failure of major financial institutions, employment losses averaging 420,000 jobs per month in the last quarter of 2008, and a sharp decline in energy prices after record increases during the first half of the year. Overall, these financial stresses reached a level not seen since the end of World War II as the US economy slid into a recession.

In response to this turmoil, the U. S. Congress enacted a variety of measures to shore up financial institutions and the credit markets through the Troubled Asset Relief Program (TARP) and the American Reinvestment and Recovery Act (ARRA). TARP authorized $700 million in financial relief (of which $370 billion was eventually issued) for troubled financial institutions that had suffered severe losses, primarily due to investments in derivative instruments and the subprime lending market. ARRA provided $787 billion of federal funding to states and local governments primarily for job creation and retention and to help stabilize state budgets. At this time, the final impact of both of these acts cannot be determined, however, U.S. credit markets have not recovered to their pre-recession levels. It appears that inflationary fears caused by increased government spending under ARRA have not yet materialized, but the majority of dollars have not been spent yet and the national unemployment rate continues to be high.

The Colorado economy has traditionally lagged behind the national economy and the state remains mired in a recession. According to the state Office of Planning and Budgeting declining tax collections, home prices and retail sales coupled with increased unemployment have contributed to the weak economy. However, unemployment appears to have stabilized with actual job growth between June and July 2009 and OSPB is predicting a moderate recovery in 2010. Major indicators such as housing permits, labor variables and retail sales remain weak although they are stronger than the national economic indicators in general. Colorado is predicted as being one of the leaders of the national recovery due to its diversified economy with investments in the hi-tech and renewable energy sectors and a more stable housing market.

Colorado economic activity and in-migration are interdependent. A relatively stable state economy resulted in in-migration increasing from approximately 47,800 in 2007 to 52,400 in 2008. It remains slightly off its peak amount of about 65,600, which occurred in 2001, but is significantly in excess of its low of about 5,600 in 2003. International in-migration increased slightly from approximately 15,100 to 15,500 for 2007 and 2008, respectively, and in-migration from other states increased more significantly from about 33,000 to about 36,900. 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) September 21, 2009 quarterly estimate predicts that Colorado's economy will continue to weaken throughout calendar year 2009 with a modest recovery during 2010. OSPB has made the following calendar year forecast for Colorado's major economic variables:

- Unemployment will average 7.6 percent for 2009 compared with 4.9 percent and 3.9 percent in 2008 and 2007, respectively, and it is expected to slightly increase in 2010 to 8.0 percent.
- Wages and salary income will decrease by 2.4 percent in 2009 and by 1.6 percent in 2010 before increasing to 3.3 percent growth in 2011.
- Total personal income will decrease by 0.9 percent in 2009 before increasing by 1.6 percent in 2010.
- Net in-migration is expected to be 38,500 in 2009 and 46,100 in 2010 with total population growth of about 1.6 percent and 1.8 percent in each year respectively.
- Retail trade sales will decrease 11.8 percent in 2009 before increasing by 0.1 percent in 2010.
- Colorado inflation will decrease to 1.6 percent in 2009 and 0.6 percent in 2010.

MAJOR GOVERNMENT FISCAL INITIATIVES

The General Assembly enacted and the Governor signed a large number of bills during the 2009 session. The main focus of the session was on budget balancing and revenue issues. Colorado is constitutionally required to maintain a balanced budget as well as a positive General Fund fund balance on the budgetary basis. These requirements, along with the other debt, revenue, and tax limitations in the Constitution necessitated a variety of legislative actions.

The General Assembly enacted the following budget balancing measures:

- The General Assembly authorized the transfer of $815.3 million from various cash funds during Fiscal Year 2008-09 to augment the General Fund and prevent a deficit fund balance. These transfers are further discussed in the notes to the Financial Statements.
- The 4 percent General Fund statutory reserve was reduced to 2 percent for Fiscal Year 2008-09 and 2009-10; it is restored to 4 percent for Fiscal Years 2010-11 and 2011-12 and scheduled to grow by 0.5 percent each fiscal year, from Fiscal Year 2012-13 through 2016-17, until it reaches and is maintained at 6.5 percent.
- The statutory General Fund surplus transfers to transportation and capital construction were repealed during Fiscal Year 2008-09. The General Fund surplus transfer was effectively replaced with a required transfer of 2 percent of general-purpose revenue to transportation and a 0.5 percent transfer to the Capital Construction Fund when certain thresholds are met.
- The diversion of 10.355 percent of sales and use tax receipts to the Highway Fund was repealed during Fiscal Year 2008-09 and the balance in the Sales and Use Tax Holding Fund was transferred to the General Fund at fiscal year-end. The diversion cannot resume sooner than Fiscal Year 2018-19.

- The state appropriated approximately $50.7 million for capital construction and maintenance projects. However, $85.4 million of new and previously appropriated capital projects were decommissioned during Fiscal Year 2008-09, $28.1 million of which was transferred to augment the General Fund. Additionally, $26.6 million was transferred to the Higher Education Federal Mineral Lease Revenues Fund to make payments on certificates of participation issued during Fiscal Year 2008-09.
- A modification to the statutory limit on General Fund growth. In prior years, the Arveschoug-Bird statute limited the annual growth in the state's General Fund to six percent. Legislation during the 2009 session modified this restriction to allow growth of up to five percent of Colorado personal income.
- The suspension of the state contribution to pay part of the unfunded liability of old hire pension plans administered by the Fire and Police Pension Association. The payments will resume in Fiscal Year 2011-12 and the suspension of funding is expected to save the state $25.3 million per year in general-funded appropriations through Fiscal Year 2010-11.
- The suspension of the senior citizen homestead property tax exemption for the 2009 property tax year and reducing the Fiscal Year 2009-10 General Fund appropriation by $90.4 million.
- $27.4 million of General Fund appropriation reductions offset by $16.0 million of cash-funded appropriations achieved by allowing the moneys dedicated for tobacco use and prevention programs and the prevention, early detection, and treatment of chronic diseases to be used for any health-related purpose and to serve persons enrolled in both the Children's Basic Health Plan and Medicaid during Fiscal Year 2009-10.
- An estimated $43.5 million in General Fund appropriation reductions for Fiscal Year 2008-09 relate to either cuts in the services or moving related expenditures into future years.

The most significant measures enacted to address declining state revenues due to the national recession were:

- The Funding Advancements for Surface Transportation and Economic Recovery (FASTER) Act, which created new fees on vehicle registrations and rentals to pay for transportation improvements and increased existing late registration fees and fines. The amount of additional revenue expected under this measure is $200.0 million for Fiscal Year 2009-10.
- A new hospital provider fee charged to hospitals and cost sharing for the Children's Basic Health Plan. The purpose of the fee is to obtain additional federal participation for the state's medical assistance programs. An estimated $336.5 million in additional fee revenue is anticipated for Fiscal Year 2009-10.
- Eliminating vendor fees from July 1, 2009, through June 30, 2011, that normally reduce sales tax collections; additional revenue to the state from this bill is estimated at $30.6 million in Fiscal Year 2009-10 and $31.7 million in Fiscal Year 2010-11. A separate bill reduced the sales tax vendor fee from 3.33 percent to 1.35 percent for returns filed between March 1, 2009, and December 31, 2011; additional revenue estimated from this bill partially duplicates the additional revenue cited for the vendor fee elimination above.
- The temporary elimination of the sales and use tax exemption on the sale of cigarettes for Fiscal Years 2009-10 and 2010-11. The anticipated increase in state revenues for these two fiscal years is $63.0 million.
- An income tax modification of the Colorado-source capital gains subtraction beginning with tax year 2010. An additional $46.8 million in tax collections is expected as a result of this measure through Fiscal Year 2011-12.

Additionally, the state issued the following certificates of participation in order to achieve a broad range of goals:

- $299.8 million to construct a new state justice center,
- $39.0 million to construct a new state museum,
- $230.8 million to construct and remodel buildings at twelve state institutions of Higher Education,
- $87.1 million for the Build Excellent Schools Today (BEST) program to finance public primary school construction projects.

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 18 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, 2008. This was the twelfth 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, CPA
Colorado State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Colorado

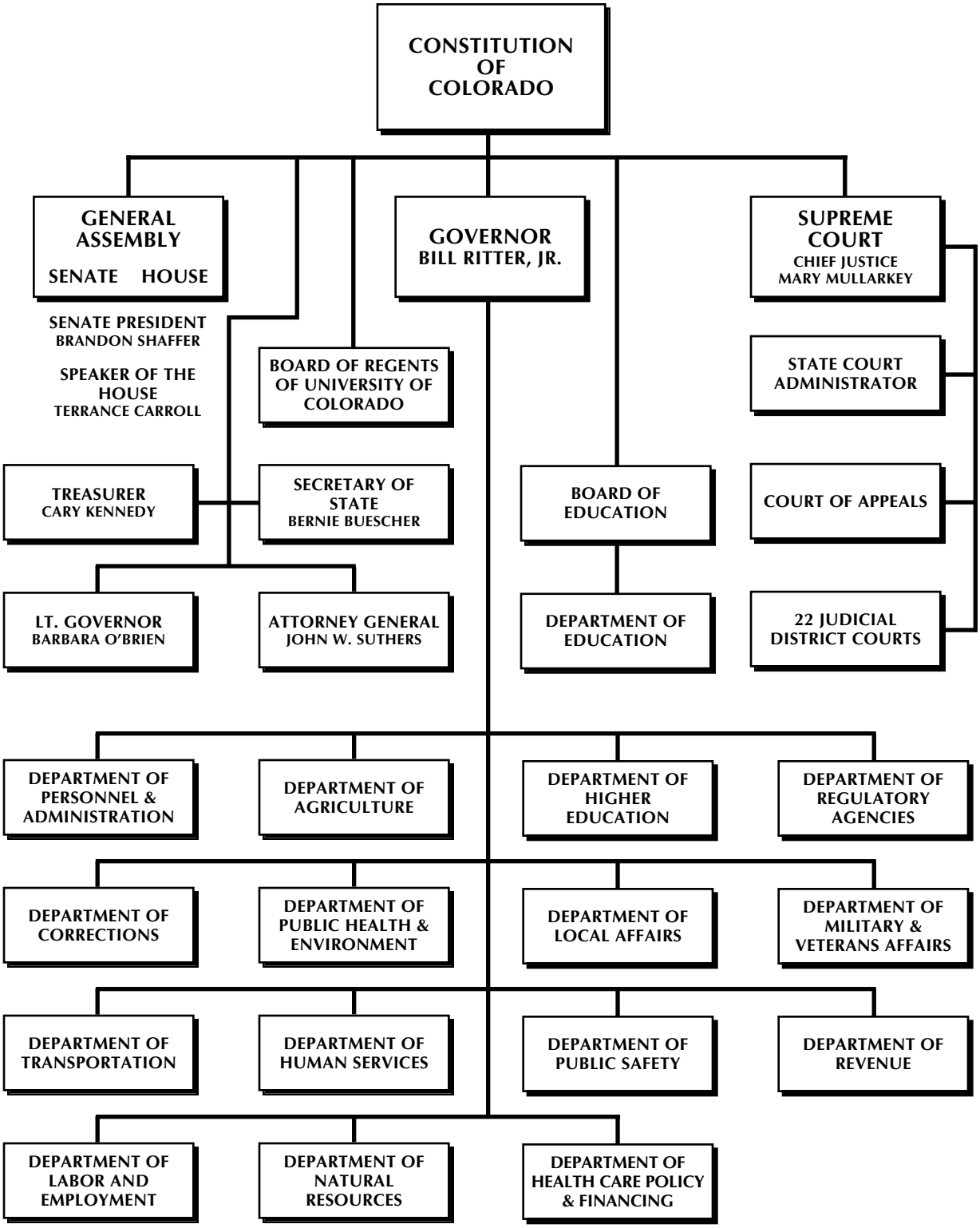
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.

President

Executive Director

PRINCIPAL ORGANIZATIONS AND KEY OFFICIALS



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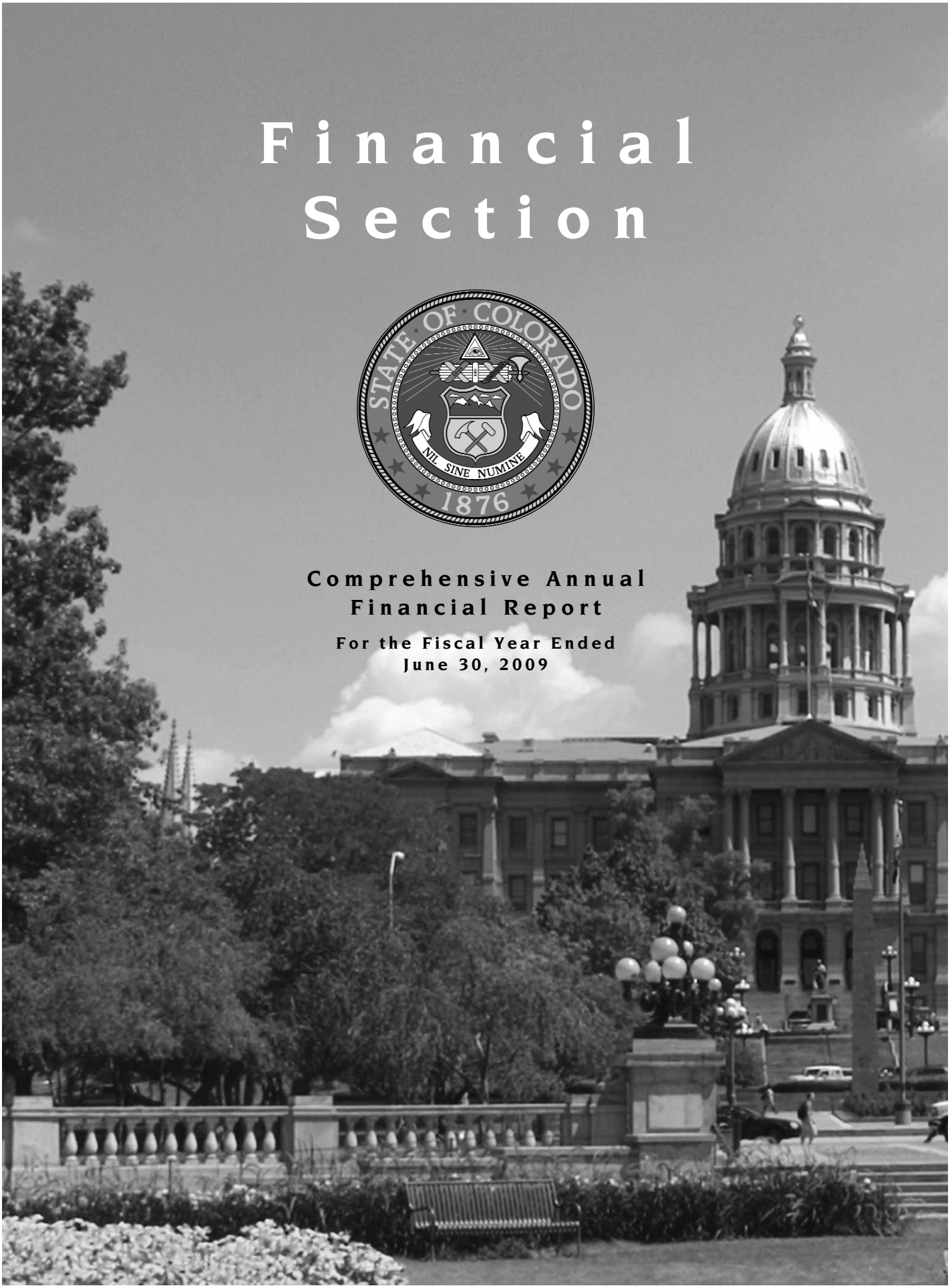


Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2009

STATE OF COLORADO

Sally Symanski, CPA
State Auditor

OFFICE OF THE STATE AUDITOR
303.869.2800
FAX 303.869.3060

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

December 18, 2009

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, 2009, 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 9 percent of the revenue of Higher Education Institutions, a major enterprise fund, and 2 percent of the total assets, 4 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.

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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Colorado, as of June 30, 2009, 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 discussed in Notes 27 and 28 to the financial statements, in Fiscal Year 2008-09 the State adopted GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. As a result, the state restated $117.4 million of beginning net assets related to pollution remediation obligations that existed prior to July 1, 2008.

In Fiscal Year 2009, the State received approximately $175 million in federal grant funding through the State Fiscal Stabilization Fund program of the American Recovery and Reinvestment Act (Recovery Act). Expenditures of funds under this program require compliance with the grant agreement and are subject to audit. Some requirements of the grant agreement are specialized as a result of the Recovery Act and are subject to interpretation. Any federally disallowed expenditures resulting from such audits become a liability of the State. Any disallowed costs from audit will not materially impact the financial condition or operations of the State.

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" and "Required Supplementary Information" listed in the table of contents on pages 1 and 2 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 and other schedules 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 and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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 $15,477.2 million, a decrease of $353.0 million as compared to the prior year amount of $15,830.2 million. The prime reason for the decrease was a reduction in cash and restricted cash balances of $663.0 million primarily in the Capital Projects fund ($287.4 million), the Highway User's Tax Fund ($186.1 million), and in Other Governmental Funds ($335.0 million) which were partially offset by a related increase in the General Fund of $158.9 million in cash. Assets of the state's business-type activities exceeded liabilities by $4,880.1 million, a decrease of $247.0 million as compared to the prior year amount of $5,127.1 million primarily due to increases in revenue bonds and certificates of participation issued by Higher Education Institutions and an increase in amounts payable to the federal government by CollegeInvest, the effect of which was partially offset by increases in capital assets and land at Higher Education Institutions. In total, net assets of the state decreased by $600.0 million to $20,357.3 million.

Fund Level:

Governmental fund assets exceeded liabilities resulting in total fund balances of $4,785.1 million (prior year $5,312.0 million), of which, $3,308.3 million (prior year $3,701.7 million) was reserved, and the balance of $1,476.8 million (prior year $1,610.3 million) was unreserved. In total, governmental fund balances decreased $526.9 million from the prior year due to decreases in the Highway User's Tax Fund, the Capital Projects Fund, and in Other Governmental Funds, which were partially offset by an increase in the General Fund. The Highway User's Tax Fund decreased primarily due to the discontinuation of statutory transfers from Other Special Revenue Funds. The Capital Projects Fund decreased primarily due to the discontinuation of statutory transfers from the General Fund. The Other Governmental Funds decreased due to transfers to augment the General Fund's cash balance. The decreases in these three funds are a result of actions taken in response to the state's budget crises, as is the corresponding increase in the General Fund. The unreserved undesignated fund balance of the General Fund (on the GAAP basis) was $155.4 million and $0.0 million at June 30, 2009, and June 30, 2008, respectively, and the state did meet its mandatory reserve on a budgetary basis in both years. For Fiscal Year 2008-09, the state was only able to meet this reserve requirement due to legislation reducing the reserve amount from four percent to two percent and through transferring $815.3 million from various cash funds to augment the General Fund. The $128.0 million increase in total General Fund fund balance was primarily the result of these transfers which were necessary to offset declining tax revenues.

Enterprise Fund assets exceeded liabilities resulting in total net assets of $4,880.1 million (prior year $5,127.1 million), of which, $3,850.7 million (prior year $3,966.9 million) was restricted or invested in capital assets, and the balance of $1,029.4 million (prior year $1,160.2 million) was unrestricted. The total decrease of $247.0 million in Enterprise Fund net assets primarily occurred in the Unemployment Insurance fund due to a large increase in the amount of benefits paid which was partially offset by an increase in the Higher Education Institutions which included an allocation of $150.7 million of funds received under the American Reinvestment and Recovery Act (ARRA) from the State Fiscal Stabilization Fund.

Debt Issued and Outstanding:

The outstanding governmental activities' notes, bonds, and certificates of participation at June 30, 2009, were $1,784.0 million (prior year $1,848.9 million), which is 27.0 percent (prior year 26.0 percent) of financial assets (cash, receivables, and investments) and 8.9 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 $4,003.0 million (prior year $3,542.1 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. However, due to the economic downturn, the state did not have any revenues in excess of the TABOR limit for Fiscal Year 2008-09; 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, 2009. (See page 29 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 73.

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.

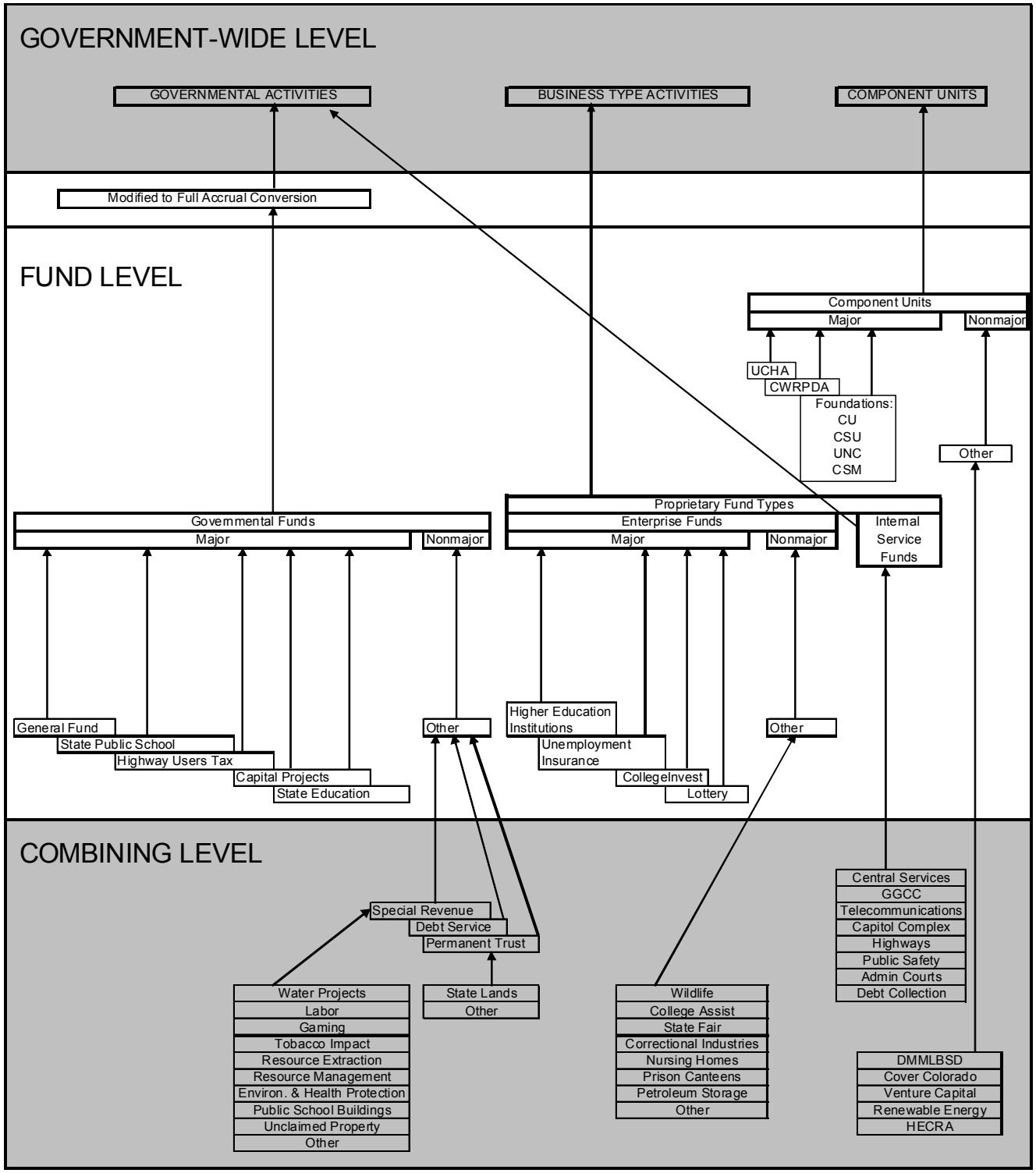
Notes to Basic Financial Statements

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
Major
Nonmajor
Enterprise Funds
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
Unclaimed Property
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
HECRA

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	
	2009	2008	2009	2008	2009	2008
Noncapital Assets	$ 7,252,573	$ 7,586,750	$ 5,894,571	$ 5,888,380	$ 13,147,144	$ 13,475,130
Capital Assets	12,840,474	12,573,895	4,522,626	4,041,734	17,363,100	16,615,629
Total Assets	20,093,047	20,160,645	10,417,197	9,930,114	30,510,244	30,090,759
Current Liabilities	2,488,460	2,319,501	1,243,341	996,494	3,731,801	3,315,995
Noncurrent Liabilities	2,127,382	2,010,954	4,293,744	3,806,530	6,421,126	5,817,484
Total Liabilities	4,615,842	4,330,455	5,537,085	4,803,024	10,152,927	9,133,479
Invested in Capital Assets, Net of Related Debt	11,631,061	11,348,995	2,665,270	2,411,662	14,296,331	13,760,657
Restricted	2,483,122	2,618,790	1,185,405	1,555,221	3,668,527	4,174,011
Unrestricted	1,363,022	1,862,405	1,029,437	1,160,207	2,392,459	3,022,612
Total Net Assets	$ 15,477,205	$ 15,830,190	$ 4,880,112	$ 5,127,090	$ 20,357,317	$ 20,957,280

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 $14,296.3 million or 70.2 percent of the state's total net assets, which represents an increase of $535.6 million from the prior year. The current year increase indicates that capital asset purchases from current resources and borrowing combined with paying down capital related debt 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 $3,668.5 million or 18.0 percent of net assets, which represents a decrease of $505.5 million 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 $135.7 million of the decrease and business-type activities accounted for the remaining $369.8 million. The largest individual restriction decreases were related to Highway Construction and Maintenance ($130.0 million) and Unemployment Insurance ($372.5 million).

The Unrestricted Net Assets of $2,392.5 million or 11.8 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 $630.1 million from the prior fiscal year. The governmental activities unrestricted net assets account for approximately $499.4 million of this decrease with the balance of $130.8 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, without regard to prior period adjustments and accounting changes, that net assets of both the governmental and business-type activities decreased during the fiscal year. For the governmental activities, expenses and transfers-out exceeded revenues and transfers-in resulting in net assets decreasing by $418.5 million. On the governmental fund-level statements, where capital outlay is reported as an expenditure and depreciation is not reported, governmental fund balances decreased by $526.9 million. Program revenue of the governmental activities increased by $1,008.5 million (18.4 percent) primarily related to increasing grants, and general-purpose revenues decreased by $951.8 million (10.2 percent) primarily due to declining tax collections, while expenses increased by $933.2 million (6.6 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	2009	2008	2009	2008	2009	2008
Program Revenues:						
Charges for Services	$ 945,338	$ 825,650	$ 3,886,908	$ 3,796,888	$ 4,832,246	$ 4,622,538
Operating Grants and Contributions	5,065,429	4,222,670	2,214,186	1,728,669	7,279,615	5,951,339
Capital Grants and Contributions	485,711	439,693	20,220	9,426	505,931	449,119
General Revenues:						
Taxes	7,346,588	8,179,028	-	36,963	7,346,588	8,215,991
Restricted Taxes	880,625	986,274	-	-	880,625	986,274
Unrestricted Investment Earnings	22,591	42,478	-	-	22,591	42,478
Other General Revenues	119,748	113,603	-	-	119,748	113,603
Total Revenues	14,866,030	14,809,396	6,121,314	5,571,946	20,987,344	20,381,342
Expenses:						
General Government	308,410	55,789	-	-	308,410	55,789
Business, Community, and Consumer Affairs	705,037	667,381	-	-	705,037	667,381
Education	5,208,705	5,017,551	-	-	5,208,705	5,017,551
Health and Rehabilitation	644,699	603,296	-	-	644,699	603,296
Justice	1,543,310	1,436,009	-	-	1,543,310	1,436,009
Natural Resources	137,159	131,658	-	-	137,159	131,658
Social Assistance	5,220,295	4,822,437	-	-	5,220,295	4,822,437
Transportation	1,376,215	1,459,295	-	-	1,376,215	1,459,295
Interest on Debt	20,393	37,567	-	-	20,393	37,567
Higher Education Institutions	-	-	4,153,282	3,865,244	4,153,282	3,865,244
Unemployment Insurance	-	-	1,138,621	354,967	1,138,621	354,967
CollegeInvest	-	-	78,647	116,286	78,647	116,286
Lottery	-	-	435,156	447,101	435,156	447,101
Wildlife	-	-	112,369	109,800	112,369	109,800
College Assist	-	-	399,576	326,080	399,576	326,080
Other Business-Type Activities	-	-	171,635	173,928	171,635	173,928
Total Expenses	15,164,223	14,230,983	6,489,286	5,393,406	21,653,509	19,624,389
Excess (Deficiency) Before Contributions, Transfers, and Other Items	(298,193)	578,413	(367,972)	178,540	(666,165)	756,953
Contributions, Transfers, and Other Items:						
Transfers (Out) In	(114,685)	(77,732)	114,685	77,732	-	-
Special Item	(5,616)	(6,843)	-	-	(5,616)	(6,843)
Total Contributions, Transfers, and Other Items	(120,301)	(84,575)	114,685	77,732	(5,616)	(6,843)
Total Changes in Net Assets	(418,494)	493,838	(253,287)	256,272	(671,781)	750,110
Net Assets - Beginning	15,830,190	16,036,990	5,127,090	4,870,818	20,957,280	20,907,808
Prior Period Adjustment	(118,647)	(393,912)	6,309	-	(112,338)	(393,912)
Accounting Changes	184,156	(306,726)	-	-	184,156	(306,726)
Net Assets - Ending	$ 15,477,205	$ 15,830,190	$ 4,880,112	$ 5,127,090	$ 20,357,317	$ 20,957,280

Business-type activities' expenses exceeded revenues and net transfers-in by $253.3 million resulting in a decrease in net assets. From the prior year to the current year, program revenue of the business-type activities increased by $586.3 million while expenses increased by $1,095.9 million. Most of the program revenue increase occurred in Higher Education Institutions' Charges for Services ($100.9 million) and Operating Grants ($111.2 million) and in Unemployment Insurance's Operating Grants ($356.1 million). Net transfers from the governmental activities to the business-type activities increased from $77.7 million to $114.7 million. The increase in expenses is primarily attributable to a 221.0 percent increase in Unemployment Insurance benefits paid as a result of the economic downturn.

TABOR Revenue, Debt, and Tax-Increase Limits

Background and Current Condition

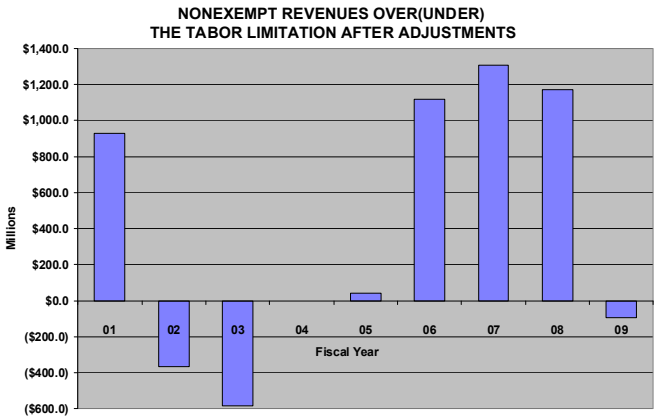
Fiscal Year 2008-09 is the sixteenth year of state operations under the TABOR revenue limitations (Article X, Section 20 of the State Constitution). With certain exceptions, the rate of growth of state revenues is limited to the combination of the percentage change in the state's population and inflation 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. 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. For Fiscal Year 2008-09, 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 current and future 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 end of Fiscal Year 2008-09, 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 2008-09, state revenues subject to TABOR were $9,102.4 million, which was $101.5 million under the adjusted current year limit. During Fiscal Year 2008-09, Adams State and Fort Lewis Colleges were disqualified as TABOR enterprises due to receiving state capital construction support in excess of the allowable 10% limit and Western State College requalified as a TABOR enterprise. 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 2008-09, the TABOR limit was increased by $13.3 million related to enterprise qualifications and disqualifications.

Under the requirements of current law, the Governor's Office of State Planning and Budgeting (OSPB) estimates that the state will retain $3.6 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; however due to declining economic conditions the state's revenues did not exceed the TABOR limit during Fiscal Year 2008-09. Therefore no monies were retained under Referendum C during Fiscal Year 2008-09.

With Referendum C in place and TABOR refunds temporarily suspended, important statutory thresholds for the General Fund were met prior to Fiscal Year 2008-09 – including six percent growth in spending and maintaining a reserve equal to four percent (on the budgetary basis). However, due to the economic downturn, the state's revenues were not able to support the budgeted six percent growth in appropriations or the required statutory reserve during Fiscal Year 2008-09. Legislation passed during the 2009 legislative session reduced the reserve to two percent, eliminated the General Fund Surplus transfer to the Highway Users Tax Fund and the Capital Projects Fund, as well as the 10.355 percent diversion of sales and use tax from the General Fund to the Highway Users Tax Fund and modified the six percent spending limit. Neither the legislative nor the Governor's economic forecasts projects TABOR revenue in excess of the TABOR limit for the final year under Referendum C (Fiscal Year 2009-10).

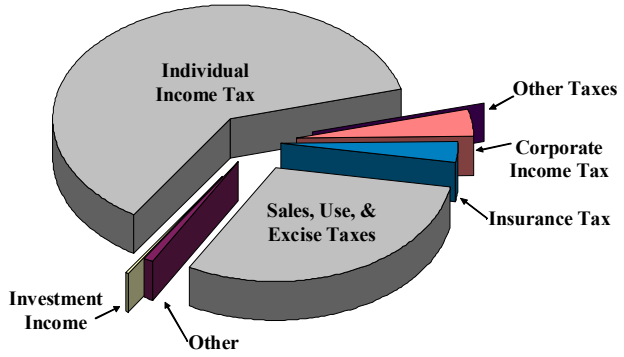
INDIVIDUAL FUND ANALYSIS

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.

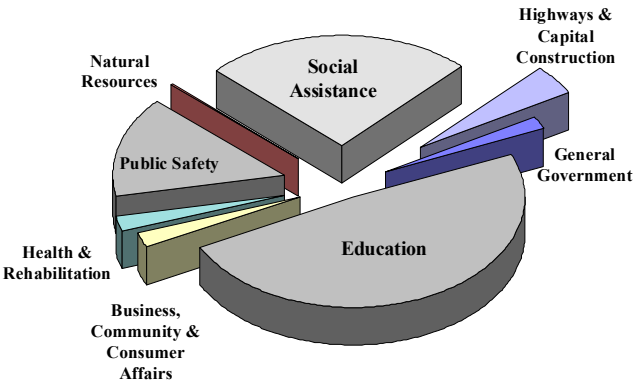
The ending fund balance of the General Fund, as measured by generally accepted accounting principles, was $335.4 million, an increase of $128.0 million from the prior year. The required General Fund Reserve for Statutory Purposes was $148.2 million, a decrease of $135.3 million from the prior year primarily due to legislation that reduced the statutorily required reserve from four percent to two percent. The primary reason for the increase in General Fund fund balance was due to $815.3 million in augmenting transfers-in from various cash funds in response to the state's budget crises. Without these augmenting transfers, the General Fund fund balance would have been a deficit which is prohibited by the state's constitution. The General Fund Surplus transfer to the Highway and Capital Constructions funds and the diversion of sales and use tax revenues into the Highway fund were statutorily repealed with those moneys remaining in the General Fund. The General Fund's $675.0 million cash balance increased from the prior year solely due to the above referenced augmenting cash transfers and the elimination of the statutorily-required diversions.

GENERAL-PURPOSE REVENUES BY SOURCE



General-purpose revenues for Fiscal Years 2008-09 and 2007-08 were $6,525.4 million (see page 157) and $7,504.8 million, respectively – a decrease of $979.4 million or 13.1 percent. Individual income tax revenue decreased by $579.4 million. The major categories of individual income tax, that contributed to the decrease, were payments received with returns (down 25.0 percent) and estimated payments (down 29.6 percent.) The change in income tax refunds (up 12.3 percent) also contributed to the revenue decreases. Corporate income tax receipts decreased by $208.4 million or 44.0 percent. Investment income of the General Fund decreased by $8.6 million or 47.8 percent; the decrease reflects the decline in the General Fund average cash balance as well as the declining interest rates throughout the fiscal year. The $815.3 million in augmenting cash transfers were not received by the General Fund until the final months of the year. Sales, use, and excise taxes decreased by $191.4 million or 8.8 percent, which is consistent with the 0.9 percent decrease in personal income in 2009. Other revenue increased by $4.5 million or 8.7 percent primarily related to a $5.4 million increase in court receipts.

EXPENDITURES BY FUNCTION FROM GENERAL PURPOSE REVENUES

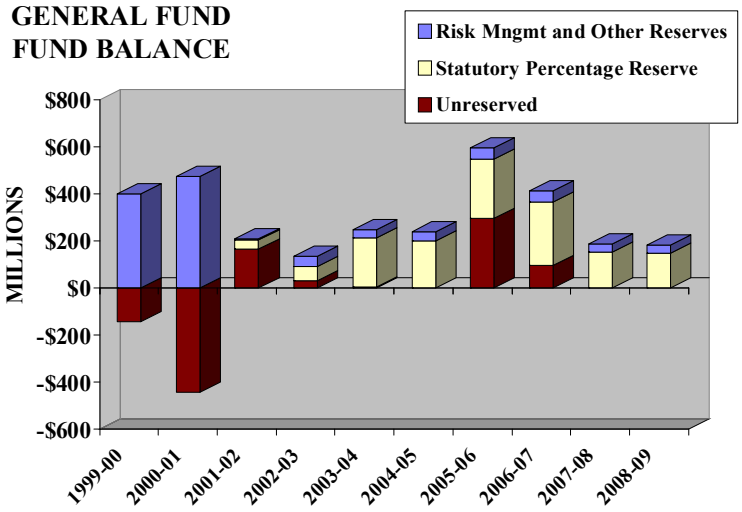


On the budgetary basis, total expenditures and transfers-out (excluding transfers not appropriated by department) funded from general-purpose revenues during Fiscal Years 2008-09 and 2007-08 were $7,370.8 million (see page 157) and $7,353.7 million, respectively. For Fiscal Year 2008-09, the total annual increase in general-funded expenditures (including expenditures from

the General Fund Exempt Account authorized by Referendum C) was 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 legislation was enacted that changed the growth limitation to 5.0 percent of Colorado personal income beginning in Fiscal Year 2009-10. In Fiscal Year 2008-09, revenues were not sufficient to support the allowed appropriation growth and budget cuts were enacted that resulted in appropriations decreasing by 3.4 percent.

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 80.5 percent of all Fiscal Year 2008-09 general-funded expenditures, which is an increase of 2.8 percent from the prior year. The Department of Education and the Department of Human Services' general-funded expenditures increased by 6.3 percent and 3.5 percent, respectively. The Department of Health Care Policy and Financing and the Department of Higher Education's general-funded expenditures both decreased by 11.5 percent. The percentage use of total general-funded resources by these four departments increased primarily because the transfers and distributions to the Capital Projects Fund (down from $183.4 million to $39.4 million) and the Highways Users Tax Fund (down from $166.2 million to $29.0 million) were significantly lower during Fiscal Year 2008-09 than Fiscal Year 2007-08. The decline from the prior year is primarily due to the $43.4 million General Fund Surplus from Fiscal Year 2007-08 (transferred in Fiscal Year 2008-09) being substantially less than the Fiscal Year 2006-07 General Fund Surplus of $249.3 million (transferred in Fiscal Year 2007-08). The General Fund Surplus transfer was not appropriated by department nor was it counted against the six percent General Fund spending limit. As noted previously, legislation eliminated the General Fund Surplus transfer for Fiscal Year 2008-09 and beyond and also changed the General Fund spending limit. Of the departments with substantial General Fund expenditures, the major expenditure increases were in the Department of Education ($191.7 million or 6.3 percent), the Department of Corrections ($11.0 million or 1.8 percent), the Judicial Branch ($27.4 million or 9.1 percent), and the Department of Human Services ($26.4 million or 3.5 percent.) Both the Department of Health Care Policy and Financing ($171.1 million or 11.5 percent) and the Department of Higher Education ($85.7 million or 11.5 percent) saw large general-funded expenditure decreases, part of which were offset by federal funding as detailed in the section on Analysis of Budget variances.

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 Department of Corrections increase was primarily for costs of the department's internal inmate housing program and for increased workers compensation and risk management costs. Each of these increases is affected by the general increase in the offender population. The largest increases in the Judicial Branch were related to probation services and trial court costs with smaller increases in the public defender, alternate defense counsel and child's representative programs. The largest increases in the Department of Human Services were an additional $9.7 million expended on the mental health institutes and $6.7 million in child welfare programs.



The decreases for two large departments (the Department of Higher Education – 11.5 percent and the Department of Health Care Policy and Financing – 7.4 percent) allowed for the other departmental increases in spite of declining revenue growth.

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 in effect for Fiscal Year 2008-09 require a two percent fund balance reserve ($148.2 million). 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. Declining economic conditions during Fiscal Year 2008-09 required a series of augmenting transfers from various cash funds to prevent General Fund from incurring a deficit fund balance. These transfers allowed the state to meet the required two percent reserve on both the budgetary basis and on a GAAP basis. (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. In prior years, this change resulted in an ongoing difference between the GAAP fund balance and budgetary basis fund balance of the General Fund. During Fiscal Year 2008-09, the state met the reserve on both a GAAP and budgetary basis primarily through the augmenting cash transfers and the change in reserve requirement referenced above. 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 $89.6 million of expenditures into the following year, while deferring Medicaid related expenditures moved $144.5 million of expenditures into the following year. Revenues related to the deferral of the Medicaid expenditures were also deferred in the amount of $94.1 million. In total, the effect was to increase General Fund budgetary fund balance by $140.1 million, which was $35.1 million less than the effect of deferring Fiscal Year 2007-08 expenditures into Fiscal Year 2008-09.

Colorado statutes formerly required 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 2008-09, the transfer amount was $43.4 million of which $28.9 million went to the Highway Users Tax Fund and $14.5 million went to the Capital Projects Fund. As mentioned previously, these transfers were permanently eliminated during Fiscal Year 2008-09 in response to the state's budget crises. New statutory transfers have been set in legislation, the first of which is scheduled for Fiscal Year 2012-13. However, these transfers are dependent upon the state achieving a five percent growth rate in personal income. If this threshold is not met, the transfers will be delayed until the five percent growth occurs.

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 $2,999.8 million and $2,859.9 million in Fiscal Year 2008-09 and 2007-08, respectively.

Highway Users Tax Fund

The Highway Users Tax Fund (HUTF) fund balance decreased by $213.4 million from the prior year primarily related to a reduction of transfers-in of $395.9 million due to the termination of statutorily mandated transfers-in from the General Fund. The General Fund Surplus transfer to the Highway Fund decreased from $166.2 million in Fiscal Year 2007-08 to $29.0 million in Fiscal Year 2008-09. Legislation in response to the economic crises permanently eliminated this transfer and also terminated the diversion of sales and use tax from the General Fund to the Highway Fund until at least Fiscal Year 2018-19.

The Highway Users Tax Fund shows an Unreserved Fund Balance Reported in Special Revenue Funds of $29.3 million. This amount is the residual after a $915.4 million reserve for encumbrances and a $320.6 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 $272.1 million from the prior fiscal year primarily due to a reduction in net transfers-in of $162.2 million. The change was in part a result of the General Fund Surplus transfer to the Capital Projects Fund decreasing from $83.1 million in Fiscal Year 2007-08 to $14.5 million in Fiscal Year 2008-09. The state's budget crises also resulted in the decommissioning of existing capital construction projects and a transfer-out of $26.6 million to make the first two years of Higher Education Mineral Leasing Certificates of Participation payments. Investment income declined by $13.2 million. In addition, capital outlay expenditures increased by $66.6 million offset by a decrease in general government expenditures of $10.6 million. 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 decreased by $14.8 million during Fiscal Year 2008-09. Except for investment income, revenues of the fund are fixed as a percentage of taxpayer income, and the fund's portion of those receipts decreased in Fiscal Year 2008-09 by $68.0 million from the prior year. Investment income decreased by $3.0 million from the prior year primarily due to a decrease in the fund's cash balance on deposit with the State Treasurer. Unrealized gains made up 19.6 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. Transfers-in from the General Fund increased by $121.4 million which mitigated the decline in revenues and the increase in expenditures. Expenditures of the fund were $488.8 million and $297.6 million in Fiscal Year 2008-09 and 2007-08, respectively. This increase in expenditures resulted from refinancing appropriations from the General Fund to the State Education Fund in response to the state's budget crises.

Higher Education Institutions

Current period activity and prior period adjustments together increased the net assets of the Higher Education Institutions by $118.2 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 $52.6 million, sales of goods and services increased by $46.4 million, federal revenues increased by $75.6 million, investment income decreased by $101.5 million, and other revenues increased by $25.8 million. Expenses of the fund increased by amounts consistent with the percentage change in revenues except for salaries and fringe benefits, which increased by 11.9 percent. The state made capital contributions of $113.8 million and $97.7 million in Fiscal Years 2008-09 and 2007-08, respectively, that were funded by the Capital Projects Fund and transferred $181.4 million ($157.4 million in Fiscal Year 2007-08) to Higher Education Institutions primarily from the General Fund for student financial aid and vocational training. In response to the state's budget crises, the Governor's Office provided $150.7 million of funding from ARRA monies in the State Fiscal Stabilization Fund to institutions of higher education. The money was used to fund normal operations and was used to prevent reductions that would otherwise have been made to the related general-funded appropriations.

Unemployment Insurance

The net assets of the Unemployment Insurance Fund decreased by $372.5 million primarily because unemployment benefits paid increased by 221.0 percent due to the economic downturn. The net asset decrease was lessened by $360.3 million in federal grants received (including American Recovery and Reinvestment Act funds – ARRA) to extend period of time during which unemployment benefits can be received. The change in net assets was also affected by a $3.4 million decrease in investment earnings, a $34.8 million decrease in the amount of unemployment

insurance taxes received and an increase in unemployment benefits of $784.4 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 decreased from Fiscal Year 2007-08 to 2008-09 by $360.6 million from $710.4 million to $349.8 million.

CollegeInvest

CollegeInvest's net assets decreased by $5.9 million or 3.2 percent. The fund experienced a $26.4 million decrease in Federal Grants and Contracts, a $10.8 million decrease in Investment Income, and a $5.2 million increase in Other Revenue. CollegeInvest's debt service decreased $47.6 million related to a decrease in interest rates on variable rate debt. Assets of the fund increased from $1,976.4 million to $2,064.6 million while liabilities increased from $1,791.2 million to $1,885.3 million. The amount Due to Other Governments increased by $114.0 million primarily related to a participation program with the Federal Department of Education for loan origination that the agency entered during Fiscal Year 2008-09. 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. The limited availability of credit is adversely affecting the CollegeInvest student lending program.

State Lottery

The Lottery produced operating income of $120.9 million ($120.3 million in Fiscal Year 2007-08) on sales of $500.5 million ($512.7 million in Fiscal Year 2007-08), which represents a 0.5 percent increase in operating income. The Lottery distributed $54.3 million ($53.1 million in Fiscal Year 2007-08) to the Great Outdoors Colorado program, a related organization, and transferred $65.9 million ($69.7 million in Fiscal Year 2007-08) to other state funds, of which, $5.5 million was distributed to local school districts through the State Public School Fund, $12.0 million was used to fund operations of the state Division of Parks and Recreation, and $47.8 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 nominally 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 157. 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 $34.3 million. The primary reason for the decrease was $24.6 million of federal funds received under the American Reinvestment and Recovery Act (ARRA), which allowed for a corresponding General Fund budget reduction. The general-funded budget also decreased by $6.3 million related to funding for private prisons due to lower than projected growth rates and by $1.8 million in related private prison provider rate decreases.
- Department of Education – The department's final budget exceeded the original budget by $40.0 million. The increase in the department's general-funded budget was primarily related to the state's receipt of federal funds under ARRA. The state funded the Department of Higher Education budget with ARRA monies allowing $121.0 million of general-funded dollars to be appropriated to the State Education Fund. This increase was partially offset by a $77.5 million decrease in general-funded appropriations achieved by funding categorical programs, public school finance, and other programs with cash from the State Education Fund rather than the General Fund.
- Department of Higher Education – The Department of Higher Education's original budget exceeded the final budget by $150.9 million. The decrease was primarily a result of $150.7 million of federal funds received under ARRA. The state used the State Fiscal Stabilization Funds (SFSF) provided by ARRA to replace the department's general-funded budget and allow those general funds to be used elsewhere.

- Department of Health Care Policy and Financing (HCPF) – The department's final budget exceeded the original budget by $36.7 million, a 2.4 percent increase. The increase was the result of the following:
  - $46.5 million net increase in the general-funded appropriations for Medical Service Premiums required for matching Medicaid grant funds. The appropriation was first increased by $53.5 million to address anticipated increases in Medicaid clients and costs, including an increase in the original estimate of Medicaid clients from 381,390 to 433,304. The appropriation was subsequently reduced by $7.0 million when caseload projections declined between the January and March estimates. As described in Note 8, the department overexpended the Medical Services Premiums line by $11.2 million.
  - $6.9 million decrease in the general-funded appropriations relating to Medicare primarily due to a lower than expected increase in caseload and cost estimates and by delaying the May 2009 payment until after fiscal year-end.
  - $3.0 million decrease in the general-funded appropriation for Medical Service Premiums by using monies in the Supplemental Old Age Pension Fund to pay certain Medicaid expenditures.
  - $3.7 million decrease in the general-funded appropriation for Medical Service Premiums due to a change in the methodology used to calculate nursing home provider rates.
- Department of Revenue – The department's final budget exceeded the original budget by $75.6 million. The increase was primarily due to a $86.9 million error in recording the original budget. The appropriation for Old Age Pension was incorrectly recorded as a cash rather than general-funded budget. (The department's final budget shown on the General Fund Surplus Schedule on page 157 is reduced by $10.9 million in transfers to various cash funds that are shown in the Transfers section for presentation purposes.)
- Department of Treasury – The department's original budget exceeded the final budget by $25.0 million. The decrease was primarily due to a $34.8 million reduction in the funding of the Fire and Police Pension Association pension in response to the state's budget crisis. The reduction was offset by a $5.8 million increase for 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 estimate the level of participation by local school districts was unknown, and therefore, the related debt service could not be accurately estimated. The department also received a $2.8 million increase to transfer monies into the Colorado State Veteran's Trust Fund to repay monies previously used to offset a General Fund revenue shortfall.

Differences Between Final Budget and Actual Expenditures

Overexpenditures for all funds totaled $18.3 million for Fiscal Year 2008-09. General-funded overexpenditures are discussed in detail in Note 8A on page 85 at the individual line item appropriation level. In total, state departments reported general-funded appropriation reversions of $229.5 million; the reversion would have been a positive $242.0 million if not for a $12.5 million negative reversion related to the Old Age Pension program at the Department of Revenue. 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 $7.6 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 $7.6 million primarily due to lesser than anticipated increases in utilization and costs related to offenders' medical treatment and lesser than anticipated demand for offender placement in private prisons.
- Department of Health Care Policy and Financing – The department reverted $212.9 million net of the $12.2 million statutorily authorized overexpenditure in the Medicaid program detailed in Note 8A. The reversions were the result of an increase in the Federal Medical Assistance Percentage (FMAP) under ARRA. The FMAP percentage increased from 50 percent to 60.39 percent and the resulting increased federal funding allowed a decrease in general-funded appropriations. The state elected not to reduce the appropriation so that the department's reversion would be available to fund other general-funded programs.

- Department of Human Services – The department's $3.1 million reversion was made up of numerous smaller amounts, the most significant of which were:
  - $0.9 million of excess federal Medicaid revenue supplanting General Fund spending and related in part to the cost of facilities maintenance and depreciation included in patient billings,
  - $1.3 million in department administration, child support enforcement, and mental health institute costs related to budget restrictions resulting from overexpenditures and the state's revenue shortfalls. The restrictions were put in place to limit spending and cause the remaining appropriations to revert to the General Fund,
  - $0.4 million related to community programs where the amount of youth needing contract placement services was less than expected, certain judicial districts not spending their entire allotment of youth services funds, and less than anticipated need for youth parole services, and
  - $0.2 million related to lower than anticipated caseload increases in residential treatment for youth and shorter stays for youth in residential treatment facilities.
- Department of Public Safety – The department reverted $1.1 million related to community corrections programs. The department believes the appropriation reverted primarily due to legislative changes that decreased felony crimes subject to community corrections referral and due to certain jurisdictions limiting the number of offenders accepted into the program.
- Department of Revenue – The General Fund Surplus Schedule shows the department reverted $1.7 million, which would have been $14.2 million except for the $12.5 million negative reversion related to Old Age Pension expenditures discussed above. The department reverted $12.0 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 and because fewer taxpayers qualified for the rebate due to an increase in income qualifications. The department also reverted $1.2 million of the Cigarette Tax Rebate appropriation due to decreased tax collections during Fiscal Year 2008-09.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The state's investment in capital assets at June 30, 2009, was $17.4 billion ($16.6 billion in Fiscal Year 2007-08). Included in this amount were $6.0 billion of depreciable capital assets net of $3.9 billion of depreciation. Also included was $11.4 billion of land and nondepreciable infrastructure reported under the modified approach. The state added $1,157.3 million and $943.5 million of capital assets in Fiscal Year 2008-09 and 2007-08, respectively. Of the Fiscal Year 2008-09 additions, $405.1 million was recorded by governmental funds and $752.2 million was recorded by proprietary funds. General-purpose revenues funded $249.9 million of capital and controlled maintenance expenditures during Fiscal Year 2008-09 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, 2009, the state had commitments of $128.0 million in the Capital Projects Fund ($255.1 million in Fiscal Year 2007-08) and $915.4 million in the Highway Users Tax Fund ($711.4 million in Fiscal Year 2007-08). 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, 2009 and 2008, were (see Note 16 for additional detail):

(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Capital Assets Not Being Depreciated						
Land and Land Improvements	$ 151	$ 140	$ 315	$ 262	$ 467	$ 402
Collections	9	9	16	13	25	22
Construction in Progress	458	373	597	301	1,055	674
Infrastructure	9,862	9,770	-	-	9,862	9,770
Total Capital Assets Not Being Depreciated	10,480	10,292	928	576	11,409	10,868
Capital Assets Being Depreciated						
Buildings and Related Improvements	1,651	1,559	5,021	4,776	6,671	6,335
Vehicles and Equipment	754	701	846	783	1,599	1,484
Library Books, Collections, and Other Capital Assets	38	34	468	449	507	483
Infrastructure	1,104	1,094	21	19	1,125	1,113
Total Capital Assets Being Depreciated	3,547	3,388	6,356	6,027	9,902	9,415
Accumulated Depreciation	(1,187)	(1,106)	(2,761)	(2,562)	(3,948)	(3,668)
Total	$ 12,840	$ 12,574	$ 4,523	$ 4,041	$ 17,363	$ 16,615

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 2008-09
(Amounts in Millions)

	Capital Leases		Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities	$ 91.8	$ 32.7	$ 1,107.0	$ 245.4	$ 162.1	$ 65.8	$ 1,360.9	$ 343.9
Business-Type Activities	93.8	36.8	3,551.6	1,754.0	446.7	266.5	4,092.1	2,057.3
Total	$ 185.6	$ 69.5	$ 4,658.6	$ 1,999.4	$ 608.8	$ 332.3	$ 5,453.0	$ 2,401.2

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

In Fiscal Year 2007-08, the total principal amount of revenue bonds and COPs was 37.7 percent of net assets other than capital assets. In Fiscal Year 2008-09, that measure increased to 41.5 percent because noncapital net assets decreased 2.4 percent while the principal amount of revenue bonds and COPs increased by 7.4 percent. Total per capita borrowing including bonds, certificate of participation, mortgages, notes, and leases was $1,247, $1,168, $1,051, $982, and $932 per person in Fiscal Years 2008-09, 2007-08, 2006-07, 2005-06, and 2004-05, 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 160). 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
2008-09	$ 400.0	NA	$ 358.4
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	$ 2,028.8	$ 1,534.0	$ 3,971.9

Bridges were taken off the modified accrual approach (as discussed below) in Fiscal Year 2007-08, therefore the above table does not reflect the associated projected costs and actual spending for bridges beginning in Fiscal Year 2008-09.

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.

	2008	2007	2006	2005	2004	2003	2002
Percent Rated Good/Fair	53	59	63	65	61	58	58
Percent Rated Poor	47	41	37	35	39	42	42

Each year the department provides the Colorado Transportation Commission with the estimates of the funding needed to alternatively maintain or improve existing infrastructure condition 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 began reporting depreciation of its bridges in Fiscal Year 2007-08. A prior period adjustment was reported in the Fiscal Year 2007-08 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 was 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 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 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 5.62 percent, which sets the percent rated as Good or Fair at 94.38 percent. As shown in the following table, the condition assessment for those bridges rated as poor steadily increased between 2005 and 2008.

		Restated	Restated	Restated	Restated	Restated	Restated
	2009	2008	2007	2006	2005	2004	2003
Percent Rated Poor	5.62	6.21	5.81	5.61	3.39	3.84	4.37

Over the last year CDOT has removed structures that are not vehicular bridges from the good/fair/poor reporting. Removing these structures caused the restatement of the prior year percentages.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

Many of the conditions affecting future operations of the state that were included in the Fiscal Year 2007-08 Management Discussion and Analysis continue to affect the state at the end of Fiscal Year 2008-09.

Prior to Fiscal Year 2008-09, statutes provided for the diversion of a portion of general-purpose sales and use tax revenue to the Highway Fund when other General Fund obligations have been met and 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. However, these statutes were changed in response to the state's budget crises, and both diversions were eliminated and replaced with specific but contingent transfers. The General Fund Surplus will remain in the General Fund and the renewal of the sales and use tax diversion is contingent on certain economic factors; the diversion cannot resume before Fiscal Year 2018-19.

Several conditions adversely affect the state's future operations:

- Referendum C Sunsets – Referendum C was passed by the voters in November 2005 and allowed the state to retain all revenues in excess of the TABOR limit for a five-year period from Fiscal Year 2005-06 through 2009-10. During that period, the state retained $3,593.6 million that it would otherwise had to refund to state citizens. Due to the shortfall in current year revenues, no amount was retained in Fiscal Year 2008-09, and none is projected to be retained in Fiscal Year 2009-10. Both Legislative Council and the Governor's Office of State Planning and Budgeting project that there will be no TABOR refunds within their forecasting periods. Although Referendum C placed a floor on the ratchet down provision of TABOR, it is possible that rapid growth in state revenue could result in future TABOR refunds for revenues in excess of the ratchet down floor.
- Pension Plan Contributions – Like most institutions that rely heavily on investments, the Public Employees Retirement Association (PERA) was severely affected by the global economic downturn beginning in 2008. A negative 26.0 percent return on investments in 2008 caused the funded ratio (actuarial value of assets, using a four-year smoothed-market value, divided by the actuarial accrued liability) of the State Division of PERA to decline from 73.3 percent to 67.9 percent. Because of the four-year smoothing, the full effect of the negative return is not reflected in the funding ratio. 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, 2008, 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. Although, certain future benefit changes are not considered in this analysis, PERA's actuary states the State Division Trust Fund will not reach a 30 year amortization period over the projected actuarial period without either additional gains or changes in benefits to be provided to retirees. The current contribution rate of 12.95 percent is 1.5 percentage points (or 13.1 percent) above the average during the 1990s. PERA's actuary estimated that the contribution rate would need to have been 17.91 percent and 18.45 percent, respectively in 2008 and 2007 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. PERA management has stated it plans to introduce legislation during the 2010 legislative session to address the funding deficiency.

- 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 in 2000 and the deterioration of general-funded revenues during Fiscal Year 2008-09, 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 $356.5 million will be diverted from general-purpose tax revenue in Fiscal Year 2009-10 under this requirement. The amendment requires the General Assembly to increase funding of education by specified percentages over inflation through Fiscal Year 2009-10 and by inflation thereafter. This requirement will have increasing impact if the inflation rate increases. The revenue diversion and mandated expenditure growth infringes on general funding for other programs when state revenues decline with the business cycle. Notwithstanding these expenditure increases, the state continues to face legal challenges that assert 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 Children's' Basic Health Plan expenditures. In Fiscal Year 2008-09 this treatment was applied to an additional month of Medicare payments, and legislation was passed to extend the pay date shift in Fiscal Year 2010-11 to all information technology staff formerly paid by the General Fund. Additional Medicaid deferrals are under consideration. Each of these items 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 ($140.0 million net of related deferred revenue in Fiscal Year 2008-09) 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, Medicaid, and other expenditures that were previously deferred.

- General Fund Liquidity – The General Fund shows a cash balance of $675.0 million at June 30, 2009, providing apparent liquidity. However, as noted previously, this amount was augmented by $815.3 million of cash transfers from other funds. Additionally, $515.0 million of the cash balance was distributed immediately after fiscal year-end to pay short-term borrowing for the Education Tax Revenue Anticipation Note program, and at least $18.7 million of the cash belongs to the Risk Management Funds reported in the General Fund leaving approximately $141.3 million of disposable cash in the fund. When this cash is combined with nontax receivables it is still significantly less than the $502.6 million of accounts payable and accrued liabilities that it must service in the near term. These conditions indicate that the General Fund reserve and surplus increasingly comprises tax receivables ($1,006.2 million) net of tax refunds payable ($624.3 million) and deferred revenue ($172.8 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 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). The current economic downturn has resulted in a significant decline in tax collections and an increase in refunds which have exacerbated the lack of General Fund liquidity. The General Fund cash position is also adversely affected by the past cash transfers of General Fund Surplus to the Highway Users Tax Fund and the Capital Projects Fund. Although these transfers were eliminated by legislation during Fiscal Year 2008-09, those transfers made in prior years have atrophied the General Fund's cash balance. 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. The General Fund legally has access to the cash balances of other funds; additional cash transfers are scheduled for Fiscal Year 2009-10 and future fiscal years.

- Debt Service – Principal and interest payments on the remaining $993.7 million 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 service 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 but resumed with the passage of Referendum C. However, the diversions were eliminated by legislation in response to the state's budget crises during Fiscal Year 2008-09. 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. Legislation increasing fees to provide other sources of transportation funding was enacted for Fiscal Year 2009-10, but the amount of funding these will provide is uncertain.
- Intergovernmental Financial Dependency – The state expended $7,180.5 million in federal awards during Fiscal Year 2008-09 which represents 33.3 percent of the $21,653.5 million expended by the state in total. 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 one-year budget deficit of approximately $1.3 trillion for the 2010 Federal Fiscal Year. The increasing expenditures in both the Social Security and Medicare Part A programs, ARRA spending and the potential costs of health care reform 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.
- American Reinvestment and Recovery Act – In response to the global economic downturn that occurred during 2008, the United States Congress passed the American Recovery and Reinvestment Act (ARRA) in February of 2009. ARRA is intended to stimulate the U. S. economy by providing $787 billion of funding to states for job creation and retention and to spur economic activity and long-term growth, as well as providing transparency and accountability in government spending. The Act as passed provided $288 billion in tax cuts, $224 billion for education, health care and entitlement programs, and $275 billion for various federal grants, contracts and loans. These funds are made available to the public through state and local governments.

The state expects to receive approximately $5.7 billion dollars in ARRA funds with approximately $3.5 billion overseen or distributed by state governments. The most recently available information reported by the Governor's Economic Recovery Team indicates the state has received $1,650.6 million in total grant awards and received $583.9 million in funding, of which $344.7 million has been spent. The state has also spent an additional $886.2 million, the most significant amounts of which were:

- $298.2 million in additional or extended Unemployment Benefits,
- $247.6 increased Medicaid funding,
- $174.3 million in one-time Social Security payments of $250 each (This amount does not flow through the state's financial statements.), and
- $72.4 million in increased Unemployment Benefits.

The U.S. Department of Education provided the state $760.0 million of State Fiscal Stabilization Fund (SFSF) monies under ARRA. These funds are intended to support vital state services in the face of declining revenue collections. Over 80 percent of the dollars must be allocated to K-12 and higher education projects with the remainder allowed to be spent at the state's discretion. As noted earlier, the state spent $150.7 million of the SFSF funds during Fiscal Year 2008-09 to maintain state support for institutions of higher education.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
JUNE 30, 2009

(DOLLARS IN THOUSANDS)	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 2,217,711	$ 1,220,190	$ 3,437,901	$ 202,836
Investments	1,498	386,948	388,446	51,516
Taxes Receivable, net	920,086	73,326	993,412	3
Contributions Receivable, net	-	-	-	35,459
Other Receivables, net	182,540	245,768	428,308	167,711
Due From Other Governments	475,997	142,961	618,958	1,303
Internal Balances	14,617	(14,617)	-	-
Due From Component Units	66	12,630	12,696	-
Inventories	16,183	42,467	58,650	16,315
Prepaids, Advances, and Deferred Charges	33,244	20,091	53,335	7,979
Net Pension Asset	-	-	-	6,741
Total Current Assets	3,861,942	2,129,764	5,991,706	489,863
Noncurrent Assets:				
Restricted Assets:				
Restricted Cash and Pooled Cash	1,813,365	368,308	2,181,673	98,509
Restricted Investments	694,311	201,025	895,336	303,240
Restricted Receivables	184,120	1,916,974	2,101,094	17,005
Investments	98,815	1,154,901	1,253,716	1,686,913
Contributions Receivable, net	-	-	-	59,259
Other Long-Term Assets	600,020	123,599	723,619	1,164,931
Depreciable Capital Assets and Infrastructure, net	2,360,036	3,594,383	5,954,419	683,900
Land and Nondepreciable Infrastructure	10,480,438	928,243	11,408,681	23,718
Total Noncurrent Assets	16,231,105	8,287,433	24,518,538	4,037,475
TOTAL ASSETS	20,093,047	10,417,197	30,510,244	4,527,338
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	633,722	-	633,722	-
Accounts Payable and Accrued Liabilities	779,008	506,318	1,285,326	77,383
TABOR Refund Liability (Note 8B)	706	-	706	-
Due To Other Governments	223,415	182,922	406,337	3,152
Due To Component Units	-	930	930	-
Deferred Revenue	150,632	207,551	358,183	5,653
Accrued Compensated Absences	8,930	12,753	21,683	15,094
Claims and Judgments Payable	36,936	-	36,936	13,022
Leases Payable	8,227	6,282	14,509	507
Notes, Bonds, and COP's Payable	637,066	85,456	722,522	61,622
Other Current Liabilities	9,818	241,129	250,947	121,245
Total Current Liabilities	2,488,460	1,243,341	3,731,801	297,678
Noncurrent Liabilities:				
Deposits Held In Custody For Others	16	-	16	207,957
Accrued Compensated Absences	140,675	185,420	326,095	-
Claims and Judgments Payable	358,371	27,541	385,912	-
Capital Lease Payable	83,586	83,206	166,792	3,360
Capital Lease Payable To Component Units	-	4,285	4,285	-
Notes, Bonds, and COP's Payable	1,146,960	3,917,559	5,064,519	1,540,278
Due to Component Units	-	723	723	-
Other Postemployment Benefits	-	31,689	31,689	-
Other Long-Term Liabilities	397,774	43,321	441,095	79,450
Total Noncurrent Liabilities	2,127,382	4,293,744	6,421,126	1,831,045
TOTAL LIABILITIES	4,615,842	5,537,085	10,152,927	2,128,723
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11,631,061	2,665,270	14,296,331	205,220
Restricted for:				
Highway Construction and Maintenance	1,220,524	-	1,220,524	-
State Education	338,365	-	338,365	-
Unemployment Insurance	-	392,984	392,984	-
Debt Service	558	111,778	112,336	-
Emergencies	93,550	21,282	114,832	9
Expendable	8,588	6,935	15,523	598,947
Nonexpendable	623,619	70,420	694,039	559,570
Court Awards and Other Purposes	197,918	582,006	779,924	491,487
Unrestricted	1,363,022	1,029,437	2,392,459	543,382
TOTAL NET ASSETS	$ 15,477,205	$ 4,880,112	$ 20,357,317	$ 2,398,615

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

(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	$ 327,146	$ (18,736)	$ 109,960	$ 376,488	$ 154
Business, Community, and Consumer Affairs	702,556	2,481	147,953	229,932	13
Education	5,207,854	851	12,842	564,476	103
Health and Rehabilitation	643,452	1,247	80,504	355,218	-
Justice	1,538,464	4,846	177,554	77,217	2,267
Natural Resources	135,562	1,597	120,036	82,310	65
Social Assistance	5,217,742	2,553	44,253	3,238,694	10
Transportation	1,374,895	1,320	252,236	141,094	483,099
Interest on Debt	20,393	-	-	-	-
Total Governmental Activities	15,168,064	(3,841)	945,338	5,065,429	485,711
Business-Type Activities:					
Higher Education	4,151,041	2,241	2,673,602	1,400,124	11,751
Unemployment Insurance	1,138,621	-	363,250	402,822	-
CollegeInvest	78,647	-	76,443	(3,845)	-
Lottery	434,635	521	501,419	1,534	-
Wildlife	111,730	639	97,964	23,028	8,469
College Assist	399,493	83	2,088	384,756	-
Other Business-Type Activities	171,278	357	172,142	5,767	-
Total Business-Type Activities	6,485,445	3,841	3,886,908	2,214,186	20,220
Total Primary Government	21,653,509	-	4,832,246	7,279,615	505,931
Component Units:					
University of Colorado Hospital Authority	639,796		737,581	1,313	3,253
Colorado Water Resources and Power Development Authority	61,036		46,613	19,202	-
University of Colorado Foundation	86,396		7,600	(10,557)	-
Colorado State University Foundation	31,804		-	2,014	-
Colorado School of Mines Foundation	15,132		-	17,420	-
University of Northern Colorado Foundation	10,891		-	(9,092)	-
Other Component Units	72,946		33,628	1,344	643
Total Component Units	$ 918,001	$ -	$ 825,422	$ 21,644	$ 3,896

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 (Losses)
- 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 28)
- Accounting Changes (Note 28)

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
$ 178,192	$ -	$ 178,192	
(327,139)	-	(327,139)	
(4,631,284)	-	(4,631,284)	
(208,977)	-	(208,977)	
(1,286,272)	-	(1,286,272)	
65,252	-	65,252	
(1,937,338)	-	(1,937,338)	
(499,786)	-	(499,786)	
(20,393)	-	(20,393)	
(8,667,745)	-	(8,667,745)	
-	(67,805)	(67,805)	
-	(372,549)	(372,549)	
-	(6,049)	(6,049)	
-	67,797	67,797	
-	17,092	17,092	
-	(12,732)	(12,732)	
-	6,274	6,274	
-	(367,972)	(367,972)	
(8,667,745)	(367,972)	(9,035,717)	
-	-	-	102,351
-	-	-	4,779
-	-	-	(89,353)
-	-	-	(29,790)
-	-	-	2,288
-	-	-	(19,983)
-	-	-	(37,331)
-	-	-	(67,039)
2,093,113	-	2,093,113	-
251,209	-	251,209	-
4,024,105	-	4,024,105	-
322,683	-	322,683	-
655,478	-	655,478	-
311,138	-	311,138	-
28,762	-	28,762	-
539,853	-	539,853	-
872	-	872	-
22,591	-	22,591	(13,724)
119,748	-	119,748	-
-	-	-	45,271
(5,616)	-	(5,616)	-
(114,685)	114,685	-	-
8,249,251	114,685	8,363,936	31,547
(418,494)	(253,287)	(671,781)	(35,491)
15,830,190	5,127,090	20,957,280	2,434,106
(118,647)	6,309	(112,338)	-
184,156	-	184,156	-
$ 15,477,205	$ 4,880,112	$ 20,357,317	$ 2,398,615

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

(DOLLARS IN THOUSANDS)	GENERAL	STATE PUBLIC SCHOOL	HIGHWAY USERS TAX
ASSETS:			
Cash and Pooled Cash	$ 674,992	$ 17,425	$ 32,951
Taxes Receivable, net	1,006,153	-	-
Other Receivables, net	70,066	-	3,426
Due From Other Governments	457,803	5,762	15
Due From Other Funds	11,858	4,693	12,175
Due From Component Units	66	-	-
Inventories	7,003	-	7,798
Prepaids, Advances, and Deferred Charges	18,254	-	72
Restricted Cash and Pooled Cash	-	-	1,233,179
Restricted Investments	-	-	-
Restricted Receivables	-	-	171,528
Investments	4,369	-	-
Other Long-Term Assets	1	-	21,890
Capital Assets Held as Investments	-	-	-
TOTAL ASSETS	$ 2,250,565	$ 27,880	$ 1,483,034
LIABILITIES:			
Tax Refunds Payable	$ 624,317	$ -	$ 691
Accounts Payable and Accrued Liabilities	502,647	-	99,279
TABOR Refund Liability (Note 8B)	706	-	-
Due To Other Governments	36,927	-	52,896
Due To Other Funds	27,890	-	1,580
Deferred Revenue	203,123	3,715	24,743
Compensated Absences Payable	27	-	-
Claims and Judgments Payable	1,118	-	-
Notes, Bonds, and COP's Payable	515,000	-	-
Other Current Liabilities	3,370	-	45
Deposits Held In Custody For Others	7	-	-
TOTAL LIABILITIES	1,915,132	3,715	179,234
FUND BALANCES:			
Reserved for:			
Encumbrances	2,195	-	915,357
Noncurrent Assets	1	-	21,890
Debt Service	-	-	-
Statutory Purposes	148,212	-	-
Risk Management	18,650	-	-
Emergencies	-	-	-
Funds Reported as Restricted	-	-	320,584
Unreserved Undesignated, Reported in:			
General Fund	155,436	-	-
Special Revenue Funds	-	24,165	29,333
Capital Projects Funds	-	-	-
Nonmajor Special Revenue Funds	-	-	-
Nonmajor Permanent Funds	-	-	-
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Major Funds	10,939	-	16,636
Reported in Nonmajor Special Revenue Funds	-	-	-
Reported in Nonmajor Permanent Funds	-	-	-
TOTAL FUND BALANCES	335,433	24,165	1,303,800
TOTAL LIABILITIES AND FUND BALANCES	$ 2,250,565	$ 27,880	$ 1,483,034

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ 250,596	$ -	$ 1,217,911	$ 2,193,875
-	-	86,711	1,092,864
13,291	-	94,943	181,726
2,545	-	9,728	475,853
12,440	-	207,080	248,246
-	-	-	66
-	-	356	15,157
2,164	-	12,537	33,027
-	287,103	293,083	1,813,365
-	53,291	641,020	694,311
-	995	11,597	184,120
-	-	95,944	100,313
121	-	409,920	431,932
-	-	18,440	18,440
$ 281,157	$ 341,389	$ 3,099,270	$ 7,483,295
$ -	$ -	$ 8,714	$ 633,722
48,275	2,839	106,902	759,942
-	-	-	706
-	-	116,414	206,237
1,213	185	220,260	251,128
950	-	90,070	322,601
-	-	-	27
-	-	73	1,191
-	-	-	515,000
1,015	-	3,182	7,612
-	-	9	16
51,453	3,024	545,624	2,698,182
128,039	-	-	1,045,591
121	-	493,051	515,063
-	-	558	558
40,921	-	-	189,133
-	-	-	18,650
-	-	93,550	93,550
-	331,010	794,145	1,445,739
-	-	-	155,436
-	-	-	53,498
54,687	-	-	54,687
-	-	1,117,248	1,117,248
-	-	8,500	8,500
5,936	7,355	-	40,866
-	-	23,719	23,719
-	-	22,875	22,875
229,704	338,365	2,553,646	4,785,113
$ 281,157	$ 341,389	$ 3,099,270	$ 7,483,295

GOVERNMENTAL FUNDS BALANCE SHEET
RECONCILED TO
STATEMENT OF NET ASSETS
JUNE 30, 2009

(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	$ 2,193,875	$ 23,831	$ -	$ -	$ -	$ 5	$ -	$ 2,217,711
Investments	-	-	-	-	-	1,498	-	1,498
Taxes Receivable, net	1,092,864	-	-	-	-	(172,778)	-	920,086
Other Receivables, net	181,726	402	-	-	-	412	-	182,540
Due From Other Governments	475,853	144	-	-	-	-	-	475,997
Due From Other Funds	248,246	627	-	-	-	(148)	(234,108)	14,617
Due From Component Units	66	-	-	-	-	-	-	66
Inventories	15,157	1,026	-	-	-	-	-	16,183
Prepaids, Advances, and Deferred Charges	33,027	217	-	-	-	-	-	33,244
Total Current Assets	4,240,814	26,247	-	-	-	(171,011)	(234,108)	3,861,942
Noncurrent Assets:								
Restricted Cash and Pooled Cash	1,813,365	-	-	-	-	-	-	1,813,365
Restricted Investments	694,311	-	-	-	-	-	-	694,311
Restricted Receivables	184,120	-	-	-	-	-	-	184,120
Investments	100,313	-	-	-	-	(1,498)	-	98,815
Other Long-Term Assets	431,932	177	-	-	-	167,911	-	600,020
Depreciable Capital Assets and Infrastructure, net	-	115,608	2,244,428	-	-	-	-	2,360,036
Land and Nondepreciable Infrastructure	18,440	-	10,461,998	-	-	-	-	10,480,438
Total Noncurrent Assets	3,242,481	115,785	12,706,426	-	-	166,413	-	16,231,105
TOTAL ASSETS	7,483,295	142,032	12,706,426	-	-	(4,598)	(234,108)	20,093,047
LIABILITIES:								
Current Liabilities:								
Tax Refunds Payable	633,722	-	-	-	-	-	-	633,722
Accounts Payable and Accrued Liabilities	759,942	10,687	-	8,379	-	-	-	779,008
TABOR Refund Liability (Note 8B)	706	-	-	-	-	-	-	706
Due To Other Governments	206,237	-	-	-	-	17,178	-	223,415
Due To Other Funds	251,128	158	-	-	-	(17,178)	(234,108)	-
Deferred Revenue	322,601	809	-	-	-	(172,778)	-	150,632
Compensated Absences Payable	27	60	-	-	-	8,843	-	8,930
Claims and Judgments Payable	1,191	-	-	-	26,041	9,704	-	36,936
Leases Payable	-	6,061	-	2,166	-	-	-	8,227
Notes, Bonds, and COP's Payable	515,000	4,555	-	117,511	-	-	-	637,066
Other Current Liabilities	7,612	-	-	-	-	2,206	-	9,818
Total Current Liabilities	2,698,166	22,330	-	128,056	26,041	(152,025)	(234,108)	2,488,460
Noncurrent Liabilities:								
Deposits Held In Custody For Others	16	-	-	-	-	-	-	16
Accrued Compensated Absences	-	2,499	-	-	-	138,176	-	140,675
Claims and Judgments Payable	-	-	-	-	-	358,371	-	358,371
Capital Lease Payable	-	53,518	-	30,068	-	-	-	83,586
Notes, Bonds, and COP's Payable	-	12,594	-	1,134,366	-	-	-	1,146,960
Other Long-Term Liabilities	-	-	-	-	75,810	321,964	-	397,774
Total Noncurrent Liabilities	16	68,611	-	1,164,434	75,810	818,511	-	2,127,382
TOTAL LIABILITIES	2,698,182	90,941	-	1,292,490	101,851	666,486	(234,108)	4,615,842
NET ASSETS:								
Invested in Capital Assets, Net of Related Debt	18,440	38,880	12,706,426	(1,132,685)	-	-	-	11,631,061
Restricted for:								
Highway Construction and Maintenance	1,252,273	-	-	(31,749)	-	-	-	1,220,524
State Education	338,365	-	-	-	-	-	-	338,365
Debt Service	558	-	-	-	-	-	-	558
Emergencies	93,550	-	-	-	-	-	-	93,550
Permanent Funds and Endowments:								
Expendable	8,588	-	-	-	-	-	-	8,588
Nonexpendable	623,619	-	-	-	-	-	-	623,619
Court Awards and Other Purposes	197,918	-	-	-	-	-	-	197,918
Unrestricted	2,218,415	12,211	-	(128,056)	(101,851)	(637,696)	-	1,363,023
TOTAL NET ASSETS	$ 4,751,726	$ 51,091	$ 12,706,426	$ (1,292,490)	$ (101,851)	$ (637,696)	$ -	$ 15,477,206

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, 2009

(DOLLARS IN THOUSANDS)	GENERAL	STATE PUBLIC SCHOOL	HIGHWAY USERS TAX
REVENUES:			
Taxes:			
Individual and Fiduciary Income	$ 4,020,699	$ -	$ -
Corporate Income	265,214	-	-
Sales and Use	1,890,013	-	-
Excise	91,583	-	539,852
Other Taxes	193,688	-	872
Licenses, Permits, and Fines	44,721	-	272,913
Charges for Goods and Services	56,379	-	6,175
Rents	471	-	1,286
Investment Income (Loss)	27,230	25	49,989
Federal Grants and Contracts	4,565,329	-	509,625
Unclaimed Property Receipts	-	-	-
Other	88,968	7,052	62,919
TOTAL REVENUES	11,244,295	7,077	1,443,631
EXPENDITURES:			
Current:			
General Government	411,569	-	13,433
Business, Community, and Consumer Affairs	154,450	-	-
Education	777,596	-	-
Health and Rehabilitation	497,383	-	8,106
Justice	1,170,373	-	83,889
Natural Resources	61,694	-	-
Social Assistance	3,653,023	-	-
Transportation	-	-	1,072,704
Capital Outlay	27,759	-	35,395
Intergovernmental:			
Cities	26,608	-	107,629
Counties	1,729,519	-	155,881
School Districts	614,638	2,999,810	-
Special Districts	30,459	-	39,994
Federal	529	-	-
Other	30,176	-	706
Debt Service	13,643	-	-
TOTAL EXPENDITURES	9,199,419	2,999,810	1,517,737
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,044,876	(2,992,733)	(74,106)
OTHER FINANCING SOURCES (USES):			
Transfers-In	1,362,814	3,032,701	68,336
Transfers-Out	(3,291,830)	(38,519)	(208,636)
Capital Lease Proceeds	11,188	-	-
Insurance Recoveries	1,010	-	1,020
TOTAL OTHER FINANCING SOURCES (USES)	(1,916,818)	2,994,182	(139,280)
NET CHANGE IN FUND BALANCES	128,058	1,449	(213,386)
FUND BALANCE, FISCAL YEAR BEGINNING	207,413	22,716	1,517,186
Prior Period Adjustment (See Note 28)	(38)	-	-
Accounting Changes (See Note 28)	-	-	-
FUND BALANCE, FISCAL YEAR END	$ 335,433	$ 24,165	$ 1,303,800

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

CAPITAL PROJECTS	STATE EDUCATION	OTHER GOVERNMENTAL FUNDS	TOTAL
$ -	$ 312,624	$ -	$ 4,333,323
-	27,276	-	292,490
-	-	248,011	2,138,024
-	-	159,637	791,072
-	-	480,768	675,328
5	-	383,504	701,143
-	-	87,815	150,369
-	-	84,054	85,811
16,621	17,878	145,829	257,572
8,962	-	396,448	5,480,364
-	-	58,158	58,158
4,429	30	31,841	195,239
30,017	357,808	2,076,065	15,158,893
10,809	-	74,694	510,505
1,648	-	175,778	331,876
39,667	33,837	28,186	879,286
232	-	102,181	607,902
6,847	-	23,525	1,284,634
789	-	58,594	121,077
2,070	-	180,176	3,835,269
-	-	1,365	1,074,069
235,448	-	9,754	308,356
623	307	158,857	294,024
193	-	157,707	2,043,300
197	454,686	75,033	4,144,364
150	-	37,621	108,224
240	-	2,733	3,502
95	-	41,865	72,842
-	-	174,877	188,520
299,008	488,830	1,302,946	15,807,750
(268,991)	(131,022)	773,119	(648,857)
67,449	121,411	526,051	5,178,762
(70,365)	(5,173)	(1,669,588)	(5,284,111)
-	-	214	11,402
349	-	75	2,454
(2,567)	116,238	(1,143,248)	(91,493)
(271,558)	(14,784)	(370,129)	(740,350)
501,852	353,149	2,709,701	5,312,017
(590)	-	(131)	(759)
-	-	214,205	214,205
$ 229,704	$ 338,365	$ 2,553,646	$ 4,785,113

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES RECONCILED TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

(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	$ 4,333,323	$ -	$ -	$ -	$ 3,453	$ 4,336,776
Corporate Income	292,490	-	-	-	57,470	349,960
Sales and Use	2,138,024	-	-	-	(44,910)	2,093,114
Excise	791,072	-	-	-	(11)	791,061
Other Taxes	675,328	-	-	-	759	676,087
Licenses, Permits, and Fines	701,143	-	-	-	55	701,198
Charges for Goods and Services	150,369	-	-	-	-	150,369
Rents	85,811	-	-	-	-	85,811
Investment Income (Loss)	257,572	208	-	-	76	257,856
Federal Grants and Contracts	5,480,364	-	-	-	6,858	5,487,222
Unclaimed Property Receipts	58,158	-	-	-	-	58,158
Other	195,239	-	1,600	-	3	196,842
TOTAL REVENUES	15,158,893	208	1,600	-	23,753	15,184,454
EXPENDITURES:						
Current:						
General Government	510,505	(2,099)	5,376	-	7,296	521,078
Business, Community, and Consumer Affairs	331,876	(935)	4,723	-	21,928	357,592
Education	879,286	(184)	1,729	-	491	881,322
Health and Rehabilitation	607,902	(220)	12,444	-	1,622	621,748
Justice	1,284,634	(1,206)	30,326	-	6,267	1,320,021
Natural Resources	121,077	(550)	5,986	-	170	126,683
Social Assistance	3,835,269	(1,379)	6,764	-	457	3,841,111
Transportation	1,074,069	(361)	(86,587)	-	395	987,516
Capital Outlay	308,356	-	(229,602)	-	-	78,754
Intergovernmental:						
Cities	294,024	-	-	-	-	294,024
Counties	2,043,300	-	-	-	-	2,043,300
School Districts	4,144,364	-	-	-	-	4,144,364
Special Districts	108,224	-	-	-	-	108,224
Federal	3,502	-	(210)	-	-	3,292
Other	72,842	-	-	-	-	72,842
Debt Service	188,520	2,339	-	(111,362)	-	79,497
TOTAL EXPENDITURES	15,807,750	(4,595)	(249,051)	(111,362)	38,626	15,481,368
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(648,857)	4,803	250,651	111,362	(14,873)	(296,914)
OTHER FINANCING SOURCES (USES):						
Transfers-In	5,178,762	1,166	-	-	-	5,179,928
Transfers-Out	(5,284,111)	(8,413)	-	-	-	(5,292,524)
Capital Lease Proceeds	11,402	-	-	(11,402)	-	-
Sale of Capital Assets	-	-	(12,118)	-	-	(12,118)
Insurance Recoveries	2,454	-	-	-	-	2,454
TOTAL OTHER FINANCING SOURCES (USES)	(91,493)	(7,247)	(12,118)	(11,402)	-	(122,260)
Internal Service Fund Charges to BTAs	-	680	-	-	-	680
NET CHANGE FOR THE YEAR	$ (740,350)	$ (1,764)	$ 238,533	$ 99,960	$ (14,873)	$ (418,494)

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 Fund 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, 2009

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
ASSETS:		
Current Assets:		
Cash and Pooled Cash	$ 718,772	$ 349,759
Investments	367,362	-
Taxes Receivable, net	-	73,326
Student and Other Receivables, net	206,434	4,210
Due From Other Governments	118,756	19,063
Due From Other Funds	13,898	-
Due From Component Units	12,630	-
Inventories	29,424	-
Prepaids, Advances, and Deferred Charges	14,051	-
Total Current Assets	1,481,327	446,358
Noncurrent Assets:		
Restricted Cash and Pooled Cash	286,258	-
Restricted Investments	130,241	-
Restricted Receivables	-	-
Investments	1,075,648	-
Other Long-Term Assets	110,725	-
Depreciable Capital Assets and Infrastructure, net	3,478,294	-
Land and Nondepreciable Infrastructure	765,245	-
Total Noncurrent Assets	5,846,411	-
TOTAL ASSETS	7,327,738	446,358
LIABILITIES:		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	468,180	2,152
Due To Other Governments	-	-
Due To Other Funds	12,473	294
Due To Component Units	930	-
Deferred Revenue	174,129	-
Compensated Absences Payable	11,922	-
Leases Payable	6,042	-
Notes, Bonds, and COP's Payable	60,741	-
Other Current Liabilities	150,841	50,928
Total Current Liabilities	885,258	53,374
Noncurrent Liabilities:		
Accrued Compensated Absences	175,223	-
Claims and Judgments Payable	27,541	-
Capital Lease Payable	80,076	-
Capital Lease Payable To Component Units	4,285	-
Notes, Bonds, and COP's Payable	2,229,449	-
Due to Component Units	723	-
Other Postemployment Benefits	31,689	-
Other Long-Term Liabilities	9,280	-
Total Noncurrent Liabilities	2,558,266	-
TOTAL LIABILITIES	3,443,524	53,374
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	2,401,088	-
Restricted for:		
Unemployment Insurance	-	392,984
Debt Service	5,342	-
Emergencies	-	-
Permanent Funds and Endowments:		
Expendable	6,935	-
Nonexpendable	70,420	-
Court Awards and Other Purposes	554,000	-
Unrestricted	846,429	-
TOTAL NET ASSETS	$ 3,884,214	$ 392,984

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
$ 9,465	$ 36,963	$ 105,231	$ 1,220,190	$ 23,831
19,586	-	-	386,948	-
-	-	-	73,326	-
2,686	20,729	11,694	245,753	402
-	-	5,142	142,961	144
-	-	10,079	23,977	627
-	-	-	12,630	-
-	1,508	11,535	42,467	1,026
472	4,069	1,499	20,091	217
32,209	63,269	145,180	2,168,343	26,247
-	-	82,050	368,308	-
70,784	-	-	201,025	-
1,871,494	-	45,480	1,916,974	-
79,253	-	-	1,154,901	-
10,693	-	2,181	123,599	177
196	2,760	113,133	3,594,383	115,608
-	-	162,998	928,243	-
2,032,420	2,760	405,842	8,287,433	115,785
2,064,629	66,029	551,022	10,455,776	142,032
7,479	4,555	23,952	506,318	10,687
131,514	29	37,897	169,440	-
10,839	28,090	365	52,061	158
-	-	-	930	-
-	328	33,094	207,551	809
-	9	822	12,753	60
-	-	240	6,282	6,061
24,000	-	715	85,456	4,555
4,260	27,109	7,991	241,129	-
178,092	60,120	105,076	1,281,920	22,330
185	912	9,100	185,420	2,499
-	-	-	27,541	-
-	-	3,130	83,206	53,518
-	-	-	4,285	-
1,677,330	-	10,780	3,917,559	12,594
-	-	-	723	-
-	-	-	31,689	-
29,684	83	4,274	43,321	-
1,707,199	995	27,284	4,293,744	68,611
1,885,291	61,115	132,360	5,575,664	90,941
196	2,760	261,226	2,665,270	38,880
-	-	-	392,984	-
106,436	-	-	111,778	-
-	-	21,282	21,282	-
-	-	-	6,935	-
-	-	-	70,420	-
-	-	28,006	582,006	-
72,706	2,154	108,148	1,029,437	12,211
$ 179,338	$ 4,914	$ 418,662	$ 4,880,112	$ 51,091

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
OPERATING REVENUES:		
Unemployment Insurance Taxes	$ -	$ 363,241
License and Permits	-	-
Tuition and Fees	1,674,849	-
Scholarship Allowance for Tuition and Fees	(335,159)	-
Sales of Goods and Services	1,255,135	-
Scholarship Allowance for Sales of Goods & Services	(15,089)	-
Investment Income (Loss)	1,189	-
Rental Income	15,879	-
Gifts and Donations	18,086	-
Federal Grants and Contracts	1,001,621	375,841
Intergovernmental Revenue	19,423	-
Other	214,555	9
TOTAL OPERATING REVENUES	3,850,489	739,091
OPERATING EXPENSES:		
Salaries and Fringe Benefits	3,043,997	-
Operating and Travel	727,909	1,139,408
Cost of Goods Sold	148,327	-
Depreciation and Amortization	236,110	-
Intergovernmental Distributions	27,455	-
Debt Service	-	-
Prizes and Awards	181	-
TOTAL OPERATING EXPENSES	4,183,979	1,139,408
OPERATING INCOME (LOSS)	(333,490)	(400,317)
NONOPERATING REVENUES AND (EXPENSES):		
Taxes	-	-
Fines and Settlements	471	-
Investment Income (Loss)	(55,752)	27,768
Rental Income	11,802	-
Gifts and Donations	108,766	-
Intergovernmental Distributions	(21,107)	-
Federal Grants and Contracts	144,691	-
Gain/(Loss) on Sale or Impairment of Capital Assets	21,198	-
Insurance Recoveries from Prior Year Impairments	5	-
Debt Service	(80,975)	-
Other Expenses	(118)	-
Other Revenues	7,700	-
TOTAL NONOPERATING REVENUES (EXPENSES)	136,681	27,768
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(196,809)	(372,549)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:		
Capital Contributions	131,121	-
Transfers-In	181,412	-
Transfers-Out	(3,813)	-
TOTAL CONTRIBUTIONS AND TRANSFERS	308,720	-
CHANGE IN NET ASSETS	111,911	(372,549)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	3,765,994	765,533
Prior Period Adjustments (See Note 28)	6,309	-
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 3,884,214	$ 392,984

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
$ -	$ -	$ -	$ 363,241	$ -
-	67	83,917	83,984	-
-	-	306	1,675,155	-
-	-	-	(335,159)	-
116	500,486	118,332	1,874,069	110,825
-	-	-	(15,089)	-
(4,235)	-	3,290	244	-
-	-	1,322	17,201	11,169
-	-	-	18,086	-
390	-	413,949	1,791,801	-
-	-	18,329	37,752	-
76,327	867	3,286	295,044	296
72,598	501,420	642,731	5,806,329	122,290
2,082	8,956	174,066	3,229,101	36,654
23,880	51,235	430,748	2,373,180	59,149
1,412	11,358	36,964	198,061	8,089
160	137	8,351	244,758	18,771
4,693	-	3,964	36,112	3
46,420	-	27,400	73,820	-
-	308,796	864	309,841	-
78,647	380,482	682,357	6,464,873	122,666
(6,049)	120,938	(39,626)	(658,544)	(376)
-	-	35,627	35,627	-
-	-	647	1,118	-
-	1,534	3,746	(22,704)	208
-	-	905	12,707	-
-	-	2,236	111,002	-
-	(54,267)	-	(75,374)	-
-	-	-	144,691	33
-	(10)	(1,506)	19,682	372
-	-	15	20	-
-	-	(636)	(81,611)	(2,255)
-	-	(57)	(175)	(89)
-	-	-	7,700	-
-	(52,743)	40,977	152,683	(1,731)
(6,049)	68,195	1,351	(505,861)	(2,107)
-	-	9,930	141,051	7,591
222	-	7,593	189,227	1,165
(50)	(65,894)	(7,947)	(77,704)	(8,412)
172	(65,894)	9,576	252,574	344
(5,877)	2,301	10,927	(253,287)	(1,763)
185,215	2,613	407,735	5,127,090	22,950
-	-	-	6,309	29,904
$ 179,338	$ 4,914	$ 418,662	$ 4,880,112	$ 51,091

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Tuition, Fees, and Student Loans	$ 1,350,076	$ -
Fees for Service	1,246,155	-
Sales of Products	1,039	-
Gifts, Grants, and Contracts	1,201,382	358,276
Loan and Note Repayments	259,595	-
Unemployment Insurance Taxes	-	366,407
Income from Property	27,682	-
Other Sources	79,019	-
Cash Payments to or for:		
Employees	(2,864,476)	-
Suppliers	(914,253)	-
Sales Commissions and Lottery Prizes	-	-
Unemployment Benefits	-	(1,112,341)
Scholarships	(79,373)	-
Others for Student Loans and Loan Losses	(258,723)	-
Other Governments	(27,455)	-
Other	(54,788)	(787)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(34,120)	(388,445)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers-In	181,411	-
Transfers-Out	(3,813)	-
Receipt of Deposits Held in Custody	525,215	-
Release of Deposits Held in Custody	(531,895)	-
Gifts and Grants for Other Than Capital Purposes	253,457	-
Intergovernmental Distributions	(21,107)	-
NonCapital Debt Service Payments	(6,286)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	396,982	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(648,301)	-
Capital Contributions	122,367	-
Capital Gifts, Grants, and Contracts	12,822	-
Proceeds from Sale of Capital Assets	45,720	-
Capital Debt Proceeds	554,565	-
Capital Debt Service Payments	(139,559)	-
Capital Lease Payments	(17,265)	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(69,651)	-

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
$ -	$ -	$ 368	$ 1,350,444	$ 7
23,839	-	166,193	1,436,187	109,109
116	498,421	56,873	556,449	1,657
5,067	-	416,719	1,981,444	49
539,782	-	-	799,377	-
-	-	-	366,407	-
-	-	2,227	29,909	11,194
2,129	67	30,686	111,901	688
(2,119)	(8,510)	(118,314)	(2,993,419)	(33,258)
(14,659)	(25,667)	(172,051)	(1,126,630)	(66,919)
-	(339,564)	(5,499)	(345,063)	(617)
-	-	-	(1,112,341)	-
-	-	-	(79,373)	-
(550,729)	-	(359,957)	(1,169,409)	-
(4,693)	-	(3,789)	(35,937)	(3)
(309)	(20)	(10,881)	(66,785)	(138)
(1,576)	124,727	2,575	(296,839)	21,769
222	-	7,593	189,226	1,165
(50)	(65,893)	(7,947)	(77,703)	(8,413)
-	-	142	525,357	-
-	-	(63)	(531,958)	-
-	-	1,487	254,944	-
-	(53,343)	-	(74,450)	-
(73,162)	-	(368)	(79,816)	(655)
(72,990)	(119,236)	844	205,600	(7,903)
(16)	(2,409)	(25,091)	(675,817)	(50,356)
-	-	-	122,367	-
-	-	-	12,822	-
-	-	99	45,819	43,059
-	-	60	554,625	2,595
-	-	(1,839)	(141,398)	(7,105)
-	-	(350)	(17,615)	(1,212)
(16)	(2,409)	(27,121)	(99,197)	(13,019)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

(Continued)

(DOLLARS IN THOUSANDS)	HIGHER EDUCATION INSTITUTIONS	UNEMPLOYMENT INSURANCE
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	52,889	27,768
Proceeds from Sale/Maturity of Investments	3,488,919	-
Purchases of Investments	(3,884,602)	-
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	10,719	-
NET CASH FROM INVESTING ACTIVITIES	(332,075)	27,768
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(38,864)	(360,677)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	1,043,894	710,436
CASH AND POOLED CASH, FISCAL YEAR END	$ 1,005,030	$ 349,759
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (333,490)	$ (400,317)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	236,111	-
Investment/Rental Income and Other Revenue in Operating Income	(18)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	20,966	-
Loss on Disposal of Capital Assets	2,191	-
Compensated Absences	18,548	-
Interest and Other Expense in Operating Income	(49,649)	-
Net Changes in Assets and Liabilities Related to Operating Activities:		
(Increase) Decrease in Operating Receivables	(2,129)	(8,627)
(Increase) Decrease in Inventories	(1,220)	-
(Increase) Decrease in Other Operating Assets	(4,362)	-
Increase (Decrease) in Accounts Payable	37,162	(6,291)
Increase (Decrease) in Other Operating Liabilities	41,770	26,790
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (34,120)	$ (388,445)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:		
Capital Assets Funded by the Capital Projects Fund	113,815	-
Capital Assets Acquired by Grants or Donations and Payable Increases	4,483	-
Unrealized Gain/(Loss) on Investments and Interest Receivable Accruals	(114,541)	-
Gain/(Loss) on Disposal of Capital Assets	18,018	
Amortization of Debt Valuation Accounts and Interest Payable Accruals	608	-
Assumption of Capital Lease Obligation or Mortgage	15,876	-

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
4,448	1,196	5,379	91,680	155
92,711	-	-	3,581,630	-
(25,008)	-	-	(3,909,610)	-
57	337	1,658	12,771	53
72,208	1,533	7,037	(223,529)	208
(2,374)	4,615	(16,665)	(413,965)	1,055
11,839	32,348	203,946	2,002,463	22,776
$ 9,465	$ 36,963	$ 187,281	$ 1,588,498	$ 23,831
$ (6,049)	$ 120,938	$ (39,626)	$ (658,544)	$ (376)
160	137	8,351	244,759	18,771
4,235	-	(3,290)	927	-
-	-	37,954	58,920	52
-	-	156	2,347	-
3	95	392	19,038	748
46,420	-	116	(3,113)	121
(167,726)	(1,694)	(43,075)	(223,251)	(369)
-	(612)	1,634	(198)	525
520	(42)	(92)	(3,976)	160
123,252	597	34,332	189,052	1,918
(2,391)	5,308	5,723	77,200	219
$ (1,576)	$ 124,727	$ 2,575	$ (296,839)	$ 21,769
-	-	898	114,713	-
-	-	151	4,634	838
2,005	-	-	(112,536)	-
-	(10)	(1,677)	16,331	1,007
-	-	11	619	-
-	-	214	16,090	20,886

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST	AGENCY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 28,565	$ 8,754	$ 505,527
Taxes Receivable, net	-	-	119,241
Other Receivables, net	8,181	4,706	628
Due From Other Governments	37	-	-
Due From Other Funds	18,334	3,816	8,509
Inventories	-	-	4
Prepaids, Advances, and Deferred Charges	13	-	-
Noncurrent Assets:			
Investments:			
Government Securities	-	10,617	-
Mutual Funds	367,898	2,766,678	-
Other Investments	-	28,975	-
Other Long-Term Assets	-	-	17,909
TOTAL ASSETS	423,028	2,823,546	651,818
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	2,729
Accounts Payable and Accrued Liabilities	11,524	4,873	1,116
Due To Other Governments	-	-	199,038
Due To Other Funds	148	-	15
Deferred Revenue	-	5,278	-
Claims and Judgments Payable	16,621	-	458
Other Current Liabilities	-	-	379,164
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	3,327	60,839
Accrued Compensated Absences	53	-	-
Other Long-Term Liabilities	-	-	8,459
TOTAL LIABILITIES	28,346	13,478	651,818
NET ASSETS:			
Held in Trust for:			
Pension/Benefit Plan Participants	394,282	-	-
Individuals, Organizations, and Other Entities	-	2,810,068	-
Unrestricted	400	-	-
TOTAL NET ASSETS	$ 394,682	$ 2,810,068	$ -

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, 2009

(DOLLARS IN THOUSANDS)	PENSION AND BENEFIT TRUST	PRIVATE PURPOSE TRUST
ADDITIONS:		
Additions By Participants	$ -	$ 722,548
Member Contributions	121,361	-
Employer Contributions	182,895	-
Investment Income/(Loss)	(47,336)	(501,999)
Employee Deferral Fees	975	-
Other Additions	11,393	2,764
Transfers-In	1,347	-
TOTAL ADDITIONS	270,635	223,313
DEDUCTIONS:		
Distributions to Participants	-	263,109
Benefits and Withdrawals	20,811	-
Health Insurance Premiums Paid	89,533	-
Health Insurance Claims Paid	116,126	-
Other Benefits Plan Expense	19,593	-
Payments in Accordance with Trust Agreements	-	363,602
Administrative Expense	1,093	-
Other Deductions	22,238	-
Transfers-Out	210	64
TOTAL DEDUCTIONS	269,604	626,775
CHANGE IN NET ASSETS	1,031	(403,462)
NET ASSETS AVAILABLE:		
FISCAL YEAR BEGINNING	398,544	3,397,684
Prior Period Adjustments (Note 28)	(4,893)	-
Accounting Changes (See Note 28)	-	(184,154)
FISCAL YEAR ENDING	$ 394,682	$ 2,810,068

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

STATEMENT OF NET ASSETS
COMPONENT UNITS
JUNE 30, 2009

(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	$ 31,982	$ 116,507	$ 29,581
Investments	-	-	-
Taxes Receivable, net	-	-	-
Contributions Receivable, net	-	-	23,748
Other Receivables, net	90,126	72,661	576
Due From Other Governments	-	1,303	-
Inventories	16,315	-	-
Prepaids, Advances, and Deferred Charges	7,516	-	254
Net Pension Asset	6,741	-	-
Total Current Assets	152,680	190,471	54,159
Noncurrent Assets:			
Restricted Cash and Pooled Cash	-	98,057	-
Restricted Investments	21,605	281,635	-
Restricted Receivables	11,978	5,027	-
Investments	344,196	-	881,140
Contributions Receivable, net	-	-	24,689
Other Long-Term Assets	11,762	1,126,882	-
Depreciable Capital Assets and Infrastructure, net	548,435	15	3,875
Land and Nondepreciable Infrastructure	5,542	-	-
Total Noncurrent Assets	943,518	1,511,616	909,704
TOTAL ASSETS	1,096,198	1,702,087	963,863
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	51,047	17,207	4,702
Due To Other Governments	-	3,152	-
Deferred Revenue	-	767	508
Compensated Absences Payable	15,094	-	-
Claims and Judgments Payable	-	-	-
Leases Payable	-	-	507
Notes, Bonds, and COP's Payable	9,937	51,685	-
Other Current Liabilities	10,134	101,640	9,471
Total Current Liabilities	86,212	174,451	15,188
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	186,712
Capital Lease Payable	-	-	3,360
Notes, Bonds, and COP's Payable	518,875	1,017,118	-
Other Long-Term Liabilities	19,879	8,503	18,014
Total Noncurrent Liabilities	538,754	1,025,621	208,086
TOTAL LIABILITIES	624,966	1,200,072	223,274
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	55,445	15	8
Restricted for:			
Emergencies	-	-	-
Permanent Funds and Endowments:			
Expendable	-	-	421,026
Nonexpendable	-	-	281,401
Court Awards and Other Purposes	13,113	435,671	-
Unrestricted	402,674	66,329	38,154
TOTAL NET ASSETS	$ 471,232	$ 502,015	$ 740,589

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
$ 1,742	$ 8,344	$ 6,674	$ 8,006	$ 202,836
-	-	-	51,516	51,516
-	-	-	3	3
3,438	2,939	996	4,338	35,459
-	3,083	440	825	167,711
-	-	-	-	1,303
-	-	-	-	16,315
205	-	-	4	7,979
-	-	-	-	6,741
5,385	14,366	8,110	64,692	489,863
-	452	-	-	98,509
-	-	-	-	303,240
-	-	-	-	17,005
210,974	161,685	73,188	15,730	1,686,913
18,293	14,958	1,319	-	59,259
486	4,495	114	21,192	1,164,931
285	304	1,082	129,904	683,900
-	-	-	18,176	23,718
230,038	181,894	75,703	185,002	4,037,475
235,423	196,260	83,813	249,694	4,527,338
1,596	777	1,581	473	77,383
-	-	-	-	3,152
-	-	-	4,378	5,653
-	-	-	-	15,094
-	-	-	13,022	13,022
-	-	-	-	507
-	-	-	-	61,622
-	-	-	-	121,245
1,596	777	1,581	17,873	297,678
10,041	10,507	697	-	207,957
-	-	-	-	3,360
-	4,285	-	-	1,540,278
867	11,088	256	20,843	79,450
10,908	25,880	953	20,843	1,831,045
12,504	26,657	2,534	38,716	2,128,723
285	304	1,082	148,081	205,220
-	-	-	9	9
103,034	45,565	29,322	-	598,947
115,574	110,682	51,913	-	559,570
-	-	-	42,703	491,487
4,026	13,052	(1,038)	20,185	543,382
$ 222,919	$ 169,603	$ 81,279	$ 210,978	$ 2,398,615

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS COMPONENT UNITS FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	UNIVERSITY OF COLORADO HOSPITAL AUTHORITY	COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY	UNIVERSITY OF COLORADO FOUNDATION
OPERATING REVENUES:			
Fees	$ -	$ 46,611	$ 7,600
Sales of Goods and Services	715,139	-	-
Investment Income (Loss)	-	19,615	-
Rental Income	-	-	-
Gifts and Donations	-	-	95,496
Federal Grants and Contracts	-	4,627	-
Other	22,442	3	817
TOTAL OPERATING REVENUES	737,581	70,856	103,913
OPERATING EXPENSES:			
Salaries and Fringe Benefits	285,703	1,259	-
Operating and Travel	145,859	7,629	23,207
Cost of Goods Sold	140,177	-	-
Depreciation and Amortization	38,904	11	-
Debt Service	-	52,138	-
Foundation Program Distributions	-	-	63,190
TOTAL OPERATING EXPENSES	610,643	61,037	86,397
OPERATING INCOME (LOSS)	126,938	9,819	17,516
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	(23,697)	-	(108,752)
Gifts and Donations	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	(319)	-	-
Debt Service	(26,913)	-	-
Other Expenses	(1,921)	-	-
Other Revenues	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(52,850)	-	(108,752)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	74,088	9,819	(91,236)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	4,566	14,575	-
TOTAL CONTRIBUTIONS AND TRANSFERS	4,566	14,575	-
CHANGE IN NET ASSETS	78,654	24,394	(91,236)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	392,578	477,621	831,825
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 471,232	$ 502,015	$ 740,589

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
$ -	$ -	$ -	$ 32,934	$ 87,145
-	-	-	-	715,139
-	-	-	2,226	21,841
-	-	-	696	696
36,666	37,726	4,408	-	174,296
-	-	-	1,344	5,971
64	221	1,077	4,032	28,656
36,730	37,947	5,485	41,232	1,033,744
-	-	-	-	286,962
1,985	2,958	2,813	68,170	252,621
-	-	-	-	140,177
-	-	-	4,058	42,973
-	-	-	-	52,138
29,819	12,174	8,078	-	113,261
31,804	15,132	10,891	72,228	888,132
4,926	22,815	(5,406)	(30,996)	145,612
(37,783)	(26,766)	(18,311)	3,055	(212,254)
-	-	-	9,422	9,422
-	-	-	-	(319)
-	-	-	-	(26,913)
-	-	-	(719)	(2,640)
-	-	-	32,460	32,460
(37,783)	(26,766)	(18,311)	44,218	(200,244)
(32,857)	(3,951)	(23,717)	13,222	(54,632)
-	-	-	-	19,141
-	-	-	-	19,141
(32,857)	(3,951)	(23,717)	13,222	(35,491)
255,776	173,554	104,996	197,756	2,434,106
$ 222,919	$ 169,603	$ 81,279	$ 210,978	$ 2,398,615

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS RECAST TO THE STATEMENT OF ACTIVITIES FORMAT FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	*Statement of Revenues, Expenses, and Changes in Net Assets* Totals	*Statement of Activities* Treatment	*Statement of Activities* Amounts
OPERATING REVENUES:			
Unemployment Insurance Taxes Fees	$ 87,145	Charges for Services	$ 87,145
Sales of Goods and Services	715,139	Charges for Services	715,139
Investment Income (Loss)	21,841	Unrestricted Investment Earnings	21,841
Rental Income	696	Charges for Services	696
Gifts and Donations	174,296	Operating Grants & Contributions	174,296
Federal Grants and Contracts	5,971	Operating Grants & Contributions	5,971
Other	28,656	Charges for Services	22,445
		Operating Grants & Contributions	2,179
		Payment from State	4,032
TOTAL OPERATING REVENUES	1,033,744		
OPERATING EXPENSES:			
Salaries and Fringe Benefits	286,962	Expenses	286,962
Operating and Travel	252,621	Expenses	252,621
Cost of Goods Sold	140,177	Expenses	140,177
Depreciation and Amortization	42,973	Expenses	42,973
Debt Service	52,138	Expenses	52,138
Foundation Program Distributions	113,261	Expenses	113,261
TOTAL OPERATING EXPENSES	888,132		
OPERATING INCOME (LOSS)	145,612		
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	(212,254)	Unrestricted Investment Earnings	(35,565)
		Operating Grants & Contributions	(176,689)
Gifts and Donations	9,422	Payment from State	9,422
Gain/(Loss) on Sale or Impairment of Capital Assets	(319)	Expenses	(319)
Debt Service	(26,913)	Expenses	(26,913)
Other Expenses	(2,640)	Expenses	(2,640)
Other Revenues	32,460	Payment from State	31,817
		Capital Grants & Contributions	643
TOTAL NONOPERATING REVENUES (EXPENSES)	(200,244)		
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(54,632)		
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	19,141	Operating Grants & Contributions	15,888
		Capital Grants & Contributions	3,253
TOTAL CONTRIBUTIONS AND TRANSFERS	19,141		
CHANGE IN NET ASSETS	(35,491)		(35,491)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	2,434,106		2,434,106
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 2,398,615		$ 2,398,615

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 2008-09, the state implemented GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Liabilities and GASB Statement No. 52 – Land and Other Real Estate Held as Investments by Endowments.

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
  - Higher Education Competitive Research 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, the Higher Education Competitive Research Authority, 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 F-417, 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
P. O. Box 483
Fort Collins, Colorado 80522

Colorado School of Mines Foundation, Inc.
P. O. Box 4005
Golden, Colorado 80401-0005

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

Higher Education Competitive Research Authority
c/o Colorado Department of Higher Education
1560 Broadway, Suite 1600
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. The proprietary statements and government-wide statements 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, 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, the Renewable Energy Authority, and the Higher Education Competitive Research Authority, which are presented as nonmajor component units.

The state's major funds report the following activities:

GOVERNMENTAL FUND TYPE:

General Fund
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, which 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 General 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, Unclaimed Property, 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, the College Savings Plan operated by CollegeInvest, the College Opportunity Fund, the Multistate Lottery Winners Trust 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 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, 2009.

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, 2008.

Three of the five nonmajor component units use proprietary fund accounting in preparation of their financial statements, while the Renewable Energy Authority and the Higher Education Competitive Research Authority use 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, 2008.

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, 2009.

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, the University of Northern 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). Land, certain land improvements, construction in progress, and certain works of art or historical treasures are reported as nondepreciable assets.

The following table lists the range of capitalization thresholds established by the state as well as lower thresholds adopted by some state agencies. State agencies are allowed to capitalize assets below established thresholds. The University of Colorado has adopted a $75,000 threshold for land and leasehold improvements as well as buildings.

(Amounts in Dollars)

Asset Class	Lower Capitalization Thresholds	Established State Thresholds
Land Improvements	$5,000	$50,000
Buildings	$5,000	$50,000
Leasehold Improvements	$5,000	$50,000
Equipment	NA	$5,000
Software	NA	$5,000
Library Books	NA	$0
Collections	NA	$5,000
Infrastructure	NA	$500,000

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	127
Leasehold Improvements	3	50
Equipment	2	50
Software	1.5	23
Library Books	5	20
Other Capital Assets	3	22
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 160, 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 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 for emergencies three percent or more of fiscal year spending. 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 $14.7 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.

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 that do not lapse at year-end and are 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.

Reserving the full amount of noncurrent assets in the Water Projects Fund, a nonmajor Special Revenue Fund, would have resulted in a deficit undesignated fund balance. Since the resources of the fund are not sufficient to support the entire reserve amount, fund balance is only reserved up to the amount available for Fiscal Year 2008-09.

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 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. During Fiscal Year 2008-09, the General Assembly passed legislation reducing the required reserve to two percent of General Fund appropriations for both GAAP and budget basis purposes as part of its plan to address a revenue shortfall. The reduction of the reserve along with the augmenting cash transfers to the General Fund described in Note 31 allowed the state to meet the statutorily required reserve amount, and show an unreserved, undesignated fund balance in the General Fund.

On June 30, 2009, the state transferred $458.1 million from various cash funds to the General Fund to prevent a constitutional violation related to expenditures in excess of available resources (beginning fund balance plus current year general-purpose revenues). Because the final amount could not be known at that date, the legislatively authorized Governor's executive order specified a year-end transfer amount large enough to ensure a positive fund balance. Without this year-end transfer, the General Fund statutory reserve on the GAAP basis would have been $0 and the unreserved General Fund fund balance would have been in deficit $154.4 million.

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 2008-09.

The Plan uses cost from Fiscal Year 2006-07 that will be incorporated in state agency indirect cost rates and plans to be charged to federal grants in Fiscal Year 2010-11. 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 148. 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, 2009, were $18,324,409 as described in the following paragraphs.

Medicaid Overexpenditures:

- Mental Health Fee for Service – The Department of Health Care Policy and Financing overexpended this line item by $109,551 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.
- Medicaid Mental Health Capitation Payments – The Department of Health Care Policy and Financing overexpended this line item by $709,215 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 $11,170,264 of general funds and by $228,644 of cash funds. This program is an entitlement program driven by the eligible population, and the program incurred 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 and community-based services.
- Residential Treatment for Youth – The Department of Health Care Policy and Financing overexpended this line item by $24,035 of general funds. The overexpenditure occurred due to an error recording the proper funding split between federal and general funds. Because of the error, more General Fund was expended than could be covered by the year-end transfers from the Department of Human Services.

Department of Human Services Overexpenditures Other Than Medicaid:

- Colorado Trails – The Department of Human Services overexpended this line by $300,538 of general funds. The line is charged expenditures based upon client case counts. The overexpenditure occurred because the Random Moment Sampling percentages of case counts used as a basis of cost allocation were higher than expected.

Statewide Overexpenditures Subject to the $1.0 Million Limit:

- Department of Personnel & Administration – Deferred Compensation Administration – The Department of Personnel & Administration overexpended this line item by $10,205 of cash funds. The line is used to pay third party administrator fees for the state's deferred compensation plan. These fees are based on the number of plan participants and the increase in participants was greater than the budgeted amount.
- Department of Revenue – Alternative Fuels Rebate – The Department of Revenue overexpended this line item by $18,432 of cash funds. The overexpenditure occurred because the department did not consider these expenditures in monitoring its budget.

- Department of Health Care Policy and Financing – Personal Services – The Department of Health Care Policy and Financing overexpended this line item by $147,605 of general funds. The department traditionally manages this line using amounts made available by vacant positions related to employee turnover. When employee turnover was less than expected, fewer funds were available, resulting in this overexpenditure.
- Department of Health Care Policy and Financing – CBMS SAS-70 Audit – The Department of Health Care Policy and Financing overexpended this line item by $2,788 of general funds. The overexpenditure occurred because the Random Moment Sampling percentages used as a basis of cost allocation were higher than expected.
- Department of Education – Legal Services – The Department of Education overexpended this line item by $9,067 of cash funds. The overexpenditure occurred due to an increase in the number of cases prosecuted as well as those requiring judiciary hearings because of appeals to the State Board of Education.

Overexpenditures Not Subject to Statutory Approval:

The following overexpenditures occurred in the Department of Human Services.

- Various Lines – The Department of Human Services overexpended seven lines totaling $347,994 of general funds including Personal Services, County Financial Management System, Office of Information Technology Personal Services, HIPPA Act of 1996, Office of Performance Improvement, Client Index Project, and Adult Assistance Program Administration. The overexpenditures occurred due to a shortage of revenue related to indirect costs required to be recovered from federal programs. Without adequate indirect cost recovery, the department could not cover all of its administrative expenditures in these lines.

The following overexpenditures occurred in the Department of Personnel & Administration.

- Workers' Compensation Premiums – The department overexpended this line by $4,306,071 of reappropriated funds. The overexpenditure occurred due to higher than expected Workers' Compensation claims. A delay in processing May and June claims led to the department missing the budget supplemental deadline.
- Mail Services – Personal Services – The department's Mail Services Division overexpended this line item by $373,890 of cash funds. The department historically covered these costs through its administrative expenditure allocation. However, the transfer of personnel due to the statewide information technology consolidation lessened the amount of available allocation and resulted in the overexpenditure.
- Vehicle Leases – The department overexpended this line by a total of $10,045 in cash funds. The overexpenditure occurred due to legislation implementing the statewide information technology consolidation. The legislation reduced the line by a greater amount than anticipated and a supplemental budget request was denied.

The following overexpenditures occurred in the Department of Military Affairs.

- Capital Construction – Englewood STARC Headquarters – The department overexpended this line by $118,978 in general funds. The overexpenditure occurred due to higher than expected federal participation in a capital construction project. Statute requires a reduction in state funds when more federal funds are received, and the department did not reduce their General Fund usage.
- Capital Construction – Newfield Maintenance Shop – The department overexpended this line by $437,087 in cash funds. The overexpenditure occurred due to higher than expected federal participation in a capital construction project. Statute requires a reduction in state funds when more federal funds are received, and the department did not reduce their General Fund usage.

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, no TABOR refund would have been required for Fiscal Year 2008-09 if TABOR nonexempt revenues exceeded the TABOR limit. However, economic conditions resulted in a decline in the state's revenues and the TABOR nonexempt revenues were $101.5 million below the spending limit. 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 2008-09 that amount was $273,070,614.

At June 30, 2009, 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 – $93,550,000. The $94,000,000 designation by the Legislature has been reduced by $450,000 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.)
- 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 $21,281,688, and that amount is shown as restricted for emergencies on the *Combining Statement of Revenues, Expenses, and Changes in Net Assets*. The remaining $78,718,312 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 $62,054,592 of cash and receivables that are reported as restricted.

The 2008 legislative session Long Appropriations Act, as amended by additional legislation during the 2009 session, designated up to $114,500,000 of state properties as the remainder of the emergency reserve. The estimate of the needed reserve was based on the December 2008 revenue estimate prepared by Legislative Council. Because the revenues subject to the TABOR reserve requirement were significantly less than estimated, the amount designated for the reserve was $35,429,386 more 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 2008-09, under the direction of the Governor's Executive Orders, the state transferred $450,000 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 respond to emergency situations created by a severe blizzard. As a result the ending emergency reserve has been reduced by the $450,000. 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 $5,742.1 million ($5,746.0 at amortized cost) of claims of the state's funds on moneys in the treasurer's pooled cash. At June 30, 2009, the treasurer had invested $5,620.3 million (fair value) and held $125.8 million of demand deposits and certificates of deposit.

At June 30, 2009, the state had a cash deposit balance of $751.6 million, which includes the $125.8 million held as demand deposits and certificates of deposit in the treasurer's pool.

Under the GASB Statement No. 40 definitions, $33.7 million of the state's total bank balance of $696.4 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 $32.0 million at June 30, 2009, and a related bank balance of $35.4 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 $1.5 million at December 31, 2008, of which $250,000 was federally insured and $0.2 million was collateralized with the securities held by the pledging institution in a collateral pool, but not in the authority's name. An additional $1.1 million 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 $70.0 million held by the State Treasurer in a Treasurer's Agency Fund and $143.4 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, 2008 the Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, had cash deposits of $2.4 million held by a major bank paying interest of 0.23 and 0.05 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 $5.3 million at December 31, 2008 – of that amount $5.1 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 $993.4 million shown on the government-wide *Statement of Net Assets* primarily comprises:

- $833.4 million, mainly of self-assessed income, estate, and sales tax recorded in the General Fund. In addition, $172.8 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*,
- $86.7 million recorded in nonmajor Special Revenue Funds, of which, approximately $10.1 million is from gaming tax, $49.1 million is severance tax, and $24.7 million is insurance premium tax, and
- $73.3 million of unemployment insurance tax recorded in the Unemployment Insurance Fund, a major Enterprise Fund.

In addition, $55.1 million of Taxes Receivable, $21.1 million of Other Receivables, and $95.3 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 $11.6 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 $428.3 million shown on the government-wide *Statement of Net Assets* are net of $134.5 million in allowance for doubtful accounts and primarily comprise the following:

- $206.4 million of student and other receivables of Higher Education Institutions, a major Enterprise Fund.
- $70.1 million of receivables recorded in the General Fund, of which $24.6 million is from interest receivable on investments. The Department of Health Care Policy and Financing recorded receivables of $26.1 million related primarily to rebates from drug companies and overpayments to healthcare providers. The Colorado Mental Health Hospitals recorded $7.0 million of patient receivables.
- $94.9 million of receivables recorded by Other Governmental Funds including $50.1 million of tobacco settlement revenues expected within the following year, $13.4 million recorded by the Water Projects Fund, $3.0 million receivable from the Great Outdoors Colorado program by the Resource Management Fund, and $10.0 million of rent and royalty receivables recorded by the State Lands Funds.

In addition, $1,871.5 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. There are also $24.6 million of other receivables reported as restricted by the Department of Transportation.

Component Units

The University of Colorado Hospital Authority's primary revenue source is patient service revenue of $715.1 million, which it recorded net of third-party contractual allowances ($1,405.1 million), indigent and charity care ($155.9 million), provision for bad debt ($37.9 million), and self-pay discounts ($40.5 million). The hospital participates in the Colorado Disproportionate Share Hospital Program, and it received reimbursements from the state of $35.6 million for Fiscal Year 2008-09. 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.

The University of Colorado Hospital Authority has a significant concentration of patient accounts receivable with Medicare (22 percent), Medicaid (11 percent), managed care (44 percent), other commercial insurance (2 percent), and self-pay and medically indigent (14 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. 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 2008-09 was approximately $166.4 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 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 $548,000. As of June 30, 2009, 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, 2008. During 2008, the authority made new loans of $52.8 million and canceled or received repayments for existing loans of $61.2 million.

The University of Colorado Foundation contributions receivable of $23.7 million and $24.7 million are reported as Contributions Receivable current and noncurrent, respectively, in the *Statement of Net Assets – Component Units*. At June 30, 2009, the amount reported as contributions receivable includes $58.8 million of unconditional promises to give which were offset by a $8.3 million allowance for uncollectible contributions and a $2.0 million unamortized pledge discount using discount rates ranging from .19 percent to 6.31 percent.

At June 30, 2009, the Contributions Receivables amount shown for the Colorado State University Foundation included contributions of $26.0 million, which were offset by $3.8 million of unamortized pledge discounts calculated using the five-year U.S. Treasury bond rate. At June 30, 2009, contributions from one donor represented approximately 40 percent of total contributions receivable for the foundation.

At June 30, 2009, the combined current and noncurrent Contributions Receivable amount shown for the Colorado School of Mines Foundation of $17.9 million was offset by $1.5 million of allowance for uncollectible pledges and unamortized pledge discounts.

Approximately 53 percent of the foundation's contributions receivable at June 30, 2009, consists of pledges from one donor in 2009, and approximately $2.9 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 $25.1 million of accounts receivable from insurance companies that are reported as Contributions Receivable ($4.3 million) and Other Long-Term Assets ($20.8 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 $58.7 million shown on the government-wide *Statement of Net Assets* at June 30, 2009, primarily comprise:

- $9.5 million of manufacturing inventories recorded by Correctional Industries, a nonmajor Enterprise Fund,
- $22.9 million of resale inventories, of which, Higher Education Institutions, a major Enterprise Fund, recorded $20.0 million, and
- $20.8 million of consumable supplies inventories, of which, $9.5 million was recorded by the Higher Education Institutions, a major Enterprise Fund, $7.6 million was recorded by the Highway Users Tax Fund, a major Special Revenue Fund, $2.1 by the General Fund, and $1.0 million by Wildlife, a nonmajor Enterprise Fund.

NOTE 13 – PREPAIDS, ADVANCES, AND DEFERRED CHARGES

Prepaids, Advances, and Deferred Charges of $53.3 million shown on the government-wide *Statement of Net Assets* are primarily general prepaid expenses except for the following individually significant items:

- $14.2 million advanced to Colorado counties and special districts by the General Fund related to social assistance programs,
- $7.8 million advanced to conservation organizations by the Department of Natural Resources from the Species Conservation Fund, a nonmajor Special Revenue Fund,
- $5.1 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,
- $4.1 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
- $3.7 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 a lease or lease purchase commitment, 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.

The statute establishes minimum credit quality ratings at the highest rating by at least two national rating agencies for most investment types. That statute also sets maximum time to maturity limits, but allows 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 2008-09, the State Treasurer realized gains from the sale of investments held for the Public School Permanent Fund of $21,447, for the Major Medical Fund of $394,393, and for the treasurer's pooled cash of $441,545.

The State Treasurer maintains an agency fund for the Great Outdoors Colorado Program (GOCO), a related organization. At June 30, 2009 and 2008, the treasurer had $39.4 million and $48.0 million at fair value, respectively, of GOCO's funds on deposit and invested.

The investment earnings of the Unclaimed Property Tourism Trust Fund, a nonmajor Special Revenue 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 and to the Agriculture Management Fund, a nonmajor Special Revenue Fund.

As provided by state statute, the State Treasurer held $4.4 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 $3.3 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 $12,476,955 of net realized losses from the sale of investments held by state agencies other than the State Treasurer during Fiscal Year 2008-09.

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)	$ 751,586
Investments:	
Governmental Activities	6,414,888
Business-Type Activities	1,742,666
Fiduciary Activities	3,174,170
Total	$ 12,083,310
Financial Statement Amounts	
Net Cash and Pooled Cash	$ 3,980,747
Add: Warrants Payable Included in Cash	209,224
Total Cash and Pooled Cash	4,189,971
Add: Restricted Cash	2,181,673
Add: Restricted Investments	895,336
Add: Investments	4,816,330
Total	$ 12,083,310

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				
	TREASURER'S POOL	GENERAL FUND	STATE EDUCATION	OTHER GOVERNMENTAL	TOTAL
INVESTMENT TYPE					
U.S. Government Securities	$ 3,779,568	$ -	$ 21,708	$ 153,582	$ 3,954,858
Commercial Paper	99,982	-	-	-	99,982
Corporate Bonds	403,758	-	31,583	122,332	557,673
Asset Backed Securities	629,331	-	-	134,341	763,672
Mortgages Securities	310,625	4,369	-	326,709	641,703
Mutual Funds	397,000	-	-	-	397,000
TOTAL INVESTMENTS	$ 5,620,264	$ 4,369	$ 53,291	$ 736,964	$ 6,414,888

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: Private Equities ($36.6 million), Hedge Funds ($30.8 million), Absolute Return Funds ($23.3 million), and Real Estate ($10.0 million). The largest balance in the Higher Education Institutions *Other* category ($202.6 million) is related to the trustee for the most recent issuance of Certificates of Participation (COPs). The trustee has selected the State Treasurer's pool as its investment vehicle.

The *Other* category of the Fiduciary funds primarily consists of a funding agreement with MetLife ($29.0 million) held by CollegeInvest in its College Savings Plan, a Private Purpose Trust Fund.

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	$ 152,492	$ 5,918	$ 158,410	$ 10,618
Commercial Paper	16,400	-	16,400	-
Corporate Bonds	167,597	23,022	190,619	-
Corporate Securities	38,793	-	38,793	-
Repurchase Agreements	112,834	-	112,834	-
Asset Backed Securities	57,792	-	57,792	-
Mortgages Securities	55,158	-	55,158	-
Mutual Funds	639,089	112,953	752,042	3,134,577
Guaranteed Investment Contracts	11,348	27,730	39,078	-
Other	321,540	-	321,540	28,975
TOTAL INVESTMENTS	$ 1,573,043	$ 169,623	$ 1,742,666	$ 3,174,170
INVESTMENTS SUBJECT TO CUSTODIAL RISK				
U.S. Government Securities	$ 306	$ -	$ 306	$ -
Corporate Bonds	1,625	-	1,625	-
Corporate Securities	11,333	-	11,333	-
Repurchase Agreements	-	-	-	-
Mortgages Securities	20	-	20	-
TOTAL SUBJECT TO CUSTODIAL RISK	$ 13,284	$ -	$ 13,284	$ -

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 & 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 following table:

- CollegeInvest held a funding agreement valued at $29.0 million in its College Savings Plan, a Private Purpose Trust Fund that was unrated as to credit quality risk.
- The trustee for the Higher Education Institutions' Lease Purchase Financing Program issued Certificates of Participation and selected the State Treasurer's pool as its investment vehicle. The Pool has not been separately rated. (see interest rate risk disclosure for additional information on the pool).

(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	$ 1,482,538	$ -	$ 9,275	$ -	$ 939,956	$ 397,000	$ -	$ -	$ -	$ 2,828,769
High Grade	-	-	146,473	-	-	-	-	-	-	146,473
Upper Medium	-	-	157,808	-	-	-	-	-	-	157,808
Lower Medium	-	-	46,976	-	-	-	-	-	-	46,976
Speculative	-	-	38,237	-	-	-	-	-	-	38,237
Short-term Ratings										
Highest	1,879,212	99,982	-	-	-	-	-	-	-	1,979,194
Unrated	-	-	4,988	-	-	-	-	-	-	4,988
Higher Education Institutions:										
Long-term Ratings										
Gilt Edge	$ 26,614	$ -	$ 19,139	$ 14,526	$ 41,505	$ 309,533	$ 764	$ 11,348	$ -	$ 423,429
High Grade	688	-	79,150	-	4,600	-	2,307	-	339	87,084
Upper Medium	-	-	103,029	-	2,829	-	170	-	205	106,233
Lower Medium	-	-	31,359	-	2,422	-	61	-	-	33,842
Speculative	-	-	3,703	-	2,573	-	12	-	-	6,288
Very Speculative	-	-	906	-	5,156	-	24	-	-	6,086
High Default Risk	-	-	1,572	-	3,225	-	-	-	-	4,797
Default	-	-	694	-	89	-	-	-	-	783
Short-term Ratings										
Highest	-	16,400	-	22,257	-	-	-	-	-	38,657
Unrated	14,825	-	5,601	-	110,435	59,332	32,748	-	99	223,040
Fiduciary Funds:										
Long-term Ratings										
Gilt Edge	$ 2,586	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,586
High Grade	-	-	-	-	-	-	-	-	-	-
Upper Medium	-	-	-	-	-	-	-	-	-	-
Lower Medium	-	-	-	-	-	-	-	-	-	-
Speculative	-	-	-	-	-	-	-	-	-	-
Short-term Ratings										
Unrated	-	-	-	-	-	2,766,090	192,839	-	-	2,958,929
All Other Funds:										
Long-term Ratings										
Gilt Edge	$ 114,087	$ -	$ 10,405	$ -	$ 445,511	$ -	$ -	$ -	$ -	$ 570,003
High Grade	-	-	62,155	-	-	-	-	-	-	62,155
Upper Medium	-	-	86,420	-	-	-	-	-	-	86,420
Lower Medium	-	-	17,379	-	-	-	-	-	-	17,379
Speculative	-	-	577	-	-	-	-	-	-	577
Short-term Ratings										
Unrated	-	-	-	-	19,908	112,174	-	27,730	-	159,812

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 uses duration to manage the interest rate risk of selected mutual funds in the College Savings Plan. CollegeInvest's Private Purpose Trust Fund holds inflation protected bond mutual funds in the amount of $24.8 million that have duration of 4.2 years. These securities are excluded from the duration table that follows because interest rate risk is effectively 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	$ 3,779,568	1.137	$ 32,728	1.820	$ 9,893	15.926	$ 181,208	4.846
Bank Acceptances	-	-	-	-	-	-	-	-
Commercial Paper	99,982	0.080	2,000	0.250	-	-	-	-
Corporate Bonds	403,758	2.007	78,828	2.348	-	-	176,936	3.747
Asset Backed Securities	939,956	1.553	-	-	-	-	461,050	3.523
Money Market Mutual Funds	397,000	0.010	3,946	0.036	-	-	-	-
Total Investments	$ 5,620,264		$ 117,502		$ 9,893		$ 819,194	

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 $112,834,466 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 repurchase agreements is 0.5 years. The $112.8 million is not shown in the following duration table.

The University of Colorado has invested $4,288,445 in U.S. Treasury Inflation Protected Securities with duration of 14.58 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.

The trustee for the Higher Education Institutions' Lease Purchase Financing Program issued Certificates of Participation and selected the State Treasurer's pool as its investment vehicle. The trustee's investment in the pool is not segregated, but is a share in the overall pool. See above for interest rate risk affecting the pool.

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 below 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	$ 64,901	6.590
U.S. Treasury Strips	1,970	16.420
U.S. Government Agency Notes	39,633	2.650
U.S. Government Agency Strips	514	0.140
Municipal Bonds	643	11.240
Commercial Paper	14,400	0.010
Corporate Bonds	89,384	4.650
Asset Backed Securities	172,834	2.580
Bond Mutual Funds	32,748	2.640
Colorado State University:		
Bond Mutual Funds	$ 1,213	2.590
Colorado School of Mines:		
Bond Mutual Funds	$ 2,125	5.000
Fiduciary Funds:		
Pension Funds:		
Department of Personnel & Administration		
Bond Mutual Funds - Deferred Compensation Plan	$ 187,786	4.300
Bond Mutual Funds - Defined Contribution Plan	5,053	4.350
Private Purpose Trust:		
CollegeInvest:		
Money Market Mutual Fund-1	$ 62,223	3.600
Money Market Mutual Fund-2	208,151	2.000
Money Market Mutual Fund-3	261,482	4.300
Money Market Mutual Fund-4	19,895	4.300
Money Market Mutual Fund-5	444,423	5.000

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 - $8,647 and equities - $569,501. The university also held investments in mutual funds denominated in the following currencies (U.S. dollar amounts in millions); Australian Dollar - $1.4, Canadian Dollar - $1.0, Swiss Franc - $4.1, Euro Dollar - $15.2, British Pound - $10.3, Japanese Yen – $6.7, Swedish Krona - $1.4, Hong Kong Dollar - $2.3, Brazilian Real - $2.7, China Yuan - $3.2, and various other currencies totaling $9.5 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, and the Major Medical Insurance Fund, a nonmajor 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; Eli Lilly – 17.4 percent, Colgate Palmolive – 17.2 percent, Verizon – 16.6 percent, General Electric – 16.5 percent, Bank of America – 16.3 percent, and Citigroup – 16.1 percent. The concentration occurred because the initial purchase of the bonds was expected to be a small portion of a growing investment balance, which has failed to materialize. 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.

The Major Medical Insurance Fund has a concentration of credit risk because the following corporate bond and asset backed security holdings exceeded 5 percent of the total investment in the fund; General Electric – 14.7 percent. The concentration occurred because cash transfers were made from this fund to augment the General Fund in Fiscal Year 2008-09. In addition, future revenues to the fund were restricted with legislation passed in Fiscal Year 2008-09. As a result of the changing nature of the fund, the Treasurer is gradually liquidating the investments to mitigate the credit risk concentration.

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 – 12.2 percent, Morgan Stanley – 11.6 percent, Merrill Lynch – 11.2 percent, Bank of America – 10.9 percent, JP Morgan Chase – 9.3 percent, Wells Fargo – 7.2 percent, Citigroup – 6.8 percent, and Verizon Pennsylvania – 5.2 percent. CollegeInvest's policy for this fund prohibits holdings in excess of between 5 and 10 percent with any one issuer contingent on the individual investment.

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 2008-09	Restated Fiscal Year 2007-08
Governmental Activities:		
Major Funds		
General Fund	$ 7,301	$ 9,156
Highway Users Tax	9,927	13,672
Capital Projects	3,107	5,011
State Education	3,509	3,964
NonMajor Funds:		
State Lands	21,233	13,552
Other Permanent Trusts	71	81
Water Projects	(8)	1,355
Labor	3,404	4,243
Gaming	1,064	1,398
Tobacco Impact Mitigation	1,476	2,379
Resource Extraction	2,815	5,047
Resource Management	333	289
Environment Health Protection	713	904
Public School Buildings	682	213
Unclaimed Property [1]	1,560	3,641
Other Special Revenue	1,584	2,535
General Govt Computer Center	41	-
Business-Type Activities:		
Major Funds		
Highways (Internal Service)	12	28
Higher Education Institutions	(103,822)	(71,798)
CollegeInvest	2,062	(4,789)
NonMajor Funds:		
Lottery	337	347
Wildlife	604	1,022
College Assist	649	981
State Fair Authority	12	5
Correctional Industries	74	41
State Nursing Homes	55	63
Prison Canteens	59	60
Petroleum Storage Tank	129	114
Fiduciary:		
Other Enterprise Activities	76	126
Pension/Benefits Trust	527	175
Private Purpose Trust	(137,296)	(746,198)
	$ (177,710)	$ (752,383)

[1] – Unclaimed Property was included in the Private Purpose Trust line prior to Fiscal Year 2008-09.

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, 2009:

(Amounts in Thousands)

	TOTAL
INVESTMENT TYPE	
Cash Equivalents	$ 44,473
U.S. Government Securities	96,745
Corporate Bonds	47,522
Corporate Securities	151,816
Asset Backed Securities	10,413
Guaranteed Investment Contracts	19,046
Other	2,650
TOTAL INVESTMENTS	$ 372,665

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, 2008, were:

(Amounts in Thousands)

	TOTAL
INVESTMENT TYPE	
U.S. Government Securities	$ 43,880
Repurchase Agreements	237,754
TOTAL INVESTMENTS	$ 281,634

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, 2009:

(Amounts In Thousands)

	U.S. Govt. Agencies	Corporate Bonds	Asset Backed Securities	Guaranteed Investment Contract	Total
Long-term Ratings					
Gilt Edge	$ 12,750	$ -	$ 10,413	$ 12,846	$ 36,009
High Grade	-	9,529	-	6,200	15,729
Upper Medium	-	35,102	-	-	35,102
Lower Medium	-	2,891	-	-	2,891

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, 2008.

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, 2009:

(Dollar Amounts in Thousands, Duration in Years)

	Fair Value Amount	Duration
U.S. Government Securities	$ 20,662	3.245
Corporate Bonds	47,522	4.379
Asset Backed Securities	10,413	2.740

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 $281.6 million of investments subject to interest rate risk with the following maturities; one year or less – 18 percent, two to five years – 25 percent, six to ten years – 26 percent, eleven to fifteen years – 19 percent, and 16 years or more – 12 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 $51.5 million of investments subject to interest rate risk with the following maturities; one year or less – 33 percent, one to two years – 39 percent, and two to three years – 28 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, 2009, the authority had the following foreign currency exposures in United States dollars: Euro Dollar - $12,118,000, British Pound - $5,211,000, Hong Kong Dollar - $1,640,000, Swiss Franc - $1,415,000, Indian Rupee - $1,248,000, Japanese Yen - $875,000, South Korean Won - $875,000, Taiwan New Dollar - $873,000, and Singapore Dollar - $872,000. An additional $1,318,000 was held in various international currencies, none of which exceeded $500,000.

Concentration of Credit Risk

At June 30, 2009, 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, 2008, 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, 2009, the hospital was party to a floating-to-fixed rate swap having a notional value of $72.0 million, a floating-to-fixed rate swap having a notional value of $103.6 million, and a fixed-to-floating rate swap having a notional value of $50.0 million. At June 30, 2009, the agreements had fair values of ($6,632,000), ($11,138,000), and $1,688,000, respectively, 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. The authority early implemented GASB Statement No. 53, and as a result, $17.8 million of derivative instruments are reported at fair value as a liability on the *Statement of Net Assets – Component Units*.

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, 2009, the University of Colorado Foundation held $131.5 million of domestic equity securities, $138.3 million of international equity securities, $165.9 million of fixed income securities, $375.5 million of alternative investments including real estate, private equities, hedge funds, venture capital, and oil and gas assets, and other investments of $1.5 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 spending policy allows for the distribution of the greater of 4.0 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing thirty-six month average fair market value. The foundation's investment loss of $110.6 million is net of $3.9 million of investment fees and comprises $14.4 million of interest and dividends, $2.7 million of realized losses, and $118.3 million of unrealized losses. At June 30, 2009, the foundation could be obligated to fund an additional $113.8 million of alternative investment commitments.

At June 30, 2009, the Colorado State University Foundation held international and large and micro capitalization equity securities totaling $70.2 million, fixed income investments of $25.5 million, and alternative and other investment types of $109.1 million.

The Colorado School of Mines Foundation's (CSMF) current spending policy allows 6.0 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 managers. At June 30, 2009, the CSMF held bonds and bond mutual funds totaling $29.3 million, stocks and stock mutual funds totaling $50.6 million, and investments in limited partnerships and real estate totaling $55.8 million in its long term investments pool.

Of the foundation's $161.7 million of investments, $16.0 million, or 9.9 percent, was related to split interest agreements. CSMF is also the beneficiary of an endowment valued at $5.9 million and several long-term trusts valued at $1.4 million which are reported as Investments on the *Statement of Net Assets – Component Units.* Forty 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, 2009, the University of Northern Colorado Foundation held $18.0 million of fixed income securities (including $11.0 million of corporate notes), $45.7 million of equity securities, and $9.5 million of other investments. These amounts include $3.2 million of assets held in a separate trust for the benefit of the foundation. The foundation's investment loss of $18.3 million is net of $0.5 million of management fees and comprises $10.3 million of net unrealized losses, $10.0 million of realized losses, and $2.5 million of interest and dividends.

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.

NOTE 16 – CAPITAL ASSETS

Primary Government

During Fiscal Year 2008-09 the state capitalized $16.9 million of interest incurred during the construction of capital assets. The entire amount was capitalized by Higher Education Institutions, a major Enterprise Fund.

The state recorded $11.4 million of insurance recoveries during Fiscal Year 2008-09. Of that amount approximately $1.8 million was related to asset impairments that occurred in prior years primarily at the departments of Corrections and Transportation, in the General Fund and Highway Users Tax Fund, respectively. The remaining $9.6 million relates to the current year and was primarily recorded by Group Benefits Plans ($7.9 million), a Pension and Other Employee Benefits Fund, and by Higher Education ($1.0 million) in the Higher Education Institutions Enterprise Fund.

During Fiscal Year 2008-09, the Department of Revenue determined that its CSTARS motor vehicle titling and registration system was inoperable. The department has declared the asset impaired and incurred a loss on impairment of $5.6 million.

During Fiscal Year 2008-09, the Department of Public Safety determined that equipment related to the Colorado Integrated Criminal Justice System (CICJIS) was obsolete. The department incurred a loss of $1.2 million on disposal of the CICJIS equipment.

The schedule below shows the capital asset activity for Fiscal Year 2008-09.

(Amounts in Thousands)

	Beginning Balance	Increases	CIP Transfers	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	$ 130,618	$ 16,050	$ -	$ (4,797)	$ 141,871
Land Improvements	9,507	-	-	-	9,507
Collections	8,895	60	-	-	8,955
Construction in Progress (CIP)	372,524	286,816	(194,570)	(6,870)	457,900
Infrastructure	9,769,706	988	91,757	(246)	9,862,205
Total Capital Assets Not Being Depreciated	10,291,250	303,914	(102,813)	(11,913)	10,480,438
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	95,630	1,253	428	-	97,311
Buildings	1,463,815	20,368	69,528	(498)	1,553,213
Vehicles and Equipment	700,988	74,005	11,208	(32,316)	753,885
Library Materials and Collections	5,461	526	-	(181)	5,806
Other Capital Assets	28,767	3,847	-	-	32,614
Infrastructure	1,093,935	1,156	21,649	(12,817)	1,103,923
Total Capital Assets Being Depreciated	3,388,596	101,155	102,813	(45,812)	3,546,752
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(46,795)	(4,167)	-	-	(50,962)
Buildings	(577,899)	(37,670)	-	314	(615,255)
Vehicles and Equipment	(382,995)	(54,395)	-	28,135	(409,255)
Library Materials and Collections	(3,636)	(337)	-	181	(3,792)
Other Capital Assets	(17,764)	(698)	-	-	(18,462)
Infrastructure	(76,862)	(22,473)	-	10,345	(88,990)
Total Accumulated Depreciation	(1,105,951)	(119,740)	-	38,975	(1,186,716)
Total Capital Assets Being Depreciated, net	2,282,645	(18,585)	102,813	(6,837)	2,360,036
TOTAL GOVERNMENTAL ACTIVITIES	12,573,895	285,329	-	(18,750)	12,840,474
BUSINESS-TYPE ACTIVITIES:					
Capital Assets Not Being Depreciated:					
Land	248,758	49,903	2,884	(1,835)	299,710
Land Improvements	13,549	628	1,275	-	15,452
Collections	13,244	2,468	-	(19)	15,693
Construction in Progress (CIP)	301,204	574,503	(273,533)	(4,786)	597,388
Total Capital Assets Not Being Depreciated	576,755	627,502	(269,374)	(6,640)	928,243
Capital Assets Being Depreciated:					
Leasehold and Land Improvements	367,439	7,243	14,728	(791)	388,619
Buildings	4,407,460	19,887	227,103	(22,472)	4,631,978
Vehicles and Equipment	783,232	75,377	25,216	(38,321)	845,504
Library Materials and Collections	440,184	21,785	-	(3,711)	458,258
Other Capital Assets	9,057	444	600	-	10,101
Infrastructure	19,184	-	1,727	-	20,911
Total Capital Assets Being Depreciated	6,026,556	124,736	269,374	(65,295)	6,355,371
Less Accumulated Depreciation:					
Leasehold and Land Improvements	(160,689)	(17,907)	-	613	(177,983)
Buildings	(1,526,849)	(138,470)	-	7,499	(1,657,820)
Vehicles and Equipment	(560,793)	(66,881)	-	33,550	(594,124)
Library Materials and Collections	(303,487)	(21,008)	-	3,685	(320,810)
Infrastructure	(9,759)	(492)	-	-	(10,251)
Total Accumulated Depreciation	(2,561,577)	(244,758)	-	45,347	(2,760,988)
Total Capital Assets Being Depreciated, net	3,464,979	(120,022)	269,374	(19,948)	3,594,383
TOTAL BUSINESS-TYPE ACTIVITIES	4,041,734	507,480	-	(26,588)	4,522,626
TOTAL CAPITAL ASSETS, NET	$ 16,615,629	$ 792,809	$ -	$ (45,338)	$ 17,363,100

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	$ 8,469
Business, Community, and Consumer Affairs	4,664
Education	1,729
Health and Rehabilitation	6,214
Justice	30,041
Natural Resources	5,944
Social Assistance	8,774
Transportation	35,134
Internal Service Funds (Charged to programs and BTAs based on useage)	18,771
Total Depreciation Expense Governmental Activities	119,740
BUSINESS-TYPE ACTIVITIES	
Higher Education Institutions	236,111
CollegeInvest	160
State Lottery	137
Other Enterprise Funds	8,350
Total Depreciation Expense Business-Type Activities	244,758
Total Depreciation Expense Primary Government	$ 364,498

Component Units

At June 30, 2009, the University of Colorado Hospital Authority reported $5.5 million of nondepreciable assets, including land and construction in progress. Depreciable assets included buildings and improvements of $656.5 million and equipment of $228.0 million. Accumulated depreciation related to these capital assets was $336.1 million resulting in net depreciable capital assets of $548.4 million.

As of June 30, 2009, the hospital had converted its 21 bed inpatient psychiatric unit to an 18 bed medical/surgical unit, approved three bed expansion projects to add 12 beds, and moved the Sports Medicine program to a new location. Costs incurred at June 30, 2009, for these projects approximated $5.6 million while estimated costs to complete are $2.1 million.

The Colorado Water Resources and Power Development Authority reported capital assets of $14,842 net of accumulated depreciation of $85,324 at December 31, 2008.

The Denver Metropolitan Major League Baseball Stadium District, a nonmajor component unit, reported land, land improvements, buildings, and other property and equipment, of $148.1 million, net of accumulated depreciation of $58.9 million, at December 31, 2008. 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 $3.9 million, net of accumulated depreciation of $7.8 million, at June 30, 2009.

NOTE 17 – OTHER LONG-TERM ASSETS

The $723.6 million shown as Other Long-Term Assets on the government-wide *Statement of Net Assets* is primarily long-term taxes receivable, long-term loans, and deferred debt issuance costs. Long-term taxes receivable of $172.8 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 $431.9 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 ($21.9 million), a major Special Revenue Fund, and the Water Projects Fund ($372.8 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 $123.6 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 27 – 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.

Administration of the Plan

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.

Beginning on July 1, 2009, the administration of the state's defined contribution retirement plan will be transferred to PERA. New non-higher education employees will have the choice of participating in either the PERA defined benefit or the PERA defined contribution plan. Existing plan members will become participants in the PERA defined contribution plan and retain their current vesting schedule for employer contributions, while employer contributions for new members will vest from 50 percent to 100 percent evenly over 5 years.

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.

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. The rate remained at 5 percent for calendar year 2008; however, effective January 1, 2009 the rate adjusted to 3 percent.

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 Period	Contribution Percentage			Percent of ARC
	Judges	Troopers	Other	
Fiscal Year 2008-09				
1-1-09 to 6-30-09	16.46	15.65	12.95	100
7-1-08 to 12-31-08	15.56	14.75	12.05	100
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

In the 2004 legislative session, the general assembly established the Amortization Equalization Disbursement (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 2008-09 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, 2008, to December 31, 2008, 11.03 percent was allocated to the defined benefit plan, and
- From January 1, 2009, to June 30, 2009, 11.93 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, 2008, the State Division of PERA had a funded ratio of 67.9 percent and an infinite amortization period, which means that the unfunded actuarial liability would never be funded at the current contribution rates. The funded ratio on the market value of assets is lower at 52 percent. 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 2008-09 - $277.2 million
- 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.

As a result of investment losses during the global financial crises in late 2008, PERA suffered a $4.3 billion decrease in net assets in the State Division and a $12.3 billion decrease in total net assets across all funds. The 2008 independent actuarial report indicated that if additional gains in excess of current funding did not materialize in the future, increases in contributions or decreases in benefits may be necessary to fund both the State and School Divisions. The PERA board is required to report to the General Assembly during Fiscal Year 2009-10 regarding methods to respond to the investment losses, to reduce the amortization periods, and to ensure each Division becomes and remains fully funded.

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 2008-09 and 2007-08, the Department of Local Affairs transferred $4.0 million and $4.1 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 Fiscal Year 2007-08 to the pension plan. However, during Fiscal Year 2009, transfers to ensure the actuarial soundness of the pension plan were suspended to address state budget shortfalls. The transfers are not scheduled to resume until Fiscal Year 2011-12.

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 $143,000 to this plan in Fiscal Year 2008-09. 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 $23.6 million in Fiscal Year 2008-09 to this plan. This amount was in excess of the actuarially computed net periodic pension cost of $15.9 million which resulted in a net pension asset of $6.7 million net of related payroll accruals. The net pension asset is reported on the *Statement of Net Assets – Component Units*. At July 1, 2008, 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, 2003. 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, 2008, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.11 billion, a funded ratio of 18.7 percent, and a 39-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 $24.6 million, $23.1 million, $24.4 million, $20.6 million, and $21.2 million in Fiscal Years 2008-09, 2007-08, 2006-07, 2005-06, and 2004-05, 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 2008. As of December 31, 2008, there were 45,888 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 2008-09, the University contributed $10.9 million to the plan. Plan members contributed 0.27 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	$ 21,853
Interest on net OPEB obligation	573
Adjustment to annual required contribution	(738)
Annual OPEB cost (expense)	21,688
Contributions made	(10,901)
Increase in net OPEB obligation	10,787
Net OPEB obligation -- beginning of year	11,456
Net OPEB obligation -- end of year	$ 22,243

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2008-09 were as follows:

(Amounts In Thousands)

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	$ 21,688	50.3%	$ 22,243

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was $196.7 million and the actuarial value of assets was $0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $196.7 million. The covered payroll was $898.9 million, and the ratio of UAAL to covered payroll was 21.9 percent.

In the July 1, 2008, 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 ten 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, 2009, was thirty years.

Colorado State University – Other Postemployment Benefits Plans

Colorado State University administers four single employer defined benefit healthcare plans. The Retiree Medical Premium Refund Plan (RMPR) provides a monthly subsidy for medical premiums of up to $200 per month 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 of up to $317 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 Long-Term Disability Insurance Plan (LTD) provides a monthly income replacement benefit for employees still on disability after the 91st consecutive calendar day of total disability. LTD covers a percentage of the monthly salary up to established caps and continues until recovery, death, or between 65 or 70 years of age, dependent upon when the employee becomes disabled. 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, Fort 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, URX and LTD 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 2008-09, the university contributed $523,800 to the RMPR, $1,201,980 to the RMPS, $121,961 to the URX and $913,551 to the LTD. Plan members are not required to contribute to any of the four 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 tables show the components of the university's annual OPEB cost for the year, the amount actually contributed to the plans, and changes in the university's net OPEB obligations for all four plans:

(Amounts In Thousands)

	RMPR	RMPS
Annual required contribution	$ 2,377	$ 4,049
Interest on net OPEB obligation	66	107
Adjustment to annual required contribution	(55)	(152)
Annual OPEB cost (expense)	2,388	4,004
Contributions made	(524)	(1,202)
Increase in net OPEB obligation	1,864	2,803
Net OPEB obligation -- beginning of year	1,512	2,677
Net OPEB obligation -- end of year	$ 3,376	$ 5,480

(Amounts In Thousands)

	URX	LTD
Annual required contribution	$ 190	$ 1,080
Interest on net OPEB obligation	5	7
Adjustment to annual required contribution	(7)	(6)
Annual OPEB cost (expense)	188	1,081
Contributions made	(122)	(914)
Increase in net OPEB obligation	66	167
Net OPEB obligation -- beginning of year	130	192
Net OPEB obligation -- end of year	$ 196	$ 359

The university's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation of the four plans for Fiscal Year 2008-09 were as follows:

(Amounts In Thousands)

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
RMPR	2008-09	$2,388	21.9%	$3,376
RMPS	2008-09	$4,004	30.0%	$5,480
URX	2008-09	$188	64.9%	$196
LTD	2008-09	$1,081	84.5%	$359

As of the most recent actuarial valuation date of January 1, 2009, all four plans were 0 percent funded and had no plan assets. The actuarial accrued liability for benefits for the RMPR, RMPS, URX and LTD was $25.2 million, $54.3 million, $2.9 million, and $12.2 million respectively, resulting in unfunded actuarial accrued liabilities of $25.2 million, $54.3 million, $2.9 million and $12.2 million, respectively. The covered payroll (annual payroll of active employees covered by the plan) of the RMPR was $238.8 million, and the ratio of unfunded actuarial accrued liability (UAAL) to covered payroll was 10.6 percent. Neither the RMPS, the URX, nor the LTD plan contribution is based on salaries or covered payroll.

The RMPR plan used the entry age normal actuarial cost method, while the RMPS, URX and LTD plans used the unit credit actuarial cost method. All four plans used a four percent investment rate of return and a three percent inflation adjustment. The RMPR and LTD plans also used a four percent salary increase assumption, while the RMPS, and URX plans did not incorporate that assumption into their analysis because benefits are not based on salary. The RMPR and RMPS plans assumed an annual healthcare cost trend initial rate of eight 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 LTD does not use a healthcare trend rate because it provides income replacement, not healthcare. The RMPR and LTD plans used a level percentage of projected payroll to amortize the UAAL and both the RMPS and URX plans used a level dollar amount. All four plans originally amortized the UAAL over 30 years; the amortization period for the RMPR is a thirty-year open period, while twenty-nine years remain on the closed period for the RMPS and URX and 30 years remains for the LTD.

Other Programs

The state provides employees with a limited amount of Basic Life and Accidental Death and Dismemberment coverage underwritten by Minnesota Life 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.

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 2,450 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 (or their designees), 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 $352.9 million and $377.5 million at June 30, 2009, and June 30, 2008, 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.

Beginning on July 1, 2009, the state's Deferred Compensation Committee was dissolved and the administration of the state's 457 plan will be transferred to PERA. PERA is currently retaining Great West as the plan's third party administrator, and existing plan members will become participants in the PERA plan.

C. OTHER RETIREMENT PLANS

PERA 401k Plan

The Public Employees' Retirement Association (PERA) offers a voluntary 401(k) plan entirely separate from the defined benefit plan. In calendar years 2008 and 2009, 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 and $16,500, respectively. Participants who are age 50 and older, and contributing the maximum amount allowable, can make an additional $5,000 catch-up contribution in 2008 and an additional $5,500 in 2009, for total contributions of $20,500 in 2008 and $22,000 in 2009. Contributions and earnings are tax deferred. On December 31, 2008, the plan had net assets of $1,303.8 million and 72,353 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, 2008, the plan had net assets of $5.0 million and 864 accounts.

Beginning on July 1, 2009, the administration of the state's defined contribution retirement plan will be transferred to PERA. New non-higher education employees will have the choice of participating in either the PERA defined benefit or the PERA defined contribution plan. Existing state plan members will become participants in the PERA defined contribution plan and retain their current vesting schedule on employer contributions.

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, 2009, and June 30, 2008, the plan's three investment providers reported a total of 2,309 and 1,865 accounts, respectively. At the same dates there were 1,884 and 908 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, 2008, to December 31, 2008, the state contribution rate was 12.05 percent and from January 1, 2009, to June 30, 2009 the rate was 12.95 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.

Beginning on July 1, 2009, the administration of the state's defined contribution retirement plan was transferred to PERA. New non-higher education employees will have the choice of participating in either the PERA defined benefit or the PERA defined contribution plan. Existing state plan members will become participants in the PERA defined contribution plan and retain their current vesting schedule on employer contributions.

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 $90.5 million and $81.2 million during Fiscal Years 2008-09 and 2007-08, respectively. In addition, the state paid $76.3 million and $69.4 million in FICA and Medicare taxes on employee wages during Fiscal Years 2008-09 and 2007-08, 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, 2009

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ -	$ 39	$ 28,526	$ 28,565
Other Receivables, net	4,355	-	3,826	8,181
Due From Other Governments	-	-	37	37
Due From Other Funds	-	-	18,334	18,334
Prepaids, Advances, and Deferred Charges	-	-	13	13
Total Current Assets	4,355	39	50,736	55,130
Noncurrent Assets:				
Investments:				
Mutual Funds	349,249	18,649	-	367,898
Total Noncurrent Assets	349,249	18,649	-	367,898
TOTAL ASSETS	353,604	18,688	50,736	423,028
LIABILITIES:				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	589	5	10,930	11,524
Due To Other Funds	148	-	-	148
Claims and Judgments Payable	-	-	16,621	16,621
Total Current Liabilities	737	5	27,551	28,293
Noncurrent Liabilities:				
Accrued Compensated Absences	9	1	43	53
Total Noncurrent Liabilities	9	1	43	53
TOTAL LIABILITIES	746	6	27,594	28,346
NET ASSETS:				
Held in Trust for:				
Pension/Benefit Plan Participants	352,858	18,682	22,742	394,282
Unrestricted	-	-	400	400
TOTAL NET ASSETS	$ 352,858	$ 18,682	$ 23,142	$ 394,682

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	DEFERRED COMPENSATION PLAN	DEFINED CONTRIBUTION PLAN	GROUP BENEFIT PLANS	TOTALS
ADDITIONS:				
Member Contributions	$ 46,537	$ 3,872	$ 70,952	$ 121,361
Employer Contributions	-	4,618	178,277	182,895
Investment Income/(Loss)	(46,027)	(2,576)	1,267	(47,336)
Employee Deferral Fees	-	81	894	975
Other Additions	1	-	11,392	11,393
Transfers-In	-	-	1,347	1,347
TOTAL ADDITIONS	511	5,995	264,129	270,635
DEDUCTIONS:				
Benefits and Withdrawals	18,899	1,912	-	20,811
Health Insurance Premiums Paid	-	-	89,533	89,533
Health Insurance Claims Paid	-	-	116,126	116,126
Other Benefits Plan Expense	-	-	19,593	19,593
Administrative Expense	1,009	84	-	1,093
Other Deductions	300	10	21,928	22,238
Transfers-Out	29	11	170	210
TOTAL DEDUCTIONS	20,237	2,017	247,350	269,604
CHANGE IN NET ASSETS	(19,726)	3,978	16,779	1,031
NET ASSETS AVAILABLE:				
FISCAL YEAR BEGINNING	377,477	14,704	6,363	398,544
Prior Period Adjustment (Note 28)	(4,893)	-	-	(4,893)
FISCAL YEAR ENDING	$ 352,858	$ 18,682	$ 23,142	$ 394,682

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 $5.5 million in Fiscal Year 2008-09. 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 $150,000 per individual. In Fiscal Year 2008-09, the state recovered approximately $7.9 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. As of March 31, 2009, the Colorado Division of Insurance approved the dissolution of UCIP, and all remaining claim liabilities were transferred to the university's self-insurance program. An actuary projects the self-insured plan's 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 2008-09, 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 $9.8 million in aggregate annually. There were no reductions of insurance coverage in Fiscal Year 2008-09 for this program. There have been no collections against the aggregate stop-loss insurance in the previous three years; however, the university collected $1,228,601 from the stop-loss insurance carrier for individual claims in excess of the threshold from Fiscal Years 2007 through 2009. 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 2008-09, 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 2008-09, 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, professional liability, property, auto, and worker's 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 professional liability insurance ($25,000 deductible), $1.0 million of automobile liability ($0 deductible), $3.0 million of errors and omissions insurance ($25,000 deductible), $3.0 million of employment practices liability ($50,000 deductible), $500,000 of worker's compensation insurance ($1,000 deductible), $500,000 of employee fraud insurance ($1,000 deductible), and $500.0 million of commercial property insurance ($25,000 deductible). Prior to 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 2008-09, 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				
2008-09	$ 17,703	$ 6,435	$ 6,435	$ 17,703
2007-08	23,959	(1,305)	4,951	17,703
2006-07	25,167	3,333	4,541	23,959
Workers' Compensation				
2008-09	83,203	37,147	36,203	84,147
2007-08	76,095	41,206	34,098	83,203
2006-07	82,123	24,659	30,687	76,095
Group Benefit Plans:				
2008-09	17,254	135,837	136,470	16,621
2007-08	17,547	132,422	132,715	17,254
2006-07	15,175	134,363	131,991	17,547
University of Colorado:				
General Liability, Property, and Workers' Compensation				
2008-09	14,080	4,040	6,457	11,663
2007-08	13,349	7,004	6,273	14,080
2006-07	15,720	4,701	7,072	13,349
University of Colorado Denver:				
Medical Malpractice				
2008-09	4,175	2,830	1,940	5,065
2007-08	5,246	349	1,420	4,175
2006-07	6,561	(767)	548	5,246
Graduate Medical Education Health Benefits Program				
2008-09	1,257	8,693	8,347	1,603
2007-08	1,138	6,403	6,284	1,257
2006-07	1,024	6,196	6,082	1,138
Colorado State University:				
Medical, Dental, and Disability Benefits				
2008-09	17,798	28,919	28,179	18,538
2007-08	13,953	29,104	25,259	17,798
2006-07	11,742	22,664	20,453	13,953
University of Northern Colorado:				
General Liability, Property, and Workers' Compensation				
2008-09	75	15	66	24
2007-08	358	(51)	232	75
2006-07	1,725	(889)	478	358

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 2008-09, the hospital recorded premium and administrative expenses of $390,000. The trust had a fund balance of $760,000, which was in excess of $5,065,000 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, 2009, 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	$ 50,349	$ 52,357
Business-Type Activities	3,799	95,088	22,728
Total	$ 4,534	$ 145,437	$ 75,085

At June 30, 2009, the state expected the following sublease rentals related to its capital and operating leases:

(Amounts in Thousands)

Sublease Rentals

	Capital	Operating	Total
Governmental Activities	$ 333	$ 742	$ 1,075
Business-Type Activities	-	1,988	1,988
Total	$ 333	$ 2,730	$ 3,063

Colorado State University Research Foundation, a related party, is a not-for-profit Colorado corporation, established to aid and assist 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, vehicles, and equipment from the foundation. At June 30, 2009, the total obligation for the space was $12,388, and the total obligation for the vehicles and equipment was $4,048,483.

The Community College of Aurora made operating lease payments of approximately $1.0 million to the Community College of Aurora Foundation, which is the landlord for the college's main campus.

Morgan Community College made lease payments of $58,306 to the Morgan Community College Foundation for classroom facilities.

Trinidad State Junior College made operating lease payments of $103,928 to the Trinidad State Junior College Educational Foundation.

The Colorado Community College System made lease payments of $479,794 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 2008-09, the state recorded building and land rent of $43.8 million and $19.4 million in governmental and business-type activities, respectively. The state also recorded equipment and vehicle rental expenditures of $7.2 million and $27.2 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 $1.9 million of lease interest costs in the governmental activities and $1.6 million in the business-type activities. The $11.4 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 Human Services entering a lease for approximately $9.9 million of energy improvements to its various buildings.

Future minimum payments at June 30, 2009, 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
2010	$ 40,749	$ 15,194	$ 12,178	$ 11,054
2011	35,959	11,909	13,267	15,183
2012	28,967	9,247	13,003	10,117
2013	24,844	7,577	11,007	9,727
2014	21,172	6,387	9,608	9,258
2015 to 2019	65,492	22,958	34,992	40,672
2020 to 2024	1,285	2,100	19,455	25,939
2025 to 2029	45	1,425	7,531	6,574
2030 to 2034	53	3	3,480	2,058
2035 to 2039	61	-	-	-
2040 to 2044	71	-	-	-
2045 to 2049	31	-	-	-
Total Minimum Lease Payments	218,729	76,800	124,521	130,582
Less: Imputed Interest Costs			32,708	36,809
Present Value of Minimum Lease Payments	$ 218,729	$ 76,800	$ 91,813	$ 93,773

Component Units

The University of Colorado Hospital Authority leases certain equipment under noncancellable operating leases. Rental expense for operating leases approximated $4.9 million for Fiscal Years 2008-09. Future minimum lease payments for these leases at June 30, 2009, are:

(Amounts in Thousands)

Fiscal Year	Amount
2010	$ 6,664
2011	3,846
2012	2,880
2013	1,810
2014	1,705
Thereafter	4,239
Total Minimum Obligations	$ 21,144

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, 2008 was $119,951. The total minimum rental commitment under this lease is $420,153 as of 2008.

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 was $3.9 million at June 30, 2009. Total minimum lease payments including interest at June 30, 2009, were $5.2 million. The lessor of the building has promised to make a nonreciprocal transfer of the building or its cash equivalent to the foundation on or before September 2014. The net book value of the property and equipment under the capital lease totaled $2.3 million, net of accumulated depreciation of $3.4 million, as of June 30, 2009.

The University of Colorado Foundation leases office space and equipment under operating leases expiring on various dates through 2016. The total rental expense for the year ended June 30, 2009 was $255,225. The total minimum rental commitment under the leases was $1.2 million at June 30, 2009.

NOTE 23 – SHORT-TERM DEBT

On July 8, 2008, the State Treasurer issued $350.0 million of General Fund Tax Revenue Anticipation Notes, Series 2008A. The notes were due and payable on June 26, 2009, at a coupon rate of 3.0 percent. The notes were issued to meet short-term cashflow needs of the General Fund and were repaid before June 30, 2009, 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 23, 2008, the State Treasurer issued $215.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2008A. The notes had a coupon rate of 1.75 percent and matured on August 7, 2009.

On December 18, 2008, the State Treasurer issued $300.0 million of Education Loan Program Tax and Revenue Anticipation Notes, Series 2008B. The notes had a coupon rate of 1.0 percent and matured on August 7, 2009. For each issuance, the State Treasurer established a Note Repayment Account that was funded before June 30, 2009, 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 7, 2009, due date.

The following schedule shows the changes in short-term financing for the period ended June 30, 2009:

(Amount in Thousands)

	Beginning Balance July 1	Changes Additions	Changes Reductions	Ending Balance June 30
Governmental Activities:				
Tax Revenue Anticipation Notes	$ -	$ 350,000	$ (350,000)	$ -
Education Loan Anticipation Notes	$ 460,000	515,000	$ (460,000)	515,000
Total Governmental Activities Short-Term Financing	460,000	865,000	(810,000)	515,000
Total Short-Term Financing	$ 460,000	$ 865,000	$ (810,000)	$ 515,000

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; additional restrictive limitations related to the valuation of taxable property apply.

During Fiscal Year 2008-09 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 $563.0 million of available net revenue after operating expenses to meet the $151.3 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 34.)

The state recorded $234.2 million of interest costs, of which, $80.8 million was recorded by governmental activities and $153.5 million was recorded by business-type activities. The governmental activities interest cost primarily comprises $11.7 million of General Fund interest on Tax Revenue Anticipation Notes issued by the Department of Treasury, $61.2 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 $79.2 million of interest on revenue bonds issued by Higher Education Institutions, $46.4 million of interest on revenue bonds issued by CollegeInvest, and $27.4 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.

During Fiscal Year 2008-09, 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 Certificates of Participation and the related leased assets are recorded in the Higher Education Institutions Enterprise Fund.

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. Due to a shortfall in federal mineral lease revenues the legislature appropriated $26.6 million from the Capital Projects Fund to pay the Fiscal Year 2008-09 and 2009-10 lease payments.

Annual maturities of notes, bonds, and COPs payable at June 30, 2009, are as follows:

(Amounts in Thousands)

Fiscal Year	Governmental Activities: Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2010	$ 113,300	$ 54,691	$ 515,000	$ 5,587	$ 8,766	$ 11,348	$ 637,066	$ 71,626
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	140,545	27,446	-	-	11,325	5,194	151,870	32,640
2015 to 2019	430,325	36,023	-	-	57,336	19,471	487,661	55,494
2020 to 2024	-	-	-	-	29,175	5,948	29,175	5,948
2025 to 2029	-	-	-	-	5,435	2,970	5,435	2,970
2030 to 2034	-	-	-	-	8,415	1,332	8,415	1,332
Subtotals	1,060,925	245,379	515,000	5,587	156,567	65,765	1,732,492	316,731
Unamortized Prem/Discount	46,048	-	-	-	5,486	-	51,534	-
Totals	$1,106,973	$ 245,379	$ 515,000	$ 5,587	$ 162,053	$ 65,765	$1,784,026	$ 316,731

(Amounts in Thousands)

Fiscal Year	Business-Type Activities: Revenue Bonds Principal	Revenue Bonds Interest	Notes Payable Principal	Notes Payable Interest	Certificates of Participation Principal	Certificates of Participation Interest	Totals Principal	Totals Interest
2010	$ 71,210	$ 101,438	$ 851	$ 197	$ 13,395	$ 21,880	$ 85,456	$ 123,515
2011	75,615	99,757	464	163	14,005	21,273	90,084	121,193
2012	79,025	97,740	473	147	14,654	20,627	94,152	118,514
2013	99,215	95,449	438	129	15,359	19,940	115,012	115,518
2014	58,605	93,035	453	102	16,089	19,221	75,147	112,358
2015 to 2019	310,060	426,710	2,048	223	93,065	83,755	405,173	510,688
2020 to 2024	452,940	351,384	62	14	119,615	56,655	572,617	408,053
2025 to 2029	440,925	247,447	22	1	129,416	21,922	570,363	269,370
2030 to 2034	412,765	160,481	-	-	25,025	1,267	437,790	161,748
2035 to 2039	849,225	69,965	-	-	-	-	849,225	69,965
2040 to 2044	698,995	10,596	-	-	-	-	698,995	10,596
Subtotals	3,548,580	1,754,002	4,811	976	440,623	266,540	3,994,014	2,021,518
Unamortized Prem/Discount	20,073	-	(40)	-	6,033	-	26,066	-
Unaccreted Interest	(17,065)	-	-	-	-	-	(17,065)	-
Totals	$ 3,551,588	$ 1,754,002	$ 4,771	$ 976	$ 446,656	$ 266,540	$4,003,015	$2,021,518

The revenue bond column in the table above includes $1.7 billion of principal issued by CollegeInvest, a portion of which is variable rate debt. CollegeInvest calculates the expected interest payments at each year-end based on the current interest rates. Changes in market rates caused a significant decline in the interest to maturity as compared to the prior year.

The original principal amount of the state's debt disclosed in the above tables is as follows:

(Amounts in Thousands)

	Revenue Bonds	Notes Payable	Certificates of Participation	Total
Governmental Activities	$ 1,487,565	$ 515,000	$ 185,436	$ 2,188,001
Business Type Activities	4,031,087	11,069	473,518	$ 4,515,674
Total	$ 5,518,652	$ 526,069	$ 658,954	$ 6,703,675

Component Units

The debt service requirements to maturity for the Colorado Water Resources and Power Development Authority at December 31, 2008, excluding unamortized original issue discount and premium and deferred refunding costs are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2009	$ 51,685	$ 50,769	$ 102,454
2010	55,150	48,483	103,633
2011	58,965	45,867	104,832
2012	59,265	43,094	102,359
2013	57,180	40,309	97,489
2014 to 2018	273,660	161,400	435,060
2019 to 2023	233,735	98,348	332,083
2024 to 2028	123,465	52,489	175,954
2029 to 2033	69,115	32,052	101,167
2034 to 2038	59,070	13,255	72,325
2039 to 2043	27,070	4,409	31,479
Total Future Payments	$ 1,068,360	$ 590,475	$ 1,658,835

The original principal amount for the outstanding bonds was $1.6 billion. Total interest paid during 2008 amounted to $52.1 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 million (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds and as of December 31, 2008, had $82.7 million of these bonds outstanding.

During Fiscal Year 2008-09, the hospital met all the financial ratio requirements of its indentures. The hospital's interest payments in Fiscal Year 2008-09 were $25.5 million.

The aggregate maturities of long-term debt for the University of Colorado Hospital Authority at June 30, 2009, are:

(Amounts in Thousands)

Year	Principal	Interest	Total
2010	$ 9,937	$ 23,490	$ 33,427
2011	10,182	23,260	33,442
2012	9,660	22,807	32,467
2013	10,075	22,548	32,623
2014	10,510	21,900	32,410
2015 to 2019	59,090	102,190	161,280
2020 to 2024	73,720	87,252	160,972
2025 to 2029	91,205	68,568	159,773
2030 to 2034	115,770	46,549	162,319
2035 to 2039	108,800	25,661	134,461
2040 to 2044	44,200	4,431	48,631
Total Long-Term Debt Payments	543,149	448,656	991,805
Less: Unamortized Discount	(1,896)		
Deferred Amount on Refunding of			
Series 1997 A Bonds	(4,072)		
Series 2008 B Bonds	(8,369)		
Total Carrying Amount of Long-Term Debt	$ 528,812		

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, 2009.

In April 2009, the Denver Metropolitan Major League Baseball Stadium District entered into a five-year noninterest bearing Promissory Note for $2.4 million to acquire certain real and personal property relating to maintaining a view plane to preserve mountain views from Coors Field.

NOTE 25 – CHANGES IN LONG-TERM LIABILITIES

Primary Government

The following table summarizes the changes in long-term liabilities for Fiscal Year 2008-09:

(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	$ 3,033	$ 1	$ (32)	$ 3,002	$ 2,985
Accrued Compensated Absences	138,537	37,625	(26,557)	149,605	8,930
Claims and Judgments Payable	373,411	22,735	(839)	395,307	36,936
Capital Lease Obligations	60,031	33,990	(2,208)	91,813	8,227
Bonds Payable	1,216,006	5,505	(114,538)	1,106,973	113,300
Certificates of Participation	172,865	275	(11,088)	162,052	8,766
Other Long-Term Liabilities	364,117	48,406	(14,749)	397,774	-
Total Governmental Activities Long-Term Liabilities	2,328,000	148,537	(170,011)	2,306,526	179,144
Business-Type Activities					
Accrued Compensated Absences	179,147	33,041	(14,015)	198,173	12,753
Claims and Judgments Payable	35,880	19,903	(28,242)	27,541	-
Capital Lease Obligations	93,374	16,090	(15,691)	93,773	6,283
Bonds Payable	3,325,690	321,111	(95,213)	3,551,588	71,210
Certificates of Participation	210,151	242,061	(5,555)	446,657	13,395
Notes, Anticipation Warrants, Mortgages	6,210	5	(1,445)	4,770	851
Other Postemployment Benefits	15,775	15,949	(35)	31,689	-
Other Long-Term Liabilities	47,021	5,090	(3,806)	48,305	4,260
Total Business-Type Activities Long-Term Liabilities	3,913,248	653,250	(164,002)	4,402,496	108,752
Fiduciary Activities					
Deposits Held In Custody For Others	275,550	180,424	(14,013)	441,961	377,795
Accrued Compensated Absences	59	-	(6)	53	-
Other Long-Term Liabilities	31	8,429	(1)	8,459	-
Total Fiduciary Activities Long-Term Liabilities	275,640	188,853	(14,020)	450,473	377,795
Total Primary Government Long-Term Liabilities	$ 6,516,888	$ 990,640	$ (348,033)	$ 7,159,495	$ 665,691

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 except for CollegeInvest's prepaid tuition costs in the business-type activities.

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.)

Governmental Activities include Internal Service Funds and as a result, additions to capital lease obligations include amounts that are not shown as capital lease proceeds on the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds*.

At June 30, 2009, the following obligations were classified as Other Long-Term Liabilities on the government-wide *Statement of Net Assets*:

The $397.8 million shown for governmental activities primarily comprises:

- $237.2 million of tax refunds payable at the Department of Revenue, 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.

- $122.4 million of pollution remediation obligations at the Department of Public Health and Environment (see Note 27 for additional information on pollution remediation obligations).
- $33.4 million of unclaimed property liabilities to claimants.

The $48.3 million (including $0.7 million Due to Component Units) shown for business-type activities primarily comprises:

- $29.7 million of commitments to pay future tuition costs related to the prepaid tuition program of CollegeInvest. An additional $4.3 million will be paid within one year and is reported as an Other Current Liability.
- $9.3 million of deferred revenue that the state does not expect to recognize within the following year. The most significant balances relate to unearned rent at the University of Colorado ($6.3 million) and a ground lease at the University of Northern Colorado ($2.2 million).

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	$ 537,367	$ 1,103	$ 9,658	$ 528,812	$ 9,937
Colorado Water Resources and Power Development Authority					
Bonds Payable	$ 1,038,580	$ 32,410	$ 53,872	$ 1,017,118	$ 51,685
Other Long-Term Liabilities	$ 145,031	$ 52,881	$ 86,844	$ 111,068	$ 101,640

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, 2009, the foundation held $51.4 million of split interest agreement investments with $21.3 million of related liabilities and reported $3.6 million of net beneficial interest in charitable trusts held by others.

At June 30, 2009, the University of Colorado Foundation held $192.9 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, 2009, total life income agreement assets of CSUF were $637,304. Life income agreements payable at the same date totaled $867,013. 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, 2009, the foundation held $10.0 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, 2009, the Colorado School of Mines Foundation (CSMF), acting as trustee, held charitable trust and pooled income assets of $16.0 million; related liabilities of $10.9 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 part of Other Long-Term Liabilities on the *Statement of Net Assets – Component Units.*

CSMF has entered several gift annuity contracts that require future payments to the donor or their named beneficiaries; these requirements are reported as part of the $10.9 million shown above and total $5.1 million. At June 30, 2009, CSMF reported $10.5 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 2008-09, debt was defeased in the business-type activities.

At June 30, 2009, 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	150,255
Auraria Higher Education Center	7,282
Western State College	11,915
Colorado School of Mines	33,835
Colorado State University	11,290
Total	$ 881,062

The Board of Trustees of the Colorado School of Mines issued $28,720,000 of its Enterprise Refunding and Improvement Revenue Bonds Series 2009A to current refund its Variable Rate Demand Bonds, Series 2005 and its Variable Rate Demand Enterprise Improvement Revenue Bonds, Series 2009A. The defeased debt had variable interest rates and the new debt had interest rates ranging from 3 to 5 percent. The remaining term of the debt was changed from a range of 19 to 30 years to a full 30 years and the estimated debt service cash flows increased by $941,884. The defeasance resulted in an economic gain of $402,657 and a book loss of $371,031 that will be amortized as an adjustment of interest expense over the remaining lives of the old debt (19 and 30 years, respectively.)

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, 2009, the unamortized deferred loss on refunding is $4.1 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. 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.

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 proceeds from the bonds, which are variable rate bonds and have an initial interest rate of 1.5 percent, have been deposited in an escrow account. 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.

NOTE 27 – POLLUTION REMEDIATION OBLIGATIONS

Primary Government

Various state agencies and institutions of higher education have pollution remediation obligations as defined by GASB Statement No. 49. Liability amounts are included in Other Current Liabilities or Other Long-Term Liabilities on the government-wide and proprietary fund *Statement of Net Assets*, or the fund-level *Balance Sheet*, as required. The state reduced beginning net assets by $117.4 million related to pollution remediation obligations that existed prior to July 1, 2008. Additional information on these prior-period adjustments may be found in Note 28.

The state has numerous instances of hazardous waste contamination that qualify as Superfund sites. Superfund is the federal government's program to clean up these hazardous waste sites. A hazardous waste site becomes a Superfund site when it is placed on an Environmental Protection Agency (EPA) list that ranks sites according to a process that assesses current or potential health impacts. The following individually significant items are all Superfund sites under the control of the state's Department of Public Health and Environment (CDPHE).

The state's total amount of pollution remediation obligations as of June 30, 2009 is $130.0 million ($5.8 million of which is a current liability). Superfund sites account for approximately $124.6 million of this total. Other pollution obligations of the state include remediation activities related to asbestos abatement and removal, ground water contamination, and underground storage tanks. Individually significant pollution remediation obligations are disclosed below:

- CDPHE recorded a liability for remediation activities at the Summitville Mine of approximately $51.9 million related to the operation of a water treatment plant. Currently the department shares the cost of operating the water treatment plant, construction of a new treatment plant over the next three to four years, and the operating and maintenance costs of the new plant with the Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent state, 90 percent EPA. Beginning in calendar year 2023, the state will assume 100 percent of the operating costs of the new plant. Estimated construction costs are based on engineering designs and construction bids received by the state. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. As of June 30, 2009, the state has received $11.5 million in recoveries from other responsible parties.
- CDPHE recorded a liability for remediation activities in the Clear Creek Basin of approximately $62.0 million related to a number of inactive precious metal mines that have caused contamination in surface water and soil in the basin. The liability includes remediation/site clean-up activities, projected post-remediation operating and monitoring costs, and the state operation of a water treatment plant beginning in Fiscal Year 2009-10. Currently the department shares these costs with the EPA in a cost-sharing ratio of 10 percent state, 90 percent EPA for 10 years, after which time the state assumes 100 percent of the costs. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs.
- CDPHE recorded a liability for remediation activities at the Captain Jack Mill of approximately $5.4 million related to the clean-up of contamination from mine waste piles and drainage. The EPA and the state have agreed upon a remediation plan from a recently completed engineering study. The state will be liable for a share of construction costs for a water treatment plant as well as future operating and maintenance costs in a cost-sharing ratio of 10 percent state, 90 percent EPA for the first 10 years, after which time the state assumes 100 percent of the costs. Plant construction cost estimates were based upon engineering designs and construction bids received by the state. Operating and maintenance estimates are based on experience in operating existing plants adjusted for the newer design and technological advancements. Potential changes affecting these estimates include regulatory changes in the EPA's cost-sharing ratio, as well as technology and pricing changes that could impact construction and operating costs. The state is currently investigating an experimental alternative that, if successful, would eliminate the need to construct the treatment plant.

NOTES 28 Through 29 – DETAILS OF NET ASSETS AND FUND EQUITY

NOTE 28 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CHANGES

Primary Government

A. PRIOR PERIOD ADJUSTMENTS

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* decreased by $118,646,873 due to the following categories of adjustments:

- $117,380,228 due to the implementation of GASB Statement No. 49. The Department of Public Health and Environment recorded adjustments of $115,028,670 related to pollution remediation obligations existing prior to July 1, 2008. The Department of Corrections and the Department of Transportation also recorded adjustments of $590,258 and $1,761,300, respectively, related to pollution remediation obligations existing prior to July 1, 2008.
- $1,266,645 due to the Department of Military Affairs recording adjustments related to improper capitalization of expenses in prior years. The Department did not remove amounts from Construction in Progress when it recorded capital assets for certain projects between Fiscal Years 2004-05 and 2007-08. This adjustment did not affect any of the fund-level financial statements.

The beginning net assets of the Business-Type Activities on the government-wide *Statement of Activities* increased by $6,309,185 due to the following adjustments:

- $2,341,332 due to the capitalization of leasehold improvements at Metro State College. The leasehold improvements had been charged to expense in previous years and should have been capitalized instead. This adjustment also resulted in an increase of $2,341,332 in the Higher Education Institutions column on the Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.
- $3,967,853 due to the reclassification of a long-term disability plan under GASB Statement No. 45 at Colorado State University. The plan had not been accounted for as an other postemployment benefits plan in prior years. This adjustment also resulted in an increase of $3,967,853 in the Higher Education Institutions column on the Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.

The beginning fund balance of the General Fund in the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances* decreased by $39,501 due to the movement of information technology net assets between the General Fund and an internal service fund. The adjustment resulted in an increase of $39,501 in the Telecommunications Fund on the *Combining Statement of Revenue, Expense, and Changes in Net Assets – Internal Service Funds.* The beginning fund balance of the General Fund increased by $1,502 due to the closure of a special revenue fund at the Department of Regulatory Agencies and the subsequent transfer into the General Fund.

The beginning fund balance of the Capital Projects Fund in the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* decreased by $590,258 due to the implementation of GASB Statement No. 49 at the Department of Corrections.

The beginning fund balance of the Other Governmental Funds in the fund-level *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* decreased by $129,302 due to the implementation of GASB Statement No. 49 at the Department of Public Health and Environment. The beginning fund balance also decreased by $1,502 due to the closure of a special revenue fund at the Department of Regulatory Agencies and the subsequent transfer into the General Fund.

The beginning net assets of the Internal Service Fund column on the fund-level *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds* increased by $29,903,318 due to the statewide consolidation of the Governor's Office of Information Technology. Information technology capital assets and digital trunk radio capital assets were transferred to the internal service fund from the General Fund in the amount of $39,501 and $29,863,817 that was previously only reported on the *Statement of Net Assets*.

The beginning net assets of the Pension and Benefit Trust column on the fund-level *Statement of Revenues, Expenses, and Changes in Fiduciary Net Assets – Fiduciary Funds* decreased by $4,893,152 due to the removal of annuity balances from the state's deferred compensation plan assets. The annuities had been purchased by plan members but were not plan assets and should not have been reflected on the plan's financial statements.

B. ACCOUNTING CHANGES

The beginning net assets of the Governmental Activities on the government-wide *Statement of Activities* increased by $184,156,159 to reflect the reclassification of several Private Purpose Trust funds related to the holding of unclaimed property. The state may only report unclaimed and escheated property in a trust fund if the amounts represented are held in trust solely for potential claimants. However, the monies in these funds in excess of an amount reserved for payment of claims has been committed by the General Assembly to eventually fund other programs or used currently to prevent General Fund deficits. Therefore, while the funds are legally considered trust funds under statute, for financial statement purposes they have been reclassified as nonmajor Special Revenue funds. This change also resulted in an increase of $214,204,563 on the *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds* and a decrease of $184,156,159 on the *Statement of Changes in Fiduciary Net Assets – Fiduciary Funds*.

NOTE 29 – 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 $128.0 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 30 – INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at June 30, 2009, were:

SELLER'S/LENDER'S RECEIVABLE	General Fund	Highway Users Tax	Capital Projects	State Education Fund
MAJOR FUNDS:				
General Fund	$ -	$ 311	$ -	$ 185
Public School	-	-	-	-
Highway Users	2,048	-	-	-
Capital Projects	-	135	-	-
Higher Education Institutions	5,901	573	476	-
NONMAJOR FUNDS:				
SPECIAL REVENUE FUNDS:				
Water Projects	-	-	130	-
Labor	417	-	-	-
Resource Extraction	97	-	-	-
Resource Management	-	9	-	-
Environment and Health Protection	-	34	-	-
Public School Capital Construction	-	-	-	-
Other Special Revenue	461	4	30	-
PERMANENT FUNDS:				
State Lands Trust Expendable	-	-	-	-
ENTERPRISE FUNDS:				
College Assist	-	-	-	-
Correctional Industries	7	-	577	-
Nursing Homes	1,748	-	-	-
INTERNAL SERVICE FUNDS:				
Central Services	-	-	-	-
General Government Computer Center	-	514	-	-
Capitol Complex	33	-	-	-
FIDUCIARY FUNDS:				
Group Benefit Plans	17,178	-	-	-
College Savings Plan	-	-	-	-
Other Fiduciary	-	-	-	-
TOTAL	$ 27,890	$ 1,580	$ 1,213	$ 185

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 $17.2 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.

(Amounts in Thousands)

BUYER'S/BORROWER'S PAYABLE

Higher Education Institutions	CollegeInvest	State Lottery	All Other Funds	Total
$ 419	$ 11	$ -	$ 10,932	$ 11,858
-	-	-	4,693	4,693
-	-	-	10,127	12,175
10,237	-	-	2,068	12,440
-	-	-	6,948	13,898
-	-	-	1,303	1,433
-	-	-	209	626
-	-	-	164,519	164,616
-	-	2,809	192	3,010
-	-	-	-	34
-	-	5,535	-	5,535
-	-	11,236	16,824	28,555
-	-	-	3,271	3,271
-	7,012	-	79	7,091
656	-	-	-	1,240
-	-	-	-	1,748
5	-	-	75	80
-	-	-	-	514
-	-	-	-	33
1,156	-	-	-	18,334
-	3,816	-	-	3,816
-	-	8,510	-	8,510
$ 12,473	$ 10,839	$ 28,090	$ 221,240	$ 303,510

The Resource Extraction Fund receivable of $164.5 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 $16.8 million from All Other Funds is primarily related to a $15.6 million receivable that the Travel and Tourism Promotion Fund has from the Limited Gaming Fund.

NOTE 31 – TRANSFERS BETWEEN FUNDS

Primary Government

Transfers between funds for the fiscal year ended June 30, 2009, were as follows:

TRANSFER-OUT FUND	General Fund	State Public School	Highway Users Tax	Capital Projects
MAJOR FUNDS:				
General Fund	$ -	$ 2,930,074	$ 29,003	$ 39,416
Public School	4,762	-	-	-
Highway Users	39,393	-	-	-
Capital Projects	-	-	28,904	-
State Education	602	-	-	-
Higher Education Institutions	3,568	-	-	245
CollegeInvest	42	-	-	-
Lottery	557	-	-	-
NONMAJOR FUNDS				
SPECIAL REVENUE FUNDS:				
Water Projects	71,728	-	-	-
Labor	173,025	-	-	1,033
Gaming	4,976	-	10,127	4,051
Tobacco Impact Mitigation	223,323	-	-	8,000
Resource Extraction	302,646	65,000	-	-
Resource Management	23,359	-	-	983
Environment and Health Protection	74,267	-	-	-
Public School Buildings	13	-	-	-
Unclaimed Property	120,178	-	-	-
Other Special Revenue	304,712	-	-	13,670
PERMANENT FUNDS:				
State Lands Trust Expendable	34	37,627	-	-
State Lands Trust Nonexpendable	-	-	-	-
Other Permanent Trust Nonexpendable	-	-	-	-
ENTERPRISE FUNDS:				
Wildlife	4,672	-	-	-
College Assist	100	-	-	-
Correctional Industries	373	-	-	-
Nursing Homes	896	-	-	-
Prison Canteens	68	-	-	51
Petroleum Storage	945	-	-	-
Other Enterprise	244	-	302	-
INTERNAL SERVICE FUNDS:				
Central Services	1,899	-	-	-
General Government Computer Center	2,103	-	-	-
Telecommunications	677	-	-	-
Capitol Complex	2,878	-	-	-
Administrative Hearings	239	-	-	-
Debt Collection	261	-	-	-
FIDUCIARY FUNDS:				
Deferred Compensation	29	-	-	-
Defined Contribution	11	-	-	-
Group Benefit Plans	170	-	-	-
Other Fiduciary	64	-	-	-
TOTAL	$ 1,362,814	$ 3,032,701	$ 68,336	$ 67,449

(Amounts in Thousands)

TRANSFER-IN FUND

State Education	Higher Education Institutions	CollegeInvest	All Other Funds	TOTAL
$ 121,411	$ 135,227	$ 162	$ 36,537	$ 3,291,830
-	-	-	33,757	38,519
-	-	-	169,243	208,636
-	8,751	-	32,710	70,365
-	3,880	-	691	5,173
-	-	-	-	3,813
-	8	-	-	50
-	-	-	65,337	65,894
-	-	-	365	72,093
-	-	-	200	174,258
-	-	-	16,579	35,733
-	17,997	60	66,673	316,053
-	14,747	-	68,378	450,771
-	-	-	75	24,417
-	-	-	-	74,267
-	-	-	-	13
-	-	-	172	120,350
-	-	-	3,540	321,922
-	98	-	36,164	73,923
-	704	-	5,062	5,766
-	-	-	22	22
-	-	-	296	4,968
-	-	-	-	100
-	-	-	-	373
-	-	-	-	896
-	-	-	-	119
-	-	-	-	945
-	-	-	-	546
-	-	-	-	1,899
-	-	-	-	2,103
-	-	-	-	677
-	-	-	355	3,233
-	-	-	-	239
-	-	-	-	261
-	-	-	-	29
-	-	-	-	11
-	-	-	-	170
-	-	-	-	64
$ 121,411	$ 181,412	$ 222	$ 536,156	$ 5,370,501

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).

However, in Fiscal Year 2008-09, the state experienced a significant shortfall in projected general revenues during the year. If legislative action had not been taken, the shortfall would have resulted in a deficit General Fund fund balance at June 30, 2009. Such a deficit would have been a constitutional violation.

On June 30, 2009, the state transferred $458.1 million from various cash funds to the General Fund to avoid such a deficit. This amount is included in nonroutine transfers discussed below.

In response to the fiscal stress caused by the shortfall, the Governor and the Legislature authorized significant nonroutine transfers totaling $815.3 million from various funds to augment the General Fund, including:

From various nonmajor Special Revenue funds –

- $118.3 million from the Unclaimed Property Fund
- $117.1 million from the Severance Tax Fund
- $110.0 million from the Base Account of the Severance Tax Trust Fund
- $99.8 million from the Tobacco Litigation Settlement Fund
- $70.3 million from the Water Conservation Construction Fund
- $69.5 million from the Major Medical Fund
- $31.2 million from the Higher Education Federal Mineral Lease Fund
- $30.0 million from the Employment Support Fund
- $30.0 million from the Hazardous Substances Response Fund
- $26.5 million from the Subsequent Injury Fund
- $21.3 million from the Operational Account of the Severance Tax Trust Fund
- $15.7 million from the Worker's Compensation Fund
- $15.2 million from the Mineral Leasing Fund
- $4.6 million from the Health Care Expansion Fund
- $4.4 million from the Short-Term Innovative Health Program Fund
- $26.5 million from 41 other nonmajor Special Revenue funds, where individual transfer amounts did not exceed $4.0 million

From various Internal Service funds –

- $1.0 million from Fleet Management
- $2.3 million from Capitol Complex

There was also $21.6 million of transfers from Risk Management funds to the General Fund that are not reported in the financial statements because both Risk Management and the state's General Fund are reported as part of the General Fund column in the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.*

In a separate appropriation refinancing, the legislature transferred $121.4 million out of the General Fund to the State Education Fund. Part of the transfer was then used by the State Education Fund to provide cash resources in the General Fund which reduced the use of general-purpose revenue.

In addition to the augmenting General Fund transfers, other individually significant routine transfers include the following:

The Highway Users Tax Fund transfer-out to the General Fund includes $26.2 million transferred to the Department of Revenue to support programs that generate Highway Users Tax Fund revenue.

The Highway Users Tax Fund transfer-out to All Other Funds includes $169.1 million to the Debt Service Fund to pay debt service on Transportation Revenue Anticipation Notes issued by the Department of Transportation.

The Tobacco Impact Mitigation Fund transfers-out to the General Fund and All Other Funds includes $80.7 million and $47.3 million, respectively, in transfers to the Department of Health Care Policy and Financing for the purchase of medical services.

The Resource Extraction transfer-out to the State Public School Fund includes a $65.0 million transfer from the Mineral Leasing Fund.

The Resource Extraction transfer-out to All Other Funds includes $29.5 million in transfers from the Severance Tax Trust Fund to the Department of Natural Resources.

The Environment and Health Protection transfer-out to the General Fund includes $35.0 million in transfers to the Department of Health Care Policy and Financing primarily from the Health Care Services Fund ($12.9 million) and the Nurse Home Visitor Program ($16.4 million).

The Other Special Revenue transfer-out to the General Fund is comprised primarily of $219.2 million from the Sales and Use Tax Holding Fund (SUTHF). In fiscal years where the General Fund is unable to meet its statutory reserve requirements, transfers from the SUTHF, which previously funded the Highway Users Tax Fund, are diverted into the General Fund. Legislation passed in Fiscal Year 2008-09 diverts all future SUTHF transfers to the General Fund until at least Fiscal Year 2018-19.

Transfers from the Other Special Revenue to the General Fund funds also include approximately $61.6 million of legislatively mandated transfers to fund programs in agencies that operate primarily in the General Fund.

NOTE 32 – 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 Revenue determined that its CSTARS motor vehicle titling and registration system was inoperable. The department has declared the asset impaired and incurred a loss on impairment of $5.6 million. The event was an infrequent occurrence that was under the control of management (see Note 16).

NOTE 33 – 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 $6.2 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 $77,397 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.* 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 ($3,084,269) 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 on the *Statement of Net Assets – Proprietary Funds*. 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 $311,240 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 34 – PLEDGED REVENUE

Various Higher Education Institutions, the Highway Users Tax Fund, 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 2008-09, 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 a major interstate highway through Denver and various other infrastructure projects in the state. The pledged revenue represents approximately 17.1 percent of the total revenue stream, and $1.31 billion of the pledge commitment remains outstanding.

CollegeInvest pledged $200.8 million of interest income, federal grant funds, other earned revenues, and student loan repayments to meet the current $41.1 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. There is $2.2 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 1987-88 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 $506.5 million. Individually significant Higher Education Institution pledges include:

- $238.5 million pledged by the University of Colorado to secure $61.2 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 2037-38. The pledged revenue represents approximately 49.6 percent of the revenue stream, and $1.43 billion of the pledge commitment remains outstanding.
- $171.6 million pledged by Colorado State University to secure $22.1 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 2039-40. The pledged revenue represents approximately 100 percent of the total revenue stream, and $649.4 million of the pledge remains outstanding.
- $22.5 million pledged by the Colorado School of Mines to secure $5.0 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 78 percent of the total revenue stream, and $175.5 million of the pledge remains outstanding.
- $14.5 million pledged by the University of Northern Colorado to secure $8.6 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 14.0 percent of the total gross tuition and auxiliary revenue streams; $253.6 million of the pledge remains outstanding.
- $9.4 million pledged by the Auraria Higher Education Center to secure $5.3 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 64.8 percent of the total revenue stream, and $101.7 million of the pledge remains outstanding.
- $9.7 million pledged by Mesa State College to secure $3.5 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 a final maturity date of Fiscal Year 2037-38. The pledged revenue represents approximately 46.9 percent of the total revenue stream, and $146.6 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	$ 980,992	$ 813,000	$ 167,992	$ 107,795	$ 60,197	$ 167,992
Higher Education Institutions	846,390	450,057	396,332	40,965	69,195	110,160
CollegeInvest	200,753	34,107	166,646	24,000	17,126	41,126
	$ 2,028,135	$ 1,297,164	$ 730,970	$ 172,760	$ 146,518	$ 319,278

NOTE 35 – 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 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, 2009

(DOLLARS IN THOUSANDS)	STATE FAIR AUTHORITY	UNIVERSITY OF COLORADO: UNIVERSITY PHYSICIANS INCORPORATED	AURARIA HIGHER EDUCATION CENTER: PARKING FACILITIES	AURARIA HIGHER EDUCATION CENTER: STUDENT FACILITIES
ASSETS:				
Current Assets	$ 1,656	$ 104,002	$ 5,154	$ 9,253
Other Assets	-	104,064	8,100	1,081
Capital Assets	11,305	9,274	38,372	34,835
Total Assets	12,961	217,340	51,626	45,169
LIABILITIES:				
Current Liabilities	706	26,250	4,140	4,636
Noncurrent Liabilities	126	18,151	31,664	31,485
Total Liabilities	832	44,401	35,804	36,121
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	11,305	5,760	3,832	4,158
Restricted for Permanent Endowments:				
Expendable	-	-	7,446	619
Other Restricted Net Assets	-	736	-	-
Unrestricted	824	166,443	4,544	4,271
Total Net Assets	$ 12,129	$ 172,939	$ 15,822	$ 9,048

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

OPERATING REVENUES :				
Tuition and Fees	$ -	$ -	$ -	$ 5,019
Sales of Goods and Services	6,833	340,165	8,828	23,042
Other	538	-	-	76
Total Operating Revenues	7,371	340,165	8,828	28,137
OPERATING EXPENSES:				
Depreciation	652	648	1,844	2,101
Other	9,425	327,104	5,134	22,627
Total Operating Expenses	10,077	327,752	6,978	24,728
OPERATING INCOME (LOSS)	(2,706)	12,413	1,850	3,409
NONOPERATING REVENUES AND (EXPENSES):				
Investment Income	350	5,903	351	272
Gifts and Donations	545	-	-	-
Other Nonoperating Revenues	-	23,657	-	227
Debt Service	(76)	(407)	(1,588)	(1,409)
Other Nonoperating Expenses	-	(1,020)	(14)	-
Total Nonoperating Revenues(Expenses)	819	28,133	(1,251)	(910)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:				
Capital Contributions and Additions to Endowments	890	-	-	168
Transfers-In	2,452	-	-	-
Transfers-Out	(107)	-	-	(2,943)
Total Contributions, Transfers, and Other	3,235	-	-	(2,775)
CHANGE IN NET ASSETS	1,348	40,546	599	(276)
TOTAL NET ASSETS - FISCAL YEAR BEGINNING (Restated)	10,781	132,393	15,223	9,324
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 12,129	$ 172,939	$ 15,822	$ 9,048

CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

NET CASH PROVIDED (USED) BY:				
Operating Activities	$ (1,862)	$ 21,889	$ 3,864	$ 4,547
Noncapital Financing Activities	2,345	(1,020)	-	-
Capital and Related Financing Activities	(1,056)	29,450	(2,531)	(2,490)
Investing Activities	351	(41,847)	79	165
NET INCREASE (DECR.) IN CASH AND POOLED CASH	(222)	8,472	1,412	2,222
CASH AND POOLED CASH, FISCAL YEAR BEGINNING	1,585	37,693	3,542	6,079
CASH AND POOLED CASH, FISCAL YEAR ENDING	$ 1,363	$ 46,165	$ 4,954	$ 8,301

NOTE 36 – COMPONENT UNITS

The state reports eleven 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, the Renewable Energy Authority, and the Higher Education Competitive Research Authority. Financial statements for the major component units are presented in the Basic Financial Statements.

A. MAJOR COMPONENT UNITS

University Hospital is a nonsectarian, general acute care regional hospital, licensed for 410 beds with five outpatient primary care clinics, six 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 advance healthcare for patients and their families through healing, discovery, and education. 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 $6.1 million during 2008 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 2008-09, it received $7.6 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, 2009, the foundation distributed $63.2 million of gifts and income to or for the benefit of the University of Colorado.

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 2008-09, the foundation transferred $29.0 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 2008-09, the foundation granted $3.7 million to the university.

B. NONMAJOR COMPONENT UNITS

The Denver Metropolitan Major League Baseball Stadium District 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 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) 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, 2008, the VCA has contributed approximately $13.0 million or 60 percent of its total funding commitment to Colorado Fund 1, LP.

The Renewable Energy Authority 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; $1.3 million in matching funds had been disbursed as of December 31, 2008.

The Higher Education Competitive Research Authority was created during the 2007 legislative session to provide matching funds for inclusion in grant proposals made by higher education institutions for federally sponsored research projects. The authority received all of its funding for Fiscal Year 2008-09 through the Colorado Department of Higher Education. As of June 30, 2009, the authority has made commitments to provide matching funds for seven research proposals, four of which, totaling $5.2 million, are currently funded.

NOTE 37 – RELATED PARTIES AND ORGANIZATIONS

Primary Government

The Colorado State University - Pueblo Foundation was established to benefit the Colorado State University - Pueblo. The foundation transferred $2.1 million to the university during Fiscal Year 2008-09, owed the university $161,156, and was due $153,125 from the university at June 30, 2009.

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 $1.2 million in scholarships and grants during Fiscal Year 2008-09.

The Mesa State College Foundation provides financial assistance to Mesa State College students and assists the college in serving educational needs. In Fiscal Year 2008-09, the foundation awarded $487,324 of scholarships directly to Mesa State College students, provided approximately $1.3 million in capital and operating support. In Fiscal Year 2008-09, the college entered into a lease-purchase agreement with the foundation for the acquisition of property. The term of the lease is 10 years at 3 percent, and the college owes the foundation $3.6 million under this agreement.

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 $1.9 million of funding to the college in Fiscal Year 2008-09. The foundation also reimbursed the college $230,161 for services provided by college employees in Fiscal Year 2008-09. At June 30, 2009, the foundation owed the college $266,423.

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 2008-09.

Most of the state's community colleges have established foundations to assist in their educational missions. With the exception of Pueblo Community College and Pikes Peak Community College, none of these foundations made annual transfers to their related community colleges in excess of $500,000. The Pueblo Community College Foundation provided support to Pueblo Community College in the amount of $826,343 for scholarships, rental properties, construction, and discretionary funds. The Pikes Peak Community College Foundation provided support to Pikes Peak Community College in the amount of $664,953 for administrative, program and fund raising expenses.

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, 2009, the LLC no longer held property for the foundation.

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. 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. The foundation is not obligated under the bonds issued to finance the LLC's student housing facility, however the university has guaranteed payment on these bonds. The bonds include provisions whereby the guarantee can be terminated. Management of the university believes provisions for termination of the guarantee have been met. At June 30, 2009, the LLC had capital assets of $14.0 million, other assets of $7.3 million, long-term debt of $23.5 million, and current liabilities of $1.0 million. The total liabilities of the foundation exceeded its total assets by $3.3 million. The LLC owed the university of Northern Colorado $449,062 for a working capital loan at June 30, 2009.

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 $2.2 million at June 30, 2009.

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 $1.1 million June 30, 2009.

The Auraria Foundation was established to receive gifts, legacies, and grants of money and property for the purpose of benefiting the Auraria Higher Education Center (AHEC). The foundation provided support in the amount of $671,601 primarily for a new science building, and night/safety lighting. AHEC owed the foundation approximately $1.7 million as of June 30, 2009.

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 2008-09, the board funded $23.2 million of wildlife and parks programs at the Department of Natural Resources. At June 30, 2009, GOCO owed the Department of Natural Resources $6.2 million in unreimbursed expenditures.

Component Units

The University of Colorado Hospital Authority and the University of Colorado Denver (UCD) 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 U.S. 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 $30.3 million for these services in Fiscal Year 2008-09. 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 $2.1 million in Fiscal Year 2008-09. In total, the UCD paid the hospital $10.1 million in Fiscal Year 2008-09.

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 $6.7 million of government external funds and paid UPI an additional $45.4 million for services in Fiscal Year 2008-09.

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 $3.3 million were billed to CRC for the cost of these services during Fiscal Year 2008-09. The amount due from University of Colorado Denver, including CRC, was $0.5 million at June 30, 2009.

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 and includes a transition period plus five one-year option periods for healthcare delivery beginning April 1, 2010. As part of the agreements, the hospital originally purchased a minority interest in TriWest for approximately $3.3 million.

In October 2007, the hospital sold 1,656.55 shares for approximately $18.1 million to TriWest, but retains an option to repurchase the shares at the exercise market value through October 2010, unless the option is terminated before that date. This investment is accounted for under the cost method, and the hospital received dividends of approximately $0.4 million in July 2009.

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, 2008, VCA's investment in the fund totaled $12.5 million.

NOTE 38 – 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, nursing home 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.

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 $2.71 billion, of the $10.85 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 $70.9 million.

At June 30, 2009, the Lottery Division of the Department of Revenue had outstanding annuity contracts of approximately $451.6 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 $7.93 billion are outstanding. Of this amount, $6.23 billion is covered by private insurance.

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.

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 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 the plaintiffs have appealed the decision.

The Department of Health Care Policy and Financing may be responsible for repaying the Centers for Medicare and Medicaid Services (CMS) between $2.8 million and $3.3 million for Mental Health Child Placement Agency services. The disallowed costs are due to the department inappropriately claiming federal financial participation for supplemental payments to Prepaid Inpatient Health Plans for mental health services provided to children in Child Placement Agencies. The department is appealing the amount of disallowed costs.

The Department of Health Care Policy and Financing may be responsible for repaying CMS approximately $75.2 million in federal matching funds paid to Rocky Mountain Health Plan HMO (RMHP) for benefits paid to Medicaid clients during Fiscal Years 05-06 through 08-09. The payments were made to RMHP without the federally required pre-payment claims review of each claim for which payment was made. The state is currently working with CMS to reach agreement on the encounter claim data process to be used to accomplish a review of the claims in question. If an acceptable process is not agreed upon and the actual review completed, CMS has stated that potential disallowance of these expenditures may occur. The department is working with CMS towards a resolution and assesses the probability of disallowance at 10 percent.

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 $5.7 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. The Supreme Court reversed the lower courts' ruling and remanded the case to district court for trial. Estimates of plaintiff attorney fees and costs currently exceed $1.0 million.

The state believes it has a good chance of prevailing in the actions discussed in this Note 38, 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.

NOTE 39 – SUBSEQUENT EVENTS

A. DEBT ISSUANCES AND REFUNDINGS

On July 14 and 15, 2009, the State of Colorado entered a lease purchase agreement under which a Trustee issued $39,030,000 of State of Colorado Tax Exempt Certificates of Participation Series 2009A (COPs) and $299,760,000 of State of Colorado Taxable Certificates of Participation Series 2009B. The COPs were issued at a net discount of $59,694 with the Series 2009A maturing in 2018 and the Series 2009B maturing in 2045. The COPs carried coupon rates ranging from 3.00 percent to 6.12 percent with a net interest cost of 4.24 percent.

The COPs proceeds will be used to fund the construction of a new Colorado History Center and a new Colorado Justice Center. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to a maximum of $23,998,000 per year. The legislation envisions the lease payments being made for the new history center out of State Historical Fund monies that are not reserved for preservation. Payments related to the Justice Center will be made out of the Justice Center Cash Fund, which will consist of certain dedicated civil court fees together with any rental payments received by the Justice Department from other state agencies occupying the new building. Finally, other monies may be appropriated by the General Assembly to make the lease payments.

On July 20, 2009, the State Treasurer issued $650.0 million of General Fund Tax Revenue Anticipation Notes Series 2009A. The notes are due and payable on June 25, 2010, at a coupon rate of 2.0 percent. The total interest related to this issuance will be $12.1 million. The notes are issued for cash management purposes.

On July 22, 2009, the State Treasurer issued $255.0 million of Education Loan Program Tax and Revenue Anticipation Notes (ETRAN) Series 2009A. The notes have coupon rates ranging from 1.5 to 2.0 percent, which will result in approximately $4.7 million of interest due at maturity. The notes mature on August 12, 2010, but the State Treasurer has established a Series 2009A Note Repayment Account that will be funded by June 28, 2010, in an amount adequate to fully defease the outstanding notes.

On August 12, 2009, the State of Colorado entered a lease purchase agreement under which a Trustee issued $87,145,000 of Build Excellent Schools Today (BEST) Series 2009A COPs. The COPs were issued as qualified school construction bonds and do not bear interest. The 2009A certificates include tax credit coupons that the investor may redeem or sell separately from the principal portion. Base rents under the lease are for principal only and are due annually beginning on March 15, 2010 with a final maturity of March 15, 2024.

The COPs proceeds will be used to build new elementary and high schools in the San Luis Valley. Legislation enacted in the 2008 session of the General Assembly authorized the lease purchase and limited the lease payments to a maximum of $80,000,000 during 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 school districts or by local Boards of Cooperative Educational Services.

On September 24, 2009, Mesa State College issued two series of bonds totaling $61.7 million. Proceeds from the $30.0 million of Series 2009B Build America Bonds will be used to finance the completion of work on the College Center and related facilities. The college's net interest rate after the U.S. Treasury rebate on the bonds is 3.77 percent with principal payments beginning in Fiscal Year 2032-33 and final maturity in Fiscal Year 2039-40. The college also issued $31.7 million of tax exempt refunding Series 2009A bonds to refinance the Series 2008 bonds issued in December 2008. The coupon rates on the refunding bonds range from 4.6 to 5.0 percent with principal payments beginning in Fiscal Year 2018-19 and final maturity in Fiscal Year 2032-33.

On November 5, 2009, the School of Mines issued three series of bonds totaling $68,415,000. Proceeds from Series 2009B, Taxable Institutional Enterprise Revenue Bonds, will be used to finance certain capital projects such as new student housing, a new student health center, and renovations to Weaver Towers. The proceeds from Series 2009C, Institutional Enterprise Revenue Refunding Bonds, will be used to current refund $14.4 million of Series 2008B bonds and pay for the termination payment to remove the swap on the entire series. The proceeds from Series 2009D, Institutional Enterprise Revenue Bonds, will be used to finance a portion of the construction for Marquez Hall, which will be the new home of Petroleum Engineering. The blended interest rate is anticipated to be 3.6 percent with the principal repayments of $1,245,000 beginning in Fiscal Year 2010-11 with final maturity in Fiscal Year 2038-39.

On November 17, 2009, Metro State College issued $55.2 million in Series 2009 bonds using taxable Recovery Zone Economic Development bonds. The college will use the bond proceeds to finance a student success building. The interest rate on the bonds ranges from 1.96 to 6.24 percent with the principal repayments beginning in Fiscal Year 2011-12 and final maturity in Fiscal Year 2039-40.

On December 17, 2009, the University of Colorado issued a series of University Enterprise Revenue Bonds. $76.7 million of tax-exempt Series 2009B1 bonds were issued at coupon rates ranging from 2.0 percent to 5.0 percent. Principle repayments of $1,800,000 begin in Fiscal Year

2009-10 with final maturity during Fiscal Year 2017-18. $138.1 million of Series 2009B2 Build America Bonds were issued at coupon rates ranging from 1.82 percent to 6.26 percent. Principle repayments of $7,220,000 begin in Fiscal Year 2018-19 with final maturity during Fiscal Year 2035-36. Both issuances will be used to fund capital improvements on the university's Denver and Boulder campuses.

On December 17, 2009, the state partially refunded its 2008 Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation (COPs). The state issued $35,905,000 in non-callable COPs with an average coupon rate of 4.71 percent and a true interest cost of 3.73 percent. The partial refunding created savings of $680,697 on a cash-basis and $601,468 on a present value basis when discounted at a yield of 3.81 percent. The purpose of the refunding was to move scheduled interest and principal payments from Fiscal Year 2009-10 and Fiscal Year 2010-11 into later fiscal years and to move one payment due in Fiscal Year 2027-28 to its earliest allowed call date of Fiscal Year 2018-19.

On December 17, 2009, the state refunded its University of Colorado at Denver Health Sciences Center Fitzsimmons Academic Projects COPs. The state acting by and through the University of Colorado Regents issued $23,110,000 in callable COPs with an average coupon rate of 4.37 percent and a true interest cost of 3.39 percent. The partial refunding created savings of $575,749 on a cash-basis and $235,939 on a present value basis when discounted at a yield of 3.55 percent. The purpose of the refunding was to move scheduled interest and principal payments from Fiscal Year 2009-10 and Fiscal Year 2010-11 into later fiscal years and to move one payment due in Fiscal Year 2025-26 to its earliest allowed call date of Fiscal Year 2015-16.

B. OTHER

Beginning on July 1, 2009, the administration of both the state's defined contribution retirement plan and the deferred compensation plan (457) was transferred to the Public Employees Retirement Association (PERA). Existing plan members will become participants in the PERA administered plans. PERA is retaining Great West as the third-party administrator of the 457 plan. (See Note 20 for additional information regarding these retirement plans.)

During December 2008, CollegeInvest entered into a Master Loan Sale Agreement (MLSA) with the U.S. Department of Education (USDE). The MSLA 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. During August 2009, CollegeInvest notified the federal USDE of its intent to sell $267.9 million of student loans to the USDE under its Master Loan Sale Agreement. A portion of the sales proceeds will be used to pay off a debt to the USDE, while the remainder will be used to redeem bonds in the agency's bond trusts. CollegeInvest has redeemed $127.0 million of its 2008 Series IA as of December 14, 2009. Between July 1, 2009 and December 14, 2009, CollegeInvest redeemed $62.3 million of outstanding bonds in its bond funds. $21.7 million of these bonds were redeemed below par, and as a result, CollegeInvest recognized a gain of $2.3 million. On December 17, 2009, CollegeInvest redeemed another $7.5 million in bonds under the indenture agreement.

On December 18, 2008, CollegeInvest and College Assist entered into a Revolving Financing Agreement (RFA). Under the RFA, CollegeInvest was allowed to borrow up to $30.0 million from College Assist. CollegeInvest agreed to pay interest on the unpaid average daily principal balance outstanding based on the interest rate calculated monthly and published by the State Treasurer. In June 2009, CollegeInvest and College Assist replaced the original RFA with a new RFA for the next school year. CollegeInvest can borrow up to $20 million under the new RFA through September 30, 2010. CollegeInvest drew $7.0 million in June 2009 and an additional $10.3 million in July 2009 under the new RFA.

Component Units

Subsequent to June 30, 2009, the University of Colorado Hospital Authority entered into a contract with EPIC Systems, Inc. for the purchase and installation of a comprehensive electronic medical record and billing system. The implementation of this system is expected to take five years and cost approximately $64.0 million.

On August 6, 2009, the Hospital legally refunded the 2006B Index Put bonds. The new issuance has a par amount of $51.8 million and a 20 year term which will expire on November 15, 2029. The principal payments will be based on a redemption schedule as defined in the bond document through November 2029 and interest rates range from 3.0 to 5.3 percent.

On September 8, 2009, the Hospital sold its fixed to floating swap agreement for $1.8 million. The Hospital had entered into this agreement to convert a portion of the Hospital's fixed rate debt to floating rate obligations and elected to complete the sale based on advantageous market conditions.

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, 2009

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 1,981,596	
Income Taxes			4,285,911	
Other Taxes			193,635	
Federal Grants and Contracts			19	
Sales and Services			269	
Interest Earnings			19,320	
Other Revenues			45,766	
Transfers-In			1,090,685	
TOTAL REVENUES AND TRANSFERS-IN			7,617,201	
EXPENDITURES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 7,696	$ 7,223	6,783	$ 440
Corrections	676,821	641,848	637,628	4,220
Education	3,175,367	3,215,361	3,214,907	454
Governor	14,861	13,443	13,410	33
Health Care Policy and Financing	1,526,880	1,346,474	1,354,714	(8,240)
Higher Education	812,937	662,255	661,932	323
Human Services	691,578	685,419	686,402	(983)
Judicial Branch	327,716	326,961	326,959	2
Law	9,645	8,968	8,791	177
Legislative Branch	34,889	35,032	35,027	5
Local Affairs	12,778	12,321	12,229	92
Military and Veterans Affairs	5,854	5,685	5,531	154
Natural Resources	32,096	31,065	30,561	504
Personnel & Administration	7,522	5,836	5,658	178
Public Health and Environment	26,834	26,446	26,359	87
Public Safety	82,378	79,801	78,638	1,163
Regulatory Agencies	1,578	1,465	1,436	29
Revenue	198,158	196,507	194,368	2,139
Treasury	125,957	96,984	96,230	754
SUB-TOTAL OPERATING BUDGETS	7,771,545	7,399,094	7,397,563	1,531
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	710	1,962	733	1,229
Corrections	11,595	52,501	25,422	27,079
Education	-	1,581	385	1,196
Higher Education	17,619	164,852	114,751	50,101
Human Services	3,066	34,182	25,252	8,930
Military and Veterans Affairs	6,391	9,115	3,214	5,901
Personnel & Administration	3,530	19,657	11,482	8,175
Public Health and Environment	184	1,400	1,399	1
Public Safety	-	8,788	3,554	5,234
Revenue	7,445	25,247	8,138	17,109
Transportation	-	28,950	28,904	46
Treasury	-	26,649	26,649	-
Budgets/Transfers Not Booked by Department	74,216	74,216	74,222	(6)
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	124,756	449,100	324,105	124,995
TOTAL EXPENDITURES AND TRANSFERS-OUT	$ 7,896,301	$ 7,848,194	7,721,668	$ 126,526
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT			$ (104,467)	

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, 2009

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Sales and Other Excise Taxes			$ 947,501	
Income Taxes			339,900	
Other Taxes			927,729	
Tuition and Fees			1,759,440	
Sales and Services			1,167,215	
Interest Earnings			(203,615)	
Other Revenues			2,545,598	
Transfers-In			5,575,306	
TOTAL REVENUES AND TRANSFERS-IN			13,059,074	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Operating Budgets:				
Departmental:				
Agriculture	$ 28,880	$ 29,171	25,287	$ 3,884
Corrections	90,135	91,053	77,355	13,698
Education	3,718,884	3,716,835	3,652,896	63,939
Governor	102,927	154,326	98,472	55,854
Health Care Policy and Financing	549,550	547,859	521,548	26,311
Higher Education	3,149,845	3,004,166	2,670,945	333,221
Human Services	731,492	361,192	339,297	21,895
Judicial Branch	171,800	169,909	162,708	7,201
Labor and Employment	1,264,065	1,093,823	1,048,856	44,967
Law	38,174	41,450	36,050	5,400
Legislative Branch	3,397	3,427	2,439	988
Local Affairs	665,303	660,787	421,439	239,348
Military and Veterans Affairs	4,503	3,508	1,534	1,974
Natural Resources	806,314	721,878	504,469	217,409
Personnel & Administration	792,474	752,546	482,997	269,549
Public Health and Environment	271,177	313,821	243,711	70,110
Public Safety	140,266	137,744	124,583	13,161
Regulatory Agencies	78,373	77,637	74,552	3,085
Revenue	750,904	816,850	663,850	153,000
State	32,165	31,381	20,550	10,831
Transportation	288,311	288,006	250,727	37,279
Treasury	2,338,424	2,332,955	1,966,015	366,940
SUB-TOTAL OPERATING BUDGETS	16,017,363	15,350,324	13,390,280	1,960,044
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	-	801	280	521
Corrections	111,600	103,332	80,533	22,799
Governor	3,034	7,021	1,979	5,042
Higher Education	133,860	517,407	185,270	332,137
Human Services	294	544	127	417
Labor and Employment	36,383	39,423	28,656	10,767
Military and Veterans Affairs	(437)	1	32	(31)
Natural Resources	58,359	83,293	20,447	62,846
Personnel & Administration	4,513	4,513	4,005	508
Public Health and Environment	16,846	12,423	3,144	9,279
Public Safety	1,218	1,218	-	1,218
Revenue	2,940	10,476	2,336	8,140
Transportation	2,208,691	1,869,482	913,005	956,477
Treasury	16,653	-	-	-
Budgets/Transfers Not Booked by Department	8,258	8,258	7,061	1,197
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	2,602,212	2,658,192	1,246,875	1,411,317
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 18,619,575	$ 18,008,516	14,637,155	$ 3,371,361
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (1,578,081)	

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, 2009

(DOLLARS IN THOUSANDS)	ORIGINAL APPROPRIATION	FINAL SPENDING AUTHORITY	ACTUAL	(OVER)/UNDER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:				
Federal Grants and Contracts			$ 6,340,390	
TOTAL REVENUES AND TRANSFERS-IN			6,340,390	
EXPENDITURES/EXPENSES AND TRANSFERS-OUT:				
Capital and Multi-Year Budgets:				
Departmental:				
Agriculture	$ 3,992	$ 13,233	6,956	$ 6,277
Corrections	8,523	33,169	31,693	1,476
Education	497,653	842,129	534,539	307,590
Governor	32,861	666,331	232,955	433,376
Health Care Policy and Financing	1,828,066	2,162,837	2,176,102	(13,265)
Higher Education	20,993	735,090	658,770	76,320
Human Services	668,526	1,419,453	1,190,518	228,935
Judicial Branch	2,290	7,127	4,681	2,446
Labor and Employment	429,901	753,145	476,004	277,141
Law	1,157	1,242	1,102	140
Local Affairs	54,891	154,261	59,285	94,976
Military and Veterans Affairs	205,626	21,893	12,146	9,747
Natural Resources	22,608	61,983	34,658	27,325
Personnel & Administration	121	167	53	114
Public Health and Environment	234,142	339,166	233,843	105,323
Public Safety	26,499	72,375	28,225	44,150
Regulatory Agencies	1,318	2,743	1,670	1,073
Revenue	1,472	10,389	2,459	7,930
State	-	6,911	6,551	360
Transportation	849,457	1,218,421	509,881	708,540
Treasury	-	244,843	244,716	127
SUB-TOTAL CAPITAL AND MULTI-YEAR BUDGETS	4,890,096	8,766,908	6,446,807	2,320,101
TOTAL EXPENDITURES/EXPENSES AND TRANSFERS-OUT	$ 4,890,096	$ 8,766,908	6,446,807	$ 2,320,101
EXCESS OF REVENUES AND TRANSFERS-IN OVER/(UNDER) EXPENDITURES/EXPENSES AND TRANSFERS-OUT			$ (106,417)	

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, 2009

(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	$ 7,559,823	$ -	$ -	$ 57,378	$ -	$ -
Cash	923,260	3,039,777	1,590,814	192,758	475,709	2,835,574
Federal	4,616,353	-	509,625	9,813	-	397,079
Sub-Total Revenues and Transfers-In	13,099,436	3,039,777	2,100,439	259,949	475,709	3,232,653
Expenditures/Expenses and Transfers-Out						
General Funded	7,465,925	-	-	255,743	-	-
Cash Funded	929,416	3,038,328	1,902,851	268,622	494,003	3,370,503
Federally Funded	4,617,271	-	509,625	9,824	-	407,850
Expenditures/Expenses and Transfers-Out	13,012,612	3,038,328	2,412,476	534,189	494,003	3,778,353
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - Budget Basis	86,824	1,449	(312,037)	(274,240)	(18,294)	(545,700)
BUDGETARY BASIS ADJUSTMENTS:						
Increase/(Decrease) for Unrealized Gains/Losses	7,301	-	9,926	3,107	3,510	34,926
Increase for Budgeted Non-GAAP Expenditures	-	-	-	-	-	137,813
Increase/(Decrease) for GAAP Expenditures Not Budgeted	363,820	-	88,725	158,895	-	72,820
Increase/(Decrease) for GAAP Revenue Adjustments	(329,887)	-	-	(159,320)	-	(69,988)
Increase/(Decrease) for Non-Budgeted Funds	-	-	-	-	-	-
Excess of Revenues and Transfers-In Over (Under) Expenditures and Transfers-Out - GAAP Basis	128,058	1,449	(213,386)	(271,558)	(14,784)	(370,129)
GAAP BASIS FUND BALANCES/NET ASSETS:						
FUND BALANCE/NET ASSETS, JULY 1	207,413	22,716	1,517,186	501,852	353,149	2,709,701
Prior Period Adjustments (See Note 28)	(38)	-	-	(590)	-	(131)
Accounting Changes (See Note 28)	-	-	-	-	-	214,205
FUND BALANCE/NET ASSETS, JUNE 30	$ 335,433	$ 24,165	$ 1,303,800	$ 229,704	$ 338,365	$ 2,553,646

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**
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,617,201
1,918,686	391,018	70,385	502,605	304,313	132,818	681,357	13,059,074
16,958	375,858	390	-	413,950	33	331	6,340,390
1,935,644	766,876	70,775	502,605	718,263	132,851	681,688	27,016,665
-	-	-	-	-	-	-	7,721,668
1,901,723	766,104	79,345	502,818	309,409	126,677	947,356	14,637,155
121,471	367,540	-	-	413,193	33	-	6,446,807
2,023,194	1,133,644	79,345	502,818	722,602	126,710	947,356	28,805,630
(87,550)	(366,768)	(8,570)	(213)	(4,339)	6,141	(265,668)	(1,788,965)
2,851	-	2,062	337	1,658	53	(136,769)	(71,038)
-	-	-	2,408	24,199	1,319	-	165,739
92,072	(5,781)	631	(231)	(10,437)	(9,276)	6	751,244
-	-	-	-	(154)	-	-	(559,349)
104,538	-	-	-	-	-	-	104,538
111,911	(372,549)	(5,877)	2,301	10,927	(1,763)	(402,431)	(1,397,831)
3,765,994	765,533	185,215	2,613	407,735	22,950	3,796,228	14,258,285
6,309	-	-	-	-	29,904	(4,893)	30,561
-	-	-	-	-	-	(184,154)	30,051
$ 3,884,214	$ 392,984	$ 179,338	$ 4,914	$ 418,662	$ 51,091	$ 3,204,750	$ 12,921,066

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.

In order to identify the General Fund Surplus, 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.

On June 30, 2009, the state transferred $458.1 million from various cash funds to the General Fund to prevent a constitutional violation related to expenditures in excess of available resources (beginning fund balance plus current year general-purpose revenues). Because the ending General Fund Surplus could not be known at that date, the legislatively authorized Governor's Executive Order specified a year-end transfer amount large enough to ensure a positive fund balance. Without this year-end transfer, the ending General Fund Surplus would have been a deficit of $14.3 million.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN GENERAL FUND SURPLUS
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	ORIGINAL ESTIMATE/ BUDGET	REVISED ESTIMATE/ BUDGET	ACTUAL	REVERSIONS OF GENERAL FUND APPROPRIATION	EXCESS AUGMENTING REVENUE EARNED
REVENUES:					
Sales and Use Tax	$ 2,169,900	$ 2,112,600	$ 1,890,013		
Other Excise Taxes	99,300	92,900	91,583		
Individual Income Tax, net	4,840,400	3,984,100	4,020,696		
Corporate Income Tax, net	455,000	253,800	265,214		
Estate Tax	500	-	24		
Insurance Tax	196,200	191,700	192,413		
Parimutuel, Courts, and Other	43,800	41,900	56,107		
Investment Income	29,800	7,900	9,364		
Gaming	-	4,100	-		
TOTAL GENERAL PURPOSE REVENUES	7,834,900	6,689,000	6,525,414		
ACTUAL BUDGET RECORDED AND EXPENDITURES:					
Agriculture	7,696	7,223	6,783	$ 440	$ 133
Corrections	676,603	642,348	634,781	7,567	(111)
Education	3,175,366	3,215,361	3,214,929	432	894
Governor	14,852	13,443	13,410	33	15
Health Care Policy and Financing	1,528,108	1,564,828	1,351,963	212,865	3,985
Higher Education	812,837	661,974	661,974	-	122
Human Services	684,028	678,788	675,662	3,126	977
Judicial Branch	327,682	327,080	326,960	120	56
Labor and Employment	-	-	-	-	7
Law	9,564	8,855	8,678	177	43
Legislative Branch	35,857	34,889	34,884	5	223
Local Affairs	12,678	12,353	12,229	124	95
Military and Veterans Affairs	5,854	5,686	5,542	144	-
Natural Resources	32,096	31,057	30,565	492	13
Personnel & Administration	7,522	5,785	5,609	176	415
Public Health and Environment	26,804	26,586	26,358	228	94
Public Safety	81,912	79,735	78,621	1,114	454
Regulatory Agencies	1,429	1,466	1,436	30	43
Revenue	110,232	185,830	184,139	1,691	59
State	-	-	-	-	53
Treasury	122,009	96,984	96,230	754	31
TOTAL ACTUAL BUDGET AND EXPENDITURES	7,673,129	7,600,271	7,370,753	$ 229,518	$ 7,601
Variance Between Actual and Estimated Budgets	(138,591)	(210,183)	-		
TOTAL ESTIMATED BUDGET	7,534,538	7,390,088	7,370,753		
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES	300,362	(701,088)	(845,339)		
EXCESS AUGMENTING REVENUES			7,601		
TRANSFERS (Not Appropriated By Department):					
Transfers-In From Various Cash Funds	-	601,600	815,254		
Transfer-In From the Sales and Use Tax Holding Fund	-	-	219,155		
Other Net Transfers To/(From) the General Fund	-	(10,900)	(10,281)		
Transfer-Out to Capital Projects - General Fund	(25,800)	(15,900)	(15,914)		
Transfer-Out to Capital Projects - General Fund-Exempt Account	-	(9,000)	(9,000)		
Excess Beginning Reserve Transferred to the Highway and Capital Projects Funds	(99,900)	(43,500)	(43,447)		
TOTAL TRANSFERS	(125,700)	522,300	955,767		
EXCESS REVENUES AND TRANSFERS OVER(UNDER) BUDGET BASIS EXPENDITURES			118,029		
BEGINNING GENERAL FUND SURPLUS	99,900	43,500	43,447		
GAAP Revenues/(Expenditures) Not Budgeted			(1,188)		
(Increase)/Decrease in Long-Term Asset Reserve			6		
Budgeted Decrease (Increase) in Statutory 4 Percent Reserve Requirement	(17,300)	135,288	135,300		
Prior Period Adjustment			(38)		
ENDING GENERAL FUND SURPLUS	257,262	(0)	295,556		
RECONCILIATION TO GAAP UNRESERVED FUND BALANCE:					
GAAP Medicaid Expenditures Deferred to Fiscal Year 2008-09 for Budget			(144,547)		
GAAP Payroll Expenditures Deferred to Fiscal Year 2008-09 for Budget			(89,623)		
GAAP Revenues Related to Deferred Payroll and Medicaid Expenditures			94,050		
GAAP Basis - Shortfall in Statutory Reserve			-		
ENDING GAAP UNRESERVED FUND BALANCE			$ 155,436		

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 150 to 152). 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 Office of the State Controller.

D. BUDGET TO GAAP RECONCILIATION

The *Reconciling Schedule – All Budget Fund Types to All GAAP Fund Types* (see page 154) shows how revenues, expenditures/expenses, and transfers under the budgetary basis in the budgetary fund structure (see pages 150 to 152) relate to the change in fund balances/net assets for the funds presented in the fund level statements (see pages 50 to 67).

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 22,520 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 seven years.

Rating	2008	2007	2006	2005	2004	2003
Good/Fair	53%	59%	63%	65%	61%	58%
Poor	47%	41%	37%	35%	39%	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
2008-09	$400.0	N/A	$358.4
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 $128.9 million of construction in progress additions in Fiscal Year 2008-09, 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 beginning in Fiscal Year 2008, only two years of data is available and disclosed. When future year information becomes available, it will be added to the schedule below. See Note 19 on page 109 for additional information regarding the plans listed in the schedule.

Fiscal Year	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)
University of Colorado:							
2008-09	7/1/2008	-	$ 196,714,735	$ 196,714,735	0.0%	$ 898,898,961	21.9%
2007-08	7/1/2007	-	$ 195,972,332	$ 195,972,332	0.0%	$ 831,242,265	23.6%
Colorado State University:							
RMPR							
2008-09	1/1/2009	-	$ 25,187,719	$ 25,187,719	0.0%	$ 238,826,606	10.5%
2007-08	1/1/2007	-	$ 22,079,791	$ 22,079,791	0.0%	$ 199,793,625	11.1%
RMPS							
2008-09	1/1/2009	-	$ 54,271,314	$ 54,271,314	0.0%	N/A	N/A
2007-08	1/1/2008	-	$ 54,012,423	$ 54,012,423	0.0%	N/A	N/A
URX							
2008-09	1/1/2009	-	$ 2,899,120	$ 2,899,120	0.0%	N/A	N/A
2007-08	1/1/2008	-	$ 4,267,306	$ 4,267,306	0.0%	N/A	N/A
LTD							
2008-09	1/1/2009	-	$ 12,218,851	$ 12,218,851	0.0%	N/A	N/A
2007-08	1/1/2008	-	$ 10,209,899	$ 10,209,899	0.0%	N/A	N/A

[1] – Neither the CSU-RMPS, CSU-URX, nor the CSU-LTD plans' contributions are based on salaries or covered payroll.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2009

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTAL
ASSETS:				
Cash and Pooled Cash	$ 1,217,911	$ -	$ -	$ 1,217,911
Taxes Receivable, net	86,711	-	-	86,711
Other Receivables, net	84,945	-	9,998	94,943
Due From Other Governments	9,388	340	-	9,728
Due From Other Funds	203,809	-	3,271	207,080
Inventories	356	-	-	356
Prepaids, Advances, and Deferred Charges	12,537	-	-	12,537
Restricted Cash and Pooled Cash	234,592	218	58,273	293,083
Restricted Investments	71,371	-	569,649	641,020
Restricted Receivables	11,597	-	-	11,597
Investments	95,944	-	-	95,944
Other Long-Term Assets	405,995	-	3,925	409,920
Land and Nondepreciable Infrastructure	81	-	18,359	18,440
TOTAL ASSETS	$ 2,435,237	$ 558	$ 663,475	$ 3,099,270
LIABILITIES:				
Tax Refunds Payable	$ 8,714	$ -	$ -	$ 8,714
Accounts Payable and Accrued Liabilities	106,901	-	1	106,902
Due To Other Governments	116,409	-	5	116,414
Due To Other Funds	212,264	-	7,996	220,260
Deferred Revenue	85,163	-	4,907	90,070
Claims and Judgments Payable	73	-	-	73
Other Current Liabilities	3,182	-	-	3,182
Deposits Held In Custody For Others	9	-	-	9
TOTAL LIABILITIES	532,715	-	12,909	545,624
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	470,767	-	22,284	493,051
Debt Service	-	558	-	558
Emergencies	93,550	-	-	93,550
Funds Reported as Restricted	197,238	-	596,907	794,145
Unreserved Undesignated, Reported in:				
Nonmajor Special Revenue Funds	1,117,248	-	-	1,117,248
Nonmajor Permanent Funds	-	-	8,500	8,500
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Nonmajor Special Revenue Funds	23,719	-	-	23,719
Reported in Nonmajor Permanent Funds	-	-	22,875	22,875
TOTAL FUND BALANCES	1,902,522	558	650,566	2,553,646
TOTAL LIABILITIES AND FUND BALANCES	$ 2,435,237	$ 558	$ 663,475	$ 3,099,270

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	SPECIAL REVENUE	DEBT SERVICE	PERMANENT	TOTALS
REVENUES:				
Taxes:				
Sales and Use	$ 248,011	$ -	$ -	$ 248,011
Excise	159,637	-	-	159,637
Other Taxes	480,768	-	-	480,768
Licenses, Permits, and Fines	383,504	-	-	383,504
Charges for Goods and Services	87,743	-	72	87,815
Rents	6,951	-	77,103	84,054
Investment Income (Loss)	93,352	-	52,477	145,829
Federal Grants and Contracts	396,448	-	-	396,448
Unclaimed Property Receipts	58,158	-	-	58,158
Other	31,819	-	22	31,841
TOTAL REVENUES	1,946,391	-	129,674	2,076,065
EXPENDITURES:				
Current:				
General Government	74,693	-	1	74,694
Business, Community, and Consumer Affairs	175,778	-	-	175,778
Education	28,186	-	-	28,186
Health and Rehabilitation	102,181	-	-	102,181
Justice	23,525	-	-	23,525
Natural Resources	58,486	-	108	58,594
Social Assistance	180,176	-	-	180,176
Transportation	1,365	-	-	1,365
Capital Outlay	9,754	-	-	9,754
Intergovernmental:				
Cities	158,857	-	-	158,857
Counties	157,689	-	18	157,707
School Districts	75,033	-	-	75,033
Special Districts	37,621	-	-	37,621
Federal	2,733	-	-	2,733
Other	41,865	-	-	41,865
Debt Service	75	174,802	-	174,877
TOTAL EXPENDITURES	1,128,017	174,802	127	1,302,946
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	818,374	(174,802)	129,547	773,119
OTHER FINANCING SOURCES (USES):				
Transfers-In	351,077	174,802	172	526,051
Transfers-Out	(1,589,877)	-	(79,711)	(1,669,588)
Capital Lease Proceeds	214	-	-	214
Insurance Recoveries	75	-	-	75
TOTAL OTHER FINANCING SOURCES (USES)	(1,238,511)	174,802	(79,539)	(1,143,248)
NET CHANGE IN FUND BALANCES	(420,137)	-	50,008	(370,129)
FUND BALANCE, FISCAL YEAR BEGINNING	2,108,585	558	600,558	2,709,701
Prior Period Adjustment (See Note 28)	(131)	-	-	(131)
Accounting Changes (See Note 28)	214,205	-	-	214,205
FUND BALANCE, FISCAL YEAR END	$ 1,902,522	$ 558	$ 650,566	$ 2,553,646

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.
UNCLAIMED PROPERTY	This fund primarily comprises the escheats funds 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 legal rights to the asset are protected in perpetuity, and the fund records a liability to claimants for the amount ultimately expected to be claimed and paid. Prior to Fiscal Year 2008-09, these activities were reported as a Private Purpose Trust Fund.
OTHER SPECIAL REVENUE	This fund category represents a collection of 278 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 212 for a detail listing of these funds that have net assets in excess of $150,000.)

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2009

(DOLLARS IN THOUSANDS)	WATER PROJECTS	LABOR	GAMING	TOBACCO IMPACT MITIGATION
ASSETS:				
Cash and Pooled Cash	$ 52,451	$ 23,502	$ 136,017	$ 28,663
Taxes Receivable, net	-	24,735	10,116	-
Other Receivables, net	13,388	1,230	25	50,101
Due From Other Governments	548	-	-	28
Due From Other Funds	1,433	626	-	-
Inventories	-	-	-	-
Prepaids, Advances, and Deferred Charges	57	-	25	-
Restricted Cash and Pooled Cash	-	22,179	-	167,690
Restricted Investments	-	71,371	-	-
Restricted Receivables	-	-	-	11,579
Investments	-	40,804	-	-
Other Long-Term Assets	372,840	-	-	-
Land and Nondepreciable Infrastructure	-	-	-	-
TOTAL ASSETS	$ 440,717	$ 184,447	$ 146,183	$ 258,061
LIABILITIES:				
Tax Refunds Payable	$ -	$ -	$ -	$ -
Accounts Payable and Accrued Liabilities	2,141	1,267	2,981	20,006
Due To Other Governments	-	-	18,901	199
Due To Other Funds	164,833	200	30,893	9,882
Deferred Revenue	-	-	545	-
Claims and Judgments Payable	-	57	-	-
Other Current Liabilities	-	248	25	-
Deposits Held In Custody For Others	-	-	8	-
TOTAL LIABILITIES	166,974	1,772	53,353	30,087
FUND BALANCES:				
Reserved for:				
Noncurrent Assets	273,102	-	-	-
Emergencies	-	93,550	-	-
Funds Reported as Restricted	-	-	2,148	152,099
Unreserved:				
Designated for Unrealized Investment Gains:				
Reported in Nonmajor Special Revenue Funds	641	5,314	1,719	2,668
Undesignated	-	83,811	88,963	73,207
TOTAL FUND BALANCES	273,743	182,675	92,830	227,974
TOTAL LIABILITIES AND FUND BALANCES	$ 440,717	$ 184,447	$ 146,183	$ 258,061

RESOURCE EXTRACTION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	PUBLIC SCHOOL BUILDINGS	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ 400,692	$ 37,296	$ 84,110	$ 60,212	$ 73,521	$ 321,447	$ 1,217,911
49,149	-	-	-	-	2,711	86,711
2,004	4,263	5,014	-	394	8,526	84,945
508	388	6,449	-	-	1,467	9,388
164,616	3,010	34	5,535	-	28,555	203,809
-	333	-	-	-	23	356
11	2,993	-	-	-	9,451	12,537
-	-	13,137	-	-	31,586	234,592
-	-	-	-	-	-	71,371
-	-	-	-	-	18	11,597
-	-	-	-	55,140	-	95,944
16,491	-	-	-	-	16,664	405,995
-	-	-	-	-	81	81
$ 633,471	$ 48,283	$ 108,744	$ 65,747	$ 129,055	$ 420,529	$ 2,435,237
$ 8,595	$ -	$ -	$ -	$ -	$ 119	$ 8,714
6,375	2,870	12,321	3,947	30,712	24,281	106,901
84,610	257	70	-	-	12,372	116,409
170	1,376	954	-	-	3,956	212,264
3,375	1,639	1,746	-	-	77,858	85,163
-	-	-	-	-	16	73
-	6	404	-	-	2,499	3,182
-	-	-	-	-	1	9
103,125	6,148	15,495	3,947	30,712	121,102	532,715
181,001	-	-	-	-	16,664	470,767
-	-	-	-	-	-	93,550
-	-	12,635	-	-	30,356	197,238
5,313	477	1,122	768	2,907	2,790	23,719
344,032	41,658	79,492	61,032	95,436	249,617	1,117,248
530,346	42,135	93,249	61,800	98,343	299,427	1,902,522
$ 633,471	$ 48,283	$ 108,744	$ 65,747	$ 129,055	$ 420,529	$ 2,435,237

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OTHER SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	WATER PROJECTS	LABOR	GAMING	TOBACCO IMPACT MITIGATION
REVENUES:				
Taxes:				
Sales and Use	$ -	$ -	$ -	$ -
Excise	-	-	-	157,508
Other Taxes	-	61,060	94,906	-
Licenses, Permits, and Fines	11	2,369	647	109,833
Charges for Goods and Services	259	200	615	-
Rents	-	1	360	-
Investment Income (Loss)	10,695	14,327	3,961	9,396
Federal Grants and Contracts	1,914	-	732	2,862
Unclaimed Property Receipts	-	-	-	-
Other	386	210	4	1,277
TOTAL REVENUES	13,265	78,167	101,225	280,876
EXPENDITURES:				
Current:				
General Government	-	-	-	475
Business, Community, and Consumer Affairs	-	19,675	15,510	-
Education	-	-	16,764	110
Health and Rehabilitation	-	-	18	47,441
Justice	-	-	-	-
Natural Resources	14,550	-	-	-
Social Assistance	-	-	-	38,909
Transportation	-	-	-	-
Capital Outlay	77	10	137	12
Intergovernmental:				
Cities	1,116	-	16,969	1,215
Counties	545	-	15,461	20,100
School Districts	112	-	427	5,919
Special Districts	3,712	-	613	-
Federal	628	-	-	-
Other	382	-	-	13,075
Debt Service	-	-	-	-
TOTAL EXPENDITURES	21,122	19,685	65,899	127,256
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,857)	58,482	35,326	153,620
OTHER FINANCING SOURCES (USES):				
Transfers-In	27,483	-	-	20,756
Transfers-Out	(72,093)	(174,258)	(35,733)	(316,053)
Capital Lease Proceeds	-	-	-	-
Insurance Recoveries	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(44,610)	(174,258)	(35,733)	(295,297)
NET CHANGE IN FUND BALANCES	(52,467)	(115,776)	(407)	(141,677)
FUND BALANCE, FISCAL YEAR BEGINNING	326,210	298,451	93,237	369,651
Prior Period Adjustment (See Note 28)	-	-	-	-
Accounting Changes (See Note 28)	-	-	-	-
FUND BALANCE, FISCAL YEAR END	$ 273,743	$ 182,675	$ 92,830	$ 227,974

RESOURCE EXTRACTION	RESOURCE MANAGEMENT	ENVIRONMENT AND HEALTH PROTECTION	PUBLIC SCHOOL BUILDINGS	UNCLAIMED PROPERTY	OTHER SPECIAL REVENUE	TOTALS
$ -	$ -	$ -	$ -	$ -	$ 248,011	$ 248,011
-	-	-	-	-	2,129	159,637
319,057	-	-	-	-	5,745	480,768
1,185	19,170	53,677	-	-	196,612	383,504
12	10,256	34,162	-	-	42,239	87,743
-	6,550	-	-	-	40	6,951
25,067	1,150	5,678	2,009	6,474	14,595	93,352
232,475	2,539	87,413	-	-	68,513	396,448
-	-	-	-	58,158	-	58,158
196	7,384	268	-	-	22,094	31,819
577,992	47,049	181,198	2,009	64,632	599,978	1,946,391
-	-	4	-	60,144	14,070	74,693
894	105	-	-	-	139,594	175,778
-	-	-	4,954	-	6,358	28,186
-	-	34,503	-	-	20,219	102,181
-	-	-	-	-	23,525	23,525
14,291	25,054	-	-	-	4,591	58,486
-	-	135,871	-	-	5,396	180,176
-	-	-	-	-	1,365	1,365
57	7,103	100	-	-	2,258	9,754
89,046	144	1,204	-	-	49,163	158,857
68,510	335	1,452	-	-	51,286	157,689
8,742	-	23	20,052	-	39,758	75,033
17,704	4	112	-	-	15,476	37,621
40	16	540	-	-	1,509	2,733
829	698	208	-	-	26,673	41,865
-	-	-	-	-	75	75
200,113	33,459	174,017	25,006	60,144	401,316	1,128,017
377,879	13,590	7,181	(22,997)	4,488	198,662	818,374
31,561	18,833	62,298	40,730	-	149,416	351,077
(450,771)	(24,417)	(74,267)	(13)	(120,350)	(321,922)	(1,589,877)
-	-	-	-	-	214	214
-	75	-	-	-	-	75
(419,210)	(5,509)	(11,969)	40,717	(120,350)	(172,292)	(1,238,511)
(41,331)	8,081	(4,788)	17,720	(115,862)	26,370	(420,137)
571,677	34,054	98,168	44,080	-	273,057	2,108,585
-	-	(131)	-	-	-	(131)
-	-	-	-	214,205	-	214,205
$ 530,346	$ 42,135	$ 93,249	$ 61,800	$ 98,343	$ 299,427	$ 1,902,522

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, 2009

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
ASSETS:			
Other Receivables, net	$ 9,998	$ -	$ 9,998
Due From Other Funds	3,271	-	3,271
Restricted Cash and Pooled Cash	50,119	8,154	58,273
Restricted Investments	569,649	-	569,649
Other Long-Term Assets	3,925	-	3,925
Capital Assets Held as Investments	18,359	-	18,359
TOTAL ASSETS	$ 655,321	$ 8,154	$ 663,475
LIABILITIES:			
Accounts Payable and Accrued Liabilities	$ -	$ 1	$ 1
Due To Other Governments	5	-	5
Due To Other Funds	7,996	-	7,996
Deferred Revenue	4,903	4	4,907
TOTAL LIABILITIES	12,904	5	12,909
FUND BALANCES:			
Reserved for:			
Noncurrent Assets	22,284	-	22,284
Funds Reported as Restricted	590,082	6,825	596,907
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Nonmajor Permanent Funds	22,767	108	22,875
Undesignated	7,284	1,216	8,500
TOTAL FUND BALANCES	642,417	8,149	650,566
TOTAL LIABILITIES AND FUND BALANCES	$ 655,321	$ 8,154	$ 663,475

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERMANENT FUNDS FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	STATE LANDS	OTHER	TOTALS
REVENUES:			
Charges for Goods and Services	$ 72	$ -	$ 72
Rents	77,103	-	77,103
Investment Income (Loss)	52,168	309	52,477
Other	19	3	22
TOTAL REVENUES	129,362	312	129,674
EXPENDITURES:			
Current:			
General Government	-	1	1
Natural Resources	-	108	108
Intergovernmental:			
Counties	18	-	18
TOTAL EXPENDITURES	18	109	127
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	129,344	203	129,547
OTHER FINANCING SOURCES (USES):			
Transfers-In	172	-	172
Transfers-Out	(79,689)	(22)	(79,711)
TOTAL OTHER FINANCING SOURCES (USES)	(79,517)	(22)	(79,539)
NET CHANGE IN FUND BALANCES	49,827	181	50,008
FUND BALANCE, FISCAL YEAR BEGINNING	592,590	7,968	600,558
FUND BALANCE, FISCAL YEAR END	$ 642,417	$ 8,149	$ 650,566

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, 2009

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 10,604	$ 47,349	$ 1,363
Student and Other Receivables, net	3,593	325	46
Due From Other Governments	-	2,260	89
Due From Other Funds	-	7,091	-
Inventories	1,038	-	36
Prepaids, Advances, and Deferred Charges	403	330	122
Total Current Assets	15,638	57,355	1,656
Noncurrent Assets:			
Restricted Cash and Pooled Cash	58,369	23,681	-
Restricted Receivables	3,686	41,794	-
Other Long-Term Assets	-	-	-
Depreciable Capital Assets and Infrastructure, net	57,171	10	9,669
Land and Nondepreciable Infrastructure	151,808	-	1,636
Total Noncurrent Assets	271,034	65,485	11,305
TOTAL ASSETS	286,672	122,840	12,961
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	9,424	361	299
Due To Other Governments	-	37,547	-
Due To Other Funds	287	78	-
Deferred Revenue	28,788	-	397
Compensated Absences Payable	330	-	-
Leases Payable	-	-	-
Notes, Bonds, and COP's Payable	-	-	-
Other Current Liabilities	-	7,872	10
Total Current Liabilities	38,829	45,858	706
Noncurrent Liabilities:			
Accrued Compensated Absences	5,299	132	126
Capital Lease Payable	-	-	-
Notes, Bonds, and COP's Payable	-	-	-
Other Long-Term Liabilities	-	4,274	-
Total Noncurrent Liabilities	5,299	4,406	126
TOTAL LIABILITIES	44,128	50,264	832
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	208,979	10	11,305
Restricted for:			
Emergencies	21,282	-	-
Court Awards and Other Purposes	-	28,006	-
Unrestricted	12,283	44,560	824
TOTAL NET ASSETS	$ 242,544	$ 72,576	$ 12,129

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ 6,049	$ 4,791	$ 7,100	$ 13,451	$ 14,524	$ 105,231
995	972	319	3,981	1,463	11,694
252	2,250	-	170	121	5,142
1,240	1,748	-	-	-	10,079
9,616	203	529	-	113	11,535
-	28	-	-	616	1,499
18,152	9,992	7,948	17,602	16,837	145,180
-	-	-	-	-	82,050
-	-	-	-	-	45,480
1,650	359	-	-	172	2,181
3,851	29,440	2,232	508	10,252	113,133
980	4,617	-	-	3,957	162,998
6,481	34,416	2,232	508	14,381	405,842
24,633	44,408	10,180	18,110	31,218	551,022
2,220	4,852	498	3,896	2,402	23,952
-	350	-	-	-	37,897
-	-	-	-	-	365
-	-	-	-	3,909	33,094
60	200	-	-	232	822
-	240	-	-	-	240
-	380	-	-	335	715
6	-	-	-	103	7,991
2,286	6,022	498	3,896	6,981	105,076
1,000	1,822	172	227	322	9,100
-	3,130	-	-	-	3,130
-	3,640	-	-	7,140	10,780
-	-	-	-	-	4,274
1,000	8,592	172	227	7,462	27,284
3,286	14,614	670	4,123	14,443	132,360
4,831	26,627	2,232	508	6,734	261,226
-	-	-	-	-	21,282
-	-	-	-	-	28,006
16,516	3,167	7,278	13,479	10,041	108,148
$ 21,347	$ 29,794	$ 9,510	$ 13,987	$ 16,775	$ 418,662

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS OTHER ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
OPERATING REVENUES:			
License and Permits	$ 76,834	$ -	$ -
Tuition and Fees	16	-	-
Sales of Goods and Services	1,995	-	6,833
Investment Income (Loss)	-	3,290	-
Rental Income	-	-	538
Federal Grants and Contracts	19,150	381,467	-
Intergovernmental Revenue	18,093	-	-
Other	745	2,088	-
TOTAL OPERATING REVENUES	116,833	386,845	7,371
OPERATING EXPENSES:			
Salaries and Fringe Benefits	60,321	39,405	4,410
Operating and Travel	45,947	332,341	4,176
Cost of Goods Sold	-	-	-
Depreciation and Amortization	3,961	117	652
Intergovernmental Distributions	1,964	-	-
Debt Service	-	27,400	-
Prizes and Awards	24	-	839
TOTAL OPERATING EXPENSES	112,217	399,263	10,077
OPERATING INCOME (LOSS)	4,616	(12,418)	(2,706)
NONOPERATING REVENUES AND (EXPENSES):			
Taxes	-	-	-
Fines and Settlements	359	-	-
Investment Income (Loss)	2,121	-	350
Rental Income	638	-	-
Gifts and Donations	1,183	-	545
Gain/(Loss) on Sale or Impairment of Capital Assets	(29)	(241)	-
Insurance Recoveries from Prior Year Impairments	15	-	-
Debt Service	(2)	-	(76)
Other Expenses	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	4,285	(241)	819
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	8,901	(12,659)	(1,887)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	8,455	-	890
Transfers-In	3,959	-	2,452
Transfers-Out	(4,968)	(100)	(107)
TOTAL CONTRIBUTIONS AND TRANSFERS	7,446	(100)	3,235
CHANGE IN NET ASSETS	16,347	(12,759)	1,348
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	226,197	85,335	10,781
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 242,544	$ 72,576	$ 12,129

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ -	$ -	$ 414	$ 6,669	$ 83,917
-	-	-	-	290	306
46,282	39,948	17,075	-	6,199	118,332
-	-	-	-	-	3,290
-	-	-	-	784	1,322
-	11,724	-	1,042	566	413,949
-	236	-	-	-	18,329
322	26	22	20	63	3,286
46,604	51,934	17,097	1,476	14,571	642,731
10,757	39,425	4,298	9,364	6,086	174,066
8,280	9,143	1,740	22,122	6,999	430,748
26,344	-	10,462	-	158	36,964
953	1,665	104	18	881	8,351
-	2,000	-	-	-	3,964
-	-	-	-	-	27,400
-	1	-	-	-	864
46,334	52,234	16,604	31,504	14,124	682,357
270	(300)	493	(30,028)	447	(39,626)
-	-	-	35,627	-	35,627
-	-	-	14	274	647
120	58	286	412	399	3,746
260	7	-	-	-	905
-	124	-	-	384	2,236
10	(690)	-	-	(556)	(1,506)
-	-	-	-	-	15
-	(317)	-	-	(241)	(636)
-	(46)	-	-	(11)	(57)
390	(864)	286	36,053	249	40,977
660	(1,164)	779	6,025	696	1,351
-	13	-	-	572	9,930
-	1,182	-	-	-	7,593
(373)	(896)	(119)	(945)	(439)	(7,947)
(373)	299	(119)	(945)	133	9,576
287	(865)	660	5,080	829	10,927
21,060	30,659	8,850	8,907	15,946	407,735
$ 21,347	$ 29,794	$ 9,510	$ 13,987	$ 16,775	$ 418,662

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 16	$ -	$ -
Fees for Service	71,810	-	4,623
Sales of Products	618	-	141
Gifts, Grants, and Contracts	19,838	383,846	-
Income from Property	638	-	538
Other Sources	21,876	-	2,237
Cash Payments to or for:			
Employees	(55,337)	(2,242)	(2,234)
Suppliers	(35,787)	(33,669)	(6,228)
Sales Commissions and Lottery Prizes	(5,499)	-	-
Others for Student Loans and Loan Losses	-	(359,957)	-
Other Governments	(1,963)	-	-
Other	(9,697)	-	(939)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,513	(12,022)	(1,862)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	3,959	-	2,452
Transfers-Out	(4,968)	(100)	(107)
Receipt of Deposits Held in Custody	-	23	1
Release of Deposits Held in Custody	(39)	(4)	(1)
Gifts and Grants for Other Than Capital Purposes	1,103	-	-
NonCapital Debt Proceeds	-	-	-
NonCapital Debt Service Payments	-	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	55	(81)	2,345
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(21,520)	-	(26)
Proceeds from Sale of Capital Assets	-	-	-
Capital Debt Proceeds	-	-	22
Capital Debt Service Payments	(2)	-	(1,052)
Capital Lease Payments	-	-	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(21,522)	-	(1,056)

(Continued)

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
$ -	$ 62	$ -	$ -	$ 290	$ 368
9,804	39,436	-	35,645	4,875	166,193
38,225	44	17,292	-	553	56,873
-	10,734	-	1,806	495	416,719
260	7	-	-	784	2,227
189	122	-	428	5,834	30,686
(9,695)	(36,349)	(4,263)	(3,298)	(4,896)	(118,314)
(34,561)	(11,424)	(12,608)	(30,191)	(7,583)	(172,051)
-	-	-	-	-	(5,499)
-	-	-	-	-	(359,957)
-	(1,826)	-	-	-	(3,789)
(90)	(7)	(1)	-	(147)	(10,881)
4,132	799	420	4,390	205	2,575
-	1,182	-	-	-	7,593
(373)	(896)	(119)	(945)	(439)	(7,947)
19	-	-	-	99	142
(19)		-	-	-	(63)
-	-	-	-	384	1,487
-	-	-	-	-	-
-	(368)	-	-	-	(368)
(373)	(82)	(119)	(945)	44	844
(1,327)	(1,291)	(160)	(497)	(270)	(25,091)
22	-	-	53	24	99
-	38	-	-	-	60
-	(224)	-	-	(561)	(1,839)
-	(350)	-	-	-	(350)
(1,305)	(1,827)	(160)	(444)	(807)	(27,121)

COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009 (Continued)

(DOLLARS IN THOUSANDS)	WILDLIFE	COLLEGE ASSIST	STATE FAIR AUTHORITY
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	1,517	2,640	339
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	604	649	12
NET CASH FROM INVESTING ACTIVITIES	2,121	3,289	351
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	(12,833)	(8,814)	(222)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	81,806	79,844	1,585
CASH AND POOLED CASH, FISCAL YEAR END	$ 68,973	$ 71,030	$ 1,363
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 4,616	$ (12,418)	$ (2,706)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	3,961	117	652
Investment/Rental Income and Other Revenue in Operating Income	-	(3,290)	-
Rents, Fines, Donations, and Grants and Contracts in NonOperating	1,092	-	545
Loss on Disposal of Capital Assets	156	-	-
Compensated Absences	287	-	(6)
Interest and Other Expense in Operating Income	1	4	7
Net Changes in Assets and Liabilities Related to Operating Activities:			
(Increase) Decrease in Operating Receivables	(1,648)	(42,195)	(114)
(Increase) Decrease in Inventories	(69)	-	5
(Increase) Decrease in Other Operating Assets	9	(117)	49
Increase (Decrease) in Accounts Payable	(426)	37,038	(31)
Increase (Decrease) in Other Operating Liabilities	(1,466)	8,839	(263)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 6,513	$ (12,022)	$ (1,862)
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Funded by the Capital Projects Fund	-	-	890
Capital Assets Acquired by Grants or Donations and Payable Increases	151	-	-
Gain/(Loss) on Disposal of Capital Assets	(186)	(241)	-
Amortization of Debt Valuation Accounts and Interest Payable Accruals	-	-	-
Assumption of Capital Lease Obligation or Mortgage	-	-	-

CORRECTIONAL INDUSTRIES	STATE NURSING HOMES	PRISON CANTEENS	PETROLEUM STORAGE TANK	OTHER ENTERPRISE ACTIVITIES	TOTALS
47	3	228	282	323	5,379
74	55	59	129	76	1,658
121	58	287	411	399	7,037
2,575	(1,052)	428	3,412	(159)	(16,665)
3,474	5,843	6,672	10,039	14,683	203,946
$ 6,049	$ 4,791	$ 7,100	$ 13,451	$ 14,524	$ 187,281
$ 270	$ (300)	$ 493	$ (30,028)	$ 447	$ (39,626)
953	1,665	104	18	881	8,351
-	-	-	-	-	(3,290)
260	129	-	35,641	287	37,954
-	-	-	-	-	156
46	161	5	(91)	(10)	392
-	7	-	-	97	116
2,008	(1,319)	219	761	(787)	(43,075)
1,865	(78)	(89)	-	-	1,634
249	95	-	-	(377)	(92)
(1,260)	441	(312)	(1,911)	793	34,332
(259)	(2)	-	-	(1,126)	5,723
$ 4,132	$ 799	$ 420	$ 4,390	$ 205	$ 2,575
-	-	-	-	8	898
-	-	-	-	-	151
10	(690)	-	-	(570)	(1,677)
-	-	-	-	11	11
-	214	-	-	-	214

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, 2009

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 10,493	$ 3,686	$ 3,037
Other Receivables, net	309	29	17
Due From Other Governments	-	-	144
Due From Other Funds	80	514	-
Inventories	411	-	50
Prepaids, Advances, and Deferred Charges	1	156	25
Total Current Assets	11,294	4,385	3,273
Noncurrent Assets:			
Other Long-Term Assets	177	-	-
Depreciable Capital Assets and Infrastructure, net	58,840	789	34,160
Total Noncurrent Assets	59,017	789	34,160
TOTAL ASSETS	70,311	5,174	37,433
LIABILITIES:			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	6,184	1,983	885
Due To Other Funds	75	80	3
Deferred Revenue	300	506	-
Compensated Absences Payable	14	24	11
Leases Payable	5,430	-	-
Notes, Bonds, and COP's Payable	4,555	-	-
Total Current Liabilities	16,558	2,593	899
Noncurrent Liabilities:			
Accrued Compensated Absences	466	1,038	451
Capital Lease Payable	32,466	-	-
Notes, Bonds, and COP's Payable	12,594	-	-
Total Noncurrent Liabilities	45,526	1,038	451
TOTAL LIABILITIES	62,084	3,631	1,350
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	3,795	789	34,160
Unrestricted	4,432	754	1,923
TOTAL NET ASSETS	$ 8,227	$ 1,543	$ 36,083

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ 3,363	$ 1,721	$ 377	$ 895	$ 259	$ 23,831
36	-	6	1	4	402
-	-	-	-	-	144
33	-	-	-	-	627
241	324	-	-	-	1,026
-	-	-	35	-	217
3,673	2,045	383	931	263	26,247
-	-	-	-	-	177
19,795	114	1,855	30	25	115,608
19,795	114	1,855	30	25	115,785
23,468	2,159	2,238	961	288	142,032
1,065	108	15	293	154	10,687
-	-	-	-	-	158
3	-	-	-	-	809
11	-	-	-	-	60
631	-	-	-	-	6,061
-	-	-	-	-	4,555
1,710	108	15	293	154	22,330
270	-	-	240	34	2,499
21,052	-	-	-	-	53,518
-	-	-	-	-	12,594
21,322	-	-	240	34	68,611
23,032	108	15	533	188	90,941
(1,888)	114	1,855	30	25	38,880
2,324	1,937	368	398	75	12,211
$ 436	$ 2,051	$ 2,223	$ 428	$ 100	$ 51,091

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
OPERATING REVENUES:			
Sales of Goods and Services	$ 55,241	$ 22,231	$ 24,592
Rental Income	-	-	-
Other	280	-	-
TOTAL OPERATING REVENUES	55,521	22,231	24,592
OPERATING EXPENSES:			
Salaries and Fringe Benefits	8,543	13,021	6,058
Operating and Travel	25,754	7,666	16,887
Cost of Goods Sold	8,089	-	-
Depreciation and Amortization	12,208	353	4,714
Intergovernmental Distributions	-	-	-
TOTAL OPERATING EXPENSES	54,594	21,040	27,659
OPERATING INCOME (LOSS)	927	1,191	(3,067)
NONOPERATING REVENUES AND (EXPENSES):			
Investment Income (Loss)	154	42	-
Federal Grants and Contracts	-	-	-
Gain/(Loss) on Sale or Impairment of Capital Assets	354	-	2
Debt Service	(1,676)	-	(2)
Other Expenses	(89)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,257)	42	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(330)	1,233	(3,067)
CONTRIBUTIONS, TRANSFERS, AND OTHER ITEMS:			
Capital Contributions	838	-	6,753
Transfers-In	355	-	416
Transfers-Out	(1,899)	(2,103)	(677)
TOTAL CONTRIBUTIONS AND TRANSFERS	(706)	(2,103)	6,492
CHANGE IN NET ASSETS	(1,036)	(870)	3,425
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	9,263	2,322	2,845
Prior Period Adjustments (See Note 28)	-	91	29,813
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 8,227	$ 1,543	$ 36,083

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ 2	$ 2,211	$ 122	$ 4,050	$ 2,376	$ 110,825
11,169	-	-	-	-	11,169
15	-	1	-	-	296
11,186	2,211	123	4,050	2,376	122,290
3,191	1,196	150	3,392	1,103	36,654
5,196	1,377	367	696	1,206	59,149
-	-	-	-	-	8,089
1,025	23	433	7	8	18,771
3	-	-	-	-	3
9,415	2,596	950	4,095	2,317	122,666
1,771	(385)	(827)	(45)	59	(376)
-	12	-	-	-	208
33	-	-	-	-	33
16	-	-	-	-	372
(574)	-	-	-	(3)	(2,255)
-	-	-	-	-	(89)
(525)	12	-	-	(3)	(1,731)
1,246	(373)	(827)	(45)	56	(2,107)
-	-	-	-	-	7,591
-	-	394	-	-	1,165
(3,233)	-	-	(239)	(261)	(8,412)
(3,233)	-	394	(239)	(261)	344
(1,987)	(373)	(433)	(284)	(205)	(1,763)
2,423	2,424	2,656	712	305	22,950
-	-	-	-	-	29,904
$ 436	$ 2,051	$ 2,223	$ 428	$ 100	$ 51,091

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Tuition, Fees, and Student Loans	$ 7	$ -	$ -
Fees for Service	54,773	22,203	24,677
Sales of Products	342	-	-
Gifts, Grants, and Contracts	-	-	16
Income from Property	-	-	-
Other Sources	145	506	2
Cash Payments to or for:			
Employees	(7,175)	(11,495)	(5,788)
Suppliers	(32,399)	(7,579)	(18,481)
Sales Commissions and Lottery Prizes	-	-	-
Other Governments	-	-	-
Other	(10)	(1)	(18)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,683	3,634	408
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers-In	355	-	416
Transfers-Out	(1,899)	(2,103)	(677)
NonCapital Debt Service Payments	(81)	-	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(1,625)	(2,103)	(261)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of Capital Assets	(18,239)	(520)	(488)
Proceeds from Sale of Capital Assets	12,593	-	-
Capital Debt Proceeds	89	-	-
Capital Debt Service Payments	(7,103)	-	(2)
Capital Lease Payments	(1,212)	-	-
NET CASH FROM CAPITAL RELATED FINANCING ACTIVITIES	(13,872)	(520)	(490)

(Continued)

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
$ -	$ -	$ -	$ -	$ -	$ 7
1	898	129	4,057	2,371	109,109
1	1,314	-	-	-	1,657
33	-	-	-	-	49
11,194	-	-	-	-	11,194
34	-	1	-	-	688
(3,103)	(1,113)	(189)	(3,324)	(1,071)	(33,258)
(5,432)	(1,352)	(357)	(803)	(516)	(66,919)
-	-	-	-	(617)	(617)
(3)	-	-	-	-	(3)
(16)	(3)	-	-	(90)	(138)
2,709	(256)	(416)	(70)	77	21,769
-	-	394	-	-	1,165
(3,234)	-	-	(239)	(261)	(8,413)
(574)	-	-	-	-	(655)
(3,808)	-	394	(239)	(261)	(7,903)
(579)	(151)	-	-	-	(19,977)
-	87	-	-	-	12,680
2,506	-	-	-	-	2,595
-	-	-	-	-	(7,105)
-	-	-	-	-	(1,212)
1,927	(64)	-	-	-	(13,019)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009 (Continued)

(DOLLARS IN THOUSANDS)	CENTRAL SERVICES	GENERAL GOVERNMENT COMPUTER CENTER	TELECOM-MUNICATIONS
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	154	1	-
Increase(Decrease) from Unrealized Gain(Loss) on Invesments	-	41	-
NET CASH FROM INVESTING ACTIVITIES	154	42	-
NET INCREASE (DECREASE) IN CASH AND POOLED CASH	340	1,053	(343)
CASH AND POOLED CASH , FISCAL YEAR BEGINNING	10,153	2,633	3,380
CASH AND POOLED CASH, FISCAL YEAR END	$ 10,493	$ 3,686	$ 3,037
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	$ 927	$ 1,191	$ (3,067)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	12,208	353	4,714
Rents, Fines, Donations, and Grants and Contracts in NonOperating	-	-	2
Compensated Absences	6	685	7
Interest and Other Expense in Operating Income	-	-	-
(Increase) Decrease in Operating Receivables	37	(542)	101
(Increase) Decrease in Inventories	388	-	(50)
(Increase) Decrease in Other Operating Assets	2	181	12
Increase (Decrease) in Accounts Payable	2,404	1,260	(1,311)
Increase (Decrease) in Other Operating Liabilities	(289)	506	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 15,683	$ 3,634	$ 408
SUPPLEMENTARY INFORMATION - NONCASH TRANSACTIONS:			
Capital Assets Acquired by Grants or Donations and Payable Increases	838	-	-
Gain/(Loss) on Disposal of Capital Assets	1,007	-	-
Assumption of Capital Lease Obligation or Mortgage	12,281	-	-

CAPITOL COMPLEX	HIGHWAYS	PUBLIC SAFETY	ADMINISTRATIVE COURTS	DEBT COLLECTION	TOTALS
-	-	-	-	-	155
-	12	-	-	-	53
-	12	-	-	-	208
828	(308)	(22)	(309)	(184)	1,055
2,535	2,029	399	1,204	443	22,776
$ 3,363	$ 1,721	$ 377	$ 895	$ 259	$ 23,831
$ 1,771	$ (385)	$ (827)	$ (45)	$ 59	$ (376)
1,025	23	433	7	8	18,771
50	-	-	-	-	52
33	-	-	10	7	748
121	-	-	-	-	121
24	-	5	6	-	(369)
(14)	201	-	-	-	525
-	-	-	(35)	-	160
(303)	(95)	(27)	(13)	3	1,918
2	-	-	-	-	219
$ 2,709	$ (256)	$ (416)	$ (70)	$ 77	$ 21,769
-	-	-	-	-	838
-	-	-	-	-	1,007
8,605	-	-	-	-	20,886

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 includes monies managed by the State Treasurer on behalf of qualified charter schools (those charters schools meeting specific statutory requirements) to finance capital construction with bonds guaranteed by the monies in this fund. Qualified charter schools choosing to participate in this program make annual payments to the fund that may be used by the Treasurer to make debt service payments if any of the qualified schools is unable to do so.
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, amounts held for the trustee related to the most recent issuance of Certificates of Participation for Higher Education Institutions, 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, 2009

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
ASSETS:						
Current Assets:						
Cash and Pooled Cash	$ 2,687	$ 1,581	$ 123	$ -	$ 4,363	$ 8,754
Other Receivables, net	-	2,930	-	-	1,776	4,706
Due From Other Funds	-	3,816	-	-	-	3,816
Noncurrent Assets:						
Investments:						
Government Securities	-	-		9,893	724	10,617
Mutual Funds	-	2,766,678	-	-	-	2,766,678
Other Investments	-	28,975	-	-	-	28,975
TOTAL ASSETS	2,687	2,803,980	123	9,893	6,863	2,823,546
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	-	3,619	123	-	1,131	4,873
Deferred Revenue	-	778	-	-	4,500	5,278
Noncurrent Liabilities:						
Deposits Held In Custody For Others	-	3,327	-	-	-	3,327
TOTAL LIABILITIES	-	7,724	123	-	5,631	13,478
NET ASSETS:						
Held in Trust for:						
Individuals, Organizations, and Other Entities	2,687	2,796,256	-	9,893	1,232	2,810,068
TOTAL NET ASSETS	$ 2,687	$ 2,796,256	$ -	$ 9,893	$ 1,232	$ 2,810,068

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	TREASURER'S	COLLEGE SAVINGS PLAN	COLLEGE OPPORTUNITY FUND	MULTISTATE LOTTERY WINNERS	OTHER	TOTALS
ADDITIONS:						
Additions By Participants	$ -	$ 456,195	$ 262,450	$ -	$ 3,903	$ 722,548
Investment Income/(Loss)	66	(502,716)	-	514	137	(501,999)
Unclaimed Property Receipts	-	-	-	-	-	-
Other Additions	522	627	288	-	1,327	2,764
TOTAL ADDITIONS	588	(45,894)	262,738	514	5,367	223,313
DEDUCTIONS:						
Distributions to Participants	-	-	262,738	371	-	263,109
Payments in Accordance with Trust Agreements	257	358,200	-	-	5,145	363,602
Transfers-Out	-	-	-	-	64	64
TOTAL DEDUCTIONS	257	358,200	262,738	371	5,209	626,775
CHANGE IN NET ASSETS	331	(404,094)	-	143	158	(403,462)
NET ASSETS AVAILABLE:						
FISCAL YEAR BEGINNING	186,510	3,200,350	-	9,750	1,074	3,397,684
Accounting Changes (See Note 28)	(184,154)	-	-	-	-	(184,154)
FISCAL YEAR ENDING	$ 2,687	$ 2,796,256	$ -	$ 9,893	$ 1,232	$ 2,810,068

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2009

DEPARTMENT OF REVENUE AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 96,968	$ 2,321,121	$ 2,330,150	$ 87,939
Taxes Receivable, net	124,173	6,974	16,289	114,858
TOTAL ASSETS	$ 221,141	$ 2,328,095	$ 2,346,439	$ 202,797
LIABILITIES:				
Tax Refunds Payable	$ 812	$ 1,669	$ 16	$ 2,465
Due To Other Governments	220,067	3,443,795	3,471,294	192,568
Claims and Judgments Payable	231	3,968	4,115	84
Other Long-Term Liabilities	31	7,769	120	7,680
TOTAL LIABILITIES	$ 221,141	$ 3,457,201	$ 3,475,545	$ 202,797

OTHER AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Current Assets:				
Cash and Pooled Cash	$ 126,479	$ 189,187	$ 217,725	$ 97,941
Taxes Receivable, net	4,969	212	798	4,383
Other Receivables, net	557	640	569	628
Due From Other Funds	240	1	241	-
Inventories	1	37	34	4
Prepaids, Advances, and Deferred Charges	-	5	5	-
Other Long-Term Assets	22,058	5,824	9,973	17,909
TOTAL ASSETS	$ 154,304	$ 195,906	$ 229,345	$ 120,865
LIABILITIES:				
Tax Refunds Payable	$ 51	$ 213	$ -	$ 264
Accounts Payable and Accrued Liabilities	539	15,128	14,551	1,116
Due To Other Governments	8,543	123,462	125,535	6,470
Due To Other Funds	37	14,128	14,150	15
Deferred Revenue	-	438	438	-
Claims and Judgments Payable	336	78	40	374
Other Current Liabilities	136,853	94,584	123,481	107,956
Deposits Held In Custody For Others	7,945	1,323	5,377	3,891
Other Long-Term Liabilities	-	779	-	779
TOTAL LIABILITIES	$ 154,304	$ 250,133	$ 283,572	$ 120,865

DEPARTMENT OF TREASURY AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 126,876	$ 364,624	$ 171,854	$ 319,646
Due From Other Funds	5,532	8,510	5,532	8,510
TOTAL ASSETS	$ 132,408	$ 373,134	$ 177,386	$ 328,156
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ -	$ 166	$ 166	$ -
Other Current Liabilities	67,602	373,755	170,149	271,208
Deposits Held In Custody For Others	64,806	10,193	18,051	56,948
TOTAL LIABILITIES	$ 132,408	$ 384,114	$ 188,366	$ 328,156

TOTALS - ALL AGENCY FUNDS

(DOLLARS IN THOUSANDS)	BALANCE JULY 1	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30
ASSETS:				
Cash and Pooled Cash	$ 350,323	$ 2,874,932	$ 2,719,729	$ 505,526
Taxes Receivable, net	129,142	7,186	17,087	119,241
Other Receivables, net	557	640	569	628
Due From Other Funds	5,772	8,511	5,773	8,510
Inventories	1	37	34	4
Prepaids, Advances, and Deferred Charges	-	5	5	-
Other Long-Term Assets	22,058	5,824	9,973	17,909
TOTAL ASSETS	$ 507,853	$ 2,897,135	$ 2,753,170	$ 651,818
LIABILITIES:				
Current Liabilities:				
Tax Refunds Payable	$ 863	$ 1,882	$ 16	$ 2,729
Accounts Payable and Accrued Liabilities	539	15,294	14,717	1,116
Due To Other Governments	228,610	3,567,257	3,596,829	199,038
Due To Other Funds	37	14,128	14,150	15
Deferred Revenue	-	438	438	-
Claims and Judgments Payable	567	4,046	4,155	458
Other Current Liabilities	204,455	468,339	293,630	379,164
Deposits Held In Custody For Others	72,751	11,516	23,428	60,839
Other Long-Term Liabilities	31	8,548	120	8,459
TOTAL LIABILITIES	$ 507,853	$ 4,091,448	$ 3,947,483	$ 651,818

COMPONENT UNITS

The following statements present the nonmajor component units aggregated in the combining component unit statements beginning on page 68. Descriptions of each of the nonmajor component units can be found in Note 36 on page 141.

COMBINING STATEMENT OF NET ASSETS
OTHER COMPONENT UNITS (NONMAJOR)
JUNE 30, 2009

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	RENEWABLE ENERGY AUTHORITY	HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY	TOTAL
ASSETS:						
Current Assets:						
Cash and Pooled Cash	$ 2,392	$ 234	$ 5,342	$ 6	$ 32	$ 8,006
Investments	-	51,516	-	-	-	51,516
Taxes Receivable, net	3	-	-	-	-	3
Contributions Receivable, net	-	-	4,338	-	-	4,338
Other Receivables, net	93	715	17	-	-	825
Prepaids, Advances, and Deferred Charges	4	-	-	-	-	4
Total Current Assets	2,492	52,465	9,697	6	32	64,692
Noncurrent Assets:						
Investments	-	-	12,524	3,206	-	15,730
Other Long-Term Assets	349	-	20,843	-	-	21,192
Depreciable Capital Assets and Infrastructure, net	129,880	24	-	-	-	129,904
Land and Nondepreciable Infrastructure	18,176	-	-	-	-	18,176
Total Noncurrent Assets	148,405	24	33,367	3,206	-	185,002
TOTAL ASSETS	150,897	52,489	43,064	3,212	32	249,694
LIABILITIES:						
Current Liabilities:						
Accounts Payable and Accrued Liabilities	38	435	-	-	-	473
Deferred Revenue	-	40	4,338	-	-	4,378
Claims and Judgments Payable	-	13,022	-	-	-	13,022
Total Current Liabilities	38	13,497	4,338	-	-	17,873
Noncurrent Liabilities:						
Other Long-Term Liabilities	-	-	20,843	-	-	20,843
Total Noncurrent Liabilities	-	-	20,843	-	-	20,843
TOTAL LIABILITIES	38	13,497	25,181	-	-	38,716
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	148,057	24	-	-	-	148,081
Emergencies	9	-	-	-	-	9
Court Awards and Other Purposes	491	38,968	-	3,212	32	42,703
Unrestricted	2,302	-	17,883	-	-	20,185
TOTAL NET ASSETS	$ 150,859	$ 38,992	$ 17,883	$ 3,212	$ 32	$ 210,978

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
OTHER COMPONENT UNITS (NONMAJOR)
FOR THE YEAR ENDED JUNE 30, 2009

(DOLLARS IN THOUSANDS)	DENVER METROPOLITAN MAJOR LEAGUE BASEBALL STADIUM DISTRICT	COVER COLORADO	VENTURE CAPITAL AUTHORITY	RENEWABLE ENERGY AUTHORITY	HIGHER EDUCATION COMPETITIVE RESEARCH AUTHORITY	TOTAL
OPERATING REVENUES:						
Fees	$ -	$ 32,934	$ -	$ -	$ -	$ 32,934
Investment Income (Loss)	-	-	2,156	69	1	2,226
Rental Income	696	-	-	-	-	696
Federal Grants and Contracts	-	1,344	-	-	-	1,344
Other	-	-	-	2,800	1,232	4,032
TOTAL OPERATING REVENUES	696	34,278	2,156	2,869	1,233	41,232
OPERATING EXPENSES:						
Operating and Travel	78	65,142	54	1,695	1,201	68,170
Depreciation and Amortization	4,049	9	-	-	-	4,058
TOTAL OPERATING EXPENSES	4,127	65,151	54	1,695	1,201	72,228
OPERATING INCOME (LOSS)	(3,431)	(30,873)	2,102	1,174	32	(30,996)
NONOPERATING REVENUES AND (EXPENSES):						
Investment Income (Loss)	37	2,841	177	-	-	3,055
Gifts and Donations	-	5,022	4,400	-	-	9,422
Other Expenses	(719)	-	-	-	-	(719)
Other Revenues	643	31,817	-	-	-	32,460
TOTAL NONOPERATING REVENUES (EXPENSES)	(39)	39,680	4,577	-	-	44,218
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(3,470)	8,807	6,679	1,174	32	13,222
CHANGE IN NET ASSETS	(3,470)	8,807	6,679	1,174	32	13,222
TOTAL NET ASSETS - FISCAL YEAR BEGINNING	154,329	30,185	11,204	2,038	-	197,756
TOTAL NET ASSETS - FISCAL YEAR ENDING	$ 150,859	$ 38,992	$ 17,883	$ 3,212	$ 32	$ 210,978

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, 2009

(DOLLARS IN THOUSANDS)	LAND	LAND AND LEASEHOLD IMPROVEMENTS	BUILDINGS	LIBRARY BOOKS AND COLLECTIONS
GENERAL GOVERNMENT				
Governor's Office	$ -	$ 119	$ -	$ -
Legislature	-	21	-	-
Military Affairs	1,655	137	29,500	-
Personnel & Administration	5,739	2,474	79,642	-
Revenue	-	2,025	1,261	-
Subtotal	7,394	4,776	110,403	-
BUSINESS, COMMUNITY & CONSUMER AFFAIRS				
Agriculture	102	-	1,834	-
[1]GOV, GEO, OED	-	-	-	27
Labor and Employment	543	222	7,465	-
Local Affairs	-	100	1,322	-
Regulatory Agencies	-	-	-	-
Revenue	421	-	336	-
State	-	-	-	-
Subtotal	1,066	322	10,957	27
EDUCATION				
Education	152	79	7,399	1,403
Higher Education	1,842	1,226	6,771	8,927
Subtotal	1,994	1,305	14,170	10,330
HEALTH AND REHABILITATION				
Public Health and Environment	188	65	6,555	-
Human Services	3,068	3,942	28,782	-
Subtotal	3,256	4,007	35,337	-
JUSTICE				
Corrections	3,872	3,597	508,290	-
DHS, Division of Youth Services	1,675	1,401	97,558	-
Judicial	1,605	501	2,190	612
Law	-	-	-	-
Public Safety	1,399	30	19,777	-
Subtotal	8,551	5,529	627,815	612
NATURAL RESOURCES				
Natural Resources	104,488	37,574	32,717	-
SOCIAL ASSISTANCE				
Human Services	-	256	11,243	-
Military Affairs	36	2,087	2,265	-
Health Care Policy and Finance	-	-	-	-
Subtotal	36	2,343	13,508	-
TRANSPORTATION				
Transportation	15,086	-	93,051	-
TOTAL CAPITAL ASSETS	$ 141,871	$ 55,856	$ 937,958	$ 10,969

[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
$ 35,959	$ 456	$ -	$ -	$ 36,534
782	-	-	-	803
486	-	7,153	-	38,931
59,061	13	191	-	147,120
10,374	-	6,282	-	19,942
106,662	469	13,626	-	243,330
1,414	-	76	-	3,426
91	-	-	-	118
2,049	4,845	1,346	-	16,470
226	-	-	-	1,648
394	-	-	-	394
79	-	9	-	845
4,537	-	-	-	4,537
8,790	4,845	1,431	-	27,438
2,187	-	-	-	11,220
827	-	13,414	-	33,007
3,014	-	13,414	-	44,227
3,238	2,613	1,009	-	13,668
2,459	61	10,199	-	48,511
5,697	2,674	11,208	-	62,179
9,062	680	124,406	-	649,907
324	-	185	-	101,143
4,612	835	914	-	11,269
150	-	-	-	150
8,914	162	940	-	31,222
23,062	1,677	126,445	-	793,691
5,785	4,487	6,161	34,759	225,971
77,157	-	72,121	-	160,777
9	-	12	-	4,409
30	-	-	-	30
77,196	-	72,133	-	165,216
114,424	-	213,482	10,842,379	11,278,422
$ 344,630	$ 14,152	$ 457,900	$ 10,877,138	$ 12,840,474

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, 2009

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
OTHER PERMANENT FUNDS				
Wildlife for Future Generations (Nonexpendable)	33-1-112(7)	$ 6,098	$ -	$ 6,098
Wildlife for Future Generations (Expendable)	33-1-112	1,233	1	1,232
Other Permanent-Nonexpendable	Various	754	-	754
Veterans Monument Preservation	24-80-1401	60	4	56
Hall Historical Marker-Nonexpendable	24-80-209	9	-	9
Total Other Permanent Funds		$ 8,154	$ 5	$ 8,149
OTHER PRIVATE PURPOSE TRUST FUNDS				
Supplemental Purse & Breeders Awards	12-60-704	723	-	723
Brand Estray Fund	35-41-102	203	-	203
Americans with Disabilities Act Contractor Settlement	24-34-301	147	-	147
Early Intervention Services	27-10.5-706	5,716	5,576	140
Colorado Combined Campaign Administration	Restricted	74	55	19
Total Other Private Purpose Funds		$ 6,863	$ 5,631	$ 1,232
OTHER ENTERPRISE FUNDS				
Capitol Parking Fund	None	15,955	8,364	7,591
Transportation Enterprise Special Revenue Fund	43-4-806(3)	3,387	136	3,251
Transportation Enterprise Operating Fund	43-4-806(4)	1,897	5	1,892
Brand Inspection Fund	35-41-102	6,169	4,593	1,576
Grounds Cash Fund	26-1-133.5(2)	1,445	76	1,369
Business Enterprise Program	None	823	206	617
Enterprise Services	24-80-209	248	86	162
Clean Screen Authority	42-3-304(19)	870	728	142
Work Therapy	None	142	36	106
Statewide Tolling Special Revenue Fund	43-4-804(1)	43	-	43
Other Enterprise Funds	Various	14	-	14
Conference & Training	None	12	-	12
Statewide Bridge Enterprise Special Revenue Fund	43-4-805(3)	213	213	-
Total Other Enterprise Funds		$ 31,218	$ 14,443	$ 16,775
OTHER SPECIAL REVENUE FUNDS				
Aviation Fund	43-10-109	28,647	2,351	26,296
Travel and Tourism Promotion	24-49.7-106	21,994	1,852	20,142
Species Conservation-Capital Account	24-33-111(2)	15,985	-	15,985
Colorado High Cost Administration	40-15-208	15,232	8	15,224
Federal Tax Relief Act - 2003	Restricted	14,823	94	14,729
Gear Up Scholarship Trust Fund	Restricted	14,445	-	14,445
Supreme Court Committee	Court Rule 227	16,724	3,798	12,926
Victims Assistance	24-4.2-104	12,150	51	12,099
Species Conservation-Operating & Maintance Account	24-33-111(2)	12,086	113	11,973
Clean Energy Fund	24-75-1201(1)	13,011	1,125	11,886
Offender Services	16-11-214	9,492	24	9,468
Help America Vote Fund	HAVA 2002	8,554	251	8,303
Victims Compensation	24-4.1-124	6,953	13	6,940
Economic Development Fund	None	7,032	95	6,937
Disaster Emergency Fund	24-32-2106	5,951	50	5,901
Consumer Protection-Custodial Funds	6-1-103	5,179	2	5,177
Old Age Pension Stabilization	26-2-116	5,000	-	5,000
Operating Vouchers	None	4,744	291	4,453
Ballot Information Publication & Distribution Fund	1-40-124.5	3,254	34	3,220
Other Expendable Trusts	Various	30,108	27,009	3,099
Cumulative Surplus-HUD Section 8 Voucher	29-4-708(K)	3,276	205	3,071

(continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2009

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Traumatic Brain Injury Fund	26-1-210(1)	2,997	253	2,744
Conveyance Safety Fund	9-5.5-111(2)	2,633	-	2,633
Court Security Cash Fund	13-1-204(1)	3,011	527	2,484
Auto Theft Prevention Cash Fnd	42-5-112(4A)	2,402	13	2,389
Secretary of State Fees	24-21-104	5,483	3,103	2,380
Drug Offender Surcharge Fund	18-19-103(4)	2,703	359	2,344
Housing Rehabilitation Revolving Loans	29-4-728	2,606	411	2,195
Sales and Use Tax Holding Fund	39-26-123(2)	3,772	1,644	2,128
Collaborative Management Incentive	24-1.9-104(1)	2,198	117	2,081
Patient Benefit	None	2,026	2	2,024
Alternative Fuels Rebate	39-33-105	1,867	-	1,867
Real Estate Proceeds	28-3-106	1,861	1	1,860
Judicial Stabilization Cash Fund	13-32-101	1,854	-	1,854
Victims Assistance	24-33.5-506	1,970	191	1,779
Transportation Renovation	43-1-210 6(B)	1,664	-	1,664
Texaco Oil Overcharge Fund	None	1,703	66	1,637
Law Examiner Board Fund	Court Rule 201	1,586	29	1,557
Parks Aquatic Nuisance Species	33-10.5-108	1,963	462	1,501
Inspection & Consumer Services Cash Fund	35-1-106.5	2,247	786	1,461
Advance Technology Fund	25-16.5-105	1,517	164	1,353
Public Safety Inspection	8-1-151	1,297	-	1,297
Travel and Tourism Additional	24-49.7-106	1,525	239	1,286
Section 8 Pre-Federal Fiscal Year 2004	None	1,137	-	1,137
Library Trust Fund	24-90-105	1,135	5	1,130
Uniform Consumer Credit Code Custodial Funds	Restricted	1,107	3	1,104
Innovative Higher Education Research Fund	23-19.7-104	1,054	-	1,054
Controlled Maintenance Trust-Nonexpendable	24-75-302.5	1,030	-	1,030
Persistent Drunk Driver	42-3-130.5	1,507	481	1,026
Waste Tire Cleanup Fund	24-32-114(1)	1,594	577	1,017
Colorado Bureau of Investigation Identification Unit	24-33.5-426	1,264	261	1,003
State Supplemental Security Income Stabilizaton	26-2-210(1)	904	-	904
Criminal Alien Assistance Cash	17-1-107.5	889	-	889
Continuing Legal Education Fund	Court Rule 260	905	21	884
Abandoned Mine Reclamation	34-34-102(1)	871	12	859
Donations	25-1-107(U)	10,284	9,427	857
Agriculture Value-Added Fund	35-75-205	905	49	856
Motor Carrier	40-2-110.5	1,837	987	850
State Patrol Contraband	24-33.5-225	792	14	778
Fixed Utilities	40-2-114	1,440	666	774
Howard Fund	None	759	1	758
Division of Registrations Cash Fund	24-34-105	14,633	13,908	725
Board of Land Commissioners Investment & Develop.	Restricted	781	58	723
Alcohol/Drug Driving Safety	42-4-1301.3	694	-	694
Liquor Law Enforcement	24-35-401	830	137	693
Judicial Performance Cash Fund	13-5.5-107	686	23	663
Public School Transportation	22-51-103(1)	947	301	646
Public Deposit Administration	11-10.5-112	921	290	631
Public School Energy Efficiciency	39-29-109.5	742	154	588
Educator Licensure Cash Fund	22-60.5-112	750	167	583
Foreclosure Prevention Grants	24-32-719	613	31	582
Historical Society Unrestricted	24-80-209	558	-	558
Conservation District Grants	Ex. Order 56-87	496	-	496
Home Grant Revolving Loan Fund	None	7,617	7,129	488
Violent Offender Identification Fund	24-33.5-415	479	-	479
Older Coloradans Cash Fund	26-11-205.5	1,800	1,326	474
Drug Offender Treatment Fund	18-19-103	447	-	447
Attorney's Fees and Costs	24-31-108(2)	441	-	441

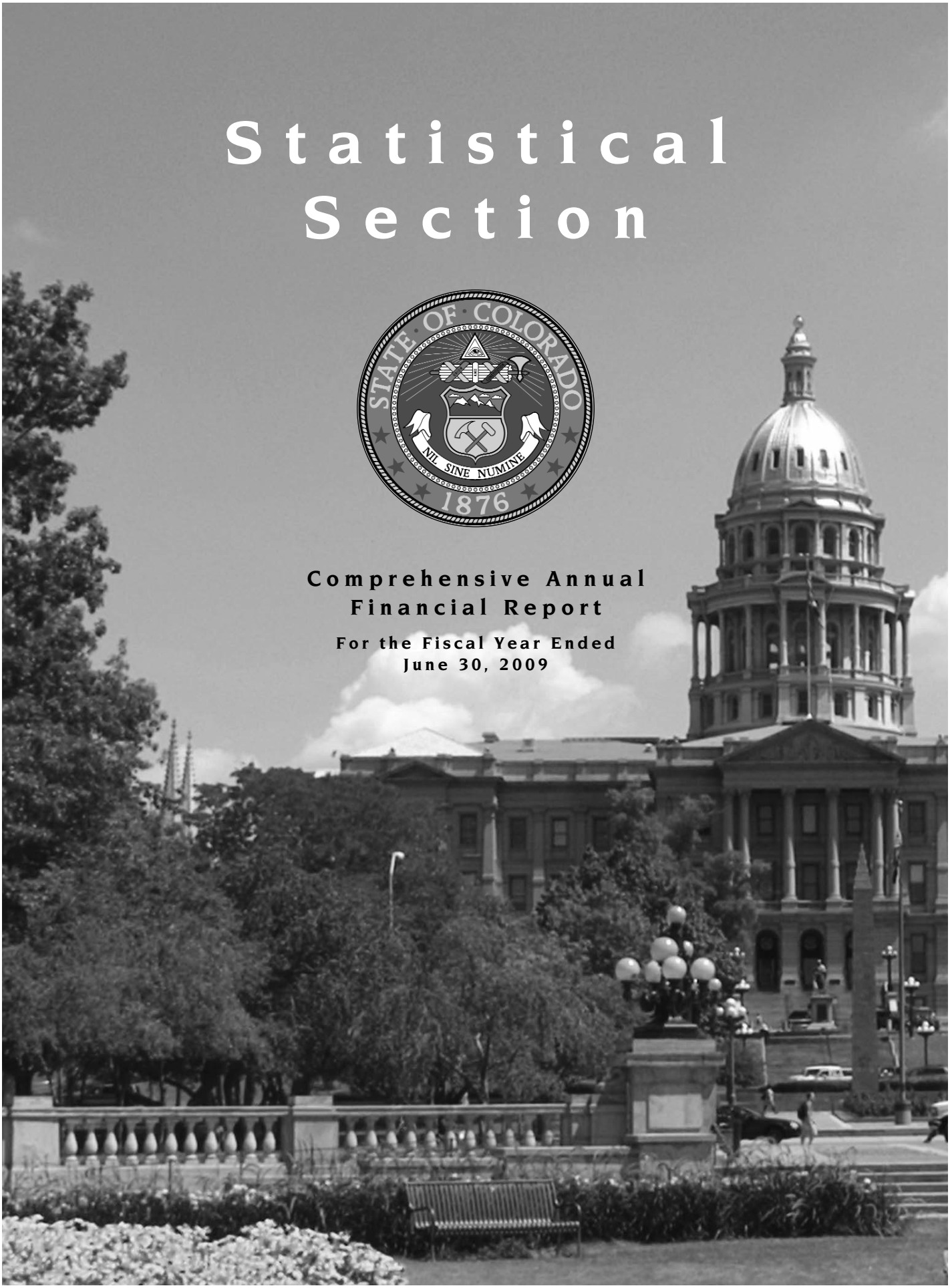
(continued)

COMBINING SCHEDULE OF INDIVIDUAL FUND ASSETS, LIABILITIES, AND NET ASSETS FOR OTHER PERMANENT, PRIVATE PURPOSE, ENTERPRISE, AND SPECIAL REVENUE FUNDS JUNE 30, 2009

(Dollars in Thousands)

FUND NAME	Statutory Cite	Assets	Liabilities	Net Assets
Colorado Family Support Loan	27-10.5-502	416	-	416
Exxon Oil Overcharge Funds	None	723	316	407
Mortgage Broker Registration	12-61-908(2)	445	38	407
Legislative Expenses Fund	2-3-1002(1)	394	-	394
EPA - Settlement Projects	Restricted	481	104	377
Western Slope Military Veteran's Cemetary	28-5-708	375	8	367
Identity Theft Financial Fraud	24-33.5-1707	381	33	348
Charter School Institute Fund	22-30.5-506	1,246	904	342
Building Regulation Fund	24-32-3309	399	66	333
Conservation Trust Fund	24-35-210(10	11,679	11,353	326
Colorado Heritage Communities Fund	24-32-3207	324	-	324
Organ & Tissue Donation Awareness	42-2-107(4)	316	-	316
Stripper Well Settlement	None	343	53	290
Division of Securities Cash Fund	11-51-707	1,701	1,413	288
Online Education Cash Fund	22-30.7-107	309	21	288
Diseased Livestock Fund	35-50-140.5	282	-	282
Prescription Drug Monitoring	12-22-706(1)	279	4	275
Judicial Information Technology Cash	13-32-114	267	-	267
Start Smart Nutrition Program	22-82.7-105	252	12	240
Mandatory Fruit & Vegetable Inspection Fund	35-23-114	565	326	239
Colorado Comprehensive Health Education Fund	22-25-109	258	22	236
Diamond Shamrock Settlement	None	235	-	235
Colorado Dealer License Board	12-6-123	355	126	229
Waste Tire Recycling Fund	25-17-202(3)	429	202	227
Colorado Bureau of Investigations Contraband	24-33.5-415	226	1	225
Vickers Oil Overcharge Funds	Executive Order 56-8	213	-	213
Child Welfare Action Committee	26-1-135(2)A	205	5	200
Racing Cash Fund	12-60-205	309	112	197
Cervidae Disease Fund	35-50-114.5	190	-	190
Highway Crossing	43-4-201	165	-	165
Uniform Consumer Credit Code	5-6-204	248	85	163
Collection Agency Board	12-14-136	185	28	157
Domestic Abuse Program	39-22-802	171	14	157
Property Tax Exemption Fund	39-2-117(3)	217	61	156
140 Funds with Net Assets Below $150,000		27,572	24,034	3,538
Total Other Special Revenue Funds		$ 420,529	$ 121,102	$ 299,427

Statistical Section



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Eight Fiscal Years

(DOLLARS IN THOUSANDS)

	2008-09	2007-08	2006-07
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 2,217,711	$ 2,632,601	$ 2,455,425
Investments	1,498	565	998
Taxes Receivable, net	920,086	946,077	956,149
Other Receivables, net	182,540	188,347	153,218
Due From Other Governments	475,997	355,519	280,637
Internal Balances	14,617	14,545	13,756
Due From Component Units	66	63	65
Inventories	16,183	16,703	14,053
Prepaids, Advances, and Deferred Charges	33,244	23,790	28,527
Total Current Assets	3,861,942	4,178,210	3,902,828
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	1,813,365	2,061,543	1,689,703
Restricted Investments	694,311	620,325	552,211
Restricted Receivables	184,120	187,018	279,140
Investments	98,815	96,743	80,695
Other Long-Term Assets	600,020	442,911	425,886
Depreciable Capital Assets and Infrastructure, net	2,360,036	2,282,645	1,288,308
Land and Nondepreciable Infrastructure	10,480,438	10,291,250	11,799,975
Total Noncurrent Assets	16,231,105	15,982,435	16,115,918
TOTAL ASSETS	20,093,047	20,160,645	20,018,746
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	633,722	561,117	486,576
Accounts Payable and Accrued Liabilities	779,008	837,311	694,602
TABOR Refund Liability (Note 8B)	706	706	727
Due To Other Governments	223,415	183,696	176,864
Due to Component Units	-	-	-
Deferred Revenue	150,632	97,174	65,389
Accrued Compensated Absences	8,930	9,776	9,533
Claims and Judgments Payable	36,936	37,775	40,948
Leases Payable	8,227	6,002	2,807
Notes, Bonds, COP's Payable	637,066	574,150	457,250
Other Current Liabilities	9,818	11,794	9,615
Total Current Liabilities	2,488,460	2,319,501	1,944,311
Noncurrent Liabilities:			
Deposits Held In Custody For Others	16	16	17
Accrued Compensated Absences	140,675	128,760	116,262
Claims and Judgments Payable	358,371	335,636	295,874
Capital Lease Obligations	83,586	54,029	27,649
Capital Lease Payable to Component Units	-	-	-
Notes, Bonds, COP's Payable	1,146,960	1,274,720	1,390,671
Due to Component Units	-	-	-
Other Postemployment Benefits	-	-	-
Other Long-Term Liabilities	397,774	217,793	206,972
Total Noncurrent Liabilities	2,127,382	2,010,954	2,037,445
TOTAL LIABILITIES	4,615,842	4,330,455	3,981,756
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	11,631,061	11,348,995	11,804,908
Restricted for:			
Highway Construction and Maintenance	1,220,524	1,350,485	1,196,903
State Education	338,365	353,149	225,818
Unemployment Insurance	-	-	-
Debt Service	558	558	558
Emergencies	93,550	93,000	85,760
Permanent Funds and Endowments:			
Expendable	8,588	2,333	1,782
Nonexpendable	623,619	587,733	515,997
Court Awards and Other Purposes	197,918	231,532	299,777
Unrestricted	1,363,022	1,862,405	1,905,487
TOTAL NET ASSETS	$ 15,477,205	$ 15,830,190	$ 16,036,990

(Continued)

GOVERNMENTAL ACTIVITIES

2005-06	2004-05	2003-04	2002-03	2001-02
$ 2,334,948	$ 1,944,751	$ 1,387,469	$ 712,256	$ 571,293
12,637	10,440	10,209	-	-
845,241	731,647	738,769	758,887	809,839
153,916	146,906	143,717	104,475	125,181
264,688	307,704	282,252	515,860	378,906
26,313	18,122	22,070	(98,203)	20,287
56	110	-	-	-
14,906	18,266	16,696	17,580	16,895
28,735	23,700	29,628	27,413	99,893
3,681,440	3,201,646	2,630,810	2,038,268	2,022,294
1,349,184	1,199,258	1,360,083	1,236,865	1,306,432
491,780	465,819	408,790	571,970	-
335,774	311,462	347,245	-	-
48,173	24,162	4,055	152,495	1,142,818
395,612	356,325	325,376	332,964	244,499
1,322,945	1,348,957	1,208,235	1,191,785	1,138,996
11,649,792	11,613,109	11,583,157	11,032,850	10,827,222
15,593,260	15,319,092	15,236,941	14,518,929	14,659,967
19,274,700	18,520,738	17,867,751	16,557,197	16,682,261
457,124	476,445	425,610	431,132	384,040
633,685	679,425	687,136	684,956	569,102
2,917	41,064	-	-	48,920
247,548	192,611	172,239	151,989	172,691
-	-	-	-	-
66,290	73,609	84,431	114,149	84,906
9,437	7,900	7,992	7,394	6,123
49,415	38,738	12,084	14,743	35,576
1,461	3,403	2,821	3,492	1,298
526,235	628,395	419,778	21,125	19,530
10,318	25,092	37,152	33,987	37,050
2,004,430	2,166,682	1,849,243	1,462,967	1,359,236
17	16	10	8	12
112,860	111,418	112,104	113,548	112,027
343,452	430,978	29,200	29,200	-
16,021	18,905	13,219	5,054	2,175
-	-	-	-	-
1,503,686	1,467,924	1,540,053	1,309,153	1,328,072
-	-	-	-	-
-	-	-	-	-
210,369	198,520	516,756	501,390	263,034
2,186,405	2,227,761	2,211,342	1,958,353	1,705,320
4,190,835	4,394,443	4,060,585	3,421,320	3,064,556
11,662,529	11,771,877	11,747,276	11,444,442	10,633,044
824,698	679,440	559,450	509,354	1,376,522
153,043	123,867	147,286	218,545	303,827
-	-	-	-	-
580	3,298	7,965	5,241	6,495
79,800	71,000	172,202	150,762	81,917
1,642	1,953	1,297	986	810
460,473	433,538	392,542	378,369	356,004
198,996	141,933	134,658	95,135	16,006
1,702,104	899,389	644,490	333,043	843,080
$ 15,083,865	$ 14,126,295	$ 13,807,166	$ 13,135,877	$ 13,617,705

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Eight Fiscal Years

(DOLLARS IN THOUSANDS)

	2008-09	2007-08	2006-07
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 1,220,190	$ 1,555,782	$ 1,430,836
Investments	386,948	272,804	326,087
Taxes Receivable, net	73,326	82,431	81,745
Other Receivables, net	245,768	239,790	219,488
Due From Other Governments	142,961	125,894	126,391
Internal Balances	(14,617)	(14,545)	(13,756)
Due From Component Units	12,630	16,348	15,334
Inventories	42,467	42,271	38,000
Prepaids, Advances, and Deferred Charges	20,091	17,055	15,751
Total Current Assets	2,129,764	2,337,830	2,239,876
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	368,308	446,681	149,811
Restricted Investments	201,025	259,115	555,310
Restricted Receivables	1,916,974	1,716,722	1,408,588
Investments	1,154,901	1,008,382	972,922
Other Long-Term Assets	123,599	119,650	112,693
Depreciable Capital Assets and Infrastructure, net	3,594,383	3,464,979	2,851,692
Land and Nondepreciable Infrastructure	928,243	576,755	835,182
Total Noncurrent Assets	8,287,433	7,592,284	6,886,198
TOTAL ASSETS	10,417,197	9,930,114	9,126,074
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	-	-	-
Accounts Payable and Accrued Liabilities	506,318	467,741	413,788
TABOR Refund Liability (Note 8B)	-	-	-
Due To Other Governments	182,922	26,885	38,501
Due to Component Units	930	1,112	273
Deferred Revenue	207,551	190,528	183,805
Accrued Compensated Absences	12,753	12,745	12,578
Claims and Judgments Payable	-	7,398	11,717
Leases Payable	6,282	5,976	4,950
Notes, Bonds, COP's Payable	85,456	75,567	62,998
Other Current Liabilities	241,129	208,542	126,574
Total Current Liabilities	1,243,341	996,494	855,184
Noncurrent Liabilities:			
Deposits Held In Custody For Others	-	-	-
Accrued Compensated Absences	185,420	166,402	153,320
Claims and Judgments Payable	27,541	28,482	28,220
Capital Lease Obligations	83,206	83,113	63,671
Capital Lease Payable to Component Units	4,285	4,285	-
Notes, Bonds, COP's Payable	3,917,559	3,466,484	3,100,764
Due to Component Units	723	1,233	-
Other Postemployment Benefits	31,689	15,775	-
Other Long-Term Liabilities	43,321	40,756	54,097
Total Noncurrent Liabilities	4,293,744	3,806,530	3,400,072
TOTAL LIABILITIES	5,537,085	4,803,024	4,255,256
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	2,665,270	2,411,662	2,256,929
Restricted for:			
Highway Construction and Maintenance	-	-	-
State Education	-	-	-
Unemployment Insurance	392,984	765,533	675,574
Debt Service	111,778	180,409	125,656
Emergencies	21,282	33,716	37,472
Permanent Funds and Endowments:			
Expendable	6,935	9,592	5,313
Nonexpendable	70,420	74,479	97,821
Court Awards and Other Purposes	582,006	491,492	411,112
Unrestricted	1,029,437	1,160,207	1,260,941
TOTAL NET ASSETS	$ 4,880,112	$ 5,127,090	$ 4,870,818

(Continued)

BUSINESS-TYPE ACTIVITIES

2005-06	2004-05	2003-04	2002-03	2001-02
$ 1,188,953	$ 872,618	$ 678,233	$ 754,879	$ 1,193,338
328,466	670,346	182,572	-	-
105,973	103,598	92,485	46,597	36,237
209,497	206,946	180,707	219,048	884,919
99,040	95,170	86,355	98,017	74,061
(26,313)	(18,122)	(22,070)	98,203	(20,287)
11,141	9,294	5,406	-	
35,747	34,797	33,065	33,861	35,315
13,148	13,723	18,396	19,138	22,441
1,965,652	1,988,370	1,255,149	1,269,743	2,226,024
187,895	160,283	121,764	114,642	40,136
424,826	453,876	243,390	114,292	140,074
1,173,312	1,015,134	889,108	-	-
887,302	225,329	577,619	888,232	663,412
108,606	119,359	99,358	832,622	74,237
2,718,135	2,719,778	2,623,814	2,259,846	1,899,066
561,525	403,037	371,552	520,085	651,292
6,061,601	5,096,796	4,926,605	4,729,719	3,468,217
8,027,253	7,085,166	6,181,754	5,999,462	5,694,241
-	-	-	-	-
380,194	350,347	334,136	332,990	188,839
-	-	-	-	-
30,749	38,472	37,120	26,570	45,626
1,067	1,607	703	-	-
171,411	145,432	131,496	138,313	138,382
14,284	14,103	9,719	10,582	8,526
7,430	8,233	-	-	-
4,851	6,039	5,537	5,283	3,840
83,271	85,672	80,127	60,105	97,064
94,214	107,228	107,611	92,272	89,335
787,471	757,133	706,449	666,115	571,612
-	-	-	-	-
136,837	131,883	128,635	124,853	121,127
48,396	20,019	-	-	-
55,873	84,101	80,994	80,636	43,382
-	-	-	-	-
2,488,738	2,062,837	1,578,762	1,546,903	1,199,426
-	-	-	-	-
-	-	-	-	-
53,138	52,022	70,174	76,251	144,027
2,782,982	2,350,862	1,858,565	1,828,643	1,507,962
3,570,453	3,107,995	2,565,014	2,494,758	2,079,574
2,256,602	2,238,068	2,195,837	2,142,940	2,045,202
-	-	-	-	-
-	-	-	-	-
548,780	321,725	200,311	322,423	653,690
105,348	122,290	103,602	2,048	2,295
29,883	27,247	39,277	32,881	38,813
4,757	16,483	17,449	17,746	47,015
82,698	76,460	49,659	46,851	49,200
364,310	303,714	297,765	189,466	198,696
1,064,422	871,184	712,840	750,349	579,756
$ 4,456,800	$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

GOVERNMENT-WIDE
SCHEDULE OF NET ASSETS
PRIMARY GOVERNMENT
Last Eight Fiscal Years

(DOLLARS IN THOUSANDS)

	2008-09	2007-08	2006-07
ASSETS:			
Current Assets:			
Cash and Pooled Cash	$ 3,437,901	$ 4,188,383	$ 3,886,261
Investments	388,446	273,369	327,085
Taxes Receivable, net	993,412	1,028,508	1,037,894
Other Receivables, net	428,308	428,137	372,706
Due From Other Governments	618,958	481,413	407,028
Internal Balances	-	-	-
Due From Component Units	12,696	16,411	15,399
Inventories	58,650	58,974	52,053
Prepaids, Advances, and Deferred Charges	53,335	40,845	44,278
Total Current Assets	5,991,706	6,516,040	6,142,704
Noncurrent Assets:			
Restricted Assets:			
Restricted Cash and Pooled Cash	2,181,673	2,508,224	1,839,514
Restricted Investments	895,336	879,440	1,107,521
Restricted Receivables	2,101,094	1,903,740	1,687,728
Investments	1,253,716	1,105,125	1,053,617
Other Long-Term Assets	723,619	562,561	538,579
Depreciable Capital Assets and Infrastructure, net	5,954,419	5,747,624	4,140,000
Land and Nondepreciable Infrastructure	11,408,681	10,868,005	12,635,157
Total Noncurrent Assets	24,518,538	23,574,719	23,002,116
TOTAL ASSETS	30,510,244	30,090,759	29,144,820
LIABILITIES:			
Current Liabilities:			
Tax Refunds Payable	633,722	561,117	486,576
Accounts Payable and Accrued Liabilities	1,285,326	1,305,052	1,108,390
TABOR Refund Liability (Note 8B)	706	706	727
Due To Other Governments	406,337	210,581	215,365
Due to Component Units	930	1,112	273
Deferred Revenue	358,183	287,702	249,194
Accrued Compensated Absences	21,683	22,521	22,111
Claims and Judgments Payable	36,936	45,173	52,665
Leases Payable	14,509	11,978	7,757
Notes, Bonds, COP's Payable	722,522	649,717	520,248
Other Current Liabilities	250,947	220,336	136,189
Total Current Liabilities	3,731,801	3,315,995	2,799,495
Noncurrent Liabilities:			
Deposits Held In Custody For Others	16	16	17
Accrued Compensated Absences	326,095	295,162	269,582
Claims and Judgments Payable	385,912	364,118	324,094
Capital Lease Obligations	166,792	137,142	91,320
Capital Lease Payable to Component Units	4,285	4,285	-
Notes, Bonds, COP's Payable	5,064,519	4,741,204	4,491,435
Due to Component Units	723	1,233	-
Other Postemployment Benefits	31,689	15,775	-
Other Long-Term Liabilities	441,095	258,549	261,069
Total Noncurrent Liabilities	6,421,126	5,817,484	5,437,517
TOTAL LIABILITIES	10,152,927	9,133,479	8,237,012
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	14,296,331	13,760,657	14,061,837
Restricted for:			
Highway Construction and Maintenance	1,220,524	1,350,485	1,196,903
State Education	338,365	353,149	225,818
Unemployment Insurance	392,984	765,533	675,574
Debt Service	112,336	180,967	126,214
Emergencies	114,832	126,716	123,232
Permanent Funds and Endowments:			
Expendable	15,523	11,925	7,095
Nonexpendable	694,039	662,212	613,818
Court Awards and Other Purposes	779,924	723,024	710,889
Unrestricted	2,392,459	3,022,612	3,166,428
TOTAL NET ASSETS	$ 20,357,317	$ 20,957,280	$ 20,907,808

TOTAL PRIMARY GOVERNMENT				
2005-06	2004-05	2003-04	2002-03	2001-02
$ 3,523,901	$ 2,817,369	$ 2,065,702	$ 1,467,135	$ 1,764,631
341,103	680,786	192,781	-	-
951,214	835,245	831,254	805,484	846,076
363,413	353,852	324,424	323,523	1,010,100
363,728	402,874	368,607	613,877	452,967
-	-	-	-	-
11,197	9,404	5,406	-	-
50,653	53,063	49,761	51,441	52,210
41,883	37,423	48,024	46,551	122,334
5,647,092	5,190,016	3,885,959	3,308,011	4,248,318
1,537,079	1,359,541	1,481,847	1,351,507	1,346,568
916,606	919,695	652,180	686,262	140,074
1,509,086	1,326,596	1,236,353	-	-
935,475	249,491	581,674	1,040,727	1,806,230
504,218	475,684	424,734	1,165,586	318,736
4,041,080	4,068,735	3,832,049	3,451,631	3,038,062
12,211,317	12,016,146	11,954,709	11,552,935	11,478,514
21,654,861	20,415,888	20,163,546	19,248,648	18,128,184
27,301,953	25,605,904	24,049,505	22,556,659	22,376,502
457,124	476,445	425,610	431,132	384,040
1,013,879	1,029,772	1,021,272	1,017,946	757,941
2,917	41,064	-	-	48,920
278,297	231,083	209,359	178,559	218,317
1,067	1,607	703	-	-
237,701	219,041	215,927	252,462	223,288
23,721	22,003	17,711	17,976	14,649
56,845	46,971	12,084	14,743	35,576
6,312	9,442	8,358	8,775	5,138
609,506	714,067	499,905	81,230	116,594
104,532	132,320	144,763	126,259	126,385
2,791,901	2,923,815	2,555,692	2,129,082	1,930,848
17	16	10	8	12
249,697	243,301	240,739	238,401	233,154
391,848	450,997	29,200	29,200	-
71,894	103,006	94,213	85,690	45,557
-	-	-	-	-
3,992,424	3,530,761	3,118,815	2,856,056	2,527,498
-	-	-	-	-
-	-	-	-	-
263,507	250,542	586,930	577,641	407,061
4,969,387	4,578,623	4,069,907	3,786,996	3,213,282
7,761,288	7,502,438	6,625,599	5,916,078	5,144,130
13,919,131	14,009,945	13,943,113	13,587,382	12,678,246
824,698	679,440	559,450	509,354	1,376,522
153,043	123,867	147,286	218,545	303,827
548,780	321,725	200,311	322,423	653,690
105,928	125,588	111,567	7,289	8,790
109,683	98,247	211,479	183,643	120,730
6,399	18,436	18,746	18,732	47,825
543,171	509,998	442,201	425,220	405,204
563,306	445,647	432,423	284,601	214,702
2,766,526	1,770,573	1,357,330	1,083,392	1,422,836
$ 19,540,665	$ 18,103,466	$ 17,423,906	$ 16,640,581	$ 17,232,372

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Eight Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2008-09	RESTATED 2007-08	2006-07
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 386,311	$ 374,521	$ 352,819
Service Fees	184,327	132,822	129,980
Education - Tuition, Fees, and Sales	53	-	-
Fines and Forfeits	203,259	155,692	126,612
Rents and Royalties	85,811	78,889	68,270
Sales of Products	5,040	4,592	3,703
Unemployment Surcharge	19,369	21,512	22,346
Other	61,168	57,622	64,964
Operating Grants and Contributions	5,065,429	4,222,670	4,122,360
Capital Grants and Contributions	485,711	439,693	414,602
TOTAL PROGRAM REVENUES	6,496,478	5,488,013	5,305,656
EXPENSES:			
General Government	308,410	217,939	163,412
Business, Community, and Consumer Affairs	705,037	667,381	565,769
Education	5,208,705	5,017,551	4,771,218
Health and Rehabilitation	644,699	603,296	560,153
Justice	1,543,310	1,436,009	1,313,767
Natural Resources	137,159	131,658	138,457
Social Assistance	5,220,295	4,660,287	4,496,696
Transportation	1,376,215	1,459,295	1,213,138
Payments to School Districts	-	-	-
Payments to Other Governments	-	-	-
Interest on Debt	20,393	37,567	42,269
Higher Education Institutions	-	-	-
Unemployment Insurance	-	-	-
CollegeInvest	-	-	-
Lottery	-	-	-
Wildlife	-	-	-
College Assist	-	-	-
Other Business-Type Activities	-	-	-
TOTAL EXPENSES	15,164,223	14,230,983	13,264,879
NET (EXPENSE) REVENUE	(8,667,745)	(8,742,970)	(7,959,223)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Taxes:			
Sales and Use Taxes	2,093,113	2,357,807	2,244,000
Excise Taxes	251,209	257,908	261,711
Individual Income Tax	4,024,105	4,591,481	4,508,845
Corporate Income Tax	322,683	461,390	470,853
Other Taxes	655,478	510,442	484,408
Restricted Taxes	880,625	986,274	946,757
Unrestricted Investment Earnings	22,591	42,478	43,638
Other General Revenues	119,748	113,603	84,328
Special and/or Extraordinary Item	(5,616)	(6,843)	(25,915)
Transfers (Out) In	(114,685)	(77,732)	(98,926)
Internal Capital Contributions	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	8,249,251	9,236,808	8,919,699
TOTAL CHANGES IN NET ASSETS	(418,494)	493,838	960,476
NET ASSETS - BEGINNING	15,830,190	16,036,990	15,083,865
Prior Period Adjustment	(118,647)	(393,912)	(7,351)
Accounting Changes	184,156	(306,726)	-
NET ASSETS - ENDING	$ 15,477,205	$ 15,830,190	$ 16,036,990

[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)

GOVERNMENTAL ACTIVITIES

2005-06	2004-05	2003-04	2002-03	2001-02
$ 339,779	$ 357,241	$ 353,628	$ 327,134	$ 310,343
123,392	128,101	132,644	117,253	105,932
-	-	-	-	-
121,859	117,666	109,341	99,654	87,994
68,920	61,524	45,340	32,314	31,673
3,100	2,841	3,164	2,296	3,001
22,399	21,524	20,112	19,500	19,630
79,810	54,254	55,216	47,264	72,996
3,909,382	3,684,878	3,601,808	3,552,745	3,166,623
447,283	409,458	487,442	410,070	352,125
5,115,924	4,837,487	4,808,695	4,608,230	4,150,317
164,276	141,320	161,588	244,062	210,837
449,411	367,553	343,589	327,935	253,054
4,394,236	194,723	173,823	194,436	285,636
524,736	475,668	477,572	475,405	471,198
1,197,334	1,026,282	936,374	971,227	957,320
112,753	62,638	81,114	103,888	103,801
4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
1,205,556	919,388	746,153	890,081	750,759
-	[1] 3,283,590	3,131,486	2,946,679	2,689,452
-	[1] 1,848,922	1,674,416	1,687,006	1,596,066
31,969	26,925	9,625	16,219	16,750
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
12,428,737	11,363,677	10,689,957	10,687,102	9,943,621
(7,312,813)	(6,526,190)	(5,881,262)	(6,078,872)	(5,793,304)
2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
266,747	182,726	112,741	86,048	91,761
4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
422,656	291,583	220,236	205,569	172,257
568,184	491,214	465,826	371,089	363,190
922,872	868,251	835,680	731,138	818,234
35,372	29,736	16,534	16,577	37,236
84,335	95,912	99,200	146,516	122,527
(13,534)	(1,112)	-	-	(21,000)
(80,894)	[2] (545,175)	(546,580)	(634,674)	(662,141)
-	(431)	(20)	(22,855)	25
8,399,300	6,843,982	6,377,578	5,725,385	5,971,750
1,086,487	317,792	496,316	(353,487)	178,446
14,126,295	13,807,166	13,135,877	13,617,705	5,457,647
(128,917)	1,337	174,973	(128,341)	(172,615)
-	-	-	-	8,154,227
$ 15,083,865	$ 14,126,295	$ 13,807,166	$ 13,135,877	$ 13,617,705

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Eight Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2008-09	2007-08	2006-07
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 119,611	$ 84,395	$ 84,302
Service Fees	681,807	667,504	575,555
Education - Tuition, Fees, and Sales	1,957,505	1,867,806	1,734,996
Fines and Forfeits	1,118	999	1,174
Rents and Royalties	29,908	32,399	26,271
Sales of Products	560,364	579,935	520,838
Unemployment Surcharge	363,241	398,046	403,641
Other	173,354	165,804	140,376
Operating Grants and Contributions	2,214,186	1,728,669	1,685,417
Capital Grants and Contributions	20,220	9,426	22,263
TOTAL PROGRAM REVENUES	6,121,314	5,534,983	5,194,833
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	4,153,282	3,865,244	3,661,270
Unemployment Insurance	1,138,621	354,967	316,577
CollegeInvest	78,647	116,286	96,720
Lottery	435,156	447,101	401,969
Wildlife	112,369	109,800	96,515
College Assist	399,576	326,080	199,677
Other Business-Type Activities	171,635	173,928	163,727
TOTAL EXPENSES	6,489,286	5,393,406	4,936,455
NET (EXPENSE) REVENUE	(367,972)	141,577	258,378
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
Restricted Taxes	-	-	-
Unrestricted Investment Earnings	-	-	-
Other General Revenues	-	-	-
Special and/or Extraordinary Item	-	-	-
Transfers (Out) In	114,685	77,732	98,926
Internal Capital Contributions	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	114,685	114,695	138,372
TOTAL CHANGES IN NET ASSETS	(253,287)	256,272	396,750
NET ASSETS - BEGINNING	5,127,090	4,870,818	4,456,800
Prior Period Adjustment	6,309	-	17,267
Accounting Changes	-	-	-
NET ASSETS - ENDING	$ 4,880,112	$ 5,127,090	$ 4,870,817

[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)

BUSINESS-TYPE ACTIVITIES

2005-06		2004-05	2003-04	2002-03	2001-02
$ 75,388		$ 64,864	$ 66,196	$ 59,426	$ 57,546
536,261	2	273,541	242,809	188,614	153,983
1,622,045	2	1,294,488	1,227,187	1,143,890	1,062,083
729		596	554	1,025	1,379
28,765		21,527	44,783	16,576	21,084
522,715		467,088	449,910	440,902	459,317
504,039		462,416	338,063	190,461	153,024
162,045		120,145	117,682	130,239	255,970
1,466,045		1,403,928	1,344,191	1,398,401	1,176,005
16,856		16,667	73,952	28,662	47,202
4,934,888		4,125,260	3,905,327	3,598,196	3,387,593
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
3,446,716		3,294,154	3,128,126	3,108,493	2,942,776
305,447		352,712	591,789	742,745	583,508
73,745		54,453	37,355	45,213	41,351
402,391		367,474	354,159	341,907	349,955
91,221	3	-	-	-	-
115,200	3	-	-	-	-
138,773		267,408	246,988	253,633	229,773
4,573,493		4,336,201	4,358,417	4,491,991	4,147,363
361,395		(210,941)	(453,090)	(893,795)	(759,770)
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
34,728		-	-	-	-
-		-	-	-	-
-		-	-	-	-
-		-	-	-	-
(707)		-	-	-	-
80,894	2	545,175	546,580	634,674	662,141
-		10,303	15,330	76,210	151,465
114,915		555,478	561,910	710,884	813,606
476,310		344,537	108,820	(182,911)	53,836
3,977,171		3,616,740	3,504,704	3,614,667	4,887,925
3,319		15,894	3,216	72,948	95,811
-		-	-	-	(1,422,905)
$ 4,456,800		$ 3,977,171	$ 3,616,740	$ 3,504,704	$ 3,614,667

GOVERNMENT-WIDE
SCHEDULE OF CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
Last Eight Fiscal Years

(DOLLARS IN THOUSANDS)

Functions/Programs	2008-09	RESTATED 2007-08	2006-07
PROGRAM REVENUES:			
Charges for Services:			
Licenses and Permits	$ 505,922	$ 458,916	$ 437,121
Service Fees	866,134	800,326	705,535
Education - Tuition, Fees, and Sales	1,957,558	1,867,806	1,734,997
Fines and Forfeits	204,377	156,691	127,786
Rents and Royalties	115,719	111,288	94,541
Sales of Products	565,404	584,527	524,541
Unemployment Surcharge	382,610	419,558	425,987
Other	234,522	223,426	205,340
Operating Grants and Contributions	7,279,615	5,951,339	5,807,777
Capital Grants and Contributions	505,931	449,119	436,865
TOTAL PROGRAM REVENUES	12,617,792	11,022,996	10,500,490
EXPENSES:			
General Government	308,410	217,939	163,412
Business, Community, and Consumer Affairs	705,037	667,381	565,769
Education	5,208,705	5,017,551	4,771,218
Health and Rehabilitation	644,699	603,296	560,153
Justice	1,543,310	1,436,009	1,313,767
Natural Resources	137,159	131,658	138,457
Social Assistance	5,220,295	4,660,287	4,496,696
Transportation	1,376,215	1,459,295	1,213,138
Payments to School Districts	-	-	-
Payments to Other Governments	-	-	-
Interest on Debt	20,393	37,567	42,269
Higher Education Institutions	4,153,282	3,865,244	3,661,270
Unemployment Insurance	1,138,621	354,967	316,577
CollegeInvest	78,647	116,286	96,720
Lottery	435,156	447,101	401,969
Wildlife	112,369	109,800	96,515
College Assist	399,576	326,080	199,677
Other Business-Type Activities	171,635	173,928	163,727
TOTAL EXPENSES	21,653,509	19,624,389	18,201,334
NET (EXPENSE) REVENUE	(9,035,717)	(8,601,393)	(7,700,844)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:			
Taxes:			
Sales and Use Taxes	2,093,113	2,357,807	2,244,000
Excise Taxes	251,209	257,908	261,711
Individual Income Tax	4,024,105	4,591,481	4,508,845
Corporate Income Tax	322,683	461,390	470,853
Other Taxes	655,478	547,405	523,854
Restricted Taxes	880,625	986,274	946,757
Unrestricted Investment Earnings	22,591	42,478	43,638
Other General Revenues	119,748	113,603	84,328
Special and/or Extraordinary Item	(5,616)	(6,843)	(25,915)
Transfers (Out) In	-	-	-
Internal Capital Contributions	-	-	-
TOTAL GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:	8,363,936	9,351,503	9,058,071
TOTAL CHANGES IN NET ASSETS	(671,781)	750,110	1,357,227
NET ASSETS - BEGINNING	20,957,280	20,907,808	19,540,665
Prior Period Adjustment	(112,338)	(393,912)	9,916
Accounting Changes	184,156	(306,726)	-
NET ASSETS - ENDING	$ 20,357,317	$ 20,957,280	$ 20,907,808

TOTAL PRIMARY GOVERNMENT

2005-06	2004-05	2003-04	2002-03	2001-02
$ 415,167	$ 422,105	$ 419,824	$ 386,560	$ 367,889
659,653	401,642	375,453	305,867	259,915
1,622,045	1,294,488	1,227,187	1,143,890	1,062,083
122,588	118,262	109,895	100,679	89,373
97,685	83,051	90,123	48,890	52,757
525,815	469,929	453,074	443,198	462,318
526,438	483,940	358,175	209,961	172,654
241,855	174,399	172,898	177,503	328,966
5,375,427	5,088,806	4,945,999	4,951,146	4,342,628
464,139	426,125	561,394	438,732	399,327
10,050,812	8,962,747	8,714,022	8,206,426	7,537,910
164,276	141,320	161,588	244,062	210,837
449,411	367,553	343,589	327,935	253,054
4,394,236	194,723	173,823	194,436	285,636
524,736	475,668	477,572	475,405	471,198
1,197,334	1,026,282	936,374	971,227	957,320
112,753	62,638	81,114	103,888	103,801
4,348,466	3,016,668	2,954,217	2,830,164	2,608,748
1,205,556	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
31,969	26,925	9,625	16,219	16,750
3,446,716	3,294,154	3,128,126	3,108,493	2,942,776
305,447	352,712	591,789	742,745	583,508
73,745	54,453	37,355	45,213	41,351
402,391	367,474	354,159	341,907	349,955
91,221	-	-	-	-
115,200	-	-	-	-
138,773	267,408	246,988	253,633	229,773
17,002,230	15,699,878	15,048,374	15,179,093	14,090,984
(6,951,418)	(6,737,131)	(6,334,352)	(6,972,667)	(6,553,074)
2,148,981	1,980,785	1,920,934	1,829,380	1,881,162
266,747	182,726	112,741	86,048	91,761
4,044,581	3,450,493	3,253,027	2,996,597	3,168,499
422,656	291,583	220,236	205,569	172,257
602,912	491,214	465,826	371,089	363,190
922,872	868,251	835,680	731,138	818,234
35,372	29,736	16,534	16,577	37,236
84,335	95,912	99,200	146,516	122,527
(14,241)	(1,112)	-	-	(21,000)
-	-	-	-	-
-	9,872	15,310	53,355	151,490
8,514,215	7,399,460	6,939,488	6,436,269	6,785,356
1,562,797	662,329	605,136	(536,398)	232,282
18,103,466	17,423,906	16,640,581	17,232,372	10,345,572
(125,598)	17,231	178,189	(55,393)	(76,804)
-	-	-	-	6,731,322
$ 19,540,665	$ 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)

	2008-09[3]	2007-08	2006-07	2005-06
REVENUES:				
Taxes	$ 8,231	$ 9,203	$ 8,936	$ 8,396
Less: Excess TABOR Revenues	-	-	-	-
Licenses, Permits, and Fines	701	643	575	541
Charges for Goods and Services	150	104	99	99
Rents (reported in 'Other' prior to FY05)	86	79	68	69
Investment Income	258	316	272	117
Federal Grants and Contracts	5,480	4,308	4,073	4,054
Unclaimed Property Receipts	58	-	-	-
Other	195	179	320	341
TOTAL REVENUES	15,159	14,832	14,343	13,617
EXPENDITURES:				
Current:				
General Government	511	123	251	256
Business, Community and Consumer Affairs	332	311	303	274
Education	879	802	713	673
Health and Rehabilitation	608	561	530	486
Justice	1,285	1,195	1,088	998
Natural Resources	121	112	107	97
Social Assistance	3,836	3,669	3,400	3,263
Transportation	1,074	1,055	950	962
Capital Outlay	308	243	124	82
Intergovernmental:				
Cities	294	289	239	251
Counties	2,043	1,799	1,721	1,616
School Districts	4,143	3,814	3,719	3,455
Other	185	258	242	197
Deferred Compensation Distributions	-	-	-	-
Debt Service[2]	189	208	213	204
TOTAL EXPENDITURES	15,808	14,439	13,600	12,814
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(649)	393	743	803
OTHER FINANCING SOURCES (USES)				
Transfers-In	5,179	4,298	4,202	3,645
Transfers-Out:				
Higher Education	(121)	(131)	(120)	(128)
Other	(5,162)	(4,237)	(4,137)	(3,580)
Face Amount of Debt Issued	-	-	-	-
Bond Premium/Discount	-	-	-	-
Capital Lease Debt Issuance	11	18	4	132
Sale of Capital Assets	-	1	-	4
Insurance Recoveries	2	2	1	1
Debt Refunding Issuance	-	-	-	-
Debt Refunding Payments	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(91)	(49)	(50)	74
NET CHANGE IN FUND BALANCE	(740)	344	693	877
FUND BALANCE - BEGINNING	5,312	5,012	4,319	3,441
Prior Period Adjustments	(1)	(44)	-	1
Accounting Changes	214	-	-	-
FUND BALANCE - ENDING	$ 4,785	$ 5,312	$ 5,012	$ 4,319

[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 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.

2004-05	2003-04	2002-03	2001-02[1]	2000-01	1999-00
$ 7,323	$ 6,794	$ 6,261	$ 6,499	$ 7,501	$ 7,058
(41)	-	-	-	(927)	(941)
565	551	517	504	534	505
99	108	108	99	109	117
62	-	-	-	-	-
126	54	259	240	314	244
3,831	3,880	3,471	3,104	2,809	2,673
-	-	-	-	-	-
321	358	351	299	308	220
12,286	11,745	10,967	10,745	10,648	9,876
278	267	229	238	224	216
277	296	317	277	426	391
129	119	116	122	112	74
443	450	450	453	467	434
978	897	933	924	851	776
90	85	82	82	137	130
3,026	2,969	2,851	2,619	2,367	2,152
983	1,098	1,105	1,127	1,069	958
92	74	136	276	185	223
218	211	198	209	196	192
1,474	1,319	1,328	1,229	1,162	1,074
3,284	3,131	2,947	2,689	2,389	2,257
157	144	160	158	146	141
-	-	-	-	18	17
114	92	99	85	54	5
11,543	11,152	10,951	10,488	9,803	9,040
743	593	16	257	845	836
3,198	2,819	3,507	3,987	676	469
(597)	(605)	(695)	(742)	(907)	(898)
(3,136)	(2,750)	(3,406)	(3,880)	(655)	(391)
-	235	-	208	539	536
-	53	-	12	-	-
27	2	12	5	1	4
10	12	3	3	-	-
-	-	-	-	-	-
-	280	443	10	-	-
-	(311)	(436)	(10)	-	-
(498)	(265)	(572)	(407)	(346)	(280)
245	328	(556)	(150)	499	556
3,196	2,827	3,383	4,043	3,523	2,959
-	41	-	(510)	21	8
-	-	-	-	-	-
$ 3,441	$ 3,196	$ 2,827	$ 3,383	$ 4,043	$ 3,523

[2] – See additional debt service information including principal and interest components and a ratio of total debt service expenditures to total noncapital expenditures.

[3] – In Fiscal Year 2008-09, Unclaimed Property activity was converted from a Private Purpose Trust Fund to a Special Revenue Fund and therefore is not included in this schedule prior to the conversion.

GENERAL PURPOSE REVENUE (AFTER TABOR REFUNDS)
GENERAL FUND
IN DOLLARS AND AS A PERCENT OF TOTAL
Last Ten Fiscal Years

(DOLLARS IN MILLIONS)

	2008-09	2007-08	2006-07	2005-06
Income Tax:				
Individual	$ 4,021	$ 4,600	$ 4,510	$ 4,044
Less: Excess TABOR Revenues	-	-	-	-
Corporate	265	474	464	422
Net Income Tax	4,286	5,074	4,974	4,466
Sales, Use, and Excise Taxes	1,982	2,173	2,076	1,995
Less: Excess TABOR Revenues	-	-	-	-
Net Sales, Use, and Excise Taxes	1,982	2,173	2,076	1,995
Estate Taxes	-	-	1	7
Insurance Tax	192	188	179	175
Gaming and Other Taxes	-	-	7	18
Investment Income	9	18	28	33
Medicaid Provider Revenues	-	-	-	-
Other	56	52	48	52
TOTAL GENERAL REVENUES	$ 6,525	$ 7,505	$ 7,313	$ 6,746
Percent Change Over Previous Year	-13.1%	2.6%	8.4%	9.5%
(AS PERCENT OF TOTAL EXCLUDING TABOR REFUND)				
Net Income Tax	65.7%	67.6%	68.0%	66.2%
Sales, Use, and Excise Taxes	30.4	29.0	28.4	29.5
Estate Taxes	0.0	0.0	0.0	0.1
Insurance Tax	2.9	2.5	2.4	2.6
Other Taxes	0.0	0.0	0.1	0.3
Interest	0.1	0.2	0.4	0.5
Medicaid Provider Revenues	0.0	0.0	0.0	0.0
Other	0.9	0.7	0.7	0.8
TOTAL GENERAL REVENUES	100.0%	100.0%	100.0%	100.0%

2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
$ 3,421	$ 3,189	$ 2,945	$ 3,086	$ 3,867	$ 3,718
-	-	-	-	(209)	(192)
293	218	214	165	316	289
3,714	3,407	3,159	3,251	3,974	3,815
2,146	2,005	1,915	1,962	1,809	1,775
(41)	-	-	-	(719)	(750)
2,105	2,005	1,915	1,962	1,090	1,025
26	47	53	73	83	60
189	176	171	155	142	129
40	40	38	34	31	29
28	20	51	25	45	42
-	-	16	11	-	7
59	72	74	61	63	67
$ 6,161	$ 5,767	$ 5,477	$ 5,572	$ 5,428	$ 5,174
6.8%	5.3%	-1.7%	2.7%	4.9%	4.7%
60.3%	59.1%	57.7%	58.3%	65.8%	65.5%
34.1	34.8	34.9	35.3	28.5	29.0
0.4	0.8	1.0	1.3	1.3	1.0
3.1	3.1	3.1	2.8	2.2	2.1
0.6	0.7	0.7	0.6	0.5	0.5
0.5	0.3	0.9	0.4	0.7	0.7
0.0	0.0	0.3	0.2	0.0	0.1
1.0	1.2	1.4	1.1	1.0	1.1
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)

	2008-09	2007-08	2006-07	2005-06
Department:[1]				
Agriculture	$ 6,809	$ 7,124	$ 5,197	$ 4,038
Corrections	637,292	626,246	577,482	534,233
Education	3,214,951	3,023,255	2,882,876	2,718,667
Governor	13,342	17,346	11,991	15,862
Health Care Policy and Financing	1,311,702	1,482,803	1,369,321	1,362,893
Higher Education	661,974	747,717	693,999	636,341
Human Services	776,394	749,974	718,366	590,071
Judicial Branch	328,056	300,674	265,161	237,673
Labor and Employment	-	-	108	-
Law	8,705	8,474	8,975	7,143
Legislative Branch	34,944	31,139	29,880	27,633
Local Affairs	12,276	10,895	9,973	8,500
Military and Veterans Affairs	5,637	5,407	5,050	4,324
Natural Resources	30,558	30,086	28,550	22,806
Personnel & Administration	5,337	10,934	9,385	8,181
Public Health and Environment	26,634	23,596	23,081	20,586
Public Safety	78,874	72,806	67,169	58,785
Regulatory Agencies	1,451	1,400	1,273	1,390
Revenue	67,092	73,593	65,398	57,928
Transportation	-	-	-	-
Treasury	10,643	13,902	12,403	18,443
Transfer to Capital Construction Fund	39,396	183,443	291,467	104,841
Transfer to Various Cash Funds	10,281	327	3,748	67,100
Transfer to the Highway Users Tax Fund	28,965	166,182	291,179	65,345
Other Transfers and Nonoperating Disbursements	102,966	137,747	130,598	49,190
TOTALS	$ 7,414,279	$ 7,725,070	$ 7,502,630	$ 6,621,973
Percent Change	-4.0%	3.0%	13.3%	6.8%
(AS PERCENT OF TOTAL)				
Education	43.4%	39.1%	38.4%	41.1%
Health Care Policy and Financing	17.7	19.2	18.3	20.6
Higher Education	8.9	9.7	9.3	9.6
Human Services	10.5	9.7	9.6	8.9
Corrections	8.6	8.1	7.7	8.1
Transfer to Capital Construction Fund	0.5	2.4	3.9	1.6
Transfer to Various Cash Funds	0.1	0.0	0.0	1.0
Transfers to the Highway Users Tax Fund	0.4	2.2	3.9	1.0
Judicial	4.4	3.9	3.5	3.6
Revenue	0.9	1.0	0.9	0.9
All Others	4.6	4.7	4.5	3.6
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.

2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
$ 4,107	$ 3,716	$ 8,700	$ 10,118	$ 9,866	$ 8,106
495,234	467,207	476,972	443,334	417,677	381,669
2,514,427	2,417,490	2,313,588	2,268,794	2,143,115	2,041,087
15,808	13,317	31,465	19,566	19,754	5,877
1,247,254	1,142,620	1,132,643	1,076,838	1,028,785	951,827
587,958	591,221	685,686	739,556	747,332	715,933
568,461	534,759	551,299	560,716	553,364	509,309
219,612	207,432	213,939	214,619	205,341	194,420
-	-	-	-	-	-
6,738	6,266	8,141	9,677	8,571	10,106
26,745	26,818	28,100	27,224	27,356	25,393
8,573	4,565	7,419	10,361	10,525	37,758
3,883	3,739	4,273	3,973	4,090	3,800
22,481	19,337	23,599	24,434	28,893	28,863
7,805	7,457	12,282	14,028	14,825	15,026
13,061	12,359	16,573	31,790	33,496	23,731
56,315	53,895	54,465	56,597	56,616	49,492
1,047	1,028	1,582	1,914	1,975	1,919
57,702	57,066	66,898	69,297	78,317	69,682
-	-	-	-	1	203
15,027	690	62,171	4,198	2,378	2,240
40,759	12,270	9,489	25,564	285,255	175,154
185,628	-	-	-	-	-
81,212	5,559	-	35,179	-	-
20,264	34,257	58,746	68,325	61,894	66,588
$ 6,200,101	$ 5,623,068	$ 5,768,030	$ 5,716,102	$ 5,739,426	$ 5,318,183
10.3%	-2.5%	0.9%	-0.4%	7.9%	0.7%
40.6%	43.0%	40.1%	39.7%	37.3%	38.4%
20.1	20.3	19.6	18.8	17.9	17.9
9.5	10.5	11.9	12.9	13.0	13.5
9.2	9.5	9.6	9.8	9.6	9.6
8.0	8.3	8.3	7.8	7.3	7.2
0.7	0.2	0.2	0.4	5.0	3.3
3.0	0.0	-	-	-	-
-	-	-	-	-	-
3.5	3.7	3.7	3.8	3.6	3.7
0.9	1.0	1.2	1.2	1.4	1.3
4.5	3.5	5.4	5.6	4.9	5.1
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 Eight Fiscal Years

(DOLLARS IN THOUSANDS)

	2008-09	2007-08	2006-07
GENERAL FUND:			
Reserved for:			
Encumbrances	$ 2,195	$ 16,487	$ 11,912
Noncurrent Assets	1	7	13
Statutory Purposes	148,212	151,721	267,020
Risk Management	18,650	35,559	38,593
Unreserved Undesignated:			
General Fund	155,436	-	95,779
Unreserved:			
Designated for Unrealized Investment Gains:			
General Fund	10,939	3,639	-
TOTAL RESERVED	169,058	203,774	317,538
TOTAL UNRESERVED	166,375	3,639	95,779
TOTAL FUND BALANCE	335,433	207,413	413,317
ALL OTHER GOVERNMENTAL FUNDS:			
Reserved for:			
Encumbrances	$ 1,043,396	$ 966,477	$ 821,112
Noncurrent Assets	515,062	425,830	385,248
Debt Service	558	558	558
Statutory Purposes	40,921	109,322	130,000
Emergencies	93,550	93,000	85,760
Funds Reported as Restricted	1,445,739	1,902,755	1,669,326
Unreserved, Reported in:			
Special Revenue Funds	53,498	54,676	72,830
Capital Projects Funds	54,687	134,470	199,126
Nonmajor Special Revenue Funds	1,117,248	1,391,483	1,233,276
Nonmajor Permanent Funds	8,500	2,326	1,782
Unreserved:			
Designated for Unrealized Investment Gains:			
Reported in Major Funds	29,927	13,385	-
Reported in Nonmajor Special Revenue Funds	23,719	8,751	-
Reported in Nonmajor Permanent Funds	22,875	1,571	-
TOTAL RESERVED	3,139,226	3,497,942	3,092,004
TOTAL UNRESERVED	1,310,454	1,606,662	1,507,014
TOTAL FUND BALANCE	4,449,680	5,104,604	4,599,018
TOTAL RESERVED	3,308,284	3,701,716	3,409,542
TOTAL UNRESERVED	1,476,829	1,610,301	1,602,793
TOTAL FUND BALANCE	$ 4,785,113	$ 5,312,017	$ 5,012,335

2005-06	2004-05	2003-04	2002-03	2001-02
$ 12,233	$ 3,497	$ 2,106	$ 3,684	$ 2,093
91	192	300	231	320
251,704	198,751	207,003	60,731	39,622
32,851	36,473	33,301	39,412	-
295,882	-	-	-	137,595
-	-	4,272	30,657	26,697
296,879	238,913	242,710	104,058	42,035
295,882	-	4,272	30,657	164,292
592,761	238,913	246,982	134,715	206,327
$ 814,811	$ 629,430	$ 795,414	$ 916,053	$ 994,758
342,341	292,336	278,843	278,006	245,051
580	3,298	7,965	5,137	6,495
137,530	10,263	11,565	10,929	14,328
79,800	71,000	172,202	150,762	81,917
1,233,272	1,104,061	998,428	770,874	1,118,886
872,212	812,706	41,589	27,692	29,918
(47,740)	(12,545)	(39,986)	4,555	43,029
291,488	274,941	664,258	448,766	591,846
1,642	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
2,608,334	2,110,388	2,264,417	2,131,761	2,461,435
1,117,602	1,091,813	684,245	560,727	714,756
3,725,936	3,202,201	2,948,662	2,692,488	3,176,191
2,905,213	2,349,301	2,507,127	2,235,819	2,503,470
1,413,484	1,091,813	688,517	591,384	879,048
$ 4,318,697	$ 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)

	2008-09	2007-08	RESTATED 2006-07	RESTATED 2005-06
DEBT SERVICE EXPENDITURES:				
Principal	$ 109,801	$ 104,924	$ 100,681	$ 97,583
Interest	78,719	102,652	112,145	106,322
TOTAL DEBT SERVICE EXPENDITURES	$ 188,520	$ 207,576	$ 212,826	$ 203,905
Percent Change Over Previous Year	-9.2%	-2.5%	4.4%	78.2%
TOTAL NONCAPITAL EXPENDITURES[1]	15,511,450	14,196,496	13,365,782	12,586,379
TOTAL CAPITAL EXPENDITURES[1]	296,300	242,572	233,914	228,077
TOTAL GOVERNMENTAL EXPENDITURES	15,807,750	14,439,068	13,599,696	12,814,456
DEBT SERVICE EXPENDITURES AS PERCENT OF TOTAL NONCAPITAL EXPENDITURES:				
Principal	0.7%	0.7%	0.8%	0.8%
Interest	0.5%	0.7%	0.8%	0.8%
Total Debt Service Expenditures	1.2%	1.5%	1.6%	1.6%

[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)

	2008-09	2007-08	2006-07	2005-06
Governmental Activities:				
Revenue Backed Debt	$ 1,106,973	$ 1,216,006	$ 1,319,718	$ 1,418,446
Certificates of Participation	162,053	172,864	183,203	196,475
Capital Leases	91,813	60,031	30,456	17,482
Notes and Mortgages	515,000	460,000	345,000	415,000
TOTAL GOVERNMENTAL OUTSTANDING DEBT	1,875,839	1,908,901	1,878,377	2,047,403
Business-Type Activities:				
Revenue Backed Debt	3,551,588	3,325,690	2,935,383	2,304,485
Certificates of Participation	446,656	210,150	218,916	260,578
Capital Leases	93,773	93,374	68,621	60,724
Notes and Mortgages	4,771	6,211	9,463	6,946
TOTAL BUSINESS-TYPE OUTSTANDING DEBT	4,096,788	3,635,425	3,232,383	2,632,733
Total Primary Government:				
Revenue Backed Debt	4,658,561	4,541,696	4,255,101	3,722,931
Certificates of Participation	608,709	383,014	402,119	457,053
Capital Leases	185,586	153,405	99,077	78,206
Notes and Mortgages	519,771	466,211	354,463	421,946
TOTAL OUTSTANDING DEBT[1]	$ 5,972,627	$ 5,544,326	$ 5,110,760	$ 4,680,136
Percent Change Over Previous Year	7.7%	8.5%	9.2%	7.4%
Colorado Population (In Thousands)	4,789	4,940	4,862	4,766
Per Capita Debt (Dollars Per Person)	$1,247	$1,168	$1,051	$982
Per Capita Income (Thousands Per Person)	$43.3	$42.4	$41.0	$39.5
Per Capita Debt as a Percent of Per Capita Income	2.9%	2.7%	2.6%	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 2004-05	RESTATED 2003-04	RESTATED 2002-03	2001-02	2000-01	1999-00
$ 15,574	$ 11,932	$ 16,581	$ 9,245	$ 4,188	$ 3,943
98,829	80,281	82,116	76,096	49,658	1,491
$ 114,403	$ 92,213	$ 98,697	$ 85,341	$ 53,846	$ 5,434
24.1%	-6.6%	15.7%	58.5%	890.9%	-75.9%
11,298,334	10,664,540	10,541,507	10,212,475	9,620,382	8,817,399
244,178	488,140	409,971	275,873	184,945	223,490
11,542,512	11,152,680	10,951,478	10,488,348	9,805,327	9,040,889
0.1%	0.1%	0.2%	0.1%	0.0%	0.0%
0.9%	0.8%	0.8%	0.7%	0.5%	0.0%
1.0%	0.9%	0.9%	0.8%	0.6%	0.1%

2004-05	2003-04	2002-03	2001-02	2000-01 [3]	1999-00
$ 1,512,987	$ 1,518,564	$ 1,273,146	$ 1,293,196	$ 1,028,880	$ 524,360
63,332	44,244	57,132	54,406	-	-
22,308	16,040	8,546	3,473	63,123	69,710
520,000	397,023	-	-	4	113
2,118,627	1,975,871	1,338,824	1,351,075	1,092,007	594,183
2,063,378	1,578,903	1,553,595	1,240,946	1,017,866 [4]	329,733
75,729	73,724	46,811	54,545	-	-
90,140	86,531	85,919	47,222	103,001	115,566
9,402	6,262	6,602	1,444	19,590	22,304
2,238,649	1,745,420	1,692,927	1,344,157	1,140,457	467,603
3,576,365	3,097,467	2,826,741	2,534,142	2,046,746	854,093
139,061	117,968	103,943	108,951	-	-
112,448	102,571	94,465	50,695	166,124	185,276
529,402	403,285	6,602	1,444	19,594	22,417
$ 4,357,276	$ 3,721,291	$ 3,031,751	$ 2,695,232	$ 2,232,464	$ 1,061,786
17.1%	22.7%	12.5%	20.7%	110.3% [4]	95.0%
4,674	4,609	4,555	4,508	4,434	4,328
$932	$807	$666	$598	$503	$245
$37.5	$35.5	$34.0	$34.0	$34.4	$33.4
2.5%	2.3%	2.0%	1.8%	1.5%	0.7%

[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 Ten Fiscal Years

(DOLLARS IN THOUSANDS)	Unaudited 2008-09	2007-08	2006-07	2005-06
DISTRICT REVENUES:				
Exempt District Revenues	$ 14,481,957	$ 12,126,729	$ 11,759,914	$ 10,899,936
Nonexempt District Revenues	9,102,354	9,998,559	9,641,867	9,161,391
TOTAL DISTRICT REVENUES	23,584,311	22,125,288	21,401,781	20,061,327
Percent Change In Nonexempt District Revenues	-9.0%	3.7%	5.2%	8.0%
DISTRICT EXPENDITURES:				
Exempt District Expenditures	14,481,957	12,126,729	11,759,914	10,899,936
Nonexempt District Expenditures	10,168,933	9,533,890	8,847,334	8,029,686
TOTAL DISTRICT EXPENDITURES	24,650,890	21,660,619	20,607,248	18,929,622
Percent Change In Nonexempt District Expenditures	6.7%	7.8%	10.2%	-15.2%
TOTAL DISTRICT RESERVE/FUND BALANCE INCREASE (DECREASE)	$ (1,066,579)	$ 464,670	$ 794,533	$ 1,131,705
LIMIT AND REFUND CALCULATIONS:				
Prior Fiscal Year Spending Limitation	$ 8,829,131	$ 8,333,827	$ 8,045,256	$ 8,314,374
Adjustments To Prior Year Limit[2]	(10,364)	(1,054)	(173)	(372,471)
ADJUSTED PRIOR YEAR FISCAL SPENDING LIMITATION	8,818,767	8,332,773	8,045,083	7,941,903
Allowable Growth Rate (Population Plus Inflation)	4.1%	5.5%	3.5%	1.3%
Current Fiscal Year Spending Limitation	9,180,336	8,791,075	8,326,662	8,045,148
Adjustments To Current Year Limit	23,506	38,056	7,165	109
ADJUSTED CURRENT YEAR FISCAL SPENDING LIMITATION	9,203,842	8,829,131	8,333,827	8,045,257
NONEXEMPT DISTRICT REVENUES	9,102,354	9,998,559	9,641,867	9,161,391
Amount Over(Under) Adjusted Fiscal Year Spending Limitation	(101,488)	1,169,428	1,308,040	1,116,134
Correction Of Prior Years' Refunds	-	-	-	-
Voter Approved or Statutory Retention of Excess Revenue	-	1,169,428	1,308,040	1,116,134
FISCAL YEAR REFUND	$ -	$ -	$ -	$ -

[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.

Restated 2004-05	2003-04	2002-03	2001-02	Restated 2000-01[1]	Restated 1999-00
$ 11,015,958	$ 11,650,100	$ 12,059,372	$ 11,702,980	$ 8,213,400	$ 7,437,634
8,482,963	8,331,991	7,712,512	7,752,211	8,877,105	8,502,952
19,498,921	19,982,091	19,771,884	19,455,191	17,090,505	15,940,586
1.8%	8.0%	-0.5%	-12.7%	4.4%	7.3%
11,015,958	11,650,100	12,059,372	11,702,980 [1]	8,213,399	7,437,634
9,473,642	7,799,832	8,198,724	7,729,239	6,945,742	6,474,840
20,489,600	19,449,932	20,258,096	19,432,219	15,159,141	13,912,474
21.5%	-4.9%	6.1%	11.3%	7.3%	-9.1%
$ (990,679)	$ 532,159	$ (486,212)	$ 22,972	$ 1,931,364	$ 2,028,112
$ 8,331,991	$ 7,712,512	$ 7,752,211	$ 7,948,550	$ 7,563,710	$ 7,243,385
(383,103)	(31,732)	(12,865)	(53,497)	-	-
7,948,888	7,680,780	7,739,346	7,895,053	7,563,710	7,243,385
2.2%	3.6%	6.9%	4.0%	5.1%	4.4%
8,123,764	7,957,288	8,273,361	8,210,855	7,949,459	7,562,093
190,610	374,703	23,426	(84,666)	(909)	1,617
8,314,374	8,331,991	8,296,787	8,126,189	7,948,550	7,563,710
8,482,963	8,331,991	7,712,512	7,752,211	8,877,105	8,502,952
168,589	-	(584,275)	(373,978)	928,555	939,242
284	-	-	8,284	(1,354)	1,887
127,810	-	-	-	-	-
$ 41,063	$ -	$ -	$ -	$ 927,201	$ 941,129

INDIVIDUAL INCOME TAX RETURNS[1] BY ADJUSTED GROSS INCOME CLASS 1997 to 2006

(NUMBER OF RETURNS, PERCENT OF NET INCOME TAX REVENUE)

	2006		2005		2004		2003	
	# 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	23,376	0.0%	23,916	0.0%	24,570	0.0%	24,632	0.0%
$0 to $5,000	72,400	0.0%	76,547	0.0%	73,929	0.0%	74,854	0.0%
$5,001 to $10,000	108,412	0.0%	112,703	0.0%	112,776	0.0%	114,615	0.1%
$10,001 to $15,000	127,061	0.3%	128,661	0.3%	129,339	0.4%	132,540	0.5%
$15,001 to $20,000	134,933	0.8%	134,643	0.8%	134,988	1.0%	137,195	1.1%
$20,001 to $25,000	130,926	1.3%	130,647	1.4%	131,424	1.6%	133,960	1.8%
$25,001 to $35,000	240,034	3.8%	236,285	4.1%	236,162	4.7%	239,657	5.3%
$35,001 to $50,000	272,040	7.2%	267,939	7.6%	266,625	8.6%	268,253	9.6%
$50,001 to $75,000	302,778	12.9%	295,028	13.6%	289,548	15.1%	286,609	16.5%
$75,001 to $100,000	189,359	12.5%	179,635	13.0%	171,170	14.0%	163,572	14.7%
$100,000 and Over	290,548	61.2%	256,424	59.2%	227,936	54.6%	202,886	50.4%
TOTAL	1,891,867	100.0%	1,842,428	100.0%	1,798,467	100.0%	1,778,773	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 2008[1]

(NUMBER OF RETURNS, PERCENT OF NET SALES TAX REVENUE)

	2008		2007		2006	
	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax	# of Tax Returns	% of Sales Tax
INDUSTRY CLASS						
Agriculture, Forestry, & Fisheries	3,653	0.1%	3,632	0.1%	3,808	0.1%
Mining	4,491	1.9%	4,104	1.7%	3,775	1.4%
Public Utilities	9,517	3.9%	8,725	3.0%	7,904	3.1%
Construction Trades	31,949	1.5%	30,929	1.5%	32,291	1.6%
Manufacturing	84,393	4.8%	87,475	4.9%	85,822	4.8%
Wholesale Trade	72,432	6.7%	74,498	6.7%	78,156	6.8%
Retail Trade	395,100	49.9%	399,395	51.5%	409,029	52.2%
Transportation & Warehousing	4,014	0.3%	4,733	0.3%	5,346	0.4%
Information Producers/Distributors	174,348	5.9%	170,488	5.8%	163,953	5.8%
Finance & Insurance	33,499	1.5%	34,308	1.2%	37,478	1.0%
Real Estate, Rental, & Leasing Services	79,541	3.8%	71,969	3.8%	72,110	3.7%
Professional, Scientific, & Technical Services	65,592	1.6%	66,352	1.8%	71,590	1.8%
Bus. Admin., Support, Waste/Remediation Services	23,401	0.7%	23,014	0.7%	23,497	0.6%
Educational Services	6,526	0.2%	5,566	0.2%	5,136	0.2%
Health Care & Social Assistance Services	13,013	0.2%	12,233	0.2%	12,290	0.2%
Arts, Entertainment, & Recreation Services	17,391	0.6%	17,196	0.6%	16,957	0.6%
Hotel & Other Accommodation Services	21,221	3.6%	20,995	3.5%	20,717	3.3%
Food & Drinking Services	129,123	10.5%	125,682	10.2%	121,234	10.0%
Other Personal Services	86,647	2.2%	85,361	2.1%	85,499	2.1%
Government Services	6,044	0.1%	7,445	0.2%	10,479	0.3%
TOTAL	1,261,895	100%	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.

2002		2001		2000		1999		1998[2]	1997	
# 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
22,477	0.0%	16,539	0.0%	13,946	0.0%	13,043	0.0%	N/A	14,433	0.0%
73,714	0.0%	75,710	0.0%	73,929	0.0%	75,022	0.1%	N/A	106,941	0.0%
115,045	0.1%	113,237	0.1%	116,422	0.1%	122,123	0.2%	N/A	138,612	0.2%
134,152	0.5%	131,411	0.5%	134,898	0.5%	142,185	0.8%	N/A	153,626	1.1%
139,267	1.2%	139,013	1.2%	144,220	1.2%	151,091	1.4%	N/A	150,479	2.2%
136,897	1.9%	136,429	1.9%	140,010	1.9%	143,324	2.1%	N/A	134,014	3.1%
243,253	5.6%	244,586	5.5%	243,715	5.2%	239,847	5.6%	N/A	211,119	7.6%
271,283	9.9%	269,802	9.3%	263,657	8.7%	255,652	9.4%	N/A	219,857	12.4%
291,227	17.1%	290,662	15.9%	283,693	14.9%	270,042	16.2%	N/A	219,788	19.1%
161,047	14.7%	159,483	13.5%	150,626	12.2%	135,419	12.6%	N/A	98,073	12.7%
196,065	49.0%	203,312	52.1%	203,040	55.3%	170,546	51.6%	N/A	112,812	41.6%
1,784,427	100.0%	1,780,184	100.0%	1,768,156	100.0%	1,718,294	100.0%	N/A	1,559,754	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]
2000 to 2009

Calendar Year	Income Tax Rate	Sales Tax Rate
2009	4.63%	2.90%
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%

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]

	2009	2008	2007
GOVERNMENTAL ACTIVITIES:			
General Government:			
Funds	593	556	515
Employees (calculated Full-Time Equivalent)	64,535	61,915	59,873
Balance in Treasury Pool (in millions)	$5,663.2	$6,159.4	$5,250.7
Business, Community, and Consumer Affairs:			
Professional Licenses at Regulatory Agencies	679,836	640,332	575,124
Unemployment Rate (percent) [4]	7.6	4.9	3.8
Employment Level [4]	*	2,596,309	2,602,015
Education:			
Public Schools	1,769	1,771	1,771
Primary School Students	818,443	802,639	794,026
Health and Rehabilitation:			
Average Daily Population of Mental Health Institutes [3]	569	548	528
Average Daily Population of Regional Centers [3,5]	378	403	403
Justice:			
District Court Cases Filed [3]	191,749	199,681	189,884
County Court Cases Filed [3]	554,165	579,069	552,592
Inmate Admissions	*	11,038	10,625
Inmate Releases	*	10,565	10,110
Average Daily Inmate Population	23,210	22,887	22,424
Citations Issued by the State Patrol	168,916 [6]	221,544	226,324
Crashes Covered by the State Patrol	17,944 [6]	27,260	28,277
Natural Resources:			
Active Oil and Gas Wells [3]	36,000	35,000	34,000
Oil and Gas Drilling Permits [3]	7,400	6,780	4,200
Annual State Park Visitors [3]	13,680,012	11,272,418	11,475,000
Water Loans	269	258	255
Social Assistance:			
Medicaid Recipients [3]	381,390	383,784	429,233
Average # of Cash Assistance Payments per Month [3]	57,200	62,647	66,728
Transportation:			
Lane Miles	*	23,036,480	22,999,470
Bridges	*	3,406	3,775
BUSINESS-TYPE ACTIVITIES:			
Higher-Education:			
Resident Students [3]	136,900	135,275	136,108
Nonresident Students [3]	23,166	22,069	20,670
Unemployment Insurance:			
Individuals Served - Employment and Training [3]	350,000	300,000	270,000
Initial Unemployment Claims [3]	120,074	119,561	120,290
CollegeInvest:			
Loans Issued or Purchased	268,745	239,060	218,518
Average Balance per Loan	$6,326	$6,328	$6,057
Lottery:			
Scratch Tickets Sold	104,217,790	101,604,127	99,199,686
Lotto Tickets Sold	43,552,521	41,071,837	39,835,761
Powerball Tickets Sold	100,733,520	109,565,516	101,570,695
Other Lottery Tickets Sold	20,831,732	19,148,564	17,407,163
Wildlife:			
Hunting & Fishing Licenses Sold [3]	2,300,000	1,545,659	1,399,978
College Assist:			
Guaranteed Loans - In State	115,486	140,232	146,616
Guaranteed Loans - Out of State	47,892	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.
[2] – Data is presented by either fiscal year or calendar year based on availability of information.

2006	2005	2004	2003	2002	2001
492	484	465	444	434	415
58,468	58,046	57,643	58,239	57,974	56,639
$4,615.3	$3,951.1	$3,174.6	$2,241.4	$2,068.5	$3,080.6
576,982	517,597	*	*	*	229,903
4.3	5.1	5.6	6.1	5.7	3.8
2,537,037	2,436,795	2,384,562	2,323,554	2,304,109	2,303,494
1,731	1,667	1,728	1,613	1,658	1,656
780,708	766,657	757,021	751,862	742,145	724,508
539	539	570	688	699	697
403	403	411	400	397	413
187,498	*	*	165,467	160,245	168,325
547,143	*	*	461,847	457,246	460,149
10,168	9,433	8,165	7,799	7,802	6,952
8,954	8,249	7,504	6,977	6,554	6,114
21,438	20,228	19,478	18,636	17,367	16,605
234,052	246,918	206,052	176,869	160,919	149,872
28,648	30,645	33,635	34,133	37,102	40,541
30,000	25,300	24,000	23,423	*	*
3,800	2,200	*	*	*	*
11,869,897	11,190,201	11,565,810	11,170,000	11,400,000	10,755,581
244	241	227	213	206	197
446,341	375,410	362,654	326,058	304,508	281,430
68,822	68,150	85,339	*	*	67,100
23,105,769	23,029,858	23,138,578	23,061,021	22,851,000	22,814,000
3,757	3,754	3,714	3,698	3,698	
140,601	141,692	135,392	127,632	123,383	*
21,380	22,729	22,809	22,824	22,152	*
270,000	240,000	200,000	194,000	*	*
132,337	176,270	156,594	132,657	*	*
200,332	189,522	174,724	168,453	*	*
$5,546	$5,098	$4,871	$4,486	*	*
111,883,645	119,441,166	114,543,013	111,793,347	129,775,201	143,418,930
38,332,996	38,266,176	40,818,461	48,272,866	57,651,698	88,945,211
119,757,642	80,912,792	85,041,776	75,705,463	79,893,821	0
16,858,542	15,052,291	14,508,537	13,245,564	13,222,846	12,482,380
1,409,064	1,450,000	1,235,551	1,525,679	1,423,377	1,478,617
*	*	*	*	*	*
*	*	*	*	*	*

[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.
[5] – Prior to 2009, this represented Regional Center Residential Beds.
[6] – Data through September 30, 2009.

BUILDING SQUARE FOOTAGE OWNED BY THE PRIMARY GOVERNMENT BY FUNCTIONS/PROGRAMS Last Two Years

	2009	2008
GOVERNMENTAL ACTIVITIES:		
General Government	2,549,944	2,982,413
Business, Community, and Consumer Affairs[1]	981,809	937,389
Education	317,884	317,884
Health and Rehabilitation	1,365,606	1,561,507
Justice	8,103,126	8,047,872
Natural Resources	1,210,477	1,672,897
Social Assistance	1,700,847	1,351,964
Transportation	2,575,421	2,575,421
BUSINESS-TYPE ACTIVITIES:		
Higher-Education	44,026,204	41,437,896
Wildlife	1,065,240	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 Last Two Years

	2009	Restated 2008
GOVERNMENTAL ACTIVITIES:		
General Government	288,210	199,967
Business, Community, and Consumer Affairs[1]	515,708	508,439
Education	19,440	9,396
Health and Rehabilitation	420,272	434,469
Justice	868,060	850,185
Natural Resources	73,546	49,495
Social Assistance	34,459	28,963
BUSINESS-TYPE ACTIVITIES:		
Higher-Education	1,243,524	1,294,663
CollegeInvest	15,318	15,318
Lottery	61,682	61,682
Wildlife	15,267	75,944
College Assist	12,807	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

	2008-09	2007-08	2006-07	2005-06
General Government	2,454	2,392	2,322	2,255
Business, Community, and Consumer Affairs	2,437	2,372	2,335	2,342
Education	36,042	34,469	33,464	32,680
Health and Rehabilitation	3,944	3,865	3,774	3,729
Justice	13,000	12,467	11,791	11,372
Natural Resources	1,587	1,583	1,522	1,485
Social Assistance	1,671	1,656	1,593	1,520
Transportation	3,400	3,111	3,072	3,085
TOTAL FTE	64,535	61,915	59,873	58,468
TOTAL CLASSIFIED FTE	32,820	31,995	31,075	30,677
AVERAGE MONTHLY SALARY	$ 4,390	$ 4,278	$ 4,108	$ 4,036
TOTAL NON-CLASSIFIED FTE	31,715	29,920	28,798	27,791
AVERAGE MONTHLY SALARY	$ 5,723	$ 5,467	$ 5,214	$ 5,066

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.

2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
2,219	2,180	2,300	2,422	2,409	2,422
2,367	2,343	2,344	2,334	2,284	2,290
32,664	32,595	32,435	31,887	31,165	29,463
3,681	3,717	3,803	3,766	3,668	3,726
11,083	10,767	11,257	11,437	11,100	10,542
1,472	1,446	1,453	1,453	1,395	1,397
1,462	1,482	1,567	1,610	1,570	1,530
3,098	3,113	3,080	3,065	3,048	3,015
58,046	57,643	58,239	57,974	56,639	54,385
30,967	30,770	31,857	32,092	31,510	30,866
$ 3,955	$ 3,867	$ 3,913	$ 3,700	$ 3,491	$ 3,364
27,079	26,873	26,382	25,882	25,129	23,519
$ 4,926	$ 4,759	$ 4,788	$ 4,563	$ 4,352	$ 4,387

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]
2000 to 2009

(DOLLARS IN THOUSANDS)

Fiscal Year	Gross Revenue	Direct Operating Expense	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
Governmental Funds: Transportation Revenue Anticipation Notes (TRANs)							
2008-09	$ 980,992	$ 813,000	$ 167,992	$ 107,795	$ 60,197	$ 167,992	1.00
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							
2008-09	$ 200,753	$ 34,107	$ 166,646	$ 24,000	$ 17,126	$ 41,126	4.05
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							
2008-09	$ 846,389	$ 450,057	$ 396,332	$ 40,965	$ 69,195	$ 110,160	3.60
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

[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
1999 to 2008

Mileage Type	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
CenterLine Miles[1]:										
Urban	1,400	1,398	1,419	1,411	1,421	1,421	1,038	1,033	1,035	1,049
Rural	7,744	7,736	7,742	7,737	7,736	7,736	8,105	8,104	8,051	8,110
TOTAL CENTERLINE MILES	9,144	9,134	9,161	9,148	9,157	9,157	9,143	9,137	9,086	9,159
Percent Change	0.1%	-0.3%	0.1%	-0.1%	0.0%	0.2%	0.1%	0.6%	-0.8%	0.4%
Lane Miles[2]:										
Urban	5,238	5,232	5,322	5,247	5,262	5,236	4,058	4,031	4,041	4,090
Rural	17,798	17,767	17,784	17,784	17,875	17,825	18,792	18,782	18,659	18,807
TOTAL LANE MILES	23,036	22,999	23,106	23,031	23,137	23,061	22,850	22,813	22,700	22,897
Percent Change	0.2%	-0.5%	0.3%	-0.5%	0.3%	0.9%	0.2%	0.5%	-0.9%	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 2008[3]

Functional Classification	2008	2007	2006	2005	2004	2003	2002
Principal Arterial[1]	1,341	1,686	1,678	1,680	1,676	1,949	1,945
Other Principal Arterial[2]	795	911	884	943	894	321	322
Minor Arterial	773	802	798	787	798	818	817
Collector	404	350	368	319	326	403	405
Local	93	26	29	25	20	207	209
TOTAL BRIDGES	3,406	3,775	3,757	3,754	3,714	3,698	3,698
Percent Change	-9.8%	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 2000 to 2009

(AMOUNTS IN MILLIONS)

Year	Residential	Non-Residential	Non-Building	Total
2009 est	$ 3,654	$ 3,400	$ 1,650	$ 8,704
2008 est	4,254	3,850	1,825	9,929
2007	7,146	4,866	1,901	13,914
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	2,713	1,732	10,703
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

Source: F.W. Dodge Company, the Colorado Contractors Association, and the Colorado Business Economic Outlook Committee.

COLORADO SALES AND GROSS FARMING REVENUES 2000 to 2009

(AMOUNTS IN BILLIONS)

Year	Retail Sales	Gross Farm Revenues
2009 est	$ 67.9	$ 7.46
2008 est	67.3	7.57
2007	65.3	7.52
2006	61.7	6.80
2005	58.7	6.68
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

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
2000 to 2009

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 %
2009 est	4,789	1.56%	$207.3	$ 43,289	110.9%	*	7.6%
2008	4,940	1.62%	209.3	42,377	110.1%	2,596	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

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
2000 to 2009
(AMOUNTS IN THOUSANDS)

Industry[2]	2009 est	2008 est	2007	2006	2005	2004	2003	2002	2001	2000
Natural Resources and Mining	32.9	29.9	25.2	21.1	17.2	14.4	13.2	12.9	12.9	12.2
Construction	149.4	160.6	167.7	167.8	160.0	151.3	149.9	160.4	167.7	163.6
Manufacturing	143.5	144.5	146.7	149.1	150.4	151.8	153.9	163.8	179.5	188.9
Transportation, Trade, and Utilities	428.7	433.5	429.7	419.3	413.0	406.6	404.5	412.1	423.0	418.9
Information	74.1	75.5	76.3	75.4	76.9	81.2	84.6	92.9	107.3	108.4
Financial Activities	154.7	157.6	159.5	160.4	158.5	154.6	154.1	149.5	148.3	147.0
Professional and Business Services	357.4	353.9	347.9	331.8	316.8	304.1	292.0	296.2	312.3	318.8
Educational and Health Services	255.1	248.1	240.3	231.2	224.6	218.5	213.0	208.5	200.8	192.8
Leisure and Hospitality	270.7	272.6	270.4	264.9	257.5	251.3	245.6	247.0	247.2	246.0
Other Services	95.4	94.4	93.0	90.8	88.5	87.4	85.9	85.6	83.8	80.2
Government	387.7	383.3	374.6	367.2	362.6	358.5	356.2	355.4	344.1	337.0
Total	2,349.6	2,353.9	2,331.3	2,279.0	2,226.0	2,179.7	2,152.9	2,184.3	2,226.9	2,213.8

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: 103,718 square miles.

Highest Elevation: Mt Elbert – 14,433 feet above sea level.

Lowest Elevation: Along the Arikaree River in Yuma County – 3,315 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, 2010B-C Supplemental Indenture, 2010B-C Lease Purchase Agreement, 2010B-C Site Leases and 2010B-C Subleases

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After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

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 (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, 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 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 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 11th day of August, 2009, by Stephanie Nicholls, 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:

_____

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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 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

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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 of proceeds of Certificates deposited into the Project Account for such Project; (B) Allocated Investment 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 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 the rights of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate not included in the Tax Credit Component, including the right to payment of the principal of such 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.

Blacklined against
form included in
Preliminary Official Statement

After recording return to:
Michael R. Johnson
Kutak Rock LLP
1801 California Street, Suite 3100
Denver, Colorado 80202

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2010B-C SUPPLEMENTAL TRUST INDENTURE

by

ZIONS FIRST NATIONAL BANK,
as Trustee

authorizing

State of Colorado
Building Excellent Schools Today
Certificates of Participation
~~Qualified School Construction Series 2010A~~
Taxable Build America Series 2010B
and
Tax-Exempt Series 2010C

Dated as of ~~_____,~~March 16, 2010

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2010B-C SUPPLEMENTAL TRUST INDENTURE

This State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture (this "Series 2010B-C Supplemental Indenture") is dated as of ~~_____,~~March 16, 2010, 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 by Appendix G hereto and as it may be further 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 2010B-C Supplemental Indenture is a Supplemental Indenture and is being executed to provide additional terms applicable to the Series 2010B-C Certificates.

AGREEMENT

The Trustee hereby declares for the benefit of the Owners as follows:

~~**ARTICLE I**~~

~~**QUALIFIED SCHOOL CONSTRUCTION CERTIFICATES**~~

~~**Section 1.01. Authorization and Name**. The following Qualified School Construction Certificates shall be executed and delivered pursuant to this Series 2010 Supplemental Indenture: State of Colorado Building Excellent Schools Today Certificates of Participation, Qualified School Construction Series 2010A.~~

~~**Section 1.02. Principal Amounts, Dated Dates, Maturity Dates and Supplemental Interest**.~~

~~(a) The Series 2010A Certificates are hereby designated as Qualified School Construction Certificates.~~

~~(b) The aggregate principal amount of the Series 2010A Certificates shall be $_____.~~

~~(c) The Authorized Denominations of the Series 2010A Certificates are $40,000 and any integral multiple thereof, provided that one Series 2010A Certificate may be in a smaller denomination to the extent that aggregate principal amount of the Series 2010A Certificates exceed $40,000 and any integral multiple thereof.~~

~~(d) The Series 2010A Certificates executed and delivered on the date the Series 2010A Certificates are first executed and delivered shall be dated the date they are originally executed and delivered and shall bear interest from such date. Any Series 2010A Certificate executed and delivered upon transfer and exchange of another Series 2010A Certificate shall be dated as of its date of authentication and shall bear interest from the Interest Payment Date next preceding its date of authentication, unless the date of authentication is an Interest Payment Date in which case such Series 2010A Certificate shall bear interest from such Interest Payment Date or unless the date of authentication precedes the first Interest Payment Date in which case such Series 2010A Certificate shall bear interest from the date the Series 2010A Certificates are first executed and delivered.~~

~~(e) Interest on the Series 2010A Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.~~

~~(f) The Series 2010A Certificates shall mature on _____ ___, 20___.~~

~~**Section 1.03. Supplemental Interest, Tax Credit Loss Interest and Additional Tax Credit Loss Interest**.~~

~~(a) The Series 2010A Certificates shall bear Supplemental Interest at the rate of _____% per annum.~~

~~(b) If a Tax Credit Loss Determination has occurred with respect to the Series 2010A Certificates, in addition to Supplemental Interest, Tax Credit Loss Interest and Additional Tax Credit Loss Interest, if any, shall be payable to the Owners of such Certificates in the amounts and on the dates described in clauses (i) and (ii) below:~~

~~(i) Tax Credit Loss Interest at a rate equal to the Tax Credit Rate from and after the Tax Credit Conversion Date through the final maturity or prior redemption of each Series 2010A Certificate, payable on each Tax Credit Loss Interest Payment Date.~~

~~(ii) Additional Tax Credit Loss Interest equal to the amount, if any, of Tax Credits that Owners of Series 2010A Certificates would have been entitled to claim (assuming they had sufficient taxable income) on their federal income tax returns with respect to Tax Credit Allowance Dates occurring on or before the Tax Credit Conversion Date that are ineligible as Tax Credits as a result of the Tax Credit Loss Determination, plus interest on such amount from the applicable Tax Credit Allowance Date to the date such Additional Tax Credit Loss Interest is paid, calculated at a rate equal to the rate for large corporate underpayments determined from time-to-time by the Internal Revenue Service pursuant to Section 6621(c) of the Code. The Additional Tax Credit Loss Interest payable pursuant to this clause (ii) shall be paid on the first September 15 Tax Credit Loss Interest Payment Date following the Tax Credit Conversion Date, subject, however, to the Annual Tax Credit Loss Interest Limit described in clause (iii) below.~~

~~(iii) The amount of Additional Tax Credit Loss Interest payable in any Fiscal Year is limited to the difference between the dollar amount set forth in the Maximum Annual Tax Credit Loss Interest column in Exhibit B to the 2010 Lease for Base Rent Payment Dates occurring in such Fiscal Year, minus the Tax Credit Loss Interest payable in such Fiscal Year (which limit is referred to as the "Annual Tax Credit Loss Interest Limit"). If and to the extent Additional Tax Credit Loss Interest cannot be paid in a Fiscal Year because of the application of the Annual Tax Credit Loss Interest Limit, the amount that cannot be paid (including interest on such amount, calculated as described in clause (ii) above) shall be paid on the following September 15 Tax Credit Loss Interest Payment Date(s) to the extent it can be paid under the Annual Tax Credit Loss Limit for that Fiscal Year.~~

~~Section 1.04. Redemption~~.

~~(a) ***Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default***. The Series 2010A Certificates shall be redeemed in whole, on such date as the Trustee may determine to be in the best interests of the Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, at a redemption price equal to the lesser of (i) the principal amount of the Series 2010A Certificates (with no premium), plus accrued interest to the redemption date (including Supplemental Interest and, to the extent applicable, Tax Credit Loss Interest and Additional Tax Credit Loss Interest) or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Leases with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under any Lease that gave rise to such redemption and (B) the other amounts available in the Trust Estate for payment of the redemption price of the Series 2010A Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, which amounts shall be allocated among the Series 2010A Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease 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 Series 2010A Certificate pursuant to this redemption provision and any similar redemption provision applicable to any other Certificate shall be deemed to be the payment in full of such Series 2010A Certificate and such other Certificate, and no Owner of any such Series 2010 Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate 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 the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2010A Certificates and~~

~~all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default 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 thereof. If the funds then available to the Trustee are sufficient to pay the redemption price of the Series 2010A and other Certificates that are subject to redemption, 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 of the Series 2010A Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) 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 Leases; (bb) subject to the applicable provisions of the Indenture, immediately begin to exercise and diligently pursue all remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default; and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.~~

~~(b) ***Unexpended Proceeds Redemption***. The Series 2010A Certificates shall be redeemed in whole or in part, and if in part in Authorized Denominations pro rata from the remaining maturities and within each maturity, at a redemption price equal to the principal amount of the redeemed Series 2010A Certificates to be redeemed (with no premium) plus accrued interest to the redemption date (including Supplemental Interest and, to the extent applicable, Tax Credit Loss Interest and Additional Tax Credit Loss Interest), on a date designated by the State that is no later than 90 days after the third anniversary of the date the Series 2010A 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 2010A Certificates held by the Trustee as of the third anniversary of the date the Series 2010A 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.~~

~~(c) ***Extraordinary Optional Redemption on and after Tax Credit Conversion Date***. The Series 2010A Certificates are subject to extraordinary redemption at the option of the State, in whole or in part and if in part in Authorized Denominations pro rata from the remaining maturities and within each maturity, on any date designated by the State following the occurrence of a Tax Credit Conversion Date, at a redemption price equal to the principal amount of the Series 2010A Certificates to be redeemed, plus accrued interest (including Supplemental Interest and, to the extent applicable, Tax Credit Loss Interest and Additional Tax Credit Loss Interest) to the redemption date.~~

~~**Section 1.05. Form of Certificates**. The Series 2010A 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 2010 Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.~~

~~**Section 1.06. Stripping of Series 2010A Certificates**.~~

~~(a) *Tax Credit Components and Principal Components*. The Owner of each Series 2010A Certificate has the right to claim a Tax Credit with respect to such Series 2010A Certificate on its federal income tax return in accordance with and subject to Sections 54F and 54A of the Code and, under certain circumstances, may be entitled to receive Tax Credit Loss Interest and Additional Tax Credit Loss Interest (all of which, collectively, are referred to as the Tax Credit Component of such Series 2010A Certificate). The other rights of the Owner of such Series 2010A Certificate are referred to as the Principal Component of such Series 2010A Certificate and include the right to payment of the principal of and Supplemental Interest on such Series 2010A Certificate in accordance with the Indenture and the other rights of the Owner of such Series 2010A Certificate under the Indenture based on the principal amount of such Certificate that are not included in the Tax Credit Component. Each Series 2010A Certificate will initially be delivered in a form that combines the Tax Credit Component and the Principal Component of such Series 2010A 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 F hereto with respect to a Series 2010A Certificate, the Trustee shall:~~

~~(A) assign a new CUSIP number to such Series 2010A Certificate that is distinct from the CUSIP number for such Series 2010A Certificate 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 2010A Certificate (the Series 2010A 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 2010A Certificate that is distinct from the CUSIP number for such Series 2010A Certificate 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 2010A 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 Tax Credit Allowance Date on the date the Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A Certificate to which such redemption provisions apply in the same manner as they apply to such Series 2010A Certificate; and (v) any such Tax Credit Strip created from the Stripping of a Series 2010A 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 2010A~~

~~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 2010A Certificates shall be paid to the Owners of the Principal Strips and the Tax Credit Strips as follows:~~

~~(i) first, to the Owners of the Principal Strips, an amount equal to the accrued but unpaid Supplemental Interest on the Series 2010A Certificates and to the Owners of the Tax Credit Strips, an amount equal to any accrued but unpaid Additional Tax Credit Loss Interest on the Series 2010A Certificates (and if the amount available is not sufficient to pay all such amounts, in proportion to the full amount due to each of them); and~~

~~(ii) second, the amount available after the payment pursuant to clause (i) above (for purposes of this Section, the "Available Money") shall be paid to the Owners of the Principal Strips and Tax Credit Strips as follows and, if the Available Money is not sufficient to pay the full amount due to either, in proportion to the full amount due to each of them:~~

~~(A) 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 E 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~~

~~(B) to the Owners of the Tax Credit Strips evidencing the right to claim the Tax Credit on a particular Tax Credit Allowance Date (or, if a Tax Credit Conversion Date has occurred, to receive Tax Credit Loss Interest and Additional Tax Credit Loss Interest on a particular Tax Credit Loss Interest Payment 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 E hereto for the Tax 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 E hereto in the column entitled Tax Credit Allowance Date for the Tax 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 2010A Certificates*. The rights of the Owner of any Series 2010A 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 Owners of the Tax Credit Strips shall not participate therein.~~

ARTICLE I~~ARTICLE II~~

TAXABLE BUILD AMERICA CERTIFICATES

Section 1.01. ~~**Section 2.01.**~~ **Authorization and Name**. The following Taxable Build America Certificates shall be executed and delivered pursuant to this Series 2010B-C Supplemental Indenture: State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Build America Series 2010B.

Section 1.02. ~~**Section 2.02.**~~ **Principal Amounts, Dated Dates, Maturity Dates and Interest**.

(a) The Series 2010B Certificates are hereby designated as Taxable Build America Certificates.

(b) The aggregate principal amount of the Series 2010B Certificates shall be $~~_____~~85,715,000.

(c) The Authorized Denominations of the Series 2010B Certificates are $5,000 and any integral multiple thereof.

(d) The Series 2010B Certificates executed and delivered on the date the Series 2010B Certificates are first executed and delivered shall be dated the date they are originally executed and delivered and shall bear interest from such date. Any Series 2010B Certificate executed and delivered upon transfer and exchange of another Series 2010B Certificate shall be dated as of its date of authentication and shall bear interest from the Interest Payment Date next preceding its date of authentication, unless the date of authentication is an Interest Payment Date in which case such Series 2010B Certificate shall bear interest from such Interest Payment Date or unless the date of authentication precedes the first Interest Payment Date in which case such Series 2010B Certificate shall bear interest from the date the Series 2010B Certificates are first executed and delivered.

(e) Interest on the Series 2010B Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.

(f) The Series 2010B Certificates shall mature on the dates and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

Maturity Date (March 15)	**Principal Amount**	**Interest Rate**
2017	$ 2,645,000	4.186%
2018	2,715,000	4.512
2019	2,795,000	4.712
2020	2,880,000	4.862
2021	2,970,000	5.062
2022	3,070,000	5.262
2025	15,850,000	5.737
2030	52,790,000	6.242

Section 1.03. ~~**Section 2.03.**~~ **Redemption**.

(a) ***Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default***. The Series 2010B Certificates shall be redeemed in whole, on such date as the Trustee may determine to be in the best interests of the Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, at a redemption price equal to the lesser of (i) the principal amount of the Series 2010B Certificates (with no premium), plus accrued interest to the redemption date; or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Leases with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under any Lease that gave rise to such redemption and (B) the other amounts available in the Trust Estate for payment of the redemption price of the Series 2010B Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any

Lease, which amounts shall be allocated among the Series 2010B Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease 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 Series 2010B Certificate pursuant to this redemption provision and any similar redemption provision applicable to any other Certificate shall be deemed to be the payment in full of such Series 2010B Certificate and such other Certificate, and no Owner of any such Series 2010B Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate 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 the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2010B Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default 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 thereof. If the funds then available to the Trustee are sufficient to pay the redemption price of the Series 2010B and other Certificates that are subject to redemption, 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 of the Series 2010B Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) 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 Leases; (bb) subject to the applicable provisions of the Indenture, immediately begin to exercise and diligently pursue all remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default; and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

(b) ***Optional Redemption***. The Series 2010B Certificates maturing on and after March 15, ~~20__~~2021 are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations pro rata from the remaining maturities and within each maturity, on any date on and after March 15, ~~20__,~~2020, at a redemption price equal to the principal amount of the Series 2010B Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.

(c) ***Extraordinary Optional Redemption***. The Series 2010B Certificates are subject to extraordinary redemption at the option of the State, in whole or in part and if in part in Authorized Denominations pro rata from the remaining maturities and within each maturity, on any date designated by the State following the State's determination (which determination shall be conclusive and not subject to challenge) that a Taxable Build

America Certificates Tax Law Change has occurred, at a redemption price equal to accrued interest to the redemption date plus the greater of (i) the principal amount of the Series 2010B Certificates to be redeemed~~, plus accrued interest~~ and (ii) the present value of all principal and interest payments scheduled to be paid on the Series 2010B Certificates after the redemption date, discounted to the redemption date on a semiannual basis at the Treasury Rate plus 100 basis points.

(d) ***Mandatory Pro Rata Redemption***. The Series 2010B Certificates maturing on March 15, ~~20~~ 2025 and March 15, 2030 are subject to mandatory pro rata redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2010B Certificates maturing on a particular date shall be selected for redemption on each mandatory pro rata redemption date on a pro rata basis (and not by lot) from all Series 2010B Certificates maturing on such date, rounded to the nearest Authorized Denomination.

Series 2010B Certificates maturing on March 15, ~~20~~ 2025

Mandatory Pro Rata Redemption Date (March 15)	**Principal Amount**
2023	$3,175,000
2024	3,290,000
2025*	9,385,000

* Maturity date

Series 2010B Certificates maturing on March 15, 2030

Mandatory Pro Rata Redemption Date (March 15)	**Principal Amount**
2026	$ 9,735,000
2027	10,130,000
2028	10,540,000
2029	10,970,000
2030*	11,415,000

* ~~Final maturity~~Maturity date

At its option, to be exercised on or before the forty-fifth day next preceding each mandatory pro rata redemption date, the State may (i) deliver to the Trustee for cancellation any of the Certificates of the same Series and with the same maturity date as

the Certificates subject to such mandatory pro rata redemption and (ii) receive a credit in respect of its mandatory pro rata redemption obligation for any Certificates of the same Series and with the same maturity date as the Certificates subject to such mandatory pro rata redemption which prior to such date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against any mandatory pro rata redemption obligation. Each Certificate so delivered or previously redeemed shall be credited at the principal amount thereof to the mandatory pro rata redemption obligation on such mandatory pro rata redemption date, and the principal amount of Certificates of such Series to be redeemed as part of such mandatory pro rata redemption on such date shall be accordingly reduced.

Section 1.04. ~~**Section 2.04.**~~ **Form of Certificates**. The Series 2010B Certificates shall be in substantially the form set forth in Appendix ~~B~~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 ~~B~~A is an integral part of this Series 2010B-C Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.

ARTICLE II~~ARTICLE III~~

TAX-EXEMPT CERTIFICATES

Section 2.01. ~~**Section 3.01.**~~ **Authorization and Name**. The following Tax-Exempt Certificates shall be executed and delivered pursuant to this Series 2010B-C Supplemental Indenture: State of Colorado Building Excellent Schools Today Certificates of Participation, Tax-Exempt Series 2010C.

Section 2.02. ~~**Section 3.02.**~~ **Principal Amounts, Dated Dates, Maturity Dates and Interest**.

(a) The Series 2010C Certificates are hereby designated as Tax-Exempt Certificates.

(b) The aggregate principal amount of the Series 2010C Certificates shall be $~~_____~~.13,970,000.

(c) The Authorized Denominations of the Series 2010C Certificates are $5,000 and any integral multiple thereof.

(d) The Series 2010C Certificates executed and delivered on the date the Series 2010C Certificates are first executed and delivered shall be dated the date they are originally executed and delivered and shall bear interest from such date. Any Series 2010C Certificate executed and delivered upon transfer and exchange of another Series 2010C Certificate shall be dated as of its date of authentication and shall bear interest from the Interest Payment Date next preceding its date of authentication, unless the date of authentication is an Interest Payment Date in which case such Series 2010C Certificate shall bear interest from such Interest Payment Date or unless the date of authentication

precedes the first Interest Payment Date in which case such Series 2010C Certificate shall bear interest from the date the Series 2010C Certificates are first executed and delivered.

(e) Interest on the Series 2010C Certificates shall be calculated based on a 360-day year consisting of twelve 30-day months.

(f) The Series 2010C Certificates shall mature on the dates and in the principal amounts, and shall bear interest at the per annum rates, set forth below:

Maturity Date (March 15)	Principal Amount	Interest Rate
2011	$2,175,000	2.000%
2012	2,205,000	3.000
2013	2,275,000	3.000
2014	2,340,000	4.000
2015	2,435,000	4.000
2016*	2,000,000	4.000
2016*	540,000	5.000

* Split maturity

Section 2.03. ~~**Section 3.03.**~~ **Redemption**.

(a) ***Extraordinary Redemption Upon Occurrence of Event of Nonappropriation or Event of Default***. The Series 2010C Certificates shall be redeemed in whole, on such date as the Trustee may determine to be in the best interests of the Owners, upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, at a redemption price equal to the lesser of (i) the principal amount of the Series 2010C Certificates (with no premium), plus accrued interest to the redemption date; or (ii) the sum of (A) the amount, if any, received by the Trustee from the exercise of remedies under the Leases with respect to the Event of Nonappropriation or the occurrence and continuation of the Event of Default under any Lease that gave rise to such redemption and (B) the other amounts available in the Trust Estate for payment of the redemption price of the Series 2010C Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease, which amounts shall be allocated among the Series 2010C Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under any Lease 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 Series 2010C Certificate pursuant to this redemption provision and any similar redemption provision applicable to any other Certificate shall be deemed to be the payment in full of such Series 2010C Certificate and such other Certificate, and no Owner of any such**

Series 2010C Certificate or other Certificate redeemed pursuant to this redemption provision or any similar redemption provision applicable to such other Certificate 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 the occurrence of an Event of Nonappropriation or an Event of Default under any Lease, notify the Owners of the Series 2010C Certificates and all other Certificates that are subject to redemption upon the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default 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 thereof. If the funds then available to the Trustee are sufficient to pay the redemption price of the Series 2010C and other Certificates that are subject to redemption, 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 of the Series 2010C Certificates and other Certificates that are subject to redemption, the Trustee shall (aa) 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 Leases; (bb) subject to the applicable provisions of the Indenture, immediately begin to exercise and diligently pursue all remedies available to it under the Leases in connection with such Event of Nonappropriation or Event of Default; and (cc) pay the remainder of the redemption price, if any, if and when funds become available to the Trustee from the exercise of such remedies.

(b) ***Optional Redemption***. The Series 2010C Certificates ~~maturing on and after March 15, 20__ are subject to redemption at the option of the State, in whole or in part and if in part in Authorized Denominations in such order of maturities as the State shall determine and by lot within a maturity, on any date on and after March 15, 20__ at a redemption price equal to the principal amount of the Series 20010B Certificates to be redeemed (with no premium), plus accrued interest to the redemption date.~~are not subject to redemption at the option of the State.

~~(c) ***Mandatory Sinking Fund Redemption***. The Series 2010C Certificates maturing on March 15, 20__ are subject to mandatory sinking fund redemption on March 15 of the years and in the principal amounts set forth below at a redemption price equal to the principal amount thereof (with no premium), plus accrued interest to the redemption date. The Series 2010C Certificates maturing on a particular date shall be selected for redemption on each mandatory sinking fund redemption date by lot from all Series 2010B Certificates maturing on such date, rounded to the nearest Authorized Denomination.~~

~~**Series 2010C Certificates maturing on March 15, 20__**~~

~~Mandatory Sinking Fund Redemption Date (March 15)~~	~~Principal Amount~~
	~~$~~

*

* Final maturity

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

Section 2.04. **Section 3.04.** **Form of Certificates**. The Series 2010C Certificates shall be in substantially the form set forth in Appendix CB 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 C is an integral part of this Series 2010B-C Supplemental Indenture and is incorporated herein as if set forth in full in the body hereof.

ARTICLE IIIARTICLE IV

SEPARATE ACCOUNTS AND SUBACCOUNTS FOR EACH SERIES OF CERTIFICATES

Section 3.01. **Section 4.01.** **Creation of Separate Accounts and Subaccounts**. The Trustee shall create the separate accounts and subaccounts in the funds and accounts described below in order to account for the Lease Revenues paid with respect to each Series of Certificates, the proceeds of each Series of Certificates and earnings from the investment of moneys in each such account and subaccount. The name of each such account and subaccount shall include the Series designation of the appropriate Series of Certificates. The following are the separate accounts and subaccounts to be created:

(a) if the Costs of a Sublessee's Project are to be funded from proceeds of more than one Series of Certificates, a separate Project Account for each such Series of Certificates;

(b) separate accounts of the State Expense Fund and the Rebate Fund;

(c) separate Sinking Fund Accounts for each Series of Qualified School Construction Certificates; and

(d) separate subaccounts of the Interest Account, the Principal Account, the Purchase Option Account and the Costs of Issuance Account.

Section 3.02. ~~**Section 4.02.**~~ **Separate Project Accounts**. Notwithstanding any provision of Article III of the Master Indenture, if more than one Project Account is established for the payment of Costs of a Sublessee's Project, moneys shall be disbursed from such Project Accounts to pay Costs of the Sublessee's Project in the following order: first, from any Project Account into which proceeds of Qualified School Construction Certificates have been deposited; second, from any Project Account into which proceeds of Taxable Build America Certificates have been deposited; and, third, from any Project Account into which proceeds of Tax-Exempt Certificates have been deposited. If separate Project Accounts have been funded with proceeds of more than one Series of Certificates with the same Tax Treatment Designation, moneys shall be withdrawn from such Project Accounts to pay Costs of the Sublessee's Projects in the order in which such Series of Certificates were executed and delivered.

~~**ARTICLE V**~~

~~**GLOSSARY**~~

ARTICLE IV

AMENDMENTS TO MASTER INDENTURE

Section 4.01. **Amended and Restated Form of Project Account Requisition**. The form of Project Account Requisition attached as Appendix A to the original Master Indenture is hereby amended and restated in its entirety in Appendix C hereto.

Section 4.02. **Amended and Restated Glossary**. In accordance with Section 8.01 of the Master Indenture, the Trustee hereby amends, supplements and restates the Glossary as set forth in Appendix ~~G~~E hereto based on the written direction by the State in the Series 2010B-C Lease and the written certification by the State in the 2010B-C Lease that, after such amendment, supplement and restatement the Glossary is accurate and that such amendment, supplement and restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases.

Section 4.03. **References to Subleases and Sublessees**. In order to accommodate the leasing of Leased Property to the Trustee pursuant to a Site Lease by a Participating K-12 Institution's Chartering Authority and the financing of Projects for Participating K-12 Institutions that are not Sublessees pursuant to Participation Agreements, whenever, in the body

of the Master Indenture or any appendix to the Master Indenture, except Appendices A and C to the original Master Indenture (which are amended and restated in their entirety pursuant to Section 4.01 and 4.02 hereof):

(a) the term "Sublessee" is used to refer to the lessor under a Site Lease, such term shall be replaced with "Site Lessor";

(b) the term "Sublessee" is used to refer to a Project of a Sublessee, the Project Account of a Sublessee, the financing of a Project for a Sublessee, the Costs of a Sublessee's Project or payments by a Sublessee pursuant to a Sublease, such term shall be replaced with "Participating K-12 Institution"; and

(c) the term "Sublease" is used, such term shall be replaced with "Sublease or Participation Agreement," except where the term Sublease is used with respect to the terms of a Sublease granting a Sublessee the option to purchase the Leased Property subject to its Sublease (because a Participating K-12 Institution that is not a Sublessee does not have the option to purchase any Leased Property).

ARTICLE V~~ARTICLE VI~~

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 2010B-C Supplemental Indenture as if set forth in full herein.

ARTICLE VI~~ARTICLE VII~~

MISCELLANEOUS

Section 6.01. ~~**Section 7.01.**~~ **Titles, Headings, Etc**. The titles and headings of the articles, sections and subdivisions of this Series 2010B-C 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 6.02. ~~**Section 7.02.**~~ **Interpretation and Construction**. This Series 2010B-C 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 2010B-C Supplemental Indenture. For purposes of this Series 2010B-C Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) All references in this Series 2010B-C 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 2010B-C Supplemental Indenture. The words "herein," "hereof," "hereto," "hereby," "hereunder" and other words of similar import refer to this

Series 2010B-C 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 applicable to governmental entities and subject to statutory exceptions and modifications, 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 6.03. ~~Section 7.03.~~ Legal Description of Land Included in Leased Property Subject to 2010B-C Lease; Amendment of Master Indenture and Series 2009A Supplemental Indenture.

(a) The legal description of the land included in the Leased Property subject to the 2010B-C Lease is set forth in Appendix D hereto. If the land included in the Leased Property subject to the 2010B-C Lease is modified pursuant to the terms of the 2010B-C Lease or other land is substituted for land included in the Leased Property subject to the 2010B-C Lease pursuant to the terms of the 2010B-C Lease, the legal description set forth in Appendix D hereto will be amended to describe the land included in the Leased Property subject to the 2010B-C Lease after such modification or substitution.

(b) The Leased Property subject to the 2010B-C Lease described in Appendix D hereto and the Leased Property subject to the 2009A Lease described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture (as well as any additional Leased Property subject to any additional Building Excellent Schools Today Lease Purchase Agreement) are part of the Leased Property that is subject to the Indenture. Accordingly, **this Section and Appendix D hereto are amendments to the Master Indenture and the Series 2009A Supplemental Indenture and to the legal description of land included in the Leased Property described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture; and the Leased Property subject to the Master Indenture and the 2009A Supplemental Indenture include both (i) the land described in Appendix B to the Master Indenture and Appendix B to the Series 2009A Supplemental Indenture and (ii) the property described in Appendix D hereto**.

Section 6.04. ~~Section 7.04.~~ Execution in Counterparts. This Series 2010B-C 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 6.05. ~~**Section 7.05.**~~ **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 2010B-C Supplemental Indenture as if set forth in full herein.

IN WITNESS WHEREOF, the Trustee has executed this Series 2010B-C Supplemental Indenture as of the date first above written.

ZIONS FIRST NATIONAL BANK, as Trustee

By _____
Authorized Signatory

[Signature Page to Series 2010B-C Supplemental Indenture]

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of _____, by Stephanie Nicholls, 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:

_____

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APPENDIX A

~~FORM OF SERIES 2010A 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 2010A**~~

~~Supplemental Interest Rate~~	~~Maturity Date~~	~~Tax Credit Rate~~	~~Delivery Date~~	~~CUSIP~~
~~_____%~~	~~_____, 20___~~	~~_____%~~	~~_____, 20___~~	~~_____~~

~~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 amounts payable by the State of Colorado (the "State") under the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated August 12, 2009, the State of Colorado Building Excellent Schools Today Series 2010 Lease Purchase Agreement dated as of _____, 2010 and any other Building Excellent Schools Today Lease Purchase Agreement executed and delivered pursuant to the below-defined Indenture (collectively, the "Leases") by and between Zions First National Bank, Denver, Colorado, it capacity as trustee under the Indenture (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 dated as of August 12, 2009 (the "Master Indenture") by the Trustee, as amended and supplemented by the State of Colorado Building Excellent Schools Today Series 2010 Supplemental Indenture dated as of _____, 2010 (the "Series 2010 Supplemental Indenture"; the Master Indenture, as previously supplemented by the State of Colorado Building Excellent Schools Today Series 2009 Supplemental Indenture dated as of August 12, 2009 by the Trustee and as amended and supplemented by the Series 2010 Supplemental Indenture is referred to as the "Indenture") by the Trustee. Pursuant to the Indenture, certain rights of the Trustee as lessor under the Leases and certain rights of the Trustee in the property leased by the Trustee, as lessor, to the State, as lessee, pursuant to the~~

~~Leases 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 2010A (the "Series 2010A Certificates") and other Certificates issued pursuant to the Indenture (collectively, "Certificates") evidencing undivided interests in the right to receive amounts payable by the State under the Leases. Capitalized terms used but not defined herein have the meaning assigned to them in the Glossary attached to the Master Indenture, as such Glossary has been amended, supplemented and restated by the Glossary attached to the Series 2010 Supplemental Indenture and as it may be further amended, supplemented and restated from time to time.~~

~~Payment of Principal and Interest~~

~~The principal of and premium, if any, on this certificate shall be payable to the Owner as shown on the registration records of the Trustee upon maturity or prior redemption of this certificate and upon presentation and surrender at the Operations Center of the Trustee. Payment of Supplemental Interest at the Supplemental Interest Rate set forth above is payable each March 15 and September 15, commencing September 15, 2010 (each, an "Interest Payment Date"), by check or draft of the Trustee mailed on or before such Interest Payment Date to the Owner of this certificate at its address as it last appears on the registration records of the Trustee at the close of business on the Record Date, which is the first day of the calendar month in which such interest is payable (whether or not a Business Day). Any Tax Credit Loss Interest and Additional Tax Credit Loss Interest will be paid in the same manner as Supplemental Interest, except that Tax Credit Loss Interest shall be payable on the Tax Credit Loss Interest Payment Dates described below and Additional Tax Credit Loss Interest shall be payable on the September 15 Tax Credit Loss Interest Payment Dates as described below. Any such interest not so timely paid shall cease to be payable to the person who is the Owner of this certificate at the close of business on the Record Date and shall be payable to the person who is the Owner of this certificate 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 this certificate and the Trustee.~~

~~Tax Credit Loss Interest and Additional Tax Credit Loss Interest~~

~~If a Tax Credit Loss Determination has occurred with respect to the Series 2010A Certificates, in addition to Supplemental Interest, Tax Credit Loss Interest and Additional Tax Credit Loss Interest, if any, shall be payable to the Owner of this certificate in the amounts and on the dates described below:~~

~~(i) Tax Credit Loss Interest at a rate equal to the Tax Credit Rate set forth above from and after the Tax Credit Conversion Date through the final maturity or prior redemption of each Series 2010A Certificate, payable on (A) each March 15, June 15, September 15 and December 15 following a Tax Credit Conversion Date for the Series~~

~~2010A Certificates through the date this certificate matures or is redeemed and (B) the date on which this certificate matures or is redeemed (each a "Tax Credit Loss Interest Payment Date").~~

~~(ii) Additional Tax Credit Loss Interest equal to the amount, if any, of Tax Credits that the Owner of this certificates would have been entitled to claim (assuming it had sufficient taxable income) on its federal income tax returns with respect to Tax Credit Allowance Dates occurring on or before the Tax Credit Conversion Date that are ineligible as Tax Credits as a result of the Tax Credit Loss Determination, plus interest on such amount from the applicable Tax Credit Allowance Date to the date such Additional Tax Credit Loss Interest is paid, calculated at a rate equal to the rate for large corporate underpayments determined from time-to-time by the Internal Revenue Service pursuant to Section 6621(c) of the Code. The Additional Tax Credit Loss Interest payable pursuant to this clause (ii) shall be paid on the first September 15 Tax Credit Loss Interest Payment Date following the Tax Credit Conversion Date, subject, however, to the Annual Tax Credit Loss Interest Limit described in clause (iii) below.~~

~~(iii) The amount of Additional Tax Credit Loss Interest payable in any Fiscal Year is limited to the difference between the dollar amount set forth in the Maximum Annual Tax Credit Loss Interest column in Exhibit B to the 2010 Lease for Base Rent Payment Dates occurring in such Fiscal Year, minus the Tax Credit Loss Interest payable in such Fiscal Year (which limit is referred to as the "Annual Tax Credit Loss Interest Limit"). If and to the extent Additional Tax Credit Loss Interest cannot be paid in a Fiscal Year because of the application of the Annual Tax Credit Loss Interest Limit, the amount that cannot be paid (including interest on such amount, calculated as described in clause (ii) above) shall be paid on the following September 15 Tax Credit Loss Interest Payment Date(s) to the extent it can be paid under the Annual Tax Credit Loss Limit for that Fiscal Year.~~

~~Base Rent and Additional Rent; Termination of Leases~~

~~Under the Leases, the Leased Property has been leased by the Trustee to the State; and the State has agreed, subject to the terms of the Leases, 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 Leases, to make certain other payments as Additional Rent with respect to costs and expenses incurred by the State in performing its obligations under the Leases other than its obligations with respect to Base Rent and the State's Purchase Option Price.~~

~~The Lease Term of each Lease is the Initial Term commencing on the date such 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 each 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 such 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 subject to such Lease~~

~~by the State pursuant to such Lease; or (d) termination of such Lease following an Event of Default in accordance such Lease.~~

~~Upon termination of the Lease Term of a Lease, all unaccrued obligations of the State under such 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 2010A Certificates~~

~~[INSERT REDEMPTION PROVISIONS FROM SUPPLEMENTAL INDENTURE; HEADINGS BOLD ITALICS AND INDENTED]~~

~~Notice of Redemption~~

~~Notice of the call for any redemption, identifying the Series 2010A 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 2010A 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 2010A Certificates called for redemption, which moneys are or will be available for redemption of Series 2010A 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 Leases or the 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 Leases or the 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 additional Series of Certificates secured by the Trust Estate on parity with the Outstanding Certificates, without notice to or approval of the owners of the Outstanding Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. If any additional Series of Certificates are executed and delivered, an existing Lease must be amended or an additional Lease must 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 with respect to this certificate on its federal income tax return in accordance with and subject to Sections 54F and 54A of the Code and, under certain circumstances, may be entitled to receive Tax Credit Loss Interest and Additional Tax Credit Loss Interest (all of which, collectively, are referred to as the Tax Credit Component of this certificate). The other rights of the Owner of this certificate are referred to as the Principal Component of this certificate and include the right to payment of the principal of and Supplemental Interest on this certificate in accordance with the Indenture and the other rights of the Owner of this certificate under the Indenture based on the principal amount of this certificate that are not included in the Tax Credit Component. Each Series 2010A Certificate will initially be delivered in a form that combines the Tax Credit Component and the Principal Component of such Series 2010A Certificate but with a Tax Credit Coupon attached. In accordance with the Series 2010 Supplemental Indenture, upon receipt by the Trustee of a Stripping Request in the form of Appendix F to the Series 2010 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 2010 Supplemental Indenture, which includes, among other provisions, provisions for the allocation of the redemption price of Series 2010A 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.~~

Miscellaneous

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.

No provision of the Certificates, the Indenture, any Lease, any Sublease, any Matching Moneys Bond or any other document or instrument 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.

The State 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 (the "Code"). Although this certificate evidences an undivided interest in the right to receive amounts designated as and payable as interest by the State under the Leases, interest received by the Owner of this certificate is not excludable from gross income for federal income tax purposes under Section 103 of the Code.

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 2010 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 2010A 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: _____~~

~~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 2010A

_____ Notional amount: $_____

Sale Date of Related Certificate	Issuance Date of Related Certificate	Maturity Date of Related Certificate	Tax Credit Rate	CUSIP no. of Related Certificate before Stripping	CUSIP no. of Related Principal Strip after Stripping
_____	_____	_____	____%	_____	_____

Tax Credit Allowance Date	CUSIP number of Tax Credit Coupon and Tax Credit Strip	Tax Credit Allowance Date	CUSIP number of Tax Credit Coupon and Tax Credit Strip	Tax Credit Allowance Date	CUSIP number of Tax Credit Coupon and Tax Credit Strip	Tax Credit Allowance Date	CUSIP number of Tax Credit Coupon and Tax Credit Strip
-		-		9/15/2009		12/15/2009	
3/15/2010		6/15/2010		9/15/2010		12/15/2010	
3/15/2011		6/15/2011		9/15/2011		12/15/2011	
3/15/2012		6/15/2012		9/15/2012		12/15/2012	
3/15/2013		6/15/2013		9/15/2013		12/15/2013	
3/15/2014		6/15/2014		9/15/2014		12/15/2014	
3/15/2015		6/15/2015		9/15/2015		12/15/2015	
3/15/2016		6/15/2016		9/15/2016		12/15/2016	
3/15/2017		6/15/2017		9/15/2017		12/15/2017	
3/15/2018		6/15/2018		9/15/2018		12/15/2018	
3/15/2019		6/15/2019		9/15/2019		12/15/2019	
3/15/2020		6/15/2020		9/15/2020		12/15/2020	
3/15/2021		6/15/2021		9/15/2021		12/15/2021	
3/15/2022		6/15/2022		9/15/2022		12/15/2022	
3/15/2023		6/15/2023		9/15/2023		12/15/2023	
3/15/2024				-		-	
-		-		-		-	

Dated: _____, 2010

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 2010A

~~identified above (the "Related Certificate"), which has been designated as a qualified school construction bond pursuant to Section 54F of the Code. 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 dated as of August 12, 2009 (the "Master Indenture") by Zions First National Bank, as Trustee, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2010 Supplemental Indenture dated as of _____ __ 2010 (the "Series 2010 Supplemental Indenture") by the Trustee and as it may be further amended, supplemented and restated from time to time. The Master Indenture, as supplemented by the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Indenture dated as of August 12, 2009 by the Trustee and as amended and supplemented by the Series 2010 Supplemental Indenture is referred to as the "Indenture."~~

~~The Owner of this Tax Credit Coupon on (a) each March 15, June 15, September 15, and December 15, beginning on the date of issuance of the Related Certificate and ending on the date the Related Certificate matures or is redeemed and (b) the date on which the Related Certificate matures or is redeemed (the "Tax Credit Allowance Dates") shall have the right to claim a credit on its federal income tax return in an amount equal to 25% of the annual credit determined with respect to the Related Certificate (adjusted for periods of less than three months), being the product of: (i) the applicable Tax Credit Rate set forth above and (ii) the outstanding face amount of the Related Certificate.~~

~~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 2010 Supplemental Indenture, which includes, among other provisions, provisions for the allocation of the redemption price of Series 2010 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, 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, 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, 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~~

FORM OF SERIES 2010B CERTIFICATE

The State of Colorado, acting by and through the State Treasurer, has designated this certificate as a taxable build America bond within the meaning of Section 54AA 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
TAXABLE BUILD AMERICA SERIES 2010B

Interest Rate	Maturity Date	Delivery Date	CUSIP
_____%	March 15, 20__	~~_____,~~March 16, 2010	_____

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 amounts payable by the State of Colorado (the "State") under the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated August 12, 2009, the State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement dated as of ~~_____,~~March 16, 2010 and any other Building Excellent Schools Today Lease Purchase Agreement executed and delivered pursuant to the below-defined Indenture (collectively, the "Leases") by and between Zions First National Bank, Denver, Colorado, it capacity as trustee under the Indenture (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 dated as of August 12, 2009 (the "Master Indenture") by the Trustee, as amended and supplemented by the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Indenture dated as of ~~_____,~~March 16, 2010 (the "Series 2010B-C Supplemental Indenture"; the Master Indenture, as previously supplemented by the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Indenture dated as of August 12, 2009 by the Trustee and as amended and supplemented by the Series 2010B-C Supplemental Indenture is referred to as the "Indenture") by the Trustee. Pursuant to the Indenture, certain rights of the Trustee as lessor under the Leases and certain rights of the Trustee in the property leased by the Trustee, as lessor, to the State, as lessee, pursuant to the Leases 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 Taxable Build America Series 2010B (the "Series 2010B Certificates") and other Certificates issued pursuant to the Indenture (collectively, "Certificates") evidencing undivided interests in the right to receive amounts payable by the State under the Leases. Capitalized terms used but not defined herein have the meaning assigned to them in the Glossary attached to the Master Indenture, as such Glossary has been amended, supplemented and restated by the Glossary attached to the Series 2010B-C Supplemental Indenture and as it may be further amended, supplemented and restated from time to time.

Payment of Principal and Interest

The principal of and premium, if any, on this certificate shall be payable to the Owner as shown on the registration records of the Trustee upon maturity or prior redemption of this certificate and upon presentation and surrender at the Operations Center of the Trustee. Payment of Interest at Interest rate set forth above is payable each March 15 and September 15, commencing September 15, 2010 (each, an "Interest Payment Date"), by check or draft of the Trustee mailed on or before such Interest Payment Date to the Owner of this certificate at its address as it last appears on the registration records of the Trustee at the close of business on the Record Date, which is the first day of the calendar month in which such interest is payable (whether or not a Business Day). Any such interest not so timely paid shall cease to be payable to the person who is the Owner of this certificate at the close of business on the Record Date and shall be payable to the person who is the Owner of this certificate 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 this certificate and the Trustee.

Base Rent and Additional
Rent; Termination of Leases

Under the Leases, the Leased Property has been leased by the Trustee to the State; and the State has agreed, subject to the terms of the Leases, 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 Leases, to make certain other payments as Additional Rent with respect to costs and expenses incurred by the State in performing its obligations under the Leases other than its obligations with respect to Base Rent and the State's Purchase Option Price.

The Lease Term of each Lease is the Initial Term commencing on the date such 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 each 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 such 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 subject to such Lease by the State pursuant to such Lease; or (d) termination of such Lease following an Event of Default in accordance such Lease.

Upon termination of the Lease Term of a Lease, all unaccrued obligations of the State under such 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 2010B Certificates

[INSERT REDEMPTION PROVISIONS FROM SUPPLEMENTAL INDENTURE; HEADINGS BOLD ITALICS AND INDENTED]

Notice of Redemption

Notice of the call for any redemption, identifying the Series 2010B 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 2010B 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 2010B Certificates called for redemption, which moneys are or will be available for redemption of Series 2010B 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 Leases or the 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 Leases or the 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 additional Series of Certificates secured by the Trust Estate on parity with the Outstanding Certificates, without notice to or approval of the owners of the Outstanding Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. If any additional Series of Certificates are executed and delivered, an existing Lease must be amended or an additional Lease must 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.

Miscellaneous

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.

No provision of the Certificates, the Indenture, any Lease, any Sublease, any Participation Agreement, any Matching Moneys Bond or any other document or instrument 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.

The State has designated this certificate as a taxable build America bond within the meaning of Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"). Although this certificate evidences an undivided interest in the right to receive amounts designated as and payable as interest by the State under the Leases, interest received by the Owner of this certificate is not excludable from gross income for federal income tax purposes under Section 103 of the Code.

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

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:

_____

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APPENDIX ~~C~~B

FORM OF SERIES 2010C CERTIFICATE

No. R-___ $_____

STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION
TAX-EXEMPT SERIES 2010C

Interest Rate	**Maturity Date**	**Delivery Date**	**CUSIP**
_____%	March 15, 20__	~~_____,~~March 16, 2010	_____

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 amounts payable by the State of Colorado (the "State") under the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated August 12, 2009, the State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement dated as of ~~_____,~~March 16, 2010 and any other Building Excellent Schools Today Lease Purchase Agreement executed and delivered pursuant to the below-defined Indenture (collectively, the "Leases") by and between Zions First National Bank, Denver, Colorado, ~~it~~in its capacity as trustee under the Indenture (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 dated as of August 12, 2009 (the "Master Indenture") by the Trustee, as amended and supplemented by the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Indenture dated as of ~~_____,~~March 16, 2010 (the "Series 2010B-C Supplemental Indenture"; the Master Indenture, as previously supplemented by the State of Colorado Building Excellent Schools Today Series 2009A Supplemental Indenture dated as of August 12, 2009 by the Trustee and as amended and supplemented by the Series 2010B-C Supplemental Indenture is referred to as the "Indenture") by the Trustee. Pursuant to the Indenture, certain rights of the Trustee as lessor under the Leases and certain rights of the Trustee in the property leased by the Trustee, as lessor, to the State, as lessee, pursuant to the Leases 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 Tax-Exempt Series 2010C (the "Series 2010C Certificates") and other Certificates issued pursuant to the Indenture (collectively, "Certificates") evidencing undivided interests in the right to receive amounts payable by the State under the Leases. Capitalized terms used but not defined herein have the meaning assigned to them in the Glossary

attached to the Master Indenture, as such Glossary has been amended, supplemented and restated by the Glossary attached to the Series 2010B-C Supplemental Indenture and as it may be further amended, supplemented and restated from time to time.

Payment of Principal and Interest

The principal of and premium, if any, on this certificate shall be payable to the Owner as shown on the registration records of the Trustee upon maturity or prior redemption of this certificate and upon presentation and surrender at the Operations Center of the Trustee. Payment of Interest at Interest rate set forth above is payable each March 15 and September 15, commencing September 15, 2010 (each, an "Interest Payment Date"), by check or draft of the Trustee mailed on or before such Interest Payment Date to the Owner of this certificate at its address as it last appears on the registration records of the Trustee at the close of business on the Record Date, which is the first day of the calendar month in which such interest is payable (whether or not a Business Day). Any such interest not so timely paid shall cease to be payable to the person who is the Owner of this certificate at the close of business on the Record Date and shall be payable to the person who is the Owner of this certificate 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 this certificate and the Trustee.

Base Rent and Additional
Rent; Termination of Leases

Under the Leases, the Leased Property has been leased by the Trustee to the State; and the State has agreed, subject to the terms of the Leases, 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 Leases, to make certain other payments as Additional Rent with respect to costs and expenses incurred by the State in performing its obligations under the Leases other than its obligations with respect to Base Rent and the State's Purchase Option Price.

The Lease Term of each Lease is the Initial Term commencing on the date such 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 each 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 such 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 subject to such Lease by the State pursuant to such Lease; or (d) termination of such Lease following an Event of Default in accordance such Lease.

Upon termination of the Lease Term of a Lease, all unaccrued obligations of the State under such 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 2010C Certificates

[INSERT REDEMPTION PROVISIONS FROM SUPPLEMENTAL INDENTURE; HEADINGS BOLD ITALICS AND INDENTED]

Notice of Redemption

Notice of the call for any redemption, identifying the Series 2010C 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 2010C 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 2010C Certificates called for redemption, which moneys are or will be available for redemption of Series 2010C 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 Leases or the 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 in the Indenture. The Indenture also contains provisions permitting amendments to the Leases or the 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 additional Series of Certificates secured by the Trust Estate on parity with the Outstanding Certificates, without notice to or approval of the owners of the Outstanding Certificates, as directed by the State and upon satisfaction of certain conditions, all as provided in the Master Indenture. If any additional Series of Certificates are executed and delivered, an existing Lease must be amended or an additional Lease must 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.

Miscellaneous

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.

No provision of the Certificates, the Indenture, any Lease, any Sublease, any Participation Agreement, any Matching Moneys Bond or any other document or instrument 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.

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

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:

_____

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APPENDIX ~~D~~

~~LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY SUBJECT TO THE 2010 LEASE~~C

FORM OF PROJECT ACCOUNT REQUISITION

~~APPENDIX E~~

~~TABLE OF REDEMPTION VALUES~~

~~APPENDIX F~~

~~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~~Master Trust Indenture
dated as of August 12, 2009

~~Qualified School Construction Series 2010A~~

Ladies and Gentlemen:

~~The undersigned is the Owner of~~This Project Account Requisition is delivered by the Participating K-12 Institution identified below (the "Participating K-12 Institution") 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 ~~Certificates of Participation Qualified School Construction Series 2010A identified below (the "Certificate to be Stripped~~Master Trust Indenture dated as of August 12, 2009, as supplemented and amended by the Building Excellent Schools Today Series 2009A Supplemental Trust Indenture dated as of September 12, 2009 and the Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated as of March 16, 2010 and as it may be further supplemented or amended from time-to-time by Supplemental Indentures or otherwise (the "Master Indenture"). Capitalized terms used but not defined herein have the

meanings assigned to them in the ~~Glossary attached to the Master Trust Indenture dated as of August 12, 2009 by Zions First National Bank, as trustee, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2010 Supplemental Indenture dated as of _____, 2010 (the "Series 2010 Supplemental Indenture"), and as it may be further amended, supplemented and restated. In accordance with Section 1.06 of the Series 2010 Supplemental Indenture, the undersigned hereby requests that the Trustee:~~Master Indenture.

The Participating K-12 Institution and the State, in accordance with the Master Indenture and the Participating K-12 Institution's Sublease or Participation Agreement, hereby requisitions the dollar amount described below from the Project Account identified below to pay, or reimburse the Participating K-12 Institution for the payment of, Costs of the Project for which such Project Account was established.

Representations of State and Participating K-12 Institution.

1. The State and, if the Participating K-12 Institution is a Sublessee under a Sublease, the Participating K-12 Institution, each represent that, if this Requisition is the first requisition for a withdrawal from the Participating K-12 Institution'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 Participating K-12 Institution 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 Fair Market Value of the Sublessee's Leased Property or (b) the amount required to support the certification of the State with respect to the Series of Certificates from which such Sublessee's Project Account was funded pursuant to Section 2.09(d)(i) of the Master Indenture.

2. The State and the Participating K-12 Institution represent that the Participating K-12 Institution 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 State and the Participating K-12 Institution represent that the total amount withdrawn from the Participating K-12 Institution's 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 Master Indenture.

Representations of Participating K-12 Institution. The Participating K-12 Institution represents that:

(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 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");~~This Requisition is not for an amount that the Participating K-12 Institution does not intend to pay to a Contractor or material supplier because of a dispute or other reason.

(b) ~~assign a CUSIP number to such Tax Credit Coupon that is distinct from the CUSIP number for the Certificate to be Stripped before it is Stripped, and the new CUSIP number assigned to the Principal Strip pursuant to 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");~~If the Participating K-12 Institution is a Sublessee under a Sublease, (i) 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; and (ii) 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) ~~deliver the Principal Strip and the Tax Credit Strip in accordance with the delivery instructions set forth below; and~~If the Participating K-12 Institution is a Sublessee under a Sublease and if the moneys withdrawn pursuant to this Requisition are to be used to pay, or to reimburse the Participating K-12 Institution 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) ~~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~~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.

~~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:~~

(e) If the Participating K-12 Institution is a Sublessee under a Sublease, the Sublease is in full force and effect and no Event of Default or Event of Nonappropriation has occurred and is continuing thereunder; if the Participating K-12 Institution is a Participant under a Participation Agreement, such Participation Agreement is in full force and effect no default by such Participating K-12 Institution has occurred and is continuing thereunder; and, if the Participating K-12 Institution has delivered a Matching Moneys Bond to the State, such Matching Moneys Bond is in full force and effect and the Participating K-12 Institution has paid all amounts due under, and is not otherwise in default with respect to any of its obligations with respect to, such Matching Money Bond.

Representations of State. The State represents that no Event of Default or Event of Nonappropriation has occurred and is continuing under any Lease.

PROJECT ACCOUNT CERTIFICATE SERIES: _____

NAME OF PARTICIPATING K-12 INSTITUTION: _____

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 or Participant Representative of the Participating K-12 Institution and the State Representative and is authorized to sign and deliver this Requisition to the Trustee pursuant to the Indenture.

NAME OF SUBLESSEE REPRESENTATIVE OR PARTICIPANT REPRESENTATIVE:

_____

By _____

~~SOCIAL SECURITY OR TAX IDENTIFICATION NUMBER OF OWNER OF CERTIFICATE TO BE STRIPPED:~~

_____

~~SIGNATURE GUARANTEED BY MEMBER OF A SIGNATURE MEDALLION SIGNATURE PROGRAM:~~

_____

Sublessee Representative or Participant 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 ~~G~~D

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY SUBJECT TO THE 2010B-C LEASE

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APPENDIX E

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 a Lease, the costs and expenses incurred by the State in performing its obligations under such Lease other than its obligations with respect to Base Rent and the State's Purchase Option Price; and (b) when used with respect to amounts payable by a ~~Sublessee~~Participating K-12 Institution pursuant to a Sublease, the costs and expenses incurred by the ~~Sublessee~~Participating K-12 Institution in performing its obligations under such Sublease other than its obligations with respect to the Sublessee's Purchase Option Price under such Sublease and its Matching Moneys obligations (whether in the form of cash, Base Rent, a Matching Moneys Bond and payments thereon or Matching Moneys Installment Payments). Amounts payable by a ~~Sublessee~~Participating K-12 Institution pursuant to a Sublease are not included in the Trust Estate~~."*Additional Tax Credit Loss Interest*" means any additional amount payable on the Series 2010A Certificates pursuant to Section 1.03(b)(ii) of the Series 2010 Supplemental Indenture on and after a Tax Credit Conversion Date has occurred with respect to the Series 2010A Certificates~~.

"*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 the Certificate 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.

~~"*Annual Tax Credit Loss Interest Limit*" means the limit on Additional Tax Credit Loss Interest that may be paid in any Fiscal Year under Section 1.03(b)(iii) of the Series 2010 Supplemental Indenture.~~

"*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~~Participating K-12 Institution pursuant to a Sublease, the payments, if any, by the ~~Sublessee~~Participating K-12 Institution pursuant to such Sublease that are designated and paid as Base Rent under such Sublease. Base Rent payable by ~~Sublessees~~Participating K-12 Institutions 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 2010B-C 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.

"*Charter*" means the charter granted to the charter school by the Chartering School District or other contract between the charter school and the Chartering School District under which the charter school operates.

"*Chartering Authority*" means the school district or State charter school institution that has granted or entered into ~~the~~a charter~~-~~ school's charter.

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

"*Comparable Treasury Issue*" means the U.S. Treasury security selected by a Reference Dealer designated by the State as having a maturity comparable to the remaining term to maturity of the Series 2010B Certificates to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the 2010B Certificates being redeemed.

"*Comparable Treasury Price*" means with respect to any redemption date (a) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) (or any successor release) that has become publicly available three business days prior to the date of redemption (excluding inflation-indexed securities) or (b) if such release (or any successor release) is not published or does not contain such prices on such business day, (i) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest

and lowest such Reference Treasury Dealer Quotations, or (ii) if the Trustee, or the independent accounting firm or financial advisor retained, as applicable, is unable to obtain five such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Completion Certificate*" for each Project is defined in the Sublease or Participation Agreement of the ~~Sublessee~~Participating K-12 Institution for which the Project was financed.

"*Completion Date*" for each Project is defined in the Sublease or Participation Agreement of the ~~Sublessee~~Participating K-12 Institution 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 financed with the proceeds of a Series of Certificates (a) that are incurred in connection with the preparation, negotiation, execution and delivery of any Site Lease, Lease, Sublease, Participation Agreement or Matching Moneys Bond~~, Matching Moneys Fund, Matching Moneys Fund Agreement~~, 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, 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; and (b) (i) if proceeds of such Series of Certificates are deposited into one or more Project Accounts, such costs are incurred prior to the last Completion Date for a Project that is to be funded from one of such Project Accounts and (ii) if proceeds of such Series of Certificates are used to defease Certificates pursuant to the Master Indenture, such costs are incurred in connection with the defeasance of such Certificates.

"*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 and 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 if such obligations are backed or guaranteed by the full faith and credit of the United States or the full faith and credit of the United States is pledged for the payment of principal of and interest on such obligations:

(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 the 2010B-C Lease or is used to refer to an event occurring under the 2009A Lease or the 2010B-C Lease, an event described in Section 11.01 of the 2009A Lease or the 2010B-C Lease, as applicable; (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 Sublease with respect to Leased Property subject to the 2010B-C Lease or an event occurring under such a Sublease, an event described in Section 12.01 of such Sublease; (d) when the term is used in a Site Lease with respect to Leased

Property subject to the 2009A Lease or the 2010B-C 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; (e) 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), (c) or (d) of this definition; and (f) when the term is used in the Indenture, an Event of Default under the 2009A Lease~~ or~~, the 2010B-C Lease~~,~~ or any other Lease.

"*Event of Nonappropriation*" means (a) when the term is used in the 2009A Lease or the 2010B-C Lease or is used to refer to an event occurring under the 2009A Lease or the 2010B-C Lease, an event described in Section 5.04(b) of the 2009A Lease or the 2010B-C Lease, as applicable; (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 a Sublease with respect to Leased Property subject to the 2010B-C Lease or is used to refer to an event occurring under such a Sublease, an event described in Section 6.04(b) of such Sublease; (d) 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 (e) when the term is used in the Indenture, an Event of Nonappropriation under the 2009A Lease, the 2010B-C 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~~ the Completion ~~has been delivered with respect to such~~Date for the 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,~~of such property or by the Participating K-12 Institution for which the Project has been or is being financed; *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 that is being improved pursuant to a Project before ~~a Certificate of~~the Completion ~~has been delivered with respect to such~~Date for the Project~~,~~: (i) the sum of (A) 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 such property or by the Participating K-12 Institution for which the Project is being financed; and (B) the replacement value of property to be improved pursuant to the Project determined by the Colorado School District Self Insurance Pool or other insurer providing casualty and property damage for such property, net of any reduction in the value of such property resulting from demolition or other changes to such property in connection with the Project; *plus* (ii) the sum, without duplication, of (A) the amount of proceeds of Certificates deposited ~~into the Project Account for such Project, (B)~~and Allocated Investment Earnings deposited or expected to be deposited into ~~such~~the Project Account ~~and~~for the Project; (B) the amount expected to be expended on the

Project from the Assistance Fund; (C) the amount previously expended on ~~improvements to such property from such~~the Project from sources other than the Project Account~~; *minus* (iii~~ or the Assistance Fund; and (D) 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;~~expected to be expended on the Project in the future from sources other than the Project Account or the Assistance Fund;

(c) with respect to other property, the price at which a willing seller would sell and a willing buyer would buy such 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) above, the State's determination as to the amount of the value determined pursuant to clauses (a), (b) and/or (c) above 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 Certificates 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; (b) when used with respect to a Participating K-12 Institution that is a charter school, the board of directors or other comparable body of such charter school; and (c) when used with respect to any other Participating K-12 Institution, the legislative body, board of directors or other comparable 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 Component*" means the rights of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate to receive interest on such Certificate independently of the right to receive the principal of such Certificate.

"*Interest Payment Date*" (a) has no meaning with respect to the Series 2009A Certificates; (b) means, with respect to the Series 2010B-C Certificates, March 15 and September 15, commencing on September 15, 2010; and (c) means, with respect to other Certificates, unless this definition is amended at or prior to the execution and delivery of such other Certificates, March 15 and September 15, commencing on the first such date that is at least 75 days after the original dated date of such Certificates.~~ Tax Credit Loss Interest and Additional Tax Credit Loss Interest are not payable on Interest Payment Dates.~~

"*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, and 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 and the 2010B-C Lease, the land described in Exhibit A to such Lease, subject to the terms of such Lease relating to modifications and substitutions of Leased Property; (b) with respect to land included in a ~~Sublessee~~Participating K-12 Institution's Leased Property under a Sublease that is subject to the 2009A Lease and the 2010B-C 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 under a Site Lease that is subject to the 2009A Lease and the 2010B-C 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 Building Excellent Schools Today Lease Purchase ~~Agreement~~Agreements, 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 and the 2010B-C Lease: (i) the Base Rent; (ii) all Federal Direct Payments with respect to the interest component of Base Rentals paid to the Trustee pursuant to a Lease; (iii) 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); (iv) 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 (v) 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~~Participating K-12 Institution under a Sublease or Participation Agreement or amounts payable under 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, Section 3.01 of the 2010B-C 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~~has been supplemented and amended by the 2009A Supplemental Indenture and the 2010B-C Supplemental Indenture and as it may be further 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~~a Participating K-12 Institution's obligation to pay Matching Moneys with respect to its Project.

"*Matching Moneys Installment Payments*" means periodic payments by a ~~Sublessee~~Participating K-12 Institution designated as Matching Moneys Installment Payments in a Sublease or Participation Agreement that the ~~Sublessee~~Participating K-12 Institution has agreed to pay to satisfy the ~~Sublessee~~Participating K-12 Institution's obligation to pay Matching Moneys with respect to its Project~~."*Maximum Annual Tax Credit Loss Interest*" means the maximum amount of Additional Tax Credit Loss Interest that may be paid in any Fiscal Year under the Annual Additional Tax Credit Loss Interest Limit~~.

"*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.

"*Participant*" means a Participating K-12 Institution that is not a Sublessee under a Sublessee.

"*Participant Representative*" means a Person identified as such in a Participant's Participation Agreement.

"*Participation Agreement*" means an agreement between the State and the Assistance Board and a Participant with respect to the financing of the Participant's Project.

"*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 the 2010B-C 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 the 2010B-C 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 Site Lessor 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 12, 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. ~~[ANY ADDITIONAL PERMITTED ENCUBRANCES FOR ANY OF THE 2010 PARTICIPATING K-12 INSTITUTIONS?]~~

"*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 the rights of the Owner of a Tax Credit Build America Certificate or a Qualified School Construction Certificate not included in the Tax Credit Component or, if applicable, the Interest Component, including the right to payment of the principal of and, unless a separate Interest Strip has been created, Supplemental Interest on such Certificate in accordance with the Indenture and the other rights of the Owner of such Certificate under the Indenture based on the principal amount of such Certificate that are not included in the Tax Credit Component or Interest Component.

"*Principal Strip*" means an instrument evidencing the right to receive the principal of and, unless a separate Interest Strip has been created, Supplemental 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, and 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,~~Participating K-12 Institution, a capital construction project as defined in the Act that is identified as the Project of such ~~Sublessee~~Participating K-12 Institution in a Lease, a Sublease, a Participation Agreement, 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, in whole or in part, 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~~Participating K-12 Institution's share of an amount payable (or another amount to be allocated among ~~Sublessees~~Participating K-12 Institutions) 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~~Participating K-12 Institution'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'~~Participating K-12 Institution's 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~~Participating K-12 Institution'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~~Participating K-12 Institution's Project financed with the proceeds of Certificates and Allocated Investment Earnings and the denominator of which is sum of the costs all ~~Sublessees~~Participating K-12 Institutions' 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 or Tax Credit Loss~~ 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 ~~or Tax Credit Loss Interest 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 ~~or Tax Credit Loss Interest Payment Date~~ occurs.

"*Reference Dealer*" means (a) Goldman, Sachs & Co. or its successors; provided, however, that if the foregoing Reference Dealer shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the State shall substitute therefor another Primary Treasury Dealer, and (b) four other Primary Treasury Dealers selected by the State.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Dealer and any redemption date, the average, as determined by the Trustee, or the independent accounting firm or financial advisor retained, as applicable, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the State and the Trustee by such Reference Dealer at 5:00 p.m. (New York time) on the third business day preceding such redemption date.

"*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 and the 2010B-C Lease, the date described in Section 3.01(b)(i) of such 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 and the 2010B-C 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 and the 2010B-C 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.

~~"*Series 2010 Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Series 2010 Supplemental Trust Indenture dated as of _____ __, 2010 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.~~

~~"*Series 2010A Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation, Qualified School Construction Series 2010A authorized by the Series 2010 Supplemental Indenture.~~

~~"*Series 2010A Sinking Fund Account*" means the Sinking Fund Account created for the payment of the Series 2010A Certificates by Section 3.02 of the Master Indenture.~~

~~"*Series 2010A Sinking Fund Principal*" means the payments of Base Rent by the State pursuant to the 2010 Lease that are designated and paid as Series 2010A Sinking Fund Principal under the 2010 Lease.~~

~~"*Series 2010A Supplemental Interest*" means the Supplemental Interest payable on the Series 2010A Certificates pursuant to the Series 2010 Supplemental Indenture.~~

"*Series 2010B Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation, Taxable Build America Series 2010B.

"*Series 2010B Interest*" means the interest payable on the Series 2010B Certificates pursuant to the Series 2010B-C Supplemental Indenture.

"*Series 2010B-C Supplemental Indenture*" means the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated as of March 16, 2010 by the Trustee, as it may be amended or supplemented from time-to-time by a Supplemental Indenture or otherwise.

"*Series 2010C Certificates*" means the State of Colorado Building Excellent Schools Today Certificates of Participation Series 2010C Tax-Exempt Series 2010C.

"*Series 2010C Interest*" means the interest payable on the Series 2010C Certificates pursuant to the Series 2010B-C Supplemental Indenture.

"*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 Site Lessor 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 Site Lessor 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 the 2010B-C Lease and any similar provision of any other Site Lease.

"*Site Lessor*" means the Participating K-12 Institution or the Chartering Authority for a Participating K-12 Institution that has leased Leased Property to the Trustee pursuant to a Site Lease in its capacity as lessor under such Site Lease.

"*Site Lessor Representative*" means a Person identified as such in ~~the~~a Site Lessor's 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 or Participation Agreement of the ~~Sublessee~~Participating K-12 Institution for which such Project was financed.

"*State*" means (a) when used with respect to a party to a Sublease or Participation Agreement, 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 or Participation Agreement, 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 and the Participation Agreements.

"*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 or the 2010B-C Lease, the amount that the State must pay to purchase the interest of the Trustee in all the Leased Property subject to the such Lease pursuant to Section 8.01 of such 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.

"*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*" means the creation of a Principal Strip, Interest Strip and/or Tax Credit Strip from a 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 a Supplemental Indenture.

"*Sublease*" means a sublease pursuant to which a ~~Sublessee~~Participating K-12 Institution 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 the 2010B-C 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 K-12 Institution that is subleasing Leased Property from the State pursuant to a Sublease.

"*Sublessee Representative*" means a Person identified as such in ~~the~~a 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 Sublease; (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 the 2010B-C 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 2010B-C Lease pursuant to Section 9.01 of such Sublease; and (c) 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.

"*Supplemental Interest*" means, with respect to any Qualified School Construction Certificate, interest payable from the date such Certificate is first executed and delivered, at the rate set forth in the Supplemental Indenture authorizing the Series of Certificates of which such Certificate is a part.~~ Supplemental Interest does not include Tax Credit Loss Interest or Additional Tax Credit Loss Interest.~~

"*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 Allowance Date*" means, with respect to each Qualified School Construction Certificate and any Tax Credit Strip relating to a Qualified School Construction Certificate, (a) each March 15, June 15, September 15, and December 15, beginning on the date of issuance of the Qualified School Construction Certificate through the date such Qualified School Construction Certificate matures or is redeemed and (b) the date on which such Qualified School Construction Certificate matures or is redeemed.

"*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~~ and to receive any Tax Credit Loss Interest or Additional Tax Credit Loss Interest."*Tax Credit Conversion Date*" means the July 1 following the first January 1 succeeding a Tax Credit Loss Determination Date~~.

"*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 Loss Determination*" means (a) a final determination by the United States Internal Revenue Service (after the State has exhausted all administrative appeal remedies) determining that a Tax Credit Loss Event has occurred and specifying the Tax Credit Loss Determination Date; or (b) a non-appealable holding by a court of competent jurisdiction holding that an Tax Credit Loss Event has occurred and specifying the Tax Credit Loss Determination Date.~~

~~"*Tax Credit Loss Determination Date*" means the date specified in a Tax Credit Loss Determination as the date from and after which the affected Qualified School Construction~~

~~Certificates lost their status, or failed to qualify, as qualified school construction bonds within the meaning Section 54F of the Code as a result of a Tax Credit Loss Event, which date could be as early as the date of issuance of the affected Qualified School Construction Certificates.~~

~~"*Tax Credit Loss Event*" means (a) any act or any failure to act on the part of the State, which act or failure to act (i) is a breach of a covenant or agreement of the State contained in a Lease or the Tax Compliance Certificate delivered by the State in connection with the issuance of the affected Qualified School Construction Certificates and (ii) causes the Qualified School Construction Certificates to lose their status, or fail to qualify, as qualified school construction bonds within the meaning of Section 54F of the Code; or (b) the making by the State of any representation contained in a Lease or the Tax Compliance Certificate delivered by the State in connection with the issuance of the affected Qualified School Construction Certificates, which representation was untrue when made and the untruth of which representation at such time causes the Qualified School Construction Certificates to lose their status, or fail to qualify, as qualified school construction bonds within the meaning of Section 54F of the Code.~~

~~"*Tax Credit Loss Interest*" means the interest payable on the Series 2010A Certificates pursuant to Section 1.03(b)(i) of the Series 2010 Supplemental Indenture.~~

~~"*Tax Credit Loss Interest Payment Date*" means, with respect to each Series 2010A Certificate, (a) each March 15, June 15, September 15 and December 15 following a Tax Credit Conversion Date for the Series 2010A Certificates through the date such Series 2010A Certificate matures or is redeemed and (b) the date on which such Series 2010A Certificate matures or is redeemed.~~

"*Tax Credit Rate*" means, with respect to any Qualified School Construction Certificate, the credit rate as of the date on which there is a binding, written contract for the initial sale and exchange of such Certificate, as published by the United State Bureau of Public Debt on its Internet site for State and Local Government Series securities at: https://www.treasurydirect.gov.

"*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 Build America Certificates Tax Law Change*" means legislation has been enacted by the Congress of the United States or passed by either House of the Congress, or a decision has been rendered by a court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement has been made by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency of appropriate jurisdiction, the effect of which would be to suspend, reduce or terminate the Federal Direct Payment from the United States Treasury to the State with respect to the Taxable Build America Certificates or to state or local government issuers generally with respect to obligations of the general character of the Taxable Build America Certificates pursuant to Sections 54AA or 6431 of the Code of Federal Direct Payments equal to 35% of the interest payable on each interest payment date; provided that such suspension, reduction or termination of the Federal Direct Payments is not due to a failure by the State to comply with the requirements under the Code to receive such Federal Direct Payments.

"*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.

"*Total Scheduled Base Rent*" means, for any Base Rent Payment Date, the sum of the Amortizing Principal, Series 2010~~A Sinking Fund Principal, Series 2010A Supplemental Interest, Series 2010~~B Interest and Series 2010C Interest components of Base Rent payable pursuant to the 2010B-C Lease on such Base Rent Payment Date.

~~"*Total Scheduled Base Rent + Maximum Annual Tax Credit Loss Interest*" means, for any Base Rent Payment Date, the sum of the Total Scheduled Base Rent, the Tax Credit Loss Interest component of Base Rent and, subject to the Annual Tax Credit Loss Interest Limit, the Additional Tax Credit Loss Interest payable on such Base Rent Payment Date.~~

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date

"*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 and the Participation Agreements 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.

"*2010B-C Certificates*" means~~ the Series 2010A Certificates,~~ the Series 2010B Certificates and the Series 2010C Certificates, collectively.

"*2010B-C Lease*" means the State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement dated as of ~~_____ __,~~March 16, 2010 between the Trustee and the State, as amended or supplemented from time to time.

"*2010B-C Leased Property*" means the Leased Property subject to the 2010B-C Lease.

"*2010B-C Participating K-12 Institutions*" means Alta Vista Charter School, Colorado School for the Deaf and Blind, Crestone Charter School, Inc., Delta County School District 50J, Douglas County School District Number Re-1, El Paso County School District No. 8, Miami Yoder School District JT-60, Park County School District Re-2, San Juan School District No. 1 and Swink School District No. 33.

"*2010B-C Project Accounts*" means the Project Accounts into which proceeds of the Series 2010B-C Certificates are deposited.

"*2010B-C Projects*" means the Projects financed with proceeds of the Series 2010B-C Certificates.

"*2010B-C Site Leases*" means the Site Leases between the Trustee and the 2010B-C Site Lessors, as amended or supplemented from time to time.

"2010B-C Site Lessors" means Lamar ~~County~~ School District RE-2, Colorado School for the Deaf and Blind, ~~Moffat Consolidated School District #2,~~ Delta County School District 50J, Douglas County School District Number Re-1, El Paso County School District No. 8, Miami Yoder School District JT-60, Park County School District Re-2, San Juan School District No. 1 and Swink School District No. 33.

"*2010B-C Subleases*" means the Subleases between the State and the ~~Sublessees as Sublessees~~2010B-C Sublessees. and, in the case of a charter school, the charter school's Chartering Authority, as amended or supplemented from time to time.

"*2010B-C Sublessees*" means the 2010B-C Participating K-12 Institutions other than Crestone Charter School, Inc. in their capacities as Sublessees under the 2010B-C 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 or Participation Agreement of the ~~Sublessee~~Participating K-12 Institution for which such Project was financed.

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Insertions	382
Deletions	488
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	870

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2010B-C 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 ~~_____ __,~~March 16, 2010

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES 2010B-C LEASE PURCHASE AGREEMENT

This State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement (this "Lease") is dated as of ~~_____ __,~~March 16, 2010 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 has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated ~~_____ __,~~March 16, 2010 and as it may further 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 or Participation Agreement with each such Eligible K-12 Institution~~, in its capacity as Sublessee, to sublease~~ with respect to the financing of its Project and, in the case of a Sublease, with respect to the subleasing of the Leased Property improved by ~~its~~the Eligible K-12 Institution's Project to such ~~Sublessee~~Eligible K-12 Institution. Each Participating K-12 Institution is an Eligible K-12 Institution and is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to enter into a Sublease or Participation Agreement with respect to its Project and, if it is entering into a Sublease, to enter into a Sublease with respect to the ~~Participating K-12 Institution's~~ Leased Property subject to such Sublease.

B. The Assistance Board has recommended and the State Board has approved the financing of the 2010B-C Projects for the 2010B-C 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 2010B-C Projects for the 2010B-C Participating K-12 Institutions and to enter into a Sublease or Participation Agreement with each 2010~~A~~B-C Participating K-12 Institution~~ with respect to its Leased Property~~.

C. The Leased Property of each Participating K-12 Institution that is entering into a Sublease will be leased to the Trustee pursuant to a Site Lease from the Participating K-12 Institution or, in certain cases where the Participating K-12 Institution is a Charter School, the Chartering Authority of ~~a~~such Participating K-12 Institution~~ that is a charter school~~. All the Leased Property will be leased by the Trustee to the 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 have been and will be issued pursuant to the Indenture. Proceeds of the Certificates have been and will be used pursuant to the terms of the Indenture to finance all or a portion of the Costs of the ~~Project~~Projects of the Participating K-12 Institutions~~ and other Participating K-12 Institutions identified in other Building Excellent Schools Today Lease Purchase Agreements~~. Two Series of Certificates have been or are being issued pursuant to the Indenture: the Series 2009A Certificates were issued to finance the 2009A Projects of the 2009A Participating K-12 Institutions and the 2010B-C Certificates are being issued to finance the 2010B-C Projects for the 2010B-C 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, which Matching Moneys 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 ~~(assuming the Base Rent payable under this Lease is the Total Scheduled Base Rent + Maximum Annual Tax Credit Loss Interest)~~ 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 ~~(assuming the Base Rent payable under this Lease is the Total Scheduled Base Rent + Maximum Annual Tax Credit Loss Interest)~~ 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(c) 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, the Series 2009A Certificates and the 2010B-C 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 Participation Agreements 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 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) Each Participating K-12 Institution that is a charter school is a governmental entity and a public school of a school district that is a political subdivision of the State governed by Colorado law and a Charter granted or entered into by its Chartering Authority pursuant to which the property of such charter school reverts to such Chartering Authority upon expiration or termination of such charter. The other

Participating K-12 Institutions are State agencies or school districts that are political subdivisions of the State. Benefits received by the Participating K-12 Institutions and the Chartering Authorities by the leasing of the Leased Property by the State pursuant to this Lease accrue to the State. The Participating K-12 Institutions, the Chartering Authorities 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, the ~~chartering school districts~~Chartering Authorities 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 2010~~A~~B-C 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

2010~~A~~B-C Certificates are hereby incorporated in the Lease as if set forth in full in this subsection.

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 OF SUBLESSEES

Section 4.01. Sublessees' Obligations to Construct Projects of Sublessees. 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 of Sublessees. The State hereby agrees (a) to cause ~~each~~the Project of each Sublessee 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~~such 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 with 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) ***Obligation to Pay Base Rent***. 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. The Base Rent is composed of the following components: (i) Amortizing Principal; (ii) Series 2010~~A Sinking Fund Principal;~~B Interest; and (iii) Series 2010~~A Supplemental Interest; (iv) Series 2010B Interest; (v) Series 2010C Interest; (vi) Tax Credit Loss Interest; and (vii) Additional Tax Credit Loss~~C Interest. The Amortizing Principal, ~~the Series 2010A Sinking Fund Principal, the Series 2010A Supplemental Interest,~~ the Series 2010B Interest and Series 2010C Interest components of Base Rent (collectively, the "Total

Scheduled Base Rent") are payable in the amounts and on the Base Rent Payment Dates set forth on Exhibit B. ~~The Tax Credit Loss Interest and Additional Tax Credit Loss Interest components of Base Rent are payable only if and to the extent and in the amounts and on the Base Rent Payment Dates provided in subsection (b) of this Section, subject to the Annual Tax Credit Loss Interest Limit. The dollar amounts in the column on Exhibit B entitled "Maximum Annual Tax Credit Loss Interest" for each Base Rent Payment Date is the maximum amount of Tax Credit Loss Interest and Additional Tax Credit Loss Interest payable on such Base Rent Payment Date under the Annual Tax Credit Loss Interest Limit. The column on Exhibit B entitled "Total Scheduled Base Rent + Maximum Annual Tax Credit Loss Interest" is the sum of the Total Scheduled Base Rent and the maximum amount of Tax Credit Loss Interest and Additional Tax Credit Loss Interest payable on the related Base Rent Payment Date.~~ The amounts payable as Series 2010~~A Supplemental Interest, Series 2010~~B Interest~~,~~ and Series 2010C Interest~~, Tax Credit Loss Interest and, if and to the extent payable without exceeding the Annual Tax Credit Loss Interest Limit, Additional Tax Credit Loss Interest,~~ are designated and paid as, and represent payment of, interest.

~~(b) ***Tax Credit Loss Interest and Additional Tax Credit Loss Interest***. Notwithstanding any other provision hereof:~~

~~(i) Unless and until a Tax Credit Conversion Date has occurred with respect to the Series 2010A Certificates, only the Amortizing Principal, Series 2010A Sinking Fund Principal, Series 2010A Supplemental Interest, Series 2010B Interest and Series 2010C Interest components of Base Rent are payable, the sums of which for each Base Rent Payment Date are shown in the column on Exhibit B entitled "Total Scheduled Base Rent."~~

~~(ii) If a Tax Credit Loss Determination has occurred and a Tax Credit Conversion Date is scheduled to occur with respect to the Series 2010A Certificates:~~

~~(A) the Base Rent payable on the Base Rent Payment Date immediately following such Tax Credit Conversion Date and the Base Rent payable on each succeeding Base Rent Payment Date through the final maturity of the Series 2010A Certificates (and on the Base Rent Payment Date immediately following the final maturity date of the Series 2010A Certificates if the final maturity date of the Series 2010 Certificates is a date that is not a March 15, June 15, September 15 or December 15) shall include an amount equal to the Tax Credit Loss Interest payable on the Series 2010A Certificates on the Tax Credit Loss Interest Payment Date immediately following such Base Rent Payment Date; and~~

~~(B) any Additional Tax Credit Loss Interest payable on the Series 2010A Certificates shall, subject to the Annual Tax Credit Loss Interest Limit, be included in the Base Rent payable on (I) the Base Rent Payment Date immediately preceding the first September 15 Tax Credit Loss Interest Payment Date following the Tax Credit Conversion Date or~~

~~(II) if and to the extent the Annual Tax Credit Loss Interest Limit applies to the Additional Tax Credit Loss Interest payable in the Fiscal Year in which such Base Rent Payment Date occurs, the Base Rent Payment Date(s) immediately preceding the next September 15 Tax Credit Loss Interest Payment Date(s) until the Additional Tax Credit Loss Interest is paid in full.~~

(b) ~~(c)~~ ***Federal Direct Payments***. The State shall cause any Federal Direct Payments with respect to the Series 2010B 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 Series 2010B Interest component of Base Rent and the total Base Rent payable by the State under this Lease in accordance with subsection (d) of this Section.

(c) ~~(d)~~ ***Credits Against Base Rent***.

(i) The Base Rent payable on any Base Rent Payment Date shall be reduced by the following credits:

(A) 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 shall be credited against the amount of Amortizing Principal and the total Base Rent payable on any Base Rent Payment Date;

~~(B) any moneys in the Series 2010A Sinking Fund that (A) exceed the aggregate amount of all Series 2010A 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 2010A Certificates for which a notice of redemption has been delivered shall be credited against the amount of Series 2010A Sinking Fund Principal and the total Base Rent payable on any Base Rent Payment Date;~~

(B) ~~(C)~~ any moneys in the Interest Account representing Federal Direct Payments (I) that are on deposit in the Interest Account on the second Business Day before a Base Rent Payment Date shall be credited against the Series 2010B Interest component of Base Rent and total Base Rent payable on such Base Rent Payment Date and (II) that are deposited into the Interest Account after the second Business Day before a Base Rent Payment Date shall be credited against the Series 2010B Interest component of Base Rent and total Base Rent payable by the State on the next Base Rent Payment Date; and

(C) ~~(D)~~ any other 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 shall be credited against the ~~(A)~~ interest

components of Base Rent ~~in the following order: first, interest that is not Tax Credit Loss Interest or Additional Tax Credit Loss Interest, second, Tax Credit Loss Interest, and, third, Additional Tax Credit Loss Interest payable on any Base Rent Payment Date; and (B)~~and the total Base Rent payable on such Base Rent Payment Date.

(ii) Thirty days prior to each Base Rent Payment Date, the Trustee shall notify the State as to the exact amounts, if any, on deposit in each account of the Certificate Fund that will be credited, pursuant to clause (i) above, against components of and total Base Rent payable on such Base Rent Payment Date. Except as otherwise provided in clause (i)(~~C~~B) above with respect to Federal Direct Payments, if further amounts that are to be credited against the components of 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 such components of and total Base Rent payable on the next succeeding Base Rent Payment Date.

(d) ~~(c)~~ ***Application of Base Rent and Federal Direct Payments by Trustee***. 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, plus the amount of any past due interest on the 2010B-C 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 shall be deposited into the Principal Account~~; and~~

~~(iii) third, the amount of each payment of Base Rent designated and paid as Series 2010A Sinking Fund Principal shall be deposited into the Series 2010A 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, 5.05 and 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 Participation Agreement, 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 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) Except for the Leased Property that has been leased to the Trustee by the Colorado School of the Deaf and Blind, 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, in the case of the Colorado School of the Deaf and Blind, the State risk management program, 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 each Site Lease shall be held in the name of the Trustee, subject to such Site Lease and this Lease, until the leasehold estate in such Leased Property under such Site Lease 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 portions of the Leased Property to Sublessees pursuant to Subleases and such Sublessees may further sublease or otherwise grant the right to use the portion of the Leased Property subleased to it 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 90% of 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 Site Lessors that leased the Leased Property to the Trustee pursuant to the 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 State or the Sublessee of the substituted property 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 State, 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 under all the Building Excellent Schools Today Lease Purchase Agreements, 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 2010B-C Certificates.

(a) The State is hereby granted the option to purchase all, but not less than all, of the Leased Property subject to this Lease in connection with the defeasance of all the 2010B-C 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 2010B-C 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 2010B-C 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 2010B-C 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 2010B-C Certificates; and (B) if any 2010B-C 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 2010B-C Certificates shall be substituted for the 2010B-C 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 interest 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 the 2010B-C Certificates 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. Purchase Options of Sublessees and Chartering Authorities. Upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease, each Sublessee and the Chartering Authority of each Sublessee that is a charter school has the option to purchase the Leased Property that is subject to its Sublease as provided in Article IX and Section 14.22 of such Sublease. The Trustee agrees to notify each Sublessee and the Chartering Authority of each Sublessee that is a charter school upon the occurrence of an Event of Default or Event of Nonappropriation under this Lease and to comply with the provisions of Article IX and Section 14.22 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 2010B-C Certificates. The State (i) will require each ~~Sublessee~~Participating K-12 Institution to covenant in its Sublease or Participation Agreement that (A) such ~~Sublessee~~Participating K-12 Institution will not use or permit any other Person to use such ~~Sublessee~~Participating K-12 Institution'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~~Participating K-12 Institution will comply with the other certifications, representations and agreements set forth in the ~~tax compliance certificate~~Tax Compliance Certificate executed and delivered in connection with its ~~Matching Moneys Bond~~Sublease or Participation Agreement; and (ii) will enforce such covenant against the ~~Sublessee~~Participating K-12 Institution.

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, the Participation Agreements 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.

Section 9.08. Application for Federal Direct Payments.

(a) At least 120 days prior to each Interest Payment Date for ~~any 2010 Certificates that are Taxable Build America~~the Series 2010B Certificates, the Trustee shall deliver to the State by a delivery method that provides the Trustee with evidence of delivery of a completed Form 8038-CP, which is to be executed by the State Representative. Such Form 8038-CP shall be sent to the attention of the Deputy State Treasurer. The State shall return an executed copy of such Form 8038-CP to the Trustee not later than 90 days prior to such Interest Payment Date by a delivery method which provides the State with evidence of delivery. The State may hire an independent consultant to review such Form 8038-CP. Not more than 90 days and not less than 45 days prior to such Interest Payment Date, the Trustee shall file, or cause to be filed such Form 8038-CP with the Internal Revenue Service Center, Ogden, Utah 84201, or any successor location specified by the Internal Revenue Service, and take such other or additional actions as may be required from time to time under the Code as are within its power and are requested by the State and agreed to by the Trustee to request the Federal Direct Payment with respect to such Interest Payment Date. Upon such filing, the Trustee shall deliver a copy of such Form 8038-CP to the State. The State hereby authorizes and directs the Trustee to take all actions necessary to prepare and file each such Form 8038-CP, and to take such other or additional actions as may be required from time to time under the Code as are within its power and are requested by the State and agreed to by the Trustee, to request the Federal Direct Payment with respect to each such Interest Payment Date. Failure by the Trustee to prepare or file any such Form 8038-CP shall not affect any obligations of the State to pay Rent hereunder.

(b) Each such Form 8038-CP shall authorize the Federal Direct Payment requested in accordance with subsection (a) of this Section to be paid directly to the Trustee. Upon receipt of any Federal Direct Payment, the Trustee shall promptly deposit such payment in the Interest Account of the Certificate Fund and apply it as a credit against the Series 2010B Interest component of Base Rent and total Base Rent in accordance with Section 5.01(c), (d) and (e) hereof.

Section 9.09. Glossary. The State hereby directs the Trustee to amend, supplement and restate the Glossary as set forth in the Series 2010B-C Supplemental Indenture and hereby certifies that, after such amendment, supplement and restatement, the Glossary is accurate and that such amendment, supplement and restatement does not materially modify the substantive provisions of the Indenture, the Leases or the Site Leases.

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 Site Lessor 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 applicable to governmental entities, subject to statutory exceptions and modifications, 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 or to the Chartering Authority of any Sublessee that is a charter school, to the notice address set forth in the Sublease of such Sublessee. 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

Site Lessor 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.

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THE PARTIES HERETO HAVE EXECUTED THIS SERIES 2010B-C LEASE PURCHASE AGREEMENT AS OF THE DATE FIRST SET FORTH ABOVE

* Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

ZIONS FIRST NATIONAL BANK, solely in its capacity as trustee under the Indenture By Stephanie Nicholls, Authorized Signatory _____ *Signature	STATE OF COLORADO Bill Ritter, Jr. GOVERNOR Department of Treasury _____ By Cary Kennedy, State Treasurer
STATE OF COLORADO Bill Ritter, Jr. GOVERNOR Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: _____ Michael R. Karbach, Manager of Real Estate Programs	LEGAL REVIEW John W. Suthers, Attorney General By:_____ Dixon Waxter, Assistant Attorney General
APPROVED: STATE OF COLORADO Bill Ritter, Jr., Governor DEPARTMENT OF PERSONNEL & ADMINISTRATION For the Executive Director By: _____ Marquita L. Davis, State Risk Manager Date: _____	

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

CRS §24-30-202 requires the State Controller to approve all State Contracts. This Contract is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER
David J. McDermott, CPA

By:_____
David J. McDermott, State Controller

Date:_____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ____ day of ~~_____~~March, 2010 by Stephanie Nicholls, 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 ~~_____~~March, 2010, 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:

_____

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EXHIBIT A

LEGAL DESCRIPTION OF LAND INCLUDED IN LEASED PROPERTY

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EXHIBIT B

BASE RENT PAYMENT SCHEDULE

Base Rent Payment Date	Amortizing Principal	~~Series 2010A Sinking Fund Principal~~	~~Series 2010A Supplemental Interest~~	Series 2010B Interest	Series 2010C Interest	Total Scheduled Base Rent	~~Maximum Annual Tax Credit Loss Interest~~	~~Total Scheduled Base Rent + Maximum Annual Tax Credit Loss Interest~~
~~6/12/2010~~		~~$~~	~~$~~	~~$~~	~~$~~	~~$~~		
9/12/2010				$ 2,496,700.75	$ 236,628.06	$ 2,733,328.81		
~~10/29/2010~~								
~~12/12/2010~~								
3/12/2011	$ 2,175,000			2,510,648.80	237,950.00	4,923,598.80		
~~3/28/2011~~								
~~8/12/2011~~								
9/12/2011				2,510,648.80	216,200.00	2,726,848.80		
~~10/29/2011~~								
~~12/12/2011~~								
3/12/2012	2,205,000			2,510,648.80	216,200.00	4,931,848.80		
~~3/28/2012~~								
~~8/12/2012~~								
9/12/2012				2,510,648.80	183,125.00	2,693,773.80		
~~10/29/2012~~								
~~12/12/2012~~								
3/12/2013	2,275,000			2,510,648.80	183,125.00	4,968,773.80		
~~3/28/2013~~								
~~8/12/2013~~								
9/12/2013				2,510,648.80	149,000.00	2,659,648.80		
~~10/29/2013~~								

Base Rent Payment Date	Amortizing Principal	~~Series 2010A Sinking Fund Principal~~	~~Series 2010A Supplemental Interest~~	Series 2010B Interest	Series 2010C Interest	Total Scheduled Base Rent	~~Maximum Annual Tax Credit Loss Interest~~	~~Total Scheduled Base Rent + Maximum Annual Tax Credit Loss Interest~~
~~12/12/2013~~								
3/12/2014	2,340,000			2,510,648.80	149,000.00	4,999,648.80		
~~3/28/2014~~								
~~8/12/2014~~								
9/12/2014				2,510,648.80	102,200.00	2,612,848.80		
~~10/29/2014~~								
~~12/12/2014~~								
3/12/2015	2,435,000			2,510,648.80	102,200.00	5,047,848.80		
~~3/28/2015~~								
~~8/12/2015~~								
9/12/2015				2,510,648.80	53,500.00	2,564,148.80		
~~10/29/2015~~								
~~12/12/2015~~								
3/12/2016	2,540,000			2,510,648.80	53,500.00	5,104,148.80		
~~3/28/2016~~								
~~8/12/2016~~								
9/12/2016				2,510,648.80		2,510,648.80		
~~10/29/2016~~								
~~12/12/2016~~								
3/12/2017	2,645,000			2,510,648.80		5,155,648.80		
~~3/28/2017~~								
~~8/12/2017~~								
9/12/2017				2,455,288.95		2,455,288.95		
~~10/29/2017~~								
~~12/12/2017~~								
3/12/2018	2,715,000			2,455,288.95		5,170,288.95		
~~3/28/2018~~								

Base Rent Payment Date	Amortizing Principal	~~Series 2010A Sinking Fund Principal~~	~~Series 2010A Supplemental Interest~~	Series 2010B Interest	Series 2010C Interest	Total Scheduled Base Rent	~~Maximum Annual Tax Credit Loss Interest~~	~~Total Scheduled Base Rent + Maximum Annual Tax Credit Loss Interest~~
~~8/12/2018~~								
9/12/2018				2,394,038.55		2,394,038.55		
~~10/29/2018~~								
~~12/12/2018~~								
3/12/2019	2,795,000			2,394,038.55		5,189,038.55		
~~3/28/2019~~								
~~8/12/2019~~								
9/12/2019				2,328,188.35		2,328,188.35		
~~10/29/2019~~								
~~12/12/2019~~								
3/12/2020	2,880,000			2,328,188.35		5,208,188.35		
~~3/28/2020~~								
~~8/12/2020~~								
9/12/2020				2,258,175.55		2,258,175.55		
~~10/29/2020~~								
~~12/12/2020~~								
3/12/2021	2,970,000			2,258,175.55		5,228,175.55		
~~3/28/2021~~								
~~8/12/2021~~								
9/12/2021				2,183,004.85		2,183,004.85		
~~10/29/2021~~								
~~12/12/2021~~								
3/12/2022	3,070,000			2,183,004.85		5,253,004.85		
~~3/28/2022~~								
~~8/12/2022~~								
9/12/2022				2,102,233.15		2,102,233.15		
~~10/29/2022~~								

Base Rent Payment Date	Amortizing Principal	~~Series 2010A Sinking Fund Principal~~	~~Series 2010A Supplemental Interest~~	Series 2010B Interest	Series 2010C Interest	Total Scheduled Base Rent	~~Maximum Annual Tax Credit Loss Interest~~	~~Total Scheduled Base Rent + Maximum Annual Tax Credit Loss Interest~~
~~12/12/2022~~								
3/12/2023	3,175,000			2,102,233.15		5,277,233.15		
~~3/28/2023~~								
~~8/12/2023~~								
9/12/2023				2,011,158.28		2,011,158.28		
~~10/29/2023~~								
~~12/12/2023~~								
3/12/2024	3,290,000			2,011,158.28		5,301,158.28		
~~3/28/2024~~								
~~8/12/2024~~								
9/12/2024				1,916,784.63		1,916,784.63		
~~10/29/2024~~								
~~12/12/2024~~								
3/12/2025	9,385,000			1,916,784.63		11,301,784.63		
~~3/28/2025~~								
~~8/12/2025~~								
9/12/2025				1,647,575.90		1,647,575.90		
~~10/29/2025~~								
~~12/12/2025~~								
3/12/2026	9,735,000			1,647,575.90		11,382,575.90		
~~3/28/2026~~								
~~8/12/2026~~								
9/12/2026				1,343,746.55		1,343,746.55		
~~10/29/2026~~								
~~12/12/2026~~								
3/12/2027	10,130,000			1,343,746.55		11,473,746.55		
~~3/28/2027~~								

Base Rent Payment Date	Amortizing Principal	~~Series 2010A Sinking Fund Principal~~	~~Series 2010A Supplemental Interest~~	Series 2010B Interest	Series 2010C Interest	Total Scheduled Base Rent	~~Maximum Annual Tax Credit Loss Interest~~	~~Total Scheduled Base Rent + Maximum Annual Tax Credit Loss Interest~~
~~8/12/2027~~								
9/12/2027				1,027,589.25		1,027,589.25		
~~10/29/2027~~								
~~12/12/2027~~								
3/12/2028	10,540,000			1,027,589.25		11,567,589.25		
~~3/28/2028~~								
~~8/12/2028~~								
9/12/2028				698,635.85		698,635.85		
~~10/29/2028~~								
~~12/12/2028~~								
3/12/2029	10,970,000			698,635.85		11,668,635.85		
~~3/28/2029~~								
~~8/12/2029~~								
9/12/2029				356,262.15		356,262.15		
~~10/29/2029~~								
~~12/12/2029~~								
3/12/2030	11,415,000			356,262.15		11,771,262.15		
~~3/28/2030~~								
~~8/12/2030~~								
~~9/12/2030~~								
~~10/29/2030~~								
~~12/12/2030~~								
Total	$99,685,000	~~$~~	~~$~~	$ 80,580,499.17	$ 1,882,628.06	$ 182,148,127.23		

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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.

Document comparison by Workshare Professional on Tuesday, March 09, 2010 11:22:38 AM

Input:	
Document 1 ID	c:\NetDocs\Colorado BEST 2010 Lease Purchase Agreement(2).doc
Description	c:\NetDocs\Colorado BEST 2010 Lease Purchase Agreement(2).doc
Document 2 ID	c:\NetDocs\Colorado BEST 2010 Lease Purchase Agreement(3).doc
Description	c:\NetDocs\Colorado BEST 2010 Lease Purchase Agreement(3).doc
Rendering set	kutak option 1

Legend:	
Insertion	
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~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	263
Deletions	225
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	488

Blacklined against
form included in
Preliminary Official Statement

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 ~~_____ __,~~March 16, 2010

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SERIES ~~2009A~~2010B-C SITE LEASE

This State of Colorado Building Excellent Schools Today Site Lease (this "Site Lease") is dated as of ~~_____ __,~~March 16, 2010 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 has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated ~~_____ __,~~March 16, 2010 and as it may further 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 applicable law, its governing documents, if relevant, and action of its Governing Body 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 2010B-C 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 Sublessee identified in the Sublease under which the Leased Property is subleased to such Sublessee. Proceeds of the Series 2010B-C Certificates issued pursuant to the Indenture will be used to finance the Project of such 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 a Participating K-12 Institution or is the Chartering Authority for a Participating K-12 Institution that is a charter school.

(b) The Site Lessor is duly organized, validly existing and in good standing under Colorado law. The Site Lessor is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to lease the Leased Property to the Trustee pursuant to this Site Lease and to execute, deliver and perform its obligations under this Site Lease.

(c) The Site Lessor is the owner of the fee interest in the Leased Property, subject only to Permitted Encumbrances.

(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 of 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 2010B-C Lease, the Indenture and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or to a charter school for which the Site Lessor is the Chartering Authority, 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 or a Participating K-12 Institution for which the Site Lessor is the Chartering Authority. 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.

(j) Minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Leased Property that exist with respect to the Leased Property do not materially impair title 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) ~~_____ __, 20__;~~March 16, 2050;

(ii) conveyance of the Leased Property to the Site Lessor pursuant to the Sublease relating to the Leased Property;

(iii) termination of this Site Lease following an Event of Default under this Site Lease in accordance with Section 10.02(a) hereof; or

(iv) cancellation of the Sublease pursuant to which the Leased Property is subleased pursuant to Section 3.03 of such Sublease.

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.

ARTICLE IV

SITE LESSOR IS THIRD PARTY BENEFICIARY OF CERTAIN COVENANTS OF STATE IN 2010B-C 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(b) and 12.02 and of the Trustee in Section 9.03(a) of the 2010B-C Lease (the "Site Lessor Protection Provisions"). If the 2010B-C 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 2010B-C Certificates into the Project Account held by the Trustee under the Indenture to finance the Project of the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority. 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 2010B-C Lease or an amount equal to the Additional Rent that would have been paid under the 2010B-C 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 2010B-C Lease and the Sublease of the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

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 2010B-C 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 2010B-C Lease. The State is expressly authorized to sublease the Leased Property to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority as Sublessee pursuant to a 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 2010B-C Lease and the Indenture following an Event of Default or Event of Nonappropriation under the 2010B-C Lease.

Section 6.05. Substitution of Other Property for Leased Property. If the State substitutes other real property under the 2010B-C Lease for any portion of the Site Lessor's Leased Property, the property so substituted under the 2010B-C 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 2010B-C 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 2010B-C Lease has not terminated, the terms of Section 7.08 of the 2010B-C Lease shall apply. In the event the Site Lessor brings an eminent domain or condemnation proceeding with respect to the Leased Property and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority has not terminated, the terms of Section 7.08 of such Sublease shall apply. If (a) the 2010B-C Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority 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 Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

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

2010B-C Lease or the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, 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 2010B-C Lease, the State has agreed to reimburse the Trustee for such costs during the Lease Term of the 2010B-C Lease. Pursuant to the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, the Sublessee under such Sublease, has agreed to reimburse the State for such costs during the Sublease Term of such Sublease. If, (a) the 2010B-C 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 the 2010B-C 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 purchase option of the Sublessee under the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority;

(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.

Section 11.03. Conveyance of Leased Property to State Pursuant to 2010B-C Lease. The parties recognize and agree that, notwithstanding any other provision of this Site Lease, the 2010B-C Lease or any Sublease, upon conveyance of all the Leased Property subject to the 2010B-C Lease by the Trustee to the State pursuant to Article VIII of the 2010B-C Lease and conveyance of the Leased Property subject to this Site Lease by the State to the Sublessee pursuant Section 9.03 of the Sublease applicable to such Leased Property: (a) if the Site Lessor under this Site Lease and the Sublessee under such Sublease are the same, this Site Lease shall terminate; and (b) if the Site Lessor under this Site Lease and the Sublessee are not the same, this Site Lease shall continue with the Sublessee succeeding to the rights and obligations of the Trustee under this Site Lease.

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 2010B-C Lease and the Sublessee under the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority, 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 applicable to governmental entities, subject to statutory exceptions and modifications, 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 2010B-C Lease and Sublease. The Trustee has received a copy of, and acknowledges the terms of, the 2010B-C Lease and the Sublease pursuant to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority.

Section 12.04. Trustee, State and Site Lessor 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 Site Lessor Representative and the Trustee, the State and the Site Lessor shall be authorized to act on any such approval or request. The Site Lessor Representative is the _____ of the Site Lessor.

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 2010B-C Lease or the Sublease pursuant

to which the Leased Property is subleased to the Site Lessor or a charter school for which the Site Lessor is the Chartering Authority and that none of the execution and delivery of this Site Lease by the Site Lessor and the Trustee, the 2010B-C Lease by the Trustee and the State or such Sublease by the State and the Sublessee or the exercise of any remedies by any party under this Site Lease, the 2010B-C Lease or such Sublease shall operate to terminate or extinguish this Site Lease, the 2010B-C Lease or such 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 _____.

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

[_____]

[DISTRICT SEAL]

By _____

ATTEST:

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 ~~_____~~March, 2010 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 ~~_____~~March, 2010, 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:~~

~~]~~

[insert]

Document comparison by Workshare Professional on Tuesday, March 09, 2010 11:58:06 AM

Input:	
Document 1 ID	c:\NetDocs\Colorado BEST 2010 Site Lease Form(1).doc
Description	c:\NetDocs\Colorado BEST 2010 Site Lease Form(1).doc
Document 2 ID	c:\NetDocs\Colorado BEST 2010 Site Lease Form(2).doc
Description	c:\NetDocs\Colorado BEST 2010 Site Lease Form(2).doc
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Statistics:	
	Count
Insertions	63
Deletions	22
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	85

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form included in
Preliminary Official Statement

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 the Sublessee

[and

[if Sublessee is a charter school, insert name of Chartering Authority],
as the Sublessee's Chartering Authority]

Dated as of ~~_____ __,~~March 16, 2010

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STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
SUBLEASE OF [NAME OF INSTITUTION]

This State of Colorado Building Excellent Schools Today Sublease of [name of sublessee] (this "Sublease") is dated as of ~~_____ __,~~March 16, 2010 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] _____, as sublessee (the "Sublessee") [, and _____, as the Sublessee's Chartering Authority]. ***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 has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated ~~_____ __,~~March 16, 2010 and as it may further be amended, supplemented and restated from time to time***.

RECITALS

A. The Sublessee or the Sublessee's Chartering Authority 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 2010B-C 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 ~~_____ __, 2009~~February 16, 2010 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 is authorized by applicable law, its governing documents, if relevant, and action of its Governing Body to, and will, sublease the Leased Property from the State pursuant to this Sublease.

C. To satisfy the Sublessee's obligation to pay Matching Moneys to the State with respect to the Sublessee's Project, the Sublessee, in accordance with Article V hereof, has delivered a Matching Moneys Bond or agreed to pay cash, Matching Moneys Installment Payments or Base Rent to the State.

D. Proceeds of the 2010B-C 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, 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 ~~_____ __, 2009.~~February 16, 2010.

(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 2010B-C 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 and is duly organized, validly existing and in good standing under Colorado law. The Sublessee is authorized under applicable law, its governing documents, if relevant, and action of its Governing Body to sublease the Leased Property from the State pursuant to this Sublease and to

execute, deliver and perform its obligations under this Sublease and, if applicable, the 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 and, if applicable, 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 and, if applicable, the Sublessee's Matching Moneys Bond.

(e) This Sublease and, if applicable, 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 and, if applicable, 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 2010B-C Lease, the Indenture, this Sublease or the Site Lease pursuant to which the Leased Property is leased to the Trustee or, if applicable, the Sublessee's Matching Moneys Bond 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 or, if applicable, 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 2010B-C Lease in each Fiscal Year during the Lease Term of the 2010B-C 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 Rent payable by the Sublessee under this Sublease and, as applicable, the principal, premium, if any, and interest payable by the Sublessee under its Matching Moneys Bond or the Matching Moneys Installment Payments payable by the Sublessee in each Fiscal Year during the Sublease Term is not more than the fair value of the use of the Sublessee's Leased Property during such Fiscal Year and 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 9.01 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 in the current Fiscal Year and, as applicable, the Base Rent, the principal and interest payable under its Matching Moneys Bond or the Matching Moneys Installment Payments payable in the current Fiscal Year.

(n) The certifications, representations and agreements with respect to federal income tax matters set forth in the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution and delivery of this Sublease are hereby incorporated in this Sublease as if set forth in full in this subsection.

(o) The Sublessee has not, except as otherwise specifically provided herein, entered into any agreement or arrangement to transfer to any Person all or any portion of

its interest in the Leased Property or to any fee title that it may obtain in the real estate to which the Leased Property relates.

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 2010B-C 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 2010B-C 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 12.02(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;

(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 2010B-C Lease as a result of an Event of Nonappropriation or an Event of Default under the 2010B-C 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 Base Rent, if applicable, and 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 Base Rent, if applicable, to the State and Additional Rent to the Person entitled thereto; and

(c) the obligations of the Sublessee to make payments under the Sublessee's Matching Moneys Bond or Matching Money Installment Payments, as applicable, shall continue until, as applicable, all amounts payable under the Sublessee's Matching Moneys Bond have been paid or the Sublessee's Matching Moneys Bond is redeemed or cancelled in accordance with its terms or all Matching Moneys Installment Payments have been paid.

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 March ~~11,~~16, 2011, (a) the Trustee has not received the title insurance policy for the Leased Property described in paragraph 1 of the form of ~~requisition~~Requisition attached as Appendix C to the 2010B-C Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture) and (b) the 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~~Requisition attached as Appendix C to the 2010B-C Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to 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 cause the Trustee to cancel and release the Site Lease pursuant to which the Leased Property has been leased to the Trustee and the State shall return to the Sublessee any Matching Moneys paid to the State (including any principal or interest paid on the Sublessee's Matching Money's Bond) and cancel and return to the Sublessee the Sublessee's Matching Moneys Bond.

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 the Specifications attached hereto as Exhibit B, with such changes in the Specifications, if any, that 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 7.01 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 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 7.01 hereof or, if Section 7.01 does not

apply because the property improved by the Project is not included in the Leased Property, until the Project is completed, standard, all risk of loss builder's risk completed value insurance upon property included in or that is imposed by the Project. 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 property improved by the Project 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.

(a) The Sublessee, with the approval of the State, may withdraw available money from the Sublessee's Project Account in an amount up to the proceeds of the Series 2010B-C 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 C to the 2010B-C Supplemental Indenture (which amends and restates in its entirety the form of Requisition attached to Appendix A to the Master Indenture), signed by the Sublessee Representative and with the State's approval evidenced by the signature of the State Representative~~; provided that any reference in such form of Requisition to the 2009A Lease shall be modified to refer to the 2010 Lease~~. If more than one Project Account has been established pursuant to the Indenture to pay Costs of the ~~Sublessee~~Sublessee's Project, the term Project Account in this subsection shall include all such Project Accounts and moneys shall be withdrawn from such Project Accounts pursuant to this subsection in the order provided in the Indenture.

(b) If the Sublessee has satisfied its obligation to pay Matching Moneys with respect to its Project by delivering a cash payment and if Exhibit D hereto states that a specified amount of money in the Assistance Fund will be available to pay a portion of the Costs of the Sublessee's Project, after the Sublessee has withdrawn all moneys that it may withdraw from the Sublessee's Project Account pursuant to subsection (a) of this Section, the Sublessee ~~also~~, with the approval of the State, may withdraw money from the Assistance Fund in an amount up to the amount specified in Exhibit D hereto to pay, or reimburse the Sublessee for the payment by Sublessee of, Costs of the Sublessee's Project by delivering to the Assistance Board a Requisition in the form of ~~Appendix~~Exhibit E hereto, signed by the Sublessee Representative and with the State's approval evidenced by the signature of the State Representative.

(c) Upon and effective on each date a Requisition is signed and delivered to the Trustee pursuant to subsection (a) of this Section or to the Assistance Board pursuant to subsection (b) of this Section, the representations of the Sublessee set forth in such Requisition 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 moneys that may be withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section 4.10 hereof from sources other than money withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section 4.10 hereof. If the Costs of the Project are less than the amount of the moneys that may be withdrawn from the Sublessee's Project Account and the Assistance Fund pursuant to Section 4.10 hereof (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 return of a portion of any cash payment of Matching Moneys or forgiveness of a portion of the Base Rent that would otherwise be payable hereunder, principal, premium, if any, and interest that would otherwise be due on the Sublessee's Matching Moneys Bond or Matching Moneys Installment Payments that would otherwise be payable hereunder, as applicable.

Section 4.12. Compliance with Tax Certificate. The Sublessee shall comply with the provisions of the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution and delivery of this Sublease that are applicable to the construction of the Project, including but not limited to, if the Tax Compliance Certificate provides that such standards are applicable to the Sublessee's Project, 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 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

MATCHING MONEYS

Section 5.01. Sublessee's Obligation to Pay Matching Moneys. Certain information regarding the Sublessee's obligation to pay Matching Moneys with respect to its Project is set forth in Exhibit D hereto.

(a) ***No Matching Moneys***. If Exhibit D provides that there are no Matching Moneys, the Sublessee is not obligated to pay Matching Moneys with respect to its Project.

(b) ***Cash Payment***. If Exhibit D provides that the source of Matching Moneys is a cash payment, the Sublessee has satisfied its obligation to pay Matching Moneys by paying cash to the State on the date this Sublease is executed and delivered. If Exhibit D states that a specified amount of money in the Assistance Fund will be available to pay a portion of the Costs of the Sublessee's Project, the Sublessee shall be authorized to withdraw money, up to the amount specified in Exhibit D, to pay Costs of the Sublessee's Project in accordance with, and subject to the terms of Section 4.10(b) hereof.

(c) ***Base Rent***. If Exhibit D provides that the source of Matching Moneys is Base Rent, the Sublessee shall, subject only to the provisions of Article VI hereof, pay Base Rent to the State during the Lease Term in immediately available funds in the amounts and on the Base Rent Payment Dates set forth in Exhibit D.

(d) ***Matching Moneys Bond***. If Exhibit D provides that the source of Matching Moneys is a Matching Moneys Bond, the Sublessee has satisfied its obligation to pay Matching Moneys with respect to its Project by issuing and delivering to the State the Sublessee's Matching Moneys Bond on the date this Sublease is executed.

(e) ***Matching Moneys Installment Payments***. If Exhibit D provides that the source of Matching Moneys is Matching Moneys Installment Payments, the Sublessee shall make cash payments in immediately available funds to the State in the amounts, on the payment dates and from the sources set forth in Exhibit D. Notwithstanding any other provision hereof, the obligation of a Sublessee to pay a Matching Moneys Installment Payment in any Fiscal Year beyond the Sublessee's current Fiscal Year is subject to appropriation of such Matching Moneys Payment by the Governing Body of such

Sublessee. The officer of the Sublessee who is responsible for formulating budget proposals with respect to Matching Moneys Installment Payments is hereby directed to include as a line item in each annual budget proposal submitted to the Governing Body of the Sublessee for any Fiscal Year in which an Matching Moneys Installment Payment is payable the entire amount of the Matching Moneys Installment Payment payable during such Fiscal Year; it being the intention of the Sublessee that any decision to pay or not to pay such Matching Moneys Installment Payment shall be made solely by the Governing Body of the Sublessee, in its sole discretion, and not by any department, agency or official of the Sublessee. If the Sublessee intends to fund its Matching Moneys Installment Payments from the proceeds of a grant, the Governing Body of the Sublessee agrees to use its best efforts to comply with the terms of the grant and to pay all proceeds of the grant when received by the State.

(f) ***Special Arrangements***. Any special arrangement regarding the Sublessee's Matching Moneys that does not fit the categories described in subsections (a) through (e) of this Section shall be described in Exhibit D.

(g) ~~(f)~~ ***More Than One Source***. If Exhibit D provides that there is more than one source of Matching Moneys, the provisions hereof regarding the payment of Matching Moneys shall apply to each such source separately.

Section 5.02. Obligations and Rights with respect to Matching Moneys Bond and Matching Moneys Installment Payments Independent of Sublease. The obligations of the Sublessee and the rights of the State with respect to the Sublessee's Matching Moneys Bond or the Sublessee's Matching Moneys Installment Payments, as applicable, are independent of the obligations of the Sublessee and the rights of the State under this Sublease and, except as otherwise specifically provided herein, (a) the obligations of the Sublessee and the rights of the State with respect to the Sublessee's Matching Moneys Bond or the Sublessee's Matching Moneys Installment Payments, as applicable, 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 to make payments under the Sublessee's Matching Moneys Bond or to pay its Matching Moneys Installment Payments, as applicable.

Section 5.03. Use of Matching Moneys. The State shall deposit Matching Moneys it receives into the Assistance Fund.

Section 5.04. References to Cash Payments of Matching Moneys, Base Rent, Matching Moneys Bonds, and Matching Moneys Installment Payments. The State has entered into many, and in the future will enter into many more, subleases similar to this Sublease pursuant to which the sublessees will satisfy their obligations to pay Matching Moneys in a variety of ways. In order to assist the State in administering such subleases, the subleases have been drafted to be as uniform as practicable, including the inclusion of references to cash payments of Matching Moneys that are not applicable to the Sublessee if it is not satisfying its obligations to pay Matching Moneys by making cash payments, references to Base Rent that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by paying Base Rent, references to Matching Moneys Bonds that are not applicable to

the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by delivering a Matching Moneys Bond and references to Matching Moneys Installment Payments that are not applicable to the Sublessee if the Sublessee is not satisfying its obligation to pay Matching Moneys by paying Matching Moneys Installment Payments. In applying the terms of this Sublease to the Sublessee, (a) references to cash payments of Matching Moneys apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by making a cash payment, (b) references to Base Rent apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by paying Base Rent, (c) references to Matching Moneys Bonds apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by delivering a Matching Moneys Bond and (d) references to Matching Moneys Installment Payments apply to the Sublessee only if the Sublessee is satisfying its obligation to pay Matching Moneys by paying Matching Moneys Installment Payments.

ARTICLE VI

RENT; EVENT OF NONAPPROPRIATION

Section 6.01. Base Rent. If the Sublessee is satisfying its obligation to pay Matching Moneys by paying Base Rent, the Sublessee shall, subject only to the other Sections of this Article, pay Base Rent to the State during the Lease Term in immediately available funds in the amounts and on the Base Rent Payment Dates set forth in Exhibit D hereto.

Section 6.02. Additional Rent. Regardless of the manner in which the Sublessee is satisfying its obligation to pay Matching Moneys, the Sublessee shall, subject only to 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 that specifically relates to the Leased Property subject to the Sublease directly to the Person or 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~~Participating K-12 Institutions, 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~~Participating K-12 Institutions, 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 to the State pursuant hereto will not be significant.

Section 6.03. Unconditional Obligations. The obligation of the Sublessee to pay Base Rent, if applicable, during the Sublease Term shall, subject only to the other Sections of this Article, and the obligation of the Sublessee to pay Additional Rent during the Sublease Term shall, subject only to the other Sections of this Article, including, without limitation, Sections 6.04 and 6.05 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 Rent when due; the Sublessee shall not withhold any 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 Rent, provided, however, that the payment of any 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 Rent during the Sublease Term.

Section 6.04. Event of Nonappropriation.

(a) The officer of the Sublessee who is responsible for formulating budget proposals with respect to payments 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 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 Base Rent scheduled to be paid and 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 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 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 6.05. Limitations on Obligations of Sublessee.

(a) The obligation of the Sublessee to pay (i) Rent hereunder and (ii) all other payments by the Sublessee hereunder except cash Matching Moneys payments (which must be paid on the date this Sublease is executed and delivered) and amounts payable pursuant to any Matching Money Bond (which are debt of the Sublessee) shall constitute currently appropriated expenditures of the Sublessee. All obligations of the Sublessee under this Sublease (except obligations to pay cash Matching Moneys payments and amounts payable pursuant to any Matching Moneys Bond) 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 Rent and Matching Moneys Installment Payments and such other obligations (except cash Matching Moneys payments and amounts payable pursuant to any Matching Money Bond) 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 such obligation of the Sublessee under this Sublease shall be the Leased Property.

(b) All of the Sublessee's obligations under the Lease shall (except cash Matching Moneys payments and amounts payable pursuant to any Matching Moneys Bond) 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 6.06. No Right to Compel Payment of Rent or Matching Moneys by State or another ~~Sublessee~~Participating K-12 Institution. The Sublessee shall have no right to compel the State or any other ~~Sublessee~~Participating K-12 Institution to pay any Rent under any Lease or Rent, Matching Moneys or Matching Moneys Installment Payments under any Sublease or Participation Agreement or to pay the principal of, premium, if any, and interest on any Matching Moneys Bond and neither the State nor any such other ~~Sublessee~~Participating K-12 Institution 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~~Participating K-12 Institution to pay such other ~~Sublessee~~Participating K-12 Institution's Rent, Matching Moneys or Matching Moneys Installment Payments under any such other Sublease or Participation Agreement or principal, premium, if any, or interest on its Matching Moneys Bond for any reason.

ARTICLE VII

OPERATION, MAINTENANCE AND INSURANCE OF LEASED PROPERTY

Section 7.01. 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 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 property of 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 a State agency the property of which is covered by the State's risk management pool under C.R.S. § 24-30-105 et seq., the self insurance program shall be the State's risk management pool. If the property of the Sublessee is not covered by the Colorado School Districts Self Insurance Pool or the State's risk management pool, the self insurance program may, with the State's consent, 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 7.02. 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 8.05 and 8.07 hereof.

Section 7.03. 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 VIII

TITLE TO LEASED PROPERTY; ENCUMBRANCES, EASEMENTS, MODIFICATIONS, SUBSTITUTION, DAMAGE, PERSONAL PROPERTY

Section 8.01. Title to Leased Property. Title to the leasehold estate in the Leased Property under the Series 2010B-C Lease shall be held in the name of the State, subject to the Site Lease pursuant to which the Leased Property is leased to the Trustee, the 2010B-C 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 8.02. Limitations on Disposition of and Encumbrances on Leased Property.

(a) Except as otherwise permitted in this Article or Article X or XI 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 8.03. 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 2010B-C 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 2010B-C 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 8.04. 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 10.04 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 8.05. 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 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 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 improvements shall not exceed 10% of the sum of the proceeds of the Series 2010B-C 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 improvements, shall continue to be used as provided in, and shall otherwise be subject to the terms of, this Sublease.

Section 8.06. 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 2010B-C 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 2010B-C 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 2010B-C Lease, will not cause the Sublessee to violate its tax covenant set forth in Section 10.04 hereof and will not cause the State to violate its tax covenant set forth in Section 9.04 of the 2010B-C Lease.

Section 8.07. 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 VI 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 8.06 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 8.08. 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 8.09. 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 IX

SUBLESSEE'S PURCHASE OPTION; CONVEYANCE TO SUBLESSEE UPON CONVEYANCE TO STATE

Section 9.01. 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 2010B-C Lease by paying to the Trustee the "Sublessee's Purchase Option Price," which is an amount equal to (i) 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 (ii) all Additional Rent payable through the date of conveyance of such Leased Property to the Sublessee pursuant to Section 9.02 hereof, 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 2010B-C Certificates determined by multiplying the principal amount of all the Outstanding Series 2010B-C Certificates by a fraction, the numerator of which is the sum of the proceeds of the Series 2010B-C 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 2010B-C Certificates and the Allocated Investment Earnings deposited into the Project Accounts of all 2010B-C Sublessees; and (ii) which principal amount shall be allocated among the maturities of the Outstanding Series 2010B-C Certificates in proportion to the principal amount of each maturity of the Outstanding Series 2010B-C 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 2010 Certificates shall be reduced by the amount, if any, on deposit in the Series 2010 Sinking Fund Account; and (B)~~ if any portion of the Series 2010B-C 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 2010B-C Certificates shall be substituted for the Series 2010B-C 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 2010B-C Lease has occurred (A) stating that the Sublessee intends to purchase the Leased Property pursuant to this Section, (B) identifying the Person to which the Leased Property is to be conveyed, (C) identifying the source of funds it will use to pay Sublessee's Purchase Option Price and (D) 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 Sublessee's obligation to pay, as applicable, Base Rent, principal of, premium, if any, and interest on its Matching Moneys Bond or Matching Moneys Installment Payments shall terminate and, if the Sublessee has delivered a Matching Moneys Bond, the State shall cancel such Matching Moneys Bond or return it to the Sublessee, as directed by the Sublessee.

Section 9.02. Conveyance of Leased Property. At the closing of any purchase of the Leased Property pursuant to Section 9.01 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 interest in the Leased Property that was conveyed to the Trustee by the Site Lessor under its Site Lease to the Trustee, subject only to the following: (i) Permitted Encumbrances, other than this Sublease, the 2010B-C 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 2010B-C 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 2010B-C Lease, the Indenture, the Site Lease pursuant to which the Leased Property was leased to the Trustee; (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 9.03. 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 2010B-C Lease, the State shall assign, transfer and convey its ownership interest in the Leased Property to the Sublessee or its designee in the manner described in, and subject to the provisions of, Section 9.02 hereof without any additional payment by the Sublessee. Such conveyance of the State's ownership interest in the Leased Property 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 pursuant to the terms of its Matching Moneys Bond or to pay its Matching Money Installment Payments hereunder.

ARTICLE X

GENERAL COVENANTS

Section 10.01. 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 10.02. 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 10.03. 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 Site Lease pursuant to which the Leased Property was leased to the Trustee.

(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 2010B-C 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 Site Lease pursuant to which the Leased Property was leased to the Trustee, the 2010B-C 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 10.04. 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 the Tax Compliance Certificate executed and delivered by the Sublessee in connection with the execution of this Sublease. The Sublessee acknowledges that the State, in the 2010B-C Lease, has agreed to enforce the covenant of the Sublessee set forth in this Section against the Sublessee.

Section 10.05. 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 6.02 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 2010B-C 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 Participation Agreements, 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 9.06 of the 2010B-C 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 10.06. 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 XI

LIMITS ON OBLIGATIONS OF STATE

Section 11.01. 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 11.02. Financial Obligations of State Limited to Sublessee's Project Account and Specified Amounts from the Assistance Fund. Notwithstanding any other provision hereof, all financial obligations of the State under this Sublease are limited to the Sublessee's Project Account and the specified amount of money in the Assistance Fund that is available to pay a portion of the Costs of the Sublessee's Project in accordance with Section 4.10 hereof.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.01. Events of Default Defined.

(a) Any of the following shall constitute an "Event of Default" under this Sublease, subject to Section 14.22 hereof:

(i) failure by the Sublessee to pay, as applicable, any specifically appropriated Base Rent to the State on or before the applicable Base Rent Payment Date, any principal of, premium, if any, or interest on its Matching Moneys Bond when due or any Matching Moneys Installment Payment 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 2010B-C Lease as a result of an Event of Nonappropriation or Event of Default under the 2010B-C 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 13.01 hereof or any succession to all or any portion of the interest of the Sublessee in the Leased Property in violation of Section 13.02 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 other instrument related hereto or thereto (including but not limited to ~~any tax compliance certificate~~the Tax Compliance Certificate executed or issued in connection with this Sublease~~ or its Matching Moneys Bond~~), 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, as applicable, principal of, premium, if any, and interest on its Matching Moneys Bond and its Matching Money Installment Payments 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 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 ~~Rent hereunder~~money, 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 or with respect to its Matching Moneys Installment Payments.

Section 12.02. 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) the portion of Rent payable pursuant to Section 3.02(b)(ii) hereof;

(ii) all amounts due under the Sublessee's Matching Moneys Bond in accordance with the terms of the Sublessee's Matching Moneys Bond; and the portion of any Base Rent or Matching Moneys Installment Payments payable by the Sublessee for the then current Fiscal Year that has been specifically appropriated by the Sublessee's Governing Body, regardless of when the Sublessee 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 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 XIII 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 6.05 and 12.03 hereof.

Section 12.03. 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 12.02(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 12.02(c)(i), (ii) and (iii) hereof.

Section 12.04. No Remedy Exclusive. Subject to Section 12.03 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 12.05. 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 XIII

TRANSFERS OF INTERESTS IN SUBLEASE OR LEASED PROPERTY

Section 13.01. 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 13.02 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 13.02. Transfer After Conveyance of Leased Property to Sublessee. Notwithstanding Section 13.01 hereof, the Sublessee may, with the Site Lessor's prior written consent, transfer its leasehold 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 IX hereof.

ARTICLE XIV

MISCELLANEOUS

Section 14.01. 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 XIII 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 14.02. 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 applicable to governmental entities, subject to statutory exceptions and modifications, 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 14.03. Acknowledgement of and Subordination to 2010B-C Lease and Indenture. The Sublessee has received copies of, and acknowledges the terms of, the 2010B-C 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 2010B-C Lease and the Indenture.

Section 14.04. 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 Sublessee.

Section 14.05. 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: _____, facsimile number: _____, electronic mail address: _____[; and, if to the Sublessee's Chartering Authority, _____, 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 14.06. 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 14.07. 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 14.08. 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 2010B-C 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 Moneys Bonds, the Certificates, the Indenture or any matter related thereto.

Section 14.09. 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 14.10. 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 14.11. Merger. The Trustee and the Sublessee intend that the legal doctrine of merger shall have no application to this Sublease, the 2010B-C Lease or the Site Lease pursuant to which the Leased Property is leased to the Trustee by the Sublessee or the Sublessee's Chartering Authority and that none of the execution and delivery of this Sublease by the State and the Sublessee, the 2010B-C Lease by the Trustee and the State or such Site Lease by the Site Lessor and the Trustee or the exercise of any remedies by any party under this Sublease, the 2010B-C Lease or such Site Lease shall operate to terminate or extinguish this Sublease, the 2010B-C Lease or Site Lease.

Section 14.12. 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 14.13. 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 14.14. 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 14.15. 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 14.16. 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 14.17. 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 14.18. 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 14.19. 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 14.20. Accounting Allocation of State's Base Rent. Exhibit C hereto allocates the Base Rent payments of the State under the 2010B-C Lease among the 2010B-C Sublessees for accounting purposes. Exhibit 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 2010B-C Lease, the Indenture or the Site Lease or for any other purpose.

Section 14.21. 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 14.05 and 14.07 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.

Section 14.22. Rights of Sublessee's Chartering Authority. Notwithstanding any other provision of this Sublease, if the Sublessee's Chartering Authority is a party to this Sublease:

(a) The Sublessee's Chartering Authority is a party to this Sublease solely for purposes of this Section.

(b) If (i) the Sublessee's Charter is terminated or expires for any reason, (ii) the Sublessee attempts, without the written consent of the State and the Sublessee's Chartering Authority, to transfer all or any portion of its interest in, to sublease or to grant the right to use the Leased Property to any other Person other than the Sublessee's Chartering Authority (except for a right to use that does not interfere with the operation of the Leased Property as a charter school in accordance with the Sublessee's Charter) or (iii) the Sublessee fails to use the Leased Property as a charter school in accordance with its Charter, then, automatically, without any further action by any Person, all the rights and obligations of the Sublessee under this Sublease and to the Leased Property shall terminate and the Sublessee's Chartering Authority shall succeed to all the rights and obligations of the Sublessee under this Sublease and to the Leased Property. If any such event occurs, the Sublessee and the Sublessee's Chartering Authority shall immediately deliver written notice to the State and the Trustee and the Sublessee, the Sublessee's Chartering Authority, the State and the Trustee shall take all actions reasonably requested by any of them to evidence such termination and succession, but a failure to deliver any such notice or take any such action shall not effect the operation of the first sentence of this subsection.

(c) If an Event of Default or Event of Nonappropriation under the 2010B-C Lease has occurred and the Sublessee has not delivered the notice required to be delivered to the Trustee and the State under Section 9.01(b)(i) hereof or the Sublessee has delivered such notice but has failed to pay the Sublessee's Purchase Option Price on the closing date pursuant to Section 9.01 hereof, the State shall notify the Sublessee's Chartering Authority and the Sublessee's Chartering Authority shall have the option to purchase the Leased Property in accordance with Section 9.01 hereof; provided that the Site Lessor shall have an additional 15 Business Days after delivery of the notice from the State to deliver a notice to the Trustee and the State in accordance with Section 9.01(b)(i) hereof.

(d) If, but for the application of this Section, an Event of Default has occurred or events have occurred that, with the passage of time without a cure, will result in an Event of Default (for purposes of this Section, a "prospective Event of Default"), the State shall notify the Sublessee's Chartering Authority and the Sublessee's Chartering Authority shall have the right to cure the prospective Event of Default within the time period available to the Sublessee under Section 12.01 hereof plus 15 Business Days. If the Sublessee's Chartering Authority cures the prospective Event of Default pursuant to this subsection, no Event of Default shall be deemed to have occurred and the Sublessee's Chartering Authority shall have the option to succeed to all rights and obligations of the Sublessee under this Sublease by delivering a written notice to the State and the Trustee that it desires to do so. If the Sublessee delivers such a notice, it shall automatically, without any further action by any Person, succeed to the rights and obligations of the Sublessee under this Sublease and the State and the Trustee shall take all actions reasonably requested by the Sublessee's Chartering Authority to effect and evidence such succession.

THE PARTIES HERETO HAVE EXECUTED THIS SUBLEASE OF _____ AS OF THE DATE FIRST SET FORTH ABOVE

* Person(s) signing hereby swear and affirm that they are authorized to act and acknowledge that the State is relying on their representations to that effect.

[SUBLESSEE] ~~By: _____~~ ~~Title: _____~~ _____ ~~*Signature~~ Name, Title [DISTRICT SEAL] Attest: _____ Name, Title [SUBLESSEE'S CHARTERING AUTHORITY] By: _____ Title: _____ _____ *Signature	STATE OF COLORADO Bill Ritter, Jr. GOVERNOR Department of Treasury _____ By Cary Kennedy, State Treasurer
STATE OF COLORADO Bill Ritter, Jr. GOVERNOR Department of Personnel & Administration Office of the State Architect, Real Estate Programs For the Executive Director By: _____ Michael R. Karbach, Manager of Real Estate Programs	PUBLIC SCHOOL CAPITAL CONSTRUCTION ASSISTANCE BOARD, acting on behalf of the State of Colorado By:_____ Mary Wickersham, Chair
	LEGAL REVIEW John W. Suthers, Attorney General By:_____ _____, Assistant Attorney General

ALL CONTRACTS REQUIRE APPROVAL BY THE STATE CONTROLLER

CRS §24-30-202 requires the State Controller to approve all State Contracts. This Contract is not valid until signed and dated below by the State Controller or delegate. Contractor is not authorized to begin performance until such time. If Contractor begins performing prior thereto, the State of Colorado is not obligated to pay Contractor for such performance or for any goods and/or services provided hereunder.

STATE CONTROLLER
David J. McDermott, CPA

By:_____
David J. McDermott, State Controller

Date:_____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this ___ day of ~~_____~~March, 2010, 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 _____March, 2010 by _____ _____ as _____and_____ as _____ of_____ the Board of Education of _____ _____of _____.

WITNESS MY HAND AND OFFICIAL SEAL the day and year above written.

[NOTARIAL SEAL]

_____
Notary

My commission expires:

_____

[ADD CHARTER NOTARY IF APPLICABLE]

EXHIBIT A

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:~~

~~]~~insert]

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EXHIBIT B

SPECIFICATIONS FOR PROJECT

[insert]

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EXHIBIT C

ACCOUNTING ALLOCATION OF STATE'S BASE RENT

[insert]

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EXHIBIT D

MATCHING MONEYS

Matching Moneys Amount: [$_____] [None; no Matching Moneys.]

Matching Moneys Obligation Satisfied By: [None; no Matching Moneys.] [A cash payment on date Sublease is executed and delivered.] [Base Rent payable under this Sublease.] [The delivery of a Matching Moneys Bond.] [Matching Moneys Installment Payments.]

*IF CASH PAYMENT AND SUBLESSEE IS AUTHORIZED TO WITHDRAW MONEY FROM THE ASSISTANCE FUND TO PAY COSTS OF THE SUBLESSEE'S PROJECT: Dollar Amount of Money on the Assistance Fund Available to Pay Costs of the Sublessee's Project: $_____.

*IF BASE RENT:

The Sublessee is obligated to pay Base Rent under this Sublease on the dates and in the amounts set forth below:

Payment Date	**Base Rent**
	$

*IF MATCHING MONEYS BOND:

Description of Matching Moneys Bond: (name, date, principal amount, interest rate, maturity date(s), interest payment dates, other relevant terms)]

*IF MATCHING MONEYS INSTALLMENT PAYMENTS:

The Sublessee is obligated to pay Matching Moneys Installment Payments under this Sublease on the dates and in the amounts set forth below:

Payment Date	**Matching Moneys Installment Payment**
	$

Sources of Matching Moneys Installment Payments: [amount, sources, dates to be received]

~~APPENDIX~~EXHIBIT E

FORM OF ASSISTANCE FUND REQUISITION

Public School Capital Construction Assistance Board
1525 Sherman Street, Suite B17
Denver, Colorado 80203
Attention: Chair

State of Colorado
Building Excellent Schools Today

Ladies and Gentlemen:

This Assistance Fund Requisition is delivered by the ~~Sublessee~~Participating K-12 Institution identified below (the "~~Sublessee~~Participating K-12 Institution") and the State of Colorado, acting by and through the State Treasurer (the "State"), to the Public School Capital Construction Assistance Board (the "Assistance Board") pursuant to the Building Excellent Schools Today Sublease of the Sublessee dated as of ~~_____ __,~~March 16, 2010 (the "~~Sublessee's~~ Sublease") between the ~~Sublessee~~Participating K-12 Institution and the State and the Assistance Board. ***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 August 12, 2009, as such Glossary has been amended, supplemented and restated by the Glossary attached to the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated ~~_____ __,~~March 16, 2010 and as it may further be amended, supplemented and restated from time to time***.

The ~~Sublessee~~Participating K-12 Institution and the State, in accordance with the ~~Sublessee~~Participating K-12 Institution's Sublease, hereby requisitions the dollar amount described below from the Assistance Fund to pay, or reimburse the ~~Sublessee~~Participating K-12 Institution for the payment of, Costs of the ~~Sublessee~~Participating K-12 Institution's Project.

Representations of ~~Sublessee~~Participating K-12 Institution and State. The ~~Sublessee~~Participating K-12 Institution and the State each represent that:

1. The ~~Sublessee~~Participating K-12 Institution has withdrawn all moneys that it may withdraw from the ~~Sublessee~~Participating K-12 Institution's Project Account pursuant to Section 4.10(a) of the ~~Sublessee~~Participating K-12 Institution's Sublease.

2. The total amount withdrawn from the Assistance Fund pursuant to this Requisition and all previous requisitions does not exceed the amount set forth in Exhibit D to the ~~Sublessee~~Participating K-12 Institution's Sublease as the amount of money in the Assistance Fund available to pay Costs of the ~~Sublessee~~Participating K-12 Institution's Project.

Representations of ~~Sublessee~~Participating K-12 Institution. The ~~Sublessee~~Participating K-12 Institution represents that:

(a) This Requisition is not for an amount that the ~~Sublessee~~Participating K-12 Institution 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~~Participating K-12 Institution 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) ~~No~~The Participating K-12 Institution's Sublease is in full force and effect an no Event of Default or Event of Nonappropriation has occurred and is continuing ~~under the Sublessee's Sublease and the Sublessee~~thereunder; and, if the Participating K-12 Institution has delivered a Matching Moneys Bond to the State, such Matching Moneys Bond is in full force and effect and the Participating K-12 Institution has paid all amounts due~~ under~~, and is not otherwise in default with respect to any of its obligations ~~under, its~~with respect to, such Matching Money Bond~~, if applicable~~.

Representations of State. The State represents~~ that~~ no Event of Default or Event of Nonappropriation has occurred and is continuing under ~~the 2010~~any Lease.

NAME OF ~~SUBLESSEE~~PARTICIPATING K-12 INSTITUTION: _____

TOTAL DOLLAR AMOUNT REQUESTED PURSUANT TO THIS REQUISITION:_____

The Assistance Board is hereby directed to mail checks in the amounts to the payees[IS THIS APPLICABLE TO PAYMENTS BY THE ASSISTANCE BOARD?, 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~~Participating K-12 Institution Representative and the State Representative and is authorized to sign and deliver this Requisition to the Assistance Board pursuant to the ~~Sublessee~~Participating K-12 Institution's Sublease.

NAME OF ~~SUBLESSEE~~PARTICIPATING K-12 INSTITUTION: _____

_____

By _____
~~Sublessee~~Participating K-12 Institution Representative

STATE OF COLORADO, ACTING BY AND THROUGH THE STATE TREASURER

By _____
State Representative

Date: _____

PAYMENT SCHEDULE TO ASSISTANCE FUND REQUISTION

Payee	Address	Amount to be Paid

Document comparison by Workshare Professional on Tuesday, March 09, 2010 11:25:01 AM

Input:	
Document 1 ID	c:\NetDocs\Colorado BEST 2010 Sublease Form(3).doc
Description	c:\NetDocs\Colorado BEST 2010 Sublease Form(3).doc
Document 2 ID	c:\NetDocs\Colorado BEST 2010 Sublease Form(4).doc
Description	c:\NetDocs\Colorado BEST 2010 Sublease Form(4).doc
Rendering set	kutak option 1

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	172
Deletions	101
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	273

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APPENDIX C

Form of Continuing Disclosure Undertaking

$99,685,000
STATE OF COLORADO
BUILDING EXCELLENT SCHOOLS TODAY
CERTIFICATES OF PARTICIPATION SERIES 2010B-C

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 "**Series 2010B-C 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 2010B-C Lease Purchase Agreement, dated as of March 16, 2010, entered between Zions First National Bank, as Trustee under a Master Trust Indenture (the "**Master Indenture**") and a Series 2010B-C Supplemental Trust Indenture, each dated as of March 16, 2010 (the "**2010B-C Supplemental Indenture**" and, together with the Master Indenture, the "**Indenture**"), and the State. The Series 2010B-C 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, 2010, 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: March 16, 2010

STATE OF COLORADO,
acting by and through the State Treasurer

By: _____
Cary Kennedy, Colorado State Treasurer

APPENDIX D

Form of Bond Counsel Opinion

March 16, 2010

State of Colorado,
acting by and through the State Treasurer
Zions First National Bank, as Trustee
RBC Capital Markets Corporation
JP Morgan Securities, Inc.
D.A. Davidson & Co.
Stifel Nicolaus and Company, Incorporated

$85,715,000
State of Colorado
Building Excellent Schools Today Certificates of Participation
Taxable Build America Series 2010B

and

$13,970,000
State of Colorado
Building Excellent Schools Today Certificates of Participation
Tax-Exempt Series 2010C

Ladies and Gentlemen:

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 Taxable Build America Series 2010B Certificates (the "Series 2010B Certificates") and captioned Tax-Exempt Series 2010C Certificates (the "Series 2010C Certificates" and, together with the Series 2010B Certificates, the "Series 2010B-C Certificates"). The Series 2010B-C Certificates are being executed and delivered pursuant to the State of Colorado Building Excellent Schools Today Master Trust Indenture dated as of August 12, 2009 and the State of Colorado Building Excellent Schools Today Series 2010B-C Supplemental Trust Indenture dated as of March 16, 2010 (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 the State of Colorado Building Excellent Schools Today Series 2010B-C Lease Purchase Agreement dated as of March 16, 2010 (the "2010B-C Lease") and the State of Colorado Building Excellent Schools Today Series 2009A Lease Purchase Agreement dated as of September 12, 2009 (the "2009A Lease"; and, together with the 2010B-C Lease, the "Leases") by and between the Trustee, as lessor, and the State, 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, the Site Leases pursuant to which the Leased Property subject to the Leases has been leased to the Trustee, the Subleases pursuant to which the Leased Property subject to the Leases has been subleased to the Sublessees, the Tax Compliance Certificates executed and delivered by the State and the 2010B-C Sublessees in connection with the execution and delivery of the Series 2010B-C Certificates and the Project Site Extension Agreement dated as of March 16, 2010 (the "Crestone Agreement") between the State and Crestone Charter School, Inc. ("Crestone"); 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 herein; and the proceedings, certificates, documents, opinions and other papers delivered in connection with the execution and delivery of the Series 2010B-C Certificates. As to questions of fact material to our opinion, we have relied upon the representations and certifications set forth in the items examined, without undertaking to verify the same by independent investigation. We have assumed the due authorization, execution and delivery by the Trustee and the enforceability against the Trustee of the Leases, the Indenture and the Series 2010B-C Certificates, the due authorization, execution and delivery by the Site Lessors and the enforceability against the Site Lessors of the Site Leases, the due authorization, execution and delivery by the Sublessees and the enforceability against the Sublessees of the Subleases and Tax Compliance Certificates and the due authorization, execution and delivery by Crestone and the enforceability against Crestone of the Crestone Agreement; have relied upon, and assumed the correctness of the legal conclusions stated in, the opinion delivered by the Attorney General of the State in connection with the execution and delivery of the Series 2010B-C Certificates with respect to the authorization, execution and delivery of the Leases, the Subleases, the Crestone Agreement and the Tax Compliance Certificate by the State, the enforceability of the Subleases, the Crestone Agreement and the Tax Compliance Certificate against the State (but not the enforceability of the 2010B-C Lease) and other matters; and have assumed that the State, the Trustee, the Site Lessors, the Sublessees, Crestone and other parties will comply with, and perform their obligations in accordance with, the Leases, the Indenture, the Site Leases, the Subleases, the Crestone Agreement and the Tax Compliance Certificates.

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 2010B-C Lease.

2. The 2010B-C 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 2010B-C Certificates evidence legal, valid and binding undivided interests in the right to certain payments, as provided in the Series 2010B-C Certificates and the Indenture, from Base Rent payable by the State under the Leases as provided in the Leases.

4. Under existing laws, regulations, rulings and judicial decisions: (a) the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2010B Certificates is <u>included</u> in gross income for federal income tax purposes; and (b) although there is no legal precedent regarding the characterization for federal income tax purposes of similar instruments, the obligations of the State to pay Base Rent under the 2010B-C Lease (and the Series 2010B Certificates evidencing undivided interests in the right to such Base Rent) will be characterized as indebtedness of the State for federal income tax purposes. We express no opinion regarding any other federal tax consequences related to the ownership or disposition of the Series 2010B Certificates.

5. Under existing laws, regulations, rulings and judicial decisions, the portion of the Base Rent paid by the State which is designated and paid as interest on the Series 2010C Certificates is excludable from gross income for federal income tax purposes, is not a specific preference item for purposes of the federal alternative minimum tax and is not included in adjusted current earnings for purposes of the federal alternative minimum tax

imposed on corporations. The opinions set forth in the preceding sentence assume compliance by the State and the 2010B-C Participating K-12 Institutions with certain covenants relating to requirements of the Code that must be met subsequent to the delivery of the Series 2010C Certificates. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes, retroactive to the date of delivery of the Series 2010C Certificates. We express no opinion regarding (a) the effect of any termination of the State's obligations under the Leases, under certain circumstances as provided in the Leases, upon the treatment for federal income tax purposes of any moneys received by the Owners of the Series 2010C Certificates; or (b) any other federal tax consequences related to the ownership or disposition of the Series 2010C Certificates.

6. Under existing Colorado statutes: (a) the interest received and other income of the Owners of the Series 2010B Certificates with respect to their undivided interests in the Base Rent paid by the State under the Leases are exempt from taxation and assessments in the State of Colorado; and (b) the interest received by the Owners of the Series 2010C Certificates with respect to their undivided interests in the Base Rent that is designated and paid as interest under the Leases that is excludable from gross income for federal income tax purposes is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. We express no opinion regarding (i) the effect of any termination of the State's obligations under the Leases on interest received or income of the Owners of the Series 2010B-C Certificates subsequent to such termination; or (ii) other tax consequences related to the ownership or disposition of Series 2010B-C Certificates under the laws of the State of Colorado or any other state or jurisdiction.

The rights of the Owners of the Series 2010B-C Certificates and the enforceability of the Series 2010B-C Certificates and the 2010B-C 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 herein 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 Site Leases, the Leases, the Indenture or the Series 2010B-C Certificates against the Trustee; the enforceability of the Site Leases against the Site Lessors; the enforceability of the Subleases against the State or the Sublessees; the enforceability of the Crestone Agreement against the State or Crestone; legal title to the Leased Property; the creditworthiness or financial condition of the State, the Trustee or any other person; the accuracy or completeness of the statements made in connection with the offer and sale of the Series 2010B-C Certificates; or the ability of the State to use moneys from any particular source for the purpose of making payments under the Leases.

This opinion is solely for the benefit of the addressees in connection with the original delivery of the Series 2010B-C Certificates and may not be relied upon by any other person or for any other purpose without our express written consent.

This opinion is based solely on the Constitution and laws of the State, the provisions of the Code and the regulations, rulings and judicial decisions relevant to the opinions set forth herein, the other items described in the second paragraph hereof and the assumptions set forth herein. The opinions set forth herein may be affected by changes in the items described in the second paragraph hereof and actions taken or omitted or events occurring after the date hereof. This opinion speaks only as of its date and our engagement with respect to the Series 2010B-C Certificates has concluded with the delivery of this opinion. We have no obligation to update this opinion or to inform any person about any changes in the items described in the second paragraph hereof, any actions taken or omitted or events occurring after the date hereof or any other matters that may come to our attention after the date hereof.

Investors are urged to obtain independent tax advice regarding the Series 2010B-C Certificates based upon their particular circumstances. The opinions set forth herein with respect to federal income tax matters 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 2010B-C 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,

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 summarizes the actual revenues, expenditures and changes in fund balances for the General Fund for Fiscal Year 2004-05 through Fiscal Year 2008-09 and the forecast for Fiscal Years 2009-10 and 2010-11 from the OSPB December 2009 Revenue Forecast. See "FORWARD-LOOKING STATEMENTS."

The table reflects requested legislation as outlined in the Governor's August 25, 2009 and December 1, 2009 budget balancing proposals to the Joint Budget Committee with respect to Fiscal Years 2009-10 and 2010-11 General Fund appropriations, transfers to the General Fund and rebates and expenditures. With respect to prior Fiscal Years, the table assumes State law then in effect for General Fund appropriations, transfers to the General Fund and rebates and expenditures. The table also reflects the effect of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 (the "**Jobs Act**") enacted in 2003. The Jobs Act funds two types of financial assistance for the states. Under the first type of financial assistance, Colorado's share was approximately $238.6 million: $92.3 million in increased federal assistance for Medicaid and $146.3 million in assistance for providing government services.

The table also takes into account two provisions of the Jobs Act that provide tax relief for State taxpayers but also affected State tax revenues. The growth incentives for businesses offered under the Jobs Act include a 50% bonus depreciation allowance and a small business expensing provision. These incentives had 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 under the Recovery Act for Medicaid over three Fiscal Years, beginning with Fiscal Year 2008-09. Based on the OSPB December 2009 Revenue Forecast, under the Recovery Act, the State received a General Fund expenditure offset of $214.1 million for Federal Medical Assistance Percentage ("**FMAP**") participation in Fiscal Year 2008-09. The General Fund expenditure offsets in Fiscal Year 2009-10 and Fiscal Year 2010-11 are estimated to be $351.2 million and $192.2 million, respectively, but are no longer shown specifically on the table below as these offsets are captured in the "General Fund Appropriations Subject to the Appropriations Limit" entry. To the extent received, these amounts reduced General Fund expenditures and any future funding under the Recovery Act is expected to reduce General Fund expenditure for Medicaid.

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 2004-05	**Fiscal Year 2005-06**	**Fiscal Year 2006-07**	**Fiscal Year 2007-08**	**Fiscal Year 2008-09[14]**	**Fiscal Year 2009-10**	**Fiscal Year 2010-11**
REVENUE:							
Beginning Reserve	$ 224.0	$ 237.4	$ 251.7	$ 267.0	$ 283.5	$ 440.0	$ 135.1
Gross General Fund Revenue [2]:	6,474.8	6,964.6	7,539.8	7,742.9	6,737.8	6,688.1	7,238.6
General Fund	--	*5,848.5*	*6,231.6*	*6,573.5*	*6,737.8*	*6,688.1*	*7,084.4*
General Fund Exempt [3]	--	*1,116.1*	*1,308.2*	*1,169.4*	--	--	*154.2*
Deposit to the State Education Fund [2]	--	357.2	395.1	407.9	339.9	329.2	354.3
Gross General Fund Revenue Plus Deposit to the State Education Fund[2]	6,474.8	7,321.8	7,934.9	8,150.8	7,077.7	7,017.3	7,728.0
Diversion to the Highway Users Tax Fund[4]	--	(220.4)	(228.6)	(238.1)	N/A	N/A	N/A
Transfer to the State Education Fund (net) [2]	(313.9)	--	--	--	--	--	--
Net Transfers to (from) the General Fund[5]	64.2	155.1	--	(5.0)	805.0	(88.0)	13.7
TOTAL REVENUE	6,449.0	7,139.5	7,562.9	7,766.9	7,826.3	6,929.3	7,741.7
EXPENDITURES:							
Allowable General Fund Appropriations Limit	5,935.2	6,292.7	6,675.6	7,087.8	7,546.9	10,616.0	10,345.0
General Fund Appropriations Subject to the Appropriations Limit (Long Bill and Supplemental Bills) [6]	5,935.2	6,292.7	6,675.6	7,087.8	7,387.1	6,755.9	7,097.5
Appropriations Change From Prior Year	*337.2*	*361.2*	*382.9*	*412.3*	*299.3*	*(631.2)*	*(341.6)*
Percent Change	*6.0%*	*6.1%*	*6.1%*	*6.2%*	*4.2%*	*(8.5)%*	*5.1%*
Exemptions to the Appropriations Limit [7]	1.3	5.0	11.1	31.9	12.2	--	--
Spending Outside the Appropriations Limit:	176.4	153.4	360.0	320.2	201.1	149.0	148.0
TABOR Refund	*41.1*	--	--	--	--	--	--
Rebates and Expenditures[8]	*110.7*	*153.4*	*164.6*	*173.8*	*136.0*	*145.6*	*137.7*
Senior Homestead Exemption[9]	--	--	*74.2*	*79.8*	*85.6*	*1.4*	*1.6*
Transfer to Capital Construction Fund[10]	*0.2*	*10.1*	*145.9*	*93.7*	*24.9*	*2.0*	*8.7*
Transfer to Controlled Maintenance Trust Fund [11]	*55.0*	--	--	--	--	--	--
Reversions and Accounting Adjustments	*(30.6)*	*(10.1)*	*(24.7)*	*(27.1)*	*(45.4)*	--	--
Enhanced Medicaid Match (Reduces General Fund Expenditures) [12]	--	--	--	--	(214.1)	N/A	N/A
TOTAL OBLIGATIONS	6,112.9	6,451.1	7,046.6	7,439.9	7,386.3	6,905.0	7,245.5
RESERVES							
Year-End Excess General Fund Balance	335.4	688.4	516.3	327.0	440.0	135.1	142.0
Year-End Excess General Fund Balance as a Percent of Appropriations	*5.6%*	*10.9%*	*7.7%*	*4.6%*	*2.0%*	*2.0%*	*2.0%*
Unappropriated Reserve	237.4	251.7	267.0	283.5	148.2	135.1	142.0
Moneys in Excess of Statutory Reserve:	98.0	436.7	249.3	43.4	291.7[15]	--	--
Transfer to Highway Users Tax Fund (2/3) [13]	*65.3*	*291.1*	*166.2*	*29.0*	--	--	--
Transfer to Capital Construction Fund (1/3) [13]	*32.7*	*145.6*	*83.1*	*14.5*	--	--	--

[Notes on the next page]

(1) This table is unaudited, although some of the figures reported in these columns are identified by the OSPB from the State's CAFRs 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 Year 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 both as reported in the OSPB revenue forecasts and together with the amount deposited to the State Education Fund. Figures for Fiscal Year 2009-10 and Fiscal Year 2010-11 include revenue enhancement proposals included in the Governor's budget balancing plans submitted to the General Assembly on November 6, 2009, and December 1, 2009, respectively.

(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*."

(4) For Fiscal Years 2006-07 through 2008-09, 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 by SB 09-228 beginning with Fiscal Year 2009-10.

(5) This figure represents the total transfers to or from the General Fund, including statutorily required transfers into the General Fund from various cash funds. Amounts in parentheses represent transfers from the General Fund to various cash funds.

(6) These amounts for Fiscal Year 2009-10 and Fiscal Year 2010-11 reflect the current amount of General Fund appropriations that could be supported by projected revenues, based on the OSPB December 2009 Revenue Forecast, and do not reflect current requested levels from the Executive Branch. Based on the Governor's August 25, 2009, and December 1, 2009, budget balancing proposals for Fiscal Year 2009-10 and Fiscal Year 2010-11 submitted to the General Assembly on November 6, 2009, and December 1, 2009, respectively, actual requested spending authority for these two years is lower than the Fiscal Years 2009-10 and 2010-11 amounts shown in the table. For Fiscal Year 2009-10, requested spending authority is $6,622.6 million ($133.3 million lower than what current revenue projections may be able to support), and for Fiscal Year 2010-11, requested spending authority is $6,951.8 million ($145.7 million below what current revenue projections may be able to support).

(7) 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. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Expenditures, The Balanced Budget and Statutory Spending Limitation*."

(8) 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 Year 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 2004-05 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.

(9) The senior Homestead Exemption property tax credit was suspended for Fiscal Years 2004-05 through 2005-06, reinstated in Fiscal Years 2006-07 through 2008-09, again suspended for Fiscal Year 2009-10 and requested to be suspended for Fiscal Year 2010-11 (except for an exemption for qualified disabled veterans).

(10) 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.

(11) 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.

(12) Assumes receipt of the Recovery Act funding for Medicaid over three Fiscal Years, beginning with Fiscal Year 2008-09. All of these additional federal funds are anticipated to reduce General Fund expenditures and are therefore shown as negative values when applicable; however, estimates of General Fund appropriations are reduced in Fiscal Years 2009-10 and 2010-11 rather than showing the increased FMAP as a reduction of appropriations on this table.

(13) Per HB 02-1310, two-thirds of the Unappropriated Reserve in excess of the then applicable Unappropriated Reserve 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. SB 09-228 has repealed this requirement effective January 1, 2010, and SB 09-278 prohibited the transfer of the excess reserves for Fiscal Years 2008-09 and 2009-10 to the Highway Users Tax Fund and the Capital Construction Fund. See "STATE FINANCIAL INFORMATION – Budget Process and Other Considerations – *Revenues and Unappropriated Amounts*."

(14) Although Fiscal Year 2008-09 is closed as of this date and the State's Fiscal Year 2008-09 CAFR has been released, figures reported in this column are considered preliminary because they are based on the OSPB December 2009 Revenue Forecast, which was released before the Fiscal Year 2008-09 CAFR.

(15) This excess amount is due to a one time transfer of $458,057,698 from specified cash funds to the General Fund on June 30, 2009. See "Revenue Estimation – *Budgetary Reduction Measures for Fiscal Year 2008-09*" below.

Sources: State Treasurer's Office and OSPB December 2009 Revenue Forecast

Discussion of Recent General Fund Operations

The following is a discussion of the General Fund revenues for the past five Fiscal Years. The amount of General Fund revenues received in prior years is not necessarily indicative of the amount of revenues to be expected for any future Fiscal Years. All figures are approximate unless otherwise stated. See also "General Fund Revenue Sources" below.

Fiscal Year 2008-09 (Preliminary Unaudited). The following information is taken from the OSPB December 2009 Revenue Forecast, was based on unaudited preliminary figures and was not updated based on the State's CAFR for Fiscal Year 2008-09 attached to the Official Statement as Appendix A.

Comprehensive General Fund revenues decreased by 13.0% in Fiscal Year 2008-09 compared to an increase of 2.7% in Fiscal Year 2007-08. In Fiscal Year 2008-09, sales and use tax revenue decreased by 9.1% compared to an increase of 4.9% in Fiscal Year 2007-08. Other excise tax revenue declined 1.7% compared to decline of 0.7% in Fiscal Year 2007-08. Corporate and individual income tax collections decreased 15.6% in Fiscal Year 2008-09 compared to an increase of 2.1% in Fiscal Year 2007-08. Other revenues declined 2.2% in Fiscal Year 2008-09 compared to a decline of 1.7% in Fiscal Year 2007-08. Total funds available for expenditure in Fiscal Year 2008-09 (which excludes the amount deposited into the State Education Fund) were $7,826.3 million and total obligations were $7,386.3 million. In accordance with Amendment 23, $339.9 million was diverted to the State Education Fund. The General Fund statutory reserve was $148.2 million. Per SB 09-277, the Unappropriated Reserve was lowered to 2.0% of Fiscal Year appropriations.

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 4% 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, 2009," 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. The "Other Revenue" category of 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 4% Unappropriated Reserve, and in accordance with HB 02-1310, two-thirds of the Unappropriated Reserve in excess of the 4% 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 4% Unappropriated Reserve, and in accordance with HB 02-1310, two-thirds of the Unappropriated Reserve in excess of the 4% 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 4% Unappropriated Reserve, and in accordance with HB 02-1310, two-thirds of the Unappropriated Reserve in excess of the 4% 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.

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 2008-09, individual and corporate income taxes comprised approximately 65.4% of total General Fund revenues, and general sales and use taxes contributed approximately 29.8% of total General Fund revenues (General Fund revenues described above are before State Education Fund diversion adjustments). The OSPB forecasts that gross General Fund revenue will grow at a compound average annual rate of 4.6% between Fiscal Year 2008-09 and Fiscal Year 2012-13.

Individual Income Tax. The largest source of General Fund revenues is receipts generated by the individual income tax. Individual income tax revenues comprised 61.2% of total General Fund revenues (total receipts before State Education Fund diversions) in Fiscal Year 2008-09, and are forecast by the OSPB to comprise 60.6% of total General Fund revenues in Fiscal Year 2009-10 and 59.5% of total General Fund revenues in Fiscal Year 2010-11. Individual income tax revenues increased by 7.6% in Fiscal Year 2004-05, 17.9% in Fiscal Year 2005-06, 11.3% in Fiscal Year 2006-07, 2.1% in Fiscal Year 2007-08, and decreased 12.9% in Fiscal Year 2008-09. The OSPB forecasts that Fiscal Year 2009-10 individual income tax revenues will decrease by 1.9% over Fiscal Year 2008-09.

Corporate Income Tax. Corporate income tax revenues accounted for 4.1% of total General Fund revenues (total receipts before State Education Fund diversions) in Fiscal Year 2008-09, and are forecast by the OSPB to comprise 4.6% of total General Fund revenues in Fiscal Year 2009-10 and 5.3% of total General Fund revenues in Fiscal Year 2010-11. Corporate tax receipts are the most volatile revenue source for the General Fund. 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 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, 2.0% in Fiscal Year 2007-08, and decreased 42.4% in Fiscal Year 2008-09, but are forecast by the OSPB to increase in Fiscal Year 2009-10 by 9.8% over Fiscal Year 2008-09. The OSPB forecasts that a recovery will begin in Fiscal Year 2009-10 as credit markets continue to thaw and as federal stimulus funding generates increased economic activity.

Sales and Use Taxes. Sales and use tax receipts accounted for 29.8% of General Fund revenue (total receipts before State Education Fund diversions) in Fiscal Year 2008-09, and are forecast by the OSPB to comprise 29.9% of total General Fund revenues in Fiscal Year 2009-10 and 30.6% of total General Fund revenues in Fiscal Year 2010-11. Sales and use tax revenues increased 5.2% in Fiscal Year 2004-05, 5.7% in Fiscal Year 2005-06, 4.1% in Fiscal Year 2006-07, 4.9% in Fiscal Year 2007-08, and decreased by 9.1% in Fiscal Year 2008-09. Sales and use tax revenues for Fiscal Year 2009-10 are anticipated to decline by 0.6% from the previous year, attributable largely to high unemployment and diminished wage growth. The OSPB forecasts that as consumer confidence begins to rise, 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. In addition, the State expects to receive additional sales taxes as a result of the elimination of the sales tax exemptions on cigarettes pursuant to HB 09-1342. The implementation of SB 09-275 and HB 09-1342 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 such changes are repealed. Therefore, the State is forecast to realize a lesser decline in sales and use tax revenue than would have otherwise occurred during these two Fiscal Years. Sales and use tax collections are anticipated to improve in 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 1.3% of General Fund revenue (total receipts before State Education Fund diversions) in Fiscal Year 2008-09, and are forecast by the OSPB to comprise 1.4% of total General Fund revenues in Fiscal Year 2009-10 and 1.2% of total General Fund revenues in Fiscal Year 2010-11. Other excise tax revenues increased 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, a decline of 0.2% in Fiscal Year 2007-08, and a decline of 1.7% in Fiscal Year 2008-09. The OSPB forecasts that other excise tax receipts will increase 3.4% in Fiscal Year 2009-10 and decrease 2.6% in Fiscal Year 2010-11.

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 large 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.

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, and other income, and as a group are relatively volatile. Other revenues accounted for 3.6% of total General Fund revenues (total receipts before State Education Fund diversions) in Fiscal Year 2008-09, and are forecast by the OSPB to comprise 3.6% of total General Fund revenues in Fiscal Year 2009-10 and 3.4% of total General Fund revenues in Fiscal Year 2010-11. As a whole, revenues in this category declined 3.6% in Fiscal Year 2004-05, 17.3% in Fiscal Year 2005-06, 7.2% in Fiscal Year 2006-07, 1.7% in Fiscal Year 2007-08, and 2.2% in Fiscal Year 2008-09. 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 were instead transferred to the Clean Energy Fund. However, to alleviate the shortfall in Fiscal Year 2008-09, approximately $2.8 million was transferred to the General Fund rather than to the Clean Energy Fund. Similar transfers to the General Fund from limited gaming revenues were also proposed by the Governor for Fiscal Year 2009-10 and Fiscal Year 2010-11, equal to $14.2 million and $21.3 million, respectively. The OSPB forecasts that other revenues will increase 0.5% in Fiscal Year 2009-10 and 1.1% in Fiscal Year 2010-11.

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 2009-10 and 2010-11. See also "OSPB Revenue and Economic Forecasts" below and "FORWARD LOOKING STATEMENTS" in the body of this Official Statement.

State of Colorado
Receipts from Major Taxes
(Dollar amounts expressed in millions)

	Actual					OSPB Estimate[1]	
	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11
Individual Income Tax	$3,712.7	$4,376.1	$4,870.9	$4,973.7	$4,333.3	$4,251.8	$4,520.3
Change from Prior Year	7.6%	17.9%	11.3%	2.1%	(12.9)%	(1.9)%	6.3%
Corporate Income Tax[2]	$315.0	$447.4	$497.9	$507.9	$292.5	$321.3	$401.1
Change from Prior Year	33.9%	42.0%	11.3%	2.0%	(42.4)%	9.8%	24.8%
Sales and Use Tax[3], [4]	$2,008.0	$2,123.2	$2,209.5	$2,317.9	$2,107.8	$2,095.8	$2,322.8
Change from Prior Year	5.2%	5.7%	4.1%	4.9%	(9.1)%	(0.6)%	10.8%
Other Excise Taxes	$96.9	$92.2	$94.0	$93.3	$91.7	$94.8	$92.3
Change from Prior Year	0.2%	(4.9)%	2.0%	(0.7)%	(1.7)%	3.4%	(2.6)%
Other Revenues	$342.2	$282.9	$262.5	$258.1	$252.4	$253.6	$256.4
Change from Prior Year	(3.6)%	(17.3)%	(7.2)%	(1.7)%	(2.2)%	0.5%	1.1%

(1) OSPB December 2009 Revenue Forecast. Projections for individual, corporate and sales tax revenue in these years incorporate the impact from the Governor's budget balancing proposals, including revenue enhancement proposals from the elimination or suspension of State tax exemptions and credits. See "*Individual Income Tax,*" "*Corporate Income Tax*" and "*Sales and Use Taxes*" above.

(2) In Fiscal Year 2004-05, a number of federal tax relief provisions adopted in 2001, 2002 and 2003 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 below.

(4) Sales tax figures for Fiscal Year 2008-09 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, and 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 a 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 Colorado 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 partly in-house and partly by consultants to the State.

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 and sales tax collections, the model forecasts only the aggregate amount for these revenues. 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 are 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 the Fiscal Year budgets are balanced and, based upon current forecasts, there is anticipated to be an Unappropriated Reserve, the State may 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 projected a Fiscal Year 2009-10 shortfall in excess of one-half of the 2% Unappropriated Reserve requirement for such Fiscal Year, and thus, in June 2009, the Governor implemented the procedures described above for Fiscal Year 2008-09. See "OSPB Revenue and Economic Forecasts – Revenue Forecast" and "Budgetary Reduction Measures for Fiscal Years 2008-09 and 2009-10" below.

Budgetary Reduction Measures for 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, $214.1 million of additional Federal Medicaid funding authorized under the Recovery Act was used to balance the State budget for Fiscal Year 2008-09.

Further, SB 09-219 and SB 09-279 provide that if the OSPB June 2009 Revenue Forecast indicated 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 as discussed in "OSPB Revenue and Economic Forecasts – Revenue Forecast" below. Based on the OSPB June 2009 Revenue Forecast, revenue estimates prepared by the Colorado Legislative Council and the recommendation of the State Controller, on June 29, 2009, pursuant to the authority granted by SB 09-279, the Governor ordered the State Treasurer and the State 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 State 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 was not needed to meet actual Fiscal Year 2008-09 appropriations which resulted in an approximately $300 million excess over the required Unappropriated Reserve of 2% for Fiscal Year 2008-09. Pursuant to the provisions of SB 09-279, these amounts were restored to the various cash funds on July 1, 2009. See also "Budgetary Reduction Measures for Fiscal Year 2009-10" below. In addition, SB 09-279 required the State Treasurer to transfer the balance ($219.0 million) of the Sales and Use Tax Holding Fund ("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 approximately$1,179.4 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 $1,043.6 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.

Budgetary Reduction Measures for Fiscal Year 2009-10. Based on greater than anticipated revenues in the last two months of Fiscal Year 2008-09 as well as a higher level of enhanced federal financial participation for Medicaid expenditures in the last quarter of Fiscal Year 2008-09, actual revenues earned through June 30, 2009 resulted in a budgetary shortfall that was $82.7 million less than the Fiscal Year 2008-09 shortfall that was previously estimated in the OSPB June 2009 Revenue Forecast. As the shortfall in Fiscal Year 2008-09 was shifted into Fiscal Year 2009-10 through the

allowable cash fund transfer described in the preceding paragraph, the previously estimated Fiscal Year 2009-10 shortfall was correspondingly reduced by $82.7 million. Therefore, the Fiscal Year 2009-10 shortfall estimated after the OSPB June 2009 Forecast was $318.0 million and was based on more conservative revenue estimates outlined in the Colorado Legislative Council revenue forecast (released on June 22, 2009), adjusted for preliminary Fiscal Year 2008-09 revenues. On August 25, 2009, the Governor prepared a budget balancing plan to address this $318 million shortfall.

Subsequent to the Governor's August 25, 2009 budget balancing plan, revised revenue forecasts were released on September 21, 2009 by both OSPB and the Colorado Legislative Council. Based on these updated revenue projections, an additional Fiscal Year 2009-10 shortfall of $271.4 million (resulting in a total projected revenue shortfall of $589.4 million) was determined and was addressed through the Governor's October 28, 2009 budget balancing plan. The revised $589.4 million budget balancing plan was formulated to address the most conservative revenue projections published by the Colorado Legislative Council after certain minor adjustments were made for variances in General Fund expenditures in accordance with the State statutes. The Governor formally submitted to the General Assembly budget balancing actions related to the October 28, 2009 budget balancing plan on December 1, 2009. While many of the Governor's budget balancing actions have already been implemented through several Executive Orders issued by the Governor, as required by statute, the General Assembly must adopt the Governor's plans through legislative action prior to the Fiscal Year 2009-10 budget being balanced.

The Colorado Legislative Council forecast released on December 18, 2009 projects a further General Fund revenues shortfall of $39.9 million (compared to the amount of the budgetary shortfall estimated in its September 21, 2009 forecast). Further balancing measures will be necessary in order to address this additional projected General Fund revenues shortfall.

Fiscal Year 2010-11. On November 6, 2009, the Governor delivered his Fiscal Year 2010-11 budget request to the JBC. Following the new Fiscal Year 2010-11 revenue forecast included in the OSPB December 2009 Revenue Forecast and Colorado Legislative Council December 2009 forecast, the Governor introduced his budget balancing plan for Fiscal Year 2010-11 to the JBC on February 18, 2010. The plan included a number of proposed budgetary adjustments, including elimination of a college scholarship fund, reduced Medicaid expenditures, new tax and compliance initiatives, additional budgetary reductions, asset sale and leaseback proposals, enhanced Medicaid federal matches or the sale and privatization of some State assets. Final decisions on budgetary adjustments must be approved by the State General Assembly.

OSPB Revenue and Economic Forecasts

The OSPB prepares quarterly revenue estimates covering a four year period. Currently, the OSPB is forecasting for Fiscal Year 2009-10 through Fiscal Year 2012-13. 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 December 18, 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. With the inclusion of the Governor's August 25, 2009 and December 1, 2009 budget balancing proposals, the OSPB December 2009 Revenue Forecast projects that sufficient General Fund revenues are available to support requested spending authority for Fiscal Year 2009-10. For Fiscal Year 2010-11, General Fund revenues available for appropriation are anticipated to increase above Fiscal Year 2009-10 levels while maintaining the 2.0% Unappropriated Reserve requirement.

Gross General Fund revenues in Fiscal Year 2009-10 are projected to decrease 0.7% (or $49.7 million) from prior year levels. This reduction in total State revenues is largely the result of declining individual income tax collections which are projected to contract by 1.9%. These reductions are being buffered slightly by a projected 0.5% increase in sales tax collections; however, much of that increase can be attributed to legislative actions taken during the 2009 session, including the elimination of the vendor administrative fee and the cigarette tax credit.

For Fiscal Year 2010-11, General Fund revenues available for appropriation are anticipated to increase 8.2% over Fiscal Year 2009-10 projected levels. Much of this increase in revenue is attributable to the proposed elimination or suspension of multiple tax credits and exemptions as discussed in "General Fund Revenue Sources," but is also due to the anticipated economic recovery continuing in Colorado. In addition to the proposed revenue enhancements, the Governor also requested that the reduced 2.0% statutory unappropriated General Fund reserve requirement be continued and that the homestead exemption for seniors be suspended through Fiscal Year 2011-12; thereby adding to available General Fund resources for appropriation.

See also "General Fund Overview" and "Revenue Estimation – Budgetary Reduction Measures for Fiscal Years 2008-09 and 2009-10" above.

Economic Forecast. The OSPB quarterly revenue forecasts also include both Colorado and national economic forecasts. The OSPB December 2009 Revenue Forecast states that both the national and Colorado economies continue to struggle from recessionary pressures, but there are some indications that conditions are beginning to improve in Colorado. Local conditions around the State remain mixed as some areas have been hit harder than others; however, Colorado continues to fare better than a number of other states in such areas as nonagricultural employment, housing, and personal income. In 2008, Colorado had the fourth-fastest growing gross domestic product ("**GDP**") rate in the country, and a number of economists project that Colorado will rank among those states that lead the recovery. In late July 2009, CNBC rated Colorado the third top state in the nation for doing business in 2009. Even with these optimistic outside predictions, mixed results are expected in 2010 as some economic indices will improve while others are likely to lag the recovery, before more robust improvement is anticipated in 2011.

The OSPB December 2009 Revenue Forecast notes that the recent recession has been unlike any other in recent history, and there remains a great deal of uncertainty about both the direction of general economic trends and the rate at which they are expected to change. One of the most significant variables is the high level of unemployment, and questions remain over when exactly this variable will improve. This is especially significant because high unemployment levels impact a host of other variables, such as consumer spending. Another risk to the Colorado economic forecast is that the national economy could experience another adverse shock, which would likely impact the Colorado economy as well.

Colorado is anticipated by many economists to be one of the key states that lead the national recovery because of its diversified economy, substantial investments in renewable energy and a relatively stable housing market. Historical data and trends used in the OSPB Colorado economic model reflect patterns of recovery in which Colorado's recovery lags that of the nation, and this could potentially

influence the forecast such that Colorado's unique position as a leader in this recovery might not be sufficiently accounted for in these projections.

Employment

In October 2009, Colorado's seasonally adjusted unemployment rate decreased to 6.9%. It should be noted that, many Coloradoans continue to face significant difficulties due to labor market conditions, and the reduced unemployment rate for Colorado is partially due to individuals giving up their job searches in the near term. However, while employment difficulties in Colorado persist, the State continues to fare better relative to other states. Further nonagricultural employment declines and sluggish improvement in this variable would likely result in a slow economic recovery both nationally and in Colorado.

The OSPB December 2009 Revenue Forecast projects unemployment rates of 7.4% for 2009 and 8.0% for 2010. Total nonagricultural employment is projected to contract by 4.4% in 2009 and 1.5% in 2010. The 2009 estimates reflect the anticipated impact from the Bureau of Labor Statistics restatement estimate for employment which occurs every year. While the exact impact to Colorado is not yet known, the national revision is anticipated to equate to a loss of 824,000 jobs. This manual adjustment was incorporated into the OSPB December 2009 Revenue Forecast and therefore does not match current monthly employment data published by the Bureau of Labor Statistics for Colorado.

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.

The presence of upward price pressures in Colorado is not anticipated in 2009. Recent data suggest that the national CPI will decrease slightly (0.3%), but both consumer and producer prices remain well below 2007 and 2008 levels. Expectations of persistent labor market difficulties, diminished consumer confidence, and a generally weakened economy are expected to moderate inflationary pressures beyond the current year.

The OSPB December 2009 Revenue Forecast projects that the Denver-Boulder-Greeley Consumer Price Index will decline 1.2% in 2009 and increase 1.5% in 2010.

Wages and Income

Colorado personal income increased 3.3% in 2008 (after restated historical figures were incorporated from the Bureau of Economic Analysis, published October 16, 2009), and national personal income increased 2.9%. Personal income is comprised of wage and salary income, Social Security and unemployment insurance payments, dividends, interest, and income for Colorado's small businesses. Because of these various components, it is important to note that personal income rarely exhibits year-to-year contractions, which is unlike wages and salaries, which can experience greater volatility due to the influences of economic conditions.

Colorado personal income is expected to decrease 2.6% in calendar year 2009 and increase 0.6% in 2010. The decline in personal income for 2009 is attributable primarily to labor market and banking sector difficulties. Colorado wage and salary income is projected to decrease 3.4% in 2009 and 0.2% in

2010. Wage and salary income, like personal income, is also affected significantly by labor market difficulties.

Wage and salary income is expected to increase in 2011 as the labor market improves and aggregate demand increases. The typical progression in a recovery is (1) first an increase in productivity, (2) followed by an increase in hours worked, and finally (3) the hiring of additional workers. The national economy is presently situated somewhere between the first and second stages, as is Colorado. An increase in wage and salary income is expected to precede significant job creation as firms increase overtime pay and hours worked by existing workers before adding new workers.

Population and Migration

In 2008, net in-migration to Colorado was approximately 52.6 thousand people and total population growth was approximately 1.8%. The OSPB December 2009 Revenue Forecast projects that Colorado population will increase 1.4% in 2009 and 1.7% in 2010. One factor influencing population migration patterns is the geographic dispersion of newly created jobs. Therefore, if Colorado is a state that does lead the recovery, population growth in Colorado could deviate from historical trends as the economy recovers.

Construction

The construction industry has contracted significantly over the course of the recession. In 2008, Colorado nonresidential construction value declined 12.5%. Nonresidential construction value is projected to decrease 18.4% in 2009 and then to increase 4.2% in 2010 off a depressed base, and with the assistance of federal stimulus funding. Improvement in nonresidential construction value is expected in 2011 as companies begin to improve existing structures and expand infrastructure. However, this is not expected in the near term because current inventory levels are below traditional levels, which suggests an excess of inventory storage capacity, and vacant retail space throughout the State and nation.

Housing starts in Colorado were down 35.5% in 2008, and are anticipated to continue this downward trend for 2009 (down an additional 47.9%) before increasing in 2010 (rising from a significantly reduced base by 52.5%). This forecast may be conservative given recent bolstering from the first-time-homebuyer credit offered by the federal government.

Metropolitan Home Price Values

While housing markets generally remain distressed around the nation, the Denver housing market, which has not experienced the volatility seen in many other states, remains relatively stable and is positioned to fare well as the economy expands. The S&P/Case-Shiller Home Price Indices measure the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States, including Denver (the "**Composite-20**"). These indices suggest that although home values in the Denver metropolitan area have declined, they have been more stable than those of the Composite-20. In September 2009, compared to the same month in 2005, Denver home price values were down approximately 6.0%, while the Composite-20 average declined approximately 26.0%.

Retail Trade

The current recession has certainly affected consumer behavior. High unemployment levels, increased savings, and diminished consumer confidence have negatively affected retail trade sales in Colorado. Retail trade sales declined 0.8% in 2008. This variable is projected to decline 11.3% in 2009

and increase 3.6% in 2010. The significant decline in 2009 reflects deterioration in the labor market in 2009 over 2008. Retail trade sales are expected to increase in 2010 as personal income and consumer confidence increase, and as consumers replace aging items despite higher levels of unemployment.

See also **Appendix G** – "CERTAIN STATE ECONOMIC AND DEMOGRAPHIC INFORMATION" for additional information relating to State's economy.

Investment of the State Pool

General. The investment of public funds by the State Treasurer is subject to the general limitations discussed in "STATE FINANCIAL INFORMATION – Investment and Deposit of State Funds." The State 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 State Treasurer are valued and "marked to market" on a monthly basis according to market prices provided by J.P. Morgan Chase, the State Treasury's investment safekeeping bank.

Fiscal Years 2008-09 and 2009-10 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 2008-09 and first six months of Fiscal Year 2009-10.

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	$ 295.2
Commercial Paper	724.0	409.5	403.4	0.0	79.7	149.7	50.0	0.0	99.9	189.9	99.9	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	403.8
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	3,321.4
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	618.9
Money Market	370.0	320.0	265.0	235.0	365.0	466.4	382.0	297.0	256.5	347.0	297.0	397.0
Corporates	478.5	451.1	449.1	447.8	455.8	454.2	449.2	434.2	429.2	414.5	416.5	403.6
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	70.2
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	$5,610.0

(1) This table includes all moneys in the State pool, which includes the General Fund and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

State of Colorado
State Pool Portfolio Mix
First Six Months of Fiscal Year 2009-10
(Amounts expressed in millions)[1]

	Jul 2009	Aug 2009	Sept 2009	Oct 2009	Nov 2009	Dec 2009
Agency CMOs	$ 287.2	$ 297.9	$ 273.4	$ 312.2	$ 305.8	$ 299.3
Commercial Paper	100.0	0.0	0.0	0.0	40.0	419.3
U.S. Treasury Notes	657.2	647.1	656.6	661.3	631.2	680.6
Federal Agencies	3,928.6	3,543.6	3,506.7	3,433.6	3,021.9	2,515.9
Asset-Backed Securities	606.0	580.9	553.6	542.3	532.6	521.1
Money Market	372.0	357.0	267.0	235.0	300.0	300.0
Corporates	385.6	385.6	368.8	355.6	371.0	373.0
Certificates of Deposit	46.5	41.0	38.5	36.7	31.3	31.0
Totals	$6,383.1	$5,835.1	$5,664.6	$5,576.7	$5,233.8	$5,140.8

(1) This table includes all moneys in the State pool, which includes the General Fund and other moneys that are invested by the State Treasurer.

Source: State Treasurer's Office

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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. Amounts deposited in the Assistance Fund are also available for other purposes permitted by the Act, including, without limitation, defraying the cost of Projects. As of January 31, 2010, the amount of $64.7 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 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 "Rental Income"); 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 following table shows the Rental Income and Royalties generated in each of the last five full fiscal years.

Rental Income and Royalties

	Fiscal Year 2004-2005	Fiscal Year 2005-2006	Fiscal Year 2006-2007	Fiscal Year 2007-2008	Fiscal Year 2008-2009
Rental Income [(1) (2)]	$14,065,252	$13,146,774	$14,165,247	$16,463,597	$15,370,745
Royalties[(1)]	40,688,892	48,851,022	46,339,555	53,791,573	58,652,742
Total	$54,754,144	$61,997,796	$60,504,802	$70,255,170	$74,023,487

(1) Includes interest earned on these revenues before they are distributed.
(2) Also includes timber sales.

Source: State Land Board

Revenues from Rental Income and Royalties are primarily derived from non-renewable resources. In addition to the prices of such resources, the sustainability and consistency of such revenues annually is dependent upon the management of such resources by the State Land Board, including adequate diversification of properties and the timely reinvestment of Public School Lands Income in additional income-producing property.

The Land Board is currently forecasting Rental Income and Royalties in Fiscal Year 2009-2010 of $16,962,392 and $36,880,121, respectively, for a total of $53,842,513. The anticipated 37.1% reduction in Royalties from Fiscal Year 2008-09 is largely attributable to the depletion of coal at a mine that in previous years accounted for approximately 75% of the State Land Board's coal production. There is no certainty that Rental Income and Royalties will exceed or meet such forecasted levels in future years.

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.

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	$5,534,736

(1) Amounts reflected above were generated in the prior fiscal years and received in the fiscal year as shown. Funds for the 2009-2010 fiscal year are expected to be received in August or September 2010.

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, if any, 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 (a) cash delivered at the time the Certificates were delivered, (b) an obligation to pay Base Rent under the applicable Sublease subject to annual appropriation by the applicable Participating K-12 Institution, (c) bonds issued by the Participating K-12 Institutions and delivered to the State (the "Matching Moneys Bonds"), (d) an obligation to pay cash installments under the applicable Sublease, subject to annual appropriation by the applicable Participating K-12 Institution (the "Matching Moneys Installment Payments") or (e) other types of obligations permitted by the Act and approved by the Assistance Board. At or prior to the execution and delivery of the Series 2010B-C Certificates, Matching Moneys related to the Series 2010B-C Certificates will be credited to the Assistance Fund in the form of cash in the amount of $14,095,586. Additional Matching Moneys obligations relating to the Series 2010B-C Certificates are payable to the Assistance Fund in the future and include (a) Base Rent obligations in the principal amount of $2,619,026 subject to annual appropriation in accordance with the applicable Sublease, (b) Matching Moneys Bonds in the principal amount of $16,986,901 and (c) Matching Money Installment Payments in the aggregate amount of $492,188, subject to annual appropriation in accordance with the applicable Sublease. See "PLAN OF FINANCING – The 2010B-C Projects and 2010B-C Participating K-12 Institutions."

After the execution and delivery of the Series 2010B-C Certificates, an aggregate amount of $36,671,133 in future Matching Moneys Bonds relating to all Certificates will be outstanding. The related Participating K-12 Institutions have obtained voter approval for such Matching Moneys Bonds, so the payment of the related Matching Moneys will not be subject to annual appropriation by the Participating K-12 Institutions. Each of the Matching Moneys 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 Moneys Bonds without limitation as to rate and in

an amount sufficient to pay the Matching Moneys Bonds when due. Based upon the opinion of bond counsel for the relevant 2010B-C Participating K-12 Institutions, the Matching Moneys 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 that has Matching Moneys Bonds constituting general obligation bonds opts not to participate, Section 22-41-110, C.R.S. (the "Bond Payment Act") is applicable. Each of the Participating K-12 Institutions that has Matching Moneys Bonds constituting general obligation bonds 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 Moneys Bond has not received a payment on the Matching Moneys 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 Moneys 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 Moneys 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 Moneys Bond.

If the State Treasurer makes a payment on a Matching Moneys 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 Moneys Bonds.

If the State Treasurer is required to make a payment on a Matching Moneys 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 Moneys 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 Moneys 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. Aggregate rent under the Series 2009A Certificates and Series 2010B-C Certificates is not expected to reach 50% of the maximum amounts stated above.

Matching Moneys and other amounts deposited in the Assistance Fund do not directly secure payment of the Series 2010B-C Certificates. Once Matching Moneys payable in installments pursuant to the Matching Moneys 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 2010B-C Certificates or for other purposes, including defraying the cost of Projects.

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.

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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 as of the dates indicated. The statistics have been obtained from the referenced sources and represent the most current information available from the sources indicated; 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 in many cases will 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 or any officer or employee of or advisor to the State.* See also "**Appendix E** – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts – *Economic Forecasts.*"

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. See also "**Appendix E** – THE STATE GENERAL FUND – OSPB Revenue and Economic Forecasts."

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Population and Age Distribution

The following table sets forth population figures for the State 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
2009	5.02	1.6	307.01	0.9

Source: U.S. Department of Commerce, Bureau of the Census

The following table sets forth a comparative age distribution profile for the State and the United States.

Age Distribution as of July 1, 2008
(Totals may not add due to rounding)

	Colorado		United States	
Age	Population (Millions)	% of Total	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: U.S. Department of Commerce, Bureau of the Census

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Income

The following table sets forth annual per capita personal income levels of the State, the Rocky Mountain region and the United States.

Per Capita Personal Income in Current Dollars[1]

	Colorado		Rocky Mountain Region[2]		United States	
Year	Income	% Change	Income	% Change	Income	% Change
2004	$36,649	--%	$32,289	--%	$33,899	--%
2005	38,539	5.2	34,061	5.5	35,447	4.6
2006	40,912	6.2	36,312	6.6	37,728	6.4
2007	42,444	3.7	37,799	4.1	39,430	4.5
2008	42,985	1.3	38,275	1.3	40,208	2.0

(1) Per capita personal income is total personal income divided by total mid-year population.
(2) Includes Colorado, Utah, Idaho, Montana and Wyoming.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, October 2009

Employment

The following table sets forth recent total nonfarm labor force and unemployment statistics for the State.

Civilian Labor Force, Nonfarm Employment and Unemployment Rates
(Seasonally Adjusted.)

	Colorado Civilian Labor Force		Colorado Nonfarm Employment		Unemployment Rate (Annual Average)	
Year	(Thousands)	% Change	(Thousands)	% Change	Colorado	United States
2004	2,535.4	--	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]	2,664.2	--	2,242.9	--	6.9	10.0

(1) As of October 2009.
(2) Preliminary.

Source: U.S. Department of Labor, Bureau of Labor Statistics

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The following table sets forth the number of individuals employed within selected industries in the State for the period 2004 through 2008 based on the North American Industrial Classification System ("**NAICS**") codes.

Average Number of Employees Within Selected Industries in the State 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

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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 or changes in their estimated number of employees since compilation of data for the table. It is possible that there are other large employers in the State that are not included in the table.

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

(1) Figures include full-time and part-time employees.

Source: Colorado Department of Labor and Employment

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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 Public Schools	12,122
Denver Public Schools	11,324
US Postal Service	11,169
Cherry Creek School District No. 5	9,167
Douglas County School District RE-1	7,362
Colorado State University	6,900
Denver Health	4,880
Adams 12 Five Star Schools	4,868
Colorado Springs Memorial Hospital	4,800
Aurora Public Schools	4,744
Poudre School District R-1	4,100
Boulder Valley School District RE-2	3,964
Colorado Springs School District 11	3,915
City of Aurora	3,868
St. Vrain Valley School District RE-1J	3,550
Mesa County Valley School District 51	3,380
Colorado Springs	2,840
Jefferson County	2,693
Academy School District #20	2,554
Thompson School District R2J	2,534
Pueblo School District #60	2,450
Regional Transportation District (RTD)	2,407
Greeley School District 6	2,380
Littleton Public Schools	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	--	$114.281	--
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 State retail sales figures by industry for the past five years.

Colorado Retail Sales by Industry[1]

(Dollar amounts in millions)

	2004	% Change	2005[2]	% Change	2006[2]	% Change	2007[2]	% Change	2008[2]	% Change
Agriculture, Forestry and Fisheries	$ 164.8	15.6%	$ 173.3	5.2%	$ 298.9	72.4%	$ 341.1	14.1%	$ 305.9	(10.3)%
Mining	990.6	48.0	1,399.7	41.3	2,102.1	50.2	2,842.6	35.2	3,382.6	19.0
Public Utilities	4,678.8	16.5	5,840.0	24.8	5,454.5	(6.6)	6,300.1	15.5	7,068.4	12.2
Construction Trades	2,548.1	6.0	2,679.4	5.2	3,261.2	21.7	3,677.9	12.8	3,770.6	2.5
Manufacturing	7,356.0	15.0	8,383.1	14.0	10,056.9	20.0	11,351.3	12.9	11,877.7	4.6
Wholesale Trade	9,487.8	19.7	11,110.7	17.1	12,393.6	11.5	14,552.6	17.4	14,475.6	(0.5)
Retail Trade:										
Motor Vehicles and Auto Parts	13,976.8	2.1	13,591.8	(2.8)	13,263.3	(2.4)	14,135.1	6.6	12,133.0	(14.2)
Furniture and Home Furnishings	2,328.4	9.9	2,381.3	2.3	2,486.9	4.4	2,577.3	3.6	2,353.2	(8.7)
Electronics and Appliance Stores	1,874.6	5.7	1,911.1	1.9	2,068.1	8.2	2,306.3	11.5	2,244.0	(2.7)
Building Materials/Improvement/Nurseries	4,961.7	15.1	5,582.4	12.5	5,822.1	4.3	5,786.2	(0.6)	5,307.7	(8.3)
Food & Beverage Stores	9,835.8	2.3	10,428.7	6.0	11,067.5	6.1	12,090.8	9.2	12,930.8	6.9
Health/Personal Care Stores	1,725.0	19.3	1,733.4	0.5	1,984.1	14.5	2,139.2	7.8	2,263.3	5.8
Service Stations	3,579.7	16.6	4,328.6	20.9	4,886.1	12.9	5,210.3	6.6	5,766.9	10.7
Clothing/Accessory Stores	2,600.9	6.9	2,587.6	(0.5)	2,878.3	11.2	3,189.8	10.8	3,103.9	(2.7)
Sporting Goods/Hobby/Book/Music Stores	2,295.7	2.1	2,383.1	3.8	2,542.9	6.7	2,694.5	6.0	2,593.4	(3.8)
General Merchandisers/Warehouse Stores	9,125.9	7.1	9,803.5	7.4	10,300.0	5.1	10,992.3	6.7	11,334.9	3.1
Miscellaneous Stores	2,193.0	(6.9)	2,388.5	8.9	2,416.0	1.2	2,459.7	1.8	2,364.4	(3.9)
Non-Store Retailers	1,380.2	15.2	1,535.5	11.3	2,002.9	30.4	3,709.8	85.2	4,299.8	15.9
Total Retail Trade	55,877.8	5.9	58,655	5.0	61,718	5.2	67,291.3	9.0	66,695.2	(0.9)
Transportation and Warehousing	703.3	25.6	789.8	12.3	887.0	12.3	829.4	(6.5)	760.4	(8.3)
Information Producers/Distributors	5,164.3	(2.6)	5,691.5	10.2	5,798.9	1.9	6,241.8	7.6	6,879.8	10.2
Finance and Insurance	1,013.7	(4.8)	1,368.5	35.0	1,994.2	45.7	2,293.6	15.0	2,964.8	29.3
Real Estate, Rental and Leasing Services	2,822.8	3.2	3,027.9	7.3	3,391.7	12.0	3,647.4	7.5	3,615.4	(0.9)
Professional, Scientific and Technical Services	6,367.3	14.2	5,501.3	(13.6)	5,987.3	8.8	6,622.2	10.6	6,912.9	4.4
Business, Administrative, Support, Waste/ Remediation Services	1,286.2	11.9	1,402.2	9.0	1,445.9	3.1	1,739.8	20.3	1,955.6	12.4
Educational Services	262.7	20.5	329.2	25.3	389.6	18.3	424.9	9.1	461.6	8.6
Health Care and Social Assistance Services	3,019.2	6.2	3,267.2	8.2	3,566.1	9.2	4,472.0	25.4	5,274.6	17.9
Arts, Entertainment and Recreation Services	713.1	1.1	771.3	8.2	889.9	15.4	955.3	7.3	971.8	1.7
Hotel and Other Accommodation Services	2,103.5	3.8	2,271.5	8.0	2,602.1	14.6	2,905.3	11.7	3,035.1	4.5
Food and Drinking Services	6,470.3	9.2	6,745.6	4.3	7,456.2	10.5	8,052.3	8.0	8,264.9	2.6
Other Personal Services	2,975.6	8.7	3,145.6	5.7	3,480.2	10.6	3,826.0	9.9	3,825.2	(0.0)
Government Services	274.9	9.0	354.4	28.9	356.8	0.7	306.4	(14.1)	249.7	(18.5)
	$114,280.8	8.4%	$122,907.6	7.5%	$133,531.3	8.6%	$148,673.2	11.3%	$152,747.7	2.7%

(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 percentages represent the change from the previous year retail figures.

Source: State of Colorado Department of Revenue

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Tourism

The following table presents information on tourism in the State as reflected in visits to National Park Service territories in Colorado and Colorado ski areas, 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	--	30	--	114.5	--	$181.6	--	11.25	--
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	Not available		12.54	(0.2)

(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 permit issuances for the State.

New Privately Owned Housing Units Authorized in Colorado

Year	1 Unit	2 Units	3 and 4 Units	5+ Units	Total Building Permits[1]	% 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)

(1) Includes permits for structures with one or multiple units.

Source: U.S. Department of Commerce, Bureau of the Census

Residential Foreclosures

The following are recent 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 the number of foreclosures filed in Colorado during the time periods shown. Such information only represents the number of foreclosures filed and does not take into account foreclosures which were filed and subsequently redeemed or withdrawn.

Foreclosure Filings and Sales in Colorado

Year	Foreclosure Filings	% Change	Foreclosure Sales at Auction	% Change
2004	16,801	--	7,782	--
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)	21,306	(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 2008 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

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APPENDIX H

Forms of Series 2010B-C Certificates

[See Appendix A to 2010B-C Supplemental Indenture attached as **Appendix B** to the Official Statement]

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