

NEW ISSUE  
BOOK-ENTRY ONLY

[STATE INTERCEPT PROGRAM RATING: Moody's: "Aa2"]  
UNDERLYING RATING: Moody's: ["Aa3"]  
(See "RATINGS" herein.)

*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, interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Also, in the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2012 Bonds is exempt from taxation for any state, county, school district, special district, municipal or other purpose in the State of Colorado. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Code, which may affect the federal tax treatment of interest on the Series 2012 Bonds for certain registered owners of the Series 2012 Bonds, see "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS" herein.*



COMMUNITY COLLEGES OF  
COLORADO

**\$11,925,000\***  
State of Colorado, Department of Higher Education, by State Board for  
Community Colleges and Occupational Education  
Systemwide Revenue Refunding Bonds  
Series 2012A

**Dated: Date of Delivery**

**Due: November 1, as set forth herein**

The State of Colorado, Department of Higher Education, by State Board for Community Colleges and Occupational Education Systemwide Revenue Refunding Bonds, Series 2012A (the "Series 2012 Bonds"), are being issued by the State Board for Community Colleges and Occupational Education (the "Board") in accordance with certain provisions of the Colorado Revised Statutes, the Master Enterprise Bond Resolution adopted by the Board on December 9, 2009, and the Third Supplemental Resolution adopted by the Board on December 14, 2012 (collectively, the "Bond Resolution"). See "THE SERIES 2012 BONDS" herein.

The Series 2012 Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC initially will act as securities depository for the Series 2012 Bonds. Individual purchases will be made in book-entry form only, and purchasers of beneficial interest in the Series 2012 Bonds ("the Beneficial Owners") will not receive physical delivery of bond certificates, all as more fully described herein. The principal of and premium, if any, are payable by The Bank of New York Mellon Trust Company, N.A, as paying agent, to DTC. Interest on the Series 2012 Bonds is payable semiannually on May 1 and November 1 of each year, commencing May 1, 2012. DTC is required to remit such principal, premium and interest to its Participants, for subsequent disbursement to the Beneficial Owners of the Series 2012 Bonds, as more fully described herein. Capitalized terms not defined on this cover page have the meanings ascribed to them in this Official Statement or the Bond Resolution. See "THE SERIES 2012 BONDS—Book-Entry System" herein.

The Series 2012 Bonds will be issued initially in denominations of \$5,000 and integral multiples thereof. The Series 2012 Bonds mature, bear per annum interest and are priced as set forth herein.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIPS ARE SHOWN ON THE INSIDE FRONT COVER.**

The Series 2012 Bonds are subject to optional redemption prior to maturity as described herein. See "THE SERIES 2012 BONDS—Prior Redemption" herein.

The proceeds of the Series 2012 Bonds are being used to: (a) current refund all of the outstanding Series 2001 Bonds and Series 2001A Bonds (as defined herein); (b) advance refund all of the outstanding Series 2002 Bonds (as defined herein); and (c) pay costs of issuance of the Series 2012 Bonds. See "PLAN OF FINANCING" herein.

**THE SERIES 2012 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE BOARD, PAYABLE SOLELY FROM NET REVENUES (AS DEFINED HEREIN) DERIVED FROM OR IN RESPECT OF CERTAIN FACILITIES AND OPERATIONS OF THE SYSTEM. NET REVENUES ARE CALCULATED BY SUBTRACTING FROM THE GROSS REVENUES (AS DEFINED HEREIN) OPERATION AND MAINTENANCE EXPENSES (AS DEFINED HEREIN) AND CERTAIN DEBT SERVICE REQUIREMENTS ON PRIOR OBLIGATIONS (AS DESCRIBED HEREIN) OF THE BOARD THAT HAVE A SENIOR LIEN ON GROSS REVENUES (EXCLUDING GROSS REVENUES DERIVED FROM 10% OF TUITION REVENUES, INDIRECT COST RECOVERIES, FEES FOR THE PROVISION OF FACULTY AND STUDENT SERVICES, AND FEDERAL DIRECT PAYMENTS). THE BOARD HAS CLOSED OFF THE LIEN THAT SECURES THE PRIOR OBLIGATIONS AND NO ADDITIONAL PRIOR OBLIGATIONS MAY BE ISSUED UNDER THE PRIOR BOND RESOLUTIONS (AS DEFINED HEREIN). THE SERIES 2012 BONDS WILL BE ISSUED PURSUANT TO THE BOND RESOLUTION AND SECURED WITH A LIEN ON NET REVENUES ON A PARITY WITH THE LIEN OF THE SERIES 2010 BONDS CURRENTLY OUTSTANDING. THE BOARD HAS THE RIGHT, SUBJECT TO CERTAIN CONDITIONS DESCRIBED HEREIN, TO ISSUE ADDITIONAL OBLIGATIONS UNDER THE MASTER RESOLUTION ON A PARITY WITH OR SUBORDINATE TO THE SERIES 2010 BONDS AND SERIES 2012 BONDS. THE PAYMENT OF THE SERIES 2012 BONDS WILL NOT BE SECURED BY AN ENCUMBRANCE, MORTGAGE OR OTHER PLEDGE OF ANY PROPERTY EXCEPT THE NET REVENUES. THE SERIES 2012 BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE BOARD OR A DEBT OR OBLIGATION OF THE STATE OF COLORADO, [EXCEPT TO THE EXTENT PROVIDED FOR IN THE STATE INTERCEPT ACT AS DESCRIBED HEREIN].**

[The Series 2012 Bonds qualify for the State Intercept Program as described herein. Pursuant to the State Intercept Program, the State Treasurer shall pay the principal of, premium, if any, and interest on the Series 2012 Bonds if the Board does not make such payments when they are due. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—State Intercept Program."]

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Series 2012 Bonds. Investors are advised to read the entire Official Statement, including any portion hereof included by reference, to obtain information essential to the making of an informed decision.

*The Series 2012 Bonds are offered when, as and if issued, subject to the approving opinion of Kutak Rock LLP, as Bond Counsel, and certain other conditions. Kutak Rock LLP has also acted as counsel to the Board in connection with the preparation of this Official Statement. BD Advisors, LLC is acting as financial advisor to the Board. It is expected that the Series 2012 Bonds will be issued and available for delivery through the facilities of DTC in New York, New York on or about January 26, 2012, against payment therefor.*

**This Official Statement is dated January \_\_, 2012.**

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is "deemed final" for purposes of Rule 15c2-12 of the regulations under the Securities Exchange Act of 1934, as amended, except for any information permitted by such rule to be omitted.

## Maturity Schedule

### Serial Bonds

<b>Maturity Date (November 1)*</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>1</sup></b>
2012	\$495,000				
2013	505,000				
2014	520,000				
2015	525,000				
2016	530,000				
2017	545,000				
2018	565,000				
2019	580,000				
2020	600,000				
2021	620,000				
2022	640,000				
2023	660,000				
2024	685,000				
2025	710,000				
2026	730,000				
2027	760,000				
2028	495,000				
2029	515,000				
2030	540,000				
2031	555,000				
2032	150,000				

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\* Preliminary; subject to change.

<sup>1</sup> Copyright 2011, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the Board and are provided solely for convenience and reference. None of the Board, the System or the Underwriter takes responsibility for the accuracy of the CUSIP numbers.

**STATE BOARD FOR COMMUNITY COLLEGES  
AND OCCUPATIONAL EDUCATION**

**Board Members**

Maury Dobbie, Chair  
John Trefny, Vice Chair  
Ledy Garcia-Eckstein  
Jim Johnson  
Bernadette Marquez  
Rich Martinez  
Meg Porfido  
Ken Weil  
Ruth Ann Woods  
Stephanie Irwin (non-voting faculty representative)  
Josh Deines (non-voting student representative)

**Selected Administrative Officials**

Nancy J. McCallin, President  
Barbara McDonnell, Esq., Legal Counsel and Vice President for Legal Affairs  
Mark Superka, Vice President for Finance and Administration  
Lisa Grefrath, System Controller

**FINANCIAL ADVISOR**

BD Advisors, LLC  
Denver, Colorado

**PAYING AGENT AND ESCROW AGENT**

The Bank of New York Mellon Trust Company, N.A.  
Denver, Colorado

**UNDERWRITER**

[\_\_\_\_\_]

**BOND COUNSEL**

Kutak Rock LLP  
Denver, Colorado

THE BOARD HAS ENTERED INTO AN UNDERTAKING FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2012 BONDS TO SEND IN AN ELECTRONIC FORMAT CERTAIN FINANCIAL INFORMATION AND OPERATING DATA AND TO PROVIDE NOTICE OF CERTAIN EVENTS TO THE MUNICIPAL SECURITIES RULEMAKING BOARD PURSUANT TO THE REQUIREMENTS OF SECTION (B)(5)(I) OF RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

NO DEALER, BROKER, SALESPERSON, OR OTHER PERSON HAS BEEN AUTHORIZED BY THE BOARD OR THE UNDERWRITER TO GIVE INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THE SERIES 2012 BONDS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE BOARD, THE UNDERWRITER OR ANY OTHER ENTITY. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SERIES 2012 BONDS BY ANY PERSONS IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH JURISDICTION. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE SERIES 2012 BONDS.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, ITS RESPONSIBILITIES UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION, AND IT IS NOT TO BE CONSTRUED AS THE PROMISE OR GUARANTEE OF THE UNDERWRITER.

STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT WHICH INVOLVE ESTIMATES, FORECASTS OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO DESCRIBED HEREIN, ARE INTENDED SOLELY AS SUCH AND ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACT. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE BOARD OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2012 BONDS AT A LEVEL ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2012 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2012 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2012 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT

BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2012 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE PRICES AT WHICH THE SERIES 2012 BONDS ARE OFFERED TO THE PUBLIC (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES APPEARING ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT. IN ADDITION, THE UNDERWRITER MAY ALLOW COMMISSIONS OR DISCOUNTS FROM SUCH INITIAL OFFERING PRICES TO DEALERS AND OTHERS.

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## OFFICIAL STATEMENT

**\$11,925,000\***

**State of Colorado, Department of Higher Education, by State Board for  
Community Colleges and Occupational Education  
Systemwide Revenue Refunding Bonds  
Series 2012A**

### INTRODUCTION

#### General

This Official Statement, including its cover page, inside cover page, and appendices, provides information in connection with the issuance and sale of the State of Colorado, Department of Higher Education, by State Board for Community Colleges and Occupational Education Systemwide Revenue Refunding Bonds, Series 2012A (the “Series 2012 Bonds”), in the aggregate principal amount of \$11,925,000\*, issued by the State of Colorado, Department of Higher Education, by the State Board for Community Colleges and Occupational Education (the “Board”), pursuant to the Master Enterprise Bond Resolution adopted by the Board on December 9, 2009 (the “Master Resolution”), as supplemented to the date hereof by the Third Supplemental Resolution adopted by the Board on December 14, 2011 (the “Third Supplemental Resolution,” and together with the Master Resolution, the “Bond Resolution”). Capitalized terms used and not otherwise defined herein shall have as their respective meanings the definitions ascribed to such terms in the Bond Resolution unless the context shall clearly otherwise require. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” included as Appendix A hereto.

This introduction is not a summary of this Official Statement. It is only a description of and guide to, and is qualified by, more complete 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 2012 Bonds to potential investors is made only by means of the entire Official Statement.

#### The Board

The State Board for Community Colleges and Occupational Education was established as a body corporate of the State of Colorado (the “State”) by the Colorado General Assembly (the “Assembly”) in 1967 pursuant to “The Community College and Occupational Education Act of 1967” to act as the governing board of the Colorado Community College System (the “System”). The System currently is comprised of 13 community colleges located throughout the State which operate within service areas assigned by the Colorado Commission on Higher Education (“CCHE”). The colleges of the System include: Arapahoe Community College, Colorado Northwestern Community College, Community College of Aurora, Community College of Denver, Front Range Community College, Lamar Community College, Morgan Community College, Northeastern Junior College, Otero Junior College, Pikes Peak Community College, Pueblo Community College, Red Rocks Community College and Trinidad State Junior College (collectively, the “Colleges”). The colleges of the System also operate as a consortium the Colorado College On Line.

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\* Preliminary; subject to change.

The annual full-time equivalent (“FTE”) enrollment at the Colleges for the academic years 2008-09, 2009-10 and 2010-11 was 48,004, 57,053 and 62,940, respectively. Fall headcount enrollment for those same periods was 71,825, 85,544 and 94,085, respectively.

The Board’s responsibilities also include the administration of state and federal grants which support two local district community colleges, three area vocational schools and secondary school vocational educational programs in approximately 160 local school districts. See “THE SYSTEM.”

### **Purpose of the Issue**

The proceeds of the Series 2012 Bonds are being used to: (a) current refund the Colorado Educational and Cultural Facilities Authority Lease Revenue Bonds (Community Colleges of Colorado System Headquarters Project), Series 2001 (the “Series 2001 Bonds”), and the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Pikes Peak Community College Project), Series 2001A (the “Series 2001A Bonds”); (b) advance refund the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Arapahoe Community College Project), Series 2002 (the “Series 2002 Bonds,” and together with the Series 2001 Bonds and Series 2001A Bonds, the “Refunded Bonds”), all as described under “PLAN OF FINANCING—The Series 2012 Refunding Project”; and (c) pay costs of issuance of the Series 2012 Bonds. See “PLAN OF FINANCING” herein.

### **Sources of Payment for the Series 2012 Bonds**

*Net Revenues.* The Series 2012 Bonds are special, limited obligations of the Board, payable from Net Revenues (as defined herein). Net Revenues are calculated by determining the Gross Revenues (as described herein), less the debt service on the Prior Obligations (as described herein) and Operation and Maintenance Expenses (as described herein) not paid as part of the Prior Obligations. For a further description of the Prior Obligations and the Net Revenues, see “THE NET REVENUES” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Special Limited Obligations” and “—Outstanding Prior Obligations.” The payment of the Series 2012 Bonds will not be secured by an encumbrance, mortgage or other pledge of any property except Net Revenues. The Series 2012 Bonds do not constitute a general obligation of the Board or a debt or obligation of the State, [except to the extent provided for in the State Intercept Program described below]. The Bond Resolution prohibits the Board from issuing any additional bonds or other obligations with a lien on Net Revenues which is superior to the lien thereon of the Series 2012 Bonds.

No reserve fund has been established with respect to the Series 2012 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—No Reserve Fund Requirement.”

The Board previously issued pursuant to the Master Resolution and the First Supplemental Resolution, adopted by the Board on December 9, 2009 (the “First Supplemental Resolution”), the State of Colorado, Department of Higher Education, by State Board for Community Colleges and Occupational Education Systemwide Revenue Refunding Bonds, Series 2010A, which are currently outstanding in the aggregate principal amount of \$5,815,000 (the “Series 2010A Bonds”), the State of Colorado, Department of Higher Education, by State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds (Colorado Northwestern Project and Northeastern Junior College Project), Series 2010B-1, which are currently outstanding in the aggregate principal amount of \$655,000 (the “Series 2010B-1 Bonds”), and the State of Colorado, Department of Higher Education, by State Board for Community Colleges and Occupational Education Taxable Systemwide Revenue Bonds (Colorado Northwestern Project and Northeastern Junior College Project) (Build America Bonds—Direct Payment to the Board), Series 2010B-2 Bonds, which are currently outstanding in the aggregate principal amount

of \$9,665,000 (the “Series 2010B-2 Bonds”). In addition, the Board previously issued pursuant to the Master Resolution and the Second Supplemental Resolution, adopted by the Board on September 8, 2010 (the “Second Supplemental Resolution”), the State of Colorado, Department of Higher Education, by State Board for Community Colleges and Occupational Education Systemwide Revenue Bonds (Community College of Denver Project and Pueblo Community College Project), Series 2010C which are currently outstanding in the aggregate principal amount of \$6,545,000 (the “Series 2010C Bonds”), and the State of Colorado Department of Higher Education, by State Board for Community Colleges and Occupational Education Taxable Systemwide Revenue Bonds (Community College of Denver Project and Pueblo Community College Project) (Build America Bonds-Direct Payment to the Board), Series 2010D which are currently outstanding in the aggregate principal amount of \$31,455,000 (the “Series 2010D Bonds,” and together with the Series 2010A Bonds, Series 2010B-1 Bonds, Series 2010B-2 Bonds and Series 2010C Bonds, the “Series 2010 Bonds”). Pursuant to the Master Resolution, the Series 2010 Bonds and the Series 2012 Bonds have a parity lien on Net Revenues. The Series 2012 Bonds, together with the Series 2010 Bonds and any additional bonds payable from the Net Revenues and secured with a lien thereon, are referred to herein collectively as the “Bonds.”

Pursuant to the Bond Resolution, the Board has the right, subject to certain stated conditions, to issue additional obligations under the Master Resolution payable from and secured by the Net Revenues (referred to herein as “Enterprise Obligations”), as provided in “THE SERIES 2012 BONDS—Additional Enterprise Obligations.” Gross Revenues (except for Gross Revenues derived from 10% of Tuition Revenues, indirect cost recoveries, fees for the provision of faculty and student services, and Federal Direct Payments) are subject to prior liens thereon in favor of the Prior Obligations as described in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Net Revenues” and “—Outstanding Prior Obligations.”

**Potential investors should be aware that debt service requirements and other amounts due in connection with the Outstanding Prior Obligations described in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Outstanding Prior Obligations” will be paid as a first charge on Gross Revenues (except for Gross Revenues derived from 10% of Tuition Revenues, indirect cost recoveries, fees for the provision of faculty and student services, and Federal Direct Payments) and therefore have priority in payment to the Series 2012 Bonds.**

[*State Intercept Program.* On June 4, 2008, the State enacted the Higher Education Revenue Bond Intercept Program (the “State Intercept Program”), established pursuant to S.B. 08-245, Section 23-5-139, Colorado Revised Statutes, as amended, which provides for the payment by the State Treasurer of principal, premium, if any, and interest due with respect to revenue bonds issued by state supported institutions of higher education if such an institution will not make the payment by the date on which it is due. The Series 2012 Bonds, together with the Series 2010A Bonds, the Series 2010B-1 Bonds and the Series 2010B-2 Bonds, qualify for and are secured by the State Intercept Program. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—State Intercept Program.”]

### **Terms of the Series 2012 Bonds**

***Denominations and Payments.*** The Series 2012 Bonds will mature and bear interest as set forth on the inside cover page hereof and as more fully described in the Section entitled “THE SERIES 2012 BONDS.” The Series 2012 Bonds will be issued in fully registered form in the Authorized Denominations of \$5,000 and integral multiples thereof. See “THE SERIES 2012 BONDS” herein.

***Redemption.*** The Series 2012 Bonds are subject to optional redemption prior to maturity. All redemptions for the Series 2012 Bonds shall be in integral multiples of the Authorized Denominations thereof. See “THE SERIES 2012 BONDS—Prior Redemption.”

## **Book-Entry System**

The Depository Trust Company, New York, New York (“DTC”) is acting as securities depository for the Series 2012 Bonds through its nominee, Cede & Co., to which principal and interest payments on the Series 2012 Bonds are to be made. One or more fully registered bonds in denominations in the aggregate equal to the principal amount per maturity of the Series 2012 Bonds will be registered in the name of Cede & Co. Individual purchases will be made in book-entry form only and purchasers of the Series 2012 Bonds will not receive physical delivery of bond certificates, all as more fully described herein. Upon receipt of payments of principal and interest, DTC is to remit such payments to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2012 Bonds. For a more complete description of the book-entry system, see “THE SERIES 2012 BONDS—Book-Entry System.”

For a more complete description of the Series 2012 Bonds and the Bond Resolution and other documents pursuant to which such Series 2012 Bonds are being issued, see “THE SERIES 2012 BONDS” and “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” in Appendix A hereto.

## **Tax Matters**

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, interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Also, in the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2012 Bonds is exempt from taxation for any state, county, school district, special district, municipal or other purpose in the State of Colorado. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Code, which may affect the federal tax treatment of interest on the Series 2012 Bonds for certain registered owners of the Series 2012 Bonds, see “CERTAIN FEDERAL INCOME TAX CONSIDERATIONS” and Appendix C hereto.

## **Authorization for Issuance**

The Institutional Enterprise is defined by the Bond Resolution to mean the System, as a whole, as an institution designated as an enterprise by the Board under the provisions of Sections 23-5-101.7, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended (collectively, the “Institutional Enterprise Act”). See “FINANCIAL INFORMATION CONCERNING THE SYSTEM—Financial Information—Institutional Enterprise Designation.” The Series 2012 Bonds are being issued pursuant to the Bond Resolution and under authority granted by the Institutional Enterprise Act; Sections 23-5-101.5, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended (collectively, the “Auxiliary Facilities Enterprise Act”); Sections 23-60-101, et seq., Colorado Revised Statutes, as amended (the “CCC Act”); Article 5, Title 23, Colorado Revised Statutes, as amended (the “Bond Act”); Part 2, Article 57, Title 11, Colorado Revised Statutes, as amended (the “Supplemental Public Securities Act”); and Article 54, Title 11, Colorado Revised Statutes, as amended (the “Refunding Act”).

## **Professionals Involved in the Offering**

The Bank of New York Mellon Trust Company, N.A., in Denver, Colorado, will act as paying agent and registrar (the “Series 2012 Paying Agent” and the “Series 2012 Registrar”) under the Bond Resolution. At the time of issuance and sale of the Series 2012 Bonds, Kutak Rock LLP, as Bond

Counsel, will deliver the opinion discussed under “CERTAIN FEDERAL INCOME TAX CONSIDERATIONS.” Kutak Rock LLP has also acted as counsel to the Board in connection with the preparation of this Official Statement. See also “LEGAL MATTERS.” BD Advisors, LLC is acting as financial advisor to the Board.

### **Undertaking To Provide Ongoing Disclosure**

Upon issuance of the Series 2012 Bonds, the Board will deliver a Continuing Disclosure Undertaking in which it will agree, for the benefit of the owners and beneficial owners of the Series 2012 Bonds, to file with the Municipal Securities Rulemaking Board in an electronic format certain financial information and other operating data and to file notices of certain material events as set forth in Rule 15c2-12 promulgated by the Securities and Exchange Commission as described in “CONTINUING DISCLOSURE UNDERTAKING” and in “FORM OF CONTINUING DISCLOSURE UNDERTAKING” included as Appendix D hereto. The Board is currently in compliance with the terms of any undertaking previously entered into pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

### **Offering and Delivery of the Series 2012 Bonds**

The Series 2012 Bonds are offered when, as, and if issued and delivered, subject to the approving opinion of Bond Counsel and certain other conditions. It is expected that the Series 2012 Bonds will be issued and available for delivery through DTC in New York, New York on or about January 26, 2012, against payment therefore.

### **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 statutes, 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 may be obtained during the offering period, upon request to the Board and upon payment to the Board of a charge for copying, mailing and handling, at Colorado Community College System, 9101 East Lowry Boulevard, Denver, Colorado 80230-6011, Attention: President.

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 Board and the purchasers or holders of any of the Series 2012 Bonds.

### **FORWARD-LOOKING STATEMENTS**

This Official Statement contains statements relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” “project,” “budget,” “plan” and similar expressions identify forward-looking statements.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results,

performance or achievements expressed or implied by such forward-looking statements. The Board does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

## **THE SERIES 2012 BONDS**

General information describing the Series 2012 Bonds appears elsewhere in this Official Statement. That information should be read in conjunction with this summary, which is qualified in its entirety by reference to the Bond Resolution and the forms of Series 2012 Bonds included therein. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” in Appendix A hereto.

### **General**

The Series 2012 Bonds are being issued pursuant to the Bond Resolution, which constitutes an irrevocable contract between the Board and the owners of the Series 2012 Bonds. The Bond Resolution provides that the Board will not take any action by which the rights and privileges of any owner of any Series 2012 Bond might be impaired or diminished. The Series 2012 Bonds are being issued under the authority of and pursuant to the Bond Act, the Institutional Enterprise Act, the Supplemental Securities Act and the Refunding Act. The Series 2012 Bonds are dated as of their date of issuance and bear interest from such date to maturity, payable semiannually on each May 1 and November 1, commencing May 1, 2012. Principal on the Series 2012 Bonds is payable on November 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION” for a summary of certain provisions of the Bond Resolution, including, without limitation, certain covenants of the Board, the rights and duties of the Series 2012 Paying Agent, the rights and remedies of the Series 2012 Paying Agent, provisions relating to amendments of the Bond Resolution and procedures for defeasance of the Series 2012 Bonds.

### **Book-Entry System**

The Depository Trust Company (“DTC”) will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2012 Bond certificate will be issued for each maturity of the Series 2012 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, 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](http://www.dtcc.com) and [www.dtcc.org](http://www.dtcc.org).

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds 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 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds 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 2012 Bonds 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 2012 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time-to-time.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. nor any other DTC nominee will consent or vote with respect to Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC’s procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on Series 2012 Bonds 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 Board or the Series 2012 Paying Agent, 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, the Series 2012 Paying Agent or the Board, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Board or the Series 2012 Paying Agent, 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 2012 Bonds at any time by giving reasonable notice to the Board or the Series 2012 Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2012 Bond certificates will be printed and delivered to DTC.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2012 Bonds, payment of principal, interest, and other payments on the Series 2012 Bonds to Direct Participants, Indirect Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2012 Bonds, 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 Board believes to be reliable, but the Board takes 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.

## **Prior Redemption**

***Optional Redemption of the Series 2012 Bonds.*** The Series 2012 Bonds maturing on and before November 1, 2022\* are not subject to redemption prior to maturity. The Series 2012 Bonds maturing on and after November 1, 2023<sup>1</sup> are callable for redemption prior to maturity at the option of the Board, in whole or in part in integral multiples of \$5,000, and if in part in such order of maturities as the Board shall determine and by lot within a maturity, on November 1, 2022\*, and on any date thereafter, at a redemption price equal to the principal amount of such Series 2012 Bonds being redeemed plus accrued interest to the redemption date, without redemption premium.

***Mandatory Sinking Fund Redemption of the Series 2012 Bonds.*** The Series 2012 Bonds maturing on November 1, 20\_\_ are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium. The Series 2012 Bonds maturing on November 1, 20\_\_ will be redeemed on the following dates and in the following amounts:

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<sup>1</sup> Preliminary; subject to change.

**Redemption Dates  
(November 1)**

**Principal To  
Be Redeemed**

\$

1

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<sup>1</sup> Final Maturity.

The principal amount of Series 2012 Bonds maturing on November 1, 20\_\_\_, required to be redeemed on any particular date shall be reduced in regular chronological order by an amount equal to the par value of any such Series 20\_\_\_ Bonds maturing on November 1, 20\_\_\_, that are redeemed at the Board's option not less than 45 days prior to the redemption date fixed for such mandatory sinking fund redemption. The remaining principal amount of Series 20\_\_\_ Bonds shall be paid upon presentation and surrender at or after their final maturity on November 1, 20\_\_\_, unless otherwise sooner redeemed as provided in the Bond Resolution.

***Notices of Redemption to Bondholders; Conditional Calls.*** The Series 2012 Registrar will give notice of redemption, in the name of the Board, to Bondholders affected by redemption at least 30 days but not more than 60 days before each redemption and send such notice of redemption by first-class mail (or with respect to Series 2012 Bonds held by DTC by an express delivery service for delivery on the next following Business Day) to each owner of a Series 2012 Bond to be redeemed; each such notice will be sent to the owner's registered address.

Each notice of redemption will specify the Series 2012 Bonds to be redeemed, the date of issue and the maturity date thereof, if less than all of the Series 2012 Bonds of a maturity are called for redemption, the numbers of the Series 2012 Bonds and the CUSIP number assigned to the Series 2012 Bonds to be redeemed, the principal amount to be redeemed and the interest rate applicable to the Series 2012 Bonds to be redeemed, the date fixed for redemption, the redemption price, the place or places of payment, the Series 2012 Paying Agent's name, that payment will be made upon presentation and surrender of the Series 2012 Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

Failure to give any required notice of redemption as to any particular Series 2012 Bond will not affect the validity of the call for redemption of any Series 2012 Bond in respect of which no failure occurs. Any notice sent as provided herein will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2012 Bonds called for redemption become due and payable on the redemption date at the redemption price. In the event that funds are deposited with the Series 2012 Paying Agent sufficient for redemption, interest on the Series 2012 Bonds to be redeemed will cease to accrue as of the redemption date.

The Board may provide that if at the time of mailing of notice of an optional redemption there shall not have been deposited with the Series 2012 Paying Agent moneys sufficient to redeem all the Series 2012 Bonds called for redemption, such notice may state that it is conditional and subject to the deposit of the redemption moneys with the Series 2012 Paying Agent not later than the opening of business five Business Days prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be cancelled and on such cancellation date notice of such cancellation will be mailed to the holders of such Series 2012 Bonds, in the manner provided in the form of such Series 2012 Bonds.

***Effect of Redemption Call.*** On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Bond Resolution and moneys for payment of the redemption price being held in trust to pay the redemption price, the Series 2012 Bonds so called for redemption will become and be due and payable on the respective redemption date, interest on the Series 2012 Bonds will cease to accrue from and after such redemption date, such Series 2012 Bonds will cease to be entitled to any lien, benefit or security under the Bond Resolution and the owners of such Series 2012 Bonds will have no rights in respect thereof except to receive payment of the redemption price. Series 2012 Bonds which have been duly called for redemption under this Section and for the payment of the redemption price of which moneys will be held in trust for the holders of the respective Series 2012 Bonds to be redeemed, all as provided in the Third Supplemental Resolution, will not be deemed to be Outstanding under the provisions of the Bond Resolution.

***Payment of Series 2012 Bonds Called for Redemption.*** Upon surrender to the Series 2012 Paying Agent or the Series 2012 Paying Agent's agent, Series 2012 Bonds called for redemption will be paid at the redemption price stated in the notice, plus, when applicable, interest accrued to the redemption date.

***Selection of Series 2012 Bonds for Redemption.*** The Series 2012 Bonds are subject to redemption in such order of maturity as the Board may direct and by lot, selected in such manner as the Series 2012 Paying Agent deems appropriate, within a maturity.

The Board will determine the portion of any redemption to be made from each maturity of the Series 2012 Bonds; provided, however, that if less than all Series 2012 Bonds of a particular maturity are to be redeemed, the particular Series 2012 Bonds of such maturity to be redeemed will be chosen by the Series 2012 Paying Agent as herein described. In particular, if less than all the Series 2012 Bonds of a particular maturity will be called for redemption, the particular Series 2012 Bonds or portions of Series 2012 Bonds to be redeemed will be selected by lot or other random method by the Series 2012 Paying Agent in such manner as provided by the Bond Resolution; provided, however, that the portion of any Series 2012 Bonds to be redeemed will be in authorized denominations and that, in selecting Series 2012 Bonds for redemption, the Series 2012 Paying Agent will treat each Series 2012 Bond as representing that number of Series 2012 Bonds as is obtained by dividing the principal amount of such Series 2012 Bond by the minimum authorized denomination for such Series 2012 Bonds.

### **Additional Enterprise Obligations**

***Parity Obligations.*** The Board has previously issued pursuant to the Master Resolution and the First Supplemental Resolution and the Second Supplemental Resolution, its Series 2010 Bonds, which are currently outstanding in the total aggregate principal amount of \$54,135,000. The Series 2010 Bonds have a parity lien on the Net Revenues. The Series 2010 Bonds, the Series 2012 Bonds, and any additional bonds payable from the Net Revenues and secured with a lien thereon on a parity with the lien of the Series 2010 Bonds and the Series 2012 Bonds, are referred to herein as the "Bonds."

The Bond Resolution reserves to the Board the right, subject to stated conditions, to issue, from time-to-time, additional Enterprise Obligations payable from Net Revenues and secured with a lien thereon on a parity with the lien of the Series 2010 Bonds and the Series 2012 Bonds ("Parity Obligations"). Additional Parity Obligations may be issued only if the following conditions are met:

- (a) The Board must not have defaulted in making any payments to the various funds created in connection with the issuance of the Bonds during the 12 calendar months immediately preceding the issuance of such Parity Obligations or, if none of the Bonds have been outstanding

for a period of at least 12 calendar months, for the longest period any of the Bonds have been outstanding.

(b) The Net Revenues for the Fiscal Year immediately preceding the date of adoption of the resolution or other instrument authorizing the issuance of such additional Parity Obligations, adjusted as described in paragraph (c) below, would have been sufficient to pay an amount of not less than the Average Annual Debt Service Requirements with respect to all Bonds that will remain Outstanding following the issuance of such Parity Obligations, including the Parity Obligations to be issued.

(c) In determining whether or not Parity Obligations may be issued as aforesaid, there shall be added to the amount determined to be the Net Revenues for the preceding Fiscal Year referred to in paragraph (b) above, the amount, if any, estimated by the Board Representative to equal (i) the additional amount the Board expects to derive as a part of the Net Revenues during the first full Fiscal Year following the completion of the additions to, any improvements to, betterments of, enlargements of, or extensions of the Facilities (or any combination thereof), to be acquired with the proceeds of such additional Parity Obligations; (ii) the approval and imposition of any new fee or the increase of any existing fee relating to the Facilities (or any combination thereof) or the System which fee is pledged to secure the Bonds; or (iii) the additional revenues of the System, including any additional tuition amounts, which will be pledged in connection with the issuance of the additional Parity Obligations; provided that such anticipated amount is to be limited to the revenues estimated to be derived from estimated charges for the use of such additional Facilities, the estimated revenues of the new or additional fee or the estimated additional revenues to be pledged. The Net Revenues shall also be adjusted to take into account the refunding of any Prior Obligations, and shall also be increased, if any schedule of fee or rate increases shall have been adopted by resolution of the Board during the 12-month period immediately preceding the date of the adoption of the resolution authorizing such additional Parity Obligations, by an amount estimated to equal the difference between the Net Revenues actually received by the Board and the Net Revenues which the Board would have received during said 12-month period if the last of any such schedule of fee or rate increases had been in effect during said entire preceding 12-month period. The adjustments described in this paragraph (c) shall be made by the Board Representative and her/his figures as to the adjustments, if any, in Net Revenues shall be conclusively presumed to be accurate.

(d) Such Parity Obligations shall have no right to, or lien on, any moneys or investments held in any Fund, account or subaccount other than the Revenue Fund.

(e) The Parity Obligation Instrument under which such Parity Obligations are issued incorporates the provisions of Article VII of the Bond Resolution, as applicable.

(f) Following the issuance of such Parity Obligations, such Parity Obligations shall be treated as Bonds to the fullest extent practicable, and debt service on such Parity Obligations shall be treated as debt service on Bonds for purposes of the Bond Resolution.

The Board is permitted to issue additional Parity Obligations for the purpose of refunding any Outstanding Bonds or any other obligations if (in addition to satisfying the requirements set forth above) the lien on Net Revenues of the Outstanding obligations so refunded is on a parity with or superior to the lien thereon of the refunding Bonds.

***Subordinate Lien Obligations and Special Obligations.*** The Board also may, without compliance with the requirements described under “—Parity Obligations,” issue additional Enterprise

Obligations payable from Net Revenues and secured by a lien thereon which is subordinate to the lien of the Series 2010 Bonds and the Series 2012 Bonds and/or, subject to certain limitations set forth in the Bond Resolution, special obligation bonds for the payment of which there are pledged (as a separate and independent pledge) revenues derived solely from the particular project acquired with the proceeds of such obligations.

**No Additional Prior Lien Obligations.** Pursuant to the Bond Resolution, the Board is not permitted to issue obligations payable from Net Revenues and having a lien thereon prior and superior to the Bonds (including obligations issued on a parity with, and secured by the same revenues as, the Prior Obligations). The Board has agreed in the Bond Resolution not to issue any bonds or obligations that are on a parity with the Prior Obligations. The Board has closed off the lien on the revenues that secure the Prior Obligations and no additional Prior Obligations may be issued.

## PLAN OF FINANCING

### Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2012 Bonds are set forth in the following table.

Sources\*:

Bond Proceeds:	
Par amount of Series 2012 Bonds .....	\$11,925,000.00
Net Original Issue Premium/(Discount) .....	
Total Sources .....	

Uses\*:

Deposit to Series 2001 Escrow Fund <sup>1</sup> .....	
Deposit to Series 2001A Escrow Fund <sup>1</sup> .....	
Deposit to Series 2002 Escrow Fund <sup>1</sup> .....	
Costs of Issuance <sup>2</sup> .....	
Total Uses .....	

\* Preliminary; subject to change.

<sup>1</sup> See “—The Series 2012 Refunding Project” under this caption.

<sup>2</sup> Costs of issuance include legal fees, paying agent fees, rating fees paid to the rating agencies, Underwriter’s discount and other costs. See “UNDERWRITING.”

Source: The Underwriter

### The Series 2012 Refunding Project

A portion of the proceeds of the Series 2012 Bonds will be used to: (a) current refund all of the outstanding Colorado Educational and Cultural Facilities Authority Lease Revenue Bonds (Community Colleges of Colorado System Headquarters Project), Series 2001 (the “Series 2001 Bonds”), which are currently outstanding in the aggregate principal amount of \$5,865,000; (b) current refund all of the outstanding Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Pikes Peak Community College Project), Series 2001A (the “Series 2001A Bonds”), which are currently outstanding in the aggregate principal amount of \$3,615,000; and (c) advance refund all of the outstanding Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Arapahoe Community College Project), Series 2002 (the “Series 2002 Bonds” and, together with the Series 2001 Bonds and Series 2001A Bonds, the “Refunded Bonds”), currently outstanding in the aggregate principal amount or \$2,065,000.

In accordance with the Indenture of Trust, dated as of August 1, 2001, by and between the Colorado Educational and Cultural Facilities Authority and The Bank of New York Mellon Trust Company, as successor trustee, pursuant to which the Series 2001 Bonds were issued, the Series 2001 Bonds may be redeemed in whole or in part on and after December 1, 2011, at a redemption price equal to 100% of the par amount of such bonds being redeemed, plus accrued interest to the redemption date. The proceeds from the sale of the Series 2012 Bonds to be used to current refund the Series 2001 Bonds will be deposited to an escrow fund (the "Series 2001 Escrow Fund") established pursuant to the terms and provisions of a Series 2001 Escrow Agreement, dated as of the date of issuance of the Series 2012 Bonds, by and between the Board and The Bank of New York Mellon Trust Company, N.A. (in such capacity, the "Escrow Agent"). Moneys deposited in the Series 2001 Escrow Fund will be held uninvested and used to redeem the Series 2001 Bonds on the date which is 30 days after the date of issuance of the Series 2012 Bonds.

In accordance with the Indenture of Trust, dated as of December 1, 2001, by and between the Colorado Educational and Cultural Facilities Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee, pursuant to which the Series 2001A Bonds were issued, the Series 2001A Bonds may be redeemed in whole or in part on and after December 1, 2011, at a redemption price equal to 100% of the par amount of such bonds being redeemed, plus accrued interest to the redemption date. The proceeds from the sale of the Series 2012 Bonds to be used to current refund the Series 2001A Bonds will be deposited to an escrow fund (the "Series 2001A Escrow Fund") established pursuant to the terms and provisions of a Series 2001A Escrow Agreement, dated as of the date of issuance of the Series 2012 Bonds, by and between the Board and the Escrow Agent. Moneys deposited in the Series 2001A Escrow Fund will be held uninvested and used to redeem the Series 2001A Bonds on the date which is 30 days after the date of issuance of the Series 2012 Bonds.

In accordance with the Indenture of Trust, dated as of April 1, 2002, by and between the Colorado Educational and Cultural Facilities Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee, pursuant to which the Series 2002 Bonds were issued, the Series 2002 Bonds may be redeemed in whole or in part on and after December 1, 2012, at a redemption price equal to 100% of the par amount of such bonds being redeemed, plus accrued interest to the redemption date. The proceeds from the sale of the Series 2012 Bonds to be used to advance refund the Series 2002 Bonds will be deposited in an escrow fund (the "Series 2002 Escrow Fund") established pursuant to the terms and provisions of a Series 2002 Escrow Agreement, dated as of the date of issuance of the Series 2012 Bonds (the "Series 2002 Escrow Agreement"), by and between the Board and the Escrow Agent. Moneys deposited in the Series 2002 Escrow Fund will be invested in non-callable direct general obligations of, or obligations the payment of the principal or and interest on which is unconditionally guaranteed by, the United States of America ("Government Obligations"). Principal of and interest on the Government Obligations will be used, together with any cash balance in the Series 2002 Escrow Fund, to pay the principal and interest coming due on the Series 2002 Bonds up to and including the December 1, 2012 redemption date, and to redeem the Series 2002 Bonds on December 1, 2012.

The accuracy of the mathematical computations of the adequacy of cash and securities to be held in the Series 2002 Escrow Fund, together with the interest to be earned thereon, to pay the principal of, premium, if any, and interest on the Series 2002 Bonds according to the schedule established in the Series 2002 Escrow Agreement, and the computations supporting the conclusion of Bond Counsel that the Series 2012 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, will be verified by [Causey Demgen & Moore Inc., Denver, Colorado], certified public accountants.

In addition, in connection with the refunding of the Refunded Bonds, the Board anticipates purchasing from the Colorado Community College System Foundation (the "Foundation") all of the

Foundation's right, title and interest in those projects financed with proceeds of the Refunded Bonds, including the Headquarters Building, the Pikes Peak Property and the Arapahoe Property (each as hereafter described). The proceeds of the Series 2001 Bonds were used to finance the renovation of a building being used as the Board's administration headquarters (the "Headquarters Building"), as well as to finance certain parking and landscape improvements related thereto. The Headquarters Building is located on the Higher Education and Advanced Technology Center campus in Denver, Colorado. The proceeds of the Series 2001A Bonds were used to acquire, renovate, improve and equip an office building, a classroom building and relating parking facilities in Colorado Springs, Colorado (the "Pikes Peak Property") for Pikes Peak Community College. The proceeds of the Series 2002 Bonds were used to acquire, improve and equip a classroom building and a surface parking lot in Littleton, Colorado (the "Arapahoe Property") for Arapahoe Community College.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS**

### **Special, Limited Obligations**

The Series 2012 Bonds are special, limited obligations of the Board, payable out of the Net Revenues described in "—Net Revenues" under this caption. See also "THE NET REVENUES." In the Bond Resolution, the Board is covenanting to maintain and impose student fees, other fees, rental rates and other charges at the levels described in "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Rate Covenant" in Appendix A hereto. The payment of the Series 2012 Bonds will not be secured by any encumbrance, mortgage or other pledge of any property, and any other moneys now or hereafter pledged for payment of the Series 2012 Bonds. The Series 2012 Bonds are not secured by a reserve fund. The Series 2012 Bonds will not constitute or become a debt or indebtedness of the State [(except to the extent provided for in the State Intercept Program)] or the Board within the meaning of any constitutional or statutory provision or limitation, and the Series 2012 Bonds will not be considered or held to be general obligations of the Board. The Board has previously issued pursuant to the Master Resolution, the First Supplemental Resolution and the Second Supplemental Agreement the Series 2010 Bonds, which are secured with a lien on the Net Revenues on a parity with the lien thereon of the Series 2012 Bonds. In addition, the Board has the right, subject to specified conditions, to issue additional Bonds and incur Parity Obligations with a lien on Net Revenues on a parity with the lien thereon of the Series 2010 Bonds and the Series 2012 Bonds. See "—Additional Enterprise Obligations" under this caption. The Bond Resolution prohibits the Board from issuing any additional bonds with a lien on Net Revenues which is superior to the lien thereon of the Series 2010 Bonds and the Series 2012 Bonds.

### **Net Revenues**

Net Revenues are defined by the Bond Resolution to be Gross Revenues less (a) the Prior Obligations, and (b) any Operation and Maintenance Expenses not paid as Prior Obligations. Gross Revenues include certain revenues, fees and charges pledged by the Board as described in "THE NET REVENUES—Generally." All Gross Revenues are to be credited to the Revenue Fund, as described in "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Flow of Funds" in Appendix A hereto. The Prior Obligations, that is, debt requirements and other requirements (including certain operation and maintenance expenses) due under the bond resolutions relating to the Prior Obligations (collectively referred to herein as the "Prior Bond Resolutions"), will be paid as a first charge, and Operation and Maintenance Expenses not otherwise paid as Prior Obligations will be paid from the Revenue Fund as a second charge, from the Gross Revenues (except for Gross Revenues derived from 10% of Tuition Revenues, indirect cost recoveries, fees for the provision of faculty and student services, and Federal Direct Payments). See "—Outstanding Prior Obligations" under this caption.

For information about the Net Revenues historically generated by the System, see “THE NET REVENUES—Historical Net Revenues and Debt Service Coverage.”

### **No Reserve Fund Requirement for the Series 2012 Bonds**

Pursuant to the Bond Resolution, the Board may, but is not required to, establish a reserve requirement with respect to any series of Bonds issued thereunder. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Reserve Fund” in Appendix A hereto. No reserve requirement will be established for the Series 2012 Bonds.

### **Federal Direct Payments for the Series 2010B-2 Bonds and Series 2010D Bonds**

The Federal Direct Payments received in connection with the Series 2010B-2 Bonds and Series 2010D Bonds, if any, constitute Gross Revenues and thus are pledged to the payment of all Bonds outstanding under the Bond Resolution, including the Series 2012 Bonds. See INVESTMENT CONSIDERATIONS—Federal Direct Payments on the Series 2010B-2 Bonds and Series 2010D Bonds.”

### **[State Intercept Program]**

[Under the Higher Education Revenue Bond Intercept Program, certified at Section 23-5-139, Colorado Revised Statutes, as amended (the “State Intercept Act”), if the paying agent with respect to bonds issued by a state supported institution of higher education on or after June 4, 2008 (“Higher Education Bonds”) has not received a payment on the Higher Education Bonds 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 institution that has issued the Higher Education Bonds. The State Treasurer is then required to contact the institution to determine whether the institution will make the payment by the date on which it is due. If the institution indicates to the State Treasurer that it will not make the payment on the Higher Education Bonds by the date on which it is due, or if the State Treasurer cannot contact the institution, the State Treasurer is required to forward to the paying agent, in immediately available funds of the State, the amount necessary to make the payment of the principal of and interest on the Higher Education Bonds.

If the State Treasurer makes a payment on Higher Education Bonds under the State Intercept Act, he or she is to recover the amount forwarded by withholding amounts from the institution’s payments under the State’s fee for service contract with the institution from any other state support for the institution and from any unpledged tuition moneys collected by the institution. The total amount withheld in a month from the State’s fee for service contract with the institution for each occasion on which the State Treasurer forwards an amount pursuant to the State Intercept Act shall not exceed one twelfth of the amount forwarded. The State Treasurer cannot withhold for more than 12 consecutive months for each occasion on which the State Treasurer forwards amounts pursuant to the State Intercept Act. While the withholding of fee for service payments is limited to 12 consecutive months, the State Intercept Act does not correspondingly limit the State’s contingent obligation to pay the Higher Education Bonds. The institution has the option of making early repayment of all or any portion of an amount forwarded by the State Treasurer for payment on Higher Education Bonds.

The State Treasurer is required to notify the State’s Department of Higher Education (the “Department”) and General Assembly of amounts withheld and payments made pursuant to the State Intercept Act. The Department is required to initiate an audit of the institution to determine the reason for the nonpayment of the Higher Education Bonds and to assist the institution, if necessary, in developing and implementing measures to ensure that future payments will be made when due.

The State has covenanted that it will not repeal, revoke or rescind the provisions of the State Intercept Act or modify or amend the State Intercept Act so as to limit or impair the rights and remedies granted under the State Intercept Act to purchasers of Higher Education Bonds. The State Intercept Act provides, however, that it will not be deemed or construed to require the State to continue the payment of State assistance to any institution or to limit or prohibit the State from repealing, amending or modifying any law relating to the amount of State assistance to institutions or the manner of payment or the timing thereof. The State Intercept Act further provides that it will not be deemed or construed to create a debt of the State with respect to any Higher Education Bonds within the meaning of any State constitutional provision or to create any liability except to the extent provided in the State Intercept Act.

An institution may adopt a resolution stating that it will not accept on behalf of the institution payment of principal and interest as provided in the State Intercept Act. If an institution adopts such a resolution, it must be adopted prior to issuance or incurrence of the bonds to which it applies. Following adoption of such a resolution, the institution is to provide written notice to the State Treasurer of its refusal to accept payment. An institution may rescind its refusal to accept payment by written notice of such rescission to the State Treasurer.

The Series 2012 Bonds qualify under the State Intercept Program and the Board has not adopted a resolution stating that it will not accept payment from the State Treasurer under the State Intercept Program with respect to the Series 2012 Bonds; consequently, the State Intercept Program applies to the payment of the Series 2012 Bonds and the State Treasurer will make payment of the principal of and interest on the Series 2012 Bonds, if necessary, as described above.]

**Outstanding Prior Obligations**

Net Revenues consist of Gross Revenues less (a) the Prior Obligations, and (b) Operation and Maintenance Expenses not paid as Prior Obligations.

The Prior Obligations payable as a first and prior charge on Gross Revenues (except for Gross Revenues derived from 10% of Tuition Revenues, indirect cost recoveries, fees for the provision of faculty and student services, and Federal Direct Payments) are the general operating expenses, principal and interest payments, reserve fund deposits and rebate requirements to be paid pursuant to the Prior Bond Resolutions.

Upon the issuance of the Series 2012 Bonds, the Prior Obligations will consist of the following obligations previously issued by the Board:

**Schedule of Prior Obligations**

<b>Series of Bonds</b>	<b>Principal Originally Issued</b>	<b>Principal Outstanding</b>
Systemwide Revenue Bonds (Pikes Peak Community College Project), Series 2003	\$4,900,000	\$3,710,000
Systemwide Revenue Refunding Bonds (Front Range Community College Project), Series 2004	<u>4,695,000</u>	<u>1,985,000</u>
Total	<u>\$9,595,000</u>	<u>\$5,695,000</u>

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Source: The Board

Pursuant to the Bond Resolution, the Board is not permitted to issue additional obligations having a lien on the Net Revenues superior to the lien thereon in favor of the Series 2012 Bonds (including obligations that would be issued on a parity with the outstanding Prior Obligations). The Board has closed off the lien on the revenues that secure the Prior Obligations and has agreed not to issue any bonds on a parity with the Prior Obligations. See “THE NET REVENUES—Historical Net Revenues and Debt Service Coverage.”

### **Rate Covenant**

The Board has covenanted in the Bond Resolution that, among other matters, while any Bonds are outstanding, and subject to applicable law, it will continue to impose such fees and charges as are included within the Gross Revenues (including student fees relating to the Facilities) and will continue the present operation and use of the System and associated Facilities and will cause to be established and maintained such reasonable fees, rental rates and other charges for the use of all Facilities and for services rendered by the System as will return Gross Revenues annually sufficient (a) to pay debt service on the Prior Obligations (as described herein under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Outstanding Prior Obligations”); (b) to pay any Operation and Maintenance Expenses which are not paid as part of the Prior Obligations; (c) to pay the annual Debt Service Requirements on the Bonds and any Parity Obligations payable from the Net Revenues; (d) to make deposits, if any, required in the Reserve Fund; and (e) to pay the annual Debt Service Requirements of any obligations payable from the Net Revenues, in addition to the Bonds and any Parity Obligations, including without limitation any reserves required to be accumulated therefor or any reimbursement pursuant to a reserve fund insurance policy, surety bond, financial guaranty agreement and qualified exchange agreement relating thereto, as provided in the Bond Resolution. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION—Rate Covenant” in Appendix A hereto.

### **Additional Enterprise Obligations**

Additional Enterprise Obligations, including Parity Obligations secured with a lien on Net Revenues on a parity with the lien thereon in favor of the Bonds, may be issued by the Board, subject to certain stated conditions, as provided in “THE SERIES 2012 BONDS—Additional Enterprise Obligations.” The Parity Obligations listed in the table below are the only series of Bonds issued by the Board and outstanding as of the date hereof which will have a lien on the Net Revenues on parity with Series 2012 Bonds.

### Outstanding Parity Bonds

Name of Bonds	Original Principal Amount	Outstanding Principal Amount (as of January 1, 2012)
Systemwide Revenue Refunding Bonds, Series 2010A	\$ 7,335,000	\$ 5,815,000
Systemwide Revenue Bonds (Colorado Northwestern Project and Northwestern Junior College Project), Series 2010B-1	830,000	655,000
Taxable Systemwide Revenue Bonds (Colorado Northwestern Project and Northeastern Junior College Project) (Build America Bonds—Direct Payment to the Board), Series 2010B-2	9,665,000	9,665,000
Systemwide Revenue Bonds (Community College of Denver Project and Pueblo Community College Project), Series 2010C	6,545,000	6,545,000
Systemwide Revenue Bonds (Community College of Denver Project and Pueblo Community College Project) (Build America Bonds—Direct Payment to the Board), Series 2010D	<u>31,455,000</u>	<u>31,455,000</u>
Total	<u>\$55,830,000</u>	<u>\$54,135,000</u>

Source: The Board

### THE NET REVENUES

#### Generally

The obligation of the Board to pay the principal of and interest on the Series 2012 Bonds is limited to the Net Revenues received by the Board annually. As a result, the ultimate ability of the Board to make payments on the Series 2012 Bonds depends on the operations of the System from or in connection with which the Net Revenues are derived. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS.” This section includes certain information regarding the related operations of the System which produces the Gross Revenues, as well as historical information about Operation and Maintenance Expenses which will be deducted as a second charge against Gross Revenues. Potential investors should be aware that debt service requirements and other amounts due in connection with the Outstanding Prior Obligations described in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Outstanding Prior Obligations” will be paid as a first charge on the Gross Revenues (except for Gross Revenues derived from 10% of Tuition Revenues, indirect cost recoveries, fees for the provision of faculty and student services, and Federal Direct Payments) and therefore have priority in payment to the Series 2012 Bonds.

**Gross Revenues.** The following income, revenues and fees have been included in Gross Revenues and shall be deposited to the Revenue Fund:

- (a) the income and revenues derived by the Institutional Enterprise from the Facilities;

(b) all revenues derived from any special fee (or that portion of any general fee) now or hereafter assessed against students with respect to any facility which is at the time included within the applicable definition of Facilities and any other fee, rate or other charge assessed against employees or any other persons, for the privilege of using or otherwise relating to any applicable Facility;

(c) all revenues accruing to the System from “overhead” charges on research contracts performed within the System facilities (“indirect cost recoveries”);

(d) 10% of Tuition Revenues;

(e) all revenues derived from Facilities Construction Fees;

(f) all revenues derived from mandatory fees for the provision of student and faculty services within the System;

(g) Federal Direct Payments;

(h) all earnings on all funds and accounts, if any, created under the Master Resolution or any Supplemental Resolution (excluding the Rebate Fund); and

(i) such other income, fees and revenues as the Board hereafter determines, by resolution and without further consideration from the owners of the Bonds, to include in Gross Revenues, pursuant to law then in effect and not in conflict with the provisions of the Master Resolution or any Supplemental Resolution.

The term Gross Revenues does not include any Released Revenues or any general fund moneys appropriated by the State General Assembly or any moneys derived from any general (ad valorem) tax levied against property by the State or any instrumentality thereof. Released Revenues under the Resolution means revenues otherwise included in Gross Revenues in respect of which certain documents described under the caption “Released Revenues” have been filed with the Secretary of the Board. Further information about each of these categories of revenues is provided below.

***Operation and Maintenance Expenses.*** Operation and Maintenance Expenses are defined by the Master Resolution generally to be (a) all reasonable and necessary current expenses of the System, paid or accrued, for operating, maintaining and repairing the Facilities, and shall include, without limiting the generality of the foregoing, legal and incidental expenses of the various departments within the System directly related and reasonably allocable to the administration of the Facilities; (b) insurance premiums; (c) the reasonable charges of any paying agent or depository bank; (d) contractual services; (e) professional services required by the Master Resolution and the related Supplemental Resolutions; and (f) salaries and administrative expenses, labor, and all costs incurred by the Board in the collection of Gross Revenues, but excluding: (i) any allowance for depreciation and other non-cash, non-accrual accounting adjustments; (ii) any internal charges for administrative overhead; (iii) any costs of reconstruction, improvements, extensions or betterments; (iv) any accumulation of reserves for capital replacements; (v) any reserves for operation, maintenance or repair of any Facilities; (vi) any allowance for the redemption of any bond or security evidencing a loan or payment of any interest thereon; and (vii) any legal liability not based on contract.

***Released Revenues.*** The following documents may be filed with the Secretary of the Board in order to release certain revenues from Gross Revenues in accordance with the Bond Resolution:

(a) a duly adopted Supplemental Resolution describing the revenues to be excluded from the computation of Gross Revenues (a “Release Supplemental Resolution”), and authorizing the exclusion of such revenues from such computation;

(b) a written certification by the Board Representative to the effect that Net Revenues in the two most recent completed Fiscal Years, after the revenues covered by the Release Supplemental Resolution described in clause (a) above are excluded, were at least equal to the Average Annual Debt Service Requirements with respect to all Bonds that will remain Outstanding after the exclusion of such revenues;

(c) an opinion of Bond Counsel to the effect that the exclusion of such revenues from the computation of Gross Revenues and from the pledge and lien of the Bond Resolution will not, in and of itself, cause the interest on any Outstanding Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of the rating agencies then rating the Bonds to the effect that the exclusion of such revenues from the pledge and lien of the Bond Resolution will not, in and of itself, cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Upon filing of such documents, the revenues described in any Supplemental Resolution shall no longer be included in the computation of Gross Revenues and shall be excluded from the pledge and lien of the Bond Resolution. No revenues have been released as of the date of this Official Statement.

## **Tuition Revenues**

Tuition Revenues are defined by the Bond Resolution to be the tuition revenues of the System derived from charges to students for the provision of general instruction by the colleges comprising the System, whether collected or accrued, and not including any general fund moneys appropriated by the general assembly of the State. Gross Revenues include 10% of such Tuition Revenues received by the System. Tuition Revenues, net of scholarship allowance, for the Fiscal Year ended June 30, 2011 were \$227,112,067<sup>1</sup> which would have resulted in a pledge of \$22,711,207<sup>1</sup> as part of the Gross Revenues for Fiscal Year 2011. The Tuition Revenues amount shown herein is adjusted from tuition and fees as reported in the System’s financial statements by certain fees, tuition waivers and scholarship allowance amounts that do not appear as separate line items in the System’s audit.

The Board establishes tuition rates according to its internal policies, which comply with guidelines established by the CCHE. Tuition rates for Colorado resident students have historically been uniform across the System. For the 2011–12 academic year, the Board adopted tuition rates are \$105.85 per credit hour for resident students and \$434.30 per credit hour for non-resident students. An exception is made at the five colleges which provide residential facilities, Colorado Northwestern Community College, Lamar Community College, Northeastern Junior College, Otero Junior College and Trinidad State Junior College, in order to encourage the enrollment of more full-time students and higher use of the dormitories. At these five schools, non-resident tuition is \$209.80 per credit hour. Historically, resident students make up approximately 94% of total enrollment at the Colleges.

The per-year tuition and fees charges for the 2011-12 school year for the 13 colleges are as follows:

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<sup>1</sup> Unaudited; preliminary, subject to change.

## 2011-12 Tuition Full-Time

	Resident <sup>1</sup>	Non-Resident <sup>1</sup>
Arapahoe Community College	\$3,175.50	\$13,029.00
Colorado Northwestern CC	3,175.50	6,294.00
Community College of Aurora	3,175.50	13,029.00
Community College of Denver	3,175.50	13,029.00
Front Range Community College-W	3,175.50	13,029.00
Lamar Community College	3,175.50	6,294.00
Morgan Community College	3,175.50	13,029.00
Northeastern Junior College	3,175.50	6,294.00
Otero Junior College	3,175.50	6,294.00
Pikes Peak Community College	3,175.50	13,029.00
Pueblo Community College	3,175.50	13,029.00
Red Rocks Community College	3,175.50	13,029.00
Trinidad State Junior College-T	3,175.50	6,294.00

<sup>1</sup> Tuition 15 semester hours for two semesters.  
Source: The Board

### Fees

Under the Bond Resolution all revenues derived from mandatory fees for the provision of student and faculty services within the System constitute a portion of Gross Revenues. Net pledged auxiliary fee revenues for the Fiscal Year ended June 30, 2011 were \$8,287,502<sup>1</sup>. Certain registration fees are proposed directly by the Board. In general, however, fees are proposed by the Colleges, but also must be approved by the Board pursuant to its internal policies and subject to CCHE guidelines. State law requires student approval of certain student fees. The per-year mandatory fee charges for the 2011-12 school year for the 13 colleges are as follows:

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<sup>1</sup> Unaudited; preliminary, subject to change.

## 2011-12 Fees - Full-Time

	Fees <sup>1</sup>
Arapahoe Community College	\$165
Colorado Northwestern CC	249
Community College of Aurora	179
Community College of Denver	766
Front Range Community College	263
Lamar Community College	397
Morgan Community College	172
Northeastern Junior College	596
Otero Junior College	266
Pikes Peak Community College	274
Pueblo Community College	511
Red Rocks Community College	297
Trinidad State Junior College	587

<sup>1</sup> Fees 15 hours for 2 semesters.  
Source: The Board

### Historical Net Revenues and Debt Service Coverage

Net auxiliary revenues pledged to the payment of the Prior Obligations for the Fiscal Year ended June 30, 2011 totaled \$8,287,502<sup>1</sup>, which provided coverage of 10.06<sup>1</sup> times the Average Annual Debt Service (\$824,012) on all the Board's Prior Obligations. Set forth below is a table illustrating the net auxiliary revenues of the System pledged to the payment of the Prior Obligations and the debt service coverage on the Board's Prior Obligations for the past five Fiscal Years. Pursuant to the Bond Resolution, the Board has closed off the lien on the auxiliary revenues that secure the Prior Obligations and has agreed not to issue any bonds on a parity with the Prior Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Outstanding Prior Obligations."

	2007	2008	2009	2010	2011 <sup>2</sup>
Net Pledged Auxiliary Revenues	\$5,466,108	\$4,138,538	\$5,804,764	\$8,167,088	\$8,287,502
Annual Debt Service	1,827,850	1,836,500	1,831,481	1,744,250 <sup>1</sup>	824,012
Coverage	2.99x	2.25x	3.17x	4.68x	10.06x

<sup>1</sup> The large reduction in annual debt service in Fiscal Year 2010 is the result of the refunding of \$7,240,000 in aggregate principal amount of Prior Obligations with proceeds of the Series 2010 Bonds.

<sup>2</sup> Unaudited; preliminary; subject to change.  
Source: The Board

Total maximum annual debt service on the Series 2012 Bonds and the Outstanding Parity Obligations, net of Federal Direct Payments expected to be received in connection with the Series 2010B-2 Bonds and the Series 2010D Bonds, will occur in Fiscal Year 2015<sup>1</sup> in the amount of \$4,644,057<sup>1</sup>. Utilizing unaudited Fiscal Year ended June 30, 2011 financial data, Net Revenues (including 10% of Tuition Revenues) equaled \$30,998,709<sup>2</sup> and, after the payment of the maximum annual debt service on the Prior Obligations (which occurs in Fiscal Year 2016 in the amount of

<sup>1</sup> Preliminary; subject to change.

<sup>2</sup> Unaudited; preliminary; subject to change.

\$828,086), would equal \$30,170,623<sup>1</sup>. This produces a debt service coverage ratio of 6.50x<sup>1</sup> of the maximum annual debt service on the Series 2012 Bonds and the Outstanding Parity Obligations. See “— Facilities Construction Fees” under this Section.

### **Indirect Cost Recoveries (Facilities & Administrative Expense)**

The Bond Resolution includes in Gross Revenues, to the extent available, indirect cost recoveries (facilities and administrative expense) payable pursuant to research contracts and grants which are performed under the auspices of the System. The federal Department of Health and Human Services is the cognizant agency that reviews, negotiates, and approves the System’s allowable indirect cost rate which is calculated in accordance with OMB Circular A21. There is no assurance that the System’s negotiated rate will remain the same or increase in the future, or will stay in effect for a period beyond one year. Indirect cost recovery revenue from the Colleges and the System office is minimal on an annual basis and varies year-to-year depending on federal grant revenues.

### **Facilities Construction Fees**

Gross Revenues include all revenues derived by the System from any Facility Construction Fees. “Facilities Construction Fees” are defined by the Bond Resolution to mean any campus building fees or charges relating to academic capital projects as may be authorized by the Board from time-to-time. For FY 2010-11, the Board authorized two new facility construction fees based on prior student vote approval. The Board authorized an additional fee of \$7.00 per credit hour per semester to be implemented for the fall 2010 semester for the Pueblo Community College campus, and an additional fee of \$2.00 per credit hour per semester to be implemented for the fall 2010 semester (such fee to increase annually by \$2.00 per credit hour per semester until the fee is \$8.00 per credit hour per semester in fall 2013 and thereafter) for the Community College of Denver campus.

## **INVESTMENT CONSIDERATIONS**

### **General**

There are a number of factors affecting institutions of higher education in general, including the Colleges and the System as a whole, that could have an adverse effect on the System’s financial position and its ability to make the payments required under the Bond Resolution. These factors include, but are not limited to, the continuing rising costs of providing higher education services; competition for students from other institutions of higher education; the failure to maintain or increase in the future the funds obtained by the Board from other sources, including gifts and contributions from donors, grants, or appropriations from governmental bodies and income from investment of endowment funds and operating funds; adverse results from the investment of endowment funds and operating funds; increasing costs of compliance with federal or State laws or regulations, including, without limitation, laws or regulations concerning environmental quality, work safety and accommodating the disabled; changes in federal governmental policy relating to the reimbursement of overhead costs of government contracts; any unionization of the System’s work force with consequent impact on wage scales and operating costs of the System; and legislation or regulations which may affect student aid and other program funding. The Board cannot assess or predict the ultimate effect of these factors on its operations or financial results.

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<sup>1</sup> Unaudited; preliminary, subject to change.

## **Special, Limited Obligations**

The Series 2012 Bonds are special, limited obligations of the Board payable and collectible solely out of the Net Revenues, which are pledged for that purpose to the extent provided in the Series 2012 Bond Resolution. The registered owners of the Series 2012 Bonds may not look to any general or other fund for the payment of the principal of, premium, if any, or interest on the Series 2012 Bonds, except the Net Revenues. The payment of the Series 2012 Bonds will not be secured by an encumbrance, mortgage or other pledge of any property, except the Net Revenues. The Series 2012 Bonds will not constitute or become a debt or indebtedness of the State or the Board within the meaning of any constitutional or statutory provision or limitation and will not be considered or held to be general obligations of the Board, but will constitute its special, limited obligations. The Series 2010 Bonds and the Series 2012 Bonds have a first claim and lien on the Net Revenues, which lien is not necessarily exclusive. The Board has the right, subject to specified conditions, to issue Additional Parity Bonds on a parity with the Series 2010A-B Bonds and the Series 2012 Bonds. The Board also has the right, subject to specified conditions, to issue bonds or other obligations for any legal purpose, including purposes of similar character to those authorized by the Bond Resolution, and to pledge to the payment thereof (as a separate and independent pledge) such revenues as will be derived solely from the particular project financed. See generally “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS.”

In the event the Net Revenues pledged to secure the Series 2012 Bonds are insufficient to pay the principal of, premium, if any, or interest on Series 2012 Bonds, neither the State, the Board nor the Colleges will have any obligation to make such payments, [other than pursuant to the State Intercept Program. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—State Intercept Program.”]

## **Future Facilities Utilization**

The amount of Gross Revenues available for the payment of Current Expenses and the payment of debt service on the Series 2012 Bonds will be affected by the future levels of enrollment and utilization of the Facilities and the rates and charges that the Board can reasonably impose in connection with the use of such Facilities. The availability of alternative facilities at competitive rates may have an adverse impact on the level of utilization of the Facilities and on the ability of the Board to adjust fees and rates in the future.

## **Future Enrollment**

The amount of Net Revenues available for the payment of debt service on the Series 2012 Bonds will be affected by the future levels of enrollment and the Facilities Construction Fee that the Board can reasonably impose.

## **Federal Direct Payments on the Series 2010B-2 Bonds and Series 2010D Bonds**

The Board designated the Series 2010B-2 Bonds and Series 2010D Bonds as “Build America Bonds” for the purposes of the Federal Recovery Act and the Code and to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Series 2010B-2 Bonds and Series 2010D Bonds. Such cash subsidy payments constitute Federal Direct Payments, which Federal Direct Payments constitute Gross Revenues pledged to the payment of all Bonds outstanding under the Bond Resolution, including the Series 2012 Bonds.

The Code imposes various requirements that the Board must continue to meet to receive the Federal Direct Payments on the Series 2010B-2 Bonds and Series 2010D Bonds. These requirements generally involve the way the proceeds of such bonds must be invested and ultimately used, and the periodic submission of certain requests for payment. If the Board does not meet these requirements, it is possible that the Board may not receive the Federal Direct Payments.

The Internal Revenue Service (“IRS”) has implemented an examination program for certain types of bonds that qualify for direct federal subsidies and no assurance can be given that the Series 2010B-2 Bonds or Series 2010D Bonds will not be selected for examination. In the event the IRS files a proposed adverse determination letter as a result of such an examination, announced IRS policy is to suspend payment to the Board of the Federal Direct Payments pending a final determination of the qualification of such bonds being examined. Furthermore, in certain circumstances, the Federal Direct Payments may be reduced (offset) by amounts determined to be applicable under the Code and regulations promulgated thereunder. For example, offsets may occur by reason of any post-due legally enforceable debt of the Board to any Federal agency. The amount of any such offsets is not predictable, but the Board does not currently expect that any such offsets will apply to the credits the Board expects to receive.

### **Enforceability of Remedies**

The remedies available upon an event of default under the Bond Resolution are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions the remedies provided for under the Bond Resolution may not be readily available or may be limited. The Series 2012 Bonds may be subject to general principles of equity which may permit the exercise of judicial discretion; are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State; are subject, in part, to the provisions of the United States Bankruptcy Code and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; and are subject to the exercise by the United States of the powers delegated to it by the federal Constitution. The various legal opinions to be delivered concurrently with the delivery of the Series 2012 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Series 2012 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

### **TABOR Amendment**

At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution known as the Taxpayers’ Bill of Rights or “TABOR,” which limits the ability of the State and local governments such as the Board to increase revenues, debt and spending and restricting property taxes, income taxes and other taxes. TABOR excepts from its restrictions the borrowings and fiscal operations of “enterprises,” which term is defined to include government-owned businesses authorized to issue their own revenue bonds and receiving under 10% of their revenues in grants from all State and local governments of the State combined. The Board has designated the System as an “enterprise” within the meaning of TABOR. See “FINANCIAL INFORMATION CONCERNING THE SYSTEM—Financial Information—*Institutional Enterprise Designation.*” If during any subsequent Fiscal Year, the System receives more than 10% of its revenues in grants from all State and local governments of the State combined, it will no longer qualify as an “enterprise.” Net Revenues remain pledged as security at all times to the repayment of the Series 2012 Bonds even if the System does not qualify as an institutional enterprise under the provisions of the Institutional Enterprise Act in any given Fiscal Year.

## **Secondary Market**

There is no guarantee that a secondary market will develop for the Series 2012 Bonds. Consequently, prospective purchasers of the Series 2012 Bonds should be prepared to hold their Series 2012 Bonds to maturity or prior redemption. Subject to applicable securities laws and prevailing market conditions, the Underwriter intends but is not obligated to make a market in the Series 2012 Bonds. Failure to comply with the undertaking to provide ongoing disclosure may adversely affect the transferability and liquidity of the Series 2012 Bonds and their market price. See “CONTINUING DISCLOSURE UNDERTAKING.”

## **Future Changes in Laws**

Various State laws and constitutional provisions, including the Act, apply to the operation of the Facilities, the imposition and collection of student fees and the financing of the Board’s operations in general. Other State and federal laws, constitutional provisions and regulations apply to the obligations created by the issuance of the Series 2012 Bonds. There is no assurance that there will not be any change in, interpretation of or addition to applicable laws, provisions and regulations which would have a material effect, directly or indirectly, on the Board. For an explanation of recent legislative changes in the State funding system for Colorado institutions of higher education, see “FINANCIAL INFORMATION CONCERNING THE SYSTEM—Funding of State Institutions of Higher Education” and “—Other Recent Legislation Affection Funding of State Institutions of Higher Education.”

## **Damage or Destruction of Facilities**

The Board insures the Facilities against certain risks. There can be no assurance that the amount of insurance required to be obtained with respect to the Facilities will be adequate or that the cause of any damage or destruction to the Facilities will be as a result of a risk which is insured. Further, there can be no assurance of the ongoing creditworthiness of the insurance companies with which the Board obtains insurance policies. Damage or destruction of the Facilities may impair the Board’s ability to generate sufficient Net Revenues.

## **[Limitations on State Intercept Program]**

[The State Intercept Program is a program created by statute to provide assistance to State supported institutions of higher education in accordance with the provisions of the State Intercept Act. Pursuant to the State Intercept Act, the State covenants to owners of bonds issued by institutions that it will not repeal, revoke or rescind the provisions of the State Intercept Act or modify or amend it so as to limit the rights granted by the State Intercept Act, except that nothing in the State Intercept Act shall be deemed or construed to require the State to continue the payment of State assistance to any institution or to limit or prohibit the State from repealing, amending, or modifying any law relating to the amount of State assistance to institutions or the manner of payment or the timing thereof. The State has not obligated itself to guarantee that in any year there are sufficient legally available moneys to fund the State Intercept Program.]

## **Environmental Regulation**

The Facilities are subject to various federal, state and local laws and regulations governing health and the environment. In general, these laws and regulations could result in liability to the Board as the owner of the Facilities for remediating adverse environmental conditions on or relating to the Facilities, whether arising from pre-existing conditions or conditions arising as a result of the activities conducted in connection with the ownership and operation of the Facilities. Costs incurred by the Board with respect

to environmental remediation or liability could adversely impact its financial condition and its ability to own and operate the Facilities and its ability to produce Net Revenues.

### Broker-Dealer Risks

Persons who purchase the Series 2012 Bonds through broker-dealers become creditors of the broker-dealer with respect to the Series 2012 Bonds. Records of the investor's holding are maintained only by the broker-dealer and the investor. In the event of the insolvency of the broker-dealer, the investor would be required to look to the broker-dealer's estate, and to any insurance maintained by the broker-dealer, to make good the investor's loss.

### Risk of Loss Upon Redemption

The rights of the registered owners of the Series 2012 Bonds to receive interest will terminate on the date, if any, on which the Series 2012 Bonds are to be redeemed pursuant to a call for redemption, notice of which has been given under the terms of the Bond Resolution.

## ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

The following schedule shows the total debt service (excluding any optional prior redemptions) payable for the Series 2012 Bonds, the Series 2010 Bonds, and the Prior Obligations.

Fiscal Year Ending June 30, <sup>1</sup>	Debt Service on the Series 2012 Bonds			Total Debt Service on Series 2010 Bonds <sup>2</sup>	Total Debt Service on Prior Obligations	Combined Total Debt Service
	Principal *	Interest	Total Debt Service			
2012	\$ --			\$ 2,631,337.92	\$820,802.50	
2013	495,000			3,448,087.92	825,983.13	
2014	505,000			3,761,887.92	824,601.26	
2015	520,000			3,767,237.92	826,971.88	
2016	525,000			3,760,297.92	828,086.25	
2017	530,000			3,763,443.86	292,789.38	
2018	545,000			3,508,635.93	291,686.26	
2019	565,000			3,435,350.30	295,068.76	
2020	580,000			3,332,697.84	292,896.26	
2021	600,000			2,845,712.00	295,091.26	
2022	620,000			2,848,170.49	291,791.26	
2023	640,000			2,837,816.42	293,191.26	
2024	660,000			2,844,084.79	294,191.26	
2025	685,000			2,846,620.36	294,791.26	
2026	710,000			2,845,439.55	294,866.26	
2027	730,000			2,850,460.80	294,411.26	
2028	760,000			2,841,725.86	293,512.51	
2029	495,000			2,848,444.98	297,065.63	
2030	515,000			2,855,922.05	79,640.63	
2031	540,000			2,855,608.17	76,546.88	
2032	555,000			2,856,741.22	--	
2033	150,000			2,854,205.05	--	
2034	--			2,858,661.80	--	
2035	--			2,864,564.67	--	
2036	--			1,324,112.11	--	
2037	--			1,328,119.86	--	
2038	--			1,330,146.74	--	
2039	--			1,325,420.23	--	
2040	--			1,338,646.23	--	
2041	--			593,393.49	--	
2042	--			311,046.62	--	
Total	<u>\$11,925,000</u>			<u>\$81,714,041.02</u>	<u>\$8,103,985.15</u>	

<sup>a</sup> Preliminary; subject to change.

<sup>1</sup> Includes interest payments made on May 1 of each year and principal and interest payments made on November 1 for the Series 2012 Bonds.

<sup>2</sup> Net of Federal Direct Payments expected to be received in connection with the Series 2010B-2 Bonds and Series 2010D Bonds.

Source: The Financial Advisor

## THE SYSTEM

### Generally

The State Board for Community Colleges and Occupational Education (as previously defined, the “Board”) is responsible for the administration of the Colorado Community College System (as previously defined, “CCCS” or the “System”). The Board has two primary responsibilities: (a) to govern the community colleges comprising the System (as previously defined, the “Colleges”) in a manner that assures access, diversity, efficiency, effectiveness and accountability for all programs and services provided; and (b) to encourage, promote, coordinate, expand and improve a comprehensive System which is efficient, effective and avoids unnecessary duplication. Pursuant to these responsibilities, the Board operates 13 colleges and administers state and federal grants which support two local district community colleges, three area vocational schools and secondary school vocational educational programs in approximately 160 local school districts.

In May 2000, the U.S. Department of Education (the “DOE”) deeded approximately 128 acres at the former Lowry Air Force Base with improvements to the Board. The property includes approximately 17 permanent buildings plus numerous temporary structures. An additional 13 acres is approved for transfer to the Board if and when it is cleared for environmental concerns. The property is subject to a number of restrictions on its use, the bulk of which expire in 2024. In general, the restrictions limit the use of the property to educational purposes, prohibit the sale or transfer of the property without prior approval of the DOE and require compliance with certain federal laws. The initial valuation of the land is \$8,100,000 and the buildings is \$45,489,564, for total property valuation of \$53,589,564, and is based on data from an independent appraisal. The current valuation of the property is included within the Board’s financial statements (attached hereto as Appendix B).

Effective June 2002, the Board approved the name change of the System (formerly Community Colleges of Colorado (“CC of C”) to Colorado Community College System (“CCCS”). The System organization and function did not change. The new name reflects an effort to make the System and its services more accessible through public awareness initiatives.

### The Board

The Board is composed of 11 board members, nine of whom are appointed by the Governor and subject to confirmation by the State Senate. Two of the Board members are non-voting. The non-voting members consist of a faculty representative and a student representative, each selected from one of the System’s Colleges, in accordance with Board procedures. Voting Board members are appointed for four-year terms; the non-voting members are appointed for terms of one year. The current Board members and their respective terms are as follows:

Name	Term Expiration
Ms. Maury Dobbie, Chair	12/31/2012
Dr. John Trefny, Vice Chair	12/31/2014
Ms Ledy Garcia-Eckstein	12/31/2011
Mr. Jim Johnson	12/31/2014
Ms. Bernadette Marquez	12/31/2011
Mr. Rich Martinez	12/31/2013
Ms. Meg Porfido	12/31/2012
Mr. Ken Weil	12/31/2014
Ms. Ruth Ann Woods	12/31/2013
Ms. Stephanie Irwin (non-voting faculty representative)	7/01/2012
Mr. Josh Deines (non-voting student representative)	7/01/2012

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## Administration

Key management personnel responsible for the daily operation of the System and the Colleges include the following:

### *The System.*

*Dr. Nancy J. McCallin, President.* Dr. McCallin was appointed President of the System by the Board. Dr. McCallin has served as President of the System since October 2004. Formerly, she served as the chief economist for the State legislature for ten years. From 1981 to 1989, she was an economist with the United Banks of Colorado (now Wells Fargo). Dr. McCallin earned a Bachelor's degree from Claremont McKenna College in Claremont, California, and a Master's degree and a Doctorate degree in Economics from the University of Colorado.

*Ms. Barbara McDonnell, General Counsel.* Ms. McDonnell has served as General Counsel for the System since August 2001 and was appointed Acting Vice President of Educational Services effective March 2004. Formerly, she served as Chief Deputy Attorney General and Deputy Attorney General for State Services in the office of Colorado Attorney General Ken Salazar. Ms. McDonnell served in the administration of Colorado Governor Roy Romer as Executive Director of the Colorado Department of Human Services, as Acting Director of the Colorado Department of Health Care Policy and Financing, as Executive Director of the Colorado Department of Institutions, and as Chief Legal Advisor to the Governor. She worked at the law firm of Sherman & Howard in Denver from 1982 to 1987, where she specialized in tax, probate, and litigation matters. Ms. McDonnell has a Bachelor's degree from the University of Illinois and a Master's degree from the University of Iowa. She graduated magna cum laude from the University of Pennsylvania Law School, where she was an editor of the law review.

*Mr. Mark Superka, Vice President for Finance and Administration.* Mr. Superka was appointed as the Vice President for Finance and Administration of the System in July 2011. From July 2006 to 2011, Mr. Superka served as Budget Director for the System. Prior thereto, Mr. Superka served as Deputy Director of the Governor's Office of State Planning and Budgeting. Mr. Superka holds a Bachelor's degree from the University of Colorado-Boulder and a Master's degree from Duke University.

*Ms. Lisa Grefrath, System Controller.* Ms. Grefrath was hired as System Controller in March 2006. Ms. Grefrath previously served as Senior Manager with KPMG, an Audit, Tax and Advisory firm

from 1996 to 2006. She holds a Master's of Science degree in Business Administration, with a minor in Information Systems, and a Bachelor's with Distinction in Biology, and is a licensed C.P.A.

### *The Colleges.*

Dr. Diana Doyle has served as President of Arapahoe Community College since March 2010. Prior to that, she was the Executive Vice President of Learning and Student Affairs at Community College of Denver from August 2008 to February 2010. Previously, she served as Interim President at Western Nebraska Community College, in Scottsbluff, Nebraska, from March 2006 to July 2006 and from July 2001 to February 2002; Vice President of Educational and Student Services from 1999 to July 2008; and Dean of Student Services from 1995 to 1998. She also served as Director of Student Development and University Counselor at Colorado School of Mines, in Golden, Colorado, from 1985 to 1995 and 1984 to 1985, respectively; Complex Program Director, Office of University Housing at the University of Nebraska-Lincoln from 1980 to 1983; and as Residence Director as both a graduate and professional from 1977 to 1980 at Illinois State University, in Normal, Illinois. Dr. Doyle holds a Doctor of Public Administration degree with Higher Education emphasis from University of Colorado-Denver, as well as a Master's degree in Counseling Education and a Bachelor's in English (Education) from Illinois State University.

Mr. Russell George serves as the President of Colorado Northwestern Community College where he has served since January 2011. Mr. George recently served on the Governor-appointed Higher Education Strategic Planning Committee. Mr. George has also served as Executive Director of the Colorado Department of Transportation from 2007 to 2010; Executive Director of the Colorado Department of Natural Resources from 2004 to 2007; Director of the Colorado Division of Wildlife from 2000 to 2004. Also, from 1993 to 2000, Mr. George served as a representative in the Colorado House of Representatives, including as speaker of the House from 1999 to 2000, representing Garfield, Pitkin, Rio Blanco and Moffat counties. Mr. George helped to preserve and grow Colorado Northwestern Community College by sponsoring legislation in 1998 to bring such college into the System. Mr. George has a Juris Doctorate degree from Harvard Law School and a Boettcher Scholar Bachelor of Arts in Economics from Colorado State University.

Dr. Linda Bowman serves as President of the Community College of Aurora, where she has served since September 2000, and as Vice President for Academic and Student Affairs for the Colorado Community College System, where she has served since 2005. She also served as Interim President at Arapahoe Community College from June 2009 to February 2010. Prior to that, Dr. Bowman was Interim President of Lamar Community College and Vice President for Instruction at Red Rocks Community College. Dr. Bowman holds a Ph.D. in Public Administration from the University of Colorado. Additionally, Dr. Bowman has Master's degrees in Public Administration and in English and a Bachelor's degree in English and Spanish.

Mr. Cliff Richardson is currently serving as the Interim President at the Community College of Denver and will serve for the 2011-2012 academic year. Previously, Mr. Richardson served as the Vice President for Finance and Administration of the System from July 2007 to July 2011. Prior to that, Mr. Richardson served as the President of Red Rocks Community College from 2005 to 2007; Interim Chief Administrative Officer from 2004 to 2005; Vice President for Administrative Services at Red Rocks Community College from 1993 to 2004); Dean of Fiscal Services at San Juan College in Farmington, New Mexico from 1988 to 1993; Director of Business Services at Arapahoe Community College from 1985 to 1988; and Director of Budgets and Support Services and the Director of Budgets at Arapahoe Community College from 1981 to 1985. Mr. Richardson has a Bachelor of Science degree in Accounting from Metropolitan State College and a Master's degree in Public Administration from the University of Colorado-Denver.

Mr. Andy Dorsey has served as President of Front Range Community College since July 2009. Prior to that he was the Vice President of the Westminster Campus/North Metro Area and college-wide Chief Academic Officer. Mr. Dorsey joined Front Range Community College in 1993 as an instructor, teaching psychology and economics. He earned a Bachelor of Arts (magna cum laude) in Economics and a Master of Business Administration from Harvard University. He also earned a Master's degree in counseling psychology from Lesley College in Denver.

Mr. John Marrin has served as President of Lamar Community College since June 2008. Prior to that he served as Campus Dean/Chief Executive Officer at the Timberline Campus of Colorado Mountain College. In 1977, he began a long tenure at Western Nebraska Community College in Scottsbluff, Nebraska, initially joining the institution as a Marketing/Management instructor. While at Western Nebraska, he also served as the College's Assistant Dean of Student Services, Center Director, and Dean of Business and Individual Training. He oversaw the College's operations in Lake and Chaffee Counties, including their residential campus in Leadville. He has earned his Master's degree in Business Administration from Regis University.

Dr. Kerry Hart has served as President of Morgan Community College since August 2008. Prior to that he was Campus Dean/Chief Executive Officer of the Alpine Campus of Colorado Mountain College in Steamboat Springs, Colorado. Dr. Hart has his Doctor of Music Education and Higher Education Administration, as well as his Master's degree in Conducting and Music Literature from the University of Northern Colorado. He also has a Bachelor's degree in Music Education from Metropolitan State College of Denver.

Mr. Scott Stump is currently serving as the Interim President of Northeastern Junior College as of June 2011. He took leave from his position of Dean of Career and Technical Education at the System. Prior to becoming a Dean in 2008, Mr. Stump served seven years as the State Director of Agricultural Education and as State Future Farmers of America ("FFA") Advisor. He was responsible for managing both the FFA student organization from the state level and the State FFA Officer Team. Prior to this, he had managerial responsibilities with the National FFA Organization. Mr. Stump received his Bachelor's degree in Agricultural Education from Purdue University and taught at the secondary level at Manchester High School in North Central Indiana. Before coming to Colorado, he also worked for the National FFA Organization managing the National Officer team and the National FFA Convention.

Mr. Jim Rizzuto has served as President of Otero Junior College since January 2001. Prior to taking that position he was Executive Director of Health Care Policy and Financing for Colorado Governor Bill Owens. He has a Master's degree in Business Administration from the Thunderbird School of Global Management, a Bachelor's degree from the University of Colorado, and an Associate of Arts degree from Otero Junior College.

Dr. Lance Bolton has served as President of Pikes Peak Community College since June 2011. Previously, he served as President of Northeastern Junior College from July 2006 to May 2011. Prior to that, he was the Global Director of Research and Development at DuPont Qualicon for nine years. He started out at DuPont working in support and sales, eventually being appointed to manage the North American division. Prior to his time at DuPont Qualicon, Dr. Bolton served as a post-doctoral research associate for the United States Department of Agriculture and a post-doctoral research associate for the University of Georgia School for Veterinary Medicine. Dr. Bolton holds both a Ph.D. and a Master's degree in Science in Food Science and Technology from the University of Georgia. He also earned a Bachelor's degree in Accounting from this same institution.

Ms. Patty Erjavec has served as President of Pueblo Community College since June of 2010. Previously, Ms. Erjavec served as president and CEO of El Pueblo Adolescent Treatment Facility and as

general manager of PCL Packing. She has also served on the State Board for Community College and Occupational Education from 2001 until 2010 when her term expired. Ms. Erjavec received her Masters in non-profit management from Regis University and a Bachelor's degree in Business Administration from the University of Southern Colorado (now Colorado State University—Pueblo).

Dr. Michele Haney has served as President of Red Rocks Community College since January 2008. Prior to that she served as President of Morgan Community College beginning in August 2003. She was the Chief Executive Officer for the Front Range Community College-Boulder County campus from 2000 to 2003, and Vice President and Vice President for Instruction and Chief Academic Officer for the Front Range Community College-Westminster campus from 1995 to 2000 and 1992 to 1995, respectively. Dr. Haney holds a Ph.D. from the University of Wyoming, a Master's degree from Chapman College and a Bachelor's degree from the University of New Mexico.

Mr. Felix Lopez has served as President of Trinidad State Junior College ("TSJC") since July 2009. Prior to that he was the Vice President and Chief Financial Officer of TSJC beginning in 2002. He joined TSJC in 1994 as Director of Fiscal Services and Director of Purchasing. Prior to this, he was a franchise supervisor for Colomex for many years. Mr. Lopez has an Associate of Arts degree in accounting and business administration from TSJC, a Bachelor's degree in social sciences from the University of Southern Colorado, and a Master's degree in Human Resources and Education from Colorado State University.

## **FINANCIAL INFORMATION CONCERNING THE SYSTEM**

### **Financial Information**

The basic financial statements are designed to provide readers with a broad overview of the System's finances and are comprised of three basic statements.

The *Statement of Net Assets* presents information on all of the System's assets and liabilities, at a point in time, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. A reader of the financial statements should be able to determine the assets available to continue System operations, how much the System owes to vendors and lending institutions, and a picture of net assets and their availability for expenditure in the System.

The *Statement of Revenues, Expenses, and Changes in Net Assets* presents information showing how the System's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the payment for accrued compensated absences, or the receipt of amounts due from students and others for services rendered). Its purpose is to assess the System's operating results. The System reports its activity as a special purpose government engaged only in business-type activities using the economic resources measurement focus and the accrual basis of accounting.

The *Statement of Cash Flows* presents cash receipts and payments to the System for the reporting period using the direct method. The direct method of cash flows reporting portrays cash flows from operations, noncapital financing, capital and related financing and investing activities. Its purpose is to assess the System's ability to generate net cash flows and meet its obligations as they come due.

The System is a component of the State of Colorado. Therefore, the net assets and results of the System's operations are also summarized in the State's Comprehensive Annual Financial Report in its government-wide financial statements.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. Information is provided regarding both the accounting policies and procedures the System has adopted, as well as additional detail for certain amounts contained in the basic financial statements. The notes to financial statements follow the basic financial statements.

The Board's audited financial statements for the years ended June 30, 2011 and 2010, and the report thereon of KPMG, LLP, independent certified public accountants, Denver, Colorado, are included as Appendix B hereto. The 2010 audit represents the most recent audited financial statements of the Board. KPMG, LLP, the Board's independent auditor, has not been engaged to perform and has not performed, since the date of its report included as part of the financial statements, any procedures on the financial statements addressed in that report. KPMG, LLP also has not performed any procedures relating to this Official Statement.

Below is *The Statement of Revenues, Expenses, and Changes in Net Assets* for the years ended June 30, 2007 through 2011. This statement reports the results of operating and nonoperating revenues and expenses during Fiscal Year 2011 and the resulting increase or decrease in net assets at the end of the year.

**Statement of Revenues, Expenses and Changes in Net Assets  
Fiscal Years Ended June 30, 2007 through 2011**

	2007	2008	2009	2010	2011 <sup>6</sup>
Operating Revenues					
Tuition and Fees, Net	\$189,867,578	\$199,247,972	\$190,996,712	\$182,746,236	\$227,112,067
Grants and Contracts	110,390,884	126,031,904	78,773,116	79,882,791	81,761,644
Fee-for-service state contract	21,944,607	24,133,792	26,900,272	3,541,151	22,860,290
Sales and Services of Educational Activities	1,186,338	1,445,714	980,693	1,038,173	1,449,894
Auxiliary Enterprises, Net	32,850,354	36,760,125	37,519,433	38,895,405	41,552,120
Other Operating Revenues <sup>1</sup>	<u>7,354,423</u>	<u>7,894,633</u>	<u>8,920,325</u>	<u>9,426,697</u>	<u>9,762,896</u>
Total Operating Revenues	<u>363,594,184</u>	<u>395,514,140</u>	<u>344,090,551</u>	<u>315,530,453</u>	<u>384,498,911</u>
Operating Expenses					
Instruction	168,025,660	180,732,657	189,159,746	203,366,078	216,714,455
Research <sup>2</sup>	-	-	-	88,551	332,504
Public Service	2,171,691	1,680,750	5,195,931	4,404,203	4,179,695
Academic Support	25,822,680	30,467,507	29,819,335	34,413,831	34,650,384
Student Services	33,587,244	36,284,691	44,403,132	47,881,565	51,192,466
Institutional Support	51,250,283	61,984,434	67,032,786	67,601,384	71,443,337
Operation and Maintenance of Plant	40,638,061	40,756,257	47,220,476	47,069,253	45,625,398
Scholarships and Fellowships	10,100,849	9,912,459	9,420,041	19,799,690	25,457,019
Auxiliary Enterprises	31,170,986	35,154,434	38,267,673	40,280,060	43,514,915
Depreciation	15,928,724	16,550,716	17,456,132	20,259,450	21,420,555
Total Operating Expenses	<u>378,696,178</u>	<u>413,523,905</u>	<u>447,975,252</u>	<u>485,164,065</u>	<u>514,530,728</u>
Operating Loss	<u>(15,101,994)</u>	<u>(18,009,765)</u>	<u>(103,884,701)</u>	<u>(169,633,612)</u>	<u>(130,031,817)</u>
Non-operating Revenues					
State Appropriations	47,564,897	50,106,478	46,404,956	38,476,832	49,339,382
State Fiscal Stabilization Funding <sup>3</sup>	-	-	25,300,005	71,186,390	4,523,158
Federal Pell Nonoperating <sup>4</sup>	-	-	56,490,227	108,143,611	144,545,446
Amendment 50 funding	-	-	-	-	5,360,539 <sup>7</sup>
Distributions to Local District Colleges and Area Vocational Schools	<u>(23,303,953)</u>	<u>(25,273,137)</u>	<u>(21,107,462)</u>	<u>(11,662,619)</u>	<u>(22,418,236)</u>
Gifts	1,251,012	1,504,279	957,985	1,051,358	1,340,156
Investment Income	6,890,115	9,038,845	7,496,900	7,381,669	5,235,723
Interest Expense on Capital Debt	<u>(1,618,141)</u>	<u>(1,481,155)</u>	<u>(1,336,927)</u>	<u>(1,782,729)</u>	<u>(1,768,643)</u>
Other Non-operating Revenues	<u>767,507</u>	<u>1,238,376</u>	<u>2,551,179</u>	<u>2,310,483</u>	<u>4,168,273</u>
Net Non-operating Revenues	<u>31,551,437</u>	<u>35,133,686</u>	<u>116,756,863</u>	<u>215,104,995</u>	<u>190,325,798</u>
Income Before Other Revenues, Expenses, Gains or Losses	16,449,443	17,123,921	12,872,162	45,471,383	60,293,981
State Capital Contributions	4,595,569	8,545,653	9,140,719	21,466,589	23,086,772
Capital Grants	67,613	27,811	764,083	1,938,608	757,735
Capital Gifts	<u>47,376</u>	<u>114,877</u>	<u>59,400</u>	<u>1,915,058</u>	<u>1,306,513</u>
Increase in Net Assets	<u>21,160,001</u>	<u>25,812,262</u>	<u>22,836,364</u>	<u>70,791,638</u>	<u>85,445,001</u>
Net Assets—Beginning of Year	<u>358,702,305</u>	<u>379,862,306</u>	<u>405,674,568</u>	<u>430,759,508</u> <sup>5</sup>	<u>501,551,146</u>
Net Assets—End of Year	<u>\$379,862,306</u>	<u>\$405,674,568</u>	<u>\$428,510,932</u>	<u>\$501,551,146</u>	<u>\$586,996,147</u>

See accompanying notes to basic financial statements.

<sup>1</sup> For Fiscal Years ended June 30, 2008 through 2010, "Other Operating Revenues" includes "Gifts."

<sup>2</sup> Research Grants began in Fiscal Year ended June 30, 2010.

<sup>3</sup> These Federal funds were allocated to the State via the State Fiscal Stabilization Fund Program under the Federal Recovery Act and were distributed by CDHE to the System as an offset to funding cuts. See Note 3(o) to the System's audited financial statements attached hereto as Appendix B.

<sup>4</sup> Prior to Fiscal Year ended June 30, 2010, "Federal Pell Nonoperating" was reported as Operating Revenue but FY09 amounts were reclassified for comparability.

<sup>5</sup> Includes an adjustment of \$2,248,576 as a result of the merge of San Juan Technical College into Pueblo Community College.

<sup>6</sup> Unaudited; preliminary, subject to change.

<sup>7</sup> Amendment 50 funding began in Fiscal Year ended June 30, 2011.

***Institutional Enterprise Designation.*** SB04-252 (codified at Sections 23-5-101.7, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended) (collectively the "Institutional Enterprise Act") permits the designation of an institution of higher education as an enterprise for the purposes of TABOR. Under this provision, enterprises are defined as government owned businesses that are authorized to issue their own revenue bonds and receive less than 10% of annual revenues in grants from State and local governments of the State combined. As an enterprise, a qualifying institution of higher education is exempt from the revenue, spending and debt limitations that are imposed by Article X,

Section 20 of the State Constitution. See “TABOR.” The institution may pledge internal revenues for the repayment of revenue bonds issued on its behalf only if the institution is accounted for separately in institutional financial records and engages in the type of activities that are commonly carried on for profit outside the public sector. The Institutional Enterprise Act also permits an institution that has been designated as an enterprise to pledge up to 10% of its tuition revenues to certain of its revenue bonds. Finally, the Institutional Enterprise Act authorizes an institution that has been designated as an enterprise to impose upon its students, and pledge to certain of its revenue bonds, a facility construction fee.

The System was designated enterprise status effective July 1, 2005 and that designation is still in effect. As an enterprise, the System is not subject to the revenue, spending and debt limitations of TABOR. See “TABOR” and “INVESTMENT CONSIDERATIONS—TABOR Amendment.”

### **Appropriation and Allocation Process**

The System is subject to a budget process prescribed by applicable Colorado laws and regulations. The Assembly generally appropriates to all governing boards of higher education an amount equal to the prior year’s appropriation, increased by an inflation factor (the Consumer Price Index) and adjusted for student enrollment changes.

The CCHE, a State agency, is responsible for recommending to the Assembly the allocation among the six higher education governing boards. The CCHE consults with representatives of higher education in arriving at the distribution among the governing boards.

Each governing board allocates the appropriation to the institutions under its governance as it sees fit. The System allocation formula provides funds based on instructional costs, support costs and operation and maintenance of the physical plant. The formula also recognizes enrollment changes and funds accordingly. The Board approves detailed operating budgets for each of the Colleges.

The following table indicates the State General Fund Appropriations received by the Board for the Colleges for campus operations and the percentages of the total State appropriated revenues that such General Fund Appropriations comprise for the System for Fiscal Years 2008-2012:

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Fiscal Year Ended June 30,	State General Fund Appropriations *	Percent of Total State Appropriated Revenues
2012 <sup>1</sup>	\$112,832,926	30.4%
2011	131,965,957 <sup>2</sup>	40.1
2010	143,787,197 <sup>3</sup>	41.8
2009	142,320,783 <sup>4</sup>	47.5
2008	132,308,866	49.3

\* The Board also receives State appropriations for its other functions, including local district junior colleges, area vocational schools, Colorado Vocational Act and job training. Accordingly, the amount set forth here differs from State appropriation amounts set forth elsewhere in this Official Statement. The amounts set forth include primarily fee for service and stipend amounts. See “—Funding of State Institutions of Higher Education” below.

<sup>1</sup> Unaudited; preliminary; subject to change.

<sup>2</sup> Includes \$13,831,805 of Federal Recovery Act funds which were used by the State to backfill reductions to General Fund appropriations. This figure does not include anticipated revenues generated via Amendment 50, which are currently forecast at between \$4.5 and 4.0 million.

<sup>3</sup> Includes \$71,186,390 of Federal Recovery Act funds which were used by the State to backfill reductions to General Fund appropriations in such Fiscal Year.

<sup>4</sup> Includes \$25,300,005 of Federal Recovery Act funds which were used by the State to backfill reductions to General Fund appropriations in such Fiscal Year.

### **Funding of State Institutions of Higher Education**

**Generally.** All operating and request budget recommendations, after review and priority assessment by the President, are presented to the Board. The Board then concurrently submits its annual request for State funding, based upon such budget requests, to the CCHE, to the Office of State Planning and Budgeting, and to the Joint Budget Committee (the “JBC”), the appropriations committee of the State legislature. The CCHE makes annual systemwide funding recommendations to the State legislature, after consultation with each of the governing boards of higher education institutions. See “—Impact of CCHE” below under this caption. The CCHE also establishes, after consultation with each of the governing boards, the distribution formula of appropriations, based on certain criteria set forth in Section 23-1-105, Colorado Revised Statutes, as amended. In accordance with the distribution formula, the JBC then recommends to the full State legislature the amount of money available for higher education. Formerly, appropriations were then made as “lump sums” to the higher education governing boards through the “Long (Appropriations) Bill.” Each governing board allocates the appropriations to the institutions under its control in a manner it deems most appropriate. Governing boards are authorized to retain any unexpended moneys generated from Fiscal Year to Fiscal Year. The appropriation procedure described in this paragraph will continue to be imposed for future years under Section 23-1-104, Colorado Revised Statutes, as amended.

Since the Fiscal Year commencing July 1, 2005, Section 23-18-101 et seq., Colorado Revised Statutes, as amended (the “College Opportunity Fund Act”) and amendments to Article 5, Title 23, Colorado Revised Statutes, as amended pursuant to Senate Bill 04-189 (“SB04-189”), which was signed into law by the Governor of the State on May 10, 2004, have been in place. SB04-189 eliminates direct appropriations of State General Fund moneys to the governing boards of institutions of higher education in favor of a per student stipend system for undergraduate education and appropriation of funds to the Department of Higher Education (the “Department”) that are to be expended under Fee for Service Contracts with institutions of higher education to obtain certain educational services.

Fiscal Year 2006 signified major changes in the funding mechanism for higher education through the implementation of fee-for-service contracts (“Fee for Service Contracts”) and the College Opportunity Fund (the “Fund”). Legislation under Senate Bill 04-189 (now codified at Section 23-18-101 et seq.

C.R.S.), shifted state support for undergraduate education from the institution to the student. The Fund redirected state support to the System by awarding resident undergraduate students a stipend that can be applied by the System for tuition assistance. The revenue generated from both the Fee for Service Contracts and the Fund is reflected in the Board's financial statements. In 2006, the Board entered into its first Fee for Service Contract with the Department, pursuant to which the Department purchases from the Board services related to providing vestibule labs, reciprocity agreements, rural educational services, and specialized instructional educational services.

Since 2005, State appropriations to higher education, including appropriations to the Fund, to the Department for Fee for Service Contracts, and to fund student stipends for tuition, increased annually by more than 87% until Fiscal Year 2009. The State's Fiscal Year 2009 budget required significant cuts in order to balance the budget by the end of the year. The State implemented a \$150 million cut to higher education, which resulted in a \$25,300,005 cut to the Board. The State Governor's Office used federal stimulus dollars to backfill the cut to higher education. Such stimulus dollars are expected to expire June 30, 2012.

***Recent State Budget Cuts Affecting Higher Education and the System.*** In Fiscal Year 2009-10, the General Assembly reduced the System's General Fund appropriation over its peak appropriation by \$71.2 million but backfilled the whole reduction with Federal Recovery Act funds resulting in no net reduction. In Fiscal Year 2010-11, the General Assembly reduced the System's General Fund by \$25.7 million over its peak appropriation and backfilled \$13.8 million of the reduction with Federal Recovery Act funds, yielding a net 8.2% reduction. In Fiscal Year 2011-12, the General Assembly reduced the General Fund Appropriation by \$19.1 million, yielding a net reduction of 14.5% from Fiscal Year 2010-11. The System's senior administration and presidents of the Colleges have been managing expenditures in the prior and current Fiscal Year to account for these anticipated reductions in State funding. In addition, the System experienced and continued to experience record enrollment growth over the last several fiscal years, which has increased projected tuition revenue above previously budgeted amounts.

***SB04-189.*** Commencing July 1, 2005, Section 23-18-101 et seq., Colorado Revised Statutes (the "College Opportunity Fund Act") and amendments to Article 5, Title 23, Colorado Revised Statutes, pursuant to Senate Bill 04-189 ("SB04-189"), which was signed into law by the Governor of the State on May 10, 2004, have been in place. SB04-189 eliminates direct appropriations of State General Fund moneys to the governing boards of institutions of higher education in favor of a per student stipend system for undergraduate education ("Student Stipends") and appropriation of funds to the Department that are to be expended under Fee for Service Contracts with institutions of higher education to obtain certain educational services.

Under the College Opportunity Fund Act, state appropriations for undergraduate education will be made to the Fund, to be established within the Department. The Fund will be administered by the Colorado Student Loan Program (the "CSLP") and will be a trust fund consisting of a stipend for each eligible undergraduate student. An eligible student is defined as either (a) an undergraduate student who is enrolled at a State institution of higher education and who is classified as an in state student for tuition purposes; or (b) an undergraduate student enrolled in a participating private institution and (i) is classified as in state for tuition purposes; (ii) is a graduate of a Colorado high school; (iii) demonstrates financial need; and (iv) meets other eligibility requirements established by CCHE. "Stipend" is defined as the amount of money per credit hour held in trust for and paid on behalf of an eligible undergraduate student. The stipend is a fixed rate per credit hour set annually by the General Assembly. Undergraduate students may receive the stipend for a lifetime maximum of 145 credit hours, but may apply for a waiver of this limitation.

The College Opportunity Fund Act further provides that, commencing July 1, 2005, the General Assembly makes an annual appropriation to the Fund reflecting the number of undergraduate students who have applied for and are eligible for the stipend. The General Assembly also is required to appropriate spending authority to each governing board for the cash funds estimated to be received by each governing board as stipends. This spending authority is calculated by multiplying the amount to be applicable per credit hour stipend by the number of eligible undergraduate students estimated to be enrolled at the associated institution. After an eligible student has enrolled in a State institution or participating private institution, and upon receipt of the student's authorizing signature, the institution requests a stipend payment from the Fund on the student's behalf. CCHE is responsible for annually estimating the number of eligible students and reporting the number during each annual budget cycle. Under this legislation, CCHE is required to annually request that the General Assembly adjust the amount appropriated for the stipends to reflect at least inflation and enrollment growth. Each year, from July 1, 2006 to July 1, 2009, CCHE submitted to the Senate and House Education Committees and the JBC, annual reports on the Student Stipend program's status. On July 1, 2010, CCHE will submit a final report on the Student Stipend program's implementation.

SB04-189 requires private institutions of higher education that would like to receive stipends on behalf of their students to negotiate performance contracts with the Department beginning July 1, 2004, specifying the institution's performance goals. SB04-189 also contemplates that State institutions will enter into performance contracts with the Board. On May 11, 2005, the Board and the Department entered into a "Performance Agreement" under which the Board has been given greater control and flexibility in the management and operation of the System.

Under Section 23-1-109.7, Colorado Revised Statutes, CCHE is statutorily directed to arrange for the provision of specific post secondary educational services to the State. Such services include, but are not limited to, rural educational services, services associated with reciprocal tuition arrangements, graduate school services, continuing education services, and specialized and professional educational services such as dentistry, medicine, veterinary medicine, nursing, law, forestry and engineering. The Department is further directed under Section 23-1-109.7 to enter into Fee for Service Contracts to obtain such services on behalf of CCHE. CCHE will make a recommendation to the State General Assembly and Governor annually as to the amount of funding necessary to provide these services. The General Assembly will make an annual appropriation of State General Fund moneys to CCHE for the costs funded under the Fee for Service Contracts.

***State Control.*** For many years, higher education institutions in Colorado operated under HB85-1187. House Bill 1187 codified many of the provisions such as lump sum appropriations, academic admission standards, management flexibility and Board tuition setting authority. For information regarding admissions standards established by the CCHE pursuant to the direction set forth in House Bill 1187, see "THE SYSTEM—Admissions."

### **Other Recent Legislation Affecting Funding of State Institutions of Higher Education**

***Senate Bill 09-290.*** Enacted during the 2009 legislative session, Senate Bill 09-290 provides flexibility to institutions constructing cash funded projects that are less than \$2 million. The bill changes the review process for cash-funded capital construction projects at State institutions of higher education. Each institution is required to annually submit two-year projections for all cash-funded capital construction projects in excess of \$2 million to the CCHE, which is required to compile the projections into a unified list for review by the Capital Development Committee ("CDC"). The CCHE is required to present projections to the CDC with written comments from the Governor's Office of Planning and

Budgeting (“OSPB”). The CDC is required to conduct hearings, and review and approve the projections annually. The bill sets procedures for an institution to amend its two-year projections.

***Senate Bills 08-218, 08-233 and 08-245.*** Beginning in the Fiscal Year commencing July 1, 2008, the method of funding capital construction projects for state-supported institutions of higher education (each, an “Institution” and collectively, the “Institutions”) has been substantially modified. The Governor of the State signed into law Senate Bill 08 233 (“SB 08-233”) on May 12, 2008 and Senate Bills 08-218 (“SB08-218”) and 08-245 (“SB08-245”) on June 4, 2008.

*Allocation of Federal Mineral Lease Revenues.* SB08-218 allocates a portion of federal mineral lease revenues to a new higher education federal mineral lease revenues fund (the “Revenues Fund”), if any such revenues remain after allocation to other funds, and specifies the circumstances in which Revenues Fund moneys may be spent for specified higher education purposes.

The General Assembly may annually appropriate moneys in the Revenues Fund to directly pay for or pay the costs of financing capital construction projects at Institutions. A prioritized list of such projects is established under SB08-233, as discussed below. The General Assembly may also appropriate Revenues Fund moneys to the Department of Education (the “Department”) for distribution by the Department or any board or division within the Department to school districts for capital construction projects at area vocational schools. In both instances priority consideration is given to institutions located in communities that are substantially impacted by energy production or conversion activities. Only projects that will be used exclusively or primarily for academic purposes are eligible for this form of funding.

SB08-218 also requires that fifty percent of federal mineral lease bonus payment revenues be transferred to a new higher education maintenance and reserve fund (the “Maintenance and Reserve Fund”) and specifies the circumstances in which and purposes for which moneys in the Maintenance and Reserve Fund may be used. Bonus payments consist of compensation paid by the federal government as consideration for the granting of a federal mineral lease that is a fixed, certain amount, payable regardless of the use of the mineral lease.

The principal of the Maintenance and Reserve Fund will remain therein, except that in limited circumstances the principal may be expended to offset shortages in appropriations for operating expenses of Institutions that result from insufficient amounts of total State general fund revenues. The interest and investment income of the Maintenance and Reserve Fund may be appropriated for controlled maintenance projects in the public higher education system as selected through a legislative process.

The lesser of the first fifty million dollars of the total amount of moneys required to be transferred to the Revenues Fund and the Maintenance and Reserve Fund, or all of such money will be transferred to the Revenues Fund and the remainder of such moneys shall be transferred to the Maintenance and Reserve Fund.

***SB08-233 Capital Construction Projects.*** SB08-233 (codified in part by Sections 23-1-106.3, 23-19.9-102 and 34-63-102, Colorado Revised Statutes, as amended) (the “Lease Purchase Act”) directs the Colorado Commission on Higher Education (the “Commission”) to submit, after consultation with the governing boards of Institutions, a prioritized list of capital construction projects to be constructed using lease purchase agreements funded through the Revenues Fund. The Lease Purchase Act provides the procedures for adoption by the General Assembly of a resolution containing a listing of the maximum amount of principal to be raised through lease purchase agreements paid from the Revenues Fund, the minimum amount of principal to be contributed by an Institution and the total anticipated cost of the projects to be funded. The anticipated annual state funded lease purchase payments for the principal and

interest components of amounts payable under all lease purchase agreements on the projects entered into during the fiscal year commencing July 1, 2008, shall not exceed an average of \$16,200,000 per year for the first 10 years of payments and \$16,800,000 per year during the second 10 years of payments.

The lease-purchase agreements may be entered into with any for-profit or nonprofit corporation, trust or commercial bank as a trustee, as lessor. Each lease-purchase agreement will specifically authorize the State or the Institution to receive fee title to all real and personal property that is the subject of said agreement on or prior to the expiration of the agreement's terms.

On or before August 15 each year, the State Treasurer will notify the Commission, as well as other government entities, whether there are sufficient moneys in the Revenues Fund to enter into additional lease-purchase agreements to be funded from the Revenues Fund.

On November 6, 2008 the State issued an initial series of certificates of participation under the Lease Purchase Act and Mineral Revenues Act, the State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (the "Series 2008 Certificates"). The Series 2008 Certificates evidence undivided interests in the right to certain payments by the State under an annually renewable Series 2008 Lease Purchase Agreement dated as of November 6, 2008 (the "2008 Lease"). Pursuant to the Lease Purchase Act and the Mineral Revenues Act, the State will pay rent under the 2008 Lease, subject to the terms of the 2008 Lease, from moneys in the Revenues Fund and the Higher Education Institutions Lease Purchase Cash Fund. In accordance with the Lease Purchase Act and the Mineral Revenues Act, the Revenues Fund will be funded from revenues received by the State from the leases of minerals on federal lands and, if the amount in the Revenues Fund is insufficient to pay the full amount of the payments due to be made under the 2008 Lease, moneys that the Colorado General Assembly transfers to the Revenues Fund from any other sources. The Higher Education Institutions Lease Purchase Cash Fund will be funded from amounts paid to the State by certain state supported institutions of higher education for which Projects are financed, pursuant to Section 23-1-106.3(4), Colorado Revised Statutes, as amended.

The Board received \$40,192,741 for three projects from the State from the proceeds of the Series 2008 Certificates. These projects include the following: (i) Colorado Northwestern Community College/Academic Building, Craig Campus - \$21,324,383; (ii) Morgan Community College/Nursing, Health, Technology, and Science Building - \$4,684,093; and (iii) Front Range Community College/Larimer Campus, Science Classroom - \$14,184,265.

*SB08-245 State Payment of Principal and Interest on Institution Bonds.* SB08-245 provides for direct payment by the State Treasurer of principal and interest on bonds issued by an Institution when the Institution is not able to make the payment. The provision applies to revenue bonds and refunding bonds issued on or after July 1, 2008, if the maximum annual debt service of the bond issue and any of the Institution's other bonds which qualify for payment are:

- (a) 100% or less of the Institution's prior year fee-for-service contract revenue; and
- (b) the pledged revenues for the bond issue include not less than:
  - (i) the net revenues of auxiliaries;
  - (ii) ten percent (10%) of tuition if the Institution is an Enterprise, as defined in Colorado Revised Statutes Section 24-77-102(3);
  - (iii) indirect cost recovery revenues, if any;

- (iv) facility construction fees designated for bond repayment, if any; and
- (v) student fees and ancillary revenues currently pledged to existing bondholders.

SB08-245 directs the State Treasurer to make such payments when an Institution indicates it will not be able to make a payment by the date on which it is due or if the State Treasurer is unable to contact the Institution to determine whether payment will be made. The State Treasurer will forward the amount in immediately available funds necessary to make the payment on the bonds. The State Treasurer will recover the amount forwarded by withholding amounts from the Institution's payments of the State's fee-for-service contract with the Institution or other State support for the Institution. Whenever the State Treasurer makes a payment of principal or interest on bonds on behalf of an Institution, the Department of Higher Education will audit the Institution to determine the reason for nonpayment and to assist the Institution in developing and implementing measures to ensure that future payments will be made when due.

An Institution's governing board may adopt a resolution opting out of SB08-245 at any time prior to the issuance of a series of bonds. The statute is nonrepealable, irrevocable and the State may not rescind, modify or amend the statute so as to limit or impair the rights and remedies granted by it, although the State is not required to continue State assistance to any Institution.

[The Series 2012 Bonds are subject to the provisions of the State Intercept Program. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—State Intercept Program."]

**Senate Bill 10-003.** During the 2010 legislative session, the Colorado Legislature passed Senate Bill 10-003, known as the "Higher Education Flexibility Bill." The Higher Education Flexibility Bill makes changes to several State statutes in order to provide flexibility to the State's colleges and universities. The bill allows institutions of higher education in the State to increase tuition rates each year up to 9% over the prior year. Institutions can increase tuition more than 9% upon submission to and approval by CCHE of a five-year financial and accountability plan that addresses the following:

- (a) The amount of tuition increase requested;
- (b) How the board of such institution intends to ensure enrollment of low- and middle-income students, including the amount of funds to be allocated to need-based financial aid;
- (c) Specifically, how the institution will assist first-time freshmen from low-income, under-represented families, whose parents did not attend college and who have limited access to technology;
- (d) How the institution is managing its authority over purchasing, central services, and other operations to ensure efficiency; and
- (e) Measures implemented to ensure that such efficiency measures do not reduce service or quality of academic programs.

The tuition flexibility section of the bill will expire on July 1, 2016. As required of all institutions of higher education by November 1, 2010, the System submitted to the Joint Budget Committee a financial plan to address a possible reduction of state funding of 50%.

The bill allows institutions of higher education to determine their own policies for distribution of financial aid, although levels of aid will continue to be determined by CCHE. Institutions' financial aid programs will be audited every other year by the State Controller or his/her designee.

The bill also amends 23-5-102, Colorado Revised Statutes, as amended, to allow institutions of higher education to issue revenue bonds on behalf of auxiliary facilities for the purposes of constructing, acquiring, equipping, or operating those facilities. Specifically, the bill includes alternative or renewable energy producing facilities, including solar, wind, biomass, geothermal, or hydroelectric facilities. Relatedly, Section 23-1-106, Colorado Revised Statutes, as amended, is amended to exempt capital construction and acquisition projects that are contained in the most recent 2-year capital improvements project projection and funded exclusively by institutional funds or state appropriations for such purpose from review or approval of CCHE, OSPB, the Capital Development Committee, or the JBC, unless the expense will be more than \$2 million and funded in whole or in part by the higher education revenue bond intercept program.

Regarding State Fiscal Rules, the Higher Education Flexibility Bill allows institutions of higher education to exempt themselves from adherence to the State fiscal rules, including any forms or procedures or required reviews, provided they have adopted rules sufficient to adequately safeguard the expenditures of such institution. Institutions are still required to provide information, data, and reports to the State Controller, as needed; however, such reporting is limited to information readily accessible by the institution. Institutions of higher education are also exempted from Statewide contract reporting requirements, including vendor reviews, and use of Central Collections for recovery of debts, provided fees to independent collection firms do not exceed 40% of the amount collected.

The bill provides an exception for institutions of higher education to the five-year minimum employment term for providing post-employment compensation.

The System will continue evaluating the impact of the legislation and will make subsequent recommendations to the Board related to implementing specific provisions of the bill.

**House Bill 11-1301.** During the 2011 legislative session, the General Assembly passed House Bill 11-1301 ("H.B. 11-1301") amending several State statutes concerning higher education in the State. The General Assembly recognized that, due to increasing financial restrictions, student fees are increasingly being used as sources of revenue for State institutions of higher education. H.B. 1301 gives governing boards flexibility in managing student fees in the manner that is most effective for their respective institutions, but requires governing boards to adopt institutional plans on or before July 1, 2012 concerning the definition, assessment, increase, and use of fees, and adopt processes for receiving and considering student input concerning the amount assessed in fees and the purposes for which the institution uses the revenues received. If a governing board uses revenues from a general student fee for the repayment of bonds or other debt obligations, the governing board must specify the portion of the general student fee that is actually applied to repayment of the bonds or other debt obligations, and that itemization shall appear on the student billing statement. When bonds or other debt obligations are fully repaid, the amount of the user fee assessed against persons using the auxiliary facility shall be reduced, if necessary, so as not to exceed 110% (or 120% if 10% is set aside in a reserve fund) of the costs incurred in operating and maintaining the auxiliary facility during the preceding year.

**Senate Bill 11-052.** Senate Bill 11-052 ("SB11-052") was introduced early in the 2011 legislative session to implement a national trend towards performance based funding in the higher education arena. After much negotiation and discussion among the sponsors, the higher education institutions, the Governor's office and the Department of Higher Education, SB11-052 passed. It will begin an 18-month process of creating a new higher education master plan and a new system of

performance contracts negotiated between the CCHE and the colleges and universities. Performance funding will not go into effect until 2016-17 and the state general fund support has hit \$706 million.

## Enrollments

The following table sets forth, for each of the five academic years 2007-2011, the full-time equivalent (“FTE”) enrollment and the fall headcount enrollment (“HCE”) for each of the Colleges. Historically, resident students make up approximately 94% of total enrollment at the Colleges.

	FY 2006-07		FY 2007-08		FY 2008-09		FY 2009-10		FY 2010-11	
	FTE	HCE	FTE	HCE	FTE	HCE	FTE	HCE	FTE	HCE
Arapahoe Community College	4,356	6,918	4,244	6,538	4,556	7,204	5,359	9,969	5,949	9,691
Colorado Northwestern CC <sup>2</sup>	719	1,331	771	1,430	811	1,429	862	1,377	903	1,450
Community College of Aurora	3,228	4,837	3,265	4,885	3,549	5,384	4,185	6,293	4,693	7,644
Community College of Denver	5,304	8,782	5,137	8,359	5,443	8,250	7,282	10,918	8,273	12,901
Front Range Community College	9,727	14,749	10,041	15,270	10,694	15,695	12,836	18,713	14,051	20,092
Lamar Community College	685	999	760	817	760	1,138	763	1,080	763	1,051
Morgan Community College	1,022	1,736	1,004	1,748	1,032	1,759	1,121	1,918	1,210	1,965
Northeastern Junior College	1,242	2,537	1,297	2,751	1,430	2,698	1,468	2,497	1,531	2,214
Otero Junior College	1,301	1,631	1,236	1,558	1,234	1,551	1,312	1,660	1,339	1,823
Pikes Peak Community College	6,760	10,526	7,481	11,407	8,148	11,873	9,513	13,572	10,882	15,229
Pueblo Community College	3,522	5,056	3,487	5,063	3,856	5,437	4,703	6,592	5,083	7,943
Red Rocks Community College	4,279	6,727	4,680	7,223	5,071	7,667	6,074	9,143	6,650	9,826
Trinidad State Junior College	<u>1,301</u>	<u>1,732</u>	<u>1,368</u>	<u>1,760</u>	<u>1,420</u>	<u>1,740</u>	<u>1,575</u>	<u>1,812</u>	<u>1,614</u>	<u>1,916</u>
Totals	<u>43,446</u>	<u>67,561</u>	<u>44,771</u>	<u>68,809</u>	<u>48,004</u>	<u>71,825</u>	<u>57,053</u>	<u>85,544</u>	<u>62,940</u>	<u>94,085</u>

Source: The Board; CCHE, FTE and Fall Enrollment Reports

## Admissions and Programs

Pursuant to the Act, the function of the System is to conduct occupational, technical and community service programs with no term limitations and general education, including college transfer programs with unrestricted admissions. The System must also develop appropriate occupational education and adult education programs, maintain and expand occupational education programs in the secondary schools of the State, and develop work study and on-the-job training programs designed to acquaint youth with the world of work and to train and retrain youth and adults for employment.

In order to fulfill its function, the Colleges offer a variety of postsecondary vocational, occupational and adult education programs. As required by statute, the Colleges have no admission requirements. In addition to its education programs, the System has entered into transfer agreements with all of the State’s four-year higher education systems. The largest enrollment growth area within the System since 1985 has been in the “core curriculum” courses designed for transfer to the State’s four-year colleges and universities pursuant to the transfer agreements.

## Employees and Pension Plan

The Board had approximately 4,140 full-time equivalent faculty members (including adjunct) and 1,793 full-time equivalent staff members from appropriated sources for Fiscal Year ended June 30, 2011. Staff and faculty of auxiliary operations and grant funded activities are not included in these figures. The Board believes that its relations with its employees are excellent. None of the Board’s employees are members of a collective bargaining unit; however, classified employees of the Board are included in occupational groups that are represented statewide by Colorado WINS, a Certified Employee Organization. In Executive Order D02807 issued on November 2, 2007, Colorado Governor Bill Ritter, Jr. provided that state classified employees could vote to be represented by a Certified Employee Organization. Partnership Units, which are occupational groups of classified employees, all voted to be represented by a Certified Employee Organization. The Governor’s Designee is authorized to negotiate

with Certified Employee Organizations on matters necessitating statewide uniformity and on matters affecting individual occupational groups.

The Board's principal employee pension plan is the Public Employees' Retirement Association of Colorado ("PERA"). PERA is a cost-sharing multiple-employer public employee retirement fund created in 1931. Substantially all full-time employees of the Board are covered by PERA. Employer and employee obligations to contribute to PERA are established under Colorado State Law; specifically, Title 24, Article 51 of Colorado Revised Statutes ("C.R.S."). For the fiscal year ended June 30, 2011, the Board's contribution to PERA was \$26,288,210<sup>1</sup>. Contributions by employees totaled 8.0% of includable wages.

Pursuant to State statute, the governing boards of the State's institutions of higher education (including the Board) are authorized to remove themselves from PERA; several institutions (non-community colleges) in the State already have done so.

Additional pension information can be found in Notes 14–17 of the Fiscal Year 2011 audited financial statements attached hereto as APPENDIX B.

### **Employee Benefits**

System employees may accrue annual and sick leave based upon length of service, subject to limitations as to amount payable upon termination. The costs of compensated absences as of June 30, 2011 was approximately \$17,783,666<sup>1</sup>. The System also provides a cafeteria-style Employee Choice Flexible Benefit Plan for its exempt employees through a self-funded employee benefit trust which is funded by employer contributions. Benefits offered include medical, dental and vision insurance, long-term disability and life insurance. In addition, the System offered certain exempt employees who took reduced retirement under PERA regulations a post-retirement benefit consisting of payment of the employer's share of the group health and life insurance premium (up to the amount paid for active employees) until the retiree reaches age 65.

Classified employees of the System are eligible to participate in the State's voluntary benefits plan, which includes group health, dental and life insurance. Employees may choose whether or not to participate in this plan and may also choose their level of participation. The State requires System contributions for this plan in addition to employee contributions. However, due to the voluntary nature of the program, the System does not quantify employee contributions to the State's classified benefits program.

### **Employee Benefit Trust Fund**

The System's Employee Benefit Trust Fund was created February 1, 1983, but was reclassified to the System's Current Restricted Fund effective June 30, 1997, based upon the recommendation of the Colorado State Auditor. Previously, the Trust was referenced in the System's footnotes to its financial statements. The purpose of this self-funded employee benefit trust is to provide long-term disability benefits to all employees participating in the Employee Choice Flexible Benefit Plan, as sponsored by the Board. The Trust is funded by employer contributions and is used to pay benefits to eligible participants and to pay some insurance premiums, bank charges and administration costs. The Trust is a separate entity which is governed by a board of trustees appointed by the Board. The Trust is recognized by the IRS as a tax-exempt entity.

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<sup>1</sup> Unaudited; preliminary, subject to change.

## **Insurance Coverage**

The Board is currently insured pursuant to the State's commercial property insurance program. The State's policy insures all risks on a replacement cost basis subject to specific policy limits and terms. Newly acquired or constructed property is automatically covered. The current policy expires on June 30, 2011 and is renewable for a one-year term.

The Board's general liability and automobile liability insurance is funded through the State's self-insurance reserve fund. The State's self-insurance reserve fund is administered through the Division of Risk Management in the State Department of General Support Services. The Division of Risk Management investigates, defends and performs claims adjustments and also pays claims or judgments against the State, its boards (including the Board) and agencies. The funds in the risk management fund are available to pay liability claims and expenses in lawsuits brought against Board and System employees pursuant to the Colorado Governmental Immunity Act and federal law. See "LITIGATION AND SOVEREIGN IMMUNITY" below.

## **Other Outstanding Obligations**

In addition to the Prior Obligations and Outstanding Parity Obligations, the Board has executed leases on various property and equipment at virtually all of the institutions it governs. Such leases are subject to cancellation in the event the General Assembly does not appropriate funds or the Board does not allocate such appropriations for the annual lease payments. Except for one occurrence described herein, no lease has been terminated due to nonappropriation or nonallocation.

The Board is a lessee under separate lease agreements securing each series of the Refunded Bonds. In addition, the Board is a lessee under a lease agreement securing the City of Aurora, Colorado (the "City of Aurora") Educational Development Refunding Revenue Bonds (Community College of Aurora Foundation Project), Series 2004 (the "Aurora Series 2004 Bonds"), originally issued in the amount of \$8,840,000 and currently outstanding in the amount of \$4,300,000. The Aurora Series 2004 Bonds financed the cost of (a) refunding the City of Aurora's outstanding Educational Development Refunding Revenue Bonds (Community College of Aurora Foundation Project), Series 2004, (b) funding a reserve fund, and (c) paying the costs of issuing the Aurora Series 2004 Bonds.

Additional capital lease information is detailed in Note 11 of the Fiscal Year 2011 audited financial statements.

## **LITIGATION AND SOVEREIGN IMMUNITY**

As of the date hereof, no litigation challenging the validity or the issuance of the Series 2012 Bonds is pending or threatened. Upon the issuance of the Series 2012 Bonds, the Underwriter will receive a certificate, executed by representatives of the Board, to the effect that no such litigation is pending or, to their knowledge, threatened.

The Colorado Governmental Immunity Act, Article 10 of Title 24, Colorado Revised Statutes, as amended (the "Act"), provides, in part, that public entities shall be immune from liability, based on the principle of sovereign immunity, in all claims for injury which lie in tort or could lie in tort (regardless of the type of action or the form of relief chosen by the claimant), except for certain claims specifically excluded by the Act. The Act also limits the maximum amount that may be recovered in any single occurrence whether from one or more public entities or public employees to \$150,000 for injury to one person, and \$600,000 for an injury to two or more persons. The Act also specifies the sources from which judgments against public entities may be collected and provides that public entities are not liable either

directly or by indemnification for punitive or exemplary damages or for damages for outrageous conduct, except as may be otherwise determined by a public entity pursuant to the Act. The Act may be changed through amendment by the State legislature at any time.

According to the Board, as of the date hereof, there is no legal action pending or to the best of its knowledge, threatened, against the System, the Board, or one or more officers or employees of the Board or the System that would result in a materially adverse effect with regard to the financial resources of the System or the Board or the continuous operation thereof or the security for the Series 2012 Bonds. See also “FINANCIAL INFORMATION CONCERNING THE SYSTEM—Environmental Matters” above.

## **TABOR**

### **Generally**

At the general election held November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution known as the Taxpayers’ Bill of Rights or “TABOR,” limiting the ability of the State and local governments such as the Board to increase revenues, debt and spending and restricting property taxes, income taxes and other taxes. TABOR excepts from its restrictions the borrowings and fiscal operations of “enterprises,” which term is defined to include government owned businesses authorized to issue their own revenue bonds and receiving under 10% of their revenues in grants from all State and local governments of the State combined. TABOR contemplates that qualification as an “enterprise” will be determined annually and that “enterprises” may be disqualified as such by receiving 10% or more of their revenues for any year in the form of State or local government grants. TABOR also contemplates that a disqualified “enterprise” may be requalified in the next or any future year. The Board has designated the System as an “enterprise” within the meaning of TABOR pursuant to the Institutional Enterprise Act. See “FINANCIAL INFORMATION CONCERNING THE SYSTEM—Financial Information—Institutional Enterprise Designation.”

### **Colorado Economic Recovery Act**

During the 2005 legislative session concluded on May 9, 2005, the Colorado General Assembly and the Governor agreed to four pieces of legislation in an effort to relieve State budgeting challenges in light of TABOR. Three of the legislative measures, collectively referred to herein as “The Colorado Economic Recovery Act,” were primarily designed to provide for additional revenues for State operations, as well as the methodology for how additional revenues would be appropriated. Implementation of The Colorado Economic Recovery Act was subject to statewide voter approval. On November 1, 2005, Colorado voters approved “Referendum C,” one of the referred measures.

Referendum C (HB 05-1194) authorizes the State to retain and appropriate State revenues in excess of the current TABOR limit on state spending. This eliminates TABOR’s limit on State spending for the period July 1, 2005 through June 30, 2010 (Fiscal Years 2005-06 through 2009-10), making all revenues received by the State available for appropriation. Referendum C did not, however, affect the statutory Arveschoug Bird limit on General Fund growth (i.e., a 6% growth limit). In addition, Referendum C established a new “Excess State Revenues Cap” that serves as the new limit on State Fiscal Year spending beginning in Fiscal Year 2010-11 and for each succeeding Fiscal Year. The Excess State Revenues Cap is defined by Referendum C as:

“An amount equal to the highest total State revenues for a Fiscal Year from the period of the 2005-06 Fiscal Year through the 2009-10 Fiscal Year. In each subsequent Fiscal Year the cap is adjusted for inflation and a percentage change in state population as well as such sum for the qualification or disqualification of enterprises.”

Referendum C created a new account in the General Fund of the State, referred to as the “General Fund Exempt Account,” consisting of the moneys collected by the State in excess of the limitation on State fiscal year spending (i.e., the 6% growth limit). Moneys in the General Fund Exempt Account, once appropriated, may be used to fund: health care; public elementary, high school and higher education, including any related capital construction; retirement plans for firefighters and police officers so long as the General Assembly determines such funding is necessary; and, strategic transportation projects in the CDOT Strategic Transportation Project Investment Program.

For purposes of the Excess State Revenues Cap, the terms inflation, percentage change in state population and qualification or disqualification of an enterprise retain their meaning under TABOR and State law.

## **LEGAL MATTERS**

Legal matters relating to the authorization and issuance of the Series 2012 Bonds are subject to the approving opinion of Kutak Rock LLP of Denver, Colorado, as Bond Counsel, which will be delivered with the Series 2012 Bonds.

Kutak Rock LLP will also pass upon certain legal matters relating to the Series 2012 Bonds as Counsel to the Board. Kutak Rock LLP has not participated in any independent verification of the information concerning the financial condition or capabilities of the Board or the System contained in this Official Statement.

## **UNDERWRITING**

The Series 2012 Bonds were offered for sale by the Board at a public, competitive sale on January 11, 2012<sup>1</sup> pursuant to a Notice of Bond Sale. The best bid submitted at the sale was submitted by [\_\_\_\_], as underwriter (the “Underwriter”). The Board awarded the contract for sale of the Series 2012 Bonds to the Underwriter at a price of \$[\_\_\_\_] (representing the total principal amount of the Series 2012 Bonds of \$[\_\_\_\_], [plus/less] a net original issue [premium/discount] of \$[\_\_\_\_], less an Underwriter’s discount of \$[\_\_\_\_]). The Underwriter has represented to the Board that the Series 2012 Bonds have been subsequently re-offered to the public initially at the yields set forth on the inside cover of this Official Statement.

## **FINANCIAL ADVISOR**

BD Advisors, LLC (“BD Advisors”) has served as financial advisor to the Board with respect to the sale of the Series 2012 Bonds. As the Board’s financial advisor, BD Advisors has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, rating and issuance of the Series 2012 Bonds. In its roles of financial advisor to the Board, BD Advisors has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in the Official Statement and the Appendices hereto.

## **RATINGS**

As set forth on the cover page of this Official Statement, Moody’s Investors Service, Inc. (“Moody’s”) has assigned the Series 2012 Bonds a municipal bond rating of “Aa2” with a stable outlook, based on the State Intercept Program. Moody’s has also assigned the Series 2012 Bonds an underlying

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<sup>1</sup> Preliminary; subject to change.

rating of ["Aa3"] with a [stable] outlook, reflecting the Board's underlying credit strength without giving effect to the State Intercept Program.

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 such rating agency. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2012 Bonds. The Board has undertaken no responsibility to oppose any such revision or withdrawal of any such ratings.

### **CERTAIN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Series 2012 Bonds 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 Series 2012 Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of Series 2012 Bonds. 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 beneficial owner of a Series 2012 Bond. A "non U.S. holder" is a holder (or beneficial owner) of a Series 2012 Bond 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 the authority to control all of the trust's substantial decisions.

***In General.*** In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered at the time of original issuance of the Series 2012 Bonds, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The Board has made certain representations and covenanted to comply with requirements that must be satisfied in order for the interest on the Series 2012 Bonds to be excludible from gross income for federal tax purposes. The opinions set forth above are subject to the accuracy of such representations and continuing compliance by the Board and others with such covenants. Failure to comply with such requirements could cause interest on the Series 2012 Bonds to be included in gross income retroactive to the date of issue of such Series 2012 Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in

adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2012 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2012 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2012 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2012 Bonds.

***Tax Treatment of Original Issue Discount.*** The Series 2012 Bonds that have an original yield above their interest rate, as shown on the inside cover page of this Official Statement, are being sold at a discount (the "Discounted Obligations"). The difference between the initial public offering prices, as set forth on the inside cover page hereof, of the Discounted Obligations and their stated amounts to be paid at maturity, constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

In the case of an owner of a Discounted Obligation, the amount of original issue discount which is treated as having accrued with respect to such Discounted Obligation is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of a Discounted Obligation (including its sale, redemption or payment at maturity). Amounts received upon disposition of a Discounted Obligation which are attributable to accrued original issue discount will be treated as tax exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Obligation, on days which are determined by reference to the maturity date of such Discounted Obligation. The amount treated as original issue discount on a Discounted Obligation for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discounted Obligation (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discounted Obligation at the beginning of the particular accrual period if held by the original purchaser; (b) less the amount of any interest payable for such Discounted Obligation during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Obligation the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If a Discounted Obligation is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of a Discounted Obligation who purchase such Discounted Obligations after the initial offering. Owners of Discounted Obligations including purchasers of the Discounted Obligations in the secondary market should consult their own tax advisors with respect to the determination for federal income tax purposes of original issue discount accrued with respect to such obligations as of any date and with respect to the state and local tax consequences of owning a Discounted Obligation.

***Tax Treatment of Bond Premium.*** The Series 2012 Bonds that have an original yield below their interest rate, as shown on the inside cover page of this Official Statement, are being sold at a premium (collectively, the “Premium Obligations”). An amount equal to the excess of the issue price of a Premium Obligation over its stated redemption price at maturity constitutes premium on such Premium Obligation. An initial purchaser of such Premium Obligation must amortize any premium over such Premium Obligation’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Obligations callable prior to their maturity, by amortizing the premium to the call date, based upon the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, it offsets the interest allocable to the corresponding payment period and the purchaser’s basis in such Premium Obligation 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 Obligation prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. The same treatment is afforded to the Premium Obligations purchased at a premium in the secondary market. Purchasers of Premium Obligations should consult with their own tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning such Premium Obligations.

***Backup Withholding.*** As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2012 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2012 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

### **Exemption Under State Tax Law**

In the further opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2012 Bonds is exempt from taxation for any state, county, school district, special district, municipal or other purpose in the State of Colorado.

### **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 2012 Bonds. An example is the American Jobs Act of 2011 (S. 1549), proposed by the President and introduced in the Senate on September 13, 2011. If enacted as introduced, a provision of S. 1549 would limit the amount of exclusions (including tax-exempt interest) and deductions available to certain high income taxpayers for taxable years after 2012, and as a result could affect the market price or marketability of the Series 2012 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds 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 2012 Bonds. 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 2012 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2012 Bonds 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 2012 Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

### **CONTINUING DISCLOSURE UNDERTAKING**

In connection with its issuance of the Series 2012 Bonds, the Board will execute a Continuing Disclosure Undertaking, a form of which is attached hereto as Appendix D, wherein it will agree, for the benefit of the owners and beneficial owners of the Series 2012 Bonds, to file with the Municipal Securities Rulemaking Board in an electronic format certain financial information and other operating data relating to the System and the Net Revenues by not later than 270 days, or earlier if publicly available, after the end of each Fiscal Year commencing with the Fiscal Year ended June 30, 2012, and to provide notices of occurrence of material events as set forth in Rule 15c2-12 promulgated by the Securities and Exchange Commission. The Board is currently in compliance with the terms of any undertaking previously entered into pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended.

### **MISCELLANEOUS**

This Official Statement and its distribution and use has been duly authorized and approved by the Board. This Official Statement has been executed and delivered by its President on behalf of the Board.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

Appendices A, B, C and D are an integral part of this Official Statement and must be read together with all other parts of this Official Statement.

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**OFFICIAL STATEMENT CERTIFICATION**

The undersigned official of the Board hereby confirms and certifies that the execution and delivery of this Official Statement and its use in connection with the offering and sale of the Bonds have been duly authorized by the Board.

STATE BOARD FOR COMMUNITY COLLEGES  
AND OCCUPATIONAL EDUCATION

By  /s/ \_\_\_\_\_  
President, State Board for Community  
Colleges and Occupational Education

## APPENDIX A

### SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

This Appendix includes some of the defined terms used in this Official Statement and the Bond Resolution and summaries of certain provisions of the Bond Resolution that are not described elsewhere in this Official Statement. Whenever particular provisions of the Bond Resolution are referred to, such provisions, together with related definitions and provisions, are incorporated by reference as part of the statements made, and the statements made are qualified in their entirety by such reference. Reference is made to the Bond Resolution for a full and complete statement of their provisions. Copies of the Bond Resolution are available as provided in “INTRODUCTION—Other Information.”

#### Definitions

Set forth below are definitions of certain of the terms used in the Bond Resolution.

“*Accreted Value*” means the amount defined as such in a Supplemental Resolution for purposes of determining the Redemption Price of, rights of the owner of or other matters with respect to a Capital Appreciation Bond.

“*Additional Payment Fund*” means the “Institutional Enterprise Additional Payment Fund” created in the Master Resolution, including all accounts created therein, for the deposit of Net Revenues to pay amounts due to a Credit Facility Provider and Exchange Termination Payments or other similar payments which are payable pursuant to the Master Resolution.

“*Authorized Denominations*” means with respect to the Series 2012 Bonds, \$5,000 and any integral multiple thereof.

“*Average Annual Debt Service Requirement*” means the amount determined by dividing (x) the total Debt Service Requirements on all Outstanding Bonds and any Commercial Paper Term Loan for the period from the date of calculation to the final maturity date of such Bonds and any Commercial Paper Term Loan by (y) the total number of years and fractions thereof from the date of calculation to the final maturity date of such Bonds and any Commercial Paper Term Loan; provided, however, that for the purposes of such calculation the principal amount of such Outstanding Bonds will be reduced in any year by amounts expected to be paid by the application of moneys on deposit in the Reserve Fund.

“*Board*” means the State Board for Community Colleges and Occupational Education, a body corporate under the constitution and laws of the State. The term also includes any body succeeding to the rights and obligations of the State Board for Community Colleges and Occupational Education, and in such event any reference to designated officers of the Board will be construed to be references to the correlative officers of such succeeding body corporate and politic.

“*Board Representative*” means the Chair of the Board, the Vice Chair of the Board, the Executive Vice President for Finance and Administration or any other officer of the Board that is designated to act as the Board Representative under the Bond Resolution by the Board.

“*Bond*” means any bond or bonds or Commercial Paper Notes, as the case may be, authenticated and delivered under and pursuant to the Master Resolution, but excluding any Special Obligation Bonds.

“*Bond Counsel*” means an attorney or firm of attorneys, selected by the Board, whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

“*Bondholder*,” “*bondowner*” or “*owner*” of Bonds means the registered owner of any Bonds.

“*Bond Register*” means the book or books of registration kept by the Series 2012 Paying Agent in which are maintained the names and addresses and principal amounts registered to each Registered Owner.

“*Bond Resolution*” means, collectively, the Master Resolution, adopted by the Board on December 9, 2009, as supplemented by the First Supplemental Resolution, adopted by the Board on December 9, 2009 and the Second Supplemental Resolution, adopted by the Board on September 8, 2010, and as it may be further amended from time-to-time in accordance with its terms.

“*Book-Entry Bonds*” means the Series 2012 Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of the Third Supplemental Resolution.

“*Capital Appreciation Bond*” means any Bond on which interest is not due prior to maturity.

“*Closing Date*” means the date of delivery of the Series 2012 Bonds to the purchaser thereof against payment therefor.

“*Code*” means the Internal Revenue Code of 1986, as amended, and regulations and rulings promulgated or proposed thereunder or (to the extent the same remain applicable) under any predecessor thereto.

“*Commercial Paper Credit Facility*” means any Credit Facility supporting payment of principal of and interest on any Commercial Paper Notes.

“*Commercial Paper Credit Facility Account*” means an account so designated which is created under a Supplemental Resolution authorizing the issuance of any Commercial Paper Notes, which account will be maintained by the Issuing and Paying Agent as provided in any Supplemental Resolution authorizing any Commercial Paper Notes.

“*Commercial Paper Credit Facility Provider*” means, any provider of a Commercial Paper Credit Facility.

“*Commercial Paper Note Proceeds Account*” means an account so designated which is created under a Supplemental Resolution authorizing the issuance of any Commercial Paper Notes, which account will be maintained by the Issuing and Paying Agent as provided in any Supplemental Resolution authorizing any Commercial Paper Notes.

“*Commercial Paper Notes*” means any commercial paper notes authorized under a Supplemental Resolution and issued on a parity with the outstanding Bonds.

“*Commercial Paper Term Loan*” means any term loan extended to the Board by the Commercial Paper Credit Facility Provider under the terms of a Reimbursement Agreement.

“*Costs of Issuance*” means all costs and expenses incurred by the Board in connection with the issuance of the Series 2012 Bonds, including, but not limited to, costs and expenses of printing and

copying documents, the official statement, the Series 2012 Bonds, bond insurance premium, if any, underwriter's compensation, and the fees, costs and expenses of Rating Agencies, the Series 2012 Paying Agent, the Escrow Agent, counsel, accountants, financial advisors, feasibility consultants and other consultants, subject to any applicable limitations regarding the treatment of any such expenses as Costs of Issuance in the Series 2012 Tax Certificate.

“*Credit Facility*” means any letter of credit, standby bond purchase agreement, line of credit, loan, guaranty, revolving credit agreement, bond insurance policy, or similar agreement provided by a Credit Facility Provider to provide support to pay the principal of, interest on or purchase price of any Bonds.

“*Credit Facility Provider*” means any provider of a Credit Facility.

“*Credit Facility Reimbursement Obligations*” means the obligations of the Board under any Reimbursement Agreement or otherwise pursuant to any Credit Facility to reimburse a Credit Facility Provider for drawings made under any Credit Facility, including principal of and interest on such obligations under any Reimbursement Agreement and payments of principal of and interest on any Commercial Paper Term Loan.

“*Debt Service Fund*” means the “Institutional Enterprise Debt Service Fund,” described in the Master Resolution, including all accounts created therein.

“*Debt Service Reserve Account*” means an account created within the Reserve Fund, as provided in the Master Resolution, for each separate series of Bonds for which there is a reserve requirement. There is no reserve requirement for the Series 2012 Bonds.

“*Debt Service Requirements*” means, for any period, the sum of: (i) the amount required to pay the interest, or to make reimbursements for payments of interest, becoming due on the applicable Bonds and any Commercial Paper Term Loan during such period; plus (ii) the amount required to pay the principal or Accreted Value, or to make reimbursements for the payment of principal or Accreted Value, becoming due on the applicable Bonds and any Commercial Paper Term Loan during that period, whether at maturity, on an Accretion Date, or upon mandatory sinking fund redemption dates; plus (iii) any net periodic payments on a notional amount required to be made by the Board pursuant to a Qualified Exchange Agreement; minus (iv) any net periodic payments on a notional amount to be received by the Board pursuant to a Qualified Exchange Agreement.

(a) No payments required on Bonds or any Commercial Paper Term Loan which may occur because of the exercise of an option by the Board, or which may otherwise become due by reason of any other circumstance or contingency, including acceleration, which constitute other than regularly scheduled payments of principal, Accreted Value, interest, or other regularly scheduled payments on Bonds or any Commercial Paper Term Loan will be included in any computation of Debt Service Requirements for any computation period prior to the maturity or otherwise certain due dates thereof.

(b) (i) Debt Service Requirements required to be made pursuant to a Qualified Exchange Agreement will be based upon the actual amount required to be paid by the Board, if any, to the Qualified Counterparty. In determining that amount, any payments required to be made by either party to the Qualified Exchange Agreement at a variable interest rate will be computed, in determining the obligation of the Board under the Qualified Exchange Agreement, using the procedures set forth in paragraph (f) of this definition.

(ii) Exchange Termination Payments will be considered as part of Debt Service Requirements on the date of computation only if those Exchange Termination Payments have a lien on Net Revenues on a parity with the lien of the Bonds and have become due and remain unpaid at the time of computation in accordance with the terms of the applicable Qualified Exchange Agreement.

(c) Unless, at the time of computation of Debt Service Requirements, payment of interest and principal on Bonds are owed to, or Bonds are owned or held by, the provider of a Credit Facility pursuant to the provisions of that Credit Facility, the computation of interest for the purposes of this definition will be made without considering the interest rate payable pursuant to a Credit Facility.

(d) For the purpose of the definition of Debt Service Requirements, the Accreted Value of Capital Appreciation Bonds will be included in the calculation of interest and principal only for the applicable year during which the Accreted Value becomes payable.

(e) In the computation of Debt Service Requirements relating to the issuance of additional Bonds and the rate covenant in the Master Resolution, there will be deducted from that computation amounts and investments which are irrevocably committed to make designated payments on Bonds included as part of the computation during the applicable period, including, without limitation: (i) money on deposit in any debt service account or debt service reserve account, (ii) amounts on deposit in an escrow account, (iii) proceeds of a series of Bonds deposited to the credit of an account for the payment of capitalized interest on Bonds included as part of the computation, and (iv) earnings on such investments which are payable and required to be used, or which are used, for the payment of Debt Service Requirements during the applicable period.

(f) To determine Debt Service Requirements for Bonds with a variable interest rate (including any Commercial Paper Notes) or for any Commercial Paper Term Loan, the Board will use the procedures set forth in the following paragraphs to determine the amount of interest or other payments to be paid by the Board on those Bonds or any Commercial Paper Term Loan and the amount of credit against Debt Service Requirements for payments to be received by the Board based upon variable interest rates to be made by a Qualified Counterparty or otherwise.

(i) During any period for which the actual variable interest rates are determinable, the actual variable interest rates will be used. During any period when the actual variable interest rates are not determinable, the variable interest rates will, for the purpose of determining Debt Service Requirements, be deemed to be the higher of:

(A) the actual variable interest rates, if any, at the time of computation; or

(B) a fixed annual rate equal to the prevailing variable interest rate on the date of computation as certified by the Board's financial advisor, another investment banker designated by the Board from time-to-time, or a Qualified Counterparty.

(ii) Prospective computations of variable interest rates on Bonds, other than pursuant to a Qualified Exchange Agreement, or on any Commercial Paper Term Loan will be made on the assumption that the applicable Bonds or any Commercial Paper Term Loan bear interest at a fixed annual rate equal to:

(A) the average of the daily rates of such Bonds during the 365 consecutive days (or any lesser period such Bonds or any Commercial Paper Term Loan have been Outstanding) next preceding a date which is no more than 60 days prior to the date of the issuance of the additional Bonds or any Commercial Paper Term Loan; or

(B) with respect to Bonds or any Commercial Paper Term Loan initially issued or incurred as or being converted to variable interest rate Bonds or any Commercial Paper Term Loan, the estimated initial rate of interest on such Bonds or any Commercial Paper Term Loan on the date of issuance, exchange or conversion as certified by the Board's financial advisor, an investment banker designated by the Board from time-to-time or a Qualified Counterparty.

(iii) Prospective computations of variable interest rates for a Qualified Exchange Agreement will be based upon:

(A) the actual interest rate used to compute the net amount most recently paid, as of the date of computation, by the Board to the Qualified Counterparty or (expressed as a negative number) by the Qualified Counterparty to the Board; or

(B) if no such payment has been made under the pertinent Qualified Exchange Agreement, the interest rate used to determine the estimated initial net payment obligation on such Qualified Exchange Agreement on the computation date as certified by the Board's financial advisor, an investment banker designated by the Board from time-to-time or a Qualified Counterparty.

(iv) Prospective computations of Debt Service Requirements on Commercial Paper Notes for purposes of the Master Resolution will assume that the amount of Commercial Paper Notes Outstanding for any period will be the aggregate principal amount of Commercial Paper Notes Outstanding as of the date of calculation, adjusted to take into account the amount of Commercial Paper Notes that the Chief Financial Officer of the System reasonably expects to be issued and the amount that the Chief Financial Officer of the System reasonably expects to mature without being replaced by new Commercial Paper Notes during each 12-month period beginning on the date of computation, based on the Chief Financial Officer's projections for upcoming financings involving Commercial Paper Notes.

(v) Prospective computations of Debt Service Requirements for purposes of the Master Resolution, for Bonds bearing interest at a variable interest rate (including any Commercial Paper Notes), will be made, with respect to the payment of the then outstanding principal amount thereof (except as otherwise specifically provided with respect to mandatory sinking fund redemption payments or other fixed amortization for such Bonds), with the assumption that such Bonds would be amortized over a term of not more than the lesser of 40 years or the applicable maximum maturity permitted under State law (or such lesser term ending on the stated final maturity date for such Bonds) and with substantially equal annual payments.

(g) The purchase or tender price of Bonds resulting from the optional or mandatory tender or presentment for purchase of those Bonds will not be included in any computation of Debt Service Requirements.

“DTC” means The Depository Trust Company, New York, New York, or any successor thereto.

“Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., as escrow agent, paying agent and registrar for the Refunded Bonds.

“Escrow Agreement” means the Escrow Agreement or Agreements dated as of the date of issuance of the Series 2012 Bonds between the Board and the Escrow Agent, relating to the refunding of the Refunded Bonds.

“Escrow Fund” means the fund or funds created in the Escrow Agreement or Agreements as described in the Third Supplemental Resolution.

“Exchange Termination Payment” means the net amount payable pursuant to a Qualified Exchange Agreement by the Board or a Qualified Counterparty to compensate the other party for any losses and costs that such other party may incur as a result of the early termination of the obligations, in whole or in part, of the parties under that Qualified Exchange Agreement and all other amounts due under a Qualified Exchange Agreement that are not regularly scheduled payments thereunder.

“Executive Vice President for Finance and Administration” means the de jure or de facto financial officer of the System bearing that title or his successor in functions.

“Facilities” means dormitories, apartments and other housing facilities of the System; cafeterias, dining halls and other food service facilities of the System; student union and other student activities facilities of the System; store or other facilities for the sale or lease of books, stationery, student supplies, faculty supplies, office supplies and like material of the System; theater, gymnasium, fieldhouse, stadium, arena and other recreation or athletic facilities of the System for use in part by spectators or otherwise; land and any structures, other facilities or improvements thereof used or available in the System to use for the parking of vehicles used for the transportation by land or air of persons to or from such land and any improvements thereon; properties providing heat or any other utility furnished by a system to any Facilities on a campus in the System; services, contracts, investments and other miscellaneous unrestricted sources of income related to the Facilities and not designated in the Master Resolution, whether presently realized or to be realized.

“Facilities Construction Fees” means any campus building fees or charges relating to academic capital projects as may be authorized by the Board from time to time and included in Gross Revenues, as provided by Supplemental Resolution.

“Fiscal Year” means the 12 months commencing on July 1<sup>st</sup> of any calendar year and ending on June 30<sup>th</sup> of the next succeeding year.

“Fitch” means Fitch, Inc., and its successors.

“Gross Revenues” means (a) all income and revenues derived by the Institutional Enterprise from the Facilities; (b) all revenues derived from any special fee (or that portion of any general fee) now or hereafter assessed against students with respect to any facility which is at the time included within the applicable definition of Facilities and any other fee, rate or other charge assessed against employees or any other persons, for the privilege of using or otherwise relating to any applicable Facility; (c) all revenues accruing to the System from “overhead” charges on research contracts performed within the System facilities (“indirect cost recoveries”); (d) 10% of Tuition Revenues; (e) all revenues derived from Facilities Construction Fees; (f) all revenues derived from mandatory fees for the provision of student and faculty services within the System; (g) all Federal Direct Payments; (h) all earnings on all funds and

accounts, if any, created under the Master Resolution or any Supplemental Resolution (excluding the Rebate Fund); and (i) such other income, fees and revenues as the Board hereafter determines, by resolution and without further consideration from the owners of the Bonds, to include in Gross Revenues, pursuant to law then in effect and not in conflict with the provisions and limitations of the Master Resolution or any Supplemental Resolution. The term Gross Revenues does not however, include (i) any Released Revenues in respect of which there have been filed with the Secretary of the Board the documents contemplated in the definition of “Released Revenues”; or (ii) any general fund moneys appropriated by the State General Assembly or any moneys derived from any general (ad valorem) tax levied against property by the State or any instrumentality thereof.

“*Holder*,” “*Bondholder*,” or “*Owner*” means the registered owner of any Series 2012 Bond including DTC or its nominee as the sole registered owner of Book-Entry Bonds.

“*Independent Accountant*” means any certified public accountant, or any firm of such accountants, licensed to practice under the laws of the State, selected by the Board or the State Auditor, as applicable, who is independent and who may be regularly retained to make annual or similar audits of any books or records of the System.

“*Institutional Enterprise*” means the designation of the System, as a whole, as an enterprise by the Board under the provisions of the Institutional Enterprise Statute.

“*Institutional Enterprise Statute*” means Sections 23-5-101.7, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended.

“*Insured Bank*” means a bank which is a member of the Federal Deposit Insurance Corporation.

“*Interest Payment Date*” means (a) each May 1 and November 1, commencing May 1, 2012; and (b) final maturity date of or any redemption date of each Series 2012 Bonds.

“*Issue Date*” means the date on which the Series 2012 Bonds are first delivered to the initial purchasers against payment therefor.

“*Issuing and Paying Agent*” means the Person so designated in a Supplemental Resolution authorizing the issuance of any Commercial Paper Notes.

“*Master Resolution*” means the Master Enterprise Bond Resolution adopted by the Board on December 9, 2009, as it may be amended or supplemented from time-to-time by any Supplemental Resolution.

“*Maturity Value*” means the amount defined as such in a Supplemental Resolution for purposes of determining the amount payable to the owner of a Capital Appreciation Bond at the maturity of such Capital Appreciation Bond.

“*Moody’s*” means Moody’s Investors Service, Inc., and its successors.

“*Net Revenues*” means the Gross Revenues less (a) the Prior Obligations, and (b) any Operation and Maintenance Expenses not paid as provided in clause (a).

“*Operation and Maintenance Expenses*” means all reasonable and necessary current expenses of the System, paid or accrued, for operating, maintaining and repairing the Facilities, and will include, without limiting the generality of the foregoing, legal and incidental expenses of the various departments

within the System directly related and reasonably allocable to the administration of the Facilities, insurance premiums, the reasonable charges of any paying agent or depository bank, contractual services, professional services required by the Master Resolution and the related Supplemental Resolutions, salaries and administrative expenses, labor, and all costs incurred by the Board in the collection of Gross Revenues, but will not include any allowance for depreciation and other non cash, non accrual accounting adjustments, any internal charges for administrative overhead, any costs of reconstructions, improvements, extensions or betterments, any accumulation of reserves for capital replacements, any reserves for operation, maintenance or repair of any Facilities, any allowance for the redemption of any bond or security evidencing a loan or payment of any interest thereon, and any legal liability not based on contract.

“*Other Credit Facility Obligations*” means the payment obligations of the Board, other than interest and principal reimbursement obligations, under a Reimbursement Agreement or otherwise pursuant to any Credit Facility, including any interest, fees, costs, reasonable attorneys’ fees incurred in connection with any Credit Facility or Reimbursement Agreement, and any other similar amounts required to be paid by the Board pursuant to any such obligation.

“*Outstanding*” when used with reference to Bonds or Parity Obligations and as of any particular date means all such Bonds or Parity Obligations:

- (a) except any Bonds or Parity Obligations canceled or delivered for cancellation by the Board, or on the Board’s behalf, at or before such date;
- (b) except any Bonds or Parity Obligations deemed to have been paid, redeemed, purchased or defeased as provided in the Master Resolution, or any Supplemental Resolution or any Parity Obligation Instrument, as applicable, or as provided by law or any similar section of any resolution or other instrument authorizing such Bonds or Parity Obligations;
- (c) except any Bonds or Parity Obligations in lieu of or in substitution for which another Bond or Parity Obligation will have been executed and delivered pursuant to the Master Resolution, any Supplemental Resolution or any Parity Obligation Instrument, as applicable.

“*Parity Obligation Instruments*” means the resolutions, indentures, contracts or other instruments pursuant to which Net Obligations are issued or incurred.

“*Parity Obligations*” means any debt or financial obligations of the Board (other than the Bonds) that have a lien on the Net Revenues on a parity with the lien of the Bonds, as permitted by the Master Resolution.

“*Paying Agent*” means any bank or trust company or national or state banking association designated to make payment of the principal and Redemption Price of and interest on Bonds, and its successor or successors, hereafter appointed by Supplemental Resolution.

“*Permitted Investments*” means such investments as at the time are permitted by the laws of the State and the investment policies of the Board.

“*Person*” means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

“*Pricing Certificate*” means a certificate executed by the Pricing Delegate and evidencing the determinations made pursuant to Section 3.04(b) of the Third Supplemental Resolution.

“*Pricing Delegate*” means the Chair of the Board, the Vice Chair of the Board or the Executive Vice President for Finance and Administration.

“*Prior Bonds*” means the Board’s Systemwide Revenue Bonds (Pikes Peak Community College Project), Series 2003, and its Systemwide Revenue Refunding Bonds (Front Range Community College Project), Series 2004.

“*Prior Bond Resolutions*” means bond resolutions authorizing the issuance of the Prior Bonds, to the extent that the Prior Bonds remain outstanding under the terms of the applicable Prior Bond Resolution.

“*Prior Obligation*” means the operation and maintenance expenses, principal and interest payments and reserve fund and rebate fund deposits required to be paid in connection with the Prior Bonds pursuant to the Prior Bond Resolutions.

“*Qualified Counterparty*” means any person entering into a Qualified Exchange Agreement with the Board which, at the time of the execution of the Qualified Exchange Agreement, satisfies any applicable requirements of State law, and its successors and assigns, or any substitute Qualified Counterparty, appointed or consented to from time-to-time by the Board or its authorized officers.

“*Qualified Exchange Agreement*” means any financial arrangement between the Board and a Qualified Counterparty relating to an exchange of interest rates, cash flows or payments (a) relating to any Bonds, in accordance with the laws of the State; or (b) as otherwise specifically authorized by the Board, in accordance with the laws of the State.

“*Rating Agencies*” means any of Moody’s, S&P or Fitch, then maintaining ratings on any of the Bonds at the request of the Board.

“*Rebate Fund*” means the “Institutional Enterprise Rebate Fund,” described in the Master Resolution, including all accounts created therein.

“*Redemption Date*” means the date fixed for an optional redemption prior to maturity of Series 2012 Bonds.

“*Redemption Price*” means, with respect to any Series 2012 Bond or portion thereof, a price equal to the principal amount of a Series 2012 Bond, or portion thereof, plus the interest accrued to the applicable Redemption Date, plus premium, if applicable.

“*Registered Owner*” means a Person in whose name a Series 2012 Bond is registered in the Bond Register.

“*Released Revenues*” means revenues otherwise included in Gross Revenues in respect of which the following documents have been filed with the Secretary of the Board:

- (a) a duly adopted Supplemental Resolution describing the revenues and any related Facilities to be excluded from the term Gross Revenues and authorizing the exclusion of such revenues and any related Facilities from such term;

(b) a written certification by the Board Representative to the effect that Net Revenues in the two most recent completed Fiscal Years, after the revenues and any related Facilities covered by the Supplemental Resolution described in clause (a) above are excluded, were at least equal to the Average Annual Debt Service Requirements with respect to all Bonds that will remain Outstanding after the exclusion of such revenues and any related Facilities;

(c) an opinion of Bond Counsel to the effect that the exclusion of such revenues and any related Facilities from the definition of Gross Revenues and from the pledge and lien of the Master Resolution will not, in and of itself, cause the interest on any Outstanding Bonds to be included in gross income for purposes of federal income tax; and

(d) written confirmation from each of the Rating Agencies then rating the Bonds to the effect that the exclusion of such revenues and any related Facilities from the pledge and lien of the Master Resolution will not cause a withdrawal or reduction in any unenhanced rating then assigned to the Bonds.

Upon filing of such documents, the revenues and any related Facilities described in the Supplemental Resolution will no longer be included in the computation of Gross Revenues and will be excluded from the pledge and lien of the Master Resolution.

“*Repair and Replacement Fund*” means the “Institutional Enterprise Repair and Replacement Fund,” described in the Master Resolution, including all accounts created therein.

“*Repair and Replacement Requirement*” for any series of Bonds will have the meaning set forth in the applicable Supplemental Resolution.

“*Reserve Fund*” means the “Institutional Enterprise Reserve Fund,” described in the Master Resolution, including all accounts created therein.

“*S&P*” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors.

“*Series 2001 Bonds*” means the Colorado Educational and Cultural Facilities Authority, Lease Revenue Bonds (Community Colleges of Colorado System Headquarters Project), Series 2001.

“*Series 2001A Bonds*” means the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Pikes Peak Community College Project), Series 2001A.

“*Series 2002 Bonds*” means the Colorado Educational and Cultural Facilities Authority, Community Colleges of Colorado, Lease Revenue Bonds (Arapahoe Community College Project), Series 2002.

“*Series 2012 Bonds*” means the Series 2012 Bonds issued in one or more series under the Master Resolution and the Third Supplemental Resolution and designated as “State of Colorado, Department of Higher Education, by the State Board for Community Colleges and Occupational Education, Systemwide Revenue Refunding Bonds, Series 2012” in an aggregate principal amount of \$\_\_\_\_\_.

“*Series 2012 Expense Account*” means the account of such designation created in the Third Supplemental Resolution and into which money is to be deposited to pay Costs of Issuance of the Series 2012 Bonds.

“*Series 2012 Interest Account*” means the account of such designation created in the Third Supplemental Resolution within the Debt Service Fund and into which money is to be deposited to pay interest on the Series 2012 Bonds.

“*Series 2012 Paying Agent*” means the Bank of New York Mellon Trust Company, N.A., acting as agent of the Board for the payment of the principal of, premium, if any, and interest on the Series 2012 Bonds, and any successor thereto.

“*Series 2012 Principal Account*” means the account of such designation created in the Third Supplemental Resolution within the Debt Service Fund and into which money is to be deposited to pay principal on the Series 2012 Bonds.

“*Series 2012 Rebate Account*” means the account of such designation created in the Third Supplemental Resolution within the Rebate Fund.

“*Series 2012 Refunding Project*” means, collectively, the (a) current refunding of the Series 2001A Bonds, and (b) advance refunding of the Series 2002 Bonds, as reflected in the pricing certificate.

“*Series 2012 Tax Certificate*” means that Tax Compliance Certificate, dated the date of issuance of the Series 2012 Bonds, as amended from time-to-time, entered into by the Board and executed with respect to the Series 2012 Bonds; provided, however, that Series 2012 Tax Certificate may refer to multiple Tax Compliance Certificates executed in connection with the Series 2012 Bonds.

“*Special Obligation Bonds*” means the bonds payable from all or a portion of receipts derived from a Special Project as provided in the Master Resolution.

“*Special Project*” means a future undertaking not financed on a common-fund basis, as provided in the Master Resolution.

“*State*” means the State of Colorado.

“*State Intercept Act*” means Section 23-5-139, Colorado Revised Statutes, as amended.

“*State Intercept Program*” means the Higher Education Revenue Bond Intercept Program, established pursuant the State Intercept Act.

“*Subordinate Lien Obligations*” means all bonds or other obligations hereafter issued or incurred payable from the Net Revenues and issued with a lien on the Net Revenues subordinate to the lien of the Bonds on Net Revenues.

“*Supplemental Resolution*” means any resolution supplemental to or amendatory of the Master Resolution, adopted by the Board in accordance with the Master Resolution.

“*System*” means the Colorado Community College System currently consisting of the following colleges: (a) Arapahoe Community College; (b) Colorado Northwestern Community College; (c) Community College of Aurora; (d) Community College of Denver; (e) Front Range Community College; (f) Lamar Community College; (g) Morgan Community College; (h) Northeastern Junior College; (i) Otero Junior College; (j) Pikes Peak Community College; (k) Pueblo Community College; (l) Red Rocks Community College; and (m) Trinidad State Junior College. System also includes the Colorado Community Colleges On-Line and all community or junior colleges or technical schools which hereafter become part of the System.

“*Third Supplemental Resolution*” means the Third Supplemental Resolution, adopted by the Board on December 14, 2011, and which sets forth the terms of the Series 2012 Bonds.

“*Tuition Revenues*” means the tuition revenues of the System derived from charges to students for the provision of general instruction by the colleges comprising the System, whether collected or accrued, and not including any general fund moneys appropriated by the general assembly of the State.

“*2012 Paying Agency Agreement*” means the Paying Agency, Transfer Agency and Bond Registrar Agreement dated as of the Issue Date between the Board and the Series 2012 Paying Agent.

“*2012 Registrar*” means the Series 2012 Paying Agent acting as agent of the Board for the registration of the Series 2012 Bonds, and any successor thereto.

### **Master Resolution Irrepealable**

In consideration of the purchase and acceptance of any Bonds by those who will own the same from time-to-time, the Master Resolution will constitute an irrevocable contract between the Board and owners of any Bonds issued thereunder; and the Master Resolution will be and remain irrepealable until the Bonds will be fully paid, canceled and discharged except as therein otherwise provided.

### **Pledge Securing Bonds**

In order to secure the payment of the principal, Maturity Value and Redemption Price of and interest on the Bonds and the comparable amounts with respect to Parity Obligations (as well as Exchange Termination Payments to the extent authorized in a Supplemental Resolution) as the same become due and payable (whether at maturity, by prior redemption, or otherwise) and the performance and observance of all of the covenants and conditions contained in the Master Resolution, the Net Revenues are irrevocably pledged. The Board determines that the creation, perfection, enforcement and priority of the pledge of Net Revenues to secure or pay the Bonds and Parity Obligations (as well as Exchange Termination Payments to the extent authorized in a Supplemental Resolution) as provided in the Master Resolution will be governed by Section 11-57-208, Colorado Revised Statutes, as amended. The pledge made by the Master Resolution will be valid and binding from and after the date of the adoption of the Master Resolution, and the Net Revenues, as received by the Board, and other moneys pledged will immediately be subject to the lien of this pledge without any physical delivery thereof, filing or further act, and the lien of this pledge and the obligation to perform the contractual provisions made will have priority over any or all other obligations and liabilities of the Board (subject to the lien on the Gross Revenues of the Prior Obligations as provided in the Master Resolution), and the lien of this pledge will be valid, binding and enforceable as against all parties having claims of any kind in tort, contract, or otherwise against the Board, irrespective of whether such parties have notice of the Master Resolution.

### **Special Obligations**

All Debt Service Requirements of the Bonds will be payable and collectible solely out of the Net Revenues, which Net Revenues are so pledged. The owner or owners of the Bonds may not look to any general or other fund for the payment of the principal of, premium, if any, or interest on the Bonds, except the designated special funds pledged therefor. The Bonds will not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation and the Bonds will not be considered or held to be general obligations of the Board, but will constitute the Board’s special obligations. No obligation created under the Master Resolution will ever be or become a charge or debt against the State.

## **No Pledge of Property**

The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the System or the Board, except for the Net Revenues and any other moneys pledged for the payment of the Bonds.

## **Redemption of Bonds**

Certain of the Bonds are subject to redemption prior to maturity, in accordance with the provisions of the Bond Resolution as described in “THE SERIES 2012 BONDS—Prior Redemption.”

## **Registration, Transfer and Exchange of Bonds**

The Registrar for any Bonds will be specified in the related Supplemental Resolution. Records for the registration and transfer of the Bonds will be kept by the Registrar. Upon the surrender for transfer of any Bond at the Registrar, the Registrar will authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of a like aggregate principal amount and of the same series and maturity, bearing a number or numbers not previously assigned. Bonds may be exchanged at the Registrar for an equal aggregate principal amount of Bonds of the same series and maturity of other Authorized Denominations. Unless otherwise provided in a Supplemental Resolution, the Registrar will not be required to transfer or exchange (i) any Bond subject to redemption during a period beginning at the opening of business 15 days before the day of the mailing by the Registrar of a notice of prior redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) any Bond after the mailing of notice calling such Bond or any portion thereof for redemption as provided in the Master Resolution. The person in whose name any Bond will be registered on the registration records kept by the Registrar, will be deemed and regarded as the absolute owner thereof for the purpose of making payments thereof (except to the extent otherwise provided in any Supplemental Resolution with respect to interest payments) and for all other purposes; and payment of either principal of or interest on any Bond will be made only to or upon the written order of the registered owner thereof or his/her legal representative. All such payments will be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid. If any Bond will be lost, stolen, destroyed or mutilated, the Registrar will, upon receipt of such evidence, information or indemnity relating thereto as it or the Board may reasonably require, and upon payment of all expenses in connection therewith, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same series and maturity, bearing a number or numbers not previously assigned. If such lost, stolen, destroyed or mutilated Bond will have matured or will have been called for redemption, the Registrar may direct that such Bond be paid by the Paying Agent in lieu of replacement. Whenever any Bond will be surrendered to the Paying Agent upon payment thereof, or to the Registrar for transfer, exchange or replacement as provided in the Master Resolution, such Bond will be promptly canceled by the Paying Agent or Registrar.

## **Application of Proceeds**

The proceeds of the Series 2012 Bonds, upon the receipt thereof, will be deposited promptly in an Insured Bank or Banks designated by the Board, will be accounted for in the following manner and priority and are pledged therefor:

- (a) ***Escrow Fund.*** First, on the Closing Date, from the proceeds of the Series 2012 Bonds, there will be deposited into a separate refunding account, which account is created pursuant to the Escrow Agreement and shall be under the control of the Escrow Agent in accordance with the terms of the Escrow Agreement (the “Escrow Fund”), an amount sufficient,

together with any other moneys available therefore, for the payment of the Refunded Bonds pursuant to the Escrow Agreement.

(b) **Series 2012 Expense Account.** Second, from the proceeds of the Series 2012 Bonds, there will be deposited to the Series 2012 Expense Account, which Series 2012 Expense Account will be under the control of the Board, an amount sufficient, together with any other moneys available therefore, to pay all Costs of Issuance. Any moneys remaining in the Series 2012 Expense Account six months after the date of issuance of the Series 2012 Bonds will be transferred to the Series 2012 Interest Account of the Debt Service Fund.

### **Revenue Fund Deposits**

All Gross Revenues will be collected by the Board and will be pledged to make all payments set forth in the Master Resolution. Gross Revenues will be deposited as far as necessary and practicable into the Revenue Fund, so long as any Bonds or Parity Obligations will be Outstanding. While the Board may choose for administrative purposes not to deposit certain Gross Revenues to the Revenue Fund, such Gross Revenues remain pledged under the Master Resolution to make the payments set forth in the Master Resolution, and will be transferred to the Revenue Fund to make such payments in the event of any shortfalls. While any Prior Obligations are Outstanding, any moneys transferred from the Revenue Fund created under the Prior Bond Resolutions to the Revenue Fund remain available to pay any claims on such moneys that are senior to that of the Bonds or Parity Obligations.

### **Payments With Respect to Prior Obligations**

Gross Revenues in the Revenue Fund will first be used to pay Prior Obligations that are currently due and payable.

### **Operation and Maintenance Expenses**

As the next charge on the Revenue Fund, there will be paid, as they become due and payable, any Operation and Maintenance Expenses that are not paid as provided in the Master Resolution.

### **Debt Service Fund**

After making the payments required above under “Payments With Respect to Prior Obligations” and “Operation and Maintenance Expenses,” amounts on deposit in the Reserve Fund will be paid or credited to the Debt Service Fund, on a pro rata basis if there is a deficiency in the amount of available Net Revenues, as follows:

(i) **Interest Account.** Prior to each Interest Payment Date, the amount necessary, together with any moneys therein and available therefor, to pay the next maturing installment of interest on each series of Outstanding Bonds will be credited to the interest account for that series of Bonds.

(ii) **Principal Account.** Prior to each principal payment date, the amount necessary, together with any moneys therein and available therefor, to pay the next regularly scheduled installment of principal, whether at maturity or on a mandatory sinking fund redemption date, on each series of Outstanding Bonds will be credited to the principle account for that series of Bonds.

Payments required by subparagraphs (i) and (ii) may be made more or less frequently for any series of Bonds if so provided in the related Supplemental Resolution.

(iii) ***Commercial Paper Credit Facility Account.*** In the event that moneys available in any Commercial Paper Credit Facility Account are insufficient to make any payment of principal of or interest on any Commercial Paper Notes coming due, such deficiency will be paid by transferring the necessary amounts from the Commercial Paper Note Interest Account and/or the Commercial Paper Note Principal Account, as appropriate. After payment of principal of or interest on any Commercial Paper Notes from amounts in any Commercial Paper Credit Facility Account representing drawings on the applicable Commercial Paper Credit Facility, amounts available in the Commercial Paper Note Principal Account and the Commercial Paper Note Interest Account will be transferred to the applicable Commercial Paper Credit Facility Provider to pay Credit Facility Reimbursement Obligations due as a result of principal drawings and interest drawings, respectively, on the related Commercial Paper Credit Facility, to the extent such Commercial Paper Credit Facility Provider has not already been reimbursed for such amounts from proceeds of Commercial Paper Notes as provided in the applicable Supplemental Resolution. If at any time the amount available in the Commercial Paper Note Interest Account or the Commercial Paper Note Principal Account exceeds the amounts required to pay interest on or principal of, as the case may be, Commercial Paper Notes coming due within the next 30 days, as determined by the Board Representative, plus the amount of any Credit Facility Reimbursement Obligations then due, such excess amount in the Commercial Paper Note Interest Account or Commercial Paper Note Principal Account will be transferred to the Commercial Paper Note Account of the Additional Payment Fund and applied as provided in the Master Resolution.

The money credited to the interest account and the principal account for each series of Bonds will be used by the Board only to pay the Debt Service Requirements of the applicable Bonds as such Debt Service Requirements become due; except as otherwise provided in the Master Resolution with respect to payment of Credit Facility Reimbursement Obligations due to a Credit Facility Provider and amounts payable to any Qualified Counterparty under a Qualified Exchange Agreement. Moneys on deposit in the Debt Service Fund to be used to pay Debt Service Requirements on the Bonds will be transferred from the Debt Service Fund to the applicable Paying Agent on or before the relevant due dates.

Additional accounts will be established by the Board as part of the Debt Service Fund for the payment of each series of Bonds.

(iv) ***Payments and Reimbursements to Credit Facility Provider and Qualified Counterparty.*** The following amounts required to be paid by the Board will be deposited in the applicable Bonds principal account and interest account or other sinking fund which will be a subaccount of the applicable principal account and interest account and paid from the Revenue Fund with the same priority as other payments of Debt Service Requirements on Bonds:

(A) amounts to pay or reimburse a Credit Facility Provider for payments of Debt Service Requirements on Bonds made by that Credit Facility Provider, including payments to any bond insurer for such payments on Bonds with proceeds of a municipal bond insurance policy and principal and interest amounts payable to a Credit Facility Provider in accordance with the provisions of the applicable Reimbursement Agreement; and

(B) amounts payable to any Qualified Counterparty under a Qualified Exchange Agreement if such payments are designated in a Supplemental Resolution or other instrument relating to that Qualified Exchange Agreement as having a lien on Net Revenues on a parity with the lien thereon of Bonds; provided that the part of any interest payment to a Credit Facility Provider and to a Qualified Counterparty computed at a rate which exceeds the maximum bond interest rate for the related series of Bonds will not be payable with the priority set forth in this paragraph but will be payable with the priority set forth under “Payment of Interest, Fees, Expenses, Purchase Price and Similar Amounts; Additional Payment Fund” below.

## **Reserve Fund**

The reserve requirement, if any, for a series of Bonds may be satisfied by a deposit of moneys or a Credit Facility, and any form of such deposit may be exchanged for any other permitted form of deposit of an equivalent amount; provided however, (i) that obligations backed by the provider of a Credit Facility is rated at least “A2” by Moody’s and at least “A” by S&P; (ii) that prior to expiration of a Credit Facility in any account, another Credit Facility of equivalent credit quality is provided, and, if such replacement Credit Facility is unavailable, the reserve requirement will be funded on a scheduled basis or at one time prior to expiration of the existing Credit Facility; (iii) if the terms of a Credit Facility prohibit replenishment after draw-down, the Board will provide an additional Credit Facility or sufficient funds to ensure satisfaction of the reserve requirement; and (iv) if a Credit Facility permits premature termination without payment, the conditions for such premature termination will be limited to Board bankruptcy or default on any Bonds, or by an accumulation on a scheduled basis of Bond proceeds, investment earnings or other deposits from the Revenue Fund after the payments and deposits required as described under “Payments With Respect to Prior Obligations,” “Operation and Maintenance Expenses” and “Debt Service Fund” above, have been made which will result in an amount equal to the reserve requirement for such series of Bonds being on deposit or available no later than the date of the last scheduled application of capitalized interest for such series of Bonds.

The Board may establish, but is not required to establish, a reserve requirement with respect to any series of Bonds. A separate Debt Service Reserve Account will be created within the Reserve Fund for each separate series of Bonds for which there is a reserve requirement. The moneys and the proceeds in each Debt Service Reserve Account will be maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the Debt Service Requirements coming due on the Bonds for which such account was created resulting from the failure to timely deposit into the Debt Service Fund sufficient funds to pay such amounts as the same become due. On any required payment date of any outstanding Bonds, if there is not on deposit in the applicable Interest Account or Principal Account for such series of Bonds the full amount necessary to pay the Debt Service Requirements on such series of Bonds becoming due on such date, then an amount will be transferred from the applicable Debt Service Reserve Account, if any, on such date into the applicable Principal or Interest Account equal to the difference between the amount on deposit in such Interest Account or Principal Account and the full amount required. All money on deposit in the Debt Service Reserve Account for such series of Bonds will be transferred prior to making a draw on a Credit Facility on deposit in the Debt Service Reserve Account. The amount transferred from any Debt Service Reserve Account will be reimbursed, replaced or reaccumulated in such Debt Service Reserve Account, no later than the end of the fifth full Fiscal Year following such transfer or the determination of such deficiency, or within such other period of time as set forth in the resolution or other instrument authorizing the issuance of the applicable series of Bonds, from amounts available therefor in the Revenue Fund after making the payments and deposits required as described under “Payments With Respect to Prior Obligations,” “Operation and Maintenance Expenses” and “Debt Service Fund” above. No reserve requirement has been established with respect to the Series 2012 Bonds.

## **Termination Upon Deposits to Maturity**

No payment needs to be made into the principal account or interest account of the Debt Service Fund or the Debt Service Reserve Account of the Reserve Fund for a series of Bonds if, with respect to such series of Bonds, no amounts are owed with respect to prior payments of principal (whether at maturity or pursuant to mandatory sinking fund payment dates) of or interest on such series of Bonds, and the amounts on deposit for the payment of such Bonds in such accounts total a sum at least equal to all Debt Service Requirements of the outstanding Bonds of such series to their maturity or mandatory redemption dates, or to any date for which the Board will have exercised or will have obligated itself to exercise its option to redeem such Bonds prior to their maturity or mandatory redemption dates. In such event, moneys in the Debt Service Reserve Account of the Reserve Fund first and then in the interest account and principal account of the Debt Service Fund for the payment of such series of Bonds, in amounts equal to such Debt Service Requirements as they become due, will be used solely to pay such Debt Service Requirements and any moneys in excess thereof for the payment of such series of Bonds in the Reserve Fund and Debt Service Fund may be used as provided in the Master Resolution.

## **Payment of Interest, Fees, Expenses, Purchase Price and Similar Amounts; Additional Payment Fund**

(i) After making or crediting the payments and deposits required under “Payments With Respect to Prior Obligations,” “Operation and Maintenance Expenses,” “Debt Service Fund” and “Reserve Fund” above, amounts on deposit in the Revenue Fund will be used as necessary and as used to the extent specified by Supplemental Resolution to pay all amounts, including interest and Exchange Termination Payments and other amounts relating to Bonds, owed pursuant to any Credit Facility for a series of Bonds or relating to a Qualified Exchange Agreement which are not payable pursuant to the Master Resolution. Net Revenues used to pay interest, Exchange Termination Payments and other amounts pursuant to this paragraph with respect to any series of Bonds will be deposited by the Board into the applicable account of the Additional Payment Fund relating to such series of Bonds on or before the due date thereof.

(ii) With respect to the Commercial Paper Notes, after making or crediting the payments and deposits required under “Payments With Respect to Prior Obligations,” “Operation and Maintenance Expenses,” “Debt Service Fund” and “Reserve Fund” above, amounts on deposit in the Revenue Fund will, during each month in which the Board is indebted to the Commercial Paper Credit Facility Provider under the Reimbursement Agreement, be deposited into the Commercial Paper Note Account of the Additional Payment Fund in an amount which, together with any moneys in such Commercial Paper Note Account available for such purpose will be sufficient to pay to the Commercial Paper Credit Facility Provider all Credit Facility Reimbursement Obligations and Other Credit Facility Obligations then due under the Reimbursement Agreement after any transfer to the Commercial Paper Credit Facility Provider of amounts from the Commercial Paper Note Interest Account and the Commercial Paper Note Principal Account of the Debt Service Fund as provided in the Master Resolution.

## **Repair and Replacement Fund**

The Board may establish, but is not required to establish, a Repair and Replacement Requirement with respect to any series of Bonds. A separate repair and replacement account (“Repair and Replacement Account”) will be created within the Repair and Replacement Fund for each separate series of Bonds for which there is a Repair and Replacement Requirement as provided in the related Supplemental Resolution for each series of Bonds. The Repair and Replacement Requirement, if any, for

a series of Bonds may be satisfied by a deposit of moneys or by an accumulation on a scheduled basis of Bond proceeds, investment earnings or other deposits from the Revenue Fund after the payments required to be made by the Master Resolution, which will result in an amount equal to the Repair and Replacement Requirement for such series of Bonds being on deposit or available no later than the date so provided in the related Supplemental Resolution for such series of Bonds. The moneys and the proceeds in each Repair and Replacement Account will be maintained as a continuing fund for each separate series of Bonds to be used as provided in the related Supplemental Resolution for such series Bonds. Any moneys at any time in any Repair and Replacement Account in excess of the applicable Repair and Replacement Requirement, including investment earnings derived from amounts on deposit in such Repair and Replacement Account, may be withdrawn therefrom to pay any revenue bonds or other obligations payable from the Revenue Fund, including but not necessarily limited to the related series of Bonds, if such payment is necessary to prevent any default in the payment of such obligations, or otherwise.

### **Payment for Subordinate Lien Obligations**

Subject to the payments required under “Payments With Respect to Prior Obligations,” “Operation and Maintenance Expenses,” “Debt Service Fund,” “Reserve Fund,” Payment of Interest, Fees, Expenses, Purchase Price and Similar Amounts; Additional Payment Fund” and “Repair and Replacement Fund” above, and subject to the limitations set forth in the Master Resolution, any moneys remaining in the Revenue Fund may be used by the Board, as necessary, for the payment of the costs of issuing and the debt service requirements relating to any Subordinate Lien Obligations, to make rebate payments relating to Subordinate Lien Obligations, and to make deposits into any debt service reserve fund or account required to be made from Net Revenues in the manner set forth in the resolution or other instrument authorizing the issuance of the applicable Subordinate Lien Obligations.

### **Rebate Fund**

The Rebate Fund will be under the control of the Board and a separate rebate account will be created in the Rebate Fund with respect to each series of Bonds to the extent required by the Supplemental Resolution or other instrument authorizing such series of Bonds. Amounts from available Net Revenues will be deposited in the related rebate account and will be expended in accordance with the provisions of the Master Resolution and the provisions of the related Supplemental Resolution. The Board will make or cause to be made all requisite rebate calculations and deposit the resulting rebate amount into the related rebate account. The Board will make or cause to be made disbursements from the related rebate account in accordance with the provisions of the related Supplemental Resolution and any tax certificate executed pursuant thereto. The Board will invest the amounts on deposit in the related rebate account and will deposit income from said investments immediately upon receipt thereof in the related rebate account, all as set forth in the related Supplemental Resolution. The Board may request a designated agent to make the necessary rebate calculations based upon information furnished by the System and, upon advice as to the rebate amount, cause the [Board] to deposit the same into the related rebate account.

### **Rebate Deposits**

The Board, through its designated officers, will make the rebate deposits and computations with respect to a series of Bonds as described in the related Supplemental Resolution. If a withdrawal from the related rebate account or any applicable subaccounts therein is permitted as a result of such computations, the amount withdrawn may be used by the Board for any lawful purpose. Records of the determinations required by this Section and the related Supplemental Resolution must be retained by the Board until six years after the final retirement of the related series of Bonds.

## **Investment of Moneys**

Any moneys in any Fund or account not needed for immediate use, may be invested by the Board in Permitted Investments to the extent permitted by the investment policies of the Board and the laws of the State, including, without limitation, Part 6 of Article 75 of Title 24, Colorado Revised Statutes, as amended from time-to-time. Such investments will be deemed to be a part of said Fund or account, and any loss will be charged thereto. Any profit from investments of moneys in the applicable accounts of the Reserve Fund and the Rebate Fund will be credited thereto as the same is received. Any profits from investments of moneys in any other Funds or accounts will be used for any one or any combination of lawful purposes as the Board may from time-to-time determine. In computing the amount in any such Fund or account for any purpose under the Master Resolution, except as otherwise expressly provided in the Master Resolution, such obligation will be valued at the cost thereof, exclusive of the accrued interest or other gain; provided however, that any obligation purchased at a premium may initially be valued at the cost thereof, but in each year after such purchase will be valued at a lesser amount determined by ratably amortizing the premium over the remaining term of the obligation. All expenses incidental to any investment or reinvestment of moneys pursuant to the Master Resolution will be accounted for as Operation and Administrative Expenses. Nothing in the Master Resolution will prevent the commingling of moneys accounted for in any Fund or account created under the Master Resolution or any Supplemental Resolution and any other moneys of the Board for purposes of investment. The Board will present for redemption or sale on the prevailing market at the best price obtainable any investments in any Fund or account whenever it is necessary to do so in order to provide moneys to meet any withdrawal, payment, or transfer from a Fund or account. The Board will not be liable for any loss resulting from any such investment made in accordance with the Master Resolution or any Supplemental Resolution.

## **Tax Covenant**

The Board covenants for the benefit of each owner of Bonds from time-to-time that it will not (i) make any use of the proceeds of any Bonds, any fund reasonably expected to be used to pay the principal of or interest on any Bonds, or any other funds of the Board; or (ii) make any use of any Facilities; or (iii) take (or omit to take) any other action with respect to any Bonds, the proceeds thereof, or otherwise, if such use, action or omission would, under the Code, cause the interest on any Bonds to be included in gross income for federal income tax purposes or be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, trusts, estates 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).

In particular, the Board covenants for the benefit of each owner of any Bonds from time-to-time that it will not take (or omit to take) or permit or suffer any action to be taken if the result of the same would cause the Bonds to be (a) "arbitrage bonds" within the meaning of Section 148 of the Code, including for such purposes, to the extent applicable, the rebate requirements of Section 148(f) of the Code; or (b) "private activity bonds" within the meaning of Section 141 of the Code. Such covenants of the Board will survive the payment of the Bonds of a series until all rebate requirements related to the Bonds of such series have been satisfied. The officers of the Board are authorized to execute a tax certificate and any confirming certificates as provided in the Master Resolution in implementation of the foregoing covenants, and the representations, agreements, and additional covenants set forth therein will be deemed the representations, agreements, and covenants of the Board, as if the same were set forth in the Master Resolution. The covenants set forth in this Section will not apply to any series of Bonds if, at the time of issuance, the Board intends the interest on such series of Bonds to be subject to federal income tax.

## **Prohibited Actions**

The Board will not use or permit the use of any proceeds of the Series 2012 Bonds or any other funds of the Board from whatever source derived, directly or indirectly, to acquire any securities or obligations and will not take or permit to be taken any other action or actions, which would cause any Series 2012 Bonds to be an “arbitrage bond” within the meaning of Section 148 of the Code, or would otherwise cause the interest on any Series 2012 Bonds to be includible in gross income for federal income tax purposes.

## **Affirmative Actions**

The Board will at all times do and perform all acts permitted by law that are necessary in order to assure that interest paid by the Board on the Series 2012 Bonds will not be includible in gross income for federal income tax purposes under the Code or any other valid provision of law. In particular, but without limitation, the Board represents, warrants and covenants to comply with the following rules unless it receives an opinion of Bond Counsel stating that such compliance is not necessary: (i) gross proceeds of the Series 2012 Bonds will not be used in a manner that will cause the Series 2012 Bonds to be considered “private activity bonds” within the meaning of the Code; (ii) the Series 2012 Bonds are not and will not become directly or indirectly “federally guaranteed”; and (iii) the Board will timely file Internal Revenue Form 8038-G which will contain the information required to be filed pursuant to Section 149(e) of the Code with respect to the Series 2012 Bonds.

## **Series 2012 Tax Certificate**

The Board will comply with the Series 2012 Tax Certificate delivered to it on the date of issuance of the Series 2012 Bonds, including but not limited by the provisions of the Series 2012 Tax Certificate regarding the application and investment of proceeds of such Series 2012 Bonds, the calculations, the deposits, the disbursements, the investments and the retention of records described in the Series 2012 Tax Certificate; provided that, in the event the original Series 2012 Tax Certificate is superseded or amended by a new Series 2012 Tax Certificate drafted by, and accompanied by an opinion of Bond Counsel stating that the use of the new Series 2012 Tax Certificate will not cause the interest on such Series 2012 Bonds to become includible in gross income for federal income tax purposes, the Board will thereafter comply with the new Series 2012 Tax Certificate.

## **Parity Obligations**

The Board reserves the right to issue or incur Parity Obligations and to pledge the Net Revenues to the payment of such Parity Obligations on a parity with the pledge of the Net Revenues to payment of any Bonds under the Master Resolution, and as described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Enterprise Obligations.”

## **Fees, Rates and Charges**

While Bonds remain Outstanding, and subject to applicable law, the Board will continue to impose such fees and charges as are included within the Gross Revenues to impose such fees and charges as are included within the Gross Revenues and will continue the present operation and use of the Institutional Enterprise and the Facilities, and the Board will cause to be established and maintained such reasonable tuition, fees, rates and other charges for the use of all Facilities and for services rendered by the Institutional Enterprise as will return annually Gross Revenues sufficient (a) to pay all amounts required under “Payments With Respect to Prior Obligations” above, (b) to pay Operation and Maintenance Expenses which are not paid as provided under “Payments With Respect to Prior

Obligations” above, (c) to pay the annual Debt Service Requirements of the Bonds and any Parity Obligations payable from the Net Revenues, (d) to make any deposits required to the Reserve Fund, (e) to make any deposits required to the Repair and Replacement Fund, and (f) to pay the annual Debt Service Requirements of any obligations payable from the Net Revenues, in addition to the Bonds and any Parity Obligations, including without limitation any reserves required to be accumulated therefor or any reimbursement pursuant to a reserve fund insurance policy, surety bond, financial guaranty agreement and qualified exchange agreement relating thereto; all as provided in the Master Resolution.

Such fees, rates and charges will be reasonable and just, taking into account and consideration the services rendered by the Institutional Enterprise and the Operation and Maintenance Expenses, and the amounts necessary for the retirement of all Bonds and any other obligations payable from revenues derived from their operation, accrued interest thereon, and any reserves therefor.

### **Maintenance of Facilities**

The Board will at all times maintain the Facilities in good repair, working order and condition, will continually administer and operate the Facilities as part of the Institutional Enterprise, and from time to time will make all needful and proper repairs, renewals and replacements of the Facilities.

### **Disposal of Property Prohibited**

Except for any lease for proper rentals, the Board will not sell, mortgage, pledge, or otherwise encumber, or in any manner dispose of, or otherwise alienate, the Facilities or any part thereof, including any and all extensions and additions that may be made thereto, until all Bonds payable out of Net Revenues will have been paid in full, both as to principal and interest, or unless provision has been made therefor, except as provided in the Master Resolution.

### **Right To Inspect**

Any owner of any of the Bonds, or any duly authorized agent or agents of such owner, will have the right at all reasonable times to inspect all records, accounts and data relating to the Institutional Enterprise and the Facilities and all properties appertaining thereto.

### **Annual Statements and Audits**

Upon the written request of the owners of 25% in principal amount of the Bonds at the time Outstanding, but not more often than once a year, the Board will cause an audit of the books and accounts related to the Bonds to be made by an Independent Accountant, the expense of each such audit to be considered as an Bond Administrative Expense.

### **Bondholder’s Remedies**

Each owner of any Bonds will be entitled to all of the privileges, rights and remedies provided or permitted at law or in equity or by statute. No real or personal property appertaining to the Institutional Enterprise, the Facilities or otherwise has been conveyed to secure the payment of the Bonds by deed of trust or by mortgage to a trustee for the benefit and the security of the owner of the Bonds authorized, subject to the provisions concerning the pledge of and the covenants and the other contractual provisions concerning revenues of the Institutional Enterprise and the Facilities in the Master Resolution.

## Events of Default

Each of the following events is declared an “event of default”:

(a) ***Nonpayment of Principal or Redemption Price.*** Payment of the principal or Redemption Price of any of the Bonds will not be made when the same will become due and payable either at maturity or by proceedings for prior redemption or otherwise.

(b) ***Nonpayment of Interest.*** Payment of any installment of interest will not be made when the same becomes due and payable.

(c) ***Nonpayment of Parity Obligations.*** Payment of principal, interest or other amounts payable on any Parity Obligations will not be made when the same becomes due and payable.

(d) ***Incapable to Perform.*** The Board will for any reason be rendered incapable of fulfilling its obligations under the Master Resolution.

(e) ***Appointment of Receiver.*** An order or decree will be entered by a court of competent jurisdiction with the consent or acquiescence of the Board appointing a receiver or receivers for the Facilities or for the rates and charges derived therefrom, or if an order or decree having been entered without the consent or acquiescence of the Board, will not be vacated or discharged or stayed on appeal within 60 days after entry.

(f) ***Default of Any Provision.*** The Board will make default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this resolution on its part to be performed, and if such default will continue for 60 days after written notice specifying such default and requiring the same to be remedied will have been given to the Board by the purchaser of the Bonds or by the owners of 25% in principal amount of the Bonds then Outstanding.

## Remedies of Defaults

Upon the happening and continuance of any of the events of default, as provided under “Events of Default” above, then in every case the owner of not less than 25% in principal amount of the Bonds then Outstanding, including but not limited to a trustee or trustees therefor, may proceed against the System, the Board and the agents, officers and employees of the System or the Board, or of both, to protect and to enforce the rights of any owner of Bonds by mandamus or by other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Master Resolution or in an award of execution of any power granted for the enforcement of any proper, legal or equitable remedy as such owner may deem most effectual to protect and to enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any owner of any Bond, or to require the Board to act as if it were the trustee of an expressed trust, or any combination of such remedies. All such proceedings at law or in equity will be instituted, had and maintained for the equal benefit of all owners of the Bonds then Outstanding.

## Duties Upon Default

Upon the happening of any of the events of default as provided under “Events of Default” above, the Board, in addition, will do and will perform all proper acts on behalf of and for the owners of Bonds

to protect and to preserve the security created for the payment of their Bonds and to insure the payment of the principal of and the interest on such Bonds promptly as the same become due. All Net Revenues, so long as any of such Bonds, either as to principal or as to interest, are Outstanding and unpaid, will be paid into the Debt Service Fund. In the event the Board fails or refuses to proceed as in this Section provided, the owners of not less than 25% in principal amount of the Bonds then Outstanding, after demand in writing, may proceed to protect and to enforce the rights of the owners of the Bonds as provided in the Master Resolution; and to that end any such owners of Outstanding Bonds will be subrogated to all rights of the Board under any agreement, lease or contract involving the System entered into prior to the effective date of the Master Resolution or thereafter while any of the Bonds are Outstanding and unpaid.

### **Limitations Upon Amendments**

The Master Resolution may be amended or supplemented by Supplemental Resolutions adopted by the Board in accordance with the laws of the State, without receipt by the Board of any additional consideration, but, except as otherwise provided in the Master Resolution, with the written consent of the owners of a majority of the principal amount of Bonds or Parity Obligations Outstanding at the time of the adoption of such Supplemental Resolution; provided, however, that no such resolution will have the effect of permitting:

- (a) ***Changing Payment.*** A change in the maturity of any Outstanding Bond;
- (b) ***Reducing Return.*** A reduction in the principal amount of, or other amount specified in, any Bond, Parity Obligation or Qualified Exchange Agreement or the rate of interest thereon, without the consent of the owner of the Bond, Parity Obligation or Qualified Exchange Agreement;
- (c) ***Prior Lien.*** The creation of a lien upon or a pledge of revenues ranking prior to the lien or to the pledge created by the Master Resolution;
- (d) ***Modifying Any Bond.*** A reduction of the principal amount or percentages or otherwise affecting the description of Bonds, Parity Obligations or Qualified Exchange Agreement, the consent of the owners of which is required for any such modification or amendment;
- (e) ***Priorities Between Bonds.*** The change of priorities as between any Bonds, Parity Obligations or other obligations secured by the Net Revenues, issued and Outstanding under the provisions of the Master Resolution; or
- (f) ***Partial Modification.*** The modification of or otherwise affecting the rights of the owners of less than all of the Bonds or Parity Obligations (including rights with respect to Exchange Termination Payments thereunder) then Outstanding;

provided further, however, the Master Resolution may be amended or supplemented by resolutions adopted by the Board, without receipt of any additional consideration and without consent of the Bondholders, and otherwise to cure any ambiguity, to correct or supplement any provision in the Master Resolution which may be inconsistent with any other provision in the Master Resolution, or to make any other provision with respect to matters or questions arising under the Master Resolution which would not be inconsistent with the provisions of the Master Resolution, provided such action will not materially adversely affect the interests of the owners of the Bonds and Parity Obligations then Outstanding or rights with respect to Exchange Termination Payments.

## Supplemental Resolutions

For any one or more of the following purposes and at any time or from time-to-time, the Board may adopt and execute a Supplemental Resolution, which, upon adoption and execution, will be fully effective in accordance with its terms without the consent of any Bondholders (except as otherwise specifically provided below):

(a) to authorize Bonds of a series and, in connection therewith, to specify and determine the matters and things referred to in the Master Resolution and also any other matters and things relative to such Bonds which are not in conflict with the Master Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds;

(b) to conform the Master Resolution to any amendment of any Supplemental Resolution in accordance with its terms;

(c) to close the Master Resolution or any Supplemental Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Master Resolution or any Supplemental Resolution on, the delivery of Bonds or the issuance of other evidences of indebtedness;

(d) to add to the covenants and agreements of the Board in the Master Resolution or any Supplemental Resolution, other covenants and agreements to be observed by the Board which are not in conflict with the Master Resolution or the applicable Supplemental Resolutions as theretofore in effect;

(e) to add to the limitations and restrictions in the Master Resolution or any Supplemental Resolution other limitations and restrictions to be observed by the Board which are not in conflict with the Master Resolution or the applicable Supplemental Resolution, as therefore in effect;

(f) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Master Resolution or any Supplemental Resolution of the Net Revenues, or to provide for the release of revenues from the lien or pledge of the Master Resolution in accordance with the provisions thereof;

(g) to modify any of the provisions of the Master Resolution or any Supplemental Resolution in any respect whatever, provided that (i) such modification will be, and be expressed to be, effective only after all Outstanding Bonds of any series at the date of the adoption of such Master Resolution or Supplemental Resolution will cease to be Outstanding Bonds; and (ii) such Supplemental Resolution will be specifically referred to in the text of all Bonds of any series delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(h) to modify, amend or supplement the Master Resolution or any Supplemental Resolution in such manner as to permit, if presented, the qualifications thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or under any state blue sky law;

(i) to surrender any right, power or privilege reserved to or conferred upon the Board by the terms of the Master Resolution, provided that the surrender of such right, power or

privilege is not in conflict with the covenants and agreements of the Board contained in the Master Resolution;

(j) to increase the debt service reserve fund requirement and any capitalized interest requirements;

(k) to alter the Master Resolution to comply with the requirements of a nationally recognized rating agency in order to obtain or maintain a rating on any of the Bonds in one of the four highest rating categories of such rating agency;

(l) to designate Paying Agents, Registrars and other fiduciaries for the Bonds of any series;

(m) to modify, amend or supplement the Master Resolution or any Supplemental Resolution in order to provide for or eliminate book-entry registration of all or any of the Bonds;

(n) to amend a prior Supplemental Resolution in accordance with the provisions thereof;

(o) for any other purpose in respect of any Bonds or any series of Bonds which, at the time such amendments are made, are fully secured by a pledge of or lien on direct obligations of or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America, certified by an independent certified public accountant to be sufficient to provide for the full and timely payment of principal and Redemption Price of, and interest on, the Bonds;

(p) if such amendment does not amend this section or reduce the principal amount or Maturity Value, delay principal or Maturity Value payment dates, reduce interest rates, delay Interest Payment Dates or Accretion Dates, or, except to the extent contemplated therein, amend redemption provisions, then applicable to any series of Bonds and then, at least one of the following conditions is met:

(i) on the effective date of such amendment, all Bonds of such series are secured by a Credit Facility through the later of the next date on which such Bonds are subject to optional or mandatory purchase or their maturity, the consent of the issuer of the Credit Facility is obtained and the Board has been provided with proof satisfactory to it that such amendment will not result in a reduction of any rating of any of the Bonds in effect immediately prior to such amendment;

(ii) such amendment is made to facilitate the provision of a Credit Facility for a series of Bonds that is not then secured by a Credit Facility; or

(iii) such amendment is made to facilitate (A) the maintenance of any current rating of the Bonds of such series, or (B) the obtaining of any higher rating of the Bonds of such series desired by the Board; and

(q) to facilitate the issuance of and provision of security for Parity Obligations in accordance with the Master Resolution.

## **Defeasance**

When all principal of, premium, if any, and interest and other amounts due on the Bonds, Parity Obligations, or the Exchange Termination Payments, or any portion thereof, has been duly paid, the pledge and lien of all obligations under the Master Resolution will be discharged as to such issue or part of such issue and such issue or part of such issue will no longer be deemed to be Outstanding within the meaning of the Master Resolution. There will be deemed to be such due payment if the Board has placed in escrow or in trust with a trust bank exercising trust powers, an amount sufficient, including the known minimum yield available for such purpose from federal securities in which such amount wholly or in part may be initially invested, to meet all requirements of principal of, premium, if any, and interest on the securities issue, as such requirements become due to their final maturities or upon any designated redemption dates. The federal securities will become due prior to the respective times on which the proceeds thereof will be needed, in accordance with a schedule established and agreed upon between the Board and such trust bank at the time of the creation of the escrow or trust, or the federal securities will be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE SYSTEM  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

January \_\_\_\_, 2012

State Board for Community Colleges  
and Occupational Education  
Denver, Colorado

[UNDERWRITER]

\$11,925,000\*

State of Colorado, Department of Higher Education, by State Board for  
Community Colleges and Occupational Education  
Systemwide Revenue Refunding Bonds  
(Community College of Denver Project and Pueblo Community College Project)  
Series 2012A

Ladies and Gentlemen:

We have acted as bond counsel to the State Board for Community Colleges and Occupational Education (the "Board"), a body corporate under the laws of the State of Colorado (the "State"), in connection with the issuance by the Board of the State of Colorado, Department of Higher Education, By State Board for Community Colleges and Occupational Education Systemwide Revenue Refunding Bonds, Series 2012A (the "Series 2012 Bonds"), in the aggregate principal amount of \$11,925,000\*.

The Series 2012 Bonds are being issued by the Board pursuant to Sections 23-5-101.7, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended (collectively, the "Institutional Enterprise Act"), Article 54, Title 11, Colorado Revised Statutes, as amended (the "Refunding Act"), Sections 23-5-101.5, 23-5-102, 23-5-103, 23-5-104 and 23-5-105, Colorado Revised Statutes, as amended (collectively, the "Auxiliary Facilities Enterprise Act"), Section 23-60-101, et seq., Colorado Revised Statutes, as amended (the "CCC Act"), , Article 57, Title 11, Section 201, et seq., Colorado Revised Statutes, as amended (the "Supplemental Act"), Article 5, Title 23, Colorado Revised Statutes, as amended (the "Bond Act"), Section 23-5-139, Colorado Revised Statutes, as amended (the "Intercept Act"), and a Master Enterprise Bond Resolution, adopted by the Board on December 9, 2009 and a Third Supplemental Resolution, adopted by the Board on December 14, 2011 (collectively, the "Bond Resolution"). Any capitalized term used herein and not defined herein shall have the same meaning ascribed thereto in the Bond Resolution unless the context shall clearly otherwise require.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion, including, but not limited to, a letter dated November 30, 1994 from the State Auditor addressed to the President of the System, and a letter dated January 5, 1995 from the Office of the Attorney General of the State addressed to the President of the System. As to questions of fact material to

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\* Preliminary; subject to change.

our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

As to questions of fact, we have relied upon the representations of the Board and other parties contained in such certified proceedings, including the Bond Resolution, and in the aforesaid certificates and other instruments and have assumed the genuineness of all signatures, the legal capacity of all natural persons, the accuracy and completeness of all documents submitted to us, the authenticity of all original documents and the conformity to authentic original documents of all documents submitted to us as copies (including facsimiles). We have also assumed the authenticity, accuracy and completeness of the foregoing certifications (of public officials, governmental agencies and departments and individuals) and statements of fact, on which we are relying, and have made no independent investigation thereof.

Based on, subject to and limited by the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The Board is duly created and validly existing as a body corporate of the State with the corporate power to adopt the Bond Resolution, perform the agreements on its part contained therein and issue the Series 2012 Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the Board enforceable against the Board.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding special limited revenue obligations of the Board, payable solely from the sources provided therefor in the Bond Resolution.

4. The Bond Resolution creates a valid lien on the Net Revenues for the benefit of the Bonds, which lien is subject to the lien on the Gross Revenues of the Prior Obligations (except for Gross Revenues derived from 10% of Tuition Revenues, indirect cost recoveries, fees for the provision of faculty and student services, and Federal Direct Payments), as defined in and to the extent provided in the Bond Resolution. All actions have been taken as required by applicable law and the Bond Resolution to insure the validity and enforceability of the lien on the Net Revenues pledged by the Bond Resolution.

5. Under existing laws, regulations, rulings and judicial decisions and assuming continuing compliance with certain representations and continuing compliance with certain covenants, interest on the Series 2012 Bonds (including original issue discount treated as interest) is excludable from gross income for federal income tax purposes. In addition, interest on the Series 2012 Bonds is not a specific preference item, nor is it included in adjusted current earnings, for purposes of the federal alternative minimum tax. We express no opinion regarding other Federal tax consequences arising with respect to the Series 2012 Bonds.

6. Interest on the Series 2012 Bonds is exempt from all taxation and assessments in the State.

Any federal tax advice contained in this opinion and in the Official Statement was written to support the marketing of the Series 2012 Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayer's particular circumstances from an independent tax advisor.

The opinions expressed herein are based solely on the documents, representations and assumptions set forth above and subject to the limitations and qualifications described herein. We express no opinion regarding other federal tax consequences arising with respect to the Series 2012 Bonds.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. This letter is issued to and for the sole benefit of the above addressees and is issued for the sole purpose of the transaction specifically referred to herein. No person other than the above addressees may rely upon this letter without our express prior written consent. This letter may not be utilized by you for the other purpose whatsoever and may not be quoted by you without our express prior written consent. We have not assumed any responsibility with respect to the creditworthiness of the security for the Series 2012 Bonds, and our engagement as bond counsel with respect to the transaction referred to herein terminates upon the date of this letter. We assume no obligation to review or supplement this letter subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

#### CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is executed and delivered by the State Board for Community Colleges and Occupational Education (the “Board”) in connection with the issuance of the State of Colorado, Department of Higher Education, By State Board for Community Colleges and Occupational Education Systemwide Revenue Refunding Bonds, Series 2012A (the “Series 2012 Bonds”). The Series 2012 Bonds are being issued pursuant to a Master Resolution adopted by the Board on December 9, 2009 and a Third Supplemental Resolution adopted by the Board on December 14, 2011 (collectively, the “Bond Resolution”).

In consideration of the issuance of the Series 2012 Bonds by the Board and the purchase of such Series 2012 Bonds by the owners thereof, the Board hereby covenants and agrees as follows:

**Section 1. Purpose of this Disclosure Undertaking.** This Disclosure Undertaking is executed and delivered by the Board as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Series 2012 Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below). The Board represents that it will be the only obligated person (as defined in the Rule) with respect to the Series 2012 Bonds at the time the Series 2012 Bonds are delivered to the Participating Underwriter and that no other person is expected to become an obligated person at any time after the issuance of the Series 2012 Bonds.

**Section 2. Definitions.** The terms set forth below shall have the following meanings in this Disclosure Undertaking, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited consolidated financial statements of the Board, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Disclosure Undertaking*” means the obligations of the Board pursuant to Sections 4 and 5.

“*Dissemination Agent*” means any agent designated as such in writing by the Board and which has filed with the Board a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Material Event*” means the occurrence of any of the events with respect to the Series 2012 Bonds set forth in Exhibit II.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 6.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Series 2012 Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org) (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2 12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Colorado.

**Section 3. CUSIP Number/Final Official Statement.** The base CUSIP Number of the Series 2012 Bonds is 196696. The final Official Statement relating to the Series 2012 Bonds is dated January [\_\_\_\_], 2012 (the “Final Official Statement”).

**Section 4. Annual Financial Information Disclosure.** Subject to Section 9 of this Disclosure Undertaking, the Board hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by the Board’s delivery of such Annual Financial Information and Audited Financial Statements to the MSRB within 270 days of the completion of the Board’s fiscal year.

The Board is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Board will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Disclosure Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

**Section 5. Material Events Disclosure.** Subject to Section 9 of this Disclosure Undertaking, the Board hereby covenants that it will disseminate in a timely manner, not in excess of 10 business days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Series 2012 Bonds

or defeasance of any Series 2012 Bonds need not be given under this Disclosure Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Series 2012 Bonds pursuant to the Indenture. From and after the Effective Date, the Board is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Disclosure Undertaking.

**Section 6. Duty To Update EMMA/MSRB.** The Board shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

**Section 7. Consequences of Failure of the Board to Provide Information.** The Board shall give notice in a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Board to comply with any provision of this Disclosure Undertaking, the Bondholder of any Bond may seek specific performance by court order to cause the Board to comply with its obligations under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Indenture or the Loan Disclosure Undertaking or any other Disclosure Undertaking, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Board to comply with this Disclosure Undertaking shall be an action to compel performance.

**Section 8. Amendments; Waiver.** Notwithstanding any other provision of this Disclosure Undertaking, the Board may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Board or type of business conducted;

(ii) This Disclosure Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Series 2012 Bonds, as determined either by parties unaffiliated with the Board or by an approving vote of the Bondholders of the Series 2012 Bonds holding a majority of the aggregate principal amount of the Series 2012 Bonds (excluding Series 2012 Bonds held by or on behalf of the Board or its affiliates) pursuant to the terms of the Indenture at the time of the amendment; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

**Section 9. Termination of Disclosure Undertaking.** The Disclosure Undertaking of the Board shall be terminated hereunder when the Board shall no longer have any legal liability for any obligation on or relating to the repayment of the Series 2012 Bonds. The Board shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

**Section 10. Dissemination Agent.** The Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and

may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

**Section 11. Additional Information.** Nothing in this Disclosure Undertaking shall be deemed to prevent the Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Undertaking. If the Board chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Undertaking, the Board shall not have any obligation under this Disclosure Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

**Section 12. Beneficiaries.** This Disclosure Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Disclosure Undertaking shall inure solely to the benefit of the Board, the Dissemination Agent, if any, and the Bondholders of the Series 2012 Bonds, and shall create no rights in any other person or entity.

**Section 13. Recordkeeping.** The Board shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

**Section 14. Past Compliance.** The Board represents that it has complied with the requirements of each continuing disclosure undertaking entered into by it pursuant to the Rule in connection with previous financings to which the Rule was applicable.

**Section 15. Assignment.** The Board shall not transfer its obligations under the Bond Resolution unless the transferee agrees to assume all obligations of the Board under this Disclosure Undertaking or to execute a continuing disclosure undertaking under the Rule.

**Section 16. Governing Law.** This Disclosure Undertaking shall be governed by the laws of the State.

Dated: January \_\_\_\_, 2012

[SEAL]

STATE BOARD FOR COMMUNITY COLLEGES  
AND OCCUPATIONAL EDUCATION

By \_\_\_\_\_  
Maury Dobbie  
Chair

Attest:

By \_\_\_\_\_  
Nancy McCallin  
Secretary

[Signature Page to Continuing Disclosure Undertaking]

## EXHIBIT I

### ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means annual financial information and operating data of the type set forth in the Official Statement, including, but not limited to, such financial information and operating data set forth in the table entitled “Schedule of Prior Bonds” under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS—Outstanding Prior Obligations,” all of the tables set forth under the caption “THE NET REVENUES” AND “FINANCIAL INFORMATION CONCERNING THE SYSTEM.”

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. The Board shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 270 days after the last day of the Board fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 business days after availability to the Board.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Disclosure Undertaking, including for this purpose a change made to the fiscal year end of the Obligated Person, the Board will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

## **EXHIBIT II**

### **EVENTS WITH RESPECT TO THE SERIES 2012 BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED**

1. Principal and interest payment delinquencies
2. Nonpayment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Series 2012 Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Board\*
13. The consummation of a merger, consolidation or acquisition involving the Board or the sale of all or substantially all of the assets of the Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Board in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Board.