

In the opinion of Greenberg Traurig, P.A. and Edwards & Associates, P.A., Co-Special Tax Counsel, assuming continuing compliance with certain tax covenants and the accuracy of certain representations of the School Board, under existing statutes, regulations, rulings and court decisions, the portion of the Basic Lease Payments designated and paid as interest to the Series 2011A Certificate holders will be excludable from gross income for federal income tax purposes. The portion of the Basic Lease Payments designated and paid as interest to the Series 2011A Certificate holders will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. No opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2011A Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder. See "TAX TREATMENT" herein for a description of certain other federal tax consequences of ownership of the Series 2011A Certificates.



\$112,425,000
CERTIFICATES OF PARTICIPATION,
SERIES 2011A
Evidencing Undivided Proportionate Interests of the Owners
Thereof in Basic Lease Payments to be made by
THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA,
as Lessee, Pursuant to a Master Lease Purchase
Agreement with Palm Beach School Board Leasing Corp.,
as Lessor

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The Certificates of Participation, Series 2011A (the "Series 2011A Certificates") offered hereby evidence undivided proportionate interests in Basic Lease Payments (as defined herein) to be made by The School Board of Palm Beach County, Florida (the "School Board") acting as the governing body of The School District of Palm Beach County, Florida (the "District") pursuant to a Master Lease Purchase Agreement, dated as of November 1, 1994 (the "Master Lease") with Palm Beach School Board Leasing Corp. (the "Corporation"), as supplemented by Amended and Restated Schedule 2007B, as amended and restated as of July 1, 2011 (together with the Master Lease, the "Series 2007B Lease") providing for the lease purchase financing and refinancing of certain educational facilities by the School Board, as described herein.

On March 22, 2007, there were issued on behalf of the School Board \$119,400,000 aggregate principal amount of Certificates of Participation, Series 2007B (the "Series 2007B Certificates"). The Series 2007B Certificates were originally issued in an auction rate mode and were subsequently converted to a long-term rate mode, which long-term rate mode ends on July 31, 2011. The Series 2007B Certificates are currently outstanding in the aggregate principal amount of \$116,225,000. The Series 2007B Certificates are subject to mandatory tender for purchase or optional prepayment on August 1, 2011 and the School Board has determined that it is in its best interest to currently refund all of the Series 2007B Certificates on August 1, 2011 with the proceeds of the Series 2011A Certificates.

The Series 2011A Certificates maturing on August 1 in the years 2019 through 2025, inclusive (the "Series 2011A Fixed Rate Certificates") will accrue interest at the fixed interest rates set forth on the inside cover page hereof. The Series 2011A Certificates maturing on August 1, 2032 (the "Series 2011A Term Rate Certificates") will accrue interest at the initial term rate set forth on the inside cover page hereof to and including the end of the initial term thereof on July 31, 2016. The Series 2011A Term Rate Certificates are subject to mandatory tender or optional prepayment on August 1, 2016 at a price equal to 100% of the principal portion of the Basic Lease Payments represented by the Series 2011A Certificates, plus accrued interest. See "THE SERIES 2011A CERTIFICATES – Purchase of the Series 2011A Certificates" and "– Prepayment" herein. THE DESCRIPTION OF THE SERIES 2011A TERM RATE CERTIFICATES IN THIS OFFERING STATEMENT RELATES ONLY TO THE TERMS AND PROVISIONS OF THE SERIES 2011A TERM RATE CERTIFICATES DURING THE INITIAL TERM RATE PERIOD WHICH ENDS ON JULY 31, 2016 AND SHOULD NOT BE RELIED UPON BY ANY POTENTIAL INVESTOR IN MAKING AN INVESTMENT DECISION WITH REGARD TO THE SERIES 2011A TERM RATE CERTIFICATES DURING ANY OTHER TERM OR INTEREST RATE MODE.

The Series 2011A Certificates are being issued as fully registered Certificates pursuant to the provisions of a Master Trust Agreement, dated as of November 1, 1994, between the Corporation and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee"). The interest portion of the Basic Lease Payments represented by the Series 2011A Certificates is payable on February 1 and August 1 of each year, commencing February 1, 2012 (each a "Payment Date") by check or draft of the Trustee mailed to the Series 2011A Certificate owner of record at the address shown on the registration records maintained by the Trustee as of the fifteenth day of the month (whether or not a business day) next preceding each Payment Date. The Series 2011A Fixed Rate Certificates are being issued in denominations of \$5,000 or any integral multiples thereof. The Series 2011A Term Rate Certificates are being issued in denominations of \$100,000 or any integral of \$5,000 in excess of \$100,000. The Series 2011A Certificates will initially be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Series 2011A Certificates (the "Beneficial Owners") will not receive physical delivery of the Series 2011A Certificates. Ownership by the Beneficial Owners of the Series 2011A Certificates will be evidenced through a book-entry only system of registration. As long as Cede & Co. is the registered owner as nominee of DTC, payment of the principal portion and interest portion of the Basic Lease Payments represented by the Series 2011A Certificates will be made directly to Cede & Co., which will in turn remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners.

The Series 2011A Fixed Rate Certificates are subject to optional prepayment prior to maturity. During the initial term rate period, the Series 2011A Term Rate Certificates are not subject to optional or mandatory sinking fund prepayment. See "THE SERIES 2011A CERTIFICATES – Prepayment" herein.

THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO MAKE LEASE PAYMENTS. LEASE PAYMENTS ARE PAYABLE FROM FUNDS APPROPRIATED BY THE SCHOOL BOARD FOR SUCH PURPOSE FROM CURRENT OR OTHER FUNDS AUTHORIZED BY LAW AND REGULATIONS OF THE STATE OF FLORIDA DEPARTMENT OF EDUCATION. NONE OF THE DISTRICT, THE SCHOOL BOARD, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2007B LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER, AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS OR LIMITATION. NONE OF THE CORPORATION, THE TRUSTEE OR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO PAY ANY SUMS, INCLUDING THE BASIC LEASE PAYMENTS, DUE UNDER THE SERIES 2007B LEASE. SEE "RISK FACTORS" HEREIN.

SEE THE INSIDE COVER FOR CERTAIN ADDITIONAL INFORMATION RELATING TO THE SERIES 2007B LEASE AND THE SERIES 2011A CERTIFICATES.

This cover page and the inside cover contain certain information for reference only. They are not, and are not intended to be, a summary of the transaction. Investors must read the entire Offering Statement, including the appendices, to obtain information essential to the making of an informed investment decision.

The Series 2011A Certificates are offered when, as and if delivered and received by the Underwriters, subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida and Edwards & Associates, P.A., Miami, Florida, Co-Special Tax Counsel, and certain other conditions. Certain legal matters will be passed upon for the School Board and the Corporation by the District's Office of General Counsel. Nabors, Giblin & Nickerson, P.A. Tampa, Florida and KnoxSeaton, Miami, Florida, are serving as Co-Counsel to the Underwriters. Public Financial Management, Inc., Orlando, Florida, is acting as Financial Advisor to the School Board. It is expected that the Series 2011A Certificates will be available for delivery in New York, New York through the offices of DTC on or about July 13, 2011.

Morgan Stanley

BofA Merrill Lynch
J.P. Morgan

Citi
RBC Capital Markets

Wells Fargo Securities

ADDITIONAL INFORMATION

The Series 2011A Certificates are being issued to provide funds for the purposes of (i) optionally prepaying the Series 2007B Certificates on August 1, 2011 and thereby refinancing the costs of the acquisition, construction and installation of certain educational and related facilities leased to the School Board as described herein, and (ii) paying certain costs of issuance with respect to the Series 2011A Certificates.

The initial term of the Series 2007B Lease commenced on March 22, 2007 and continued through and including June 30, 2007, has been automatically renewed to date and is automatically renewable annually through August 1, 2032, unless sooner terminated as described herein. In addition to the Series 2007B Lease, the School Board (i) has heretofore entered into the Current Leases under the Master Lease (as described herein), and (ii) expects to enter into other Leases under the Master Lease in the future. Failure to appropriate funds to pay Lease Payments under any such Lease, or an event of default under any such Lease, will result in the termination of all Leases, including the Series 2007B Lease. Upon any such termination, any proceeds of the disposition of leased Facilities will be applied solely to the payment of the related Series of Certificates in accordance with the Master Trust Agreement as supplemented by the related Supplemental Trust Agreement and as further described herein. Should termination of the Master Lease occur, no provisions have been made for acceleration or prepayment of the Series 2011A Certificates. Co-Special Tax Counsel will express no opinion as to tax exemption or the effect of securities laws with respect to the Series 2011A Certificates following non-appropriation of funds or an event of default under the Master Lease which results in termination of the Lease Terms. Transfers of the Series 2011A Certificates may be subject to compliance with the registration provisions of state and federal securities laws following non-appropriation of funds or an event of default under the Master Lease which results in termination of the Lease Term of all Leases. (See "TAX TREATMENT" and "RISK FACTORS" herein).

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE, YIELD, PRICE AND INITIAL CUSIP NUMBER

\$44,520,000 Series 2011A Fixed Rate Certificates

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial CUSIP No.⁽¹⁾</u>
2019	\$1,565,000	4.000%	3.57%	102.983	696550WU2
2019	4,065,000	5.000	3.57	109.926	696550XB3
2020	620,000	4.000	3.81	101.441	696550WV0
2020	5,275,000	5.000	3.81	109.035	696550XC1
2021	2,180,000	4.000	3.99	100.080	696550WW8
2021	4,155,000	5.000	3.99	108.292	696550XD9
2022	6,750,000	5.000	4.22 ⁽²⁾	106.332	696550WX6
2023	6,605,000	4.125	4.38	97.630	696550WY4
2023	200,000	5.000	4.38 ⁽²⁾	104.994	696550XG2
2024	5,095,000	4.250	4.53	97.261	696550WZ1
2024	2,000,000	5.000	4.53 ⁽²⁾	103.758	696550XF4
2025	5,035,000	4.500	4.69	98.058	696550XA5
2025	975,000	5.000	4.69 ⁽²⁾	102.459	696550XE7

Series 2011A Term Rate Certificates

\$67,905,000 – 5.00% Series 2011A Term Rate Certificates due August 1, 2032; Yield – 3.02%⁽³⁾; Price - 109.207;
Initial CUSIP No. 696550XH0⁽¹⁾

⁽¹⁾ CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is provided for convenience of reference only. The School Board, the Financial Advisor and the Underwriter and their agents take no responsibility for the accuracy of such data.

⁽²⁾ Callable premium Series 2011A Fixed Rate Certificates. Yield calculated to first optional prepayment date of August 1, 2021. See "THE SERIES 2011A CERTIFICATES - Prepayment" herein.

⁽³⁾ Callable premium Series 2011A Term Rate Certificates. Yield calculated to mandatory tender or optional prepayment on August 1, 2016. See "THE SERIES 2011A CERTIFICATES - Purchase of the Series 2011A Certificates" and "- Prepayment" herein.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BOARD MEMBERS

District 5 - Frank A. Barbieri, Jr., Chairman
District 7 - Debra L. Robinson, M.D., Vice Chair
District 1 - Monroe Benaim, M.D.
District 2 - Chuck Shaw
District 3 - Karen M. Brill
District 4 - Jennifer Prior Brown, Esq.
District 6 - Marcia Andrews

SUPERINTENDENT OF SCHOOLS

Bill Malone

CHIEF FINANCIAL OFFICER

Michael J. Burke

TREASURER

Leanne Evans, CTP

CHIEF OF FACILITIES MANAGEMENT

Joseph Sanches

COUNSEL TO THE SCHOOL BOARD

Office of Chief Counsel
The School District of Palm Beach County, Florida

CO-SPECIAL TAX COUNSEL

Greenberg Traurig, P.A.
Miami, Florida
Edwards & Associates, P.A.
Miami, Florida

FINANCIAL ADVISOR

Public Financial Management, Inc.
Orlando, Florida

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Jacksonville, Florida

No dealer, broker, salesman or other person has been authorized by the School Board or the Underwriters to give any information or to make any representations, other than those contained in this Offering Statement, in connection with the offering contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Statement does not constitute an offer to sell nor a solicitation of an offer to buy any securities, other than the securities offered hereby, or an offer or a solicitation of an offer of the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful. The information set forth herein has been obtained from the District, the School Board, the Corporation, DTC and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the District or the School Board with respect to information provided by DTC. The information and expressions of opinion stated herein are subject to change without notice, and neither the delivery of this Offering Statement nor any sale made hereunder under any circumstances, create any implication that there has been no change in the affairs of the District or the School Board since the date hereof.

UPON ISSUANCE, THE SERIES 2011A CERTIFICATES WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER INDEPENDENT FEDERAL, STATE OR GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING STATEMENT OR APPROVED THE SERIES 2011A CERTIFICATES FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFERING STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE SCHOOL BOARD OR THE DISTRICT AND ANY ONE OR MORE OF THE OWNERS OF THE SERIES 2011A CERTIFICATES.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2011A Certificates are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

THIS PRELIMINARY OFFERING STATEMENT IS IN A FORM DEEMED FINAL BY THE SCHOOL BOARD FOR PURPOSES OF RULE 15c2-12 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT FOR CERTAIN INFORMATION PERMITTED TO BE OMITTED PURSUANT TO RULE 15c2-12(B)(1).

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OFFERING STATEMENT

\$112,425,000

**CERTIFICATES OF PARTICIPATION, SERIES 2011A
Evidencing Undivided Proportionate Interests of the
Owners Thereof in Basic Lease Payments to be Made by
THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA,
as Lessee, Pursuant to a
Master Lease Purchase Agreement
with Palm Beach School Board Leasing Corp., as Lessor**

INTRODUCTION

This Offering Statement, including the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the sale and delivery of \$112,425,000 aggregate principal amount of Certificates of Participation, Series 2011A (the "Series 2011A Certificates"). The Series 2011A Certificates evidence undivided proportionate interests of the owners thereof in the Basic Lease Payments to be made by The School Board of Palm Beach County, Florida (the "School Board") under the Series 2007B Lease (as such term is defined below). The Series 2011A Certificates are being executed and delivered pursuant to a Master Trust Agreement dated as of November 1, 1994 (the "Master Trust Agreement"), as supplemented by a Series 2011A Supplemental Trust Agreement dated as of July 1, 2011 (collectively, the "Trust Agreement"), each between Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee").

On or about June 29, 2011, the School Board expects to issue \$162,980,000* aggregate principal amount of Certificates of Participation, Series 2011B (the "Series 2011B Certificates") in order to refinance that portion of its outstanding Certificates of Participation, Series 2001B maturing in the years 2016 through 2025, inclusive (the "Refunded Series 2001B Certificates"). The Series 2011B Certificates are expected to be privately placed with one or more qualified financial institutions. No disclosure document has been prepared in connection with the issuance of the Series 2011B Certificates. For purposes of this Offering Statement, the issuance of the Series 2011B Certificates and the refunding of the Refunded Series 2001B Certificates is assumed to have occurred. See "SECURITY FOR THE SERIES 2011A CERTIFICATES - Interest Rate Exchange Agreements - 2001B Rate Exchange Agreement" herein. The Board has also authorized the refunding of the Series 2001B Certificates maturing in the years 2012 through 2015, inclusive; however, it is uncertain at this time if such refunding shall be undertaken or the structure of any related refunding issue. As such, for purposes of this Offering Statement, the Series 2001B Certificates maturing in the years 2012 through 2015, inclusive are assumed to remain outstanding and are referred to herein as the "Outstanding Series 2001B Certificates."

*Preliminary, subject to change.

The School Board, as the governing body of the School District of Palm Beach County, Florida (the "District"), entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease") between the Corporation, as lessor, and the School Board, as lessee, for the purpose of providing for the lease purchase financing and refinancing from time to time of certain educational facilities, sites and equipment (the "Facilities") from the Corporation. Facilities to be leased from time to time are identified on separate schedules (each a "Schedule") attached to the Master Lease. Upon execution and delivery thereof, each Schedule, together with the provisions of the Master Lease, will constitute a separate lease agreement (individually a "Lease" and collectively the "Leases"). The Facilities subject to each such Lease are financed or refinanced with separate Series of Certificates issued under the Master Trust Agreement as supplemented by a Supplemental Trust Agreement related to each such Series of Certificates.

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The following table provides a summary of the Leases in effect as of the date of delivery of the Series 2011A Certificates (including the Series 2007B Lease more particularly described below), the designation of the Facilities being lease-purchased by the School Board under each Lease, the final term of each Lease, the related Series of Certificates and the outstanding principal amount of each such related Series of Certificates.

<u>Lease</u>	<u>Related Facilities</u>	<u>Final Renewal Term Ending Date</u>	<u>Related Series of Certificates</u>	<u>Principal Amount Outstanding</u>
Series 1994A	Series 1994A	June 30, 2015	Series 2007D	\$ 22,725,000
Series 1995A	Series 1995A	June 30, 2015	Series 2002E	44,970,000 ⁽⁸⁾
Series 1996A	Series 1996A	June 30, 2016	Series 2002E	13,030,000 ⁽⁸⁾
			Outstanding Series	
Series 2000A	Series 2000A	June 30, 2025	2001B	3,850,000 ⁽⁹⁾
			Series 2011B	162,980,000 ⁽⁹⁾
Series 2001A ⁽¹⁾	Series 2001A	June 30, 2026	Series 2001A	495,000
			Series 2005A	49,920,000 ⁽¹⁰⁾
			Series 2007C	77,835,000 ⁽¹¹⁾
Series 2002A ⁽²⁾	Series 2002A	August 1, 2018	Series 2002A	37,045,000
			Series 2005A	27,475,000 ⁽¹⁰⁾
Series 2002B	Series 2002B	August 1, 2027	Series 2002B	115,350,000
Series 2002C	Series 2002C	July 31, 2027	Series 2002C	7,835,000
			Series 2005A	25,155,000 ⁽¹⁰⁾
			Series 2007C	112,770,000 ⁽¹¹⁾
Series 2002D	Series 2002D	August 1, 2028	Series 2002D	145,850,000
			Series 2005A	21,155,000 ⁽¹⁰⁾
Series 2002-QZAB	Series 2002-QZAB	June 11, 2016	Series 2002-QZAB	407,143
Series 2003A	Series 2003A	August 1, 2021	Series 2003A	40,480,000
Series 2003B	Series 2003B	August 1, 2029	Series 2003B	124,295,000
Series 2004A ⁽³⁾	Series 2004A-1 and Series 2004A-2	August 1, 2029 August 1, 2016	Series 2004A	87,300,000
Series 2004-QZAB	Series 2004-QZAB	April 29, 2020	Series 2004-QZAB	1,471,185
Series 2005-QZAB	Series 2005-QZAB	December 15, 2020	Series 2005-QZAB	1,183,912
Series 2006A ⁽⁴⁾	Series 2006A-1 and Series 2006A-2	August 1, 2031 August 1, 2011	Series 2006A	199,595,000
Series 2007A ⁽⁵⁾	Series 2007A-1 and Series 2007A-2	August 1, 2031 August 1, 2015	Series 2007A	238,855,000
Series 2007B	Series 2007B	August 1, 2032	Series 2011A	112,425,000 ⁽¹²⁾
Series 2007E ⁽⁶⁾	Series 2007E-1 and Series 2007E-2	August 1, 2032 August 1, 2020	Series 2007E	147,390,000
Series 2010A ⁽⁷⁾	Series 2010A	August 1, 2032	Series 2010A	67,665,000
Total				<u>\$1,821,842,240</u>

(1) Includes the Series 2001A-1 Lease and the Series 2001A-2 Lease.

(2) Includes the Series 2002A-1 Lease and the Series 2002A-2 Lease.

(3) Includes the Series 2004A-1 Lease and the Series 2004A-2 Lease.

(4) Includes the Series 2006A-1 Lease and the Series 2006A-2 Lease.

(5) Includes the Series 2007A-1 Lease and the Series 2007A-2 Lease.

(6) Includes the Series 2007E-1 Lease and the Series 2007E-2 Lease.

(7) The School Board designated the Series 2010A Lease as a "qualified school construction bond" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 6431 of the Code, the School Board made an election to qualify to receive federal subsidy payments from the United States Treasury pursuant to Section 6431(f) of the Code (the "Interest Subsidy") on each interest payment date for the Series 2010A Certificates. The expected Interest Subsidy will be in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates on such date or the amount of interest which would have been payable with respect to the Series 2010A Certificates if the interest were determined at the applicable tax credit rate for the Series 2010A Certificates pursuant to Section 54A(b)(3) of the Code.

(8) The listed principal amount represents the approximate principal portion of the Series 2002E Certificates allocated to each of the Series 1995A Lease and Series 1996A Lease.

- (9) Assumes the refunding of the Refunded Series 2001A Certificates from proceeds of the Series 2011B Certificates. See "SECURITY FOR THE SERIES 2011A CERTIFICATES - Interest Rate Exchange Agreements - 2001B Interest Rate Exchange Agreement" herein.
- (10) The listed principal amounts represent the approximate principal portion of the Series 2005A Certificates allocated to each of the Series 2001A Lease, Series 2002A Lease, Series 2002C Lease and the Series 2002D Lease.
- (11) The listed principal amounts represent the approximate principal portion of the Series 2007C Certificates allocated to each of the Series 2001A Lease and Series 2002C Lease.
- (12) Reflects the refunding of the Refunded Certificates (as such term is defined below).

The Series 2001A Certificates, the Outstanding Series 2001B Certificates, the Series 2002A Certificates, the Series 2002B Certificates, the Series 2002C Certificates, the Series 2002 QZAB Certificates, the Series 2002D Certificates, the Series 2002E Certificates, the Series 2003A Certificates, the Series 2003B Certificates, the Series 2004A Certificates, the Series 2004 QZAB Certificates, the Series 2005A Certificates, the Series 2005 QZAB Certificates, the Series 2006A Certificates, the Series 2007A Certificates, the Series 2007C Certificates, the Series 2007D Certificates, the Series 2007E Certificates, the Series 2010A Certificates and the Series 2011B Certificates are collectively referred to herein as the "Outstanding Certificates." The Series 1994A Lease, the Series 1995A Lease, the Series 1996A Lease, the Series 2000A Lease, the Series 2001A Leases, the Series 2002A Leases, the Series 2002B Lease, the Series 2002C Lease, the Series 2002D Lease, the Series 2002 QZAB Lease, the Series 2003A Lease, the Series 2003B Lease, the Series 2004A Leases, the Series 2004 QZAB Lease, the Series 2005 QZAB Lease, the Series 2005B Leases, the Series 2006A Leases, the Series 2007A Leases, the Series 2007E Leases and the Series 2010A Lease, are collectively referred to herein as the "Current Leases." In addition to the Current Leases the School Board may authorize other Leases in the future. See "THE MASTER LEASE FACILITIES," "THE PRIOR FACILITIES" and "THE MASTER LEASE PROGRAM."

The Facilities leased under the Current Leases, described below under the caption "THE PRIOR FACILITIES" and the Series 2007B Facilities described below under the caption "THE SERIES 2007B FACILITIES" upon completion of facilities currently under construction will constitute approximately 46% of all gross square feet of educational facilities space in the District under the Master Lease. See "THE MASTER LEASE FACILITIES," "THE SERIES 2007B FACILITIES" and "THE PRIOR FACILITIES."

On March 22, 2007, there were issued on behalf of the School Board \$119,400,000 aggregate principal amount of Certificates of Participation, Series 2007B (the "Series 2007B Certificates"). The Series 2007B Certificates were originally issued in an auction rate mode and were subsequently converted to a long-term rate mode, which long-term rate mode ends on July 31, 2011. The Series 2007B Certificates are currently outstanding in the aggregate principal amount of \$116,225,000. The Series 2007B Certificates are subject to mandatory tender for purchase or optional prepayment on August 1, 2011 and the School Board has determined that it is in its best interest to optionally prepay all of the Series 2007B Certificates on August 1, 2011 with the proceeds of the Series 2011A Certificates. See "PURPOSE OF THE SERIES 2011A CERTIFICATES" and "PLAN OF REFUNDING."

Pursuant to the applicable provisions of Florida law, including particularly Chapters 1001-1013, Florida Statutes, as amended, the School Board has, by Resolution duly adopted by the School Board on May 11, 2011, authorized the execution and delivery of Amended and Restated Schedule 2007B to the Master Lease, as amended and restated as of July 1, 2011 (together with the Master Lease, the "Series 2007B Lease").

The initial term of the Series 2007B Lease commenced on March 22, 2007 and continued to and including June 30, 2007, has been automatically renewed to date and is automatically renewable annually through and including August 1, 2032, unless sooner terminated as described herein. Subject to the Board's right to substitute facilities, the Facilities being lease purchased under the Series 2007B Lease include additions at two middle schools, an auditorium addition at a high school, a new elementary school and the modernization/replacement of two elementary schools (the "Series 2007B Facilities"). See "THE SERIES 2007B LEASE" and "THE SERIES 2007B FACILITIES."

The School Board currently holds title to all of the sites on which the Series 2007B Facilities are located (the "Series 2007B Facility Sites"). Pursuant to the Series 2007B Ground Lease dated as of March 1, 2007, as amended, particularly as amended by the Second Amendment to Ground Lease, dated as of July 1, 2011 (collectively, the "Series 2007B Ground Lease"), the School Board is leasing the Series 2007B Facility Sites to the Corporation for an initial term which commenced on March 22, 2007 and ends on August 1, 2037, subject to Permitted Encumbrances (as defined in the Series 2007B Ground Lease), and subject to earlier termination or extension as set forth therein. See "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Series 2007B Ground Lease."

Pursuant to the Series 2007B Assignment Agreement dated as of March 1, 2007 (the "Series 2007B Assignment"), between the Corporation and the Trustee, the Corporation has irrevocably assigned to the Trustee for the benefit of the owners of the Series 2011A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2007B Lease (e.g., a Series of Certificates issued to refund the Series 2011A Certificates) substantially all of its right, title and interest in and to the Series 2007B Ground Lease and the Series 2007B Lease including the right to receive the Basic Lease Payments and all other amounts due under the Series 2007B Lease, as herein described. See "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - Series 2007B Assignment."

Brief descriptions of the District, the School Board, the Corporation and the Series 2007B Facilities are included in this Offering Statement together with summaries of certain provisions of the Series 2011A Certificates, the Master Lease, the Series 2007B Lease, the Series 2007B Ground Lease, the Trust Agreement and the Series 2007B Assignment. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Master Lease, the Series 2007B Lease, the Trust Agreement, the Series 2010A Ground Lease and the Series 2010A Assignment are qualified in their entirety by reference to the respective complete documents. Copies of the documents may be obtained upon written request and payment of the costs of duplication to the Trustee at 10161 Centurion Parkway, Jacksonville, Florida 32256, or to the District at 3300 Forest Hill Boulevard, Suite A-334, West Palm Beach, Florida 33406-5813, Office of the Treasurer. Capitalized terms used herein and not otherwise defined will have the meanings given them in "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS."

PURPOSE OF THE SERIES 2011A CERTIFICATES

The Series 2011A Certificates are being issued for the principal purpose of providing funds sufficient to: (i) prepay the Series 2007B Certificates (the "Refunded Certificates") on August 1, 2011 and thereby refinance the costs of the Series 2007B Facilities and (ii) pay costs associated with the issuance of the Series 2011A Certificates. See "PLAN OF REFUNDING," "THE SERIES 2007B FACILITIES" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

PLAN OF REFUNDING

The Series 2011A Certificates are being issued in order to provide the funds necessary to refund, on a current basis, the Refunded Certificates and thereby refinance the Series 2007B Facilities. The Refunded Certificates are subject to optional prepayment on August 1, 2011, at a price equal to the par amount of the Refunded Certificates, plus accrued interest to the prepayment date. Upon the issuance of the Series 2011A Certificates, a portion of the proceeds of the Series 2011A Certificates, together with other legally available funds of the School Board will be deposited in an escrow deposit trust fund created pursuant to an Escrow Deposit Agreement by and between the School Board and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as Escrow Agent (the "Escrow Deposit Agreement"), which proceeds will be sufficient to pay the Basic Lease Payments represented by the Refunded Certificates to their date of prepayment. Co-Special Tax Counsel will render their opinion to the effect that, assuming the deposit and application of such proceeds and other funds in accordance with the terms of the Escrow Deposit Agreement provision having been made for the payment of the Basic Lease Payments represented by the Refunded Certificates, the Refunded Certificates will be deemed to be paid and the obligations under the Series 2007B Lease to pay Basic Lease Payments as represented by the Refunded Certificates will have been released and discharged with respect to the Refunded Certificates. Such opinions will be rendered in reliance upon the verification report of Causey, Demgen & Moore, Inc., Denver, Colorado, independent certified public accountants described herein under the heading "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

THE SERIES 2011A CERTIFICATES

General

The Series 2011A Certificates will be dated the date of delivery, will mature in the years and principal amounts and initially accrue interest at the fixed interest rates set forth on the inside cover page of this Offering Statement. The Series 2011A Certificates will initially be issued exclusively in "book-entry" form and ownership of one fully registered Series 2011A Certificate for each maturity as set forth on the inside cover page, each in the aggregate principal amount of such maturity, will be initially registered in the name of "Cede & Co." as nominee of The Depository Trust Company, New York, New York ("DTC"). The principal portion and interest portion of Basic Lease Payments represented by the Series 2011A Certificates are payable in the manner set forth under "THE SERIES 2011A CERTIFICATES - Book-Entry Only System" herein. With respect to the Series 2011A Fixed Rate Certificates, individual purchases will be made in increments of \$5,000 or integral multiples thereof. With respect to the Series 2011A

Term Rate Certificates, individual purchases will be made in increments of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

The principal portion of Basic Lease Payments represented by the Series 2011A Certificates payable at maturity or earlier prepayment thereof represents undivided proportionate interests in the principal portion of the Basic Lease Payments due on each of the dates set forth in the Series 2007B Lease. The interest component of Basic Lease Payments represented by the Series 2011A Certificates is payable on February 1 and August 1 of each year to and including the date of maturity or earlier prepayment, commencing on February 1, 2012 (each a "Payment Date"), and represents undivided proportionate interests in the interest portion of Basic Lease Payments due on the December 30 and June 30 prior to each Payment Date to and including the maturity or earlier prepayment of the Series 2011A Certificates. The interest portion of the Basic Lease Payments represented by the Series 2011A Certificates will be computed on the basis of a 360-day year based on twelve 30-day months. The principal portion or Prepayment Price of the Series 2011A Certificates is payable to the registered owner upon presentation at the designated corporate trust office of the Trustee. Except as otherwise provided in connection with the maintenance of a book-entry only system of registration of the Series 2011A Certificates, the interest portion of the Basic Lease Payments represented by the Series 2011A Certificates is payable to the registered owner at the address shown on the registration books maintained by the Trustee as of the 15th day of the month (whether or not a business day) preceding the Payment Date or at the prior written request and expense of any registered owner of at least \$1,000,000 in aggregate principal amount of Series 2011A Certificates by bank wire transfer to a bank account in the United States designated in writing prior to the fifteenth day of the month next preceding each Payment Date. Notwithstanding the above, reference is made to the book-entry system of registration described under "BOOK-ENTRY ONLY SYSTEM" below.

With respect to the Series 2011A Fixed Rate Certificates, interest will accrue commencing on the date of issuance of the Series 2011A Fixed Rate Certificates through, but not including, the respective maturity dates thereof. With respect to the Series 2011A Term Rate Certificates, interest will accrue at the initial term rate commencing on the date of issuance of the Series 2011A Term Rate Certificates to and including July 31, 2016, the end of the initial term rate period. The Series 2011A Term Rate Certificates are subject to mandatory tender or optional prepayment on August 1, 2016. See "THE SERIES 2011A CERTIFICATES – Purchase of Series 2011A Certificates" and "– Prepayment" herein. THE DESCRIPTION OF THE SERIES 2011A TERM RATE CERTIFICATES IN THIS OFFERING STATEMENT RELATES ONLY TO THE TERMS AND PROVISIONS OF THE SERIES 2011A TERM RATE CERTIFICATES DURING THE INITIAL TERM RATE PERIOD WHICH ENDS ON JULY 31, 2016 AND SHOULD NOT BE RELIED UPON BY ANY POTENTIAL INVESTOR IN MAKING AN INVESTMENT DECISION WITH REGARD TO THE SERIES 2011A TERM RATE CERTIFICATES DURING ANY OTHER TERM OR INTEREST RATE MODE.

Prepayment

Series 2011A Fixed Rate Certificates

Optional Prepayment. The Series 2011A Fixed Rate Certificates maturing on or before August 1, 2021 are not subject to optional prepayment. The Series 2011A Fixed Rate

Certificates maturing on or after August 1, 2022 are subject to prepayment on or after August 1, 2021, if the School Board elects to prepay the principal portion of the Basic Lease Payments due under the Series 2007B Lease in whole or in part at any time, and if in part, in such order of maturity of Series 2011A Fixed Rate Certificates corresponding to the due dates of the principal portion of Basic Lease Payments as shall be designated by the School Board to be prepaid, and by lot within a maturity in such manner as the Trustee may determine, at a Prepayment Price equal to 100% of the principal portion of the Basic Lease Payments represented by the Series 2011A Fixed Rate Certificates or portions thereof to be prepaid, plus interest accrued to the Prepayment Date.

The School Board may elect to convert all or a portion of the interest portion of the Basic Lease Payments represented by the Series 2011A Fixed Rate Certificates subject to optional prepayment to a new Interest Rate Period on any date which they are subject to optional prepayment. In such case, such Series 2011A Fixed Rate Certificates would be subject to mandatory tender for purchase upon notice and satisfaction of the other conditions set forth in the Series 2011A Supplemental Trust Agreement. See "APPENDIX C – FORMS OF CERTAIN LEGAL DOCUMENTS – Series 2011A Supplemental Trust Agreement."

No Extraordinary Prepayment. The Series 2011A Fixed Rate Certificates are not subject to extraordinary prepayment prior to maturity.

Series 2011A Term Rate Certificates

Optional Prepayment. The Series 2011A Term Rate Certificates are not subject to prepayment at the option of the School Board during the initial Long-Term Rate Period; provided, however, Series 2011A Term Rate Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part on the day succeeding the last day of such initial Long-Term Rate Period at a Prepayment Price equal to the principal portion of the Basic Lease Payments represented thereby, without premium, plus the interest portion of the Basic Lease Payments represented thereby accrued to the Prepayment Date.

No Extraordinary Prepayment. The Series 2011A Term Rate Certificates are not subject to extraordinary prepayment prior to maturity.

No Mandatory Sinking Fund Prepayment During Initial Term Rate Period. During the initial term rate period, the Series 2011A Term Rate Certificates are not subject to mandatory sinking fund prepayment prior to maturity.

Prepayment Provisions Applicable to all Series 2011A Certificates

Delayed Remarketing Certificates. Any Series 2011A Certificates which are Delayed Remarketing Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part on any Business Day at a Prepayment Price equal to the Series 2011A Principal represented thereby, without premium, plus the Series 2011A Interest represented thereby accrued to the Prepayment Date. See "Failed Remarketing of Tendered Series 2011A Certificates" and "Special Provisions Relating to Delayed Remarketing

Certificates" below for a definition of, and provisions applicable to, Delayed Remarketing Certificates.

Selection of Series 2011A Certificates for Prepayment. If less than all of the Series 2011A Certificates are called for prepayment, the particular Series 2011A Certificates or portions thereof to be prepaid will be in multiples of Authorized Denominations. The particular Series 2011A Certificates or portions thereof to be prepaid will be selected by lot by the Trustee in such manner as the Trustee deems fair and appropriate. In selecting portions of such Series 2011A Certificates for prepayment, the Trustee will treat each such Series 2011A Certificate as representing that number of Series 2011A Certificates in Authorized Denominations which is obtained by dividing the principal amount of such Series 2011A Certificates to be prepaid in part, by the applicable Authorized Denomination.

DTC Procedures. Investors should note that while DTC is the registered owner of the Series 2011A Certificates, partial prepayments of the Series 2011A Certificates will be determined in accordance with DTC's procedures. The School Board intends that prepayment allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the School Board and the Beneficial Owners of the Series 2011A Certificates be made in accordance with the method of selection of Series 2011A Certificates for a partial prepayment described above. However, the selection of the Series 2011A Certificates for prepayment in DTC's book-entry only system is subject to DTC's practices and procedures as in effect at the time of any such partial prepayment. The School Board can provide no assurance that DTC or the DTC Participants or any other intermediaries will allocate prepayments among Beneficial Owners in accordance with the method of selection of Series 2011A Certificates for a partial prepayment described above.

Notice of Prepayment. So long as the Series 2011A Certificates are issued in book-entry-only form, notice of prepayment will be mailed, postage prepaid, not less than 30 days before the Prepayment Date (not less than five days nor more than ten days before the Prepayment Date in the case of prepayment for termination of the Lease Term in certain events of non-appropriation or default under any Lease, unless a different notice period is required by DTC) to Cede & Co., as nominee for DTC, and the Trustee will not mail any prepayment notice directly to the Beneficial Owners of the Series 2011A Certificates. See "THE SERIES 2011A CERTIFICATES – Book-Entry-Only System" herein.

Prior to notice being given to the Owners of affected Series 2011A Certificates of any optional prepayment of Series 2011A Certificates under the Trust Agreement, either (i) there shall be deposited with the Trustee an amount sufficient to pay the principal portion of the Basic Lease Payments represented by Series 2011A Certificates subject to prepayment, plus accrued interest to the prepayment date, plus any premium applicable to such prepayment, or (ii) such notice shall state that the prepayment is conditioned on the receipt of moneys for such prepayment by the Trustee on or prior to the Prepayment Date. In the event that a conditional notice of prepayment is given and such moneys are not timely received, the prepayment for which such notice was given shall not be undertaken.

Effect of Prepayment. If, on the Prepayment Date, moneys for the payment of the Prepayment Price of the Series 2011A Certificates or portions thereof to be prepaid are held by

the Trustee and available therefor on the Prepayment Date and if notice of prepayment has been given as required, then from and after the Prepayment Date, the interest represented by the Series 2011A Certificates or the portion thereof called for prepayment will cease to accrue. If such moneys are not available on the Prepayment Date, the principal represented by such Series 2011A Certificates or portions thereof will continue to bear interest until paid at the same rate as would have accrued had it not been called for prepayment.

Purchase of Series 2011A Certificates

No Optional Tender. The Series 2011A Certificates are not subject to optional tender for purchase by the holders thereof.

Mandatory Tender of Series 2011A Term Rate Certificates at End of Initial Term. The Series 2011A Term Rate Certificates are subject to mandatory tender on August 1, 2016, at a price equal to 100% of the principal portion of the Basic Lease Payments represented by the Series 2011A Term Rate Certificates, plus accrued interest. As of the date of this Offering Statement, the School Board has not provided a Liquidity Facility for the payment of the purchase price upon mandatory tender of the Series 2011A Term Rate Certificates on August 1, 2016. For payment of the Tender Price on the Tender Date, a Series 2011A Term Rate Certificate must be delivered at or prior to 10:00 a.m., New York City time, on the Tender Date. If delivered after that time, the Tender Price will be paid on the next succeeding Business Day.

Mandatory Tender of Series 2011A Fixed Rate Certificates Upon Conversion. The Series 2011A Fixed Rate Certificates subject to optional prepayment are subject to mandatory tender upon a conversion from the Long-Term Rate Period on any date on which such Series 2011A Fixed Rate Certificates are subject to optional prepayment at a price equal to 100% of the principal portion of the Basic Lease Payments represented by such Series 2011A Fixed Rate Certificates, plus accrued interest. As of the date of this Offering Statement, the School Board has not provided a Liquidity Facility for the payment of the purchase price upon mandatory tender of such Series 2011A Fixed Rate Certificates at conversion. For payment of the Tender Price on the Tender Date, a Series 2011A Fixed Rate Certificate must be delivered at or prior to 10:00 a.m., New York City time, on the Tender Date. If delivered after that time, the Tender Price will be paid on the next succeeding Business Day.

Mandatory Tender Upon Purchase in Lieu of Prepayment. The Series 2011A Certificates Outstanding will be subject to mandatory tender for purchase if the School Board gives written direction to the Trustee not less than ten (10) days prior to a scheduled optional Prepayment Date to purchase the Series 2011A Certificates rather than prepay them on such date. Such purchase will be made on the date the Special Purchase Series 2011A Certificates are otherwise scheduled to be prepaid at the Special Purchase Price.

Notice of Mandatory Tender for Purchase. Except as described in the next paragraph, in connection with a mandatory tender for purchase of Series 2011A Certificates, the Trustee will give the notice required by the Trust Agreement. Each notice will state that (i) the Tender Price of any Series 2011A Certificate subject to mandatory tender for purchase will be payable only upon surrender of that Series 2011A Certificate to the Tender Agent at its principal office for delivery of Series 2011A Certificates, accompanied by an instrument of transfer, in form

satisfactory to the Tender Agent, executed in blank by the Series 2011A Certificate holder or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (ii) provided that moneys sufficient to effect such purchase will have been provided through the remarketing of such Series 2011A Certificates by the Remarketing Agent or through the Liquidity Facility, all Series 2011A Certificates subject to mandatory tender for purchase will be purchased on the mandatory Tender Date; and (iii) if any holder of a Series 2011A Certificate subject to mandatory tender for purchase does not surrender that Series 2011A Certificate to the Tender Agent for purchase on the mandatory Tender Date, then that Series 2011A Certificate will be deemed to be an Undelivered Certificate, that no interest will accrue on that Series 2011A Certificate on and after the mandatory Tender Date and that the holder will have no rights under the Series 2011A Supplemental Trust Agreement other than to receive payment of the Tender Price.

In connection with a mandatory tender described under "Mandatory Tender of Series 2011A Certificates - *Mandatory Tender Upon Purchase in Lieu of Prepayment*," the Trustee is not required to give notice to Owners other than the notice of optional prepayment required in accordance with the Trust Agreement; provided, however, in the event that all Series 2011A Certificates will be held in a book-entry-only system, the Trustee will give notice of such mandatory tender to the Securities Depository.

Undelivered Series 2011A Certificates; Tender Price

If any holder of a Series 2011A Certificate subject to mandatory tender for purchase, fails to deliver such Series 2011A Certificate to the Tender Agent at the place and on the Tender Date and at the time specified, or will fail to deliver such Series 2011A Certificate properly endorsed, that Series 2011A Certificate will constitute an Undelivered Certificate. If funds in the amount of the purchase price of the Undelivered Certificate are available for payment to the holder thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (A) the Undelivered Certificate will be deemed to be purchased and will no longer be deemed to be Outstanding under the Trust Agreement; (B) the Series 2011A Interest will no longer accrue for an Undelivered Certificate; and (C) funds in the amount of the Tender Price of the Undelivered Certificate will be held uninvested by the Trustee for the benefit of the holder thereof (provided that the holder will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Certificate to the Tender Agent or Trustee, as the case may be, at its principal office for delivery of Series 2011A Certificates.

If a Series 2011A Certificate purchased as provided in the Trust Agreement is not presented to the Tender Agent or the Trustee, as the case may be, the Tender Agent or the Trustee, as the case may be, will segregate and hold uninvested the money for the Tender Price of such Tender Certificate in trust for the benefit of the former holder of such Series 2011A Certificate, who will, except as provided in the following sentences of this paragraph, thereafter be restricted exclusively to such money for the satisfaction of any claim for the Tender Price. Any money which the Tender Agent or the Trustee, as the case may be, segregates and holds in trust for the payment of the Tender Price of any Series 2011A Certificate which remains unclaimed for five years after the date of purchase will be paid to the School Board. After the payment of such unclaimed money to the School Board, the former holder of such Series 2011A

Certificate will look only to the School Board for the payment thereof. The School Board will not be liable for any interest on unclaimed money and will not be regarded as a trustee of such money.

Remarketing Upon Mandatory Tender of Series 2011A Certificates

Upon a mandatory tender for purchase of Series 2011A Certificates, the Remarketing Agent will offer for sale and use its best efforts to sell such Series 2011A Certificates (including Provider Certificates) on the same date designated for purchase thereof, and, if not remarketed on such date, thereafter until sold, at a price equal to the Series 2011A Principal represented thereby plus the Series 2011A Interest accrued as provided in the Trust Agreement. Series 2011A Certificates will not be remarketed to the School Board or the Corporation or any affiliate of either.

Inadequate Funds for Purchase

If sufficient funds are not available for the purchase of all Series 2011A Certificates tendered or deemed tendered and required to be purchased on any Tender Date, all tendered Series 2011A Certificates will be returned to their respective Holders and the Series 2011A Interest on all such Series 2011A Certificates tendered or deemed tendered will accrue at the rate described under "Failed Remarketing of Tendered Series 2011A Certificates" below, until all such Series 2011A Certificates are purchased as required in accordance with the Series 2011A Supplemental Trust Agreement. Notwithstanding any other provision of the Series 2011A Supplemental Trust Agreement, such failed purchase and return will not constitute an Event of Default under the Trust Agreement. Thereafter, the Trustee will continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Provider (if any).

The School Board shall not be obligated to provide funds for payment of the Tender Price of the Series 2011A Certificates upon mandatory tender thereof.

Failed Remarketing of Tendered Series 2011A Certificates

In the event that any Series 2011A Certificates cannot be remarketed (the "Delayed Remarketing Certificates"), then the Series 2011A Interest represented by such Delayed Remarketing Certificates will accrue at (A) with respect to a Long-Term Rate Period for which a Liquidity Facility is in effect, One Month LIBOR Rate plus one-half percent (0.50%) per annum (which rate will not exceed the Maximum Rate), and (B) with respect to a Long-Term Rate Period for which no Liquidity Facility is in effect, eleven percent (11%) per annum, during the Delayed Remarketing Period (as defined in the Series 2011A Supplemental Trust Agreement).

Special Provisions Relating to Delayed Remarketing Certificates

Notwithstanding anything in the Trust Agreement to the contrary, the following provisions will apply with respect to Delayed Remarketing Certificates.

(i) On each Business Day during the Delayed Remarketing Period, the Remarketing Agent will continue to use its best efforts to remarket the Delayed Remarketing Certificates into

the Interest Rate Period designated by the Trustee, at the direction of the School Board (or such other Interest Rate Period as the Trustee, at the direction of the School Board, will thereafter designate to the Remarketing Agent and the prospective holders of such Series 2011A Certificates). Once the Remarketing Agent has advised the Trustee that it reasonably believes that it is able to remarket all of the Delayed Remarketing Certificates into the designated Interest Rate Period, the Trustee, at the direction of the School Board, will give notice by mail to the Holders of the Delayed Remarketing Certificates no later than five (5) Business Days prior to the proposed effective date of the new Interest Rate Period (the "Delayed Remarketing Date"), which notice will state (A) that the Series 2011A Interest represented by such Delayed Remarketing Certificates will continue to be calculated at a Long-Term Rate or will be adjusted to calculation at a Daily Rate, Weekly Rate, Certificate Interest Term Rate, Index Floating Rate, Long-Term Rate or Applicable ARS Rate unless the remarketing proceeds available on the Delayed Remarketing Date is less than the amount required to purchase all of the Delayed Remarketing Certificates at the Tender Price; (B) the Delayed Remarketing Date and, with respect to Delayed Remarketing Certificates for which the Series 2011A Interest represented thereby will continue to accrue at a Long-Term Rate, the proposed duration and last day of the Long-Term Rate Period; (C) that the Delayed Remarketing Certificates are subject to mandatory tender for purchase on the Delayed Remarketing Date and setting forth the Tender Price and the place of delivery for purchase of the Delayed Remarketing Certificates; (D) the information described under "Inadequate Funds for Purchase" above; and (E) that if sufficient funds are not available to pay the Tender Price of all Delayed Remarketing Certificates on the Delayed Remarketing Date, then the Series 2011A Interest on all such Delayed Remarketing Certificates will accrue at the rate described under "Failed Remarketing of Tendered Series 2011A Certificates" above until all such Series 2011A Certificates are purchased as required in accordance with the Series 2011A Supplemental Trust Agreement, and all tendered Delayed Remarketing Certificates will be returned to their respective Holders.

(ii) The Delayed Remarketing Certificates are subject to prepayment as described under "Prepayment – Delayed Remarketing Certificates" above. The Trustee will give notice of any such prepayment to the Delayed Remarketing Certificate holders at least five (5) Business Days prior to the Prepayment Date and otherwise in accordance the Master Trust Agreement.

(iii) During the Delayed Remarketing Period, the Series 2011A Interest represented by Delayed Remarketing Certificates will be paid to the Holders thereof (A) on each August 1 and February 1 occurring during the Delayed Remarketing Period and (B) on the last day of the Delayed Remarketing Period. In the case of clause (A), payment of the Series 2011A Interest represented by Delayed Remarketing Certificates will be made by the Trustee from the Series 2011A Lease Payment Account pursuant to the Trust Agreement. In the case of clause (B), payment of the Series 2011A Interest represented by Delayed Remarketing Certificates will be payable solely from the proceeds of remarketing and without duplication of any payment made pursuant to clause (A).

BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CORPORATION AND THE SCHOOL BOARD BELIEVE TO BE RELIABLE, BUT

NEITHER THE CORPORATION NOR THE SCHOOL BOARD TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC") will act as securities depository for the Series 2011A Certificates. The Series 2011A Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2011A Certificates and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "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 (the "Indirect Participants"). DTC has Standard and Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2011A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2011A Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2011A Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011A Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2011A Certificates, except in the event that use of the book-entry system for the Series 2011A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2011A Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011A Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011A Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping an 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 made among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2011A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2011A Certificates, such as prepayments, defaults, and proposed amendments to the Series 2010A documents. For example, Beneficial Owners of Series 2011A Certificates may wish to ascertain that the nominee holding the Series 2011A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Prepayment and tender notices shall be sent to DTC. If less than all of the Series 2011A Certificates are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Certificates to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011A Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School 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 2011A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds and other payments on the Series 2011A Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the School Board or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the School Board, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School Board and/or the Trustee for the Series 2011A Certificates. 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 the Direct and Indirect Participants.

None of the Corporation, the School Board or the Trustee can give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2011A Certificates paid to DTC or its nominee, or any prepayment, tender or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve or act in a manner described in this Offering Statement.

For every transfer and exchange of beneficial interests in the Series 2011A Certificates, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto. The requirement for physical delivery of Series 2011A Certificates in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2011A Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2011A Certificates to the remarketing agent's DTC Account.

DTC may discontinue providing its services as securities depository with respect to the Series 2011A Certificates at any time by giving reasonable notice to the School Board. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2011A Certificates are required to be printed and delivered.

The School Board may decide to discontinue use of the book-entry transfers through DTC (or a successor securities depository). In that event, Series 2011A Certificates will be printed and delivered to DTC.

SECURITY FOR THE SERIES 2011A CERTIFICATES

General

The Series 2011A Certificates evidence undivided proportionate interests in the principal portion and interest portion of Basic Lease Payments made by the School Board under the Series 2007B Lease. The Series 2011A Certificates are secured by and payable from the Trust Estate established for the Series 2011A Certificates (the "Trust Estate") pursuant to the Trust Agreement. The Trust Estate consists of all estate, right, title and interest of the Trustee in and to the Basic Lease Payments under the Series 2007B Lease, and all amounts held in the funds and accounts under the Trust Agreement in accordance with the provisions of the Master Lease and the Trust Agreement, including investment earnings thereon, and any and all monies received by the Trustee pursuant to the Series 2007B Lease and the Trust Agreement which are not required to be remitted to the School Board or the Corporation pursuant to the Master Lease or the Trust Agreement.

Neither the Corporation nor the School Board will mortgage or grant a security interest in the Series 2007B Facilities to the Trustee. Upon termination of the Series 2007B Lease upon the occurrence of an event of non-appropriation or in the case of certain events of default, however, the Series 2007B Lease provides that the School Board must surrender possession of the Series 2007B Facilities to the Trustee as assignee of the Corporation for disposition by sale or re-letting

of its interest in the Series 2007B Facilities as provided in the Trust Agreement, and any proceeds of any such disposition of the Series 2007B Facilities will be applied to the payment of the Series 2011A Certificates after payment of the expenses of the Trustee, in accordance with the terms of the Series 2007B Lease. The School Board may not be dispossessed of any personal property financed, in whole or in part, with proceeds of Certificates. See "THE SERIES 2007B FACILITIES" herein for a description of the Series 2007B Facilities against which the Trustee may exercise rights on behalf of the Owners of the Series 2011A Certificates. See also "THE SERIES 2007B LEASE - Effect of Termination for Non-Appropriation or Default."

Lease Payments

All Lease Payments and all other amounts required to be paid by the School Board under the Series 2007B Lease and the Current Leases and all other Leases will be made from funds authorized by law and regulations of the State of Florida Department of Education to be used for such purpose and budgeted and appropriated for such purpose by the School Board. Revenues available to the District for operational purposes and capital projects such as the Series 2007B Facilities are described under "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT." Such revenues are also used to pay other outstanding obligations of the District.

The Trust Agreement provides for the establishment and maintenance of a Series 2007B Lease Payment Account for deposit of Basic Lease Payments appropriated and paid under the Series 2007B Lease. Separate Lease Payment Accounts are established for each new group of Facilities to be financed by a Series of Certificates issued under the Trust Agreement. Lease Payments due under the schedules to the Master Lease are subject to annual appropriation by the School Board on an all-or-none basis and are payable solely from legally available funds appropriated by the School Board for such purposes; provided that Lease Payments with respect to a particular schedule and Series of Certificates may be additionally and separately secured by a Credit Facility. Such additional Facilities may be financed through the sale of additional Series of Certificates under the Trust Agreement. THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE LEASE PAYMENTS DUE FOR A PORTION OF THE FACILITIES LEASED UNDER THE MASTER LEASE; IT MUST BUDGET AND APPROPRIATE LEASE PAYMENTS FOR ALL PROJECTS OR NONE OF THEM. THERE CAN BE NO ASSURANCE THAT SUFFICIENT FUNDS WILL BE APPROPRIATED OR OTHERWISE BE MADE AVAILABLE TO MAKE ALL OF THE LEASE PAYMENTS DUE UNDER THE MASTER LEASE.

Limited Obligation of the School Board

THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO MAKE LEASE PAYMENTS. LEASE PAYMENTS ARE PAYABLE FROM FUNDS APPROPRIATED BY THE SCHOOL BOARD FOR SUCH PURPOSE FROM CURRENT OR OTHER FUNDS AUTHORIZED BY LAW AND REGULATIONS OF THE STATE OF FLORIDA DEPARTMENT OF EDUCATION. NONE OF THE DISTRICT, THE SCHOOL BOARD, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2007B LEASE FROM

ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER, AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NONE OF THE CORPORATION, THE TRUSTEE OR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO PAY ANY SUMS, INCLUDING THE BASIC LEASE PAYMENTS, DUE UNDER THE SERIES 2007B LEASE. SEE "RISK FACTORS" HEREIN.

Additional Leases

As noted above, the School Board has entered into the Current Leases and may enter into other Leases under the Master Lease in addition to the Series 2007B Lease and the Current Leases. See "THE MASTER LEASE PROGRAM." Failure to appropriate funds to make Lease Payments under any Lease will, and certain events of default under a Lease may, result in the termination of the Lease Term of all Leases, including the Series 2007B Lease. Upon any such termination of the Lease Term of all Leases, the School Board must surrender all Facilities, including the Series 2007B Facilities to the Trustee for sale or re-letting of the Trustee's interest. The proceeds of any such disposition of the Series 2007B Facilities will be applied to the payment of the Series 2011A Certificates after payment of the expenses of the Trustee, in accordance with the terms of the Series 2007B Lease. The School Board may not be dispossessed of any personal property financed, in whole or in part, with proceeds of Certificates. In no event will owners of the Series 2011A Certificates have any interest in or right to the proceeds of the disposition of Facilities financed with the proceeds of another Series of Certificates. There can be no assurance that the remedies available to the Trustee upon any such termination of the Lease Term of all Leases and the disposition of the Series 2007B Facilities will produce sufficient amounts to pay the outstanding Series 2011A Certificates.

For a discussion of remedies available to the Trustee upon the occurrence of an event of the non-appropriation of funds to pay Lease Payments or upon the occurrence of an event of default, see "THE SERIES 2007B LEASE - Termination of Lease Term" and "Effect of Termination for Non-Appropriation or Default" and "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Master Lease."

Additional Certificates; Outstanding Certificates

With respect to any Additional Lease, one or more series of Additional Certificates may be authorized by the Corporation at the request of the School Board and executed and delivered by the Trustee for the purpose of: (a) financing the cost of acquisition, construction, installation and equipping of any Facilities; (b) financing the cost of completing the acquisition, construction, installation and equipping of any Facilities; (c) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities; (d) paying or providing for the payment of the principal portion and interest portion of the Basic Lease Payments with respect

to, or the Purchase Option Price (as described under "SECURITY FOR THE SERIES 2011A CERTIFICATES - Optional Prepayment Price") of, all or a portion of the Facilities financed from the proceeds of any series of Certificates previously executed and delivered; (e) funding a Reserve Account in an amount equal to the applicable Reserve Account Requirement, if any; (f) capitalizing the interest portion of Basic Lease Payments during construction; or (g) paying the applicable Costs of Issuance. The aggregate principal amount of Additional Certificates which may be executed and delivered under the provisions of the Master Trust Agreement is not limited, except as may be provided with respect to a particular series of Additional Certificates in any Supplemental Trust Agreement creating such series.

Unless otherwise set forth in a Supplemental Trust Agreement authorizing the issuance of more than one series of Certificates, each Certificate within a Series of Certificates executed and delivered pursuant to the Trust Agreement shall rank *pari passu* and be equally and ratably secured under the Trust Agreement with each other Certificate of such series, but not with any Certificates of any other series, without preference, priority, or distinction of any such Certificate over any other such Certificate, except that to the extent that Basic Lease Payments available for payment to all Certificate holders are less than all amounts owed with respect to all Series of Certificates on any Payment Date, such amounts available shall be applied on a pro rata basis to Certificate holders of all Series in accordance with the ratio that the principal balance of each Series of Certificates outstanding bears to the total amount of Certificates Outstanding under the Trust Agreement.

Optional Prepayment Price

The School Board has the right to prepay all or a portion of the Basic Lease Payments represented by the Series 2011A Certificates and in connection therewith remove all or a portion of the Series 2007B Facilities from the Series 2007B Lease and from the lien of the Series 2007B Ground Lease by paying the Purchase Option Price for the specific Series 2007B Facilities being purchased or, to the extent permitted by law, by substituting other Facilities for the Series 2007B Facilities to be released. No such partial prepayment of the Series 2011A Certificates which is accomplished by the deposit in escrow of the prepayment price and the removal of Facilities from the Series 2007B Lease and from the lien of the Series 2007B Ground Lease may be made without the prior consent of the Credit Facility Issuer, if any. The Purchase Option Price, as of each Lease Payment Date, is: (i) the Basic Lease Payment then due plus the amount designated in the Series 2007B Lease; (ii) minus any credits pursuant to the provisions of the Series 2007B Lease; (iii) plus an amount equal to the interest to accrue with respect to the Series 2011A Certificates and any other Certificates representing an interest in the Series 2007B Lease to be prepaid from such Lease Payment Date to the next available date for prepaying the Series 2011A Certificates; (iv) plus an amount equal to any other amounts then due and owing under the Series 2007B Lease, as applicable, including any prepayment premiums payable on the Series 2011A Certificates and any other Certificates representing an interest in the Series 2007B Lease to be prepaid.

Non-Appropriation Risk

THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS FOR THE PURPOSE OF MAKING LEASE PAYMENTS. UNDER THE MASTER

LEASE THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE AVAILABLE REVENUES TO MAKE LEASE PAYMENTS SELECTIVELY ON A LEASE BY LEASE BASIS, BUT MUST APPROPRIATE SUCH REVENUES FOR ALL LEASES OR NONE OF THEM. FOR A DISCUSSION OF REMEDIES AVAILABLE TO THE TRUSTEE IN THE EVENT OF THE NON-APPROPRIATION OF FUNDS TO PAY LEASE PAYMENTS, SEE "THE SERIES 2007B LEASE - TERMINATION OF LEASE TERM" AND "EFFECT OF TERMINATION FOR NON-APPROPRIATION OR DEFAULT." THERE CAN BE NO ASSURANCE THAT THE REMEDIES AVAILABLE TO THE TRUSTEE IN THE EVENT OF NON-APPROPRIATION WILL PRODUCE SUFFICIENT AMOUNTS TO FULLY PAY THE OUTSTANDING CERTIFICATES FOR PAYING SUCH CLAIMS.

No Reserve Account for Series 2011A Certificates

There is no Reserve Account for the Series 2011A Certificates. However, pursuant to a Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established and maintained a separate Reserve Account to secure the payment of the principal and/or interest portion of the Basic Lease Payments related to such Series of Certificates. Each such Reserve Account shall secure only the Series of Certificates for which it has been established. See "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Master Trust Agreement."

Interest Rate Exchange Agreements

2002B Interest Rate Exchange Agreement. In connection with the Series 2002B Certificates the School Board entered into an International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement with Citigroup Financial Products Inc. ("CFPI"), formerly Salomon Brothers Holding Company Inc. (together with all schedules and confirmations thereto, the "2002B Interest Rate Exchange Agreement"). In general, the 2002B Interest Rate Exchange Agreement provides, subject to the terms and conditions thereof, for payment by the School Board to CFPI of a fixed rate of interest of 4.22% and for payment by CFPI to the School Board of interest at a variable rate based on the Securities Industry and Financial Markets Association (formerly BMA) Municipal Swap Index (the "SIFMA Index"), or subsequent to an Alternate Floating Rate Date (as defined in the 2002B Interest Rate Exchange Agreement), at a variable rate based on 67% of "USD LIBOR-BBA," in each case based on an initial notional amount of \$115,350,000 which declines simultaneously with the scheduled amortization of the related Series 2002B Certificates. The scheduled termination date of the 2002B Interest Rate Exchange Agreement is August 1, 2027. The scheduled payments of the School Board when due pursuant to the 2002B Interest Rate Exchange Agreement are guaranteed by a financial guaranty insurance policy (the "2002B Swap Policy") issued by Financial Security Assurance Inc., now known as Assured Guaranty Municipal Corp. ("AGM"). The 2002B Swap Policy does not guarantee termination payments under the 2002B Interest Rate Exchange Agreement unless the termination is at the direction of AGM. For additional information on the 2002B Interest Rate Exchange Agreement, see note 10 to the District's audited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

2002D Interest Rate Exchange Agreements. The School Board has entered into two interest rate exchange agreements related to the Series 2002D Certificates (i) an ISDA Master

Agreement with Citibank, N.A. ("Citibank") (the "Citibank Master Agreement" and together with all schedules thereto and a confirmation dated January 10, 2003, the "2002D Interest Rate Exchange Agreement (2003)") and (ii) the Citibank Master Agreement (together with all schedules thereto and the confirmation dated August 10, 2005, the "2002D Interest Rate Exchange Agreement (2005)").

2002D Interest Rate Exchange Agreement (2003). In general, the 2002D Interest Rate Exchange Agreement (2003) provides, subject to the terms and conditions thereof, for payment by the School Board to Citibank of interest calculated at a variable rate based on the SIFMA Index, less a fixed spread of 66.5 basis points and for payment by Citibank to the School Board of interest calculated at a variable rate based on 67% of "USD LIBOR - BBA" (as defined in the 1992 ISDA U.S. Municipal Counterparty Definitions), in each case based on a notional amount of \$100,000,000. The scheduled termination date of the 2002D Interest Rate Exchange Agreement (2003) is June 30, 2028. The scheduled payments of the School Board when due pursuant to the 2002D Interest Rate Exchange Agreement (2003) are guaranteed by a financial guaranty insurance policy (the "2003 Swap Policy") issued by AGM. The 2003 Swap Policy does not guarantee termination payments under the 2002D Interest Rate Exchange Agreement (2003) unless the termination is at the direction of AGM. For additional information on the 2002D Interest Rate Exchange Agreement (2003), see notes 3 and 10 to the District's audited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

2002D Interest Rate Exchange Agreement (2005). Pursuant to the 2002D Interest Rate Exchange Agreement (2005), in exchange for an upfront payment from Citibank to the School Board, the School Board granted Citibank the option to put the District into a synthetic fixed payer swap, which option may be exercised by Citibank on February 1 in the years 2013 and 2014 and on August 1 in the years 2012 and 2013. In the event that Citibank exercises its option and the swap commences, in general the 2002D Interest Rate Exchange Agreement (2005) provides, subject to the terms and conditions thereof, for payment by the School Board to Citibank of a fixed rate of interest of 4.71% and for payment by Citibank to the School Board of interest at a variable rate based on the SIFMA Index, in each case based on a declining notional amount of \$116,555,000. The scheduled termination date of the 2002D Interest Rate Exchange Agreement (2005) is August 1, 2028. The scheduled payments of the School Board when due pursuant to the 2002D Interest Rate Exchange Agreement (2005) are guaranteed by a financial guaranty insurance policy (the "2005 Swap Policy") issued by AGM. The 2005 Swap Policy does not guarantee termination payments under the 2002D Interest Rate Exchange Agreement (2005) unless the termination is at the direction of AGM. For additional information on the 2002D Interest Rate Exchange Agreement (2005), see notes 3, 9 and 10 to the District's audited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

2003B Interest Rate Exchange Agreement. In connection with the Series 2003B Certificates the School Board entered into an ISDA Master Agreement with UBS AG (together with all schedules and confirmations thereto, the "2003B Interest Rate Exchange Agreement"). In general, the 2003B Interest Rate Exchange Agreement provides, subject to the terms and conditions thereof, for payment by the School Board to UBS of a fixed rate of interest of 3.91% and for payment by UBS to the School Board of interest at a variable rate based on the SIFMA Index, in each case based on an initial notional amount of \$124,295,000 which declines simultaneously with the scheduled amortization of the Series 2003B Certificates. UBS will have

the option to cancel the 2003B Interest Rate Exchange Agreement on or prior to August 1, 2018 if the 180 day average of the SIFMA Index exceeds 7.0%. The scheduled termination date of the 2003B Interest Rate Exchange Agreement is August 1, 2029. The 2003B Interest Rate Exchange Agreement has a Swap Policy issued by Ambac Assurance Corporation ("Ambac"). Pursuant to actions taken by the Commissioner of Insurance for the State of Wisconsin, such Swap Policy has been deposited to a 'segregated account' and is subject to an injunction against any party to, among other things, terminate the 2003B Interest Rate Exchange Agreement based on events related to Ambac or the segregated account or to make a claim on such Swap Policy. For additional information on the 2003B Interest Rate Exchange Agreement, see notes 3 and 10 to the District's audited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

2001B Interest Rate Exchange Agreement. In connection with the Series 2001B Certificates the School Board entered into an ISDA Master Agreement with Citibank, N.A. New York ("Citibank") (together with all schedules and confirmations thereto, the "2001B Interest Rate Exchange Agreement"). In exchange for an upfront payment from Citibank to the School Board, the School Board granted Citibank the option to put the District into a synthetic fixed payer swap, which option may be exercised by Citibank on each February 1 and August 1, commencing August 1, 2011 through and including August 1, 2014. Citibank has notified the District that it will exercise its option to commence such swap on August 1, 2011. Accordingly, the District is issuing the Series 2011B Certificates to refund the Refunded Series 2001B Certificates. In connection therewith, the Board and Corporation amended and restated Lease Schedule No. 2000A. Currently, the 2001B Interest Rate Exchange Agreement generally provides, subject to the terms and conditions thereof, for payment by the School Board to Citibank of a fixed rate of interest of 4.59% and for payment by Citibank to the School Board of interest at a variable rate based on the SIFMA Index, in each case based on an amortizing notional amount of \$162,980,000. In connection with the issuance of the Series 2011B Certificates, the School Board expects to amend the 2001B Interest Rate Exchange Agreement to provide for payment by Citibank to the School Board of interest at a variable rate based on a percentage of the LIBOR Rate. The District expects that the refunding of the Refunded Series 2001B Certificates, when combined with the fixed payer swap, will result in a slight increase in the amount of the Lease Payments on the Refunded Series 2001B Certificates, but such increase will be less than the value of the upfront payment from Citibank to the School Board. The scheduled termination date of the 2001B Interest Rate Exchange Agreement is August 1, 2025. The 2001B Interest Rate Exchange Agreement also had a Swap Policy issued by Ambac, which pursuant to an agreement between Citibank and Ambac, is no longer subject to claims based on the Swap Policy. Such agreement also provides that Citibank may not take any action, including termination, under the 2001B Interest Rate Exchange Agreement based on events with respect to Ambac or the segregated account. For additional information on the 2001B Interest Rate Exchange Agreement, see notes 3, 9 and 10 to the District's audited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

Payments made by the School Board under the above described agreements constitute Additional Lease Payments under the Master Lease and are secured by the Leases to which the respective interest rate exchange agreement relates. Each agreement described above is subject to termination prior to the scheduled termination date thereof under certain circumstances. If a termination event were to occur under one or more of such agreements the School Board may be

confronted with the need to appropriate a significant termination payment or payments within a single Fiscal Year. Such an obligation could have a material adverse effect on the School Board's ability to make lease payments, including payments required under the Series 2007B Lease.

THE MASTER LEASE FACILITIES

The Series 2007B Facilities are being financed and refinanced under the School Board's existing Master Lease as part of the School Board's master lease purchase program (the "Master Lease Program") with the Corporation. The Facilities financed by the School Board under the Master Lease Program are subject to annual appropriation on an all or none basis. After completion of certain Facilities currently under construction, the School Board will have approximately 46% of all gross square feet of educational facilities space in the District under the Master Lease. For a complete description of the Facilities under the Master Lease Program see "THE SERIES 2007B FACILITIES" and "THE PRIOR FACILITIES" herein.

Pursuant to the Master Lease, the School Board does not have the ability to appropriate funds to make Lease Payments on one Facility or some combination of Facilities only. The School Board's annual appropriation for Basic Lease Payments must be for all Facilities under the Master Lease Program or it must terminate all Facilities under the Master Lease Program (other than certain designated Facilities). In the event the School Board does not appropriate funds in its annual budget for all of such financed Facilities, the School Board would, at the Trustee's option, be required to surrender such Facilities, including the Series 2007B Facilities, to the Trustee for the benefit of the Owners of the Certificates which financed or refinanced such Facilities.

THE SERIES 2007B FACILITIES

The Series 2007B Project consists of the lease purchase financing and refinancing of the acquisition and construction of the Series 2007B Facilities, the lease of the Series 2007B Facility Sites by the School Board to the Corporation pursuant to the Series 2007B Ground Lease and the sublease of the Series 2007B Facility Sites back to the School Board. All of the Series 2007B Facilities are located within the District. The School Board holds title to all of the Series 2007B Facility Sites. Set forth below is a brief, general description of the Series 2007B Facilities that the School Board. See also, "- Substitution of Series 2007B Facilities" below.

Carver Middle School Addition. This school, which is located in the City of Delray Beach, contains approximately 29,807 new gross square feet and has a student capacity of 1462. The scope of this project included 3 new general classrooms, 3 new language arts classrooms, 3 new math classrooms, 3 science classrooms, 3 social studies classrooms, 2 resource rooms, 1 ESE classroom, 1 skills development/computer lab, new satellite administration, teacher planning and custodial space. This project was constructed in two phases. Phase I was completed in 2008 and Phase II is expected to be completed in July 2011.

Hagen Road Elementary School Modernization. This school, located in unincorporated Palm Beach County, contains approximately 120,656 new gross square feet and has a student capacity of 889. The scope of this project included 8 new pre-kindergarten classroom, 8 new

kindergarten classrooms, 16 new primary classrooms, 16 new intermediate classrooms, 2 new skills development/computer labs, 6 new resource rooms, 3 ESE classrooms, art, music, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This project opened in 2008.

Lake Worth Middle School Addition. This school, located in the City of Lake Worth, contains approximately 29,807 new gross square feet and has a student capacity of 1394. The scope of this project included 3 new general classrooms, 3 new language arts classrooms, 3 new math classrooms, 3 science classrooms, 3 social studies classrooms, 1 ESE classroom, 1 skills development/computer lab, 2 resource rooms, new satellite administration, teacher planning and custodial space. This project was constructed in two phases. Phase I was completed in 2008 and Phase II is expected to be completed in July 2011.

Palm Beach Gardens Elementary School Modernization. This school, located in Palm Beach Gardens, contains approximately 86,942 new gross square feet and has a student capacity of 738. The scope of this project included 2 pre-kindergarten classrooms, 8 new kindergarten classrooms, 12 new primary classrooms, 12 new intermediate classrooms, 3 new skills development/computer labs, 4 new resource rooms, 6 ESE classrooms, art, music, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This project opened in 2008.

Wellington High School Auditorium. This school, located in the Village of Wellington, contains approximately 21,155 new gross square feet and no student stations. This project opened in 2008.

Sunset Palms Elementary School. This school, located in unincorporated Palm Beach County, contains approximately 122,966 new gross square feet and has a student capacity of 960. The scope of this project included 8 new kindergarten classrooms, 22 new primary classrooms, 16 new intermediate classrooms, 3 new skills development/computer labs, 6 new resource rooms, 6 ESE classrooms, art, music, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This school opened in 2008.

Substitution of Series 2007B Facilities

To the extent permitted by law, on or after the Completion Date, the School Board may substitute for any portion of the Series 2007B Facilities other facilities owned by the School Board, provided such substituted facilities: (a) have the same or greater remaining useful life; (b) have a fair market value equal to or greater than the portion of the Series 2007B Facilities for which they are substituted (based on an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee); (c) are of substantially equal usefulness as the Series 2007B Facilities to be replaced and provide essential governmental services; and (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved by the State Department of Education. In addition, to the extent permitted by law, prior to the Completion Date the School Board may release and/or substitute for any Series 2007B Facilities other Facilities to be acquired, constructed and installed, provided that (1) any substituted Facilities satisfy the requirements of clauses (a), (c), (d) and (e) above and (2) following such

substitution and/or release, the sum of (x) with respect to Series 2007B Facilities for which a Certificate of Acceptance has not been delivered, the Cost of the acquisition, construction and installation of the Series 2007B Facilities plus (y) with respect to Series 2007B Facilities for which a Certificate of Acceptance has been delivered, the fair market value of the Series 2007B Facilities (based on an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee), financed under the Series 2007B Lease is greater than or equal to the remaining principal portion of Basic Lease Payments due thereunder. In order to effect such substitution, Series 2007B Facilities and the applicable Series 2010A Facility Site will be released from the encumbrance of the Series 2007B Lease and the Series 2010A Ground Lease and the Facilities to be substituted shall be incorporated into the Series 2007B Lease and the Series 2010A Ground Lease. Schedule No. 2010A will be appropriately amended and the Series 2010A Ground Lease will be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel as described in the Master Lease with respect to the substitute Facility Site.

THE PRIOR FACILITIES

The following provides a summarized description of the Facilities being lease-purchased under the Current Leases and subject to the Master Lease. Under certain conditions set forth in the Master Lease, the School Board may substitute Facilities, modify the plans and specifications therefor or eliminate Facilities.

Series 1994A Facilities

Orchard View Elementary School (91-I)
Pioneer Park Elementary School (91-D)
Roosevelt Middle School (91-KK)
Woodlands Middle School (91-LL)

Series 1995A Facilities

Belle Glade Elementary School (91-T)
Dreyfoos School of the Arts, Building #6
Dreyfoos School of the Arts, Building #8
Golden Grove Elementary School (91-O)
Lake Worth High School, New Classroom Bldg #28
Morikami Elementary School (91-S)
Okeeheelee Middle School (91-EE)
Poinciana Elementary replacement
Royal Palm High School (91-HHH)
Starlight Cove Elementary School (91-C)
Water's Edge Elementary School (91-V)

Series 1996A Facilities

Eagles Landing Middle School (91-MM)
Western Pines Middle School (91-JJ)

Series 2000A Facilities

Beacon Cove Elementary School (96-A)
Independence Middle School (98-FF)
Jupiter High School modernization
Lake Park Elementary School modernization
Pahokee Elementary School, classroom building
Palmetto Elementary School modernization
Village Academy (98-P)
Palm Beach Central High School (96-JJJ)

Series 2001A-1 Facilities

Boca Raton Elementary School modernization
Freedom Shores Elementary School (97-M)
Crosspointe Elementary School (98-I)
Discovery Key Elementary School (96-L)
Forest Hill Elementary modernization
Frontier Elementary School (96-B)
Lake Worth High School, classroom addition
Benoist Farms Elementary School (96-D)
Pleasant City Elementary School (98-N)
Sunrise Park Elementary School (96-H)
Royal Palm Beach Elementary School (96-J)

Series 2001A-2 Facilities*

Portable replacement program

Series 2002A-1 Facilities

Central Bus Compound
Dreyfoos School of Arts, new cafeteria and gymnasium remodeling
Park Vista Community High School (91-EEE)

Series 2002A-2 Facilities*

Site Acquisition
Portable replacement program
Furnishings/equipment for six schools

Series 2002B Facilities

Belvedere Elementary School modernization
Greenacres Elementary School modernization
Jupiter Elementary School modernization
Lantana Middle School modernization
Site acquisition
South Olive Elementary School modernization
Jaega Middle School (98-EE)

Series 2002C Facilities

Equestrian Trails Elementary School (02-S)
Diamond View Elementary School (01-R)
Panther Run Addition and HVAC replacement
West Boca Raton Community High School (01-LLL)
Forest Hill High School modernization
U.B. Kensey/Palmview Elementary School modernization
Village Academy addition

Series 2002D Facilities

Osceola Creek Middle School (99-HH)
Don Eastridge High Tech Middle School (98-GG)
H.L. Watkins Middle School modernization
Lantana Elementary School modernization
Palm Beach Public Elementary School modernization
Tradewinds Middle School (98-II)
Portable/Modular replacement
Site acquisition

Series 2002-QZAB Facilities*

Furniture and equipment for designated Qualified Zone Academies

Series 2003A Facilities

William T. Dwyer addition
Seminole Ridge High School (02-NNN)

Series 2003B Facilities

Atlantic High School replacement
Bak Middle School of the Arts modernization
L.C. Swain Middle School (03-KK)

Series 2004A-1 Facilities

Coral Sunset Elementary addition
Hammock Pointe Elementary addition
JC Mitchell Elementary modernization
Meadow Park Elementary School modernization
SD Spady Elementary School modernization

Series 2004A-2 Facilities*

Coral Sunset Elementary School HVAC replacement
Hammock Pointe Elementary School HVAC replacement
Relocatable Classrooms
Site Acquisition

Series 2004-QZAB Facilities*

Technology upgrades for designated Qualified Zone Academies

Series 2005-QZAB Facilities*

Technology upgrades for designated Qualified Zone Academies

Series 2005B-1 Facilities

CEP Alternative School

Indian Ridge modernization

Series 2005B-2 Facilities*

District's Enterprise Resource Planning System (technology)

Series 2006A-1 Facilities

Barton Elementary School modernization

DD Eisenhower Elementary School

Marsh Pointe Elementary School (03-X)

Rolling Green Elementary School modernization

Palm Beach Gardens High School modernization

Series 2006A-2 Facilities*

Portable/Modular Replacement Program

Voice/Data Equipment

Series 2007A-1 Facilities

C.O. Taylor Elementary School modernization

Suncoast High School modernization

Royal Palm School modernization

Westward Elementary School modernization

Site Acquisition

Series 2007A-2 Facilities*

Site Acquisition

Roosevelt Middle School Classroom addition

FF&E for various educational facilities including the Series 2007B Facilities

Series 2007E-1 Facilities

Hope-Centennial Elementary (06-D)

Banyan Creek Elementary addition

Wellington Elementary additions

Whispering Pines Elementary additions

Allamanda Elementary modernization

Series 2007E-2 Facilities*

Relocatable and Modular Classrooms

New sports stadium for Pahokee School

Benoit Farms Elementary School Pre-K addition

Series 2010A Facilities

Galaxy Elementary modernization

Gove Elementary modernization

*Constitutes designated Facilities that are not subject to remedial action in the event of a default or non-appropriation.

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ESTIMATED SOURCES AND USES OF FUNDS

It is estimated that proceeds received from the sale and delivery of the Series 2011A Certificates, together with other legally available funds, are expected to be used as follows:

Estimated Sources:

Par Amount of Series 2011A Certificates	\$112,425,000.00
Plus: Net Original Issue Premium	7,676,659.25
Other Legally Available Funds ⁽¹⁾	<u>2,762.01</u>
 Total Sources of Funds	 <u><u>\$120,104,421.26</u></u>

Estimated Uses:

Deposit to Escrow Fund ⁽²⁾	\$119,130,625.00
Series 2011A Costs of Issuance ⁽³⁾	312,284.60
Underwriters' Discount	<u>661,511.66</u>
 Total Uses of Funds	 <u><u>\$120,104,421.26</u></u>

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- (1) Represents funds on deposit in certain accounts for the benefit of the Refunded Certificates.
(2) To be applied to the refunding of the Refunded Certificates. See "PLAN OF REFUNDING" herein.
(3) Includes counsel fees, financial advisor fees and other costs of issuance.

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CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES

Estimated payment requirements on the Outstanding 2001A, 2001B, 2002A, 2002B, 2002C, 2002D, 2002E, 2003A, 2003B and 2004A Certificates are as follows:

Certificate Year Ending August 1	Series 2001A Certificates	Outstanding Series 2001B ⁽¹⁾ Certificates	Series 2002A Certificates	Series 2002B ⁽²⁾ Certificates	Series 2002C Certificates	Series 2002D Certificates	Series 2002E Certificates	Series 2003A Certificates	Series 2003B ⁽³⁾ Certificates	Series 2004A Certificates
2011 ⁽⁴⁾	\$516,037.50	\$8,994,666.26	\$8,849,181.26	\$5,145,155.98	\$4,173,181.26	\$11,406,275.00	\$13,047,975.02	\$4,993,391.26	\$5,667,852.00	\$7,190,492.50
2012		881,420.00	8,858,981.26	5,132,305.69	4,159,575.00	11,423,980.00	13,048,500.02	4,988,191.26	5,675,658.61	7,193,887.50
2013		878,345.00	8,846,981.26	5,145,028.89		11,408,010.00	13,051,462.52	4,991,447.50	5,660,045.39	7,194,012.50
2014		883,155.00	8,756,062.50	5,239,807.07		11,316,497.50	13,051,450.00	4,992,497.50	5,667,852.00	7,191,018.76
2015		880,320.00	658,118.76	5,145,155.98		6,422,372.50	13,054,456.26	4,990,935.00	5,667,852.00	7,189,581.26
2016			4,867,368.76	5,132,305.69		6,422,372.50	2,563,600.00	4,989,335.00	5,675,658.61	7,189,831.26
2017			431,493.76	5,145,028.88		11,457,372.50		4,997,495.00	5,660,045.39	7,193,031.26
2018			1,555,537.50	8,190,155.98		11,458,035.00		4,991,587.50	5,667,852.00	7,192,031.26
2019				15,430,007.84		5,879,785.00		4,994,775.00	5,667,852.00	7,191,531.26
2020				15,429,037.20		5,879,785.00		4,989,150.00	5,675,658.61	7,191,031.26
2021				15,434,962.30		11,919,785.00		1,861,600.00	8,790,045.39	7,190,031.26
2022				15,432,969.90		11,852,685.00			10,650,124.00	7,193,031.26
2023				15,438,328.74		11,790,385.00			10,626,424.00	7,189,281.26
2024				15,438,650.01		11,733,135.00			10,615,101.06	7,193,531.26
2025				15,441,032.41		11,617,385.00			10,583,008.15	7,188,812.50
2026				15,444,314.83		11,580,385.00			10,565,360.00	7,192,062.50
2027				15,449,456.75		11,507,635.00			10,545,164.00	7,191,062.50
2028						73,660,135.00			10,528,805.79	7,190,312.50
2029									84,134,377.91	7,189,062.50
2030										
2031										
2032										
Total	\$516,037.50	\$12,517,906.26	\$42,823,725.06	\$183,213,704.14	\$8,332,756.26	\$248,736,015.00	\$67,817,443.82	\$51,780,405.02	\$223,724,736.91	\$136,633,636.36

⁽¹⁾ Assumes the prepayment of the Refunded Series 2001B Certificates from proceeds of the Series 2011B Certificates.

⁽²⁾ The Series 2002B Certificates were issued as variable rate Certificates. Payment requirements assume a true interest cost of 4.53% (based on an interest rate swap executed in connection with the delivery of the Series 2002B Certificates) and reflects an estimate of remarketing and liquidity facility fees. See "SECURITY FOR THE SERIES 2011A CERTIFICATES – Interest Rate Exchange Agreements – 2002B Interest Rate Exchange Agreement" herein.

⁽³⁾ On March 20, 2008, the School Board elected to convert the Series 2003B Certificates, which were originally issued as variable rate demand obligations with Ambac insurance and a Dexia liquidity facility, into a private placement floating rate note with Dexia. The terms of the converted Series 2003B Certificates also required a mandatory tender and remarketing of the Series 2003B Certificates in connection with this interest rate mode change. Commencing May 1, 2008, the interest rates were set monthly as one month LIBOR plus a spread of 30 bps. Commencing August 1, 2008 the Series 2003B Certificates interest rate are set based on SIFMA plus a spread of 65 bps. See "SECURITY FOR THE SERIES 2011A CERTIFICATES – Interest Rate Exchange Agreements – 2003B Interest Rate Exchange Agreement" herein.

⁽⁴⁾ 2011 figures reflect full interest and principal payments due in the Certificate Year ending August 1, 2011, including interest payments that have already been paid to date.

CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES

Estimated payment requirements on the Outstanding Certificates 2005A, 2006A, QZAB, 2007A, 2007C, 2007D, 2007E, 2010A and 2011B and the Series 2007B Certificates are as follows:

Certificate Year Ending August 1	Series 2005A Certificates	Series 2006A Certificates	QZAB Certificates ⁽¹⁾	Series 2007A Certificates	Series 2007B Certificates ⁽²⁾	Series 2007C Certificates	Series 2007D Certificates	Series 2007E Certificates	Series 2010A Certificates ⁽³⁾	Series 2011B Certificates ⁽⁴⁾
2011 ⁽⁵⁾	\$6,372,520.00	\$15,818,217.50	\$322,604.03	\$22,166,137.50	\$5,811,250.00	\$8,841,162.50	\$5,246,250.00	\$11,066,650.00	\$101,046.40	
2012	6,376,020.00	15,435,905.00	322,604.03	22,167,787.50		9,350,962.50	5,250,750.00	11,063,450.00	142,096.50	\$9,605,424.50
2013	6,373,880.00	15,434,105.00	322,604.03	22,170,475.00		13,534,962.50	5,249,750.00	11,064,750.00	142,096.50	8,927,025.00
2014	6,371,140.00	15,435,905.00	322,604.03	22,166,787.50		13,620,462.50	5,248,000.00	11,064,900.00	142,096.50	8,776,891.56
2015	24,123,000.00	15,430,920.00	322,604.03	22,166,212.50		8,949,212.50	5,250,000.00	11,063,350.00	142,096.50	8,923,926.56
2016	26,204,000.00	15,433,645.00	322,604.03	22,169,362.50		9,067,412.50		11,063,180.00	142,096.50	19,292,731.00
2017	26,081,000.00	15,433,282.50	254,746.88	22,166,162.50		8,554,412.50		11,062,580.00	142,096.50	21,875,092.00
2018	21,731,750.00	15,431,732.50	254,746.88	22,169,212.50		8,725,212.50		11,066,805.00	142,096.50	21,810,188.00
2019	20,555,250.00	15,431,252.50	254,746.88	6,872,362.50		9,798,212.50		11,066,775.00	9,808,525.07	21,734,707.00
2020	6,811,000.00	15,432,577.50	254,746.88	6,872,362.50		23,547,012.50		11,062,645.00	9,808,525.07	21,572,321.56
2021	10,468,000.00	15,434,952.50	107,628.36	6,872,362.50		13,840,512.50		11,066,470.00	9,808,525.07	21,580,686.56
2022	10,463,250.00	15,431,532.50		6,872,362.50		13,908,112.50		11,063,220.00	9,808,525.07	21,498,916.56
2023		15,433,152.50		6,872,362.50		24,736,362.50		11,064,720.00	9,808,525.07	21,404,401.00
2024		15,431,527.50		6,872,362.50		24,792,862.50		11,064,970.00	9,808,525.07	21,320,547.00
2025		15,435,095.00		8,302,362.50		24,914,762.50		11,063,220.00	9,808,525.08	21,209,434.00
2026		15,431,432.50		26,946,587.50		46,067,337.50		11,063,720.00		
2027		15,434,825.00		26,944,337.50		46,392,775.00		11,065,470.00		
2028		15,435,362.50		26,943,750.00				11,062,470.00		
2029		15,435,687.50		26,945,000.00				11,063,970.00		
2030		15,434,275.00		26,945,750.00				11,063,720.00		
2031		15,434,625.00		26,943,250.00				11,065,720.00		
2032								11,063,720.00		
Total	\$171,930,810.00	\$324,490,010	\$3,062,240.06	\$388,547,350	\$5,811,250.00	\$308,641,750	\$26,244,750	\$243,416,475	\$69,755,397.40	\$249,532,292.30

- (1) Includes the Series 2002 QZAB Certificates, the Series 2004 QZAB Certificates and the Series 2005 QZAB Certificates.
- (2) Reflects interest represented by the Refunded Certificates. It is expected that the interest portion due on August 1, 2011 will be paid from legally available monies of the District, other than proceeds of the Series 2011A Certificates.
- (3) Based on a principal amount of \$67,665,000 which will be due on the maturity date; includes sinking fund payments which equal the Principal Component due on the Series 2011A Certificates at maturity. The School Board will receive a credit against sinking fund payments for interest income on amounts on deposit in the Series 2010A Sinking Fund Account. Interest on the Series 2011A Certificates is calculated at 5.40%, the stated interest rate on the Series 2011A Certificates, less 5.19%, representing the Interest Subsidy.
- (4) Expected to be issued concurrently with the Series 2011A Certificates in order to prepay the Refunded Series 2001B Certificates. Payment requirements assume a true interest cost of 5.36% (based on the 2001B Interest Rate Exchange Agreement) and reflects an estimated 0.79% interest rate spread for privately placed floating rate Certificates. See "SECURITY FOR THE SERIES 2011A CERTIFICATES - Interest Rate Exchange Agreements - 2001B Interest Rate Exchange Agreement" herein.
- (5) 2011 figures reflect full interest and principal payments due in the Certificate Year ending August 1, 2011, including interest payments that have already been paid to date.

COMBINED CERTIFICATE PAYMENT SCHEDULE

The estimated combined payment requirements on the Series 2011A Certificates and the Outstanding Certificates are as follows:

Certificate Year Ending August 1	Series 2011A Certificates			Outstanding Certificates and Series 2007B Certificates ⁽²⁾⁽³⁾	Total
	Principal Component	Interest Component ⁽¹⁾	Subtotal		
2011				\$145,730,045.97	\$145,730,045.97
2012		\$5,729,239.69	\$5,729,239.69	141,077,499.37	146,806,739.06
2013		5,456,418.76	5,456,418.76	140,394,981.09	145,851,399.85
2014		5,456,418.76	5,456,418.76	140,247,127.42	145,703,546.18
2015		5,456,418.76	5,456,418.76	140,380,113.85	145,836,532.61
2016		5,456,418.76	5,456,418.76	140,535,503.35	145,991,922.11
2017		5,456,418.76	5,456,418.76	140,453,839.67	145,910,258.43
2018		5,456,418.76	5,456,418.76	140,386,943.12	145,843,361.88
2019	\$5,630,000.00	5,456,418.76	11,086,418.76	134,685,782.55	145,772,201.31
2020	5,895,000.00	5,190,568.76	11,085,568.76	134,525,853.08	145,611,421.84
2021	6,335,000.00	4,902,018.76	11,237,018.76	134,375,561.44	145,612,580.20
2022	6,750,000.00	4,607,068.76	11,357,068.76	134,174,729.29	145,531,798.05
2023	6,805,000.00	4,269,568.76	11,074,568.76	134,363,942.57	145,438,511.33
2024	7,095,000.00	3,987,112.50	11,082,112.50	134,271,211.90	145,353,324.40
2025	6,010,000.00	3,670,575.00	9,680,575.00	135,563,637.14	145,244,212.14
2026		3,395,250.00	3,395,250.00	144,291,199.83	147,686,449.83
2027		3,395,250.00	3,395,250.00	144,530,725.75	147,925,975.75
2028		3,395,250.00	3,395,250.00	144,820,835.79	148,216,085.79
2029		3,395,250.00	3,395,250.00	144,768,097.91	148,163,347.91
2030	27,035,000.00	3,395,250.00	30,430,250.00	53,443,745.00	83,873,995.00
2031	9,385,000.00	2,043,500.00	11,428,500.00	53,443,595.00	64,872,095.00
2032	31,485,000.00	1,574,250.00	33,059,250.00	11,063,720.00	44,122,970.00
Total	<u>\$112,425,000.00</u>	<u>\$91,145,083.55</u>	<u>\$203,570,083.55</u>	<u>\$2,767,238,128.59</u>	<u>\$2,971,098,774.64</u>

- (1) Assumes the Series 2011A Term Rate Certificates accrue interest at 5.00% on and after August 1, 2016.
- (2) Reflects the refunding of the Refunded Certificates, but includes interest due on the Refunded Certificates during the Certificate Year ending August 1, 2011. See "PLAN OF REFUNDING" herein.
- (3) See "CERTIFICATE PAYMENT SCHEDULE I & II FOR OUTSTANDING CERTIFICATES."

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THE MASTER LEASE PROGRAM

In order to provide for the lease purchase financing and refinancing from time to time of Facilities, the School Board has authorized the execution and delivery of the Master Lease between the School Board and the Corporation. Facilities to be leased from time to time will be identified on separate Schedules to the Master Lease. Upon execution and delivery thereof, each Schedule, together with the provisions of the Master lease, will constitute a separate Lease. See "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Master Lease."

The Series 2007B Lease is one of the Leases entered into under the Master Lease and provides for the leasing of the Series 2007B Facilities by the Corporation to the School Board. See "THE SERIES 2007B LEASE" and "THE SERIES 2007B FACILITIES." As noted above, the School Board has previously leased certain facilities pursuant to the Current Leases which were funded from the proceeds of the Outstanding Certificates. The School Board may arrange for one or more lease purchase financings of additional educational facilities under the Master Lease in future Fiscal Years. See "SECURITY FOR THE SERIES 2011A CERTIFICATES - Additional Leases" and "- Additional Certificates." In addition, the School Board may, in the future, also enter into lease purchase arrangements upon terms and conditions other than those in the Master Lease. Failure to make payments under any such lease agreement, or an event of default under any such lease agreement, will not affect the Lease Term or cause the termination of the Series 2007B Lease or any other Leases.

THE SERIES 2007B LEASE

The following is a brief summary of certain provisions of the Series 2007B Lease, which is not intended to be definitive. Reference is made in "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Master Lease."

Authority

The Series 2007B Lease is being entered into pursuant to the authority granted under Chapters 1001-1013, Florida Statutes, as amended, for the purpose of providing for the acquisition, construction and lease purchase financing and refinancing of the Series 2007B Facilities.

Lease Term

Under the Series 2007B Lease, the Corporation is leasing to the School Board, and the School Board is leasing from the Corporation, the Series 2007B Facilities. The Series 2007B Lease has an initial Lease Term which commenced March 22, 2007 and continued through and including June 30, 2007, when it was automatically renewed and has been automatically renewed annually to date and is automatically renewable annually through August 1, 2032, unless sooner terminated in accordance with the provisions of the Series 2007B Lease. See "THE SERIES 2007B LEASE - Termination of Lease Term."

Lease Payments

Subject to the conditions stated in the Series 2007B Lease, the School Board has expressed its current intent to make all Lease Payments due under the Series 2007B Lease; PROVIDED, HOWEVER, THAT NONE OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, IS OBLIGATED TO PAY, EXCEPT FROM APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2007B LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE UNDER THE SERIES 2007B LEASE, AND THE SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. All Lease Payments due under the Series 2007B Lease will be made from current or other funds authorized by law and regulations of the State of Florida Department of Education and appropriated for such purpose by the School Board.

On December 30, 2011, and thereafter on June 30 and December 30 of each year, the Series 2007B Lease Payment Date preceding each Series 2011A Certificate Payment Date, the School Board is required to pay to the Trustee the Basic Lease Payment due on such date, which amount corresponds to the next succeeding Series 2011A Certificate Payment. The School Board is also required to pay, when due, Additional Lease Payments, consisting of, among other things, payments under its Interest Rate Exchange Agreements (see "SECURITY FOR THE SERIES 2011A CERTIFICATES - Interest Rate Exchange Agreements") and Supplemental Payments, consisting of, among other things, the fees and expenses of the Trustee and the Corporation. Lease Payments due under the Series 2007B Lease may be reduced, when applicable, by amounts credited as follows:

(a) The Trustee will deposit into the Series 2007B Lease Payment Account interest income in accordance with the Trust Agreement and apply such interest income as a credit against the next ensuing Lease Payment to the extent provided in the Trust Agreement.

(b) Upon completion of the acquisition and construction of the Series 2007B Facilities and the payment of all Costs of the Facilities or on termination of the Lease Term of the Series 2007B Lease, with respect to the amounts, if any, remaining on deposit in the Series 2007B Acquisition Account shall be transferred to the Series 2007B Lease Payment Account to be applied to Basic Lease Payments next coming due under the Series 2007B Lease; provided, however, that if, upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series 2007B Facilities (including the failure of the School Board to acquire any component of such Facilities), there shall remain in the Series 2007B Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under the Series 2007B Lease, such amount shall be retained in the Series 2007B Acquisition Account and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the Series 2007B Lease as fully as if they were the originally leased

Facilities; provided, however, at the direction of the School Board, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the Series 2007B Lease Payment Account to be credited against Basic Lease Payments next coming due under the Series 2007B Lease.

(c) The Trustee will deposit in the Series 2007B Lease Payment Account or Series 2007B Acquisition Account, Net Proceeds realized in the event of damage, destruction or condemnation of the Series 2007B Facilities to be applied to the prompt repair, restoration or replacement of such Series 2007B Facilities; provided, however, if the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Series 2007B Facilities damaged, destroyed or condemned, then the School Board shall not be required to comply with the provisions of the preceding clause. If the Net Proceeds are (i) less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Series 2007B Facilities and (ii) equal to or less than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under the Series 2007B Lease, then such Net Proceeds may, at the option of the School Board, (x) be deposited in the Series 2007B Lease Payment Account to be credited against Basic Lease Payments next coming due under the Series 2007B Lease or (y) deposited in the Series 2007B Acquisition Account and applied to pay Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the Series 2007B Lease as fully as if they were originally leased Facilities. If the Net Proceeds are (i) equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities or (ii) greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under the Series 2007B Lease, then the Net Proceeds shall be deposited to the Series 2007B Acquisition Account and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the Series 2007B Lease as fully as if they were the originally leased Facilities; provided, however, at the direction of the School Board, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the Series 2007B Lease Payment Account to be credited against Basic Lease Payments next coming due under the Series 2007B Lease.

Assignment of Lease to Trustee

Pursuant to the Series 2007B Assignment, substantially all right, title and interest of the Corporation in and to the Series 2007B Ground Lease and in and to the Series 2007B Lease, including the right to receive Basic Lease Payments thereunder, has been absolutely and unconditionally assigned by the Corporation to the Trustee for the benefit of the Holders of the Series 2011A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2007B Lease. The School Board has consented to such assignment.

Lease Covenants

Under the Series 2007B Lease, the School Board is responsible for the acquisition, construction and installation of the Series 2007B Facilities pursuant to the specifications of the School Board, including the letting of all contracts for the acquisition, construction and

installation of the Series 2007B Facilities. In the Series 2007B Lease, the School Board covenants that it will: (i) maintain the Series 2007B Facilities at all times during the Lease Terms in good repair and condition; (ii) pay applicable taxes, utility charges and other governmental charges; and (iii) provide applicable insurance coverage, including property and liability insurance, all in accordance with the terms and provisions relating to these requirements, contained in the Series 2007B Lease.

Budget and Appropriation

The cost and expense of the performance by the School Board of its obligations under the Series 2007B Lease, under the Current Leases and any Additional Leases and the incurrence of any liabilities of the School Board under the Series 2007B Lease, the Current Leases and any Additional Leases including without limitation, the payment of all Lease Payments and all other amounts required to be paid by the School Board under all Leases, are subject to and dependent on appropriations being duly made from time to time by the School Board for such purposes. The School Board may not budget and appropriate available revenues to make Lease Payments selectively on a Lease by Lease basis, but must appropriate such revenues for all Leases or none of them. Under no circumstances will the failure of the School Board to appropriate sufficient funds in any Fiscal Year constitute a default or require payment of a penalty, or in any way limit the right of the School Board to purchase or utilize educational facilities similar in function to those leased under any Lease including the Series 2007B Lease.

Unless the School Board, at a public meeting held prior to the end of the then current Fiscal Year, gives notice of its intent not to appropriate the funds necessary to make the Lease Payments coming due in the following Fiscal Year under all Leases, the Superintendent will include in the Superintendent's tentative budget proposal, in a separate line item, the funds necessary to make such Lease Payments, and all Leases will be automatically renewed on June 30 of the current Fiscal Year, for the following Fiscal Year, subject to appropriation being made by the School Board in the final adopted budget. If Lease Payments are due during the period prior to the adoption of the School Board's final official budget for an ensuing Fiscal Year, the Lease Term of all Leases shall be deemed extended only if the tentative budget or extension of the prior budget (whether by School Board action or operation of law) makes available to the School Board monies which may be legally used to make the Lease Payments due under all Leases during such period. If no such appropriation is made in the budget as finally adopted or if no official budget is adopted as of the last day on which a final budget is required to have been adopted under applicable law and regulations, all Leases will terminate as of the date of adoption of the final official budget or the last date on which a final budget is required to have been adopted, whichever is earlier, and under which no appropriation has been made.

If the School Board declares its intent at such public meeting prior to the end of the then current Fiscal Year not to appropriate the funds necessary to make Lease Payments under all Leases, no Leases will be automatically renewed for the following Fiscal Year, but will terminate on June 30 of the current Fiscal Year. For a discussion of the effect of termination of the Lease Term of the Leases, see "THE SERIES 2007B LEASE - Effect of Termination for Non-Appropriation or Default."

Termination of Lease Term

The Lease Term of each Lease, including the Series 2007B Lease, will terminate upon the earliest of any of the following events:

- (a) Each Lease will terminate on the latest Lease Payment Date set forth in any Lease;
- (b) All Leases will terminate in the event of non-appropriation of funds for the payment of Lease Payments;
- (c) All Leases will terminate upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to the Master Lease; and
- (d) A particular Lease will terminate upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease by the School Board or upon provision for such payment pursuant to the Master Lease.

Effect of Termination for Non-Appropriation or Default

Upon termination of the Lease Term for the reasons referred to in (b) or (c) under "THE SERIES 2007B LEASE - Termination of Lease Term" above, the School Board is required to immediately surrender and deliver possession of all the Facilities financed under all Leases (except for certain designated Facilities) to the Trustee in the condition, state of repair and appearance required under the Leases and in accordance with the Trustee's instructions. Upon such surrender, the Trustee (or other transferee) will attempt to sell or re-let its interest in such facilities in such manner and to such person or persons for any lawful purpose or purposes as it, in its sole discretion, determines to be appropriate. The Trustee will pursue such rights and remedies as directed by the Holders a majority in aggregate principal amount of the Series 2011A Certificates. The proceeds derived from any such sale or reletting of the School Board's leasehold interest in such Facilities, if any, will be applied first to the payment of the fees and expenses of the Trustee, second to payment in full of the Series of Certificates relating to such Facilities and then to the payment of other outstanding amounts as described in said Lease(s). The proceeds of any such disposition of the Series 2007B Facilities will be applied to the payment of the Series 2011A Certificates after payment of the expenses of the Trustee, in accordance with the terms of the Series 2007B Lease. Under the Series 2007B Lease, the School Board may not be dispossessed of any personal property financed, in whole or in part, with the proceeds of the Series 2011A Certificates. See "RISK FACTORS - Limitation Upon Disposition; Ability to Sell or Relet." IN NO EVENT WILL OWNERS OF THE SERIES 2011A CERTIFICATES HAVE ANY INTEREST IN OR RIGHT TO ANY PROCEEDS OF THE DISPOSITION OF FACILITIES FINANCED WITH THE PROCEEDS OF ANOTHER SERIES OF CERTIFICATES EXCEPT FOR ANY CERTIFICATES ISSUED TO COMPLETE THE SERIES 2007B FACILITIES OR TO REFUND SERIES 2011A CERTIFICATES.

For a discussion of the remedies available to the Trustee if the School Board refuses or fails to voluntarily deliver possession of the Facilities to the Trustee, see "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Master Lease."

There can be no assurance that the remedies available to the Trustee upon any termination of the Lease Term of all Leases for non-appropriation or default and the disposition of the Series 2007B Facilities will produce sufficient amounts to pay the Series 2011A Certificates. Federal income tax status of payments made to Series 2011A Certificate holders after such termination may also be adversely affected. See "TAX TREATMENT." Further, after such termination of the Lease Term of all Leases, transfer of Series 2011A Certificates may be subject to the registration provisions of applicable federal and state securities laws. Accordingly, there is no assurance that liquidity of the Series 2011A Certificates will not be impaired following termination of the Lease Term of the Leases. See "RISK FACTORS."

THE CORPORATION

The Palm Beach School Board Leasing Corp. (the "Corporation") is a Florida not-for-profit education corporation formed in October, 1994 for the purpose of acting as lessor under leases with the School Board. The sole member of the Corporation is the School Board. Upon dissolution, all of its assets will be distributed to the School Board. The Board of Directors of the Corporation consists of the members of the School Board and its officers are School Board members and employees.

There is no litigation pending against the Corporation.

Pursuant to the Series 2007B Assignment, the Corporation has made absolute and unconditional assignment of substantially all its right, title and interest under the Series 2007B Lease to the Trustee, retaining its rights to indemnification, its right to hold title to certain of the Series 2007B Facilities, and to receive notices under the Master Lease. In accordance therewith, the Trustee collects directly all of the Basic Lease Payments which are the primary source of and security for payment of the Series 2011A Certificates. The credit of the Corporation is not material to any of the transactions contemplated in this Offering Statement. No financial information concerning the Corporation has been included herein, nor is it contemplated that any such financial information will be included in any future Offering Statement relating to the sale of any Additional Certificates or other obligations of the School Board or the Corporation.

THE DISTRICT

General

The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Florida Statutes. The District is the eleventh largest school district in the United States and the fifth largest in Florida as measured by student enrollment. The geographic boundaries of the District are coterminous with those of the County. The County, established in 1909, had a 2010 population of 1,320,134. It is the third largest county in Florida in terms of population and encompasses a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 38 incorporated municipalities within the

boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Jupiter, Delray Beach and Boca Raton.

As of April 4, 2011, the District included 182 schools and had approximately 172,829 full time equivalent students and over 20,000 full-time and part-time employees, including approximately 14,449 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The Tax Collector collects ad valorem taxes for the District, but the County exercises no control over expenditures by the District. Additional information concerning the County is contained in "Appendix A – Information Regarding Palm Beach County, Florida

Certain Statistical Information

The following table sets forth certain statistical information about the District. Statistical and demographic data concerning the County are set forth in "APPENDIX A – INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA."

**The School District of Palm Beach County, Florida
General Statistical and Demographic Data**

<u>School Year</u>	<u>Number of Schools</u>	<u>Number of Instructional Personnel at Fiscal Year End</u>	<u>Average F.T.E. Enrollment</u> ⁽¹⁾	<u>Expenditures per F.T.E. Student</u> ⁽²⁾
2010-11	182	14,449 ⁽³⁾	172,829	\$7,528
2009-10	182	13,975	171,722	7,014
2008-09	181	14,031	169,554	8,815
2007-08	168	14,129	169,280	9,184
2006-07	166	13,989	169,824	7,957
2005-06	165	10,779	172,527	8,294
2004-05	161	11,654	172,237	6,356

⁽¹⁾ Unweighted, includes adults.

⁽²⁾ Excludes outgoing transfers. Includes adults.

⁽³⁾ Budgeted figure.

Source: The School District of Palm Beach County, Florida.

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FTE Growth

The Full-Time Equivalent (FTE) Enrollment for School Years 2006-07 through 2010-11 were as follows:

School District of Palm Beach County, Florida Profile of Enrollments Unweighted Full-Time Equivalent Students⁽¹⁾ 2006-07 - 2010-11

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Grades K-3	49,706	43,355	43,954	45,052	44,719
Grades 4-8	60,535	60,078	61,098	60,903	61,664
Grades 9-12	43,825	44,233	43,784	44,943	45,149
Exceptional Ed.	1,479	1,502	1,387	1,337	1,423
Vocational Ed.	5,752	5,334	5,226	5,060	4,947
At. Risk Programs	<u>15,527</u>	<u>14,778</u>	<u>14,105</u>	<u>14,427</u>	<u>14,927</u>
Total	<u>169,824</u>	<u>169,280</u>	<u>169,554</u>	<u>171,722</u>	<u>172,829</u>
Percentage Change	(1.56)%	(0.32)%	0.16%	1.28%	0.64%

⁽¹⁾ Enrollments are calculated on a full-time equivalent student basis for the number of students in grades kindergarten through twelve for the regular school term. A full-time equivalent (FTE) student is defined as equal to not less than 900 net hours of instruction time for grades 4-12 and not less than 720 net hours of instruction time for K-3. Figures as of fourth FEFP (Florida Education Finance Program) calculation.

⁽²⁾ As of April 4, 2011, 4th calculation.

* In Fiscal Year 2006, the Florida Department of Education changed the definition of "Exceptional" or ESE to include only support level IV and V. Support levels I through III are now included within the basic education programs.

The School Board

The Board is a public body corporate existing under the laws of the State of Florida, particularly Section 1001.40, Florida Statutes, and is the governing body of the District. The Board consists of seven members elected from single member districts for overlapping four-year terms. The principal office of the Board is located in West Palm Beach, Florida.

Under existing statutes, the Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property within the District; the development and adoption of a school program for the District; the establishment, organization and operation of schools, including vocational and evening schools and programs for gifted students and handicapped students, including students in residential care facilities; the appointment, compensation, promotion, suspension and dismissal of employees; the establishment of courses of study and the provision of adequate instructional aids; and the establishment of a system to transport students to school or school-related activities.

The Board also has broad financial responsibilities, including the approval of the annual budget, adoption of the school tax levy and the establishment of a system of accounting and

budgetary controls. The annual budget and accounting reports must be filed with the State of Florida Department of Education.

The Chairman of the Board is elected by the members of the Board annually. The Superintendent of Schools is the ex-officio Secretary of the Board. The present members of the Board, their respective offices and the expiration of their respective terms are as follows:

<u>Name/Office</u>	<u>District</u>	<u>Term Expires</u>
Frank Barbieri, Jr., Esq., Chairman	5	November, 2012
Debra Robinson, M.D., Vice Chair	7	November, 2014
Monroe Benaim, M.D., Member	1	November, 2012
Chuck Shaw, Member	2	November, 2012
Karen M. Brill, Member	3	November, 2014
Jennifer Prior Brown, Esq., Member	4	November 2014
Marcia Andrews, Member	6	November, 2014

The Superintendent of Schools

The chief executive officer of the District is the Superintendent of Schools (the "Superintendent"), who is appointed by and serves at the discretion of the Board, and serves pursuant to a negotiated contract. The Superintendent oversees operations of the school system, makes policy recommendations to the Board and performs the duties assigned by law and the regulations of the State of Florida Department of Education. The Superintendent prepares the annual budget for approval by the Board, recommends the tax levy based upon needs illustrated by the budget, recommends debt issuance and borrowing plans of the District when necessary, provides recommendations for the investment of District funds and keeps records with respect to all funds and financial transactions of the District.

Biographical Information for Certain Administrators

Set forth below are biographical descriptions of the Superintendent and certain other administrative personnel of the District:

Bill Malone, Superintendent, joined the School District in February 2011. Mr. Malone previously served as district's Chief Operating Officer from 2000-2003. In addition to his time with the District, Mr. Malone has over 30 years of management experience with other government agencies. This includes 21 years with U.S. Army Corps of Engineers and 14 years with the South Florida Water Management District. Mr. Malone holds a Civil Engineering degree from Vanderbilt University.

Michael Burke, Chief Financial Officer, joined the District in April 1998. Mr. Burke brought eight years of experience with the Broward County Public Schools Budget Office. He received his Bachelor's Degree in Finance from Florida State University and a Master's Degree in Public Administration from Florida Atlantic University.

Joseph Sanches, Chief of Facilities Management, joined the District in April 2002. Mr. Sanches brings over 18 years of experience in the private sector managing major capital improvement programs for governmental agencies in New York, New Jersey, Atlanta and the

U.S. Virgin Islands. He received his bachelor's degree in Construction Management from Pratt Institute and his MBA from the City University of New York.

Leanne Evans, Treasurer, joined the District in February 1997 with six years of cash management experience in private industry. Ms. Evans graduated from Florida Atlantic University with a Bachelor of Business Administration in Finance and a Bachelor of Science in International Business. In addition, Ms. Evans has qualified for the Certified Treasury Professional credential in Treasury Management.

Full Time School Personnel

The professional staff of the District includes supervisors, analysts, specialists, administrators, and instructional personnel. Other personnel include teachers' aides, clerks and secretaries, bus drivers, cafeteria personnel, custodial and maintenance workers, mechanics and warehousemen. The total number of school personnel as of June 30, 2010 was 20,870, the largest number of employees of any one employer in the County.

Employee Relations

Approximately 59% of all employees of the District are represented by the Palm Beach County Classroom Teachers Association ("CTA"), which is affiliated with Florida Education Association-United. Another 31% are represented by non-instructional collective bargaining agents and 10% are non-union represented staff.

As of June 30, 2010, the Board employed 20,870 full-time persons representing the following groups:

Instructional	13,975
School and District Administrators	824
Clerical, Police, Secretarial, Professional Staff	2,290
Bus, Custodial, Maintenance and Mechanics	<u>3,781</u>
Total	<u>20,870</u>

Union members include both instructional and non-instructional personnel. Current union contracts expire as follows:

Teachers	June 30, 2010
Clerical	December 31, 2011
Police	December 31, 2011
Bus, Custodial, Maintenance and Mechanics	June 30, 2011

The District is currently negotiating new contracts with the Teachers Union. Until the new contracts are agreed upon, the current contracts will remain operative.

Accreditation

All public schools of the District are fully accredited by the State of Florida and by the Southern Association of Colleges and Schools.

Budget Process

Florida law requires the Board to adopt in each Fiscal Year a tentative budget and a final budget, each of which is required to be balanced with available funds. The Superintendent, with input from staff, principals, the recently formed Budget Committee and interested community groups, prepares and submits to the Board a recommended budget. The Board adopts the recommended budget, with such modifications, as it deems necessary, as the tentative budget for the District. After public hearings on the tentative budget, the Board adopts a final budget and forwards it to the State of Florida Department of Education. When approved by the State of Florida Department of Education, the final budget is designated as the official budget and governs the general operations for the Fiscal Year, unless subsequently amended by the Board. After public hearings, the final Fiscal Year 2010-11 Budget was adopted by the Board on September 7, 2010. Revisions may be made to the adopted budget in accordance with Florida law.

Capital Improvement Program

The School Board requires the development of a continuous five-year Capital Improvement Program (the "CIP"). In each year, the CIP is reviewed and revised as necessary to reflect the District's long range capital construction program, additions to the capital construction program resulting from accelerated student enrollment growth and improvements and additions to non-school sites. An annual update of the CIP provides, upon approval by the School Board, a continuous five-year program. The most recent annual update of the CIP occurred in September 2010.

FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT

The following briefly describes financial results of the District and certain District liabilities. For additional information concerning such matters see "APPENDIX B - EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

Financial Results

The financial and accounting procedures of the District are designed to conform with accounting principles generally accepted in the United States of America as applied to governmental units. The District's financial statements include the government-wide financial statements and the fund financial statements. The government-wide financial statements display information about the District as a whole, while the fund financial statements report detailed information about the District. The government-wide financial statements use the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when

incurred. The governmental funds use the modified accrual basis of accounting, whereby revenues are recognized when they become available and measurable and expenditures are recorded in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long term debt and compensated absences which are recognized when due. Proprietary and fiduciary funds also use the accrual basis of accounting.

General Fund Revenue Sources

The following table sets forth general fund revenue sources for the past five complete Fiscal Years.

**The School District of Palm Beach County, Florida
General Fund Revenue Sources⁽¹⁾**

<u>Fiscal Year Ended June 30</u>	<u>Federal Funds⁽²⁾</u>	<u>State Funds</u>	<u>Local Funds</u>	<u>Total Revenue</u>
2010	\$5,935,000	\$284,919,000	\$929,514,000	\$1,220,368,000
2009	6,407,000	327,883,000	949,599,000	1,283,889,000
2008	2,225,000	404,744,000	949,417,000	1,356,386,000
2007	4,595,000	353,121,000	941,534,000	1,299,250,000
2006	4,729,000	403,796,000	789,327,000	1,197,852,000
2005	3,997,000	410,760,000	705,112,000	1,119,869,000

⁽¹⁾ Rounded.

⁽²⁾ Includes direct federal funds and federal funds received through the State.

Source: The School District of Palm Beach County, Florida.

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General Fund Operations

The following table summarizes results of operations for the general fund of the District for the Fiscal Years ended June 30, 2007 through June 30, 2010 and the budgeted results of operations for the Fiscal Year ending June 30, 2011.

The School District of Palm Beach County, Florida Summary of Revenues and Expenditures - General Fund (In Millions)

	For the Fiscal Years Ended June 30				
	2007	2008	2009	2010	Budget 2011 ⁽¹⁾
Beginning Fund Balance:					
Reserved	\$22.5	\$28.9	\$32.8	\$14.5	\$19.1
Undesignated	37.3	33.3	48.5	38.5	33.5
Contingency Reserve	39.4	39.4	39.4	39.4	44.4
Total	<u>\$99.2</u>	<u>\$101.6</u>	<u>\$120.7</u>	<u>\$92.4</u>	<u>\$97.0</u>
Revenues:					
Local Sources and Other Financing Sources:					
Ad Valorem Taxes	\$885.0	\$879.8	\$887.3	\$873.4	\$851.4
Interest Income and Other	16.6	14.7	5.8	1.5	3.2
Other Revenue	39.9	56.6	59.3	54.6	46.7
Transfers In	43.6	60.7	61.3	83.8	81.1
Total Local Sources and Other Financing Sources	<u>\$985.1</u>	<u>\$1,011.8</u>	<u>\$1,013.7</u>	<u>\$1,013.3</u>	<u>\$982.4</u>
State Sources:					
FL Educ. Finance Pro. & Lottery	\$117.0	\$136.7	\$78.7	\$62.1	\$122.6
Categorical Grants	206.1	248.5	231.7	222.7	210.3
Other	30.0	19.5	17.5	0.1	19.9
Total State Sources	<u>\$353.1</u>	<u>\$404.7</u>	<u>\$327.9</u>	<u>\$284.9</u>	<u>\$352.8</u>
Federal Sources	<u>\$4.6</u>	<u>\$2.2</u>	<u>\$6.4</u>	<u>\$5.9</u>	<u>\$4.7</u>
Total Revenues	<u>\$1,342.8</u>	<u>\$1,418.7</u>	<u>\$1,348.0</u>	<u>\$1,304.1</u>	<u>\$1,339.9</u>
Adjustments to Fund Balance					
Total Rev. & Fund Balance	<u>\$1,442.0</u>	<u>\$1,520.3</u>	<u>\$1,468.7</u>	<u>\$1,396.5</u>	<u>\$1,436.9</u>
Expenditures:					
Salaries	\$837.5	\$862.7	\$850.6	\$792.2	\$800.1
Employee Benefits	230.4	260.1	260.5	243.9	258.1
Purchased Services and other	123.4	117.8	119.8	127.4	105.6
Other Non-Personnel	149.1	159.0	145.4	136.0	131.1
Transfer Out	-	-	-	-	-
Total Expenditures	<u>\$1,340.4</u>	<u>\$1,399.6</u>	<u>\$1,376.3</u>	<u>\$1,299.5</u>	<u>1,294.9</u>
Excess of Revenues Over (Under) Expenditures	<u>\$2.4</u>	<u>\$19.1</u>	<u>(\$28.3)</u>	<u>\$4.6</u>	<u>\$45.0</u>
Ending Fund Balance					
Reserved for Encumbrances	\$6.2	\$3.6	\$2.0	\$2.9	\$2.5
Reserved for Inventory	10.4	10.9	6.0	14.8	7.0
Reserved for Board Contingency	39.4	39.4	39.4	44.4	44.4
Reserved for Spring Settlement	-	5.0	4.8	-	-
Reserved for Group Health Insurance	10.1	10.1	-	-	-
Reserved for Education Jobs	-	-	-	-	36.0
Reserved for FY 2011 Class Size	-	-	-	-	4.2
Reserved for Carryover Programs	2.2	3.2	1.7	1.4	1.5
Undesignated	33.3	48.5	38.5	33.5	46.4
Total Fund Balance	<u>\$101.6</u>	<u>\$120.7</u>	<u>\$92.4</u>	<u>\$97.0</u>	<u>\$142.0⁽¹⁾</u>
Total Expenditures & Fund Balance	<u>\$1,442.0</u>	<u>\$1,520.3</u>	<u>\$1,468.7</u>	<u>\$1,396.5</u>	<u>\$1,436.9</u>

(1) Estimated and unaudited as of May 30, 2011.
Source: The School District of Palm Beach County, Florida.

The Florida Legislature in January, 2009 adopted legislation creating Section 1011.051, Florida Statutes, entitled "Guidelines for general funds." This new section requires that if a school district's unreserved General Fund balance in the approved operating budget is projected to fall below three percent (3%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. The section further requires that if the unreserved General Fund balance is projected to fall below two percent (2%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. Within 14 days after receiving such notification of a balance below two percent (2%), if the Commissioner determines that the district does not have a plan that is reasonably anticipated to avoid a financial emergency as determined pursuant to Florida Statutes pertaining thereto, the Commissioner shall appoint a financial emergency board that may take certain delineated steps to assist a district school board in complying with the General Fund requirements. In Fiscal Year 2008-09, the District's unreserved General Fund balance was 5.78% of General Fund Revenues and in Fiscal Year 2009-10 was 5.97% of General Fund Revenues. For Fiscal Year 2010-11, the District's unreserved General Fund balance is projected to be 6.78%. For purposes of these calculations, the District considers funds categorized as Undesignated and Reserved for Board Contingency to be unreserved funds.

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The School District of Palm Beach County, Florida
Summary of Capital Projects Fund Revenue and Expenditures
(Amount in Millions)

	Results of Operations - Budgetary Basis				
	2007	2008	2009	2010	2011 ⁽¹⁾
Beginning Fund Balance:					
Beginning Fund Balance	\$435.9	\$642.3	\$595.4	\$414.4	\$342.0
Revenues:					
Local Sources					
Ad Valorem Taxes	\$309.8	\$328.4	\$282.4	\$263.2	\$203.0
Local Sales Tax	\$118.0	\$102.8	\$100.1	\$99.3	\$60.3
Interest Income and other	\$60.1	\$55.2	\$23.0	\$9.0	\$4.3
Total Local Sources	<u>\$487.9</u>	<u>\$486.4</u>	<u>\$405.5</u>	<u>\$371.5</u>	<u>\$267.6</u>
Miscellaneous Federal Through State:	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.4</u>	<u>\$0.0</u>
State Sources:					
Capital Outlay distributed to District	\$1.0	\$2.0	\$2.0	\$1.8	\$1.0
Public Education Capital Outlay	\$0.0	\$33.7	\$9.2	\$2.0	\$5.4
Other	\$0.0	\$46.7	\$3.3	\$3.5	\$3.5
Total State Sources	<u>\$1.0</u>	<u>\$82.4</u>	<u>\$14.5</u>	<u>\$7.3</u>	<u>\$9.9</u>
Total Revenues	<u>\$488.9</u>	<u>\$568.8</u>	<u>\$420.0</u>	<u>\$379.2</u>	<u>\$277.5</u>
Adjustments to Fund Balance	\$2.2	\$7.7	\$2.3		
Total Revenues and Fund Balance	\$927.0	\$1,218.8	\$1,017.7	\$793.6	\$619.5
Other Financing Sources (Uses):					
Transfers out	(\$164.2)	(\$205.9)	(\$216.1)	(\$228.7)	(\$229.1)
Transfers in	\$0.0	\$2.9	\$0.0	\$0.0	\$0.0
Proceeds from Sale of Capital Assets	\$1.6	\$0.3	\$3.3	\$0.4	\$0.0
Proceeds from Insurance Loss Recoveries	\$1.8	\$6.3	\$6.5	\$0.4	\$0.0
Proceeds from Issuance of Long-Term Debt	\$400.7	\$151.7	\$0.0	\$0.0	\$77.3
Total Other Financing Sources (Uses)	<u>\$239.9</u>	<u>(\$44.7)</u>	<u>(\$206.3)</u>	<u>(\$227.9)</u>	<u>(\$151.8)</u>
Total Revenues, Other Financing Sources and Fund Balance	\$1,166.9	\$1,174.1	\$811.4	\$565.7	\$467.7
Expenditures:					
Land	\$30.1	\$33.1	\$9.3	\$2.2	\$1.0
Buildings	\$330.0	\$422.1	\$251.3	\$148.9	\$45.0
Improvements	\$88.5	\$63.3	\$76.7	\$36.6	\$25.0
Other Capital Outlay	\$62.6	\$51.5	\$56.4	\$35.2	\$39.5
Debt Service	\$13.4	\$8.7	\$3.3	\$0.8	\$0.3
Total Expenditures	<u>\$524.6</u>	<u>\$578.7</u>	<u>\$397.0</u>	<u>\$223.7</u>	<u>\$110.8</u>
Excess of Revenues Over (Under) Expenditures	(\$35.7)	(\$9.9)	\$23.0	\$155.5	\$166.7
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$204.2</u>	<u>(\$54.6)</u>	<u>(\$183.3)</u>	<u>(\$72.4)</u>	<u>\$14.9</u>
Ending Fund Balance:	<u>\$642.3</u>	<u>\$595.4</u>	<u>\$414.4</u>	<u>\$342.0</u>	<u>\$356.9</u>

(1) Estimated and unaudited as of May 30, 2011.
Source: The School District of Palm Beach County, Florida.

Liabilities

Long Term Debt. The following tables detail the outstanding indebtedness of the District and the County (the boundaries of which are coterminous with the District). Additionally, valuation and debt ratios for the District are provided herein.

**Selected Financial Information of
The School District of Palm Beach County, Florida
and Palm Beach County, Florida
Direct and Overlapping Long-Term Debt Statement (in thousands)
June 30, 2010**

	<u>General Obligation</u>	<u>Non-Self Supporting Revenue Debt</u> ⁽¹⁾⁽²⁾
DIRECT DEBT		
<u>State of Florida</u>		
State Board of Education Capital Outlay Bonds, Series 2002-A		\$2,185
State Board of Education Capital Outlay Bonds, Series 2002-B		3,480
State Board of Education Capital Outlay Bonds, Series 2003-A		5,035
State Board of Education Capital Outlay Bonds, Series 2005-A		14,945
State Board of Education Capital Outlay Bonds, Series 2005-B		2,405
State Board of Education Capital Outlay Bonds, Series 2009-A	_____	<u>1,505</u>
TOTAL DIRECT DEBT	<u>\$_____0</u>	<u>\$29,555</u>

⁽¹⁾ Bonds are issued by the State of Florida on behalf of the District. Funds for debt service payment are withheld by the State from the District's allocation of Motor Vehicle License Fees which are a non-operating fund source.

⁽²⁾ On October 14, 2010, the State issued its State Board of Education Capital Outlay Bonds, Series 2010A. The District received \$9.7 million in bond proceeds from such issuance.

Source: School District of Palm Beach County, Florida.

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**Selected Financial Information of
The School District of Palm Beach County, Florida
and Palm Beach County, Florida
Direct and Overlapping Long-Term Debt Statement (in thousands)**

	<u>Governmental Activities</u>		<u>Business-Type</u>
	<u>General</u>	<u>Non-Ad Valorem</u>	<u>Activities</u>
OVERLAPPING DEBT (COUNTY)	<u>Obligation</u>	<u>Revenue Bonds</u>	<u>Revenue Bonds</u>
Total General Obligations Bonds	\$250,470		
Total Non-Ad Valorem Revenue Bonds		\$877,633	
Total Revenue Bonds	_____	_____	<u>\$854,243</u>
TOTAL COUNTY DIRECT DEBT	\$250,470	\$877,633	\$854,243
TOTAL DISTRICT DEBT	0	29,555	0
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$250,470</u>	<u>\$907,188</u>	<u>\$854,243</u>

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2010 and the School District of Palm Beach County, Florida (June 30, 2010).

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**Palm Beach County, Florida
Comparative Ratios of Bonded Debt
To Taxable Assessed Valuation and
Per Capita Indebtedness
(Rounded)**

1.	Population (2010)	1,286,461
2.	Net Taxable Valuation (2010 tax year)	\$134,698,183,829
3.	Direct General Obligation Debt	\$0
	a) As a Percent of Taxable Valuation	0%
	b) Per Capita	\$0
4.	Direct and Overlapping General Obligation Debt	\$250,470,000
	a) As a percent of Taxable Valuation	0.1691%
	b) Per Capita	\$194.70
5.	Direct Non-Ad Valorem Revenue Bonds and Direct General Obligation Debt	\$29,555,000
	a) As a percent of Taxable Valuation	0.0200%
	b) Per Capita	\$22.97
6.	Direct and Overlapping General Obligation and Non-Ad Valorem Revenue Bonds	\$1,157,658,000
	a) As a percent of Taxable Valuation	0.7816%
	b) Per Capita	\$899.88

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010.

Obligations Under Unrelated Lease Purchase Agreements. The School Board may, in the future, enter into lease purchase agreements upon terms and conditions other than those in the Master Lease. Unless otherwise expressly provided in this Offering Statement, failure to make payments under any such lease purchase agreements, or an event of default under any such lease purchase agreement, will not affect the Lease Term or cause the termination of the Series 2007B Lease or any other Leases.

Florida Retirement System. The State has established the State of Florida Retirement System ("FRS") for state, county, municipal and school district employees. All employees hired after 1970, and those employed prior to 1970 who elected to be enrolled, are covered by the FRS. Accordingly, substantially all employees of the District are covered by the FRS. The Division of Retirement, Department of Administration of the State of Florida administers the FRS. Contribution rates are established by law for all participating governmental units. The District's liability for participation in the plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. For the Fiscal Years

ended June 30, 2009 and June 30, 2010, the District contributed \$94,977,156 and \$93,208,284, respectively.

Employees hired prior to 1970 and not electing to enroll in the FRS may be covered by alternate contributory plans, principally the Teachers' Retirement System Plan E, administered by the FRS. State law requires the District to contribute 11.35% of the earnable compensation of members to these plans. For the Fiscal Years ended June 30, 2009 and June 30, 2010, the District contributed \$60,560 and \$33,084, respectively. See Note 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2010 in "APPENDIX B – EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2010" for additional information regarding the retirement plans.

During its 2011 regular session, the State Legislature adopted legislation that makes significant changes to FRS with respect to employee contributions and employer contributions, among other items. Effective July 1, 2011, all members of FRS will be required to contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduces the required employer contribution rates for each membership class and subclass of the FRS. For Fiscal Year 2010-11, contribution rates ranged from 10.77% to 23.25% of annual covered payroll. Under the adopted legislation, employer contribution rates range from 4.91% to 14.10% of annual covered payroll. The savings resulting from such reduced contributions will be used to partially offset the reduction in State education funding for Fiscal Year 2012. See "RISK FACTORS - State Revenues" herein. Additionally, the bill eliminates the cost of living adjustment for all FRS employees for service earned on or after July 1, 2011, although the bill does contemplate reinstatement of the adjustment in 2016 under certain conditions. On June 20, 2011, the Florida Education Association, a teachers union, announced it has filed a class action lawsuit challenging the constitutionality of such legislative changes with respect to existing employees. The suit alleges the legislation unlawfully impairs state employee contracts, constitutes a taking of private property without full compensation and violates government workers constitutional right to collective bargaining. At present, the outcome of such lawsuit cannot be determined. However, if the plaintiffs are ultimately successful, the impact to the District's finances could be substantial given the current State economy and level of education funding. See "RISK FACTORS - State Revenues" herein.

The other changes to the FRS contained in the legislation only apply to employees who are initially enrolled in FRS on or after July 1, 2011. For personnel entering FRS on and after July 1, 2011, the following changes apply: the average final compensation upon which retirement benefits are calculated will be based on the eight highest (formerly five highest) fiscal years of compensation prior to retirement, the Deferred Retirement Option Plan (DROP) is maintained but the interest accrual rate will be reduced from 6.5% to 1.3%, the normal retirement age is increased from 62 to 65 and the years of creditable service is increased from 30 to 33 and the vesting period is increased to eight years (formerly six).

Other Post Employment Benefit Program. In addition to its contributions under the State's retirement plan described above, the District provides other postemployment benefits ("OPEB") for certain of its retired employees in the form of an implicit rate subsidy by providing access to health insurance plans requiring the use of a single "blended" or "common" rate for

both active and retired employees. The offering of this health insurance coverage is required by Section 112.0801, Florida Statutes.

As with all governmental entities providing similar plans, the District is required to comply with the Governmental Accounting Standard's Board Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefit Plans other than Pension Plans ("GASB 45"). The District has historically accounted for its OPEB contributions on a pay as you go basis. GASB 45 applies accounting methodology similar to that used for pension liabilities to OPEB and attempts to more fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded. The District retained an actuary (the "Actuary") to review the District's OPEB liabilities and provide the District with a written valuation. The Actuary determined the District's actuarial accrued liability related to OPEB, which approximates the present value of all future expected postretirement life and medical premiums and administrative costs which are attributable to the past service of those retired and active employees, at \$218.9 million as of June 30, 2010. The Actuary also determined the District's annual required contribution ("ARC"), which is the portion of the total accrued actuarial liability allocated to the current Fiscal Year needed to pay both normal costs (current and future benefits earned) and to amortize the unfunded accrued liability (past benefits earned, but not previously provided for). The Actuary estimated the ARC to be \$22.3 million. The calculation of the accrued actuarial liability and the ARC is, by definition and necessity, based upon a number of assumptions, including interest rate on investments, average retirement age, life expectancy, healthcare costs per employee and insurance premiums, many of which factors are subject to future economic and demographic variations. The Actuary also calculated the District's net, end-of-year OPEB obligation to be \$62.5 million as of June 30, 2010, which reflects the District's approximately \$3.3 million contribution towards its OPEB liability during Fiscal Year 2009-10. For additional information on OPEB liability, including assumptions on which the calculation is based, see note 12 to the District's audited financial statements for the Fiscal Year ended June 30, 2010 which are attached hereto as Appendix B.

While the District does not know at this time what its ultimate OPEB liabilities will be in connection with GASB 45 compliance in the future or how much of the annual required contribution accrued liabilities it will need to budget in future years, it expects its OPEB liability to be significant, but manageable within its normal budgeting process.

OPERATING REVENUES OF THE DISTRICT

The District derives its operating income from a variety of federal, state and local sources. Although Section 1013.15(2)(a), Florida Statutes, provides that Operational Funds may be specifically authorized by the School Board to make lease payments on multiple-year leases, the School Board has not previously authorized the use of Operating Funds to make Lease Payments. In addition, other restrictions applicable to the use of Operating Funds may conflict with the use of Operating Funds by the School Board to make Lease Payments under Section 1013.15(2)(a) and there can be no assurance that such Funds would be available to the School Board to make Lease Payments in the case of such conflicts. The major categories of these income sources for the Operating Funds are briefly described below. Prospective

purchasers should assume that Operating Funds will not be available to make Lease Payments and that such payments will be made solely from capital outlay funds. See "AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS."

State Sources

Florida Education Finance Program. The major portion of State support is distributed under the provisions of the Florida Education Finance Program, which was enacted by the State Legislature in 1973. Basic FEFP funds are provided on a weighted full-time equivalent ("FTE") student basis and through a formula that takes into account: (i) varying program costs; (ii) cost differentials between districts; (iii) differences in per-student costs due to the density of student population; and (iv) the required level of local support. Program cost factors are determined by the State Legislature each year. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in other variables comprising the formula, as well as to compensate for increases or decreases in ad valorem tax revenue resulting from adjustments to the valuation of non-exempt property in each county. To participate in FEFP funding, the District must levy a minimum millage for operating purposes, which is set by the State Department of Education. The District's general fund receipts from the State for FEFP pursuant to the above formula for Fiscal Years 2008-09 and 2009-10 were \$68,253,585 and \$62,126,842 (such amount does not include the \$65,766,906 of federal stimulus funds under the American Recovery & Reinvestment Act received by the District for Fiscal Year 2009-10), respectively, and was budgeted at \$135,515,946 (excluding \$59,704,413 of federal stimulus funds under the American Recovery & Reinvestment Act budgeted to be received by the District) for Fiscal Year 2010-11.

FEFP categorical programs are lump sum appropriations from the State intended to supplement local school district revenues to enhance the delivery of educational and support services by each school district. Among the larger categorical programs are the programs for school bus transportation, instructional materials and class size reduction. Allocations for these categorical appropriations are based on funding formula and discretionary State Department of Education grants. The majority of the funds available require actual appropriation by the Board for the purposes for which they were provided. Total State categorical aid was \$228,137,730 and \$194,661,443 for Fiscal Years 2008-09 and 2009-10, respectively, and is budgeted at \$201,569,744 for Fiscal Year 2010-11.

While total FEFP funding dropped in Fiscal Year 2009 for the first time since Fiscal Year 1992, the funding was increased in Fiscal Years 2010 and 2011. The District is receiving \$18.1 million more in FEFP revenues than last year. As discussed below, the increase for Fiscal Year 2011 is due to an increase in student enrollment in the District.

Student enrollment trends have changed over the past few years. Following five years of high growth, more than 5,000 students per year, from Fiscal Year 2001 through Fiscal Year 2005, enrollment growth was flat in Fiscal Year 2006, and decreased by 3,000 students during Fiscal Year 2007. Enrollment was flat again during Fiscal Years 2008 and 2009, but increased by over 2,000 for Fiscal Years 2010 and 2011. Student enrollment for Fiscal Year 2011 is 173,970 which is slightly higher than the peak of 2006. Future enrollment is projected to increase slowly over the next four years.

FEFP funding is derived from two main sources: state sales tax revenues and local property taxes. The state determines the funding split between the two sources for each district. As a property rich county, Palm Beach County property taxes have increasingly shouldered much of the financial burden. For Fiscal Year 2011, local property taxes will provide 79% of the FEFP funds. See "RISK FACTORS – State Revenues" herein.

State Lottery Revenues. A portion of the revenues generated from the State lottery is distributed to each Florida school district as Discretionary Lottery revenue and Florida School Recognition Program revenue. The Florida School Recognition program recognizes schools that have received an "A" or improved at least one letter grade from the previous school year and, under Florida Statutes, is required to be used for nonrecurring bonuses for school faculty and staff, nonrecurring expenditures for educational equipment or materials, for temporary personnel to assist schools in maintaining or improving student performance, or any combination of these. The District received approximately \$10.170 million and \$9.147 million in Florida School Recognition Program revenues for Fiscal Year 2008-09 and 2009-10, respectively, and the District budgeted \$9.147 million in Florida School Recognition Program revenues for Fiscal Year 2010-11. The District received \$4,400,251 and \$502,627 in Discretionary Lottery revenues for Fiscal Year 2008-09 and 2009-10, respectively, and the District budgeted \$506,843 Discretionary Lottery revenues for Fiscal Year 2010-11.

Local Sources

Ad Valorem Taxes. Local revenue for District operating support is derived almost entirely from ad valorem real and tangible personal property taxes. In addition, the District earns interest on cash invested and collects other miscellaneous revenues.

The Florida Constitution limits the non-voted millage rate that school boards may levy on an annual basis for operational funds to 10 mills (\$10 per \$1,000 of taxable real and personal property value). Chapter 1011, Florida Statutes, as amended, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature and certified by the Commissioner of the State of Florida Department of Education and is referred to as the district "required local effort."

In addition to the "required local effort," school districts are entitled an additional non-voted current operating "discretionary millage" not to exceed an amount established annually by the Legislature and up to 1.5 mills for capital outlay and maintenance of school facilities. However, the District may levy up to .25 mills for capital outlay and maintenance of school facilities in lieu of operating discretionary millage. For Fiscal Year ending June 30, 2011, the District's discretionary operating millage and capital outlay discretionary millage are budgeted to be .6780 mills and .0700 mills, respectively. See "AD VALOREM TAXATION - Millage Rates" and "Historical Millages" herein.

In addition to the foregoing, the Board may, by a super majority vote, levy an additional 0.25 mills for critical capital outlay needs or for critical operating needs. The District is levying

an additional 0.25 mills for critical operating needs for Fiscal Year 2010-11 pursuant to such authorization. Continuation of the levy after Fiscal Year 2010-11 for an additional two years required the approval of the voters of the District. As the District did not seek voter approval to continue such levy after Fiscal Year 2010-11, such millage will not be levied after Fiscal Year 2010-11. Instead, the District chose, pursuant to authority granted in Section 1011.71(9), Florida Statutes, to seek voter approval for the levy of an additional 0.25 mills for operating purposes for a period of four years, commencing with Fiscal Year 2011-12. The voters approved such levy at the November 2010 general election. See "AD VALOREM TAXATION - Millage Rates" herein.

The following table sets forth the District's operating village levies for Fiscal Year 2010-11:

<u>Operating Millage</u>	<u>District Levy</u>	<u>Description</u>	<u>Max</u>
Required Local Effort	5.656 mills	Each school district desiring to participate in the State's allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature	5.656
Current Operating Discretionary Millage	0.678 mills	Non-voted; not to exceed amount established annually by the Legislature	0.748
Critical Operating Needs Millage	0.250 mills	School boards may, by a super majority vote, levy an additional .25 mills for critical capital outlay needs or for critical operating needs. A referendum is required to continue such levy after Fiscal Year 2010-11. The District is not seeking to continue such levy beyond Fiscal Year 2010-11.	0.250

Historically, budgeted revenues from ad valorem taxes are based on applying millage levies to ninety-five percent (95%) of the non-exempt assessed valuation of real and personal property within the County. However, due to a change in applicable law, revenues derived from ad valorem property taxes are now required to be budgeted on the application of millage levies to ninety-six percent (96%) of the non-exempt assessed valuation of property in the County.

Federal Sources

The District receives certain Federal moneys, both directly and through the State, substantially all of which are restricted for specific programs. Direct Federal revenue sources were \$918,709 and \$754,931 in Fiscal Years 2008-09 and 2009-10, respectively, and are budgeted at \$606,000 for Fiscal Year 2010-11. Federal funds through the State totaled \$5,488,075 and \$4,100,000 in Fiscal Years 2008-09 and 2009-10, respectively, and are budgeted to be \$4,100,000 in Fiscal Year 2010-11. The District also received \$36 million in federal Education Jobs Bill funds in 2010-11, which it has reserved for use in Fiscal Year 2011-12 to

partially offset cuts in State education funding. Such funds are not available to make Lease Payments on the Leases.

Constitutional Amendments Related to Class Size Reduction and Pre-K Programs

Class Size Reduction

Amendment 9 to the State Constitution requires that the State Legislature provide funding for sufficient classrooms so that class sizes can be reduced to certain constitutional class size maximums by the beginning of the 2010 school year. Amendment 9 and Section 1003.03, Florida Statutes, which implements Amendment 9, collectively, are referred to herein as the "Class Size Legislation."

The Class Size Legislation established constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten through 3rd grade, 22 for grades 4 through 8 and 25 for grades 9 through 12. Such legislation generally provides for a phased-in compliance which would be determined on a school-by-school basis through and including Fiscal Year 2009-10, with final compliance on an individual classroom basis beginning in Fiscal Year 2010-11. In the event a school district is not in compliance with such requirements, the legislation provides that the State shall reduce categorical funds due to such school district for operational purposes.

The Class Size Legislation further created an "Operating Categorical Fund for Class Size Reduction," the "Classroom for Kids Program," the "District Effort Recognition Grant Program" and the "Class Size Reduction Lottery Revenue Bond Program" to provide funding programs for capital outlays and operating expenditures necessary in relation to these mandated class size reductions.

The Class Size Legislation requires each school board to consider implementing various policies and methods to meet these constitutional class sizes, including encouraging dual enrollment courses, encouraging the Florida Virtual School, maximizing instructional staff, reducing construction costs, using joint-use facilities, implementing alternative class scheduling, redrawing attendance zones, implementing evening and multiple sessions and implementing year-round and non-traditional calendars.

Through Fiscal Year 2009-10, the District complied with the requirements of the Class Size Legislation which was based on the average class size at each school. Beginning in Fiscal year 2010-11, the requirements were based on the number of students in each individual classroom. The District believed that compliance with the Class Size Legislation on an individual classroom basis would require significant changes at the District's schools that would directly impact the students. The District also acknowledged that an amendment to the Class Size Legislation, which would loosen the requirements, was pending voter approval at the November 2010 General Election. The District elected to comply with the Class Size Legislation on an individual classroom basis whenever possible without adversely impacting its students. As of the October 2010 Survey, the week during which DOE determines compliance with class size maximums, the District had 80% or 81,187 of the classrooms in compliance and 20% or 21,152 of the classrooms not in compliance with the maximum class size. Based on the

number of students which exceeds the maximum and the total number of students which exceed the maximum for all classes, the District expects that its categorical allocation could be reduced by approximately \$16 million; however, on February 15, 2011, the District submitted a plan to DOE outlining specific actions it will take to come into full compliance by October, 2011. The District's plan was accepted by DOE and reduced the potential penalty to \$4 million. The District has budgeted \$7 million to offset any such penalties. If the penalty is assessed, it will result in less FEFP revenue during Fiscal Year 2011-12. During its 2011 regular session, the State Legislature adopted legislation that reduces the number of courses that will be used to determine compliance with the Class Size Legislation. Based on such legislation, the District has estimated its cost of compliance to be approximately \$18 million and has included such amount in the 2011-12 preliminary budget. Accordingly, the District expects to comply with the requirements of the Class Size Legislation by October 2011.

Pre-K Programs

Amendment 8 to the State Constitution provides that every 4-year old child in the State shall be offered a free, high quality pre-kindergarten learning opportunity by the State. Part V of Chapter 1002, Florida Statutes, creates a statewide Voluntary Pre-kindergarten Education Program (the "Pre-K Program"). Among other things, the Pre-K Program provides eligibility and enrollment requirements, authorizes parents to enroll their children in a school-year pre-kindergarten ("Pre-K") program delivered by a private Pre-K provider, a summer program delivered by a public school or private Pre-K provider or, if offered in a school district that meets class-size reduction requirements, a school year Pre-K program delivered by a public school. The Pre-K Program also requires school districts to deliver summer Pre-K programs and permits school districts to deliver school-year Pre-K programs. Additionally, the Pre-K Program appropriates State funds to finance the Pre-K programs and provides the method for calculating the funds allocated to each Pre-K program provider.

The Pre-K Legislation provides State funding for the Pre-K programs.

AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS

The School Board derives its revenues for capital outlay projects from certain State and local sources. The major categories of these revenue sources are briefly described below. In Fiscal Year 2009-10, the revenue sources for capital improvements, excluding any Certificate proceeds and existing fund balances, were approximately 6.8% from State revenues, 70.7% from local millage, 21% from local sales tax and 1.5% from other local sources.

State Sources

PECO. The primary source of state educational funding contributions to the School Board's capital outlay requirements is the Florida Public Education Capital Outlay Program (PECO). The method of allocation of funds to the district school boards is provided by state law based upon a statutory formula, components of which are the number of students in various districts and the proposed uses of the funds by the various districts. The Commissioner of Education administers the PECO program and allocates or reallocates funds as authorized by law. The amount of PECO allocated to the School Board was \$9,153,384 for Fiscal Year

2008-09, \$1,963,985 for Fiscal Year 2009-10 and is budgeted to be approximately \$5,443,341 for Fiscal Year 2010-11. PECO funds may be used to make the principal portion of lease-purchase payments on a new construction project, but only to the extent that the project otherwise qualifies for PECO funding.

C.O. and D.S. Funds. The State Capital Outlay and Debt Service Funds ("C.O. and D.S.") also provides funds for the School Board's capital outlay requirements. C.O. and D.S. funds are derived from a portion of the revenues collected from motor vehicle license charges. The School Board received \$1,043,974 in Fiscal Year 2008-09, \$1,871,640 in Fiscal Year 2009-10 and expects to receive approximately \$963,779 in Fiscal Year 2010-11 based on State projections.

Capital Outlay Bond Issues. The School District participated in a bond sale held by the State of Florida in October 2010. Annually, the State offers to bond a portion of future C.O. and D.S. funds for school districts. The School District received \$9.7 million from the bond sale.

Local Sources

Local revenue for school district support is derived primarily from real and tangible personal property taxes. See also "AD VALOREM TAXATION" herein

School boards may levy non-voted millage (the "Local Option Millage Levy") for capital outlay and maintenance purposes, pursuant to Section 1011.71(2), Florida Statutes. In 2008, the maximum amount of Local Option Millage Levy was reduced to 1.75 mills (previously 2.00 mills) and in 2009, it was further reduced from 1.75 mills to 1.50 mills. Under certain circumstances, a school board may levy in excess of 1.50 mills for capital outlay purposes. See "AD VALOREM TAXATION - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes." Revenues from the Local Option Millage Levy may be used to fund new construction, remodeling, site acquisition and improvement; maintenance and repair; school bus purchases; payments under lease purchase agreements and certain short-term loans. Payments from this millage for lease purchase agreements for educational facilities and sites currently may not exceed three-fourths of the proceeds of the Local Option Millage Levy. Such portion of the Local Option Millage Levy is referred to herein as the Capital Outlay Millage. **The School Board is not required to levy any millage for capital outlay purposes in the future. Since revenues from the levy of the Capital Outlay Millage may be used for, but not pledged to, the payment of Lease Payments under the Leases, the failure of the School Board to levy all of the Local Option Millage Levy would have an adverse effect on Available Revenues from which the School Board may appropriate to make Lease Payments. SEE "AD VALOREM TAXATION – Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes" for information concerning recent legislation that may adversely affect the District's taxable assessed valuation, local option millage levy and the capital outlay millage available to make lease payments.**

The following table sets forth the District's capital outlay levies for Fiscal Year 2010-11:

<u>Capital Outlay Millage</u>	<u>District Levy</u>	<u>Description</u>	<u>Max</u>
Local Option Millage	1.500 ⁽¹⁾ mills	Non-voted millage for capital outlay and maintenance purposes.	1.500
Capital Outlay Discretionary Millage	0.070 mills	If revenue from the Local Option Millage is insufficient to make payments due under a lease purchase agreement entered into prior to June 30, 2009, or to meet other critical school district fixed capital outlay needs, a school board may levy up to an additional .25 mills of Local Option Millage Levy in addition to the 1.5 mills, in lieu of levying an equivalent amount of the discretionary mills for operations (i.e. Current Operating Discretionary Millage)	0.250

⁽¹⁾ Payments from the Local Option Millage Levy for lease purchase agreements for educational facilities and sites currently may not exceed 75% of the proceeds of the millage.

See the table under "AD VALOREM TAXATION - Historical Millages" herein for a schedule of the millage actually assessed by the School Board over the past ten years. However, also see "AD VALOREM TAXATION – Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes," for information concerning recent legislation that may adversely affect the District's taxable assessed valuation, local option millage levy and the capital outlay millage available to make lease payments. The School Board's total millage for Fiscal Year 2010-11 is 8.1540 mills; the Florida Constitution imposes a cap of 10 mills, exclusive of millage levied for the purposes described in paragraph (5) above. The School Board on September 7, 2010, approved a budget for the 2010-11 Fiscal Year which includes a slight 2% increase in the ad valorem tax rate. Despite the increase there would still be an approximately 7% decrease in revenue from ad valorem taxes due to the decrease in the value of taxable property. The Millage Levy for Capital Outlay purposes for Fiscal Year 2011 is 1.57%.

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The table below sets forth the millage levy that would provide 1.00x coverage of annual payments for the Fiscal Year 2010-11 and 1.00x coverage of the maximum annual payments represented by the Outstanding Certificates, Series 2007B Certificates and the Series 2011A Certificates, assuming a 95% collection of the taxes levied.

**Anticipated Capital Outlay Millage Levy Required
to Cover Certificate Payments**

Net Taxable Assessed Valuation (2010 tax year) \$134,698,183,829⁽¹⁾

**Funds Generated from Local Option Capital Outlay Millage (1.57 mills)
which are Available to Make Lease Payments** \$152,916,113⁽²⁾

*Calculation for Annual Lease Payments due in the Certificate Year ending
August 1, 2011:*

Annual Lease Payments Represented by the Outstanding Certificates,
Series 2007B Certificates and the Series 2011A Certificates \$145,730,046⁽³⁾⁽⁴⁾

Minimum Millage Levy Used to Produce 1.00x Coverage of Annual
Lease Payments represented by the Outstanding Certificates, Series
2007B Certificates and the Series 2011A Certificates 1.14⁽³⁾

Millage Levy Legally Required to Produce 1.00x Coverage of Annual
Lease Payments represented by the Outstanding Certificates, Series
2007B Certificates and the Series 2011A Certificates 1.51⁽²⁾⁽³⁾

Calculation for Maximum Annual Lease Payments:

Maximum Annual Lease Payments Represented by the Outstanding
Certificates and the Series 2011A Certificates \$148,216,086⁽³⁾⁽⁴⁾

Minimum Millage Levy Used to Produce 1.00x Coverage of Maximum
Annual Lease Payments represented by the Outstanding Certificates and
the Series 2011A Certificates 1.16⁽³⁾

Millage Levy Legally Required to Produce 1.00x Coverage of
Maximum Annual Lease Payments represented by the Outstanding
Certificates and the Series 2011A Certificates 1.53⁽²⁾⁽³⁾

- ⁽¹⁾ Applicable to the District's Fiscal Year 2010-11.
- ⁽²⁾ Applicable to the District's Fiscal Year 2010-11. This number calculated using 95% of the net taxable assessed valuation and assuming (i) only 75% of the Local Option Capital Outlay Millage levy (1.50 mills) and (ii) 100% of the current 0.07 mills capital outlay discretionary millage levy is available to make payments represented by the Outstanding Certificates and the Series 2011A Certificates.
- ⁽³⁾ Assumes that (i) the Series 2002B Certificates bear interest at 4.53%, and (ii) the Series 2003B Certificates bear interest at 4.19%. With respect to the Series 2010A Certificates, interest is calculated at the stated interest rate of 5.40% net of an Interest Subsidy of 5.19%. For Certificate Year ending August 1, 2011, the Annual Lease Payments include interest represented by the Series 2007B Certificates.
- ⁽⁴⁾ Assumes (i) the Series 2011A Certificates accrue interest at 5.00% on and after August 1, 2016 and (ii) the Series 2011B Certificates are issued in the aggregate principal amount of \$162,980,000 with a true interest cost of 5.36% based on the Series 2001B Interest Rate Exchange Agreement. Also (i) reflects the refunding of the Refunded Certificates with proceeds of the Series 2011A Certificates, (ii) assumes the refunding of the Refunded Series 2001B Certificates with proceeds of the Series 2011B Certificates, and (iii) assumes the Outstanding Series 2001B Certificates are not refunded.

Source: The School District of Palm Beach County, Florida.

AD VALOREM TAXATION

Property Assessment

The laws of the State provide for a uniform procedure to be followed by all counties, municipalities, school districts and special districts for the levy and collection of ad valorem taxes on real and personal property. Pursuant to such laws, the County's property appraiser (the "Property Appraiser") prepares an annual assessment roll for all taxing units within the County and levies such millage, subject to constitutional limitations, as determined by each taxing unit, and the Tax Collector collects the ad valorem property taxes for all taxing units within the County. Since the ad valorem property taxes of all taxing units within a County are billed together by the Tax Collector, each property owner is required to pay all such taxes without preference.

Real property used for the following purposes is generally exempt from ad valorem taxation: religious, educational, charitable, scientific, literary, and governmental. In addition, there are special exemptions for widows, hospitals, homesteads, and homes for the aged and disabled veterans. Agricultural land, non-commercial recreational land, inventory, and livestock are assessed at less than 100% of fair market value.

Real and personal property valuations are determined each year as of January 1 by the Property Appraiser's office. The Property Appraiser is required to physically inspect the real property every three (3) years. There is a limitation of the lesser of 3% or the increase in the consumer price index during the relevant year on the annual increase in assessed valuation of Homestead Property (defined below), except in the event of a sale of such property during such year, and except as to improvements to such property during that year. State law requires, with certain exceptions, that property be assessed at fair market value; provided, however, that \$25,000 of the assessed valuation of a homestead is exempt from all taxation for a residence occupied by the owner on a permanent basis where such owner has filed for and received a homestead exemption ("Homestead Property" or "Homestead") and, with respect to Homestead Property, an additional exemption of up to \$25,000 on the assessed valuation greater than \$50,000 is exempt from taxation for all property tax levies other than school district levies. See "Property Tax Reform" below.

The Property Appraiser's office prepares the assessment roll and gives notice by mail to each taxpayer of the proposed property taxes and the assessed property value for the current year, and the dates, times and places at which budget hearings are scheduled to be held. The property owner then has the right to file an appeal with the value adjustment board, which considers petitions relating to assessments and exemptions. The value adjustment board may make adjustments to the assessment roll to reflect any reduction in the assessed value of property upon the completion of the appeals. The value adjustment board certifies the assessment roll upon completion of the hearing of appeals to it. Millage rates are then computed by the various taxing authorities and certified to the Property Appraiser, who applies the millage rates to the assessment roll. This procedure creates the tax roll, which is then certified and turned over to the Tax Collector.

Property Tax Reform

In 2007 the Florida Legislature enacted Chapter 2007-321, Laws of Florida (2007) (the "Rollback Law"). One component of the adopted legislation requires counties, cities and special districts to roll back their millage rates for the 2007-08 Fiscal Year to a level that, with certain adjustments and exceptions, will generate the same level of ad valorem tax revenue as in Fiscal Year 2006-07; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates will be determined after first reducing 2006-07 ad valorem tax revenues by zero to nine percent (0% to 9%). In addition, the legislation limits how much the aggregate amount of ad valorem tax revenues may increase in future Fiscal Years. **School districts are not required to comply with the particular provisions of the legislation relating to limitations on increases in future years.**

Effective January 1, 2008, additional changes to Florida's property tax laws created a new formula for calculating assessed value of Homestead Property. "Assessed value" is the official value upon which real properties may be taxed in Florida. Under the new formula, if an owner of a Homestead purchases a new Homestead Property for greater value, the assessed value of the new Homestead would equal the purchase price of the new Homestead minus the difference between the purchase price of the previous Homestead and the assessed value of the previous Homestead, or \$500,000, whichever is less. In addition, for Florida Homestead owners already receiving a property tax exemption of \$25,000 on the assessed value of their homes, the new law creates an additional \$25,000 exemption on the assessed value of Homestead Property greater than \$50,000 for all property tax levies except school taxes. Also effective January 1, 2008, the first \$25,000 of tangible personal property is exempt from taxation.

Additionally, effective January 1, 2009, increases in annual assessments on certain non-Homestead Property were capped at 10% annually (for a 10-year period) for all property tax levies other than school district levies.

In the November 4, 2008 general election, the voters of the State approved amendments to the State Constitution providing the Florida Legislature with authority to enact exemptions or special assessment protections for certain types of property subject to ad valorem taxation including exemptions for conservation lands and residential wind damage resistance and renewable energy source improvements, and restrictions on the assessment of working waterfront properties. Thereafter, legislation was enacted which creates an exemption for land used exclusively for conservation purposes. Such exemption will apply to property tax assessments made on or after January 1, 2011 (Fiscal Year 2011-12 for school districts).

Millage Rates

The Florida Constitution limits the non-voted millage rate that school boards may levy on an annual basis for operational funds to 10 mills (\$10 per \$1,000 of taxable real and personal property value). Section 1011.71, Florida Statutes, as amended, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's appropriation of

Florida Education Finance Program ("FEFP") funds for current operations must levy the millage certified by the Commissioner of the State of Florida Department of Education, the "required local effort," which is set each year by the State Legislature. In addition to the "required local effort," school districts are entitled to a non-voted current operating discretionary millage. See "Historical Millages" below for information regarding the District's property tax levies in recent Fiscal Years and for Fiscal Year 2009-10.

In addition to the millage levies for operating purposes, pursuant to Section 1011.71, Florida Statutes, school boards may set an additional non-voted millage known as the "Local Option Millage Levy" for capital outlay and maintenance purposes. In 2008, the Florida Legislature amended Section 1011.71, Florida Statutes, to provide that if the revenues generated from the reduced Local Option Millage Levy are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount equal to the revenue generated from 0.50 mills of the operating millage levy may be used to make such lease payments. In 2009, the Florida Legislature further amended Section 1011.71, Florida Statutes, to (i) reduce the maximum Local Option Millage Levy from 1.75 mills to 1.5 mills commencing in Fiscal Year 2009-10 for school districts, (ii) if the revenue from the 1.5 mills is insufficient to make payments due under a lease purchase agreement entered into prior to June 30, 2009, or to meet other critical school district fixed capital outlay needs, authorize a school board to levy up to an additional .25 mills of Local Option Millage Levy in addition to the 1.5 mills, in lieu of levying an equivalent amount of the discretionary mills for operations, and (iii) authorize school boards, by a super majority vote, to levy an additional .25 mills for critical capital outlay needs or for critical operating needs. If levied for operations, districts in which .25 mills generate less than the state average are to be provided the difference in state funds allocated through the FEFP. In order to continue the levy described in clause (iii) above after Fiscal Year 2010-11 it must be approved by the voters of the district in the next general election or at a subsequent election held at any time.

The millage limitation does not apply to taxes approved at referendum by qualified electors in the County for general obligation bonds.

Each respective millage rate, except as limited by law, is set on the basis of estimates of revenue needs and the total taxable property values within the taxing authority's respective jurisdiction. Revenues derived from ad valorem property taxes are budgeted, as required by Florida law, on the application of millage levies to 96 percent of the non-exempt assessed valuation of property in the County. Ad valorem taxes are not levied in excess of actual budget requirements.

Procedures for Tax Collection and Distribution

All real and tangible personal property taxes are due and payable on November 1 of each year, or as soon thereafter as the tax roll is certified and delivered to the Tax Collector. The Tax Collector mails a notice to each property owner on the tax roll for the taxes levied by the County, the Board, municipalities within the County and other taxing authorities. Taxes may be paid upon receipt of such notice, with discounts at the rate of 4% if paid in the month of November; 3% if paid in the month of December; 2% if paid in the month of January and 1% if paid in the month of February. Taxes paid in the month of March are without discount. All unpaid taxes on

real and personal property become delinquent on April 1 of the year following the year in which taxes were levied.

In the event of a delinquency in the payment of taxes on real property, the Tax Collector is required to attempt to sell tax certificates on such property to the person who pays the delinquent taxes and interest and certain costs and charges relating thereto, and who accepts the lowest interest rate per annum to be borne by the certificates (not to exceed 18%). Delinquent taxes may be paid by a taxpayer prior to the date of sale of a tax certificate by the payment of such taxes, together with interest and all costs and charges relating thereto. Generally, tax certificates are sold by public bid. If there are no bidders, the certificate is issued to the county in which the property is located, and the county, in such event, does not pay any consideration for such tax certificate. Proceeds from the sale of tax certificates are required to be used to pay taxes, interest, costs and charges on the land described in the certificate.

County-held certificates may be purchased and any tax certificate may be prepaid, in whole or in part, by any person at any time before a tax deed is issued or the property is placed on the list of lands available for sale, at a price equal to the face amount of the certificate or portion thereof together with all interest, costs, charges and omitted taxes due. The proceeds of such a redemption are paid to the Tax Collector who transmits to the holder of the certificate such proceeds less service charges, and the certificate is canceled. Any holder, other than the county, of a tax certificate that has not been prepaid has seven years from the date of issuance of the tax certificate during which to act against the land that is the subject of the tax certificate.

After an initial period ending two years from April 1 of the year of issuance of a certificate, during which period actions against the land are held in abeyance to allow for sales and redemptions of tax certificates and before the expiration of seven years from the date of issuance, the holder of a certificate may apply for a tax deed to the subject land. The applicant is required to pay to the Tax Collector at the time of application all amounts required to redeem or purchase all other outstanding tax certificates covering the land, plus interest, any omitted taxes or delinquent taxes and interest, and current taxes, if due. If the county holds a tax certificate on property valued at \$5,000 or more and has not succeeded in selling it, the county must apply for a tax deed two years after April 1 of the year of issuance. The County pays costs and fees to the Tax Collector but not any amount to redeem any other outstanding certificates covering the land. Such property is then also advertised for public sale to the highest bidder, subject to certain minimum bids. If there are no other bidders, the County may purchase the land for the minimum bid. In the case of unsold lands, after seven years the County will take title to such lands.

State law provides that tax liens are superior to all other liens, except prior United States Internal Revenue Service liens. The Tax Collector advertises once each week for four consecutive weeks and sells tax certificates to the lowest bidder, based on the interest rate bid, commencing on or before June 1 for unpaid tax bills. Tax certificates not sold at auction convert to County ownership.

The following table sets forth the percentage of taxable value to total assessed value for each of the past five years.

**The School District of Palm Beach County, Florida
Assessed Value of Taxable Property
(in thousands)**

Fiscal Year Ended June 30	Gross Assessed Value ⁽¹⁾	Total Taxable Value for Operating Millages	% Taxable to Total Assessed Value
2011 ⁽²⁾	\$166,960,572	\$134,698,184	80.68%
2010	189,794,833	148,119,877	78.04
2009	222,676,827	167,717,027	75.32
2008	236,349,113	170,412,459	72.10
2007	232,872,481	161,349,820	69.29

⁽¹⁾ Assessed value equals 100% of estimated value.

⁽²⁾ Prior to adjustments on appeals from taxpayers.

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2010 for Fiscal Years ending June 30, 2007-2010. The School District of Palm Beach County, Florida.

The following table contains current and historical millage rates (tax per \$1,000 of assessed value) for the Board for Fiscal Year 2010-11 and for the last four Fiscal Years (see "AD VALOREM TAX MATTERS - Millage Rates" and "- Legislative Amendments Reducing the Capital Improvement Tax" above for a discussion of recent legislation reducing the maximum amount of the Local Option Millage Levy for school districts).

**The School District of Palm Beach County, Florida
Tax Millage Rates**

	Fiscal Year Ended June 30				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund					
Required Local Effort	5.089	4.743	4.898	5.485	5.656
Discretionary	<u>0.623</u>	<u>0.613</u>	<u>0.603</u>	<u>0.650</u>	<u>0.928</u>
Subtotal	5.712	5.356	5.501	6.135	6.584
Debt Service	0.160	0.000	0.000	0.000	0.000
Capital Improvement	<u>2.000</u>	<u>2.000</u>	<u>1.750</u>	<u>1.848</u>	<u>1.570</u>
Total Millage Levy	<u>7.872</u>	<u>7.356</u>	<u>7.251</u>	<u>7.983</u>	<u>8.154</u>

Source: The School District of Palm Beach County, Florida.

Pursuant to Article VII of the Constitution of the State of Florida, the Board may not levy ad valorem taxes, exclusive of voted taxes levied for the payment of debt service on bonds, in excess of 10 mills. The Board levied 8.154 non-voted mills for Fiscal Year ending June 30, 2011.

In the November, 2010 general election, the voters of Palm Beach County approved a 0.25 mill operating property tax levy for a four-year period beginning with the 2011-12 Fiscal Year and continuing through the 2015-16 Fiscal Year. The primary purpose of the millage is to pay for teachers' salaries, as well as arts, music, physical education, career and academic programs.

The following table sets forth the tax rates in dollars per \$1,000 of taxable valuation for the County for the tax years 2002 through 2011.

County Wide Ad Valorem Millage Rates

<u>Tax Year</u>	<u>District</u>	<u>County</u>	<u>Total Water District</u>	<u>Total County Wide</u>
2011	8.154	7.0163	.5346	15.7049
2010	7.9830	6.5202	.5346	15.0378
2009	7.251	5.6879	.5346	13.4735
2008	7.3560	5.5775	.5346	13.4681
2007	7.8720	6.2059	.5970	14.6749
2006	8.1060	6.6264	.5970	15.3294
2005	8.4320	6.6964	.5970	15.7254
2004	8.5710	6.7497	.5970	15.9177
2003	8.7790	6.6997	.5970	16.0757
2002	8.9480	6.7939	.5970	16.3389

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2010; the School District of Palm Beach County, Florida.

The following table sets forth the amounts billed and collected for ad valorem property taxes levied by the District for the Fiscal Years 2006 through 2011.

**The School District of Palm Beach County, Florida
Property Tax Levies and Collections
(In Thousands)**

<u>Fiscal Year Ended June 30</u>	<u>Property Taxes Levied</u>	<u>Current Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Current Tax Collected To Property Taxes Levied</u>
2011	\$886,852	\$816,247 ⁽²⁾	\$816,247 ⁽²⁾	92.04% ⁽²⁾
2010	908,715	843,098	848,798	92.78
2009	922,611	846,495	848,999	91.76
2008	912,729	835,511	836,012	91.54
2007	921,630	853,088	853,632	92.56
2006	768,215	721,060	721,979	93.86
2005	686,554	648,455	649,530	94.45

⁽¹⁾ Reflects percentage of current (rather than total) tax collections to taxes levied. Also, such figures are not adjusted to take into account discounts for early payment of property taxes. See "AD VALOREM TAXATION - Procedures for Tax Collections and Distribution" above.

⁽²⁾ Collections through May 19, 2011.

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2010. The School District of Palm Beach County, Florida.

The following table contains the list of the County's ten largest taxpayers for the Fiscal Year ended September 30, 2010.

**Palm Beach County, Florida
Principal Property Tax Payers
September 30, 2010**

<u>Taxpayer</u>	<u>2010 Taxes Levied</u>	<u>% of Total Taxes Levied</u>
Florida Power & Light	\$59,124,741	6.58%
BellSouth Telecommunications	8,055,209	0.90
Town Center	7,286,267	0.81
U.S. Sugar Corporation	5,597,236	0.62
Landry, Lawrence L.	4,804,437	0.53
Comcast of Florida/Georgia LLC	3,561,509	0.40
Okeelanta Corporation	3,475,256	0.39
Panthers BRHC LTD	3,359,171	0.37
TJ Palm Beach Assoc LTD Partners	3,309,313	0.37
Breakers Palm Beach Inc.	<u>3,221,717</u>	<u>0.36</u>
Total	<u>\$101,794,856</u>	<u>11.33%</u>

Source: Comprehensive Annual Financial Report, Palm Beach County, Florida, Fiscal Year Ended September 30, 2010.

Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes

Constitutional amendments related to ad valorem exemptions. In January, 2008, Florida voters approved amendments to the State Constitution exempting certain portions of a property's assessed value from taxation. The following is a brief summary of certain important provisions contained in the approved amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000. This exemption does not apply to school district taxes.

2. Permits owners of homestead property to transfer up to \$500,000 of their "Save Our Homes" benefit to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their "Save Our Homes" benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. The Save Our Homes amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of three percent (3%) or the annual rate of inflation. This exemption applies to all taxes, including school district taxes.

3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax. This exemption applies to all taxes, including school district taxes.

4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases would be in effect for a 10 year period, subject to extension by an affirmative vote of electors. This limitation does not apply to school district taxes.

The amendments were effective for the 2008 tax year (2008-09 Fiscal Year for local governments). While certain members of the Florida Legislature publicly indicated that they would seek to replace the ad valorem revenues lost by school districts with other revenue sources, the Florida Legislature approved significant budget cuts for education during its 2011 regular session. See "RISK FACTORS - State Revenues." At this time, it is impossible to estimate with any certainty the level of impact that the constitutional amendments will have on the District, but the impact could be substantial.

From time to time over the last few years, the Save Our Homes assessment cap and portability provision described above have been subject to legal challenge. The plaintiffs in such cases have generally argued that the Save Our Homes assessment cap constitutes an unlawful residency requirement for tax benefits on substantially similar property, in violation of the State Constitution's Equal Protection provisions and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution and that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes. The courts in each case have rejected such constitutional arguments and upheld the constitutionality of such provisions. However, there is no assurance that any future challenges to such provisions will not be successful. Any potential impact on the District or its finances as a result of such challenges cannot be ascertained at this time.

Exemption for Deployed Military Personnel. In the November 2010 General Election voters approved a constitutional amendment which provides an additional homestead exemption for deployed military personnel. The exemption equals the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the legislature. This constitutional amendment took effect on January 1, 2011. At this time, it is impossible to estimate with any certainty the level of impact that the constitutional amendment will have on the District.

Reduction in Local Option Millage Levy. In 2008, Section 1011.71, Florida Statutes, was amended to reduce the maximum millage rate that school districts could levy for capital outlay and maintenance purposes (referred to in this Offering Statement as the Local Option Millage Levy) from 2.0 mills to 1.75 mills commencing in Fiscal Year 2008-09. In conjunction with such reduction, the State's Commissioner of Education increased the amount of the required local effort for each school district in the State, which resulted in a shift of the millage (and associated tax revenues) from capital outlay and maintenance purposes to operational purposes. However, if the revenues generated from the reduced Local Option Millage Levy are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount equal to the revenue generated from 0.50 mills of the operating millage levy may be used to make such

lease payments. As further discussed in "AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS - Local Sources" the Local Option Millage Levy constitutes the primary source of funds to make Rent Payments with respect to the Series 2011A Certificates, as well as any other Certificates of Participation issued in connection with the Master Lease. Accordingly, such reduction reduces the funds available to make Rent Payments under the Series 2007B Lease and may adversely impact the District's ability to finance additional educational facilities under the Master Lease in the future.

Section 1011.71, Florida Statutes, was amended in both the 2009 and 2010 legislative sessions to provide for the following: (i) a reduction of the maximum Local Option Millage Levy from 1.75 mills to 1.50 mills; (ii) a waiver of the three-fourths limit on use of proceeds from the Local Option Millage Levy for lease-purchase agreements entered into before June 30, 2009, for the 2009-10 Fiscal Year; (iii) if the revenue from 1.50 mills is insufficient to make the payments due under a lease-purchase agreement entered into prior to June 30, 2009, or to meet other critical fixed capital outlay needs, authorization for school districts to levy up to 0.25 mills for capital improvement needs in lieu of an equivalent amount of the discretionary mills for operations as provided in the State General Appropriation Act; and (iv) authorization for school boards, by a super majority vote, to levy an optional 0.25 mills for critical capital outlay needs or for critical operating needs. If used for operations, districts in which 0.25 mills generate less than the State average are to be provided the difference in State funds allocated through the FEFP. In order to continue the levy described in clause (iv) above after the 2010-11 Fiscal Year, it must be approved by the voters of the district in the 2010 general election or at a subsequent election held at any time. Such voter approval would only authorize the levy for an additional two-year period. The reduction of the maximum permitted Local Option Millage Levy will directly reduce the amount of funds available to make Basic Lease Payments with respect to certificates of participation issued in connection with the Master Lease unless action is taken pursuant to clauses (iii) or (iv) to levy an additional 0.25 mills for capital purposes. The School Board does not levy the optional millage referred to in clauses (iii) or (iv) above.

Proposals Affecting Ad Valorem Taxation and District Finances

Ad Valorem Taxation Proposals. During its regular session, the Legislative passed a resolution proposing several constitutional amendments relating to ad valorem taxation or which otherwise may affect school district finances. Among other things, these proposals seek to prohibit the increase of assessed value for property whose fair market value declined over the prior year, reduce the limitation on annual increases of non-homestead property from 10% to 5% for all levies other than school district levies and provide an additional homestead exemption for first-time homeowners in an amount initially equal to 50% of homestead property's just value, subject to reduction of 20% or more each year over a 5 year period. All of such proposals require approval by 60% of the voters at the 2012 general election or an earlier special election authorized by law. At present, the impact of any such proposals on the District's finances cannot be accurately ascertained.

Limitations on State Revenue Amendment. In its 2011 regular session, the Florida Legislature passed a resolution which (1) replaces the existing state revenue limitation based on State personal income growth with a new state revenue limitation based on changes in population and inflation; (2) requires excess revenues to be deposited into the Budget Stabilization Fund to

support public education or to return to taxpayers; (3) adds fines and revenues used to pay debt service on bonds issued after July 1, 2012 to the state revenues subject to the limitation; (4) authorizes the Florida Legislature to increase the revenue limitation by a supermajority vote; and (5) authorizes the Florida Legislature to place the new state revenue limitation proposal before the voters, which would require approval of 60% of the voters. The proposal will be on the ballot in the 2012 general election or at an earlier special election authorized by law. If approved by 60% of the voters, the new state revenue limitation is more likely to constrain state revenues than the current state revenue limitation; however, the potential impact on the District or its finances cannot be ascertained at this time.

There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

RISK FACTORS

Each purchaser of Series 2011A Certificates is subject to certain risks and each prospective purchaser of Series 2011A Certificates is encouraged to read this Offering Statement in its entirety. Particular attention should be given to the factors described below which, among others, could affect the market price of the Series 2011A Certificates to an extent that cannot be determined.

Annual Right of the School Board to Terminate the Series 2007B Lease

Although the School Board has determined that the Series 2007B Facilities are necessary to its operations and currently intends to continue the Series 2007B Lease in force and effect for the Lease Term and has covenanted in the Series 2007B Lease that the Superintendent will include a sufficient amount in the tentative budget to enable the School Board to make all Lease Payments due in each Fiscal Year, the School Board is not required to appropriate funds for Lease Payments due in each Fiscal Year. If for any Fiscal Year the School Board does not approve a final budget which appropriates sufficient funds from legally available revenues in a line item specifically identified for payment of its obligations under the Current Leases, the Series 2007B Lease or any Additional Lease, or if no final budget is adopted as of the last day upon which a final budget is required to have been adopted under Florida law for payment of its obligations under the Series 2007B Lease, the Master Lease shall terminate as of the date of adoption of the final official budget, or such last day, whichever is earlier.

THE LIKELIHOOD THAT THE SERIES 2007B LEASE WILL BE TERMINATED AS THE RESULT OF AN EVENT OF NON-APPROPRIATION IS DEPENDENT UPON CERTAIN FACTORS THAT ARE BEYOND THE CONTROL OF THE SERIES 2011A CERTIFICATE HOLDERS, INCLUDING THE CONTINUING FUTURE UTILITY OF THE SERIES 2007B FACILITIES AND OTHER FACILITIES OF THE SCHOOL BOARD AND CHANGES IN POPULATION OR DEMOGRAPHICS WITHIN THE DISTRICT.

Limitation Upon Disposition; Ability to Sell or Relet

Following an event of default under the Series 2007B Lease or non-appropriation of funds, the Trustee as assignee of the Corporation may take possession of the Series 2007B Facilities and sell or re-let the leasehold interests therein. The Trustee's ability to actually achieve such a disposition of the Series 2007B Facilities is limited by its inability to convey fee simple title to the Series 2007B Facilities and by the governmental nature of the Series 2007B Facilities. Moreover, it is possible that a court of competent jurisdiction could enjoin the sale or re-letting of the Trustee's interest in the Series 2007B Facilities because of the essential governmental nature thereof. There can be no assurance that the remedies available to the Trustee upon any such termination of the Lease Term of all Leases and the disposition of the Series 2007B Facilities will produce sufficient amounts to make timely payments of the principal and interest portions due on the outstanding Series 2011A Certificates.

Tax Effect Upon Termination of Series 2007B Lease

Upon termination of the Series 2007B Lease there is no assurance that payments made by the Trustee with respect to the Series 2011A Certificates and designated as interest will be excludable from gross income for federal income tax purposes. See "TAX TREATMENT" herein.

Applicability of Securities Laws

After termination of the Series 2007B Lease, the transfer of a Series 2011A Certificate may be subject to or conditioned upon compliance with the registration provisions of applicable federal and state securities laws. Accordingly, there is no assurance that liquidity of the Series 2011A Certificates will not be impaired following termination of the Series 2007B Lease.

Capital Outlay Millage Revenue

The amount which can be realized by the District derived from the levy of the Local Option Capital Outlay Millage can be affected by a variety of factors not within the control of the District or the School Board including, without limitation, fluctuations in the level of the assessed valuation of property within the District. See "AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS." Moreover, the maximum Local Option Millage Levy that may be levied and used for Lease Payments is subject to legislative change. See "- Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes."

State Revenues

A large portion of the District's funding is derived from State sources. See "FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT." A significantly large percentage of such State revenues is generated from the levy of the State sales tax. The amounts budgeted for distribution from the State to the District are subject to change in the event that projected revenues are not realized. The State is currently experiencing significant shortfalls in sales tax revenues, which has resulted in significant budget cuts, including cuts to funding for the District. In October 2007, the State Legislature convened in a special session focused on reducing the State budget by approximately \$1.2 billion in response to such shortfalls. The District lost

approximately \$8 million in revenues as a result of such budget cuts. This amount was offset by an extraordinary, one time, gain for Fiscal Year 2007-08. However, additional budget cuts were also made during the 2008 legislative session resulting in the District losing another \$24.9 million in revenues compared to the Fiscal Year ended June 30, 2008. The State Legislature concluded a special session on January 16, 2009 focused on reducing the State budget by an additional estimated \$2.3 billion. The impact to the District was an approximately \$24.3 million reduction for the 2008-09 Fiscal Year. Further budget cuts in 2009, caused an additional approximate \$5 million loss in State funds for the 2009-10 Fiscal Year. The 2010 legislative session increased funding 0.6 percent; however with the tax roll decrease of approximately 9%, revenues are anticipated to decrease by approximately \$14.8 million.

As required by law, the Florida Legislature passed the State budget for fiscal year 2011-12 during its 2011 regular session. Included in the adopted budget is a \$1.35 billion or 7.96% reduction in funding for education from fiscal year 2010-11. Such reduction correlates to a decrease of \$542.03 in funding per student in the State. At present, it is anticipated that such budget will result in a reduction of \$92.4 million in revenue to the District for Fiscal Year 2011-2012. In order to partially offset the loss of such revenue, the Legislature adopted a bill that requires public employees contribute 3% of their income to their retirement commencing July 1, 2011, which, in turn, would reduce the District's employer contribution. See "FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT – Liabilities – Florida Retirement System." Moreover, the State has advocated the use of temporary federal education dollars in order to further offset the loss of such revenue. The District has reserved all \$36 million of the funds it received for use in Fiscal Year 2012. Even with such measures, the District projects a budget shortfall of \$35 million for Fiscal Year 2012. However, the District has identified the cost reductions needed to balance the budget. A balanced budget, including the proposed reductions, was presented to the School Board on June 1, 2011. Adoption of the tentative budget is scheduled for June 24, 2011.

Additional Leases

Pursuant to the Master Lease, the School Board may enter into other Leases in addition to the Current Leases and the Series 2007B Lease. Failure to appropriate funds to make Lease Payments under any such Lease will, and an event of default under any such Lease may, result in the termination of all Leases, including the Series 2007B Lease. Upon any such termination of all Leases, the School Board must surrender certain Facilities, including the Series 2007B Facilities but excluding certain designated facilities to the Trustee for sale or lease. The proceeds of any such disposition of the Facilities will be applied to the payment of the applicable Series of Certificates. In no event will owners of the Series 2011A Certificates have any interest in or right to any proceeds of the disposition of Facilities financed with the proceeds of another Series of Certificates except as described herein. There can be no assurance that the remedies available to the Trustee upon any such termination of all Leases and the disposition of the Series 2007B Facilities will produce sufficient amounts to pay the outstanding Series 2011A Certificates.

Additional Indebtedness

The School Board may issue additional indebtedness from time to time other than in connection with the Master Lease secured by or payable from available revenues without the

consent of the Owners of the Series 2011A Certificates. Incurring such additional indebtedness may adversely affect the School Board's ability to make Lease Payments under the Master Lease.

Legislative Changes

In recent years, legislation has been introduced that has reduced State funding for school districts, required that certain percentages of school district funding be spent on particular activities and imposed additional funding restrictions and other requirements on school districts. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances

Risks Related to Interest Rate Exchange Agreements

The School Board is subject to certain risks under the 2002B Interest Rate Exchange Agreement, 2002D Interest Rate Exchange Agreements (2003 and 2005), 2003B Interest Rate Exchange Agreement and 2001B Interest Rate Exchange Agreement. Under certain circumstances, such interest rate exchange agreements are terminable at the option of the related counterparty thereto (Citi or UBS). In the event Citi or UBS exercises its option to terminate the interest rate exchange agreements, the School Board may be obligated to pay a termination payment or termination payments with respect thereto, which could be a substantial amount. While the School Board's scheduled payments under the 2002B Interest Rate Exchange Agreement and 2002D Interest Rate Exchange Agreements are guaranteed by the applicable Swap Policies, such swap policies do not guarantee termination payments under the related interest rate exchange agreements unless such termination is at the direction of the insurer thereof. In the event the School Board is required to pay a termination payment under any such agreement, its ability to make Lease Payments may be adversely affected. The 2003B Interest Rate Exchange Agreement has a Swap Policy issued by Ambac. Pursuant to actions taken by the Commissioner of Insurance for the State of Wisconsin, such Swap Policy has been deposited to a 'segregated account' and is subject to an injunction against any party to, among other things, terminate the 2003B Interest Rate Exchange Agreement based on events related to Ambac or the segregated account or make a claim on such Swap Policy. The 2001B Interest Rate Exchange Agreement also had a Swap Policy issued by Ambac, which pursuant to an agreement between Citibank and Ambac, is no longer subject to claims based on such Swap Policy. Such agreement also provides that Citibank may not take any action, including termination, under the 2001B Interest Rate Exchange Agreement based on events with respect to Ambac or the segregated account. In addition, the District would be exposed to credit risk if an interest rate exchange agreement has a positive fair market value and the Counterparty is downgraded which could result in required collateralization of the value of the swap and put financial pressure on the Counterparty. Further, the intended benefit of an interest rate exchange agreement may not be realized because the floating rate the District receives under such interest rate exchange agreement may be less than the floating rate payable by the District on the applicable Certificates. See "SECURITY FOR THE SERIES 2011A CERTIFICATES - Interest Rate Exchange Agreements" herein.

Property Insurance

Principally as a result of the substantial property damage caused by hurricanes and other storms in Florida and other parts of the United States over the last few years, property insurance premiums have risen dramatically for Florida property owners. It has become impossible or economically impracticable for many school districts within the State, including the District, to obtain property insurance with the level of coverage they have historically secured. The property insurance requirements contained within the Master Lease provisions require the District to obtain certain levels of property insurance coverage to the extent available at commercially reasonable rates. The School Board has requested that the insurers and other credit facility issuers for all of the outstanding Certificates acknowledge the level of insurance which the School Board has been able to secure given its budget constraints and the increased rates and deductibles of the available insurance. The District's Insurance Consultant believes the School Board's insurance program is reasonable. In the event the District suffers substantial damage to its property that is not covered by its current insurance or is not eligible for Federal reimbursement, the District's financial condition could be adversely impacted.

Certain Constitutional Amendments

See "AD VALOREM TAXATION – Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes" for information concerning certain amendments to the Florida Constitution and other legislative proposals that could materially adversely affect the School Board's financial situation.

LITIGATION

There is no litigation now pending or threatened: (i) to restrain or enjoin the issuance or sale of the Series 2011A Certificates; (ii) questioning or affecting the validity of the Series 2007B Lease or the obligation of the School Board to make Lease Payments; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2011A Certificates.

The District is involved in certain other litigation and disputes incidental to its operations. Upon the basis of information presently available, the Office of Chief Counsel of the District believes that there are substantial defenses to such litigation and disputes and that, in any event, any ultimate liability in excess of its sovereign immunity limitations, or self insured funds, or applicable insurance coverage, if any, resulting therefrom will not materially adversely affect the financial position or results of operations of the District.

RATINGS

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "Aa3" and "AA-," respectively, to the Series 2011A Certificates. An explanation of the rating given by Moody's may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, (212) 553-0501. An explanation of the rating given by Fitch may be obtained from Fitch at One State Street Plaza, New York 10004, (212) 908-0500. Certain information and materials concerning the Series 2011A Certificates, the School Board and the District were furnished to Moody's and Fitch by the District. If in its

judgment circumstances so warrant, any rating service may raise, lower or withdraw its rating. If a downward change or withdrawal occurs, it could have an adverse effect on the resale price of the Series 2011A Certificates.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051, Florida Statutes, and the regulations promulgated thereunder require that full and fair disclosure is made of any bonds or other debt obligations of the District that have been in default as to payment of principal or interest at any time after December 31, 1975. The District is not and has not since December 31, 1975, been in default as to payment of principal and interest on its bonds or other debt obligations.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetic computations showing the adequacy of the proceeds of the Series 2011A Certificates and other monies to be deposited with the Escrow Agent pursuant to the Escrow Deposit Agreement to pay the principal portion and interest portion of the Basic Lease Payments represented by the Refunded Certificates, as described under "PLAN OF REFUNDING," have been verified by Causey, Demgen & Moore, Inc., Denver, Colorado, independent certified public accountants.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, execution, delivery and sale of the Series 2011A Certificates are subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida, and Edwards & Associates, P.A., Miami, Florida, Co-Special Tax Counsel. The proposed form of such opinion is included herein as Appendix C. Certain legal matters will be passed upon for the School Board and the Corporation by the Office of General Counsel of the District. Co-Special Tax Counsel and Co-Counsel to the Underwriter will receive fees for services provided in connection with the issuance of the Series 2011A Certificates, which fees are contingent upon the issuance of the Series 2011A Certificates.

Co-Special Tax Counsels' opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Co-Special Tax Counsel as of the date thereof. Co-Special Tax Counsel assume no duty to update or supplement the opinions to reflect any facts or circumstances that may thereafter come to Co-Special Tax Counsels' attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Co-Special Tax Counsels' opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Co-Special Tax Counsels' professional judgment based on review of existing law, and in reliance on the representations and covenants deemed relevant to such opinion.

UNDERWRITING

The Series 2011A Certificates are being purchased by Morgan Stanley & Co. LLC and the other underwriters listed on the cover page hereof (collectively, the "Underwriters") at an aggregate purchase price of \$119,440,147.59 which represents the \$112,425,000.00 principal amount of the Series 2011A Certificates, plus net original issue premium of \$7,676,659.25 and

less an underwriter's discount of \$661,511.66. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2011A Certificates if any Series 2011A Certificates are purchased. The Series 2011A Certificates may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

Morgan Stanley and Citigroup Inc., the parent companies of Morgan Stanley & Co. LLC and Citigroup Global Markets, Inc., respectively, each an Underwriter of the Series 2011A Certificates, have entered into a retail brokerage joint venture. As part of the joint venture each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their allocations of the Series 2011A Certificates.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Well Fargo Bank, National Association ("WFBNA"), one of the Underwriters of the Series 2011A Certificates, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Series 2011A Certificates. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2011A Certificates with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

J.P. Morgan Securities LLC ("JPMS"), one of the underwriters of the Series 2011A Certificates, has entered into negotiated dealer agreements (each a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Series 2011A Certificates from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2011A Certificates that such firm sells.

TAX TREATMENT

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the School Board must continue to meet after the issuance of the Series 2011A Certificates in order that the interest portion of the Basic Lease Payments represented by the Series 2011A Certificates be and remain excludable from gross income of the holders thereof for Federal income tax purposes. The School Board's failure to meet these requirements may cause the interest portion of the Basic Lease Payments designated and paid as interest to the Series 2011A Certificate holders to be included in gross income for Federal income tax purposes retroactively to the date of execution and delivery of the Series 2011A Certificates. The School Board has covenanted to take the actions required by the Code in order to maintain the excludability from gross income for Federal income tax purposes of the interest portion of the Basic Lease Payments designated and paid as interest to the Series 2011A Certificate holders and

not to take any actions that would adversely affect that excludability. Co-Special Tax Counsel expects to deliver opinions at the time of issuance of the Series 2011A Certificates substantially in the form set forth in Appendix E.

In the opinion of Co-Special Tax Counsel, assuming continuing compliance by the School Board with the tax covenants referred to above and the accuracy of certain representations of the School Board, under existing statutes, regulations, rulings and court decisions, the interest portion of the Basic Lease Payments represented by the Series 2011A Certificates will be excludable from gross income for Federal income tax purposes. However, no opinion is expressed with respect to the Federal income tax consequences of any payments received with respect to the Series 2011A Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder. The interest portion of the Basic Lease Payments represented by the Series 2011A Certificates will not be an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, the interest portion of the Basic Lease Payments represented by the Series 2011A Certificates will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Co-Special Tax Counsel are further of the opinion that the Series 2011A Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2011A Certificates will not be subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined therein; provided, however, that no opinion is expressed with respect to tax consequences under the laws of the State of Florida of any payments received with respect to the Series 2011A Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

Except as described above, Co-Special Tax Counsel will express no opinion regarding the Federal income tax consequences resulting from the receipt or accrual of the interest portion of the Basic Lease Payments designated and paid as interest to the Series 2011A Certificate holders or the ownership or disposition of the Series 2011A Certificates. Prospective purchasers of Series 2011A Certificates should be aware that the ownership of Series 2011A Certificates may result in other collateral Federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2011A Certificates or, in the case of a financial institution, that portion of the owner's interest expense allocable to the interest portion of the Basic Lease Payments represented by the Series 2011A Certificates, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the interest portion of the Basic Lease Payments represented by the Series 2011A Certificates, (iii) the inclusion of the interest portion of the Basic Lease Payments represented by the Series 2011A Certificates in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest portion of the Basic Lease Payments represented by the Series 2011A Certificates in the passive income subject to Federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year

and (v) recipients of certain Social Security and Railroad Retirement benefits are required to take into account receipts and accrual of the interest portion of the Basic Lease Payments represented by the Series 2011A Certificates in determining whether a portion of such benefits are included in gross income for Federal income tax purposes.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the Federal income tax matters referred to herein or adversely affect the market value of the Series 2011A Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Series 2011A Certificates), issued prior to enactment.

The discussion of tax matters in this Offering Statement applies only in the case of purchasers of the Series 2011A Certificates at their original issuance and at the respective prices indicated on the inside cover page of this Offering Statement. It does not address any other tax consequences, such as, among others, the consequence of the existence of any market discount to subsequent purchasers of the Series 2011A Certificates. Purchasers of the Series 2011A Certificates should consult their own tax advisers regarding their particular tax status or other tax considerations resulting from ownership of the Series 2011A Certificates.

ORIGINAL ISSUE DISCOUNT AND PREMIUM

Certain of the Series 2011A Certificates as indicated on the inside cover of this Offering Statement ("Discount Certificates") were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Certificate. The issue price of a Discount Certificate is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Certificate (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2011A Certificates, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Certificate. A purchaser of a Discount Certificate in the initial public offering at the price for that Discount Certificate stated on the inside cover of this Offering Statement who holds that Discount Certificate to maturity will realize no gain or loss upon the retirement of that Discount Certificate.

Certain of the Series 2011A Certificates as indicated on the inside cover of this Offering Statement ("Premium Certificates") were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Certificate, based on the yield to maturity of that Premium Certificate (or, in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the

lowest yield on that Premium Certificate), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Certificate, the owner's tax basis in the Premium Certificate is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Certificate for an amount equal to or less than the amount paid by the owner for that Premium Certificate. A purchaser of a Premium Certificate in the initial public offering at the price for that Premium Certificate stated on the inside cover of this Offering Statement who holds that Premium Certificate to maturity (or, in the case of a callable Premium Certificate, to its earlier call date that results in the lowest yield on that Premium Certificate) will realize no gain or loss upon the retirement of that Premium Certificate.

Owners of Discount and Premium Certificates should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to the Discount or Premium Certificates and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

FINANCIAL ADVISOR

Public Financial Management, Inc., Orlando, Florida, is serving as Financial Advisor to the School Board. The Financial Advisor assisted in matters relating to the planning, structuring, execution and delivery of the Series 2011A Certificates and provided other advice. The Financial Advisor did not engage in any underwriting activities with regard to the sale of the Series 2011A Certificates.

BASIC FINANCIAL STATEMENTS

Excerpted information from the comprehensive annual financial report of the District for the Fiscal Year ended June 30, 2010, included in this Offering Statement have been audited by Ernst & Young LLP, independent certified public accountants, as stated in their report appearing in Appendix B. Ernst & Young LLP has not performed any examinations or audits in connection with the issuance of the Series 2011A Certificates.

CONTINUING DISCLOSURE

The School Board has covenanted and undertaken for the benefit of the Series 2011A Certificate holders to execute and deliver a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") on the date of initial issuance of the Series 2011A Certificates. Pursuant to the Continuing Disclosure Certificate, the School Board will agree to provide certain financial information and operating data relating to the District and the Series 2011A Certificates in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if deemed to be material by the School Board. Such covenant shall only apply so long as the Series 2011A Certificates remain Outstanding under the Series 2007B Lease, the Series 2007B Lease have been terminated or there has occurred an event of Non-Appropriation

resulting in a termination. The agreement shall also terminate upon the termination of the continuing disclosure requirements of Rule 15c2-12(b)(5), as amended (the "Rule") of the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934, as amended, by legislative, judicial or administration action. The Annual Report will be filed by the School Board with the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access System described in the Continuing Disclosure Certificate attached hereto as Appendix E. The notices of material events will be filed by the School Board, or its dissemination agent, if any, with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of material events are described in "APPENDIX E- FORM OF CONTINUING DISCLOSURE CERTIFICATE" to be dated and delivered at the time of issuance of the Series 2011A Certificates. These undertakings have been made in order to assist the Underwriter in complying with the Rule. Failure of the School Board to comply with the Continuing Disclosure Certificate is not considered an event of default under the Series 2007B Lease, the Trust Agreement or the Continuing Disclosure Certificate; however, any Series 2011A Certificate holder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the School Board to comply with its obligations under the Continuing Disclosure Certificate.

With respect to the Series 2011A Certificates, no party other than the School Board is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the aforementioned Rule. The School Board has never failed to comply in any material respects with any previous undertaking pursuant to the Rule.

MISCELLANEOUS

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Statement nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the District or the School Board from the date hereof.

This Offering Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Offering Statement involving matters of opinion, whether or not expressly so stated are intended as such and not as representations of fact. This Offering Statement is not to be construed as a contract or agreement between the District and the purchasers or the holders of any of the Series 2011A Certificates.

This Offering Statement has been duly executed and delivered by the authority of the School Board.

**THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA**

By: /s/ Frank A. Barbieri
Chairman

By: /s/ Bill Malone
Superintendent of Schools

APPENDIX A

INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

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APPENDIX A

INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

General Information

Palm Beach County (the "County") was founded in 1909 and encompasses an area of 2,023 square miles. It is located on the lower east coast of the Florida peninsula with 46 miles of Atlantic ocean frontage and 25 miles of frontage on Lake Okeechobee. The County has a semi-tropical climate with an average temperature of 74.9 F degrees and an average rainfall of 61.7 inches. These and other natural amenities, including 88 local, State and federal recreational areas of more than 10 acres and 163 golf courses, have enabled the County to develop a year-round tourist industry.

There are 38 incorporated municipalities within the County, eleven of which have a population in excess of 25,000. West Palm Beach is the County seat and is the largest city in the County. The County had a 2010 population of 1,320,134.

Population

In 2010, Palm Beach County was the third largest county in the State in terms of population. Its population increased 65.3% during the 1970 - 1980 decade, 49.7% during the 1980 - 1990 decade, 31.0% during the 1990 - 2000 decade and 14.4% during the period from 2001 to 2010.

Population Growth 2001 - 2010

Year	Palm Beach County		Florida		United States	
	Population	Change	Population	Change	Population	Change
2001	1,156,485	2.1%	16,353,869	2.2%	285,081,556	1.3%
2002	1,183,123	2.3	16,680,309	2.0	287,803,914	1.0
2003	1,204,827	1.8	16,981,183	1.8	290,326,418	0.9
2004	1,234,204	2.4	17,375,259	2.3	293,045,739	0.9
2005	1,255,007	1.7	17,783,868	2.4	295,753,151	0.9
2006	1,261,380	0.5	18,088,505	1.7	298,593,212	1.0
2007	1,260,386	(0.9)	18,277,888	1.0	301,579,895	1.0
2008	1,265,293	0.4	18,423,878	0.8	304,374,846	0.9
2009	1,286,621	1.7	18,537,969	0.6	307,006,550	0.9
2010	1,320,134	2.6	18,801,310	1.4	308,745,538	0.6

Source: Florida Research and Economic Database at: <http://fred.labormarketinfo.com>.
University of Florida - Bureau of Economic and Business Research, Florida.

Income

The following table shows the per capita personal income reported for Palm Beach County, the State of Florida and the United States.

Per Capita Personal Income 2001-2010

<u>Year</u>	<u>Palm Beach County</u>		<u>Florida</u>		<u>U.S.</u>	
	<u>Dollars</u>	<u>% of Florida</u>	<u>% of U.S.</u>	<u>Dollars</u>	<u>% of U.S.</u>	
2001	\$43,964	150.1%	143.7%	\$29,809	95.7%	\$31,145
2002	44,195	148.4	143.2	30,479	96.9	31,461
2003	43,974	144.7	139.3	31,283	96.9	32,271
2004	48,422	148.0	145.8	33,540	99.0	33,881
2005	51,374	148.0	148.1	35,605	100.5	35,424
2006	55,812	151.0	151.0	38,161	101.2	37,698
2007	59,147	154.0	154.0	39,417	99.9	39,458
2008	58,358	149.6	149.6	40,054	98.5	40,673
2009	N/A	N/A	N/A	38,890	98.1	39,626
2010	N/A	N/A	N/A	39,272	96.8	40,584

Source: Florida Research and Economic Database at: <http://fred.labormarketinfo.com>.

Note: Data for 2010 for the County is not available.

The age distribution in the County is similar to that of Florida, but differs significantly with that of the nation. Both the County and Florida have a considerably larger proportion of persons 65 years and older than the rest of the nation.

Palm Beach County Population Distribution by Age Group 2007-2009

<u>Age Group</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
0-17	278,361	277,292	273,280
18-34	240,661	241,099	239,959
35-54	349,659	345,259	339,537
55-64	150,190	153,298	156,576
65-79	178,059	176,338	174,826
80+	98,103	101,368	103,166

Source: 2008-2010 Florida Statistical Abstracts, University of Florida Bureau of Economic and Business Research.

Employment

Tourism and agriculture, together with the service industries related to these activities are the leading sources of income for the County's residents. Manufacturing, primarily electronics and other high technology products, also plays an important role in the County's economy. The table that follows shows the County's estimated average annual non-farm employment by major industry.

Palm Beach County, Florida Average Monthly Employment Covered by Unemployment Compensation 2008-2009

	Average Annual Employment		Percent of Total	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
All Industries	464,458	431,697	100.00%	100.00%
Agriculture, Forestry, Fishing and Hunting	7,418	6,587	1.59	1.52
Mining	61	66	0.00	0.00
Utilities	1,902	1,945	0.41	0.45
Construction	34,830	26,939	7.50	6.24
Manufacturing	18,104	16,223	3.90	3.76
Wholesale Trade	20,829	19,623	4.48	4.55
Retail Trade	70,350	66,261	15.15	15.34
Transportation and Warehousing	8,118	7,415	1.75	1.72
Information	10,578	9,367	2.28	2.17
Finance and Insurance	23,357	21,089	5.03	4.89
Real Estate and Rental Leasing	14,430	12,871	3.11	2.98
Professional, Scientific and Technical Services	35,224	33,231	7.58	7.70
Management Companies and Enterprises	8,894	8,265	1.91	1.91
Administration and Support	40,308	35,478	8.68	8.22
Educational Services	7,580	7,679	1.63	1.78
Health care and social assistance	69,931	70,105	15.06	16.24
Arts, Entertainment and Recreation	15,572	15,392	3.35	3.57
Accommodation and Food Services	55,328	52,575	11.91	12.18
Other Services	21,425	20,556	4.61	4.76
Unclassified	219	N/A	0.00	N/A

Source: University of Florida Bureau of Economic and Business Research, Florida Statistical Abstract 2010.

Note: Percentages may not equal due to rounding.

Palm Beach County
Annual Average Labor Force and Unemployment Estimates
2001-2010

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rates</u>		
		<u>Palm Beach County</u>	<u>Florida</u>	<u>United States</u>
2000	541,759	4.2	3.8	4.0
2001	564,996	5.0	4.7	4.7
2002	581,462	6.1	5.7	5.8
2003	585,256	5.7	5.3	6.0
2004	593,714	5.1	4.7	5.5
2005	599,884	4.2	3.8	5.1
2006	613,129	3.6	3.3	4.6
2007	622,689	4.3	4.0	4.6
2008	627,393	6.4	6.2	5.8
2009	617,366	10.4	10.2	9.3
2010	618,694	11.7	11.5	9.6

Source: Florida Research and Economic Database at: <http://fred.labormarketinfo.com>.

Largest Employers

The following table shows employment at the ten principal employers in the County.

	<u>No. of Employees</u>
Palm Beach County School Board.....	21,718
Palm Beach County.....	11,381
State Government.....	9,300
Federal Government.....	6,300
Tenet Healthcare Corp	5,127
Hospital Corporation of America.....	4,150
Florida Power & Light Company	3,658
Wackenhut Corporation	3,000
Florida Atlantic University	2,776
Bethesda Memorial Hospital.....	2,300

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2010.

Tourism

Visitors to the Palm Beaches have a significant economic impact on the County. According to the Florida Department of Business and Professional Regulation, there are 231 licensed hotels and motels in the County, having a total of over 15,000 rooms. The Tourism Development Council of Palm Beach County estimates that approximately 4.5 million people visit the County annually and spend approximately \$1.1 billion.

Agriculture

Agriculture, together with the related service industries, are the leading sources of income for the County's residents. The "Glades" region of the County is one of the nation's most productive agricultural areas. Palm Beach County is the largest agricultural county in Florida and the fourth largest in the United States, with annual sales in excess of \$2 billion.

Construction

Building permit activity in the County has been reported as follows:

Building Permit Activity
County of Palm Beach, Florida
(Dollars in Thousands)
2003 - 2009

<u>Calendar Year</u>	<u>Single and Multi-Family</u>	<u>Residential Valuation</u>
2003	3,483	\$465,791
2004	5,184	1,011,437
2005	4,414	1,191,043
2006	7,806	1,068,926
2007	2,264	504,192
2008	1,196	340,385
2009	634	186,886

Source: The School District of Palm Beach County, Florida
Comprehensive Annual Financial Report for the Fiscal Year
Ended June 30, 2010.

Banking

The total deposits of banking institutions in the County as of September 30 of each of the years indicated below were as follows:

Total Bank Deposits (in thousands)

<u>Fiscal Year</u>	<u>Commercial Banks</u>	<u>Federal Savings and Loan Associations</u>
2001	\$13,656,000	\$8,707,000
2002	14,093,000	10,229,000
2003	15,856,000	11,543,000
2004	18,173,000	12,815,000
2005	20,201,000	14,270,000
2006	21,335,000	15,858,000
2007	25,313,000	12,603,000
2008	26,760,000	9,501,000
2009	31,813,000	7,217,000

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010.

APPENDIX B

**EXCERPTED INFORMATION FROM THE COMPREHENSIVE FINANCIAL
STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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Report of Independent Certified Public Accountants

Chairperson and Members of
The School Board of Palm Beach County, Florida

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School District of Palm Beach County, Florida (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Charter Schools, which comprise the discretely presented component units of the District. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the District's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with US generally accepted accounting principles.

As discussed in Note 1 to the basic financial statements, the District changed its method of accounting for derivative instruments as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective July 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedule of funding progress on pages 3 through 13 and 69 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Ernst & Young LLP

November 16, 2010

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The School District of Palm Beach County, Florida's (the "District") discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2010, based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the seven elected members of the school board (the "Board"). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes that are provided in addition to this MD&A.

FINANCIAL HIGHLIGHTS

- The overall financial position of the District improved as reflected in an increase in net assets of \$78.6 million from \$2.026 billion to \$2.104 billion as a result of budget reductions, receipt of American Recovery and Reinvestment Act (ARRA) funds and the implementation of Governmental Accounting Standards Board Statement 53, Accounting and Financial Reporting for Derivative Instruments offset by an increase in the unfunded OPEB obligation.
 - The District placed a hold on non-instructional hiring and began hiring all outside personnel on an interim basis, since the majority of the District's costs are salary related at 85% of the total budget. This enabled the District to reduce the cost and size of its workforce through attrition, rather than layoffs. Remaining employees have been redirected in some instances to meet student needs. The District also implemented energy saving programs, which resulted in a decrease in electricity costs even though total square footage increased.
 - On February 17, 2009, President Barack Obama signed the American Recovery and Reinvestment Act (ARRA) into law. The Act, intended to provide a stimulus to the nation's economy, earmarks more than \$90 billion for states to use in key education areas such as the instruction of students with disabilities, services for low-income students and the stabilization of local school district funding. Even though the ARRA was signed in law during FY 2009, the District did not receive any funding until FY 2010.
 - The ARRA funds were provided in three categories: State Fiscal Stabilization (SFSF), targeted assistance, and competitive grants. The Florida Department of Education used SFSF as a stopgap for decreased state funding because of declining sales tax revenues and property tax values. SFSF represents approximately 5% of the Florida Education Financial Program (FEFP) Funding. Targeted Assistance funds were filtered through existing programs, including Title I, IDEA, and School Improvement Grants. Competitive grants include funding for areas such as school lunch equipment and educational technology.
 - During FY 2010, the District received ARRA funds of \$99.0 million in total, \$65.8 million in stabilization funds, \$33.2 million in targeted assistance and \$68,605 in competitive grants. All ARRA related funds are reported in Grants and Contributions not restricted on the government-wide financial statements and in the ARRA Economic Stimulus Fund on the fund level financial statements.
 - In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments. GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The District adopted GASB statement 53 in Fiscal Year 2010. The cumulative effect of applying this statement was reported as a restatement of beginning net assets resulting in a reduction of \$17.1 million (shown as a reduction in investment earnings).

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

- The current year activity resulted in an increase in investment earnings, increase in derivative instruments and related deferred outflow and increase in the borrowing. The fair value of investment derivative instruments increased \$17.3 million and the change in fair value is reported as investment earnings. Hedging derivative instruments and the related deferred outflow of hedging derivatives instruments increased \$13.4 million from \$25.2 million to \$38.6 million when compared to prior year due to a decrease in fair value of the derivative instruments. The borrowing related to the upfront payment increased \$336 thousand from \$7.8 million to \$8.1 million when compared to prior year due to imputed interest.
- Total revenues increased by \$10.3 million or 0.5%, from \$1.893 billion to \$1.903 billion when compared to the prior year. General revenue accounted for \$1.6 billion, or 82.7%, of all revenues, an increase of \$25.6 million or 1.7%. This increase is primarily attributed to an increase in grants and contributions as a result of ARRA funds received and an increase in investment earnings as a result of the implementation of GASB 53, partially offset by a decrease in property taxes. Program specific revenue in the form of charges for services, grants and contributions accounted for \$328.6 million, or 17.3% of all revenues.
- The District had \$1.8 billion in expenses related to programs which is consistent with prior year. These expenses were offset by \$328.6 million in program specific charges for services, grants and contributions. General revenues, primarily property taxes, ARRA and Florida Education Finance Program (FEFP) revenues were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$567.8 million. The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$97.0 million. Of this amount, \$33.6 million is unreserved, undesignated fund balance that is available for reallocation in the subsequent fiscal year at the Board's discretion. During the current year, General Fund revenues exceeded expenditures (including other financing sources) by \$4.6 million as a result of successive budget reductions implemented beginning with fiscal year 2008.
- The District's total long-term debt decreased by \$54.9 million or 2.7%. The key factor contributing to the decrease were repayments of \$61.2 million partially offset by the net impact of the refunding of capital outlay bonds and the change in value of hedging derivative instruments.
- The District's short-term debt of \$56.0 million represents revenue anticipation notes (reduced by \$16.1 million over the prior year) issued in February 2010. In prior year, the District had commercial paper of \$150.0 million and an \$85.0 million tax anticipation note outstanding. Both were paid off during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.
- The *governmental funds* statements tell how *basic* services like instruction and instructional support services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as maintenance services and group health self insurance.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data.

Figure 1 Major Features of Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: maintenance services and other internal service funds	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses, and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

Figure 1 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District’s assets and liabilities. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s *net assets* and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or *position*.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- *Governmental activities* – All of the District’s basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of the activities.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The government-wide financial statements include not only the District itself, but also legally separate charter schools which are financially dependent on the District for a majority of their funding. Since it would be misleading to exclude these component units from the District's financial statements, the charter school financial information is reported separately from the financial information presented for the primary government itself. See Note 1A of the Notes to the Financial Statements for a listing of the component unit charter schools.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
 - *Enterprise funds* account for goods and services provided to those outside the district, generally on a user-charge basis. Currently, the district has no enterprise funds.
 - *Internal service funds* report activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements – The notes provided, disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on Page 69.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets were \$2.1 billion at June 30, 2010. The largest portion of the District's net assets, \$1.9 billion or 88.0%, reflect its investment in capital assets (i.e. land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (\$367.8 million) represents resources that are subject to external restrictions on how they may be used.

Capital assets (net) increase of \$60.2 million or 1.6% over prior year primarily reflects the completion of one (1) new school and modernization/replacement of two (2) existing schools.

The analyses in Table 1 below, and Table 2 on page 8, focus on the summary of net assets and summary of changes in net assets for the District's governmental activities.

Table 1

	Summary of Net Assets Governmental Activities (in thousands)			
	June 30, 2010	Restated June 30, 2009	Increase (Decrease)	Percentage Change
Current and other assets	\$ 858,715	\$ 1,155,217	\$ (296,502)	(25.7%)
Capital assets (net)	3,752,051	3,691,863	60,188	1.6%
Total assets and deferred outflows	4,610,766	4,847,080	(236,314)	(4.9%)
Current and other liabilities	328,390	602,106	(273,716)	(45.5%)
Long-term liabilities	2,178,102	2,219,306	(41,204)	(1.9%)
Total liabilities	2,506,492	2,821,412	(314,920)	(11.2%)
Net assets:				
Invested in capital assets, net of related debt	1,851,072	1,752,405	98,667	5.6%
Restricted	367,817	362,395	5,422	1.5%
Unrestricted (deficit)	(114,615)	(89,132)	(25,483)	28.6%
Total net assets	\$ 2,104,274	\$ 2,025,668	\$ 78,606	3.9%

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 on page 8, takes the information from that statement and rearranges them slightly so the reader can see the total revenues for the year compared to fiscal year 2009.

As reported in the Statement of Activities, the cost of all of the governmental activities this year was \$1.8 billion. Some costs were paid by those who benefited from the programs (\$47.4 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$281.2 million). The District paid for the remaining "public benefit" portion of the governmental activities with \$1.1 billion in property taxes, \$279.8 million in grants and contributions not restricted to specific programs, \$99.3 million in local sales taxes, \$23.1 million in investment earnings and \$35.5 million in other general revenue.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Table 2

Summary of Changes in Net Assets				
Governmental Activities				
(in thousands)				
	June 30, 2010	Restated June 30, 2009	Increase (Decrease)	Percentage Change
Revenues:				
Program revenue:				
Charges for services	\$ 47,369	\$ 48,510	\$ (1,141)	(2.4%)
Operating grants and contributions	266,066	250,964	15,102	6.0%
Capital grants and contributions	15,122	44,383	(29,261)	(65.9%)
General revenue:				
Property taxes	1,136,598	1,169,627	(33,029)	(2.8%)
Local sales taxes	99,284	100,100	(816)	(0.8%)
Grants and contributions not restricted	279,840	241,445	38,395	15.9%
Investment earnings	23,066	9,903	13,163	132.9%
Other general revenue	35,529	27,675	7,854	28.4%
Total revenues	<u>1,902,874</u>	<u>1,892,607</u>	<u>10,267</u>	0.5%
Functions/Programs Expenses				
Instruction	918,127	954,271	(36,144)	(3.8%)
Instructional support services	187,977	170,854	17,123	10.0%
Board	5,634	5,293	341	6.4%
General administration	13,061	10,161	2,900	28.5%
School administration	95,817	98,528	(2,711)	(2.8%)
Facilities acquisition and construction	44,039	92,500	(48,461)	(52.4%)
Fiscal services	6,285	6,141	144	2.3%
Food services	62,997	60,858	2,139	3.5%
Central services	14,793	14,520	273	1.9%
Pupil transportation services	44,954	46,217	(1,263)	(2.7%)
Operation and maintenance of plant	195,732	178,469	17,263	9.7%
Administrative technology services	10,450	5,588	4,862	87.0%
Community services	28,626	30,125	(1,499)	(5.0%)
Interest on long-term debt	83,404	99,581	(16,177)	(16.2%)
Unallocated depreciation/amortization	112,372	108,180	4,192	3.9%
Total expenses	<u>1,824,268</u>	<u>1,881,286</u>	<u>(57,018)</u>	(3.0%)
Change in net assets	78,606	11,321	67,285	594.3%
Net Assets - beginning	2,025,668	2,036,989	(11,321)	(0.6%)
Net Assets - ending	<u>\$ 2,104,274</u>	<u>\$ 2,025,668</u>	<u>\$ 78,606</u>	3.9%

Operating grants and contributions increased \$15.1 million or 6.0%, which is primarily attributed to an increase in Class Size Reduction of \$12.0 million and an increase in food service reimbursement revenue of \$5.0 million. The increase in Class Size Reduction is to fund the class size amendment which is due to be fully implemented in FY11. The District's cost to implement is estimated at \$59.0 million. The increase in food service reimbursement revenue is

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

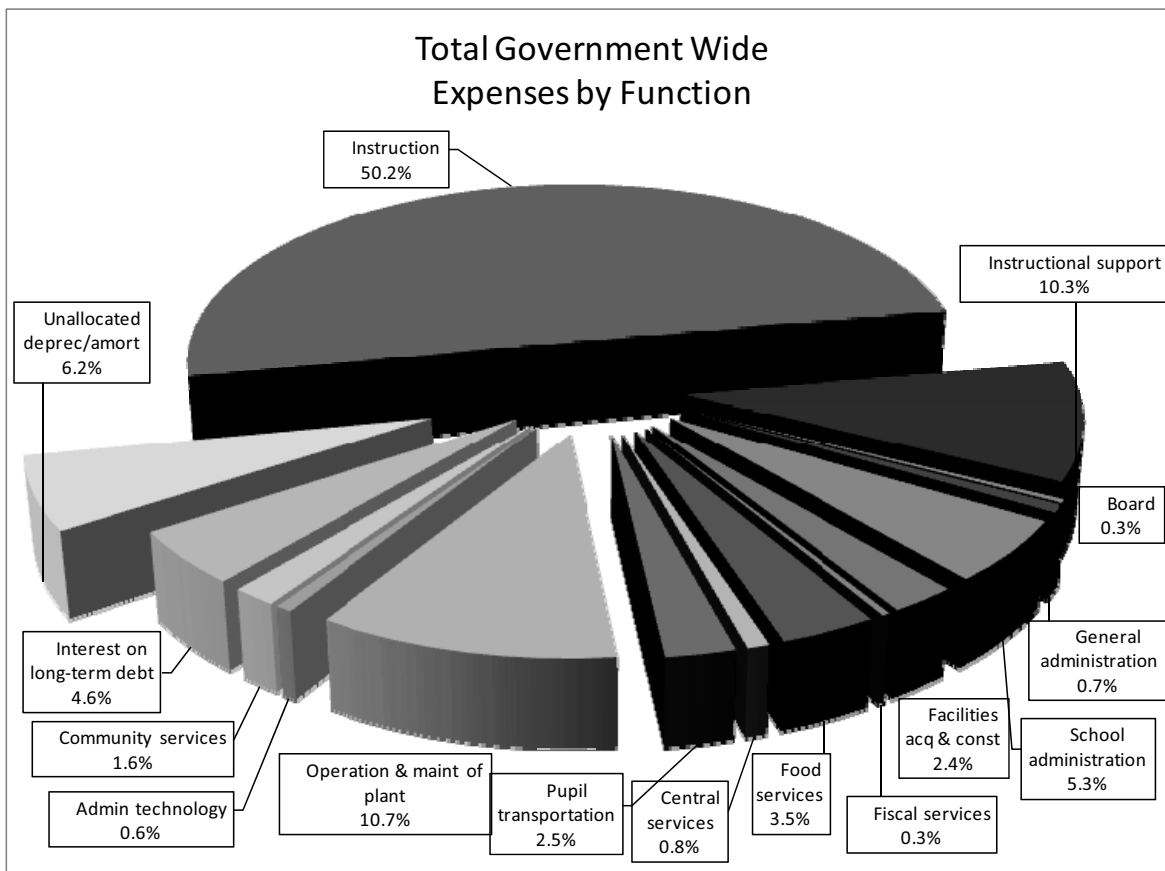
the result of an additional 7,671 or 10% of eligible students for free and reduced lunch from 78,051 students to 85,722 students.

Capital grants and contributions decreased \$29.3 million or 65.9%, which is primarily due to a decrease in PECO and Class Size Reduction in capital funds of \$22.8 million. These revenues are recognized as expenditures as incurred.

Property taxes decreased \$33.0 million or 2.8%, which is primarily attributed to the decrease of property values partially offset by an increase in the maximum property tax levy from 7.251 to 7.983.

Grants and contributions not restricted increased \$38.4 million or 15.9%, which is primarily attributed to \$33.2 million in ARRA targeted assistance funds. The SFSF do not contribute to the increase since the purpose of \$65.8 million was to keep the Florida Department of Education Funding whole.

The pie chart below represents total expenditures from Governmental Funds classified by function.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of June 30, 2010 the District's governmental funds reported a combined fund balance of \$567.8 million, which is a decrease of \$59.0 million or 9.4% from the prior year.

The General Fund, which is the chief operating fund of the District and is always considered a major fund, had an increase in fund balance of \$4.6 million from \$92.4 million to \$97.0 million. The increase is primarily due to budget reductions and SFSF. At first glance, it may appear the General Fund activity significantly declined in fiscal year 2010 although \$65.8 million of General Fund revenues and expenditures were shifted to the ARRA Economic Stimulus Fund. The purpose of the SFSF is the cover the shortfall of the state funding in the General Fund; as a result it is

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

important to consider the funds when reviewing the activity of the General Fund. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$33.6 million.

The COPS Debt Service Fund, another major fund, reported an ending fund balance of \$109.0 million which is an increase of \$1.4 million or 1.3% over prior year. The increase is related to additional debt service payments the District will make in FY11.

In the Capital Improvement Fund, another major fund, revenue decreased by \$21.8 million to \$264.7 million from \$286.5 million in fiscal year 2009. The decrease is primarily due to a decrease in ad valorem tax revenue received of \$19.1 million as well as decrease in interest income of \$2.7 million. Ending fund balance decreased by \$31.7 million related to the timing of revenue and capital outlay spending.

COPS Fund, another major fund, reported an ending fund balance of \$111.0 million which is a decrease of \$61.3 million or 35.6% under prior year. This is largely due to capital outlay spending of \$111.6 million with no COPS issuance in the current year.

Other Non-Major Governmental Funds, which represent a summarization of all the other governmental funds, ended the year with total fund balance of \$81.3 million, an increase of approximately \$28.0 million or 52.5%. The increase is primarily due to the Sales Tax Fund where total revenues exceeded expenditures and transfers by \$31.0 million.

General Fund Budgetary Highlights

Enrollment for FY 2010 was projected to decline statewide by 10,000 students from FY 2009 enrollment. Instead, statewide enrollment increased 11,000 students. K-12 education funding in Florida is formula driven, based on enrollment, and as a result, the Department of Education imposed an \$85 million prorated holdback to balance the K-12 education budget to available funding. The District's portion of the proration was \$5.5 million. The District's enrollment increased 3,266 students from the original FY 2010 projection. The increased funding associated with the enrollment upswing was partially offset by the proration to available funds, netting the District less funding per student than in the original budget, changing from \$7,080.98 to \$7,013.80.

Overall, during the year, appropriations increased \$19.6 million from original to final amended budget. The increase is attributable to additional revenues, including a \$9.1 million increase in FEFP, an increase in Class Size Reduction funds of \$3.0 million, an increase of \$2.3 million of property tax revenue, and loss recoveries of \$4.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As shown in Table 3 on page 11, at June 30, 2010, the District had \$3.8 billion invested in a broad range of capital assets, including land, construction in progress, improvements other than buildings, buildings and fixed equipment, furniture, fixtures and equipment, motor vehicles, audio visual materials and computer software. This amount represents a net increase (including additions, deletions and depreciation) of \$60.2 million from last year. The net increase of \$60.2 million reflects the construction of four (4) new schools, one (1) of which opened in fiscal year 2010, and four (4) modernization projects, two (2) of which were completed in FY 2010. See Note 6 of the Notes to the Financial Statements for more information on capital assets.

Major capital asset additions included the completion of the following schools:

- Hope-Centennial Elementary School

Completed modernized schools included the following:

- Palm Beach Gardens High School
- CO Taylor/ Kirklane Elementary

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The District's successful building program is winding down, as the proceeds of the referendum sales tax end and capital millage proceeds decline. Between fiscal year 2001 and fiscal year 2010, thirty-nine (39) new schools were built and fifty (50) others were replaced or totally renovated. Two (2) schools were placed in service in August 2010 and the District is currently in the process of planning the replacement for three (3) additional schools in its continuing effort to provide state-of-the-art facilities for all of its students. Future school renovations and replacements will be scheduled based upon the availability of funding.

Table 3

Capital Assets at Year End Governmental Activities (in thousands)			
	June 30, 2010	June 30, 2009	Increase (Decrease)
Land	\$ 341,260	\$ 340,454	\$ 806
Construction in progress	226,219	335,025	(108,806)
Improvements other than buildings	39,395	35,897	3,498
Buildings and fixed equipment	3,795,120	3,549,877	245,243
Furniture, fixtures and equipment	165,181	158,545	6,636
Motor vehicles	99,931	96,409	3,522
Audio visual materials and computer software	55,479	55,138	341
Less: accumulated depreciation	(970,534)	(879,482)	(91,052)
Total capital assets, net	<u>\$ 3,752,051</u>	<u>\$ 3,691,863</u>	<u>\$ 60,188</u>

Long-term Debt

As shown in Table 4 below, at the end of this year, the District had \$1.98 billion in debt outstanding compared to \$2.03 billion last year, a decrease of \$54.9 million or 2.7%. The key factors contributing to the decrease were debt repayments of \$61.2 million, and amortization of issuance premiums. See Note 9 of the Notes to the Financial Statements for more information on long-term liabilities.

Table 4

Long-term Debt Outstanding at Year End Governmental Activities (in thousands)			
	June 30, 2010	Restated June 30, 2009	Increase (Decrease)
Capital outlay bond issues	\$ 29,555	\$ 32,835	\$ (3,280)
Certificates of participation	1,886,293	1,944,288	(57,995)
Borrowing-Swap Upfront Payment	8,145	7,809	336
Derivative Instruments - Hedging	38,599	25,220	13,379
Plus: issuance premiums	35,967	45,009	(9,042)
Less: deferred amounts	(22,516)	(24,202)	1,686
Total	<u>\$ 1,976,043</u>	<u>\$ 2,030,959</u>	<u>\$ (54,916)</u>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The District's certificates of participation are rated Aa3 by Moody's Investors Service, and AA- by Standard and Poor's Corporation, and AA- by Fitch Ratings Services.

The District is subject to State laws that limit the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2010, the statutory limit for the District was approximately \$13.5 billion, providing additional debt capacity of approximately \$13.4 billion.

State Statute requires that no more than 75% of the capital millage levy be used for COP debt service. The District's debt policy limits the issuance of COPS by stating that the debt service could not exceed half of the capital millage levy. In FY09, when the capital millage levy was reduced to 1.75 mils, the Debt Policy was amended to allow debt service to be up to 1 mil but should be within 50% of the capital millage levy within five years. Based on the reduction of the capital millage levy and declining property values, the District's capacity to issue new COPS debt has been dramatically reduced.

Other long-term obligations include liability for compensated absences, estimated claims liability, and post employment benefits.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The state's portion of the FEFP funding formula depends heavily on state sales tax revenues. Current state general revenue forecast shows sales tax revenues are meeting projections. School districts are not expected to face a mid-year funding reduction, as in previous years.

For FY 2011, the state is utilizing once again state stabilization monies to fund the FEFP formula. The amount allocated to Palm Beach is \$59.7 million, down \$1.9 million from FY 2010. Funding for FY 2011 represents the second and final year of state stabilization funding. It is important to note that roughly 1,600 positions are currently supported by state stabilization funding.

The calculation of millage proceeds for inclusion in the budget has changed for FY 2011. Prior to FY 2011, the FEFP formula assumed a 95% collection rate. Beginning with FY 2011, the rate of collection used for FEFP is 96%. The result is that the District's FEFP includes \$8.0 million additional revenue in the formula, revenue that the district has collected in recent years, but which is now being used to fulfill the FEFP funding formula. This change effectively created an \$8.0 million reduction to the district budget. Additionally, while the usual collection rate averaged 96% from FY 2007 through FY 2009, the collection rate for FY 2010 fell to 94.6%. Based on the actual, lower collection rate, a reserve of \$4.4 million has been set up to cover the expected shortfall in collections. As with FY 2010, the actual collection rate will not be known until receipt of the Value Adjustment Board adjustment in July 2011.

FY 2011 is the year in which the class size amendment is to be fully implemented. Each core class, (math, reading, science, social studies, foreign language, etc.), must not exceed 18 for K-3, 22 for 4-8 and 25 for 9-12, by October, when class size is measured. The district's cost to implement is estimated at \$59 million. The state has implemented penalties which may be abated up to 75% of the penalty if the district submits a specific plan to be in compliance by FY 2012. The district will make its best effort to comply for FY 2011 using resources available. However, 100% compliance as required by the current statute is likely unattainable. The potential net penalty after abatement is estimated at \$7 million for FY 2011 and a reserve has been established to cover this cost.

Benefit costs are increasing on three fronts: health insurance, Florida Retirement Service (FRS) rates and unemployment costs. Health insurance benefit budgets are increasing in FY 2011 by \$500 per employee, at a cost of \$9 million. Health claims continue to increase each year. A 1% increase in FRS rates, implemented by the state for FY 2011, translates to \$8 million in additional cost to the district. Finally, unemployment costs have increased due to the extension of unemployment benefits.

The contingency fund will remain at \$44.4 million for FY 2011. This represents 3.3% of the General Fund proposed expenditures. During these lean financial times, it is critically important to the financial health and viability of the district to maintain an adequate emergency fund. The contingency fund allowed the district to quickly respond to damage incurred by a series of hurricanes in 2004 and 2005.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Many factors on the horizon indicate that FY 2012 will be a challenging budget year. FEFP funding is dependent on state revenues, local property taxes and state fiscal stabilization funds. At the local level and throughout the state, property values are still falling. Falling property values reduce the amount of revenue available to fund K-12 education, placing pressure on the state to allocate more state resources to education and/or raise the required local effort millage at the local level, both of which are financially and politically difficult, in light of the current recession and high unemployment. The critical millage levy of .25 mills, authorized by the legislature for FY 2010 and 2011 only, requires that voters approve the millage to continue beyond FY 2011. The School Board approved placing the referendum on the November 2010 ballot, requesting approval to continue the 0.25 mill levy for FY 2012 – FY 2015. Discontinuation of this millage represents a loss of approximately \$32 million in revenue starting in FY 2012. Finally, the State Fiscal Stabilization Funds provided by the federal government for FY 2010 and 2011 are scheduled to sunset on June 30, 2011. State Stabilization funding totals \$59 million for the district in FY2011. In short, many of the funding sources that support FEFP funding are either ending or in decline.

In addition to the loss of State Fiscal Stabilization funding, the Title I and IDEA ARRA stimulus funding comes to a close at the end of FY 2011. The end of Stabilization and ARRA funds represents a loss of approximately \$100 million of revenue for FY 2012. Following the intent of the ARRA funds, the funding has been used for positions, so the district will be faced with prioritizing all appropriations to make reductions that will minimize the impact on student achievement and school safety.

The \$10.0 billion Education Jobs Bill recently approved by Congress and the President provides \$554.8 million for Florida to fund school based personnel. States must allocate these funds to local education authorities (LEAs), or school districts, in FY 2011. Local school districts may or may not have the discretion to carry these funds forward to FY 2012. The discussion is ongoing. Our school district expects to receive approximately \$31.0 to \$35.0 million from this Federal grant which may mitigate the funding cliff for FY 2012 when the ARRA funds are no longer available.

In addition to the normal concerns for escalating operating costs for utilities, diesel and health insurance, the district may also face the full cost of class size reduction implementation at the individual classroom level (i.e. hard caps of 18/22/25 per class), should the proposed amendment fail. Sixty percent (60%) of voters must approve the ballot question to amend the constitution.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Michael J. Burke, Chief Financial Officer
The School District of Palm Beach County, Florida
3328 Forest Hill Boulevard, Suite A-306
West Palm Beach, FL 33406

Visit our website at:

<http://www.palmbeachschools.org/>

View an electronic copy of our CAFR at:

<http://www.palmbeachschools.org/accounting/>

BASIC FINANCIAL STATEMENTS



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET ASSETS
JUNE 30, 2010
(amounts expressed in thousands)

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash, cash equivalents and investments	\$ 699,076	\$ 10,975
Taxes receivable	38,332	-
Accounts and interest receivable	1,040	495
Due from other agencies	44,192	406
Inventories	16,252	-
Restricted assets (cash with fiscal agent)	2,384	-
Other assets	18,840	2,722
Deferred outflow of resources	38,599	-
Capital assets:		
Land	341,260	-
Construction in progress	226,219	-
Improvements other than buildings	39,395	2,788
Buildings and improvements	3,795,120	8,710
Furniture, fixtures and equipment	165,181	5,086
Motor vehicles	99,931	369
Audio/video materials and software	55,479	1,089
Less accumulated depreciation	(970,534)	(5,110)
Total capital assets, net of depreciation	<u>3,752,051</u>	<u>12,932</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>4,610,766</u>	<u>27,530</u>
LIABILITIES		
Accounts and contracts payable	36,710	3,221
Accrued payroll and payroll deductions	84,981	1,303
Retainage payable on contracts	7,490	-
Revenue and tax anticipation notes payable	56,000	-
Deposits payable	401	-
Interest payable	41,746	-
Unearned revenue	699	-
Noncurrent liabilities:		
Portion due or payable within one year:		
Notes payable	-	351
Bonds payable	3,405	-
Liability for compensated absences	11,813	320
Certificates of participation payable	60,205	-
Estimated claims	24,940	-
Portion due or payable after one year:		
Notes payable	-	9,375
Bonds payable	26,727	-
Liability for compensated absences	168,365	57
Certificates of participation payable	1,838,962	-
Borrowing-swap upfront payment	8,145	-
Hedging derivative instruments	38,599	-
Estimated claims	34,814	-
Other post-employment benefits obligation	62,490	-
TOTAL LIABILITIES	<u>2,506,492</u>	<u>14,627</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,851,072	6,192
Restricted for:		
Categorical carryover programs	1,466	-
Debt service	67,151	-
Capital projects	276,266	450
School food service	21,184	-
Other purposes	1,750	96
Unrestricted (deficit)	<u>(114,615)</u>	<u>6,165</u>
TOTAL NET ASSETS	<u>\$ 2,104,274</u>	<u>\$ 12,903</u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction	\$ 918,127	\$ 1,958	\$ 194,661	\$ -
Instructional support services	187,977	-	-	-
Board	5,634	-	-	-
General administration	13,061	-	-	-
School administration	95,817	-	-	-
Facilities acquisition and construction	44,039	-	-	10,375
Fiscal services	6,285	-	-	-
Food services	62,997	20,437	43,955	-
Central services	14,793	-	-	-
Pupil transportation services	44,954	2,269	25,504	-
Operation of plant	133,055	-	-	-
Maintenance of plant	62,677	-	-	-
Administrative technology services	10,450	-	-	-
Community services	28,626	22,705	1,946	-
Interest on long-term debt	83,404	-	-	4,747
Unallocated depreciation expense	110,820	-	-	-
Amortization expense	1,552	-	-	-
Total primary government governmental activities	1,824,268	47,369	266,066	15,122
Component Units:				
Charter schools	\$ 65,332	\$ 1,589	\$ 5,529	\$ 2,147

General revenues:

- Taxes:
 - Property taxes, levied for general purposes
 - Property taxes, levied for capital projects
 - Local sales taxes
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous
- Total general revenues
- Change in net assets
- Net Assets—beginning, as previously reported
- Change in accounting principle
- Change in charter school beginning fund balance
- Net Assets—beginning, as adjusted
- Net Assets—ending

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

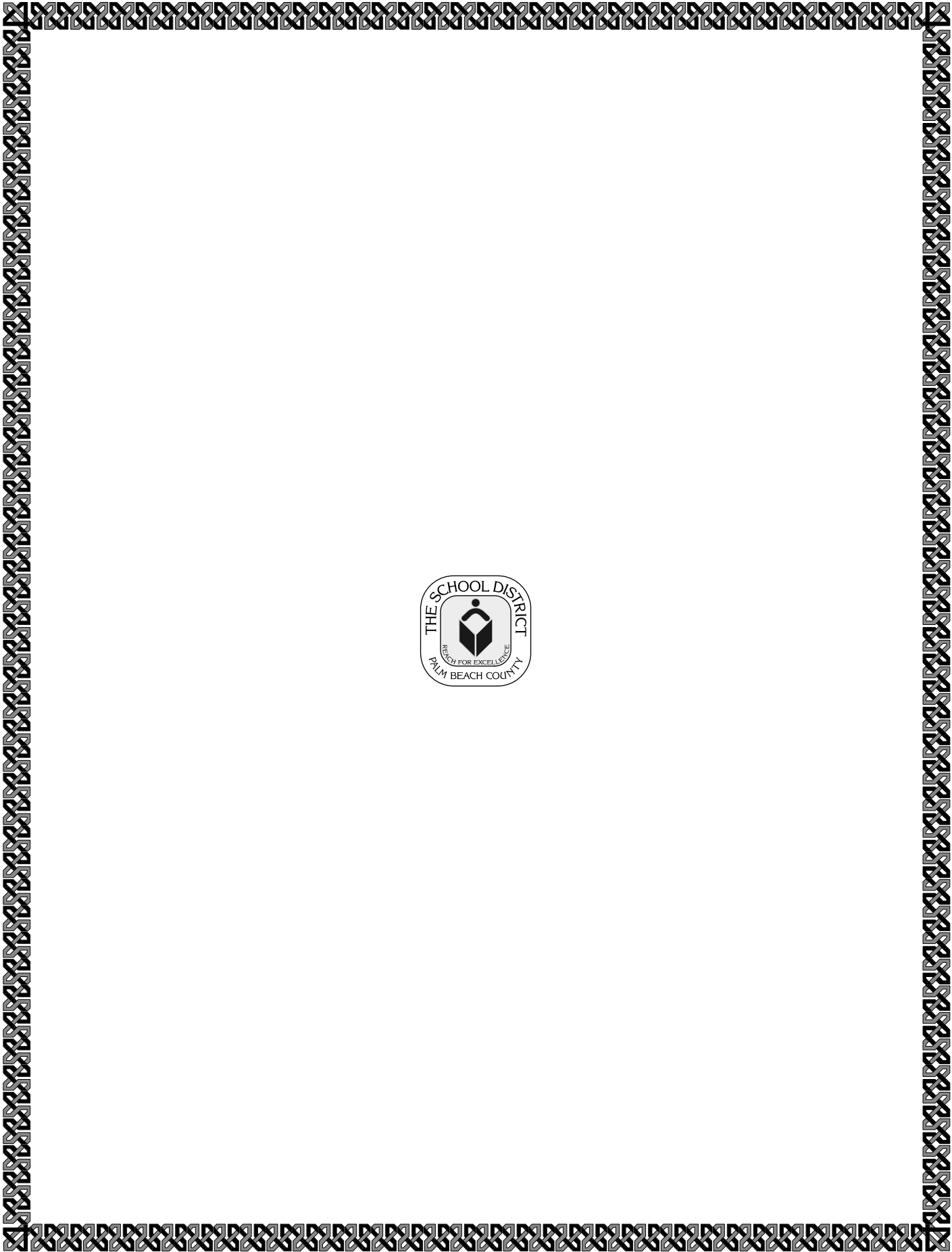
Net (Expense) Revenue and Changes in Net Assets	
Primary	
Government	
Governmental	Component
Activities	Units
\$ (721,508)	\$ -
(187,977)	-
(5,634)	-
(13,061)	-
(95,817)	-
(33,664)	-
(6,285)	-
1,395	-
(14,793)	-
(17,181)	-
(133,055)	-
(62,677)	-
(10,450)	-
(3,975)	-
(78,657)	-
(110,820)	-
(1,552)	-
<u>(1,495,711)</u>	<u>-</u>
-	(56,067)
873,359	-
263,239	-
99,284	-
279,840	56,267
23,066	112
35,529	637
<u>1,574,317</u>	<u>57,016</u>
78,606	949
2,042,740	12,288
(17,072)	-
-	(334)
<u>2,025,668</u>	<u>11,954</u>
<u>\$ 2,104,274</u>	<u>\$ 12,903</u>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010
(amounts expressed in thousands)

	GENERAL FUND	COPS DEBT SERVICE	CAPITAL IMPROVEMENT
ASSETS			
Cash, cash equivalents and investments	\$ 141,272	\$ 108,951	\$ 170,064
Taxes receivable	29,459	-	8,873
Accounts and interest receivable	937	3	-
Due from other agencies	5,131	-	-
Due from other funds	15,000	-	-
Inventories	14,814	-	-
Other assets	-	-	-
TOTAL ASSETS	206,613	108,954	178,937
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts and contracts payable	12,521	-	8,191
Accrued payroll and payroll deductions	94,859	-	-
Due to other funds	-	-	-
Retainage payable on contracts	-	-	1,196
Revenue/Tax anticipation notes payable	-	-	-
Deposits payable	401	-	-
Interest payable	-	-	-
Deferred/Unearned revenue	1,800	-	-
TOTAL LIABILITIES	109,581	-	9,387
FUND BALANCES			
Fund balances reserved:			
Reserved for encumbrances	2,816	-	21,378
Reserved for inventories	14,814	-	-
Reserved for categorical carryover programs	1,466	-	-
Reserved for debt service	-	108,954	-
Reserved for school food service	-	-	-
Reserved for special revenue	-	-	-
Fund balances (deficits) unreserved:			
General Fund - designated for board contingency	44,369	-	-
Capital Project Funds - designated for capital projects	-	-	148,172
Undesignated (deficits), reported in:			
General Fund	33,567	-	-
Special Revenue Funds	-	-	-
TOTAL FUND BALANCES (DEFICITS)	97,032	108,954	169,550
TOTAL LIABILITIES AND FUND BALANCES	\$ 206,613	\$ 108,954	\$ 178,937

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

COPS	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 181,284	\$ 67,214	\$ 668,785
-	-	38,332
-	100	1,040
-	39,061	44,192
-	-	15,000
-	1,438	16,252
-	88	88
<u>181,284</u>	<u>107,901</u>	<u>783,689</u>
8,753	6,956	36,421
-	-	94,859
-	15,000	15,000
4,859	1,435	7,490
56,000	-	56,000
-	-	401
259	-	259
439	3,231	5,470
<u>70,310</u>	<u>26,622</u>	<u>215,900</u>
32,195	7,024	63,413
-	1,438	16,252
-	-	1,466
-	768	109,722
-	19,402	19,402
-	1,750	1,750
-	-	44,369
78,779	51,194	278,145
-	-	33,567
-	(297)	(297)
<u>110,974</u>	<u>81,279</u>	<u>567,789</u>
<u>\$ 181,284</u>	<u>\$ 107,901</u>	<u>\$ 783,689</u>



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010
(amounts expressed in thousands)**

Total Fund Balances - Governmental Funds \$ 567,789

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Cost of the assets	4,722,585	
Accumulated depreciation	(970,534)	3,752,051

Debt issuance charges are reported as expenditures in the governmental funds when first incurred, however, they are included as deferred charges in the governmental activities in the statement of net assets. 14,851

Deferred outflow of resources are reported at the fair values of corresponding hedging derivative instruments in the statement of net assets. 38,599

Investment derivative instruments reported on the statement of net assets. 757

Expenditures for insurance extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds. 3,901

An internal service fund is used by management to charge the costs of maintenance activities and health premiums to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Assets	31,918	
Liabilities	20,163	
Net assets		11,755

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 4,771

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities (net of discounts/premiums and deferred amounts on refundings) at year-end consist of:

Bonds payable	30,132	
Certificates of participation payable	1,899,167	
Borrowing-swap upfront payment	8,145	
Hedging derivative instruments	38,599	
Compensated absences	165,245	
Long-term claims payable	46,354	
Other post employment benefits	61,071	
Accrued interest on long-term debt	41,487	(2,290,200)

Total Net Assets - Governmental Activities \$ 2,104,274

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)**

	GENERAL FUND	COPS DEBT SERVICE	CAPITAL IMPROVEMENT
REVENUES:			
Local sources:			
Ad valorem taxes	\$ 873,359	\$ -	\$ 263,239
Sales tax	-	-	-
Impact fees	-	-	-
Interest income and other	1,509	96	1,467
School age child care fees	22,705	-	-
Food service sales	-	-	-
Local grants and other	31,941	-	-
Total local sources	<u>929,514</u>	<u>96</u>	<u>264,706</u>
State sources:			
Florida education finance program	62,127	-	-
Capital outlay and debt service	99	-	-
Food service	-	-	-
Public education capital outlay	-	-	-
Class size reduction	194,661	-	-
State grants and entitlements	28,032	-	-
Total state sources	<u>284,919</u>	<u>-</u>	<u>-</u>
Federal sources:			
Federal grants and entitlements	5,935	-	-
National school lunch act	-	-	-
Total federal sources	<u>5,935</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,220,368</u>	<u>96</u>	<u>264,706</u>
EXPENDITURES:			
Current:			
Instruction	845,920	-	-
Instructional support services	88,912	-	-
Board	5,579	-	-
General administration	7,364	-	-
School administration	93,238	-	-
Facilities acquisition and construction	999	-	-
Fiscal services	6,192	-	-
Food services	-	-	-
Central services	14,220	-	-
Pupil transportation services	39,332	-	-
Operation of plant	97,615	-	-
Maintenance of plant	60,702	-	-
Administrative technology services	9,533	-	-
Community services	27,885	-	-
Total Current Expenditures	<u>1,297,491</u>	<u>-</u>	<u>-</u>

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

COPS	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 1,136,598
-	99,284	99,284
-	1,203	1,203
1,821	790	5,683
-	-	22,705
-	20,437	20,437
-	7,240	39,181
<u>1,821</u>	<u>128,954</u>	<u>1,325,091</u>
-	-	62,127
-	6,597	6,696
-	926	926
-	1,964	1,964
-	8,411	203,072
-	3,678	31,710
<u>-</u>	<u>21,576</u>	<u>306,495</u>
-	204,771	210,706
-	43,029	43,029
<u>-</u>	<u>247,800</u>	<u>253,735</u>
<u>1,821</u>	<u>398,330</u>	<u>1,885,321</u>
-	64,680	910,600
-	96,657	185,569
-	-	5,579
-	5,822	13,186
-	925	94,163
-	-	999
-	42	6,234
-	63,172	63,172
-	489	14,709
-	5,122	44,454
-	34,350	131,965
-	-	60,702
-	-	9,533
<u>-</u>	<u>193</u>	<u>28,078</u>
<u>-</u>	<u>271,452</u>	<u>1,568,943</u>

(Continued)

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)**

	GENERAL FUND	COPS DEBT SERVICE	CAPITAL IMPROVEMENT
Capital outlay	1,537	-	73,140
Debt service:			
Retirement of principal	-	57,995	-
Interest	486	89,250	-
Fiscal charges	-	433	-
TOTAL EXPENDITURES	<u>1,299,514</u>	<u>147,678</u>	<u>73,140</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(79,146)</u>	<u>(147,582)</u>	<u>191,566</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	79,693	149,002	-
Transfers out	-	-	(223,256)
Issuance of long-term and refunded debt	-	-	-
Net premium (discount) from issuance of long-term and refunded debt	-	-	-
Payments to refunded debt escrow agent	-	-	-
Proceeds of loss recoveries	4,073	-	-
Sale of capital assets and other	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>83,766</u>	<u>149,002</u>	<u>(223,256)</u>
NET CHANGE IN FUND BALANCES	4,620	1,420	(31,690)
FUND BALANCES, JULY 1, 2009	<u>92,412</u>	<u>107,534</u>	<u>201,240</u>
FUND BALANCES, JUNE 30, 2010	<u>\$ 97,032</u>	<u>\$ 108,954</u>	<u>\$ 169,550</u>

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

<u>COPS</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
111,626	40,273	226,576
-	3,190	61,185
428	1,807	91,971
64	49	546
<u>112,118</u>	<u>316,771</u>	<u>1,949,221</u>
<u>(110,297)</u>	<u>81,559</u>	<u>(63,900)</u>
48,960	-	277,655
-	(54,399)	(277,655)
-	1,655	1,655
-	166	166
-	(1,806)	(1,806)
-	428	4,501
-	367	367
<u>48,960</u>	<u>(53,589)</u>	<u>4,883</u>
(61,337)	27,970	(59,017)
<u>172,311</u>	<u>53,309</u>	<u>626,806</u>
<u>\$ 110,974</u>	<u>\$ 81,279</u>	<u>\$ 567,789</u>

(Concluded)

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)**

Total net change in fund balances - governmental funds \$ (59,017)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlays (\$180,133) exceed depreciation expense (\$110,820) in the period. 69,313

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Issuance Cost Amortization	(1,552)	
Issuance Cost on Current Year Refunding	15	
Premium/Discount and Deferred Refunding Amortization	7,461	
Premium on Current Year Issuance	(166)	5,758

Investment revenue related to derivative instruments reported in the statement of activities that are not reported as revenue in the governmental funds 17,297

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 3,771

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 61,185

Bond refunding proceeds provided current financial resources to governmental funds. Bond refunding payments are expenditures in the governmental funds. The amount by which the refunding payment (\$1,806) exceeded refunding proceeds (\$1,655) in the current period. 151

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets. (9,125)

Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds.

Prepaid insurance	(70)	
Compensated absences	3,470	
Long-term claims payable	953	
Other post employment benefits	(18,056)	
Liability for arbitrage rebate	1,103	
Imputed interest on borrowing	(336)	
Accrued interest on long-term debt	870	(12,066)

An internal service fund is used by management to charge the costs of maintenance activities and health premiums to individual funds. The net revenue of the internal service fund is reported with governmental activities. 1,339

Change in net assets of governmental activities \$ 78,606

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Budgeted Amounts		Actual (Budgetary Basis)	Variances -	
				Original	Final
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 926,658	\$ 929,514	\$ 929,514	\$ 2,856	\$ -
State sources	274,100	284,919	284,919	10,819	-
Federal sources	4,399	5,935	5,935	1,536	-
TOTAL REVENUES	<u>1,205,157</u>	<u>1,220,368</u>	<u>1,220,368</u>	<u>15,211</u>	<u>-</u>
EXPENDITURES:					
Instruction	854,472	866,283	846,488	(11,811)	19,795
Instructional support services	96,780	94,619	89,445	2,161	5,174
Board	7,990	7,114	5,620	876	1,494
General administration	7,289	7,647	7,364	(358)	283
School administration	93,144	93,350	93,247	(206)	103
Facilities acquisition and construction	924	1,530	1,213	(606)	317
Fiscal services	6,805	7,012	6,198	(207)	814
Central services	15,295	16,376	14,317	(1,081)	2,059
Pupil transportation services	36,594	39,442	39,621	(2,848)	(179)
Operation of plant	98,994	103,597	97,645	(4,603)	5,952
Maintenance of plant	66,519	68,105	61,679	(1,586)	6,426
Administrative Technology Services	9,918	10,001	9,538	(83)	463
Community services	35,700	36,615	27,932	(915)	8,683
Capital outlay	-	-	1,537	-	(1,537)
Debt service	2,133	486	486	1,647	-
TOTAL EXPENDITURES	<u>1,332,557</u>	<u>1,352,177</u>	<u>1,302,330</u>	<u>(19,620)</u>	<u>49,847</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(127,400)</u>	<u>(131,809)</u>	<u>(81,962)</u>	<u>(4,409)</u>	<u>49,847</u>
OTHER FINANCING SOURCES:					
Transfers in	79,357	79,693	79,693	336	-
Proceeds from loss recoveries	-	4,073	4,073	4,073	-
TOTAL OTHER FINANCING SOURCES	<u>79,357</u>	<u>83,766</u>	<u>83,766</u>	<u>4,409</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (48,043)</u>	<u>\$ (48,043)</u>	<u>\$ 1,804</u>	<u>\$ -</u>	<u>\$ 49,847</u>
FUND BALANCE, JULY 1, 2009 (GAAP BASIS)			<u>92,412</u>		
FUND BALANCE, JUNE 30, 2010 (BUDGETARY BASIS)			94,216		
Adjustment To Conform With GAAP:					
Elimination of encumbrances			<u>2,816</u>		
FUND BALANCE, JUNE 30, 2010 (GAAP BASIS)			<u>\$ 97,032</u>		

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010
(amounts expressed in thousands)

	Governmental Activities
	Internal Service Funds

ASSETS	
Cash, cash equivalents and investments	\$ 31,918
Total assets	<u>\$ 31,918</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 289
Noncurrent liabilities:	
Portion due or payable within one year:	
Estimated unpaid claims	13,400
Liability for compensated absences	331
Portion due or payable after one year:	
Liability for compensated absences	4,724
Other post-employment benefits obligation	1,419
Total liabilities	<u>20,163</u>
NET ASSETS	
Unrestricted	<u>\$ 11,755</u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

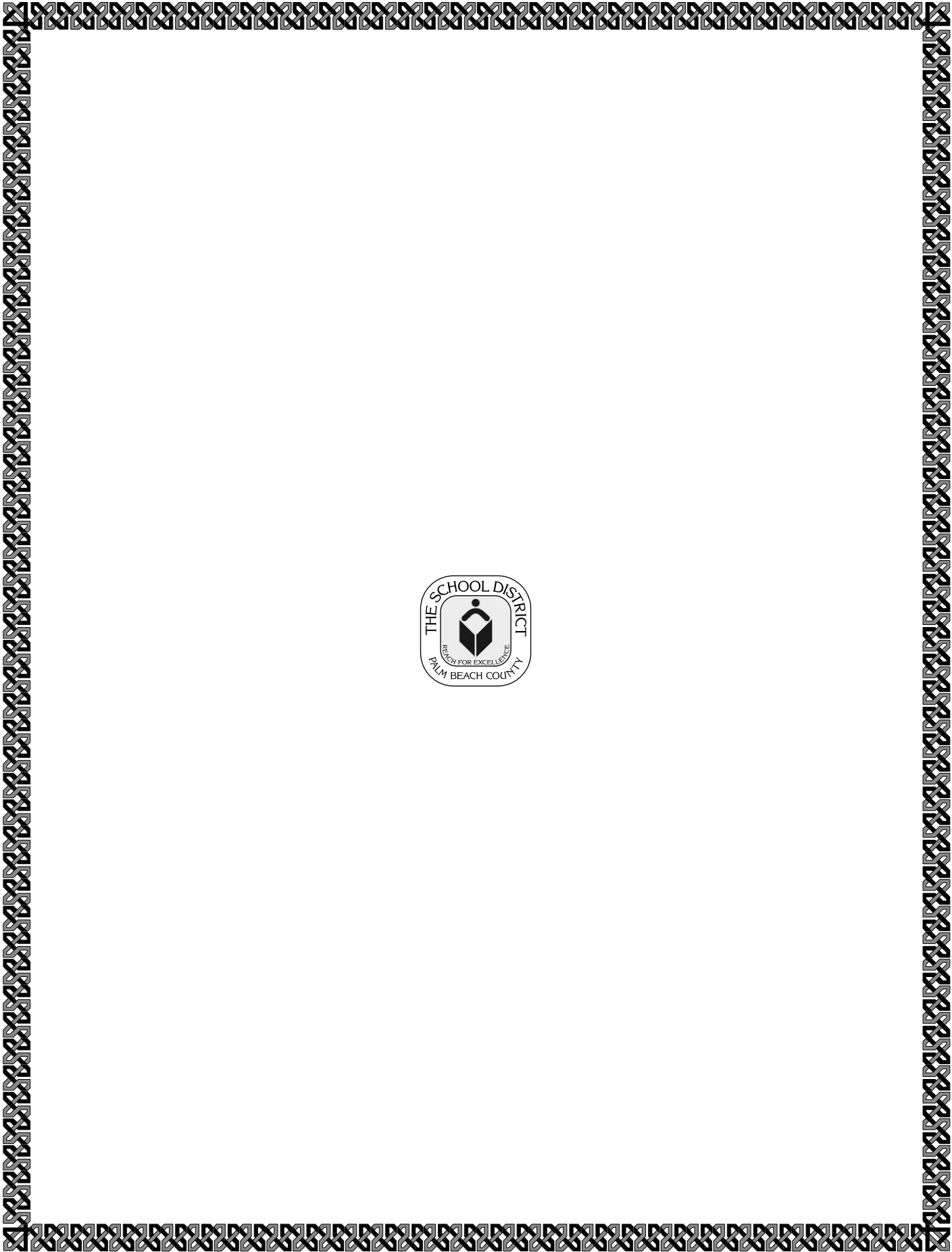
	Governmental Activities
	Internal Service Funds
OPERATING REVENUES:	
Service revenue	\$ 28,365
Premium revenue	156,199
Other operating revenue	3,599
TOTAL OPERATING REVENUES	188,163
OPERATING EXPENSES:	
Salaries	21,482
Benefits	7,531
Purchased services	1,004
Other expenses	156,893
TOTAL OPERATING EXPENSES	186,910
OPERATING INCOME	1,253
NONOPERATING REVENUES:	
Interest and other income	86
TOTAL NONOPERATING REVENUES	86
CHANGE IN NET ASSETS	1,339
NET ASSETS - Beginning of year	10,416
NET ASSETS - End of year	\$ 11,755

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	Governmental Activities
	Internal Service Funds
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers and interfund services provided	\$ 184,564
Cash payments to suppliers for goods and services	(158,467)
Cash payments for salaries, benefits, and other expenses	(27,855)
Other receipts	4,572
Net cash provided by operating activities	<hr/> 2,814 <hr/>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earnings on investments	86
Net cash provided by investing activities	<hr/> 86 <hr/>
 Net increase in cash and cash equivalents	2,900
Cash and cash equivalents, beginning of year	29,018
	<hr/>
Cash and cash equivalents, end of year	<hr/> \$ 31,918 <hr/>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,253
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	973
Increase in accounts payable	280
Decrease in estimated unpaid claims	(850)
Increase in compensated absences and OPEB	1,158
Total adjustments	<hr/> 1,561 <hr/>
Net cash used in operating activities	<hr/> \$ 2,814 <hr/>

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



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010
(amounts expressed in thousands)

	<u>PRIVATE- PURPOSE TRUST FUND</u>	<u>AGENCY FUND</u>
	<u>FLORIDA FUTURE EDUCATORS OF AMERICA</u>	<u>SCHOOL INTERNAL FUNDS</u>
ASSETS		
Cash, cash equivalents and investments	\$ 494	\$ 15,163
Accounts receivable	-	978
	<u>494</u>	<u>15,163</u>
TOTAL ASSETS	<u>494</u>	<u>\$ 16,141</u>
LIABILITIES		
Accounts payable	-	\$ 306
Due to student organizations	-	15,835
	<u>-</u>	<u>15,835</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 16,141</u>
NET ASSETS		
Held in trust for scholarships	<u>494</u>	
TOTAL NET ASSETS	<u>\$ 494</u>	

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(amounts expressed in thousands)

	PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA
ADDITIONS	
Donations	\$ 60
Interest	8
TOTAL ADDITIONS	<u>68</u>
DEDUCTIONS	
Scholarship disbursements	<u>90</u>
TOTAL DEDUCTIONS	<u>90</u>
CHANGE IN NET ASSETS	(22)
NET ASSETS - Beginning of year	<u>516</u>
NET ASSETS - End of year	<u><u>\$ 494</u></u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District of Palm Beach County, Florida (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Florida Statutes, Section 1010.01, the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies:

A. Reporting Entity

The District and its governing board are organized and operated under Section 4, Article IX, of the Constitution of Florida and Chapter 1001 of Florida Statutes. The District's boundaries are coterminous with those of Palm Beach County. Management of the School District is independent of county and city governments. The membership of the governing board of the District (the "Board") consists of seven members elected from single member districts for overlapping four-year terms. The Superintendent is appointed by the Board to act as executive officer of the District.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component units and/or joint ventures reportable within the accompanying financial statements are the Palm Beach School Board Leasing Corporation, (the "Corporation") and twenty-eight of the thirty-two Charter Schools operating within the District. These Charter Schools are included due to the fact that the exclusion of them would cause the District's financial statements to be incomplete. Based on the Auditor General's Rules, Chapter 10.850, "Audits of Charter Schools and Similar Entities" District management has determined that the following four charter schools are non-component units: Palm Beach Maritime Academy, Potentials Charter School, Potentials South Charter School and Seagull Academy Charter School. Each of these charter schools are operated by entities other than the District and are not legally separate from those entities. As such, each of these charter schools is included as a component unit of their respective operating entity.

Blended Component Unit - The Corporation's sole purpose is to provide for financing and construction of certain District school facilities. Additionally, the Corporation is legally separate from the District and the Board of the Corporation consists of the seven Board members of the District. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

Discretely Presented Component Units - Florida State Statute 1002.33 authorized the establishment of Charter Schools as part of the State's education program. Charter Schools are public schools operating under a performance contract with the local school district and are fiscally dependent on the District for a majority of their funding. Revenues such as Florida Education Finance Program ("FEFP"), State Categoryals and other State and Federal revenue sources are received by the District on behalf of the Charter schools and then remitted to them. As such, Charter schools are funded on the same basis and are subject to the same financial reporting requirements as the District. Additionally, all students enrolled in Charter Schools are included in the District's total enrollment. At fiscal year end there were twenty-eight

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Charter Schools operating within the School District of Palm Beach County meeting the criteria for presentation as a discretely presented component unit. While it would be misleading to exclude them from the District's financial statements, none of the individual component units are considered to be major.

During fiscal year 2010, Gulfstream Goodwill Transition Academy merged its operations with Gulfstream Goodwill L.I.F.E. Academy and changed the charter school name to Gulfstream Goodwill Transition to LIFE Academy as of July 1, 2009. All assets of the dissolved not-for-profit corporation were assumed by Gulfstream Goodwill Transition to LIFE Academy. Palm Beach Academy for Learning merged its operations with Palm Beach School for Autism as of July 1, 2009. All assets of the dissolved not-for-profit corporation were assumed by Palm Beach School for Autism.

Complete financial statements of the individual component units can be obtained from their administrative offices. The twenty-eight component unit charter schools in operation at fiscal year end are listed below:

Academy for Positive Learning
128 North C. Street
Lake Worth, Florida 33460

Believers Academy
5840 Corporate Way, Suite 100
West Palm Beach, Florida 33407

Boca Raton Charter School
269 NE 14th Street
Boca Raton, Florida 33432

Bright Futures International
757 Lighthouse Drive
North Palm Beach, Florida 33408

Charter School of Boynton Beach
1375 Gateway Boulevard
Boynton Beach, Florida 33426

DayStar Academy of Excellence
970 North Seacrest Boulevard
Boynton Beach, Florida 33435

Delray Youth Vocational Charter School
601 North Congress Avenue, Unit 110
Delray Beach, Florida 33445

Ed Venture Charter School
117 East Coast Avenue
Hypoluxo, Florida 33462

Everglades Preparatory Academy
360 East Main Street, Building C
Pahokee, Florida 33476

G-STAR School of the Arts
2065 Prairie Road, Building J
West Palm Beach, Florida 33406

Glades Academy
1200 East Main Street
Pahokee, Florida 33476

Gulfstream Goodwill Transition to L.I.F.E
Academy
3800 South Congress Avenue, Suite 12
Boynton Beach, Florida 33426

Hope Learning Community of Riviera Beach
(Noah's Ark International)
21 West 22nd Street
Riviera Beach, Florida 33404

Imagine Schools - Chancellor Campus
Formerly Chancellor Charter School at
Lantana
600 South East Coast Avenue
Lantana, Florida 33462

Inlet Grove Community High School, Inc.
7071 Garden Road
West Palm Beach, Florida 33404

JFK Medical Center Charter School
4696 Davis Road
Lake Worth, Florida 33461

Joseph Littles-Nguzo Saba Charter School
5829 Corporate Way, 2nd Floor
West Palm Beach, Florida 33407

Lakeside Academy Charter School
716 South Main Street
Belle Glade, Florida 33430

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Leadership Academy West
 2030 South Congress Avenue
 West Palm Beach, Florida 33406

Life Skills Center, Palm Beach
 600 North Congress Avenue, Suite 560
 Delray Beach, Florida 33445

Montessori Academy of Early Enrichment
 6201 South Military Trail
 Lantana, Florida 33462

Palm Beach School for Autism, Inc.
 1199 West Lantana Road, Cottage #16
 Lantana, Florida 33462

Renaissance Learning Academy
 5841 Corporate Way, Suite 101
 West Palm Beach, Florida 33407

Renaissance Learning Center
 5800 Corporate Way
 West Palm Beach, Florida 33407

Riviera Beach Maritime Academy
 251 West 11th Street
 Riviera Beach, Florida 33404

South Tech Charter Academy
 1300 S.W. 30th Avenue
 Riviera Beach, Florida 33426

Toussaint L'Ouverture
 1325 Gateway Boulevard
 Boynton Beach, Florida 33426

Western Academy Charter School
 500F-K Royal Plaza Road
 Royal Palm Beach, Florida 33411

Since the District is independent of and is not financially accountable for other governmental units or civic entities, these financial statements represent the operations of the District, the Corporation, as well as all of the funds of the District as a governmental unit.

Prior Year Adjustments

There have been adjustments to the beginning fund balance to the following charter schools: Everglades Preparatory Academy, Glades Academy, Inlet Grove, and Joseph Littles-Nguzo Saba Charter School. As a result of these prior year adjustments, the net assets of the component units as a whole have been adjusted as follows (in thousands):

Net Assets - Beginning of year, as previously reported	\$ 12,288
Prior Period Adjustments to Beginning Fund Balance	
Everglades Preparatory Academy	(14)
Glades Academy	(25)
Inlet Grove	(265)
Joseph Littles-Nguzo Saba Charter School	(30)
Net Assets - Beginning of year, adjusted	<u>\$ 11,954</u>

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. Internal Service Fund activity is eliminated to avoid "doubling up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column. All of the component units are nonmajor and are aggregated and presented in a single column. Internal Service Funds are aggregated and presented in a single column on the face of the Proprietary Fund statements. Fiduciary Funds are reported by fund type.

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Fund is accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Assets for the Proprietary Fund reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's major Governmental Funds:

General Fund

The General Fund is the primary operating fund of the District. Ad valorem tax revenues, revenues from the Florida Education Finance Program ("FEFP") and other receipts not allocated by law or contractual agreement to other funds are accounted for in this fund. Similarly, general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from this fund.

COPS Debt Service Fund

The COPS Debt Service Fund accounts for the repayment of the certificates of participation.

Capital Improvement Capital Projects Fund

The Capital Improvement Capital Projects Fund accounts for locally received funds, primarily ad valorem tax revenue, for the acquisition, construction or renovation of capital facilities, including land and equipment.

COPS Fund

Certificates of Participation ("COPS") capital projects fund which accounts for construction projects and equipment purchases financed by the sale of certificates of participation.

Other Non-Major Governmental Funds

The Other Non-Major Governmental Funds are a summarization of all the Non-major Governmental Funds.

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PROPRIETARY FUNDS

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. The only Proprietary Fund that the District has is an Internal Service Fund. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses for Internal Service Funds include salaries, benefits, administrative expenses, and claims paid. All items not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to another on a cost reimbursement basis. The District has two Internal Service Funds, one for maintenance and one for group health.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

Agency Funds

Agency Funds consist of activity funds, which are established at each school to account for the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The District retains no equity interest in these funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private Purpose Trust Fund

A trust fund was established in January 1993 and is used to account for a District supported Florida Future Educators of America. Revenues consist of employee donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds also use the accrual basis of accounting.

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

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In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as deferred revenue.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources – Revenues from State sources for current operations are primarily from the Florida Education Finance Program (“FEFP”), administered by the Florida Department of Education (“FDOE”), under the provisions of Chapter 1011, Florida Statutes. The District files reports on full time equivalent (“FTE”) student membership with the FDOE. The FDOE accumulates information from these reports and calculates the allocation of FEFP funds to the District. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

The District receives revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. Any unused money is returned to the FDOE and so recorded in the year returned.

The District, at various times, receives authorization for the expenditure of funds for Public Education Capital Outlay (“PECO”), Classrooms First, Effort Index Grant and Class Size Reduction projects from the State of Florida. For State reporting purposes, PECO, Classrooms First, Effort Index Grant and Class Size Reduction revenue is recognized at the time authorization is approved by the State. For financial reporting purposes however, as there is no assurance that all funds made available will become eligible and since authorizations are made available for several years, revenue is not recognized until the eligibility criteria is met.

Property Taxes – On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, and then unrestricted resources as they are needed.

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C. Budgetary Policies

Revenues and expenditures are controlled by budgetary systems in accordance with various legal and administrative requirements that govern the District's operations. The budget represents a process through which policy decisions are made, implemented and controlled. The budget is adopted on a basis consistent with GAAP, except for encumbrances, and the PECO, Classrooms First, Effort Index Grant and Class Size Reduction revenues. The budgetary process includes encumbrances and the aforementioned revenues in the current year budget. The encumbrances and revenues are reported as expenditures or revenues respectively, on the budgetary basis of accounting.

Annual budgets are legally adopted for all funds except the Fiduciary Funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget dated September 9, 2009, the date of the final amendment approved by the Board. Significant dates in the budgeting timetable follow:

1. The Palm Beach County Property Appraiser certifies to the District the taxable value of all nonexempt District property by July 1 of each year, or the Clerk of the Circuit Court is required to certify an interim tax roll.
2. Within 24 days of tax roll certification, the Board considers and approves for advertising a tentative budget.
3. Within 29 days after tax roll certification, the District advertises the tentative budget and the millage rates therein.
4. A public hearing to adopt the tentative budget and proposed millage rate is held not less than two nor more than five days after the budget is advertised.
5. Within 35 days of tax roll certification, the District notifies the Palm Beach County Property Appraiser of proposed millage rates.

At a final public hearing within 80 days, but not less than 65 days, after tax roll certification, the Board adopts the District budget.

The major functional level is the legal level of budgetary control. Per Board policy, management is authorized to make budget amendments at function level with Board approval. All interim budget amendments between major functional areas within each fund are submitted to the Board for approval. Federal and State grant budget amendments which require State approval prior to processing are also submitted to the Board for approval with monthly amendments. The Board is not legally authorized to approve expenditures that exceed appropriations; therefore, during fiscal year 2010, budget amendments were approved as necessary to comply with legal requirements.

Unreserved appropriations are canceled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Undesignated fund balances at June 30, 2010 for funds under budgetary control have been reappropriated for the fiscal year 2011 operating budget within the appropriate fund. Programs reserved for carryover include all State categorical grants required to be expended on specific programs and District approved carryover programs.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts reserved for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

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E. Cash, Cash Equivalents and Investments

The District maintains a Treasurer's pool for the District's cash and investments. Each fund's portion of the pool is presented on the financial statements. Investments are stated at fair value, based on quoted market prices. Investments consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, money market funds investing in U.S. Treasury Securities, corporate notes, U.S. Government Supported Corporate Debt, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank and other investments allowable by the District's investment policy. For purposes of the statement of cash flows, cash equivalents are considered to be the money market funds and all highly liquid investments with a maturity of three months or less when purchased.

F. Inventories

Inventories are valued at cost, which approximates market, using the average cost method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method. Inventorial items are recorded as expenditures when shipped to schools and department offices (the consumption method). The reserve for inventories at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are not available for appropriation and expenditure.

G. Prepaid Items

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method).

H. Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the District. Purchased assets are recorded as expenditures in the fund financial statements and are capitalized at cost on the government-wide statement of net assets. In the case of gifts or contributions, such assets are recorded at fair market value at the time received.

The District's capitalization levels are \$1,000 on tangible personal property, \$100,000 on building improvements, \$50,000 on improvements other than buildings and \$100,000 on intangible assets. Other costs incurred for repairs and maintenance are expensed as incurred. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 – 15 years
Motor Vehicles	5 – 10 years
Audio/Video Materials & Software	3 – 5 years
Buildings and Improvements	15 – 50 years
Improvements Other Than Buildings	15 years
Intangibles	5 years

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I. Long Term Debt

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net assets. Bond premiums/discounts are amortized over the life of the bonds while deferred loss on advance refundings and issuance costs are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method.

The District enters into interest rate swap agreements to modify interest rates on outstanding debt. The fair value of these instruments are reflected on the government wide financial statements. On the fund level financial statements, up-front premium payments received are recognized as other financing sources. In addition, the net interest expenditures resulting from these agreements are recorded in the financial statements (See Note 10).

J. Self Insurance

The District is self insured for portions of its general and automobile liability insurance and workers' compensation. Claim activity (expenditures for general and automobile liability and workers' compensation) is recorded in the governmental fund as payments become due each period. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See note 7). Consistent with GAAP guidelines, for the governmental funds, in the fund financial statements, the liability for self-insured risks is considered long-term and therefore, is not a fund liability (except for any amounts due and payable at year end) and represents a reconciling item between the fund level and government-wide presentations.

The District is also self insured for health insurance. The District provides health insurance for its employees and eligible dependents. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See note 7). Consistent with GAAP guidelines, in the Proprietary Fund financial statements, the liability for self insured risks is recorded under the accrual basis of accounting.

K. Compensated Absences

Compensated absences are payments to employees for accumulated vacation and sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused vacation and sick leave up to a specified amount depending on their date of hire. Vacation and sick leave is payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement.

The District uses the vesting method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The portion related to employees in the Internal Service Fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

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L. Reserves and Designations of Fund Equity

Portions of Fund Equity that have been reserved indicate the amount of fund balance that cannot be appropriated for expenditures since it is legally segregated for a specific future use. In addition, the District established a designation of Fund Equity for Board Contingency. The Board Contingency policy requires a minimum designation of 3% of the total annual General Fund appropriations and transfers.

M. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

N. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In June 2008, the GASB issued Statement 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The District adopted GASB Statement 53 in Fiscal Year 2010. This statement requires the cumulative effect of applying this Statement be reported as a restatement of beginning net assets and impacts the beginning balances in Note 9. Long-term Liabilities, and Note 10. Derivative Instruments. The effects of the accounting change on net assets as previously reported for fiscal year 2009 and prior years is a reduction of \$17.1 million and is adjusted as of June 30, 2009 as follows (amounts in thousands; debit (credit)):

	Governmental Activities
Net Assets, previously reported	\$ 2,042,740
Adjustments of Assets and Deferred Outflows:	
Deferred Outflow of Resources	25,220
Derivative Instrument - Investment	(16,540)
Adjustments of Liabilities:	
Interest Payable	(3,583)
Non-current Liabilities:	
Certificates of Participation Payable*	10,860
Borrowing-swap Upfront Payment	(7,809)
Hedging Derivative Instruments	(25,220)
Net Assets, as restated	\$ 2,025,668

* relates to premiums

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Recently Issued Accounting Pronouncements

In May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 requires the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District will adopt this Statement in Fiscal Year 2011. Retroactive restatement of fund balance is required for all prior periods presented. Management is currently evaluating the impact of the adoption of this statement on the District's Financial Statements.

In December 2009, the GASB issued Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB 57 address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans and clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers. Provisions of this Statement related to the use and reporting of the alternative measurement method are effective immediately. The adoption of GASB 57 does not have any impact on the District's financial Statements.

In December 2009, the GASB issued Statement 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. GASB 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. This Statement is effective for reporting periods beginning after June 15, 2009. The adoption of GASB 58 does not have any impact on the District's financial statements.

In June 2010, The GASB issued Statement 59, *Financial Instruments Omnibus*. GASB 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This Statement is effective for financial statements for periods beginning after June 15, 2010. The District is currently assessing the impact of GASB 59 on its financial position.

2. AD VALOREM TAXES

The Board is authorized by Florida Statutes to levy property taxes for District operations, capital improvements and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. The Palm Beach County Property Appraiser assesses property values and the Palm Beach County Tax Collector collects the property taxes.

Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to four percent are available for early payment. The majority of ad valorem taxes are collected in November and December and remitted to the School Board. Section 197.383, Florida Statutes, requires the Palm Beach County Tax Collector to distribute the taxes collected to each taxing authority at least four times during the first two months after the tax roll comes into the Tax Collector's possession, and at least once per month thereafter. Taxes are considered delinquent if not paid prior to April 1. State law provides for enforcement of collection of taxes by the sale of tax certificates on real property and for levy upon, seizure and sale of personal property after the Palm Beach County Tax Collector initiates a sequence of required procedures resulting in a court order to carry out the action.

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The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 7.983 mills and the total assessed value on which the 2009-10 levy was based was \$149 billion. Gross taxes levied were approximately \$1.2 billion. Total revenue, net of discounts, was approximately \$1.1 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs, are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2010, the maintenance transfer amounted to approximately \$68.1 million. Additionally, approximately \$8.1 million was transferred for property insurance, approximately \$3.5 million was transferred for charter school capital outlay bringing the total transfer from capital to approximately \$79.7 million.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50 percent to 125 percent depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2010, the carrying amount of the District's cash deposits was approximately \$200.3 million and the bank balance was approximately \$217.0 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$15.2 million.

The District receives interest on all collected balances in its cash accounts from the qualified public depository acting as its banking agent. Interest earnings are allocated to all funds based on the average daily balance of each fund's equity in the Treasurer's Pool.

Cash Equivalents consist of amounts invested in the Dreyfus Treasury & Agency Cash Mgt Money Market Fund, JP Morgan US Government Money Market Fund, Federated Government Obligation Money Market Fund, PFM Funds Government Series Money Market Fund, Fidelity Institutional Government Money Market Fund, SBA Local Government Investment Pool (the "LGIP") and the SBA Fund B Surplus Funds Trust Fund (the "Fund B"). As of June 30, 2010, Dreyfus Treasury & Agency Cash Mgt Money Market was rated AAAM by Standard and Poors, JP Morgan US Government Money Market Fund was rated Aaa by Moody's Investor Service and AAAM by Standard and Poors, Federated Government Obligation Money Market Fund was rated Aaa by Moody's Investor Service and AAAM by Standard and Poors, PFM Funds Government Series Money Market Fund was rated AAAM by Standard and Poors, Fidelity Institutional Government Money Market Fund was rated Aaa by Moody's Investor Service and AAAM by Standard and Poors, and the Local Government Investment Pool was rated AAAM by Standard and Poors. As of June 30, 2010, Fund B Surplus Funds was not rated by a nationally recognized statistical rating agency.

Investments

The District's investment policy permits investments in the SBA Local Government Surplus Funds Trust Fund, securities of the United States Government, U.S. Government Agencies, Federal instrumentalities, interest bearing time deposit or savings accounts, repurchase agreements, commercial paper, corporate notes, bankers' acceptances, state and/or local government debt, and money market mutual funds. The District's investment advisor used the effective duration method to calculate effective duration measures for the securities held by the District. Besides measuring the sensitivity of the securities market value to changes in interest rates, the effective duration method accounts for any call (early redemption) features which a security may have.

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As of June 30, 2010, the District had the following unrestricted cash and investments and maturities (amounts in thousands):

PORTFOLIO / INVESTMENTS	CARRYING VALUE	EFFECTIVE DURATION
Cash Deposits	\$ 200,316	N/A
Money Market Funds	211,717	N/A
Florida State Board of Administration	10	0.13
Commercial Paper	958	N/A
Investment Derivative Instruments	757	16.86
Core Fund Investments		
US Treasury - Notes/Bills	22,841	2.10
Federal Agency - Bond/Notes	200,892	0.82
US Government Supported Corporate Debt	7,183	1.40
Corporate Notes	4,423	2.02
Commercial Paper	49,979	0.17
TOTAL	\$ 699,076	

Interest Rate Risk

To limit exposure to fair value losses resulting from increases in interest rates, the District's Investment Policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District's investments in the Federal Home Loan Bank mature between July 2010 and March 2013. The District's investment in the Federal Home Loan Mortgage Corporation matures between September 2011 and June 2012. The District's investments in the Federal National Mortgage Association mature between January 2012 and June 2013. The District's investment in derivative instruments mature between August 2011 and June 2028. As of June 30, 2010, the District held approximately \$11.6 million in market value of callable securities issued by Federal Instrumentalities which permit the issuer to redeem the securities prior to their original maturity date. A decrease in interest rate levels could trigger calls on these securities, forcing the District to reinvest the proceeds in lower-yielding securities.

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The District is invested in two basis swaps with the 2002D certificates with a notional amount of \$100,000,000. On the first basis swap the District makes semiannual payments to the counterparty of SIFMA Swap Index less 0.66500% percent and receives variable payments based on 67 percent of 1-mo LIBOR. On the second basis swap the District makes semiannual payments to the counterparty of 67 percent of 1-mo LIBOR and receives variable payments based on 59.93% of 10 Year LIBOR. The first basis swap was effective in January 2003 and the second June 2007 and both mature in June 2028. At June 30, 2010, the fair value of the swaps are (\$1,430,548), and \$5,816,665, respectively.

The District entered into two swaptions with the 2002D and 2001B certificates with a notional amount of \$116,555,000 and \$162,980,000, respectively. The swaptions are hybrid instruments consisting of a borrowing and an embedded derivative instrument (time value). Therefore, for accounting and financial reporting purposes, the embedded derivative instrument is considered an investment derivative instrument. The swaptions allow the counterparty to exercise the swaps on fixed dates starting August 2012 and August 2011, respectively through February 2014 and August 2014, respectively. If the swaptions are exercised the maturity date of the option is August 2028 and August 2025, respectively. At June 30, 2010, the fair value of the swaptions are (\$1,652,678) and (\$604,761), respectively.

In exchange for an upfront premium payment of \$3,010,000 received by the District, the swap counterparty has the right to terminate the 2003B Interest Rate Swap if the 180 day average of the BMA Index exceeds 7.0% in the future. The barrier feature was effective June 2003 and is exercisable anytime until August 2018. Once the barrier option expires the District will be left with a fixed-payer swap that matures on August 2029. Therefore, for accounting and financial reporting purposes, the barrier option derivative instrument is considered an investment derivative instrument. At June 30, 2010, the fair value of the barrier option is (\$1,372,165).

Credit Risk

The District's Investment Policy lists the authorized investment types as well as the minimum allowable credit rating for each investment type. Corporate notes purchased for investment must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "Aa" by Moody's and a minimum long term debt rating of "AA" by Standard & Poor's ("S&P"). The maximum length to maturity for corporate notes shall be three (3) years from the date of purchase. As of June 30, 2010, the District held \$4.4 million of corporate notes of which had an S&P rating of AA+. All investments in the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association were rated between A-1+ and AAA by S&P. All other rated investments were rated AAA by S&P. As of June 30, 2010, the Local Government Investment Pool was rated AAAm by S&P. As of June 30, 2010, Fund B was not rated by a nationally recognized statistical rating agency.

The District's Debt Management Policy does not limit the maturities of derivative instruments classified as investment derivative instruments. As of June 30, 2010, the District held \$756,513 of investment derivative instruments all of which were rated A+ by S&P.

Concentration of Credit Risk

The District's Investment Policy specifies the maximum percentage allocation to any single investment type as well as the maximum percentage holding per issuer. Up to 100% of the portfolio may be invested in the SBA Local Government Surplus Funds Trust Fund or securities of the United States Government. Investments in Federal Instrumentalities may be no greater than 80% of the portfolio with a maximum of 50% invested with any single issuer. Corporate notes are limited to 15% of the portfolio and no greater than 5% may be in a single issuer.

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PORTFOLIO / INVESTMENTS	CARRYING VALUE (in thousands)	%
Cash Deposits	\$ 200,316	28.65%
Money Market Funds		
Dreyfus Treasury and Agency	97,817	13.99%
JP Morgan US Government	101	0.01%
Federated Government Obligation	15,923	2.28%
PFM Funds Government Series	81,356	11.64%
Fidelity Institutional Government Fund	16,520	2.36%
Florida State Board of Administration (SBA)	10	0.00%
Commercial Paper		
General Electric CP	958	0.14%
Investment Derivative Instruments	757	0.11%
Investments in Securities		
US Treasury - Notes/Bills	22,841	3.27%
Morgan Stanley	3,116	0.45%
JP Morgan Chase & Co	2,074	0.30%
Citigroup Inc.	1,993	0.29%
General Electric Capital Corporation	4,423	0.63%
Federal National Mortgage Association	83,004	11.87%
Farmer Mac GTD NT	493	0.07%
Federal Home Loan Bank	65,490	9.37%
Federal Home Loan Mortgage Corp	51,905	7.42%
General Electric CAP Services	49,979	7.15%
	\$ 699,076	100.00%

As of June 30, 2010, all District investments were in compliance with the District's Investment Policy or Debt Management Policy and did not exceed portfolio allocation or issuer maximums.

Custodial Risk

The District's investment policy requires that all securities, with the exception of certificates of deposit, be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the state of Florida, or any other state or territory of the United States which has a branch or principal place of business in the state of Florida as defined in § 658.12, F.S., or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the state of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit.

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Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2010, the District's investment portfolio was held with a third-party custodian.

4. DUE FROM OTHER AGENCIES

At June 30, 2010, the District had a total of approximately \$44.2 million in "Due from other agencies". Approximately \$16.3 million is due from the State for sales taxes. Approximately \$19.5 million is due from Federal, State and local governments for various grant programs. Approximately \$3.0 million is due from Palm Beach County for impact fees. Approximately \$2.9 million is due from Medicaid for reimbursement for services performed which is recorded as deferred revenue at the fund level. Approximately \$1.6 million is due from the Internal Revenue Service for refunds due to COBRA. Another \$0.9 million is due from other state and local agencies for miscellaneous items.

5. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2010 (amounts in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 15,000	\$ -
Other Non-Major Governmental Funds	-	15,000
Total Interfund	\$ 15,000	\$ 15,000

The amount payable by the other governmental funds to the General Fund is to cover temporary cash shortages.

Interfund transfers for the year ended June 30, 2010 were as follows (amounts in thousands):

	Transfer to:			
	General Fund	COPS Debt Service Fund	COPS	Total
Transfer from:				
Capital Improvement Fund	\$ 74,254	\$ 149,002	\$ -	\$ 223,256
Other Non-Major Governmental Funds	5,439	-	48,960	54,399
Total	\$ 79,693	\$ 149,002	\$ 48,960	\$ 277,655

The \$79.7 million interfund transfer was for maintenance transfer, property insurance transfer and charter school capital outlay. The \$149.0 million and \$49.0 million interfund transfers were for annual debt service and capital expenditures, respectively.

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6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 is as follows (amounts in thousands):

Primary Government

	Beginning Balance July 1, 2009	Additions	Retirements and Transfers	Ending Balance June 30, 2010
<u>Non-Depreciable Assets:</u>				
Land	\$ 340,454	\$ 836	\$ 30	\$ 341,260
Construction in Progress	335,025	155,891	264,697	226,219
Total Non-Depreciable Assets	<u>675,479</u>	<u>156,727</u>	<u>264,727</u>	<u>567,479</u>
<u>Depreciable Assets:</u>				
Improvements Other Than Buildings	35,897	3,498	-	39,395
Buildings and Improvements	3,549,877	265,967	20,724	3,795,120
Furniture, Fixtures & Equipment	158,545	11,689	5,053	165,181
Motor Vehicles	96,409	6,417	2,895	99,931
Audio/Video Materials & Software	55,138	532	191	55,479
Total Depreciable Assets	<u>3,895,866</u>	<u>288,103</u>	<u>28,863</u>	<u>4,155,106</u>
<u>Less Depreciation For:</u>				
Improvements Other Than Buildings	(7,499)	(2,551)	-	(10,050)
Buildings and Improvements	(668,427)	(77,655)	(12,161)	(733,921)
Furniture, Fixtures & Equipment	(111,718)	(13,788)	(4,787)	(120,719)
Motor Vehicles	(54,423)	(7,980)	(2,639)	(59,764)
Audio/Video Materials & Software	(37,415)	(8,846)	(181)	(46,080)
Total Accumulated Depreciation	<u>(879,482)</u>	<u>(110,820)</u>	<u>(19,768)</u>	<u>(970,534)</u>
Capital Assets, Net	<u>\$ 3,691,863</u>	<u>\$ 334,010</u>	<u>\$ 273,822</u>	<u>\$ 3,752,051</u>

Depreciation expense for the year ended June 30, 2010 of approximately \$110.8 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such the depreciation expense is included as a separate line item in the statement of activities.

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Discretely presented component units

	Beginning Balance July 1, 2009	Additions	Retirements/ Transfers/ Adjustments	Ending Balance June 30, 2010
<i>Depreciable Assets:</i>				
Improvements Other Than Buildings	\$ 2,225	\$ 72	\$ 491	\$ 2,788
Buildings and Improvements	5,947	2,862	(99)	8,710
Furniture, Fixtures & Equipment	5,437	382	(733)	5,086
Motor Vehicles	347	15	7	369
Audio/Video Materials & Software	978	96	15	1,089
Total Depreciable Assets	<u>14,934</u>	<u>3,427</u>	<u>(319)</u>	<u>18,042</u>
<i>Less: Accumulated Depreciation</i>	<u>(4,216)</u>	<u>(1,068)</u>	<u>174</u>	<u>(5,110)</u>
<i>Capital Assets, Net</i>	<u>\$ 10,718</u>	<u>\$ 2,359</u>	<u>\$ (145)</u>	<u>\$ 12,932</u>

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests; as well as natural disasters. The District is self-insured for portions of its general and automobile liability insurance, workers compensation and health insurance. Losses involving auto and general liability claims are limited (generally) by provisions of the Florida State Statute 768.28. These self-insured funds are administered by a third party. The District purchases commercial insurance for other risks including property, construction and other miscellaneous risks.

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2010 using a discounted rate factor of 4.0%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2010, the liability for insurance claims consisted of approximately \$13.4 million, \$9.6 million and \$35.7 million for employee health, auto and general liability and workers' compensation, respectively.

A summary of changes in the estimated liability for self-insured risks is as follows (amounts in thousands):

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2010
Beginning Balance	\$ 58,233	\$ 61,472
Additions:		
Current year claims and changes in estimates	160,789	157,626
Reductions:		
Claim payments	(157,550)	(160,428)
Ending Balance	<u>\$ 61,472</u>	<u>\$ 58,670</u>

The District maintains excess insurance coverage for health care costs. There have been no other significant reductions in insurance coverage. There have been no settlements that exceeded the District's

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coverage for fiscal years ended June 30, 2007, 2008, 2009 and 2010.

8. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2010 was as follows (amounts in thousands):

	Beginning			Ending
	Balance			Balance
	July 1, 2009	Issued	Redeemed	June 30, 2010
Tax anticipation notes	\$ 85,000	\$ 85,000	\$ (170,000)	\$ -
Revenue anticipation notes	72,135	56,000	(72,135)	56,000
Commercial Paper	150,000	-	(150,000)	-
Total short-term debt	<u>\$ 307,135</u>	<u>\$ 141,000</u>	<u>\$ (392,135)</u>	<u>\$ 56,000</u>

Tax Anticipation Notes and Revenue Anticipation Notes

On October 28, 2009 the District issued Tax Anticipation Notes ("TANS"), Series 2009 for \$85.0 million. Note proceeds were used to pay fiscal year 2010 District operating expenditures prior to the receipt of ad valorem taxes. The notes were paid in February 2010.

On February 24, 2010 the District issued Revenue Anticipation Notes ("RANS"), Series 2010. This \$56.0 million issue was sold at a coupon interest rate of 1.50 percent with an effective yield of .283557 percent. Interest costs incurred on this issue for the year ended June 30, 2010 were \$49 thousand net of a premium of \$210,039. Note proceeds were used to pay FY 2009 RANS. RANS Series 2009 was used to pay FY 2009 District construction expenditures prior to the planned issuance of COPS. RANS are subject to arbitrage rebate although the District expects to meet the spenddown requirements thereby resulting in no arbitrage rebate. The notes are due February 22, 2011.

Sales Tax Revenue Commercial Paper Notes

The District has established a commercial paper debt program whereby Tax Exempt Commercial Paper notes (TECP) issued are payable from and secured by a pledge of the proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes. The TECP is payable solely from the sales tax revenues generated for the school construction projects identified in the sales tax resolution that was approved by the voters in Palm Beach County in November 2004. The sales tax collection began on January 1, 2005 and will be in place for six years, through December 2010. The sales tax was projected to generate at least \$560 million, or 224% of the principal over the six years. Current projections indicate the total revenues will be approximately \$645.2 million. Total sales tax revenue earned through June 30, 2010 is \$601.0 million with \$99.3 million received during fiscal year 2010. The District repaid the remaining TECP in December 2009, one year ahead of schedule. For fiscal year 2010, principal and interest paid were \$150 million and \$204.6 thousand respectively.

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9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2010, is as follows (amounts in thousands):

	Beginning Balance June 30, 2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Capital Outlay Bond Issue	\$ 32,835	\$ 1,655	\$ (4,935)	29,555	\$ 3,405
Certificates of Participation	1,944,288	-	(57,995)	1,886,293	60,205
Borrowing-Swap Upfront Payment	7,809	336	-	8,145	-
Derivative Instruments-Hedging	25,220	13,379	-	38,599	-
	<u>2,010,152</u>	<u>15,370</u>	<u>(62,930)</u>	<u>1,962,592</u>	<u>63,610</u>
Plus (Less) Issuance Premium (Discount)	45,009	166	(9,208)	35,967	-
Less Deferred Amount on Refundings	(24,202)	(61)	1,747	(22,516)	-
Total Bonds and Leases Payable	<u>2,030,959</u>	<u>15,475</u>	<u>(70,391)</u>	<u>1,976,043</u>	<u>63,610</u>
Other Liabilities:					
Compensated Absences	179,652	10,584	(10,058)	180,178	11,813
Claims and Judgments	63,660	157,626	(161,532)	59,754	24,940
Post Employment Benefits	43,976	22,095	(3,581)	62,490	-
Total Other Liabilities	<u>287,288</u>	<u>190,305</u>	<u>(175,171)</u>	<u>302,422</u>	<u>36,753</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 2,318,247</u>	<u>\$ 205,780</u>	<u>\$ (245,562)</u>	<u>\$ 2,278,465</u>	<u>\$ 100,363</u>

The compensated absences, claims and judgments and post employment benefits are generally liquidated by the general fund.

State Board of Education Capital Outlay Bond Issues

State Board of Education Capital Outlay Bond Issues ("COBI") are serviced entirely by the State using a portion of the District's share of revenue derived from motor vehicle license taxes pursuant to Chapter 320, Florida Statutes, and Article XII, Section 9(d), of the Florida Constitution. The State Board of Administration determines the annual sinking fund requirements. The amounts necessary to retire bonds and interest payable are withheld from the entitlement to the District. Interest rates on the COBI bonds range from 2.00 percent to 6.00 percent. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

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A summary of bond terms are presented as follows (amounts in thousands):

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt		Debt Matured/ Refunded FY 09-10	Debt Outstanding June 30, 2010
					Outstanding June 30, 2009	Debt Issued		
COBI 1999-A (1)	3/1/1999	\$ 2,650	0%	1/1/2019	\$ 1,745	\$ -	\$ 1,745	\$ -
COBI 2000-A (2)	3/16/2000	1,650	0%	1/1/2020	80	-	80	-
COBI 2002-A	4/15/2002	2,845	4.00% to 5.00%	1/1/2022	2,280	-	95	2,185
COBI 2002-B	7/15/2002	6,815	4.00% to 5.375%	1/1/2015	4,135	-	655	3,480
COBI 2003-A	7/15/2003	6,050	3.00% to 4.25%	1/1/2023	5,225	-	190	5,035
COBI 2005-A	5/1/2005	21,200	4.00% to 5.00%	1/1/2017	16,835	-	1,890	14,945
COBI 2005-B	7/1/2005	2,675	5.00%	1/1/2020	2,535	-	130	2,405
COBI 2009-A	9/10/2009	1,655	2.00% to 5.00%	1/1/2019	-	1,655	150	1,505
		<u>\$ 45,540</u>			<u>\$ 32,835</u>	<u>\$ 1,655</u>	<u>\$ 4,935</u>	<u>\$ 29,555</u>

(1) Refunded by COBI 2009-A

(2) Refunded by COBI 2005-B

The debt service requirements through maturity to the holders of the Capital Outlay Bond Issue are as follows (amounts in thousands):

Year Ended June 30	Principal Capital Outlay Bonds	Interest	Total Principal and Interest
2011	\$ 3,405	\$ 1,409	\$ 4,814
2012	3,650	1,245	4,895
2013	3,900	1,077	4,977
2014	4,170	886	5,056
2015	3,895	680	4,575
2016-2020	8,315	1,334	9,649
2021-2024	2,220	187	2,407
Total	<u>\$ 29,555</u>	<u>\$ 6,818</u>	<u>\$ 36,373</u>

The District is subject to State Board of Education Administrative Rule 6A-1037(2) that limits the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2010, the statutory limit for the District was approximately \$13.5 billion, providing additional debt capacity of approximately \$13.4 billion.

Capital Outlay Bond Issue Refunding

On August 20, 2009, the Florida Department of Education issued State Board of Education Capital Outlay Bonds, 2009 Series A (COBI 2009A). The bonds were issued to refund the outstanding State Board of Education Capital Outlay Bonds, 1999 Series A (COBI 1999A). The District's portion of the COBI 2009A is \$1.7 million which refunded the District's portion of the COBI 1999A of \$1.7 million. The refunding resulted in gross debt service savings of approximately \$0.2 million, and present value savings of approximately \$0.1 million. The COBI 2009A coupon rates range from 2.0% to 5.0%. The COBI 2009A bonds are due on January 1, 2019.

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Certificates of Participation

On November 16, 1994, the District entered into a Master Lease Purchase Agreement (the "Master Lease") dated November 1, 1994, with the Palm Beach School Board Leasing Corporation, a Florida not-for-profit corporation, to finance the acquisition and construction of certain facilities, and equipment for District operations. The Corporation was formed by the Board solely for the purpose of acting as the lessor for Certificates of Participation financed facilities, with the District as lessee. The Corporation issued Certificates of Participation to third parties, evidencing undivided proportionate interest in basic lease payments to be made by the District, as lessee, pursuant to the Master Lease. Simultaneously therewith, the Board entered into Ground Leases with the Corporation for the Facilities sites.

The District also sold Certificates of Participation Qualified Zone Academy Bonds ("QZAB"). The QZAB program is a financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. Interest on QZABs is paid by the Federal government in the form of an annual tax credit to an eligible financial institution that holds the QZAB. The QZAB issuer is responsible for repayment upon maturity. The tax credits and bonding authority are made available by the Federal government to support innovative school partnerships; enhance reform initiatives, including augmenting Federal education programs, technology and vocational equipment; and development of curriculum or better teacher training to promote market driven technology. To be eligible, a school must:

1. Be located in an Empowerment Zone or an Enterprise Community or have 35 percent or more of its students eligible for free or reduced lunch under the National School Lunch Act.
2. Obtain cash and/or in-kind contribution agreements from partnerships equal to at least 10 percent of the gross proceeds of the QZAB.

The District deposits funds annually in an escrow, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.

The Corporation leases facilities and equipment to the District under the Master Lease. The Master Lease is automatically renewable annually unless terminated, in accordance with the provisions of the Master Lease, as a result of default or the failure of the Board to appropriate funds to make lease payments in its final official budget. Failure to appropriate funds to pay lease payments under any lease will, and an event of default under any lease may, result in the termination of all leases. The remedies on default or upon an event of non-appropriation include the surrender of the Series 1994A, Series 1995A, Series 1996A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005B, Series 2006A, Series 2007A, 2007B and 2007E Facilities by the District and the Trustee's re-letting for the remaining Ground Lease term, or the voluntary sale of the Series 1994A, Series 1995A, Series 1996A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005B, Series 2006A, 2007A, 2007B and 2007E Facilities by the School Board. In either case, the proceeds will be applied against the School Board's obligations under the Master Lease.

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A summary of lease terms are presented as follows (amounts in thousands):

Certificates	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2009	Debt Matured FY 09-10	Debt Outstanding June 30, 2010	Ground Lease Term
Series 1994A (1)	11/1/1994	\$ 62,095	-	-	\$ -	\$ -	\$ -	6/30/2020
Series 1995A (2)	6/1/1995	133,600	-	-	-	-	-	6/30/2020
Series 1996A (3)	5/1/1996	32,155	-	-	-	-	-	8/1/2021
Series 2001A (5)	4/1/2001	135,500	4.25% to 5.50%	8/1/2011	1,670	450	1,220	8/1/2031
Series 2001B (6)	6/1/2001	169,445	4.30% to 5.375%	8/1/2025	165,640	650	164,990	n/a
Series 2002A (7)	2/1/2002	115,250	4.00% to 5.375%	8/1/2018	50,535	6,620	43,915	8/1/2023
Series 2002B	3/20/2002	115,350	4.22% Swap rate *	8/1/2027	115,350	-	115,350	8/1/2032
Series 2002C (8)	5/15/2002	161,090	4.125% to 5.50%	8/1/2012	14,825	3,555	11,270	8/1/2032
QZAB Series 2002	6/11/2002	950	-	6/11/2016	950	-	950	n/a
Series 2002D (9)	12/1/2002	191,215	3.70% to 5.25%	8/1/2028	153,680	3,850	149,830	8/1/2033
Series 2002E (10)	9/1/2002	93,350	4.00% to 5.375%	8/1/2016	76,540	9,045	67,495	n/a
Series 2003A	6/26/2003	60,865	2.75% to 5.00%	8/1/2021	46,805	3,130	43,675	8/1/2026
Series 2003B (11)	6/26/2003	124,295	Variable Est. 3.91% **	8/1/2029	124,295	-	124,295	8/1/2034
Series 2004A	5/4/2004	103,575	3.10% to 5.00%	8/1/2029	92,965	2,795	90,170	8/1/2034
QZAB Series 2004	4/30/2004	2,923	-	4/30/2020	2,923	-	2,923	n/a
Series 2005A (12)	3/22/2005	124,630	3.25% to 5.00%	8/1/2022	124,090	190	123,900	n/a
Series 2005B	6/7/2005	38,505	3.125% to 5.00%	8/1/2010	16,340	8,020	8,320	8/1/2015
QZAB Series 2005	12/15/2005	2,150	-	12/15/2020	2,150	-	2,150	n/a
Series 2006A	5/25/2006	222,015	3.75% to 5.00%	8/1/2031	211,335	5,765	205,570	8/1/2036
Series 2007A	2/28/2007	268,545	3.75% to 5.50%	8/1/2031	259,010	9,885	249,125	8/1/2036
Series 2007B (13)	3/22/2007	119,400	4.429%	8/1/2025	116,225	-	116,225	8/1/2030
Series 2007C (14)	3/22/2007	192,310	4.00% to 5.00%	8/1/2027	191,085	235	190,850	n/a
Series 2007D (15)	5/3/2007	30,485	5.00%	8/1/2015	30,485	3,805	26,680	n/a
Series 2007E	10/31/2007	147,390	3.625% to 5.00%	8/1/2032	147,390	-	147,390	8/1/2037
		<u>\$ 2,647,088</u>			<u>\$ 1,944,288</u>	<u>\$ 57,995</u>	<u>\$ 1,886,293</u>	

* 2002B - Variable rate paid to certificate holders based on current market rate. Resets weekly, 0.30% at 6/30/2010

** 2003B - Variable rate paid to certificate holders SIFMA + 65 basis points. Resets weekly, 0.96% at 6/30/2010

n/a - Bonds were issued to refund prior issuances - no new ground lease.

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- (1) Refunded and partially defeased by Series 1997A Certificates of Participation.
- (2) Refunded and partially defeased by Series 2002E Certificates of Participation.
- (3) Refunded and partially defeased by Series 2002E Certificates of Participation.
- (4) Issued to advance refund and defease a portion of the Series 1994A Certificates of Participation with mature on or after August 1, 2005. **
- (5) Refunded and partially defeased by Series 2005A and Series 2007C Certificates of Participation.
- (6) Issued to advance refund and defease the Series 2000A Certificates of Participation. **
- (7) Refunded and partially defeased by Series 2005A Certificates of Participation.
- (8) Refunded and partially defeased by Series 2005A and Series 2007C Certificates of Participation.
- (9) Refunded and partially defeased by Series 2005A Certificates of Participation.
- (10) Issued to advance refund and defease a portion of the Series 1995A and Series 1996A Certificates of Participation with mature on or after August 1, 2007. **
- (11) On March 20, 2008 the District converted and remarketed the 2003B resulting in no change to principal.
- (12) Issued to advance refund and defease a portion the Series 2001A, Series 2002A, Series 2002C and Series 2002D Certificates of Participation. **
- (13) On March 12, 2008 the District converted and remarketed the 2007B resulting in a reduction of principal of \$3,175,000.
- (14) Issued to advance refund and defease a portion of the Series 2001A and Series 2002C Certificates of Participation. **
- (15) Issued to advance refund and defease a portion of Series 1997A Certificates of Participation which mature on or after August 1, 2008. **

** These refunding issues were done in order to achieve debt service savings. (See Defeased Debt).

The Certificates are not separate legal obligations of the Board but represent undivided proportionate interests in lease payments to be made from appropriated funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Department of Education, including the local optional millage levy. However, neither the Board, the District, the State of Florida, nor any political subdivision thereof are obligated to pay, except from Board appropriated funds, any sums due under the Master Lease from any source of taxation. The full faith and credit of the Board and the District are not pledged for payment of such sums due under the Master Lease, and such sums do not constitute an indebtedness of the Board or the District within the meaning of any constitutional or statutory provision or limitation. A trust fund was established with a Trustee to facilitate payments in accordance with the Master Lease and the Trust Agreement. Various accounts are maintained by the Trustee in accordance with the trust indenture. Interest earned on invested funds is applied toward the basic lease payments. Basic lease payments are deposited with the Trustee semi-annually on June 30 and December 30, and are payable to Certificate holders on August 1 and February 1.

Due to the economic substance of the issuances of Certificates of Participation as a financing arrangement on behalf of the Board, the financial activities of the Corporation have been blended in with the financial statements of the District. For accounting purposes, due to the blending of the Corporation within the District's financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders. Payment of the outstanding Certificates of Participation is insured through AMBAC Indemnity Corporation. During the year ended June 30, 2010, approximately \$111.6 million was expended for capital outlay in the Certificates of Participation Capital Projects Funds.

All Certificates of Participation issued are subject to arbitrage rebate. At June 30, 2010, the arbitrage liability was \$1.1 million and is included in claims liability.

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The debt service requirements through maturity to the holders of the Certificates of Participation, which will be serviced by the annual lease payments, are as follows (amounts in thousands):

Year ended June 30	Series 2001-A	Series 2001-B	Series 2002-A	Series 2002-B	Series 2002-C	Series 2002-D	Series 2002-E	Series 2003-A	Series 2003-B	Series 2004-A
2011	\$ 725	\$ 675	\$ 6,870	\$ -	\$ 3,435	\$ 3,980	\$ 9,495	\$ 3,195	\$ -	\$ 2,870
2012	495	705	7,130	-	3,845	4,115	9,990	3,280	-	2,955
2013	-	735	7,425	-	3,990	4,325	10,515	3,365	-	3,050
2014	-	765	7,710	-	-	4,505	11,070	3,465	-	3,185
2015	-	805	8,025	-	-	4,650	11,665	3,570	-	3,335
2016-2020	-	54,070	6,755	13,465	-	10,335	14,760	20,325	-	19,205
2021-2025	-	87,115	-	59,435	-	25,690	-	6,475	19,150	24,425
2026-2030	-	20,120	-	42,450	-	92,230	-	-	105,145	31,145
2031-2032	-	-	-	-	-	-	-	-	-	-
Total	\$ 1,220	\$ 164,990	\$ 43,915	\$ 115,350	\$ 11,270	\$ 149,830	\$ 67,495	\$ 43,675	\$ 124,295	\$ 90,170

Year ended June 30	Series 2005-A	Series 2005-B	Series 2006-A	Series 2007-A	Series 2007-B	Series 2007-C	Series 2007-D	Series 2007-E	Series 2002- QZAB	Series 2004- QZAB
2011	\$ 195	\$ 8,320	\$ 5,975	\$ 10,270	\$ -	\$ 245	\$ 3,955	\$ -	\$ -	\$ -
2012	200	-	6,195	10,680	-	255	4,110	4,080	-	-
2013	210	-	6,045	11,155	-	775	4,320	4,240	-	-
2014	215	-	6,330	11,660	-	4,990	4,535	4,395	-	-
2015	220	-	6,585	12,205	-	5,325	4,760	4,585	-	-
2016-2020	97,840	-	37,580	54,875	14,900	5,305	5,000	26,115	950	2,923
2021-2025	25,020	-	47,535	-	83,915	67,170	-	32,445	-	-
2026-2030	-	-	60,625	88,160	17,410	106,785	-	41,390	-	-
2031-2032	-	-	28,700	50,120	-	-	-	30,140	-	-
Total	\$ 123,900	\$ 8,320	\$ 205,570	\$ 249,125	\$ 116,225	\$ 190,850	\$ 26,680	\$ 147,390	\$ 950	\$ 2,923

Year ended June 30	Series 2005- QZAB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2011	\$ -	\$ 60,205	\$ 87,654	\$ 147,859
2012	-	58,035	84,788	142,823
2013	-	60,150	81,774	141,924
2014	-	62,825	78,933	141,758
2015	-	65,730	75,821	141,551
2016-2020	2,150	386,553	326,919	713,472
2021-2025	-	478,375	225,621	703,996
2026-2030	-	605,460	99,662	705,122
2031-2032	-	108,960	6,274	115,234
Total	\$ 2,150	\$ 1,886,293	\$ 1,067,446	\$ 2,953,739

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Series 2002B is a VRDO or variable rate demand bond obligation. The rates on these certificates are reset weekly, but have been synthetically fixed using interest rate swaps. The District has an underlying standby purchase agreement with Dexia Credit Local that expires March 20, 2012. The available principal commitment is currently \$115,350,000 and at June 30, 2010 nothing was drawn against the standby purchase agreement. The District pays an annual commitment fee of 12 basis points.

State Statute requires that no more that 75% of the capital millage levy be used for COP debt service. The District's debt policy limits the issuance of COPS by stating that the debt service could not exceed half of the capital millage levy. In FY09, when the capital millage levy was reduced to 1.75 mils, the Debt Policy was amended to allow debt service to be up to 1 mil but should be within 50% of the capital millage levy within five years. Based on the reduction of the capital millage levy and declining property values, the District's capacity to issue new COPS debt has been dramatically reduced.

Defeased Debt

In prior years, the District defeased certain certificates of participation by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements. As of June 30, 2010, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to approximately \$491.6 million.

Hedging Derivative Instrument Payments and Hedged Debt

As of June 30, 2010, aggregate debt service requirements of the District's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. Refer to Note 10 for information on derivative instruments (amounts in thousands):

Fiscal Year Ending June 30	Principal	Interest	Hedging Derivative Instruments, Net	Total
2011	\$ -	\$ 1,539	\$ 9,104	\$ 10,643
2012	-	1,540	9,105	10,645
2013	-	1,539	9,104	10,643
2014	-	1,539	9,105	10,644
2015	-	1,539	9,104	10,643
2016-2020	13,465	7,667	45,140	66,272
2021-2025	78,585	6,521	36,008	121,114
2026-2030	147,595	3,176	17,786	168,557
	<u>\$ 239,645</u>	<u>\$ 25,060</u>	<u>\$ 144,456</u>	<u>\$ 409,161</u>

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Borrowings of Hybrid Derivative Instruments

The District sold two swaptions with the 2002D and 2001B certificates with a notional amount of \$116,555,000 and \$162,980,000, respectively. Upon entering into the swaptions, the District received up-front payments of \$4,240,000 and \$6,250,000, respectively, from the counterparty. The up-front payments were composed of the swaptions' intrinsic value and time value. Accordingly, the swaptions are hybrid instruments consisting of a borrowing and an embedded derivative instrument. The embedded derivative instrument – the option – was recorded at a value equal to the time value of the option only and the remaining value of the swaption was allocated to the companion instrument (borrowing). The embedded derivative instrument is considered an investment and is discussed in Note 3. The intrinsic value of the borrowing was calculated using the net present value method and is recorded at historical cost. During the option period interest accretes at the market rate at inception of the borrowing of 4.40 percent and 4.20 percent, respectively totaling \$591,307 and \$934,002, respectively, through June 30, 2010. The ending balance of borrowings including accreted interest from inception at June 30, 2010 are \$3,071,099 and \$5,074,294, respectively. The borrowing at inception was \$2,479,792 and \$4,140,292, respectively. The swaptions allow the counterparty to exercise the swaps on fixed dates starting August 2012 and August 2011, respectively through February 2014 and August 2014, respectively. If the swaptions are exercised the maturity date of the option is August 2028 and August 2025, respectively. The District's termination value at June 30, 2010 is a negative \$14,116,331 and \$22,243,595, respectively. Aggregate debt service requirements of the District's borrowing amounts assume that current interest rates on variable-rate bonds is equal to the at the market rates at inception of the derivative instruments and will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the derivative instruments will vary. Refer to Note 10 for information on derivative instruments. Debt service requirements for both the 2001B and 2002D borrowing at June 30, 2010, were as follows (amounts in thousands):

Fiscal Year	Total			
Ending June 30	Principal	Interest	Principal and Interest	
2011	\$ -	\$ -	\$ -	-
2012	135	199		334
2013	518	333		851
2014	708	317		1,025
2015	723	287		1,010
2016-2020	3,545	975		4,520
2021-2025	2,373	347		2,720
2026-2029	667	41		708
	<u>\$ 8,669</u>	<u>\$ 2,499</u>	<u>\$</u>	<u>11,168</u>

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10. DERIVATIVE INSTRUMENTS

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows (amounts in thousands; debit (credit)):

		Changes in Fair Value		Fair Value at June 30, 2010		
		Classification	Amount	Classification	Amount	Notional
Governmental Activities						
Hedging Derivatives:						
2002B Pay-fixed Interest Rate Swap	Deferred outflow of resources		\$ (5,662)	Liability	\$ (25,022)	\$ 115,350
2003B Pay-fixed Interest Rate Swap	Deferred outflow of resources		(7,717)	Liability	<u>(13,577)</u>	124,295
Total Hedging Derivative Instruments					<u>\$ (38,599)</u>	
Investment Derivatives:						
2002D-Basis Swap	Investment earnings		860	Investment	\$ (1,431)	100,000
2002D-Basis Swap (CMS)	Investment earnings		2,560	Investment	5,817	100,000
2002D-Swaption	Investment earnings		4,215	Investment	(1,652)	116,555
2001B-Swaption	Investment earnings		5,843	Investment	(605)	162,980
2003B-Barrier Option at 7%	Investment earnings		3,819	Investment	<u>(1,372)</u>	100,000
Total Investment Derivative Instruments					<u>\$ 757</u>	

The basis swaps, swaptions and barrier option are considered investment derivative instruments. Refer to Note 3. Cash, Cash Equivalents and Investments for information on investment derivative instruments. All other derivative instruments are considered hedging derivative instruments.

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

Fair values of options may be based on an option pricing model, such as the Black-Scholes-Merton model. That model considers probabilities, volatilities, time, settlement prices, and other variables.

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Objective and Terms of Derivative Instruments

The following table displays the objective and terms of the District's derivative instruments outstanding at June 30, 2010, along with the credit rating of the associated counterparty (amounts in thousands):

	Objective	Notional	Effective Date	Maturity Date	Amount of Cash Received	Terms	Counterparty	Counterparty Credit Rating
Governmental Activities								
Hedging Derivatives:								
	Hedge changes in cash flows on the 2002B Certificates	\$ 115,350	3/20/2002	8/1/2027	N/A	Pay 4.22%; receive 67% of USD LIBOR or SIFMA Swap Index	Citigroup Financials Products Inc.	A3,A,A+
2002B - Interest Rate Swap								
	Hedge changes in cash flows on the 2003B Certificates	124,295	6/26/2003	8/1/2029	N/A	Pay 3.91%; receive SIFMA Swap Index	UBS AG, Stamford Branch	Aa3,A+
2003B - Interest Rate Swap								
Investment Derivatives:								
	Reduce the net borrowing costs associated with the 2002D Certificates	100,000	1/14/2003	6/30/2028	N/A	Pay SIFMA Swap Index less 0.66500%; receive 67% of USD 1-mo LIBOR	Citibank NA	A1,A+
2002D - Basis Swap								
	Reduce the net borrowing costs associated with the 2002D Certificates	100,000	6/30/2007	6/30/2028	N/A	Pay 67% of USD 1-mo LIBOR; receive 59.93% of 10 Year LIBOR	UBS AG, Stamford Branch	Aa3,A+
2002D - Basis Swap (CMS)								
	Hedge against future increase in interest rates	116,555	8/1/2012	8/1/2028	\$ 4,240	Pay 4.17%; receive SIFMA Swap Index (if executed)	Citibank NA	A1,A+
2002D - Swaption								
	Hedge against future increase in interest rates	162,980	8/11/2011	8/1/2025	6,250	Pay 4.59%; receive SIFMA Swap Index (if executed)	Citibank NA	A1,A+
2001B - Swaption								
	Hedge against future increase in interest rates	100,000	6/26/2003	8/1/2018	3,010	Counterparty has right to terminate the 2003B Interest Rate Swap if the 180 day average of the BMA index exceeds 7.0% in the future	UBS AG, Stamford Branch	Aa3,A+
2003B - Barrier option at 7%								

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Risks

Credit Risk. The District is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the District's policy to require counterparty collateral posting provisions on all swap agreements. These terms require full collateralization of the fair value of derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty's credit rating fall below AA as issued by Standard & Poor's or Aa as issued by Moody's Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The District has never failed to access collateral when required.

It is the District's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

The District has no hedging derivative instruments in asset positions at June 30, 2010.

Interest rate risk. The District is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR or the SIFMA swap index decreases, the District's net payment on the swap increases which is offset by the variable rate paid on the hedged debt.

Basis risk. The District is exposed to basis risk on its pay-fixed 2002B interest rate swap hedging derivative instrument because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than interest rates the District pays on its hedged variable-rate debt, which is remarketed every 7 days. As of June 30, 2010, the weighted-average interest rate on the District's hedged variable-rate debt is 0.65 percent, while the fiscal year 2010 average of the SIFMA swap index rate is 0.28 percent and 67 percent of LIBOR is 0.18 percent.

Termination risk. The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract including if either parties credit rating falls below designated levels. In addition, the District is exposed to termination risk on its 2003B interest rate swap with barrier option because the counterparty has the option to terminate the swap if the 180 day average of the BMA index exceeds 7.0% at any time beginning on the commencement date. If at the time of termination, a hedging derivative instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

11. RETIREMENT PLANS

Plan Description: The District contributes to the Florida Retirement System (the "System"), a cost-sharing multiple-employer pension plan administered by the State of Florida Division of Retirement. The System was created in 1970 by consolidating several employee retirement systems, including the Teachers Retirement System. All eligible employees, as defined by the State, who were hired after 1970 and those employed prior to 1970 who elect to be enrolled, are covered by the System. Employees hired prior to 1970 and not electing to enroll in the Florida Retirement System may be covered by various contributory plans, principally the Teacher's Retirement System Plan E. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established the System under Chapter 121, Florida Statutes, and has sole authority to amend benefit provisions. Each year the System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

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A Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091, Florida Statutes, is offered to employees of the District. DROP permits employees, eligible for normal retirement under the Plan, to defer receipt of monthly benefits payment while continuing employment with a FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in FRS Trust Fund and accrue interest.

Defined Contribution Plan: Pursuant to Section 121.45.01, Florida Statutes, the Florida Legislature created a defined contribution program called the Public Employee Optional Retirement Program (PEORP). This program is administered by FRS as an option to the defined benefit plan, and is self-directed by the employee. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave FRS. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.).

Funding Policy: The System is non-contributory for employees and the District is required to make contributions in accordance with rates established by the Florida Legislature. During the fiscal year the rates ranged from 9.85% to 20.92% of annual covered payroll. The Teachers Retirement System is contributory and the rates for those employees still participating in this program is 11.35% and 6.25% for the employer and the employee, respectively. The District's contributions for both plans to the System are equal to the required contributions for each year as follows (amounts in thousands):

	June 30, 2008	June 30, 2009	June 30, 2010
Florida Retirement System	\$ 94,615	\$ 94,977	\$ 93,208
Teachers' Retirement System			
Plan E: Employer	\$ 70	\$ 61	\$ 33

Employer rates include the post-employment health insurance supplement of 1.11% and 0.05% for administrative costs of the Public Employee Optional Retirement Program.

The District's liability to the defined benefit plan and the defined contribution plan is limited to the payment of the required contribution at the rates and frequencies established by law on the future payrolls of the District.

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the retirement benefits described in Note 11, the District has authorized early retirement incentives to provide financial assistance for the purchase of health and life insurance to our retirees. In all cases, employees who retire from the District may purchase health and life insurance through the District. The retired employee must send a payment each month to cover the cost of the insurance premiums.

For those eligible employees who qualify for the Retirement Incentive Program ("RIP"), below is brief description and eligibility criteria of the Plan:

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

RIP 1999 – Eligibility criteria include the following:

- 30 years of service with the Palm Beach County School District or
- Age 62 or higher (60 or higher if in the Teachers Retirement System) with at least 10 years of service with the Palm Beach County School District or
- Employees whose age plus years of service equal or exceed 80 and
- Employees must retire between April 21, 1999 and June 30, 2000.

The District pays an annual insurance subsidy for up to ten years beginning at \$2,400 and increasing 3% each year thereafter. Payments for this subsidy began August 1999 and are paid through August 2009 when the program ended.

The government-wide financial statements recognize a liability for these post-retirement benefits. Consistent with GAAP guidelines, in the governmental funds statements no expenditure or liability is recognized until the benefits are due. A summary of the total liability and related expenditure as recorded in the governmental funds statements for the fiscal year ended June 30, 2010 is as follows (amounts in thousands):

		Beginning		Ending
	Number of	Balance	Total Paid	Balance
	Participants	July 1, 2009	FY 2010	June 30, 2010
RIP 99	113	\$ 297	\$ 297	\$ -

The District follows the guidance contained in Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB 45), for certain post employment health care benefits provided by the District for the fiscal year ended June 30, 2010.

Plan Description. Pursuant to Section 112.0801, Florida Statutes, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The plan is a single employer plan.

Funding Policy. The District is financing the post employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund and other funds where the personnel are located. For fiscal year 2010 1,459 retirees received health care benefits. The District provided required contributions of approximately \$3.3 million toward the annual OPEB cost. Retiree contributions totaled approximately \$7.7 million.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Annual OPEB Cost and Net OPEB Obligation. The District's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the retiree health plan (amounts in thousands):

Annual Required Contribution	\$ 22,346
Interest on Net OPEB Obligation	1,310
Adjustment to Annual Required Contribution	(1,561)
Annual OPEB Cost (Expense)	<u>22,095</u>
Contribution Towards OPEB Cost	(3,284)
Increase in Net OPEB Obligation	<u>18,811</u>
Net OPEB Obligation - Beginning of Year	43,679
Net OPEB Obligation - End of Year	<u><u>\$ 62,490</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010, was as follows (amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of	
		Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 22,095	34%	\$ 62,490
June 30, 2009	\$ 21,760	27%	\$ 43,679
June 30, 2008	\$ 31,300	11%	\$ 27,800

Funded Status and Funding Progress. As of June 30, 2010, the actuarial accrued liability for benefits was \$219.0 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$922.9 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 23.7 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of July 1, 2008 and rollforward to July 1, 2009. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar percentage. The remaining amortization period at June 30, 2010 is thirty years (open method).

The following assumptions were made:

Retirement Age – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2008.

Covered Spouses – Assumed number of eligible spouses is based on the current census information.

Per Capita Health Claim Cost – Per capita health claim costs are developed from a combination of historical claim experience and manual claim costs developed using a representative database. The per capita cost at age 60 is \$9,186 and at age 70 \$5,292.

Age Based Morbidity – The assumed per capita health claim costs are adjusted to reflect expected increases related to age. The increase in per capita health claim costs related to age range from 3.19% to 5.06% under age 65 and from 3.00% to .05% over age 65.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2000 Table, applied on a gender specific bases was used.

Healthcare Cost Trend Rate—The expected rate of increase in healthcare insurance premiums was based on District historical experience, our market-place knowledge and macro-economic theory. A rate of 11% initially, reduced 0.5% each year until reaching the ultimate trend rate of 5.0%.

Retiree Contributions – Retiree contributions are assumed to increase with healthcare cost trend.

Non-Claim Expenses – Non-claim expenses are based on the current amounts charged per retired employee.

Termination – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2008. The annual termination probability is dependent on an employee's age, gender, and years of service.

Plan Participation Percentage – It is assumed that 35% of all future retirees and their dependents who are eligible for benefits participate in the post employment benefit plan.

Lapse Rates – Annual postretirement lapse rates of 0.5% for pre 65 and 1.0% for post 65 retirees were used.

Medicare Part D Prescription Drug Subsidy – Based on GASB Technical Bulletin No. 2006-1, an employer should apply the measurement requirements of GASB Statement 45 to determine the actuarial accrued liabilities, the annual required contribution of the employer, and the annual OPEB cost without reduction for RDS payments. For this reason, the Medicare Part D employer subsidy was excluded from this valuation.

Census Data – The census data was provided as of June 2009.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Discount Rate – 3% per annum

13. COMMITMENTS AND CONTINGENCIES

The District receives funding from the State that is based, in part, on a computation of the number of full time equivalent ("FTE") students enrolled in different types of instructional programs. The accuracy of data compiled by individual schools supporting the FTE count is subject to State audit and, if found to be in error, could result in refunds or in decreases in future funding allocations. It is the opinion of management that the amount of revenue which may be remitted back to the State due to errors in the FTE count or the amount of grant expenditures which may be disallowed by granting agencies, if any, will not be material to the financial position of the District.

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District.

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with legal counsel that the final settlements of these matters will not result in a material adverse effect on the financial position of the District.

As part of its capital outlay program, the District has entered into various construction contracts. At June 30, 2010, the District had construction commitments of approximately \$60.0 million.

14. SUBSEQUENT EVENTS

On September 21, 2010 the District issued Tax Anticipation Notes ("TANS") Series 2010. This \$115.0 million issue was sold at a coupon rate of 1.50% with an effective yield of .25%. The notes are dated October 5, 2010, and are due January 14, 2011.

On October 14, 2010 the Florida Department of Education issued State Board of Education Capital Outlay Bonds, 2010 Series A (COBI 2010A). This \$9.7 million issue was sold at coupon rates ranging between 3.0% and 4.0%. The COBI 2010A bonds are due on January 1, 2030.

On November 3, 2010 the District issued Certificate of Participation Qualified School Construction Bond ("QSCB"), Series 2010. This \$67.7 million issue was sold at a coupon rate and effective yield of 5.40%. The notes are dated November 15, 2010 and are due August 1, 2025.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYEMENT BENEFITS PLAN
JUNE 30, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a percentage of Covered Payroll (b-a)/c)
July 1, 2009	\$ -	\$ 218,964	\$ 218,964	0.0%	\$ 922,938	23.7%
July 1, 2008	\$ -	\$ 216,013	\$ 216,013	0.0%	\$ 926,287	23.3%
June 30, 2008	\$ -	\$ 239,500	\$ 239,500	0.0%	\$ 930,821	25.7%

Report of Independent Certified Public Accountants on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an Audit
of the Financial Statements Performed in Accordance with
Government Auditing Standards

Chairperson and Members of
The School Board of Palm Beach County, Florida

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the School District of Palm Beach County, Florida (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal control over financial reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the School Board, the Audit Committee, others within the entity and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

November 16, 2010

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APPENDIX C

FORMS OF CERTAIN LEGAL DOCUMENTS

The Master Lease
Amended and Restated Schedule 2007B
The Series 2007B Ground Lease
The Master Trust Agreement
The Series 2011A Supplemental Trust Agreement
The Series 2007B Assignment

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MASTER LEASE PURCHASE AGREEMENT

PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessor

AND

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
acting as the governing body of
the School District of Palm Beach County, Florida

Dated as of November 1, 1994

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MASTER LEASE PURCHASE AGREEMENT

THIS MASTER LEASE PURCHASE AGREEMENT dated as of November 1, 1994 (this "Master Lease"), between the School Board of Palm Beach County, Florida, acting as the governing body of the School District of Palm Beach County, Florida (the "District"), a body corporate pursuant to Article IX, Section 4(a) of the Florida Constitution (1968) and Chapter 230, Florida Statutes, as amended, as lessee (the "School Board"), and Palm Beach School Board Leasing Corp., a not-for-profit corporation organized and existing under and pursuant to Chapter 617 and Section 237.40, Florida Statutes, as amended, as lessor (the "Corporation").

WITNESSETH

WHEREAS, the School Board has the power, under Section 230.23(2) Florida Statutes, to receive, purchase, acquire, lease sell, hold, transmit and convey title to real and personal property for educational purposes, and under Section 230.23(9) Florida Statutes, to enter into leases or lease-purchase agreements of grounds and educational facilities, or of educational facilities, including equipment built, installed or established therein or attached thereto for school purposes in accordance with the provisions of Chapter 235, Florida Statutes (collectively, the "Act"); and

WHEREAS, the Corporation is a "private corporation" within the meaning of Section 230.23(9)(b)5, Florida Statutes, as amended, and is a "direct support organization" within the meaning of Section 237.40, Florida Statutes, as amended; and

WHEREAS, the School Board is or shall be the owner of certain real property located in Palm Beach County (which, together with all buildings, structures and improvements now or hereafter erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, now or hereafter located in, on or used in connection with or attached or made to such land, to the extent title thereto may vest in the School Board, is hereinafter referred to as a "Facility Site"); and

WHEREAS, pursuant to a resolution duly adopted by the School Board on October 19, 1994 the School Board has determined that it is in the best interest of the District for the School Board to enter into and execute this Master Lease and certain related documents thereto for the purpose of lease purchasing certain real property, buildings and improvements, and the equipment, fixtures and furnishings to be built, installed or established therein for educational purposes ("Facilities") from the Corporation from time

to time, which Facilities must, to the extent required by Florida law, be listed on the Educational Plant Survey for Palm Beach County Schools conducted from time to time by the State Department of Education; and

WHEREAS, Facilities approved by the State Department of Education may be lease-purchased from time to time pursuant to Schedules substantially in the form of Exhibit A hereto (individually, a "Schedule"), each such Schedule upon execution and delivery by the School Board and the Corporation together with the provisions of the Master Lease to constitute a separate lease agreement (a "Lease"); and

WHEREAS, the School Board as lessor and the Corporation as lessee may enter into one or more ground leases from time to time with respect to one or more Facility Sites (individually, a "Ground Lease"); and

WHEREAS, the ground leasing of a Facility Site, the subleasing of a Facility Site back to the School Board and the lease-purchase financing or refinancing of the Facilities set forth on a particular Schedule, are herein collectively referred to as a "Project"; and

WHEREAS, at the direction of the School Board, the Corporation will provide for the payment of the cost of acquiring, constructing and installing Facilities from time to time by entering into a Master Trust Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Trust Agreement") with NationsBank of Florida, N.A., Fort Lauderdale, Florida, as Trustee (the "Trustee") pursuant to which the Corporation shall (a) establish a trust and assign to the Trustee all of said Corporation's right, title and interest in and to this Master Lease and all Schedules hereto, (b) direct the Trustee to execute and deliver to the public from time to time, Series of Certificates of Participation representing undivided proportionate interests in the right to receive the Basic Lease Payments to be made by the School Board pursuant to each Lease relating thereto and (c) deposit the proceeds of each Series of Certificates with the Trustee and direct the Trustee to hold the proceeds of the sale of such Certificates in trust subject to application only to pay the costs of acquisition, construction and installation of the Facilities to be financed under the Lease relating thereto and identified on a Schedule and related costs including, without limitation, capitalized interest, accrued interest and costs of issuance and to make lease payments; and

WHEREAS, each Certificate of a Series shall represent an undivided proportionate interest in the principal portion of the Basic Lease Payments due and payable under one or more particular Leases relating to such Series on the maturity date or earlier prepayment date of such Certificate and in the interest portion of

such Basic Lease Payments due and payable semiannually, to and including such maturity date or earlier prepayment date; and

WHEREAS, the relationship between the Corporation and the School Board under this Master Lease shall be a continuing one and Facilities may, from time to time, be added to or deleted from this Master Lease in accordance with the terms hereof and of the Schedule describing such Facilities; and

WHEREAS, the School Board intends for this Master Lease to remain in full force and effect until the last Lease Payment Date for any Project, unless sooner terminated in accordance with the terms provided herein; and

WHEREAS, Section 230.23(9), Florida Statutes, as amended, provides that the provisions of this Master Lease shall be subject to approval by the Florida Department of Education, which approval has been received; and

WHEREAS, Section 235.056(3)(c)3, Florida Statutes, as amended, provides that no lease purchase agreement entered into pursuant thereto shall constitute a debt, liability or obligation of the State of Florida or the School Board or shall be a pledge of the faith and credit of the State or the School Board, all as further provided in Section 3.1 hereof;

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the parties hereto mutually agree as follows:

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ARTICLE I.

DEFINITIONS AND EXHIBITS

SECTION 1.1. Definitions. The terms set forth in this Section shall have the meanings ascribed to them for all purposes of this Master Lease unless the context clearly indicates some other meaning, or unless otherwise provided in a particular Schedule. Terms used herein and not otherwise defined shall have the meaning given to them in the Trust Agreement.

"Acquisition Account" shall mean any Acquisition Account established pursuant to Section 401 of the Trust Agreement and in any Supplemental Trust Agreement.

"Additional Lease Payment" shall mean any amounts payable by the School Board under the terms of this Master Lease other than a Basic Lease Payment or a Supplemental Payment, as set forth in a Schedule to this Master Lease and so designated.

"Assignment Agreement" shall mean any assignment agreement pursuant to which the Corporation shall have assigned to the Trustee all of its right, title and interest in and to a Ground Lease and the Lease or Leases created by one or more particular Schedules, including its right to receive Lease Payments under such Lease or Leases.

"Authorized Corporation Representative" shall mean the President of the Corporation and any person or persons designated by the Corporation and authorized to act on behalf of the Corporation by a written certificate delivered to the Trustee signed on behalf of the Corporation by the Chairperson of the Board of Directors containing the specimen signature of each such person.

"Authorized School Board Representative" shall mean the Chairperson and any person or persons designated by the Chairperson and authorized to act on behalf of the School Board by a written certificate delivered to the Trustee signed on behalf of the School Board by the Chairperson containing the specimen signature of each such person.

"Basic Lease Payment" shall mean, with respect to each Lease, or each Facility financed under such Lease, as of each Lease Payment Date, the amount set forth in a Schedule to this Master Lease corresponding to such Lease Payment Date and designated as a Basic Lease Payment in such Schedule.

"Business Day" shall mean a day other than Saturday, Sunday or day on which banks in the State of New York or State of Florida are authorized or required to be closed, or a day on which the New York Stock Exchange is closed.

"Certificate" or "Certificates" shall mean the Certificates of Participation executed and delivered from time to time by the Trustee pursuant to the Trust Agreement and any Supplemental Trust Agreement. Each Series of Certificates issued under the Trust Agreement and any Supplemental Trust Agreement shall bear a Series designation to identify such Series of Certificates to a particular Schedule to this Master Lease.

"Certificate holder" or "Holder of Certificates" shall mean the registered owner of any Certificate or Certificates.

"Certificate of Acceptance" shall mean the certificate of the School Board substantially in the form of Exhibit B to this Master Lease to be delivered pursuant to the provisions of Section 2.3 hereof.

"Chairperson" shall mean the Chairperson of the School Board and any person or persons designated by the School Board and authorized to act on behalf of the Chairperson.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder and under the Internal Revenue Code of 1954.

"Commencement Date" shall mean the date set forth in each Schedule hereto which is the effective date of such Schedule.

"Completion Date" shall mean, with respect to the Facilities described in a particular Schedule, the date specified by the School Board in a Certificate of Acceptance as the date of completion of acquisition, construction and installation of such Facilities.

"Contractor" shall mean the person, firm, corporation or joint venture authorized to do business in Florida with whom a contract has been made directly with the School Board for the performance of the work with respect to any Facilities described by the Instructions to Bidders and General Conditions.

"Corporation" shall mean Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation, its successors and assigns.

"Cost" shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to (i) costs and expenses of the acquisition of the title to or other interest in real property, including leasehold interests, easements, rights-of-way and licenses, including, without limitation, lease payments to be made by the Corporation under the terms of a Ground Lease until the expected acceptance of the Facilities related thereto as described herein, (ii) costs and expenses incurred for labor and materials and payments to contrac-

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tors, builders, materialmen and vendors, for the acquisition, construction and installation of the Facilities, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be advisable or necessary prior to completion of any of the Facilities which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction and installation of Facilities, (v) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Facilities, (vi) all costs which the School Board shall be required to pay for or in connection with additions to, and expansions of Facilities, (vii) all costs which the School Board shall be required to pay to provide improvements, including offsite improvements, necessary for the use and occupancy of Facilities, including roads, walkways, water, sewer, electric, fire alarms and other utilities, (viii) any sums required to reimburse the School Board for advances made by it for any of the above items or for other costs incurred and for work done by it in connection with Facilities, (ix) deposits into any Reserve Account established pursuant to Section 401 of the Trust Agreement and any Supplemental Trust Agreement and any recurring amounts payable to a provider of a Reserve Account Letter of Credit/Insurance Policy, (x) fees, expenses and liabilities of the School Board, if any, incurred in connection with the acquisition, construction and installation of Facilities, (xi) Costs of Issuance, and (xii) interest during construction and for a reasonable period of time up to six (6) months thereafter.

"Costs of Issuance" shall mean the items of expense incurred in connection with the authorization, sale and delivery of each Series of Certificates, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, any Credit Facility Issuer and any provider of a Reserve Account Letter of Credit/Insurance Policy, legal fees and charges, professional consultants' fees, fees and charges for execution, delivery, transportation and safekeeping of Certificates, premiums, costs and expenses of refunding Certificates and other costs, charges and fees, including those of the Corporation, in connection with the foregoing.

"Costs of Issuance Subaccount" shall mean a Costs of Issuance Subaccount within an Acquisition Account established pursuant to Section 401 of the Trust Agreement and in any Supplemental Trust Agreement in connection with the issuance of a Series of Certificates.

"Credit Facility" shall mean, with respect to a Series of Certificates, the letter of credit, insurance policy, guaranty, surety bond or other irrevocable security device, if any, sup-

porting the obligations of the School Board to make Basic Lease Payments relating to such Series of Certificates.

"Credit Facility Issuer" shall mean, with respect to a Series of Certificates, the issuer of the Credit Facility, if any, for such Series of Certificates.

"District" shall mean the School District of Palm Beach County, Florida.

"Event of Extraordinary Prepayment" shall mean one or more of the events so designated in Section 7.2 hereof.

"Excess Earnings" shall mean, with respect to each Series of Certificates, the amount by which the earnings on the Gross Proceeds of such Certificates exceeds the amount which would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on the interest portion of the Basic Lease Payments represented by such Certificates, as such yield is determined in accordance with the Code and amounts earned on the investment of earnings on the Gross Proceeds of such Certificates.

"Facility" or "Facilities" shall mean "educational facilities" as defined in Section 235.011(5), Florida Statutes, as amended, to be acquired from the proceeds of a Series of Certificates, consisting of real property, if any, buildings and improvements, and the equipment, fixtures and furnishings which are to be built, installed or established on such buildings or improvements, and all appurtenances thereto and interests therein, all as set forth on a Schedule or Schedules from time to time.

"Facility Site" shall mean the real property (together with all buildings, structures and improvements erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements located on, or used in connection with, or attached or made to, such land) either (i) owned by the School Board at the time of the issuance of a Series of Certificates to finance Facilities relating thereto or (ii) to be acquired by the School Board subsequent thereto but not paid for out of the proceeds of such Series of Certificates, upon which a Facility is to be located within the District and more particularly described in a Ground Lease.

"Fiscal Year" shall mean the twelve month fiscal period of the School Board which under current law commences on July 1 in every year and ends on June 30 of the succeeding year.

"Government Obligations" shall mean any obligations which as to both principal and interest constitute non-callable direct obligations of, or non-callable obligations fully and

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unconditionally guaranteed by, the full faith and credit of the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the full faith and credit of the United States of America.

"Gross Proceeds" shall mean, with respect to each Series of Certificates, unless inconsistent with the provisions of the Code, in which case as provided in the Code, (i) amounts received by or on behalf of the Corporation from the sale of such Certificates; (ii) amounts received as a result of investments of amounts described in (i); (iii) amounts treated as transferred proceeds of such Certificates in accordance with the Code; (iv) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds; (v) securities or obligations pledged, if any, as security for payment of Basic Lease Payments under the Master Lease (which amounts are limited in accordance with Sections 235.056(3) and 236.25(2)(e), Florida Statutes, as amended); (vi) amounts received with respect to obligations acquired with Gross Proceeds; (vii) amounts used to pay the principal and interest portions of Basic Lease Payments represented by such Certificates; (viii) amounts in any Reserve Account established pursuant to the Trust Agreement and a Supplemental Trust Agreement; and (ix) amounts received as a result of the investment of Gross Proceeds not described in (i) above.

"Ground Lease" shall mean one or more ground leases, between the School Board and the Corporation, as amended and supplemented from time to time, pursuant to which the School Board shall ground lease one or more Facility Sites to the Corporation.

"Instructions to Bidders and the General Conditions" shall mean the Instructions to Bidders and the General Conditions of the School Board as in effect from time to time.

"Insurance Consultant" shall mean a nationally recognized independent insurance company or broker, selected by the School Board, that has actuarial personnel experienced in the area of insurance for which the School Board is to be self-insured.

"Lease" shall mean each separate Schedule to this Master Lease executed and delivered by the School Board and the Corporation, together with the terms and provisions of this Master Lease.

"Lease Payment Account" shall mean any Lease Payment Account established pursuant to Section 401 of the Trust Agreement and in any Supplemental Trust Agreement.

"Lease Payment Date" shall mean, with respect to a Lease, each date set forth on the corresponding Schedule designated as a Lease Payment Date for such Lease.

"Lease Payments" shall mean, with respect to each Lease, all amounts payable by the School Board pursuant to the terms of a Lease, including Basic Lease Payments, Additional Lease Payments and Supplemental Payments.

"Lease Term" shall mean, with respect to each Lease, the period from the date of the Lease through the end of the then current Fiscal Year plus each annual or lesser renewal period thereafter during which such Lease is maintained in effect in accordance therewith, with the maximum number of renewals being specified in the Schedule corresponding to such Lease.

"Master Lease" shall mean this Master Lease Purchase Agreement dated as of November 1, 1994, between the Corporation and the School Board and any and all modifications, alterations, amendments and supplements hereto.

"Net Proceeds" shall mean, with respect to one or more Facilities financed under a Lease, proceeds from any insurance, condemnation, performance bond, Federal or State flood disaster assistance, or any other financial guaranty (other than a Credit Facility Issuer) paid with respect to such Facilities remaining after payment therefrom of all expenses, including attorneys' fees, incurred in the collection thereof; and, with respect to insurance, to the extent that the School Board elects to self-insure under Section 5.3 hereof, any moneys payable from any appropriation made by the School Board in connection with such self-insurance.

"Opinion of Counsel" shall mean an opinion signed by an attorney or firm of attorneys of recognized standing and who are qualified to pass on the legality of the particular matter (who may be counsel to the School Board or Special Tax Counsel) selected by the School Board.

"Outstanding" when used with reference to the Certificates, shall mean, as of any date, Certificates theretofore or thereupon being authenticated and delivered under the Trust Agreement except:

(i) Certificates canceled by, or duly surrendered for cancellation to, the Trustee at or prior to such date;

(ii) Certificates (or portions of Certificates) for the payment or prepayment of which moneys, equal to the principal portion or Prepayment Price thereof, as the case may be, with interest to the date of maturity or Prepayment Date, shall be held in trust under the Trust Agreement and set aside for such payment or prepayment, (whether at or prior to the maturity or Prepayment Date), provided that if such Certificates (or portions of

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Certificates) are to be prepaid, notice of such prepayment shall have been given as provided in Article III of the Trust Agreement;

(iii) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered pursuant to Article III of the Trust Agreement; and

(iv) Certificates deemed to have been paid as provided in subsection (b) of Section 801 of the Trust Agreement.

"Payment Date" shall mean a date on which the principal portion or the interest portion of Basic Lease Payments is payable to Certificate holders pursuant to the terms of such Certificates.

"Permitted Encumbrances" shall mean in regard to a Facility Site:

(i) the Lease relating thereto and any liens and encumbrances created or permitted thereby;

(ii) the Assignment Agreement relating thereto and any liens and encumbrances created or permitted thereby;

(iii) the Trust Agreement and liens and encumbrances created or permitted thereby;

(iv) any Ground Lease applicable thereto and any liens and encumbrances created or permitted thereby;

(v) subject to the provisions of Section 6.2 of the Master Lease, any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the provisions of the Master Lease.

(vi) (a) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law; (b) any liens for taxes, assessments, levies, fees, water and sewer rents or charges and other government and similar charges, which are not due and payable or which are not delinquent or the amount or validity of which are being contested and execution thereon is stayed; (c) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances and irregularities in the title to any property which, in the opinion of the School Board, do not materially impair the use of such property or materially and adversely affect the value thereof; and (d) rights reserved to or vested in any municipality or public authority to control or regulate any property or to use such property in any manner that do not in the Opinion of Counsel, materially affect the use of the Facility Site for educational purposes or the benefits enjoyed by any Permitted Transferee in the

Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement; and

(vii) any other liens or encumbrances permitted by the Schedule relating to such Facility Site, provided such lien or encumbrance shall not, as expressed in an Opinion of Counsel, materially adversely affect the intended use of such Facility Site by the School Board for educational purposes or the benefits enjoyed by any Permitted Transferee in the Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement, and such liens and encumbrances are approved by the Credit Facility Issuer for the Series of Certificates relating to such Facility Site.

"Prepayment Account" shall mean any Prepayment Account established pursuant to Section 401 of the Trust Agreement and in any Supplemental Trust Agreement.

"Prepayment Date" shall mean the date on which optional prepayment, extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a Series of Certificates Outstanding shall be made pursuant to the Trust Agreement and any Supplemental Trust Agreement.

"Prepayment Price" shall mean, with respect to any Certificate, the principal amount thereof together with the premium, if any, applicable upon an optional prepayment, payable upon prepayment thereof pursuant to such Certificate and the Trust Agreement or any Supplemental Trust Agreement, together with accrued interest represented by such Certificate to the Prepayment Date.

"Project" shall mean the lease-purchase financing and construction or refinancing of the Facilities set forth on a particular Schedule and, if all or a portion of such Facilities shall be comprised of real property, the ground leasing of the related Facility Site by the School Board to the Corporation and the subleasing of such Facility Site back to the School Board.

"Project Fund" shall mean the trust fund designated as the "Project Fund" created and established in Section 401 of the Trust Agreement.

"Purchase Option Price" shall mean, with respect to any Facility financed under a Lease, as of each Lease Payment Date, the Basic Lease Payment then due plus the amount so designated and set forth on the Schedule for such Facility as the remaining principal portion of the Purchase Option Price, minus any credits pursuant to the provisions of Section 3.2 hereof, plus, an amount equal to the interest to accrue with respect to the Certificates to be prepaid as a result of the release of such Facility from the Lease, from such Lease Payment Date to the next available date for prepaying such Certificates, unless such prepayment shall occur on such Lease

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Payment Date, plus an amount equal to a pro rata portion of any Additional Lease Payments and Supplemental Payments then due and owing under the Lease relating to such Facility, including any prepayment premiums payable on the Certificates prepaid.

"Qualified Financial Institution" shall mean a bank, trust company, national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or the Federal National Mortgage Association or any insurance company or other corporation (i) whose unsecured obligations or uncollateralized long term debt obligations have been assigned a rating by a Rating Agency which is not lower than AA/Aa, or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated; or (ii) which collateralizes its obligations at all times at levels in compliance with the requirements of the Rating Agencies for ratings not lower than AA/Aa.

"Rating Agency" shall mean each of Standard & Poor's Ratings Group, Moody's Investors Service and any other nationally recognized rating service which shall have provided a rating on any Outstanding Certificates.

"Reimbursement Agreement" shall mean, with respect to each Lease, any reimbursement agreement among the Corporation, the School Board and any Credit Facility Issuer.

"Reserve Account" shall mean any Reserve Account established pursuant to Section 405 of the Trust Agreement and in any Supplemental Trust Agreement.

"Reserve Account Letter of Credit/Insurance Policy" shall mean the irrevocable letter or line of credit, insurance policy, surety bond or guarantee agreement issued by a Qualified Financial Institution in favor of the Trustee which is to be deposited into a Reserve Account in order to fulfill the Reserve Account Requirement relating thereto.

"Reserve Account Requirement" shall mean, in regard to a Reserve Account to secure a Series of Certificates, such amounts, if any, as shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Series and in the Schedule relating thereto, provided such Reserve Account Requirement shall not exceed the least of (i) the maximum annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, (ii) 12% of the average annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Years, and (iii) 10% of the stated principal amount (or issue price net of accrued

interest if the issue has more than a de minimis part of original issue discount or premium) of such Series of Certificates.

"Schedule" shall mean a schedule, as amended and supplemented from time to time, to this Master Lease to be executed and delivered by the School Board and the Corporation for each Project, substantially in the form of Exhibit A hereto.

"School Board" shall mean the School Board of Palm Beach County, Florida, a body corporate and the governing body of the District.

"Series" or "Series of Certificates" shall mean the aggregate amount of each series of Certificates evidencing an undivided proportionate interest of the owners thereof in a particular Lease and the Basic Lease Payments thereunder, issued pursuant to the Trust Agreement or a Supplemental Trust Agreement.

"Special Tax Counsel" shall mean Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida, Cunningham & Self, West Palm Beach, Florida and Michael B. Brown, P.A. West Palm Beach, Florida or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"State" shall mean the State of Florida.

"Superintendent" shall mean the Superintendent of Schools of the District.

"Supplemental Payments" shall mean all amounts due under a Lease other than Basic Lease Payments and Additional Lease Payments.

"Supplemental Trust Agreement" shall mean any agreement supplemental or amendatory of the Trust Agreement.

"Trust Agreement" shall mean the Master Trust Agreement dated as of November 1, 1994 entered into by and between the Corporation and the Trustee, and any Supplemental Trust Agreement.

"Trustee" shall mean NationsBank of Florida, N.A., Fort Lauderdale, Florida and its successors or assigns which may at any time be substituted in its place pursuant to the provisions of the Trust Agreement.

SECTION 1.2. Rules of Construction. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing

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persons shall include firms, associations and corporations, including public bodies as well as natural persons.

The terms "hereby", "hereof", "hereto", "herein", "hereunder", and any similar terms, as used in this Master Lease, refer to this Master Lease.

ARTICLE II.

LEASE AND SUBLEASE OF FACILITIES AND FACILITY SITES

SECTION 2.1. Lease and Sublease of Facilities and Facility Sites. The Corporation hereby agrees to demise, lease and sublease to the School Board, and the School Board hereby agrees to hire, take, lease and sublease from the Corporation, the right, title and interest of the Corporation in and to the Facilities and Facility Sites, listed on each Schedule hereto, on the terms and conditions set forth in this Master Lease. For purposes of each Lease, all materials and services in respect of which amounts are paid by the Trustee for the acquisition, construction and installation of a Facility (including monies disbursed for Costs of Issuance) shall be deemed accepted by the School Board hereunder upon execution of a requisition by the School Board directing payment therefor under Section 402 of the Trust Agreement. The School Board hereby agrees that it has received valuable consideration for the portion of Basic Lease Payments representing Costs of Issuance and will pay the Lease Payments in respect of same, subject to the provisions hereof.

SECTION 2.2. Lease Term. This Master Lease shall be for an original Term commencing on the date hereof through and including June 30, 1995, and automatically renewable annually thereafter through the last day set forth on any Schedule hereto unless sooner terminated in accordance with the provisions hereof, including in particular Sections 3.5 and 4.1 hereof. Upon expiration or termination of the Lease Term, other than pursuant to Section 4.1(b) or (c) hereof, the Trustee, the School Board and the Corporation, at the expense of the School Board, shall execute and deliver such documents, if any, as shall be necessary to evidence such termination. The useful life of the Facilities shall extend beyond the last date set forth on the particular Schedule relating to such Facilities.

SECTION 2.3. Acquisition of Facilities. The School Board shall be responsible for acquisition, construction and installation of the Facilities, as agent for the Corporation, pursuant to the specifications of the School Board, including the letting of all contracts for the acquisition, construction and installation of the Facilities and for supervising the acquisition, construction and installation of the Facilities.

Contracts in connection with the acquisition, construction and installation of the Facilities shall be let in accordance with the competitive bidding policies of the School Board and laws applicable to school boards, including where applicable the requirements of Sections 235.056(3) and 235.26, Florida Statutes, as amended, Chapters 234 and 237, Florida Statutes, as amended, and regulations promulgated by the State Department of Education thereunder, including Rule 6A-2 FAC, and § 6A - 1.013 FAC regarding pool

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purchases, and in accordance with the Instructions to Bidders and General Conditions. All rules and regulations of the State Department of Education applicable to acquisition and construction of educational facilities by the School Board shall apply to the same extent to the acquisition and construction of the Facilities by the School Board acting in its capacity as agent for the Corporation.

Moneys deposited in the Acquisition Account established with respect to particular Facilities shall be disbursed from time to time to pay the Costs of such Facilities, all as provided in Section 402 of the Trust Agreement and the applicable provisions of a Supplemental Trust Agreement. The School Board agrees that it will deliver to the Trustee completed requisitions in the form attached to the Trust Agreement as Exhibit B, and upon completion of acquisition, construction and installation of the Facilities, the School Board will deliver a Certificate of Acceptance in the form attached hereto as Exhibit B in order for the Trustee to make the final advances therefor in accordance with the provisions of the Trust Agreement. The School Board further agrees to deliver the items described in Section 402 of the Trust Agreement with respect to the acquisition of each portion of a Facility constituting land or an interest therein, to be financed hereunder.

The School Board shall be responsible for, and shall use its best efforts to effect the completion of acquisition, construction and installation of the Facilities, whether or not amounts in the Acquisition Account relating to such Facilities are sufficient to pay the Costs thereof. If moneys are improperly drawn from the Acquisition Account, the School Board upon proper notification thereof shall deposit an amount sufficient to restore the balance therein with the Trustee, no later than thirty (30) days following receipt of such notification.

Upon determination by the School Board prior to delivery of a Certificate of Acceptance that amounts on deposit in the Acquisition Account for particular Facilities will exceed the actual costs of such Facilities, the School Board may amend the related Lease and Ground Lease for the purpose of financing additional Facilities or portions of Facilities from such funds on deposit in such Acquisition Account.

The School Board may determine not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or may determine to substitute one or more of the Facilities relating to a particular Lease for other approved Facilities. Upon determination by the School Board not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or to substitute one or more of the Facilities relating to a particular Lease, the School Board may amend the related Lease and Ground Lease for the purpose of deleting or substituting such Facilities.

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SECTION 2.4. School Board's Liability. As between the Corporation and the School Board, the School Board assumes liability for all risks of loss with respect to the Facilities. The School Board shall maintain in force during the entire acquisition, construction and installation period of any Facilities, property damage insurance as required by Section 5.3 hereof and (for the benefit of Certificate holders), as assignee of the Corporation, the Trustee shall be named as an additional insured and loss payee thereon. In the event the School Board or Corporation receives any damages or other moneys from any contractor, manufacturer or supplier of any portion of the Facilities or its surety pursuant to this Section 2.4 or Section 5.3, such moneys shall be paid to the Trustee for disposition in accordance with Section 5.4 hereof.

SECTION 2.5. Possession and Enjoyment. From and after the acceptance by the School Board of any Facilities in accordance with the terms of this Master Lease, the Corporation agrees that it will not interfere with the quiet use and enjoyment of the Facilities by the School Board during the Lease Term relating to such Facilities and that the School Board shall during such Lease Term peaceably and quietly have and hold and enjoy such Facilities, without hindrance or molestation from the Corporation, except as expressly set forth herein. At the request of the School Board and at the School Board's cost, the Corporation shall join in any legal action in which the School Board asserts its right to such possession and enjoyment to the extent the Corporation lawfully may do so. Upon expiration or termination of the Lease Term other than as a result of nonappropriation or default, the School Board shall enjoy full right, title and interest in and to the Facilities, unless the Facilities are otherwise disposed of in accordance with the terms of this Master Lease.

SECTION 2.6. Trustee Access to Facilities. During the Lease Term of each Lease the School Board agrees that the Trustee, as assignee of the Corporation or its agents, shall have the right during the School Board's normal working hours on the School Board's normal working days to examine and inspect the Facilities for the purpose of assuring that the Facilities are being properly maintained, preserved, and kept in good repair and condition.

SECTION 2.7. Disclaimer of Warranties. The School Board acknowledges that each of the Corporation, the Trustee, the Certificate holders and any Credit Facility Issuer or issuer of a Reserve Account Letter of Credit/Insurance Policy MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE TITLE TO, VALUE, DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY FACILITIES OR ANY PORTION THEREOF, OR AS TO THE QUALITY OR CAPACITY OF THE MATERIAL OR WORKMANSHIP IN SUCH FACILITIES OR ANY WARRANTY THAT SUCH FACILITIES WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS

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OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. In no event shall the Corporation, the Trustee, the Certificate holders or any Credit Facility Issuer or issuer of a Reserve Account Letter of Credit/Insurance Policy be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Master Lease or the existence, furnishing, functioning or School Board's use of the Facilities, or any item, product or service provided for in this Master Lease.

SECTION 2.8. Warranties of the Facilities. The Corporation hereby appoints the School Board its agent and attorney-in-fact during the Lease Term to assert from time to time whatever claims and rights, including warranties of the Facilities, which the Corporation or the School Board may have against the contractor, manufacturer or supplier of any Facilities or portion thereof.

SECTION 2.9. Compliance with Law. The School Board and the Corporation each represents, warrants and covenants that it has complied and will comply throughout the Lease Term of each Lease with the requirements of Sections 235.056(3) and 286.011, as well as Chapter 119, Florida Statutes relating to public access to its records and the openness of its meetings to the public.

SECTION 2.10. Representations, Covenants and Warranties of the School Board. The School Board represents, covenants and warrants as follows:

(a) The School Board is the governing body of the District, a body corporate pursuant to Article IX, Section 4(a) of the Florida Constitution (1968) and Chapter 230, Florida Statutes, has power to enter into this Master Lease and each Schedule hereto and has duly authorized and taken the necessary acts required prior to (including all required approvals) the execution and delivery of this Master Lease. The School Board warrants that this Master Lease, upon the execution and delivery hereof, is a valid, legal and binding limited obligation of the School Board, payable from current or other funds authorized by law and appropriated for such purpose as provided in Section 3.1 hereof.

(b) Neither the execution and delivery of this Master Lease nor of any Schedules nor the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions hereof and thereof conflicts with or results in a breach of the terms, conditions, or provisions of any restriction or any agreement or instrument to which the School Board is now a party or by which the School Board is bound or constitutes a default under any of the foregoing, nor conflicts with or results in a violation of any provision of law governing the School Board and no representation, covenant and warranty

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(j) Each of the Facilities set forth on a Schedule will be listed on the Educational Plant Survey for Palm Beach County Schools (or a spot survey) conducted from time to time by the State of Florida Department of Education and will have been approved for lease purchase by said Department.

(k) The School Board shall comply with all continuing disclosure requirements which may be applicable to it from time to time.

SECTION 2.11. Representations, Covenants and Warranties of Corporation. The Corporation represents, covenants and warrants as follows:

(a) The Corporation is a Florida not-for-profit corporation duly created, existing and in good standing under the laws of the State, is duly qualified to do business in the State, has all necessary power to enter into this Master Lease and each Schedule hereto, is possessed of full power to own, lease and hold real and personal property and to lease and sell the same as lessor, and has duly authorized the execution and delivery of this Master Lease and this Master Lease, upon execution and delivery hereof, is a valid, legal and binding non-recourse obligation of the Corporation.

(b) Neither the execution and delivery hereof nor of any Schedule hereto, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.

(c) To the knowledge of the Corporation, there is no litigation or proceeding pending or threatened against the Corporation or any other person affecting the right of the Corporation to execute or deliver this Master Lease or to comply with its obligations under this Master Lease. Neither the execution and delivery of this Master Lease by the Corporation, nor compliance by the Corporation with its obligations under this Master Lease, require the approval of any regulatory body, any parent company, or any other entity, which approval has not been obtained.

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herein is false, misleading or erroneous in any material respect.

(c) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, known to be pending or threatened against or affecting the School Board nor to the best of the knowledge of the School Board is there any basis therefor, wherein an unfavorable decision, ruling, or finding would materially and adversely affect the transactions contemplated by the School Board or which would adversely affect, in any way, the validity or enforceability of this Master Lease or any material agreement or instrument to which the School Board is a party, used or contemplated for use in the consummation of the transactions contemplated hereby.

(d) The estimated Cost of the Facilities shall not be less than the amount set forth on each Schedule relating to such Facilities (as such Schedule may be amended prior to the delivery by the School Board of a Certificate of Acceptance). The Facilities will be designed and constructed so as to comply with all applicable building and zoning ordinances and regulations, if any, and any and all applicable judicial and state standards and requirements relating to the Facilities and Facility Sites.

(e) The moneys in each Acquisition Account and any investment earnings thereon will be used only for payment of Cost of the Facilities, including payment of Basic Lease Payments.

(f) The School Board shall have fee simple title to all Facility Sites, subject only to Permitted Encumbrances, prior to entering into any Ground Lease with respect to such Facility Sites or amending any Ground Lease to add Facility Sites.

(g) In its use of the Facilities, the School Board shall comply with all applicable Federal, State and local governmental laws, regulations, ordinances, rules, orders, standards and codes and with all hazard insurance underwriters' standards applicable to the Facilities.

(h) Adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the Facilities.

(i) The School Board intends, and will intend upon execution and delivery of each Schedule that this Master Lease shall remain in full force and effect until the last Lease Payment Date for any Facility hereunder.

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ARTICLE III.

LEASE PAYMENTS

SECTION 3.1. Payment of Lease Payments. Subject to the conditions stated herein, the School Board agrees to pay the Basic Lease Payments stated on each particular Schedule hereto and agrees to pay and discharge Additional Lease Payments, including all other amounts, liabilities and obligations which the School Board assumes or agrees to pay to the Corporation or to others as provided herein and on each Schedule hereto, together with interest on any overdue amount, PROVIDED HOWEVER, THAT NEITHER THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION THEREOF, SHALL BE OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE HEREUNDER FROM ANY SOURCE OF TAXATION AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE HEREUNDER AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NEITHER THE CORPORATION, THE TRUSTEE, NOR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD TO PAY THE LEASE PAYMENTS HEREUNDER. All Basic Lease Payments, Additional Lease Payments and all Supplemental Payments shall be made from current or other funds authorized by law and appropriated for such purpose by the School Board.

On each Lease Payment Date, the School Board shall pay to the Trustee, in lawful money of the United States of America, the Basic Lease Payments for such Lease Payment Date, less any credits as contemplated by Section 3.2 hereof, and less any reductions as contemplated by Section 4.2 hereof. The School Board agrees to deposit such amounts with the Trustee on each Lease Payment Date in order to assure that sufficient moneys will be available to the Trustee to make timely distribution thereof to the Certificate holders, or to reimburse any Credit Facility Issuer as provided in the following paragraph, all in accordance with the Trust Agreement. In the event that the Trustee has not received such Basic Lease Payments on such Lease Payment Date, the Trustee shall notify the School Board on the Business Day following the day payment was due that such Basic Lease Payments have not been received; provided, however, that such notice is for the purpose of convenience only and the School Board's obligation to make such payments shall in no way be conditioned by the giving or receipt of such notice. Once established under the initial Schedule, Lease Payment Dates shall be the same under all future Lease Schedules.

THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE FUNDS TO MAKE LEASE PAYMENTS SELECTIVELY ON A LEASE BY LEASE BASIS, BUT MUST APPROPRIATE FUNDS FOR ALL LEASES OR NONE OF THEM.

The School Board shall also pay, when due, directly to the party entitled thereto, Additional Lease Payments and Supplemental

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Payments in accordance with the terms of this Master Lease and each Schedule hereto and the Trust Agreement. Additional Lease Payments for each separate Lease entered into under this Master Lease include, without limitation, optional prepayment premiums, Trustee fees and expenses, Corporation expenses, Credit Facility Issuer fees and expenses, if any, and all other amounts due the Trustee under the Trust Agreement or this Master Lease and a Credit Facility Issuer under any Reimbursement Agreement, all as set forth on a particular Schedule hereto. Supplemental Payments for each separate Lease hereunder include, without limitation, amounts required to be paid under Sections 5.1, 5.2, 5.6, 5.10 and 6.2 hereof, and amounts necessary to restore the balance in the Reserve Account for a particular Series of Certificates to the Reserve Account Requirement for such Series as provided in Section 405(b) of the Trust Agreement, or recurring amounts payable to a provider of a Reserve Account Letter of Credit/Insurance Policy.

The School Board hereby authorizes the Trustee, as assignee of the Corporation, (i) to create a Reserve Account to be held by the Trustee under the Trust Agreement for each Series of Certificates unless otherwise provided by the Schedule relating thereto, (ii) to deposit in each Reserve Account a portion of the proceeds from the sale of the Series of Certificates relating thereto, or in lieu thereof, or in substitution for the full amounts then on deposit therein or in an amount equal to the difference between the amount required to be deposited and the sum, if any, on deposit in a Reserve Account, to provide a Reserve Account Letter of Credit/Insurance Policy equal to the Reserve Account Requirement relating to such Series, or combination of a portion of the proceeds from the sale of a Series of Certificates and a Reserve Account Letter of Credit/Insurance Policy, and (iii) to use such amounts or amounts drawn on the Reserve Account Letter of Credit/Insurance Policy deposited in each sub-account of the Reserve Account as set forth in Section 405 of the Trust Agreement. In the event the aggregate amount of any cash, the value of any Investment Securities and the stated amount of any Reserve Account Letter of Credit/Insurance Policy in a Reserve Account shall be less than the Reserve Account Requirement provided therefor, the School Board shall pay to the Trustee from moneys budgeted and appropriated as Basic Lease Payments during the current Fiscal Year as Supplemental Payments an amount equal to such deficiency within thirty (30) days of receipt of notice of the deficiency from the Trustee. In the event the Trustee makes a draw on a Reserve Account Letter of Credit/Insurance Policy to pay amounts equal to Basic Lease Payments represented by a Series of Certificates, the School Board shall cause the amount which the Trustee can draw upon such Reserve Account Letter of Credit/Insurance Policy (or its original stated amount, if the School Board shall have deposited into the related Reserve Account a Letter of Credit/Insurance Policy pursuant to this Section) to be reinstated. In the event a Reserve Account Letter of Credit/Insurance Policy on deposit in a Reserve Account expires or is terminated, the School Board shall, simultaneously

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Facility or Facilities financed hereunder. The interest portion of each Basic Lease Payment shall be calculated on the basis of a 360 day year consisting of twelve 30 day months.

SECTION 3.4. Lease Payments to be Unconditional. Subject to Sections 3.1 and 3.5 hereof the obligations of the School Board to make Lease Payments and to pay all other amounts provided for herein and in each Schedule and to perform its obligations under this Master Lease and each Schedule, shall be absolute and unconditional, and such Lease Payments and other amounts shall be payable without abatement or any rights of set-off, recoupment or counterclaim the School Board might have against any supplier, contractor, the Corporation, the Trustee or any other person and whether or not the Facilities are accepted for use or used by the School Board or available for use by the School Board, whether as a result of damage, destruction, condemnation, defect in title or failure of consideration or otherwise. This Master Lease shall be deemed and construed to be a "net lease".

SECTION 3.5. Non-Appropriation. Notwithstanding anything in this Master Lease to the contrary, the cost and expense of the performance by the School Board of its obligations under this Master Lease and each Schedule hereto and the incurrence of any liabilities of the School Board hereunder and under each Schedule hereto including, without limitation, the payment of all Lease Payments and all other amounts required to be paid by the School Board under this Master Lease and each Schedule hereto, shall be subject to and dependent upon appropriations being duly made from time to time by the School Board for such purposes. Under no circumstances shall the failure of the School Board to appropriate sufficient funds constitute a default or require payment of a penalty, or in any way limit the right of the School Board to purchase or utilize educational facilities similar in function to those leased hereunder.

Unless the School Board, at a public meeting held prior to the end of the then current Fiscal Year, shall give notice of its intent not to appropriate the funds necessary to make all Lease Payments coming due in the following Fiscal Year under this Master Lease and each Schedule hereto, the Superintendent shall include in the Superintendent's tentative budget proposal the funds necessary to make such Lease Payments, and the Lease Term of all Leases shall be automatically renewed on June 30 of the current Fiscal Year, for the following Fiscal Year, subject to appropriation being made by the School Board in the final official budget. If Lease Payments are due hereunder during the period prior to the adoption of the School Board's final official budget for an ensuing Fiscal Year, the Lease Term of all Leases shall be deemed extended only if the tentative budget or extension of the prior budget (whether by Board action or operation of law) makes available to the School Board monies which may be legally used to make the Lease Payments due hereunder during such period. If no such appropriation is made in

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with such expiration or termination, either replace such Letter of Credit/Insurance Policy with a subsequent Reserve Account Letter of Credit/Insurance Policy with a stated amount equal to the Reserve Account Requirement or transfer to the Trustee, for deposit in such Reserve Account in which such Policy had been deposited, an amount of cash equal to the Reserve Account Requirement.

SECTION 3.2. Credits to Lease Payments. The Lease Payments due hereunder shall be reduced when applicable by the amounts credited as follows:

(a) The Trustee shall deposit into the Lease Payment Account established with respect to each Lease, interest income in accordance with the Trust Agreement, amounts in excess of the Reserve Account Requirement transferred to the Lease Payment Account pursuant to Section 405(d) of the Trust Agreement and amounts transferred from the Capitalized Interest Account to the Lease Payment Account pursuant to Section 403 of the Trust Agreement, and apply such amounts as provided therein.

(b) Unless otherwise provided in the Schedule related thereto, upon the completion of acquisition and construction of the Facilities financed under a particular Lease and payment of all Costs of such Facilities or upon the termination of the Lease Term of a particular Lease pursuant to Section 4.1 hereof, the amounts, if any, on deposit in the Acquisition Account for the related Series of Certificates shall be transferred to the Lease Payment Account for such Series; to be applied to Basic Lease Payments next coming due under the Lease; provided, however, that if, upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Facilities financed under a particular Lease (including the failure of the School Board to acquire any component of such Facilities), there shall remain in the related Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, the entire remaining amount shall be transferred to the related Prepayment Account in accordance with Section 7.2(b) hereof.

(c) There shall be deposited in the Lease Payment Account or the Prepayment Account for a Series of Certificates, as the case may be, Net Proceeds realized in the event of damage, destruction or condemnation to be applied to Basic Lease Payments under the related Lease, or to the Prepayment Price of such Series of Certificates, all as provided for in Section 5.4(b) hereof.

SECTION 3.3. Basic Lease Payment Components. A portion of each Basic Lease Payment is paid as and represents the payment of interest and the balance of each Basic Lease Payment is paid as and represents the payment of principal. Each Schedule hereto shall set forth such components of each Basic Lease Payment for each

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the final official budget, or if no official budget is adopted as of the last day upon which a final budget is required to have been adopted under Chapter 237, Florida Statutes and applicable regulations thereunder, the Lease Term of all Leases shall terminate as of the date of adoption of the final official budget, or such last day, whichever is earlier.

If the School Board declares its intent at such public meeting prior to the end of the then current Fiscal Year not to appropriate the funds, the Lease Term of all Leases shall not be automatically renewed for the following Fiscal Year, but shall terminate on June 30th of the current Fiscal Year. The final Lease Term may be for a period which is less than a full Fiscal Year.

The School Board shall provide written notice of any non-appropriation of funds described herein to the Trustee, any Credit Facility Issuer and any issuer of a Reserve Account Letter of Credit/Insurance Policy within three (3) Business Days thereafter.

THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE FUNDS TO MAKE LEASE PAYMENTS SELECTIVELY ON A LEASE BY LEASE BASIS, BUT MUST APPROPRIATE FUNDS FOR ALL LEASES OR NONE OF THEM.

SECTION 3.6. Surrender of Facilities. (A) Upon the termination of the Lease Term of all Leases prior to the payment of all Lease Payments scheduled therefor or without the payment of the then applicable Purchase Option Price of the Facilities financed under such Lease, or (B) as provided in Section 8.2 hereof upon the occurrence of an event of default, the School Board shall immediately surrender and deliver possession of all the Facilities financed under this Master Lease and all Schedules hereto to the Trustee as assignee of the Corporation or any person designated by it, in the condition, state of repair and appearance required under this Master Lease, in accordance with the instructions of the Corporation. Upon such surrender, the transferee shall sell or lease the Facilities if then practicable in such manner and to such person or persons for any lawful purpose or purposes, as it shall, in its sole discretion, determine to be appropriate. The proceeds derived by such transferee from any such sale or lease of Facilities shall be applied first to the payment in full of the Series of Certificates relating to such Facilities (including all amounts owing under the applicable lease) and then to the payment of any accrued but unpaid obligations of the Corporation under Section 3 of the Ground Lease relating to such Facilities. Any excess after all such payments shall be paid to the School Board.

If the School Board shall refuse or fail to voluntarily deliver possession of the Facilities to the Corporation or its assignee as above provided, the Corporation or its assignee may enter into and upon the Facilities, or any part thereof, and repossess the same and thereby restore the Corporation or its assignee to its former possessory estate as lessee under the

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related Ground Lease and lessor hereunder and expel the School Board and remove its effects forcefully, if necessary, without being taken or deemed to be guilty in any manner of trespass in order that the Corporation or its assignee may sell or re-let the leasehold interest in the Facilities, subject to Permitted Encumbrances, for any lawful purpose or purposes, for the remainder of the term of the related Ground Lease, if applicable, and the School Board shall have no further possessory right whatsoever in the Facilities, for the remainder of the term of the respective Ground Lease; the Corporation or its assignee may exercise all available remedies at law or in equity to evict the School Board and to enjoy its possessory rights to all Facility Sites under one or more Ground Leases; and the School Board shall be responsible for the payment of damages in an amount equal to the Lease Payments which would have accrued hereunder, calculated on a daily basis, for any period during which the School Board fails to surrender the Facilities or for any other loss suffered by the Corporation or its assignee as a result of the School Board's failure to surrender the Facilities, all without prejudice to any remedy which might otherwise be available to the Corporation or its assignee for arrears of Lease Payments or for any breach of the School Board's covenants herein contained.

Upon the termination of the Lease Term of all Leases as a result of a default by the School Board, the Corporation or its assignee shall have, in addition to the rights and remedies described above, the right to sue for compensatory damages, including upon failure of the School Board to surrender possession of the Facilities to the Corporation or its assignee, damages for any loss suffered by the Corporation or its assignee as a result of the School Board's failure to take such actions as required, including reasonable legal fees.

The School Board, as owner of the Facility Sites, may voluntarily and in cooperation with the Corporation or its assignee as owner of the Facilities, sell the Facility Sites and the Facilities, the proceeds of such sale to be applied by the Trustee in the manner described above in this section. The sale of any particular Facility Site and Facility thereon shall require the consent of the Credit Facility Issuer, if any, insuring the Series of Certificates relating to such Facility Site and Facility thereon. If applicable, such sale shall be conducted in accordance with the requirements of Section 235.04(1), Florida Statutes and the rules of the State Department of Education promulgated thereunder.

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ARTICLE V.

COVENANTS OF SCHOOL BOARD

SECTION 5.1. Maintenance of the Facilities by the School Board. The School Board agrees that at all times during each Lease Term, the School Board will, at the School Board's own cost and expense, maintain, preserve and keep the Facilities in good repair and condition, and that the School Board will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals, interior and exterior, thereto. The Corporation shall have no obligation in any of these matters, or for the making of repairs, improvements or additions to the Facilities. If the School Board fails to perform such obligations the Trustee may perform the School Board's obligations or perform work resulting from the School Board's actions or omissions and the cost thereof (together with interest until reimbursed) shall be immediately due and payable as Supplemental Payments.

SECTION 5.2. Taxes, Other Governmental Charges and Utility Charges. In the event that the ownership, leasing, use, possession or acquisition of the Facilities or Facility Sites are found to be subject to taxation in any form, the School Board will pay during each Lease Term, as the same come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Facilities or Facility Sites and any facilities or other property acquired by the School Board as permitted under this Master Lease in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Facilities or Facility Sites, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facilities and Facility Sites; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, the School Board shall be obligated to pay only such installments as have accrued during the time the Lease Term is in effect. If the School Board fails to perform such obligations the Trustee may perform the School Board's obligations and the cost thereof (together with interest until reimbursed) shall be immediately due and payable as Supplemental Payments.

SECTION 5.3. Provisions Regarding Insurance. During acquisition, construction and installation of the Facilities the School Board shall require any contractor to provide Workers' Compensation, Comprehensive General Liability Insurance, Property Insurance, Property coverage for contractor's equipment, Professional Liability Insurance, Builders Risk Insurance, Automobile Liability Insurance, and other insurance pursuant to the terms of the Instructions to Bidders and the General Conditions of the School Board. Contractors shall be required to provide builders' all risk property damage insurance in an amount not less than the full value of all work in place and materials and equipment provided or

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ARTICLE IV.

TERMINATION

SECTION 4.1. Termination of Lease Term. The Lease Term will terminate upon the earliest of any of the following events:

(a) with respect to all Leases, on the latest Lease Payment Date set forth in any Schedule attached to this Master Lease;

(b) with respect to all Leases, in the event of nonappropriation of Funds for payment of Lease Payments as provided in Sections 3.1, 3.4 and 3.5 of this Master Lease;

(c) with respect to all Leases, upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to Section 8.2(1) of this Master Lease;

(d) with respect to a particular Lease, upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease, or upon provision for such payment pursuant to Section 7.3 hereof, provided, however, that upon such provision for payment the obligation to make Lease Payments under such Lease shall continue to be payable solely from such provision for payment.

SECTION 4.2. Effect of Termination.

(a) Upon the termination of the Lease Term for the reason referred to in Section 4.1(b) or (c) hereof, the provisions of Section 3.6 shall be applicable. Upon such termination for the reason referred to in Section 4.1(c) hereof, the provisions of Sections 8.2 and 8.3 shall also be applicable.

(b) In the event of termination of the Lease Term for the reason referred to in Section 4.1(d) hereof, there shall be applied solely from the amounts deposited pursuant to Section 7.3 hereof as a reduction against such Basic Lease Payments to become due after such termination an amount equal to the Basic Lease Payments applicable to the Facilities.

(c) Notwithstanding the termination of the Lease Term pursuant to Section 4.1 hereof, the representations of the School Board set forth in Section 2.10 hereof and the provisions of Sections 5.7 and 5.10 hereof shall survive such termination.

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delivered by each supplier. The Trustee and the Corporation shall be named as additional insureds and loss payees wherever the School Board is to be so named, and shall be entitled to written notice of cancellation to the same extent as the School Board.

The School Board shall, during the Lease Term, purchase and maintain property insurance coverage in an amount not less than \$85,000,000 per occurrence, to the extent such insurance is available at commercially reasonable costs, covering the replacement cost of its property including the Facilities insuring against the perils of FIRE, LIGHTNING, WINDSTORM, HAIL, HURRICANE, WINDBLOWN RAIN, DAMAGE FROM WATER, EXPLOSION, AIRCRAFT, VEHICLES, SMOKE, VANDALISM AND MALICIOUS MISCHIEF, TRANSPORTATION HAZARDS, THEFT AND BURGLARY. The School Board shall maintain a self-insurance program for its combined general and automobile liability insurance coverage in an amount not less than \$200,000 per occurrence pursuant to the provisions contained within Florida Statute 768.28. The School Board shall also purchase and maintain, or cause to be purchased and maintained, boiler & machinery insurance coverage (including air conditioning equipment) in an amount not less than \$20,000,000 per accident.

The adequacy of the School Board's property insurance coverage shall be reviewed annually by the Insurance Consultant, and the School Board shall follow the recommendations of the Insurance Consultant so long as the recommended insurance is available at commercially reasonable costs and otherwise satisfies the criteria set forth herein. The School Board shall maintain eligibility for assistance by the Federal Emergency Management Agency.

The School Board may elect to self-insure for any such damage or liability, as provided above, upon the following terms and conditions:

(a) the self-insurance program shall be approved by the Insurance Consultant;

(b) The self-insurance program shall include a sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated at least annually by the Insurance Consultant; and any deficiencies in the fund shall be remedied in accordance with the recommendations of the Insurance Consultant;

(c) The self-insurance claims reserve fund shall be held in a bank account created for the purpose of maintaining such self-insurance funds, which bank account may be under the control of the School Board and may not be commingled with other School Board moneys; and

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(d) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund shall be maintained.

The School Board may also self-insure for the amount of the deductible portion of the above described insurance coverage. The School Board's present maximum self-insured limits are \$100,000 per occurrence for property coverage not including wind, and a maximum of \$10,000,000 and a minimum of \$10,000,000 per occurrence resulting from wind damage; \$200,000/\$200,000 per occurrence for combined general and automobile liability coverage; \$10,000 per accident for boiler & machinery (including air conditioning equipment). If the School Board revises such limits such that its self-insured retention exceeds 10% of the amount of property insurance recommended by the Insurance Consultant, the School Board will cause the adequacy of its self-insurance reserve fund to be reviewed by the Insurance Consultant on an annual basis.

Flood insurance shall be separately maintained for its property, including any of the Facilities, located in a federally designated flood plain, in such amounts per occurrence recommended by the Insurance Consultant as being available at commercially reasonable costs and in minimum amounts necessary to qualify for the Federal disaster relief programs. If such minimum amounts are not available at commercially reasonable costs in the opinion of the Insurance Consultant, the School Board shall self-insure for such amounts as will qualify for the Federal disaster relief program.

The sufficiency of the School Board's flood insurance coverage shall be reviewed at least annually by the Insurance Consultant, and the School Board shall follow the recommendations of the Insurance Consultant so long as the recommended insurance meets the criteria set forth in the preceding paragraph.

Any insurance policy issued pursuant to this Section 5.3 shall provide that the Corporation and the Trustee shall be notified of any proposed cancellation of such policy thirty (30) days prior to the date set for cancellation. Any policy of all risk property insurance must be obtained from a commercial insurance company or companies rated A by A.M. Best Company or in one of the two highest rating categories of Moody's and S&P, or otherwise approved by the Credit Facility Issuer. The School Board and the Trustee shall be named as insureds and loss payees.

If required by Florida law, the School Board shall carry or cause to be carried worker's compensation insurance covering all employees on, in, near or about the Facilities, and upon request, shall furnish or cause to be furnished to the Corporation and the Trustee certificates evidencing such coverage.

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Board shall not be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are equal to less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities, such Net Proceeds shall be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2 (C) hereof. If the Net Proceeds are equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities, such Net Proceeds shall be deposited in the Prepayment Account for the Series of Certificates relating to such Facilities to be applied to the prepayment in part of the principal portion and accrued interest portion of Basic Lease Payments relating to such Facilities represented by the Certificates in accordance with Section 7.2 hereof.

SECTION 5.5. Insufficiency of Net Proceeds. If the School Board elects to repair, restore or replace the Facilities under the terms of Section 5.4(a) hereof and the Net Proceeds therefor are insufficient to pay in full the cost of such repair, restoration or replacement, the School Board shall complete the work and pay any cost in excess of the amount of the Net Proceeds, and the School Board agrees that, if by reason of any such insufficiency of the Net Proceeds the School Board shall make any payments pursuant to the provisions of this Section, the School Board shall not be entitled to any reimbursement therefor from the Corporation or the Trustee nor shall the School Board be entitled to any diminution of the amounts payable under the related Lease.

SECTION 5.6. Advances. In the event the School Board shall not elect to self-insure any risk that would otherwise require the maintenance of insurance coverage hereunder, and shall fail to maintain the full insurance coverage required hereunder, the Corporation may, but shall be under no obligation to, purchase the required policies of insurance and pay the premiums on the same, or if the School Board shall fail to keep the Facilities in good repair and operating condition, the Corporation may, but shall be under no obligation to, make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Corporation shall become immediately due and payable as a Supplemental Payment under the Lease relating to such Facilities which amounts, together with interest thereon (at an annual interest rate equal to the interest portion of the Basic Lease Payments, expressed as an annual interest rate) until paid, the School Board agrees to pay.

SECTION 5.7. Release and Indemnification. To the extent permitted by Florida law, including the provisions of Section 769.28 Florida Statutes, the School Board shall indemnify and save the Corporation and the Trustee harmless from and against any and all

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In the event of any loss, damage, injury, accident, theft or condemnation involving the Facilities, the School Board shall promptly provide or cause to be provided to the Corporation and the Trustee written notice thereof, and make available or cause to be made available to the Corporation and the Trustee all information and documentation relating thereto.

Any insurance policy maintained pursuant to this Section 5.3 shall be so written or endorsed to provide that the Trustee (on behalf of the Certificate holders), and the Corporation are named as additional insureds, and the Trustee, the Corporation and the School Board are named as loss payees as their interests may appear and the Net Proceeds of any appropriation made in connection with a self-insurance election shall be payable to the School Board, the Corporation and the Trustee (on behalf of the Certificate holders) as their respective interests may appear. The Net Proceeds of the insurance required in this Section 5.3 or the Net Proceeds of any appropriation in connection with a self-insurance election shall be applied as provided in Section 5.4(a) and Section 5.4(b) hereof.

SECTION 5.4. Damage, Destruction or Condemnation. If prior to the termination of the Lease Term under a particular Lease, the Facilities financed under such Lease or any portion thereof are destroyed or are damaged by fire or other casualty, or title to, or the temporary use of such Facilities or any portion thereof shall be taken under the exercise of the power of eminent domain, the School Board shall, within sixty (60) days after such damage, destruction or condemnation elect one of the following two options by written notice from an Authorized School Board Representative of such election to the Corporation and the Trustee:

(a) **Option A - Repair, Restoration or Replacement.** Except as provided below, the School Board will cause the Net Proceeds of any insurance or the Net Proceeds of any appropriation made in connection with a self-insurance election, or the Net Proceeds of any claim or condemnation award to be applied to the prompt repair, restoration, or replacement (in which case such replacement shall become subject to the provisions of the related Lease as fully as if it were the originally leased Facilities) of such Facilities. Any such Net Proceeds received by the Trustee shall be deposited in the related Acquisition Account and be applied by the Trustee toward the payment of the Cost of such repair, restoration or replacement, utilizing the same requisition process set forth in the Trust Agreement for the payment of the Cost of the Facilities from such Acquisition Account.

(b) **Option B - Partial Prepayment.** If the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Facilities so damaged, destroyed or condemned, then the School

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liability, obligations, claims and damages, including consequential damages and reasonable legal fees and expenses, arising out of, or in connection with, the transactions contemplated by this Master Lease, all Schedules hereto, any Ground Lease, any Assignment Agreement and the Trust Agreement including, without limitation, the issuance of Certificates, except in the case of liability, obligations, claims and damages arising out of their own negligence or willful misconduct.

SECTION 5.8. Payment and Performance Bonds and other Guaranty. The School Board agrees to cause any contractor to provide performance, payment and guarantee and any additional bonds or surety bonds, if and when required pursuant to the Instructions to Bidders and the General Conditions and the provisions of Section 255.05, Florida Statutes, and other applicable provisions of Florida law. Such bonds or other surety shall be in dual obligee form, naming the School Board and the Trustee as dual obligees.

SECTION 5.9. Essential Governmental Functions. The School Board represents and warrants that the services to be provided by or from the Facilities are essential to the delivery of the School Board's essential governmental services, and covenants that during the Lease Term it will use the Facilities to perform essential governmental functions relating to its statutory responsibility of providing for public education throughout the District. The School Board represents and covenants that it has an immediate need for the Facilities, that it does not expect such need to diminish during the Lease Term and that it intends to use the Facilities for public school educational purposes throughout each Lease Term.

SECTION 5.10. Tax Exemption; Rebates. In order to maintain the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments paid to the Certificate holders, the School Board shall comply with the provisions of the Code applicable to this Master Lease and each Schedule thereto and each Series of Certificates issued under the Trust Agreement, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of each Series of Certificates, reporting of earnings on the Gross Proceeds of each Series of Certificates, and rebating Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the School Board shall comply with the letter of instructions as to compliance with the Code with respect to each Lease and each Series of Certificates, to be delivered by Special Tax Counsel at the time each Series of Certificates is issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The School Board shall not take any action or fail to take any action which would cause a Lease and the Series of Certificates relating thereto to be "arbitrage bonds" within the meaning of

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Section 148(a) of the Code or which would otherwise cause the portion of Basic Lease Payments under such Lease representing the payment of interest as set forth in Section 3.3 hereof to be includable in the gross income of the Certificate holders.

In the event that the School Board shall fail to rebate such Excess Earnings when due, the Corporation or its assignee may, but shall be under no obligation to, pay amounts due to the Treasury; and all amounts so advanced by the Corporation or its assignee shall become immediately due and payable as a Supplemental Payment under the Lease relating to such Series of Certificates which amounts, together with interest thereon (at an annual interest rate equal to the interest portion of the Basic Lease Payments relating thereto expressed as an annual interest rate) until paid, the School Board agrees to pay.

SECTION 5.11. Budget and Tax Levy. The School Board covenants that it shall cause the Superintendent to prepare and submit the budget recommendation in accordance with Section 3.5 hereof including provision for discretionary capital outlay millage under Section 236.25, Florida Statutes, as amended, and that the School Board will act on such recommendation, will hold public hearings, will adopt tentative and final official budgets, and will submit such budgets to the Department of Education for approval, all pursuant to the requirements of the laws of Florida and the regulations of the Department of Education as in effect from time to time.

Subject to the right of non-appropriation set forth in Sections 3.1 and 3.5 hereof the School Board expects that its legally available revenues will be sufficient to meet its Lease Payment obligations under the Master Lease in each Fiscal Year.

SECTION 5.12. Compliance with Law, Regulations, Etc.

(a) The School Board has, after due inquiry, no knowledge and has not given or received any written notice indicating that its Facilities and Facility Sites or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Facilities (collectively, "Laws and Regulations"). Without limiting the generality of the foregoing, neither the School Board nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of any of the Facilities and Facility Sites has, other than as set forth in subsections (a) and (b) of this Section or as

may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA, FRPA and Title III (as such term is defined in subsection (e)), and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the School Board, any of the Facilities or Facility Sites or the business operations conducted by the School Board thereon (collectively, "Hazardous Materials") on, from or beneath its Facilities or Facility Sites, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath its Facilities or Facility Sites, or (iii) stored any material amount of petroleum products at its Facility Sites in underground storage tanks.

(b) Excluded from the representations and warranties in subsection (a) hereof with respect to Hazardous Materials are those amounts ordinarily found in the inventory of or used in the maintenance of public schools and related facilities, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all Laws and Regulations.

(c) No Facilities or Facility Sites located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the corporation or support of the improvements to the Facilities.

(d) The School Board has not received any notice from any insurance company which has issued a policy with respect to the Facilities or Facility Sites or from the applicable state or local government agency responsible for insurance standards (or any other body exercising similar functions) requiring the performance of any repairs, alterations or other work, which repairs, alterations or other work have not been completed at the Facilities or Facility Sites. The School Board has not received any notice of default or breach which has not been cured under any covenant, condition, restriction, right-of-way, reciprocal easement agreement or other easement affecting its Facilities or Facility Sites which is to be performed or complied with by it.

(e) For purposes of this Section and Section 5.13 hereafter, the following terms shall have the following meanings:

"Asbestos Containing Materials" shall mean material in friable form containing more than one percent (1%) of the asbestos vari-

eties of (a) chrysotile (serpentine); (b) crocidolite (riebeckite); (c) amosite (cummingtonite-ferrogeneite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

"Environmental Regulations" shall mean all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, "CERCLA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, "RCRA"), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, "EPCRA"), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, "CWA"), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, "CAA"), the Florida Radiation Protection Act, as amended (Fla. Stat. Chapter 404) (together with all regulations promulgated thereunder, "FRPA") and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, "TSCA"), and any state or local similar laws and regulations and any so-called local, state or federal "superfund" or "superlien" law.

SECTION 5.13. Environmental Compliance.

(a) The School Board shall not use or permit the Facilities or Facility Sites or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Facilities or Facility Sites and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor shall it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of or used in the maintenance of public schools and related facilities, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the School Board shall promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Corporation all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials, so released, on, from or beneath the

Facilities or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained herein, underground storage tanks shall only be permitted subject to compliance with subsection (d) of this Section and only to the extent necessary to maintain the improvements on the Facilities or Facility Sites.

(b) The School Board shall comply with, and shall cause its tenants, subtenants, licensees, guests, invitees, contractors, employees and agents to comply with, all Environmental Regulations, and shall keep the Facility Sites free and clear of any liens imposed pursuant thereto (provided, however, that any such liens, if not discharged, may be bonded). The School Board shall cause each tenant under any lease, and use its best efforts to cause all of such tenant's subtenants, agents, licensees, employees, contractors, guests and invitees and the guests and invitees of all of the foregoing to comply with all Environmental Regulations with respect to the Facilities and Facility Sites; provided, however, that notwithstanding that a portion of this covenant is limited to the School Board's use of its best efforts, the School Board shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the School Board's obligations contained in subsection (c) hereof as provided in subsection (c) hereof. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Facilities and Facility Sites, the School Board shall give prompt written notice thereof to the Trustee, the Corporation and the Credit Facility Issuer (and, in any event, prior to the expiration of any period in which to respond to such notice under any Environmental Regulations).

(c) Irrespective of whether any representation or warranty contained in Section 5.12 is not true or correct, the School Board shall defend, indemnify and hold harmless the Corporation, the Trustee and the Credit Facility Issuer, its partners, depositors and each of its and their employees, agents, officers, directors, trustees, successors and assigns, from and against, any claims, demands, penalties, fines, attorneys' fees (including without limitation, attorneys' fees incurred to enforce the indemnification contained in this Section 5.13), consultants' fees, investigation and laboratory fees, liabilities, settlements (five (5) Business Days' prior notice of which the Corporation, the Trustee or the Credit Facility Issuer, as appropriate, shall have delivered to the School Board), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, Release, threat of Release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Facilities or Facility Sites, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened,

settlement reached (five (5) Business Days' prior notice of which the Corporation, the Trustee or the Credit Facility Issuer, as appropriate, shall have delivered to the School Board) or governmental order relating to Hazardous Materials on, from or beneath any of the Facilities or Facility Sites, (iv) any violation of Environmental Regulations or subsection (a) or (b) hereof by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the School Board is strictly liable under any Environmental Regulation, its obligation to the Corporation, the Trustee and the Credit Facility Issuer and the other indemnitees under the foregoing indemnification shall likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The School Board's obligations and liabilities under this Section 5.13(c) shall survive the termination of this Master Lease.

(d) The School Board shall conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and shall maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

SECTION 5.14. Prosecution and Defense of Suits.

(a) The School Board shall promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to any Facility Site or Facilities comprising a Project, or any portion thereof, and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall, to the extent permitted and limited by applicable law and only from moneys legally available for such purpose, indemnify or cause to be indemnified the Corporation for all loss, cost, damage and expense, which the Corporation may incur by reason of any such defect, cloud, suit, action or proceedings.

(b) The School Board shall defend, or cause to be defended against every suit, action or proceeding at any time brought against the Corporation, or its directors, officers and employees upon any claim arising out of the receipt, application or disbursement of any moneys held by the Trustee or arising out of the construction of Facilities comprising any Project and involving the rights of the Corporation, or its directors, officers and employees under this Master Lease or any act or omission of the directors, officers and employees done or omitted to be done within the scope of their respective office or employment, other than an act or omission which is the result of misconduct or negligence by such parties; provided, that the Corporation, at its election, may appear in and defend any such suit, action or proceeding. To the

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ARTICLE VI. TITLE

SECTION 6.1. Title to Facility Sites and Facilities. Throughout the term of each Ground Lease, fee title to the Facility Sites described therein shall be in the name of the School Board, subject to Permitted Encumbrances. Until the earlier of the date on which payment in full, or provision for payment of all Lease Payments under a particular Lease or payment of the then applicable Purchase Option Price of one or more Facilities financed under such Lease, as provided in Sections 7.2 or 7.3 hereof, has been made, or until substitution of comparable Facilities for Facilities financed under a Lease as provided in Section 6.4 hereof, title to such Facilities shall remain vested in the Corporation (except as otherwise provided in the related Schedule), subject to Permitted Encumbrances. At such time as payment, or provision for payment as provided in Section 7.2 or 7.3 hereof, of all Lease Payments or the then applicable Purchase Option Price of one or more Facilities has been made in full, the School Board shall be deemed to have exercised an option to purchase such Facilities and fee simple title to such Facilities free and clear of all encumbrances, except Permitted Encumbrances, shall vest in the School Board. Upon substitution of other Facilities for Facilities financed under a Lease as herein provided, fee simple title to the Facilities for which substitution has been made, shall vest in the School Board free and clear of all encumbrances except Permitted Encumbrances. The Corporation hereby appoints the School Board as its agent to prepare and file or record in appropriate offices such documents as may be necessary to cause record title to such Facilities to vest in the School Board. The Corporation agrees to immediately execute a warranty deed for the Facilities and a written surrender and release and an assignment without recourse or warranty of all its right, title, and interest under the related Lease and Ground Lease to the School Board, or shall execute amendments to the Lease Schedule, if appropriate in the case of the purchase of portions of the Facilities financed under a Lease, as well as all other instruments necessary to vest good and marketable fee simple title to the Facilities in the School Board and relinquish the Corporation's interest therein, subject only to Permitted Encumbrances. The related Ground Lease shall then be terminated, or modified, as provided therein. The Corporation shall request the execution of such instruments by the Trustee as necessary to effect the conveyances described herein.

There shall be no merger of a Lease or of the leasehold estate thereby created in any Facilities or Facility Sites with the fee estate in such Facilities or Facility Sites by reason of the fact that the same person may acquire or hold, directly or indirectly, a Lease or leasehold estate therein created or any interest therein, and the fee estate in the Facilities or Facility Sites relating to such Lease or any interest in such fee estate.

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extent permitted and limited by applicable law and only from moneys legally available for such purpose, the School Board shall indemnify or cause to be indemnified the Corporation, against any and all claims, demands, costs or liability claimed or asserted by any person, arising out of such receipt, application or disbursement.

SECTION 5.15. Waiver of Laws. The School Board shall not at any time insist upon or plead in any manner whatsoever, or claim or suffer or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may adversely affect the covenants and agreements contained in this Master Lease and the benefit and advantage of any such law or laws is hereby expressly waived by the School Board to the extent that the School Board may legally make such waiver.

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If required by a Credit Facility Issuer the School Board shall provide one or more policies of title insurance naming the School Board, the Corporation and the Trustee as insureds, as their interests may appear, in amounts as required by such Credit Facility Issuer. Proceeds of any payment under a title insurance policy shall be paid to the Trustee and held for application (at the direction of the School Board prior to the occurrence of an Event of Default or a nonappropriation hereunder) first, to cure any defect in title, and second, in accordance with the priorities set forth in Section 504(a) of the Trust Agreement. The execution of each Ground Lease and each amendment thereto adding or modifying a Facility Site shall be subject to the approval of the related Credit Facility Issuer (no approval shall be required to add a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Ground Lease), if any, and at the time of such execution there shall be delivered by the School Board to the Trustee an Opinion of Counsel with respect to each Facility Site to the effect that there are no liens or encumbrances thereon that are not Permitted Encumbrances under the Master Lease, and that there shall be no merger of the fee estate of the School Board in the Facility Sites with the leasehold estates created therein by a Ground Lease or this Master Lease, notwithstanding the fact that the same person may hold one or more leasehold estates and such fee estate.

SECTION 6.2. Liens. Except as permitted under this Master Lease, during the Lease Term each of the Corporation and the School Board shall not, directly or indirectly, create, incur, assume or suffer to exist any security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein, other than the respective rights of the Trustee, the Corporation and the School Board as herein provided. If such security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein shall exist, it shall be the duty of the School Board, within ninety (90) days after the School Board shall have been given written notice of such security interest, pledge, lien, charge, encumbrance, or claim being filed, to cause the Facilities or Facility Sites to be released from such security interest, pledge, lien, charge, encumbrance, or claim either by payment or by posting of a bond or by the payment into a court of competent jurisdiction of the amount necessary to relieve and release the Facilities or Facility Sites from such security interest, pledge, lien, charge, encumbrance, or claim or in any other manner which, as a matter of law, will result within such period of ninety (90) days in releasing the Corporation and the title of the Corporation from such security interest, pledge, lien, charge, encumbrance or claim; provided, however, that if such security interest, pledge, lien, charge, encumbrance or claim cannot, with due diligence, be discharged or removed within such ninety (90) day period and the School Board has diligently commenced to discharge or remove such security interest, pledge,

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lien, charge, encumbrance or claim within such period, the School Board shall have a reasonable period of time to discharge or remove such security interest, pledge, lien, charge, encumbrance or claim. The School Board shall reimburse the Corporation or the Trustee for any expense incurred by the Corporation or the Trustee in order to discharge or remove any such security interest, pledge, lien, charge, encumbrance or claim, provided, however, that neither the Corporation nor the Trustee is under any obligation to incur such expense without having been provided, in advance, with any amounts needed to pay such expense.

SECTION 6.3. Use of the Facilities and Facility Sites. The School Board will not use, or maintain the Facilities or Facility Sites improperly, carelessly, in violation of any applicable law or in a manner contrary to their use as educational facilities as contemplated by this Master Lease. The School Board shall provide all permits and licenses, if any, necessary for the acquisition, construction and installation of the Facilities and Facility Sites. In addition, the School Board agrees to comply in all respects (including, without limitation, with respect to the use and maintenance of the Facilities and Facility Sites) with all applicable laws of the jurisdictions in which the Facilities and Facility Sites are located and with all applicable regulations, orders and decrees of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Facilities and Facility Sites; provided, however, that the School Board may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the interest or rights of the Corporation or the Trustee under this Master Lease.

SECTION 6.4. Substitution of Facilities. To the extent permitted by law, the School Board may substitute for any Facilities other facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of substantially equal utility as the Facilities to be replaced and meet the requirement of Section 5.9 hereof, (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved for substitution by the State Department of Education. To the extent that the facilities to be substituted serve a different educational function from the Facilities for which they are to be substituted, such substitution must also be approved by the Credit Facility Issuer, if any, for the Series of Certificates from which the Facilities to be replaced were originally financed. In order to effect such substitution, the Facilities to be replaced shall be released from the encumbrance of the related Lease and Ground Lease by appropriate instrument executed by the School Board and the Corporation (or Trustee as assignee of the Corporation) in form sufficient to leave good and marketable fee simple title to such Facilities in the School Board subject only to Permitted

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ARTICLE VII.

ASSIGNMENT, OPTION TO PURCHASE, AND PREPAYMENT

SECTION 7.1. Assignments; Subleasing.

(A) It is understood that substantially all right, title and interest of the Corporation in and to each Lease including the right to receive Basic Lease Payments thereunder, is to be assigned by the Corporation to the Trustee for the benefit of the holders of the Series of Certificates relating thereto, pursuant to the Assignment Agreement relating to such Lease. The School Board consents to such assignment and agrees that upon such assignment the Trustee shall have all of the rights of the Corporation thereunder, and shall be deemed to be the Corporation for all purposes of such Lease and the School Board agrees to pay to the Trustee at its principal corporate trust office all payments payable by the School Board to the Corporation pursuant to such Lease, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Lease or otherwise) that the School Board may from time to time have against the Corporation or any person or entity associated or affiliated therewith.

(B) This Master Lease and each Schedule hereto may not be assigned by the School Board for any reason. However, Facilities may be subleased, as a whole or in part, by the School Board, without the necessity of obtaining the consent of the Corporation or its assignee, subject, however, to each of the following conditions:

(i) Such Facilities may be subleased for educational or other purposes, in whole or in part, subject to the rules and regulations of the State Department of Education, only to an agency or department or political subdivision of the State, or to another entity or entities if, in the opinion of Special Tax Counsel, such sublease will not impair the exclusion from federal income tax of the designated interest component of Basic Lease Payments payable by the School Board under the Lease relating to such Facilities;

(ii) This Master Lease, and the obligations of the School Board hereunder and under each Schedule hereto, shall, at all times during each Lease Term, remain obligations of the School Board, and the School Board shall maintain its direct relationships with the Corporation and its assignee, notwithstanding any sublease;

(iii) The School Board shall furnish or cause to be furnished to the Corporation and its assignee a copy of any sublease agreement;

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Encumbrances, and the Facilities to be substituted shall likewise be incorporated in the appropriate Lease and Ground Lease modifications. The related Schedule shall be appropriately amended, and the related Ground Lease shall be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel addressed to the School Board, the Corporation, the Trustee and any Credit Facility Issuer as to the legality and validity of such substitution under the laws of the State and that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments paid to the related Certificate holders, a policy of title insurance (if required by the applicable Credit Facility Issuer) and an opinion of Counsel as described in Section 6.1 hereof with respect to the substitute Facility Site.

For purposes hereof, "fair market value" shall be determined on the basis of an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee.

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(iv) No sublease by the School Board shall cause the Facilities to be used for any purpose which would adversely affect the exclusion from federal income taxation of the designated interest component of the Basic Lease Payments payable by the School Board under the Lease relating to such Facilities, or which would violate the Constitution, statutes or laws of the State, or the rules and regulations of the State Department of Education; and

(v) The term of any sublease cannot extend beyond the end of the then current Lease Term, and shall be subject to immediate cancellation upon the occurrence of a nonappropriation or event of default hereunder.

SECTION 7.2. Prepayment.

(A) **Optional.** The principal portion of the Basic Lease Payments due under a particular Lease represented by a Series of Certificates shall be subject to prepayment at the option of the School Board, in the manner and at the times set forth in the Schedule to this Master Lease relating to such Series.

(B) **Extraordinary.** In the event that:

(a) there shall remain in the Acquisition Account relating to a particular Series of Certificates upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Facilities financed under a Lease relating to such Series of Certificates (including the failure of the School Board to acquire any component of such Facilities) an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, or

(b) there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to Facilities financed under a particular Lease, as a result of damage to or destruction or condemnation of any portion of such Facilities, and an election is made by the School Board in accordance with Section 5.4(b) hereof to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to such Facilities, or

(c) the Lease Term is terminated for the reasons referred to in Sections 4.1(b) or 4.1(c) hereof;

then, in each case, same shall constitute an "Event of Extraordinary Prepayment".

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Each Event of Extraordinary Prepayment shall result in the following action, respectively:

(i) With respect to (a) and (b) above, the Corporation and the School Board shall pay such remaining Acquisition Account monies and Net Proceeds to the Trustee, and the Trustee shall deposit such funds in the respective Prepayment Accounts applicable to each Series of Certificates relating to such Leases to be used to prepay such Series of Certificates in the manner provided in the Trust Agreement; and

(ii) With respect to (c) above, at the election of a Credit Facility Issuer the Purchase Option Price of all Facilities shall become immediately due and payable, and the Trustee shall credit the balance remaining in all Funds and Accounts for each Series of Certificates to the Prepayment Account for such Series, and upon receipt of the Purchase Option Price of all Facilities, shall deposit such moneys to the credit of the related Prepayment Account for the Series relating to each such Facility, to be used to prepay such Series of Certificates in the manner provided in the Trust Agreement.

In the event of prepayment in part under a particular Lease, the School Board will provide the Trustee a revised Schedule of Lease Payments reflecting said partial prepayment.

In the event of a payment in full of the Purchase Option Price of all Facilities financed hereunder, all covenants, agreements and other obligations of the School Board under this Master Lease shall cease, terminate and become void and be discharged and satisfied except as otherwise provided in Section 4.1(d) hereof. In such event the Trustee and the Corporation shall execute and deliver to the School Board all such instruments in recordable form at the School Board's expense as may be desirable to evidence such discharge and satisfaction.

SECTION 7.3. Prepayment Deposit. Notwithstanding any other provision of this Master Lease, the School Board may on any date secure the payment of all or a portion of the Purchase Option Price of all Facilities under a particular Schedule hereto and the related Series of Certificates, or with the prior consent of the Credit Facility Issuer, if any, for the Series of Certificates from which the Facilities in question were originally financed, the Purchase Option Price under a Schedule relating to all or a portion of one or more particular Facilities set forth on such Schedule and a corresponding amount of Certificates of the Series relating thereto, by a deposit with the Trustee as escrow holder under an escrow deposit agreement of amounts as set forth in Section 801 of the Trust Agreement.

In such event all covenants, agreements and other obligations of the School Board under the related Lease, or with respect to a

portion of the Purchase Option Price of all Facilities under such Lease, or with respect to one or more particular Facilities financed under such Lease, shall cease, terminate and become void and be discharged and satisfied in accordance with the provisions of Section 4.1(d) hereof (or, in the case of a deposit for a portion of a Facility, modified accordingly), except the obligation of the School Board to make or cause to be made, Basic Lease Payments and any Additional Lease Payments under such Lease from the deposit made by the School Board pursuant to this Section, and except as provided in Section 4.2(c) hereof. In such event, the Trustee shall provide statements for such period or periods as shall be requested by the School Board to be prepared and filed with the School Board and, upon the request of the School Board, the Corporation or the Trustee, as appropriate, shall execute and deliver to the School Board all such instruments in recordable form at the School Board's expense as may be desirable to evidence such discharge and satisfaction.

SECTION 7.4. Refunding Certificates. The Corporation shall direct the Trustee, when directed to do so by the School Board, to issue one or more Series of refunding Certificates under a Supplemental Trust Agreement for the purpose of providing for the payment of all or a portion of Outstanding Series of Certificates, the funding of a Reserve Account, if any, and the payment of the costs of issuance in connection with such Series of refunding Certificates. Simultaneously with the issuance and delivery of such Series of refunding Certificates the applicable proceeds thereof shall be deposited with the Trustee as escrow holder under an escrow deposit agreement in such amount as set forth in Section 801 of the Trust Agreement. Upon the deposit as aforesaid, the Trustee and the School Board shall enter into an amendment to the related Lease Schedule at the School Board's expense, in order to adjust the Lease Payments to be made under such Lease to an amount sufficient to pay, as and when the same mature and become due, the principal and interest portions of the Basic Lease Payments represented by the Series of refunding Certificates and by the original Series of Certificates to the extent that such Series has not been refunded (except to such extent as the same may be payable out of moneys or Government Obligations deposited pursuant to Section 7.3 hereof).

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ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. Events of Default Defined. The following shall be "events of default" under this Master Lease and the terms "event of default" and "default" shall mean, whenever they are used in this Master Lease, any one or more of the following events:

(a) Failure by the School Board to pay in full any Basic Lease Payment with respect to any Lease at the time and in the manner specified herein;

(b) Failure by the School Board to pay in full any Additional Lease Payment or Supplemental Payment with respect to any Lease at the time and in the manner specified herein, and such failure shall continue for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, if any, provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, if any, in writing that such default cannot with due diligence be cured within such thirty (30) day period and that the School Board has diligently commenced to cure such default within such period, the School Board shall have a reasonable period not exceeding sixty (60) days after written notice (unless further extended by the Credit Facility Issuer, or if there be none, the Trustee) to cure such default;

(c) Failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in Section 8.1(a) or (b) for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, or any representation of the School Board in this Lease Purchase Agreement shall have been untrue when made; provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, in writing that such default cannot with due diligence be cured within such sixty (60) day period and that the School Board has diligently commenced to cure such default within such period, the School Board shall have a reasonable period to cure such default; or

(d) the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding by or against the School Board under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in

effect, and, in the case of involuntary proceedings, the failure of the same to be dismissed within one hundred eighty (180) days of the filing thereof.

If by reason of force majeure the School Board is unable in whole or in part to carry out the agreements on its part herein contained, other than the obligations on the part of the School Board contained in Article III hereof, the School Board shall not be deemed in default during the continuance of such inability. The Term "force majeure" as used herein shall mean, without limitation, the following: acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies, orders or restraints of any kind of the government of the United States of America or any of its departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; hurricanes; fires; storms; droughts; floods; or explosions.

Notwithstanding anything contained in this Section 8.1 to the contrary, a failure by the School Board to pay when due any payment required to be made under this Master Lease and any Schedule hereto or a failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Master Lease, resulting from a failure by the School Board to appropriate moneys as contemplated by Sections 3.5 and 5.11 hereof, shall not constitute an event of default under this Section 8.1.

SECTION 8.2. Remedies on Default. Whenever any event of default referred to in Section 8.1 shall have happened and be continuing, the Corporation shall have the right, without any further demand or notice except as hereinafter provided, to take one or any combination of the following remedial steps:

(1) upon written notice to the School Board, terminate the Lease Term of all Leases and, whether or not the Lease Term is terminated, exercise all available remedies at law or in equity as described in Section 3.6 hereof; or

(2) take whatever action at law or in equity as may appear necessary or desirable to collect all Lease Payments or other payments then due and thereafter to become due for the remainder of the then current Lease Term, or the Purchase Option Price then due, or to enforce performance and observance of any obligation, agreement or covenant of the School Board under this Master Lease.

SECTION 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Master Lease or now or hereafter existing at law or in equity, subject to any limitations set forth in Section 3.6 hereof.

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ARTICLE IX.

MISCELLANEOUS

SECTION 9.1. Notices. All notices, certificates, requests or other communications (other than payments by the School Board) hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or three (3) Business Days after being mailed by first class mail, postage prepaid, to the parties at their respective places of business as follows (or to such other address as shall be designated by any party in writing to all other parties):

- Corporation: 3340 Forest Hill Boulevard West Palm Beach, Florida 33406 Attention: President
School Board: 3340 Forest Hill Boulevard West Palm Beach, Florida 33406 Attention: Superintendent of Schools
Trustee: One Financial Plaza, 13th Floor Fort Lauderdale, Florida 33394 Attention: Corporate Trust Department

Copies of any notices shall be provided to all Credit Facility Issuers at the addresses provided in one or more Schedules.

Notice shall also be given by the School Board to the Rating Agencies of the occurrence of any one or more of the following: (i) the appointment of a Successor Trustee, (ii) the expiration or termination of a Credit Facility, (iii) the prepayment or defeasance of any of the Outstanding Certificates in accordance with Section 801 or 802 of the Trust Agreement or (iv) a material modification of or amendment to the Trust Agreement, this Master Lease, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility.

SECTION 9.2. Binding Effect. This Master Lease shall inure to the benefit of and shall be binding upon the Corporation and the School Board and their respective successors and assigns, including without limitation the Trustee pursuant to the Assignment Agreement.

SECTION 9.3. Severability. In the event any provision of this Master Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 9.4. Amendments. The terms of this Master Lease and any Lease Schedule shall not be waived, altered, modified, supple-

mented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee, and consented to by each Credit Facility Issuer. Copies of amendments shall be provided to the Rating Agencies. Notwithstanding the foregoing, a Lease Schedule may be amended without obtaining the consent of the Credit Facility Issuer for the purpose of adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Lease Schedule.

SECTION 9.5. Execution in Counterparts. This Master Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.6. Captions. The captions or headings in this Master Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Master Lease.

SECTION 9.7. Interest. All interest calculations hereunder shall be made on the basis of a 360-day year consisting of twelve 30-day months (unless otherwise provided with respect to Additional Lease Payments on a Schedule hereto).

SECTION 9.8. Compliance with Trust Agreement. The School Board hereby approves and agrees to the provisions of the Trust Agreement. The Corporation hereby agrees not to amend or modify the Trust Agreement in any way without the written consent of the School Board so long as this Master Lease shall be in effect. The School Board agrees to do all things within its power in order to enable the Corporation to comply with all requirements and to fulfill all covenants of the Trust Agreement which require the Corporation to comply with requests or obligations so that the Corporation will not be in default in the performance of any covenant, condition, agreement or provision of the Trust Agreement, and the School Board further agrees to comply with and perform any obligations to be complied with or performed by the School Board pursuant to the Trust Agreement.

SECTION 9.9. Memorandum of Lease. Simultaneously with the execution of this Master Lease and each Schedule hereto, and thereafter simultaneously with the execution of any Schedule, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to the Master Lease and such Schedule. Said Memorandum of Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of such instrument.

SECTION 9.10. Applicable Law. This Master Lease shall be governed by and construed in accordance with the laws of the State of Florida.

SECTION 9.11. Waiver of Choice of Remedies. The School Board hereby waives any right it may have to cause the Corporation to choose any remedy and pursue such remedy to fruition, and agrees and consents that the Corporation may simultaneously and contemporaneously pursue two or more of the several remedies available to the Corporation, all of which are agreed to be concurrent and not alternative in any way, to the end that the Corporation may exercise any self help remedy under this Master Lease as to any Lease and may file and pursue to final judgment and final collection, actions (i) to eject the School Board and reclaim possession of any and all of the Projects, and (ii) against the School Board for money damages and (iii) against the School Board for performance of any covenants, all at the same time, in any combination, in one action and in several actions, and any of them, all at the Corporation's sole discretion, provided only that the Corporation may not ultimately recover more than the total amount provided herein plus such expenses and reimbursements as provided herein for preserving, maintaining and realizing on this Master Lease and the Leases.

IN WITNESS WHEREOF, the Corporation has caused this Master Lease to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Master Lease to be executed in its name by its duly authorized members and officers on the date set forth below their respective signatures and all as of the day and year first written above.

[SRAL] By: C. Monica Uhlhorn Secretary

PALM BEACH SCHOOL BOARD LEASING CORP. By: Jody Gleason Vice President

Date: November 16, 1994

Date: November 16, 1994

[SRAL] By: C. Monica Uhlhorn Secretary

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA By: Jody Gleason Vice Chairman

Date: November 16, 1994

Date: November 16, 1994

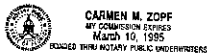
STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Carmen M. Zopf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 15th day of November, 1994.

Carmen M. Zopf
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or Type as Commissioned)
 Personally known to me, or
 Produced identification: Ma. Gleason
(Type of Identification Produced)
 DID take an oath, or DID NOT take an oath.

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EXHIBIT A

FORM OF SCHEDULE TO MASTER LEASE
PURCHASE AGREEMENT

SCHEDULE NO. _____
dated _____ to _____

Master Lease Purchase Agreement dated as of
November 1, 1994 between
Palm Beach School Board Leasing Corp.,
as Lessor (the "Corporation")

and

The School Board of Palm Beach County, Florida
as Lessee (the "School Board")

THIS SCHEDULE NO. (the "Schedule") is hereby entered into under and pursuant to that certain Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), pursuant to which the Corporation has agreed to lease-purchase unto the School Board and the School Board has agreed to lease-purchase from the Corporation, subject to the terms and conditions of the Master Lease incorporated herein, the Series _____ Facilities herein described (the "Series _____ Facilities"). The Master Lease with respect to this Schedule and as amended, modified and supplemented hereby, is referred to herein as the "Series _____ Lease". All terms not otherwise defined herein shall have the respective meanings set forth in the Master Lease, or in the Trust Agreement, including the Series _____ Supplemental Trust Agreement. All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

SECTION 1. Definitions. For purposes of the Series _____ Lease the following terms have the meaning set forth below.

"Assignment Agreement" shall mean the Series _____ Assignment Agreement dated as of _____, _____, between the Corporation and the Trustee.

"Certificates" or Series of "Certificates" shall mean the \$ _____ Certificates of Participation, Series _____ dated as of _____ issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Commencement Date" for the Series _____ Lease is _____.

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Carmen M. Zopf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice Chairman and Secretary, respectively of THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 15th day of November, 1994.

Carmen M. Zopf
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or Type as Commissioned)
 Personally known to me, or
 Produced identification: Ma. Gleason
(Type of Identification Produced)
 DID take an oath, or DID NOT take an oath.

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"Series _____ Credit Facility" shall mean _____

"Series _____ Credit Facility Issuer" shall mean _____

"Series _____ Facilities" shall mean the Facilities described in this Schedule No. _____.

"Series _____ Facility Sites" shall mean the Facility Sites described in this Schedule No. _____, to be ground leased by the School Board to the Corporation, as the same may be amended or supplemented from time to time.

"Series _____ Ground Lease" shall mean the Series _____ Ground Lease dated as of _____, _____ between the School Board as Lessor and the Corporation as Lessee, as amended or supplemented from time to time.

"Series _____ Supplemental Trust Agreement" shall mean the Series _____ Supplemental Trust Agreement dated as of _____, _____ between the Corporation and the Trustee.

SECTION 2. Lease Term. The total of all Lease Terms of the Lease are expected to be approximately _____ years consisting of an "Original Term" of approximately _____ (____) months from _____, through and including June 30, _____ and _____ (____) Renewal Terms of twelve (12) months, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, _____, and ending on June 30, _____. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.

SECTION 3. Series _____ Facilities to be Lease Purchased. The Series _____ Facilities to be leased purchased under the Series _____ Lease are described as follows:

A. General Description of the Series _____ Facilities to be Lease Purchased:

B. Estimated Costs of the Series _____ Facilities:

Facility	Site	Planning	Construction	Project Cost
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SECTION 4. Series _____ Facility Site(s) to be Ground Leased to the Corporation and Permitted Encumbrances. The legal description of the Series _____ Facility Site(s) to be Ground Leased to the Corporation and Permitted Encumbrances in addition to those specified in the Master Lease is (are) as follows:

SECTION 5. Application of Certain Proceeds of Series _____ Certificates. The Trustee shall deposit the following sums in the following accounts from the proceeds of the Series _____ Certificates:

Amount	Account
\$ _____	Series _____ Acquisition Account
\$ _____	Series _____ Cost of Issuance Subaccount
\$ _____	Series _____ Reserve Account
\$ _____*	Series _____ Lease Payment Account

*Represents accrued interest.

SECTION 6. Basic Lease Payments. The principal portion and the interest portion of the Basic Lease Payments, the Payment Dates and the Remaining Principal Portion with respect to the Series _____ Facilities to be lease purchased and the Series _____ Certificates attributable to such Facilities are set forth below. If, upon delivery of the Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series _____ Facilities, or if the School Board determines not to acquire one or more components of the Series _____ Facilities, it is determined that the cost of, and consequently the actual amount of Basic Lease Payments for a Series _____ Facility is different from the amount set forth herein at closing, this Section shall be revised as necessary to reflect the adjusted Schedule of Basic Lease Payments for all Series _____ Facilities to be lease purchased, and for each individual Series _____ Facility or group of Series _____ Facilities to be lease purchased.

The interest portion of the Basic Lease Payments represented by the Series _____ Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 215.84, Florida Statutes, since the Series _____ Certificates are rated within the three highest rating categories by a nationally recognized rating service.

SERIES _____ FACILITIES (COMPOSITE)

PAYMENT DATE	BASIC LEASE PAYMENT	PRINCIPAL PORTION	INTEREST PORTION	REMAINING PRINCIPAL PORTION
--------------	---------------------	-------------------	------------------	-----------------------------

Provide Basic Lease Payment Schedule for each Facility or group of Facilities financed hereunder]

SECTION 7. Additional Lease Payments. Additional Lease Payments with respect to the Series _____ Certificates consist of the following:

1. Trustee Fees:
2. Trustee Expenses:

SECTION 8. Prepayment Provisions. In addition to (or in lieu of) the prepayment provisions of Section 7.2 of the Master Lease, the principal portion of the Basic Lease Payments due as provided in Section 6 of this Schedule are subject to the following prepayment provisions:

- A. Optional Prepayment
- B. Extraordinary Prepayment

SECTION 9. Other Special Provisions.

A. The School Board hereby confirms its representations, covenants and warranties set forth in Section 2.10 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule No. _____, and except as otherwise provided below. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule No. _____, and except as otherwise provided below.

EXHIBIT B

SCHOOL BOARD'S CERTIFICATE

I, the undersigned Chairperson of the School Board of Palm Beach County, Florida (the "School Board"), do hereby certify pursuant to the terms of the Master Lease Purchase Agreement between the School Board and Palm Beach School Board Leasing Corp. (the "Corporation") dated as of November 1, 1994 and Schedule No. _____ thereto dated _____ (collectively, the "Lease"), as follows:

1. The School Board has, as agent for the Corporation, acquired the Series _____ Facilities described in Schedule No. _____
2. Such Series _____ Facilities meet the School Board's specifications therefor, and have been acquired to the School Board's satisfaction. This certificate constitutes the acceptance certificate for such Series _____ Facilities required by Section 2.3 of the Master Lease and SECTION 402 of the Master Trust Agreement dated as of November 1, 1994 between the Corporation and _____ Florida, as Trustee.
3. The actual cost of such Series _____ Facilities is as follows:
4. The Completion Date for such Series _____ Facilities is:
5. Terms defined in the Master Lease and Schedule No. _____ thereto and used in this certificate have the same meanings in this certificate as are ascribed to such terms in the Master Lease and Schedule No. _____ thereto.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: _____
Name: _____
Title: Chairperson
Date: _____

PALM BEACH SCHOOL BOARD LEASING CORP.

By: _____
Name: _____
Title: President
Date: _____

B. Notices. Copies of all matters required to be given to a Credit Facility Issuer pursuant to the Master Lease shall be given to the Series _____ Credit Facility Issuer at the following address:

IN WITNESS WHEREOF, the Corporation has caused this Schedule No. _____ to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule No. _____ to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all of the day and year first written above.

[SEAL] PALM BEACH SCHOOL BOARD LEASING CORP.
Attest:
By: _____

[SEAL] THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
Attest:
By: _____

AMENDED AND RESTATED SCHEDULE 2007B
dated as of March 1, 2007
As Amended and Restated as of April 1, 2008
As Further Amended and Restated as of July 1, 2011
to the
Master Lease Purchase Agreement dated as of
November 1, 1994

Among

The Bank of New York Mellon Trust Company, N.A.
(successor in interest to NationsBank of Florida, N.A.)
as Trustee and Assignee of
Palm Beach School Board Leasing Corp., as Lessor
(the "Trustee")

and

Palm Beach School Board Leasing Corp.
(the "Corporation")

and

The School Board of Palm Beach County, Florida, as Lessee
(the "School Board")

THIS AMENDED AND RESTATED SCHEDULE 2007B is hereby entered into as of March 1, 2007, as amended and restated as of April 1, 2008 and as further amended and restated as of July 1, 2011 (the "Schedule"), under and pursuant to that certain Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease") pursuant to which the Corporation has agreed to lease purchase unto the School Board and the School Board has agreed to lease purchase from the Corporation, subject to the terms and conditions of the Master Lease incorporated herein, the Series 2007B Facilities herein described. The Trustee, as Assignee of the Corporation, hereby demises, leases and subleases to the School Board, and the School Board hereby hires, takes, leases and subleases from the Trustee, the Series 2007B Facilities and the Series 2007B Facility Sites described herein, together with the rights described in clauses (i), (ii) and (iii) of Section 1 in the Series 2007B Ground Lease (hereinafter defined). The Master Lease with respect to this Schedule and as modified and supplemented hereby, is referred to herein as the "Series 2007B Lease"). All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

Section 1. Definitions. For purposes of the Series 2007B Lease the following terms have the meaning set forth below. All terms used herein and not otherwise defined herein shall have the meanings given to them in the Master Lease or the Trust Agreement, including the Series 2011A Supplemental Trust Agreement, as appropriate.

“Commencement Date” for the Series 2007B Lease is the March 22, 2007.

“Lease Payment Dates” shall mean, with respect to the Series 2007B Lease, (a) as to the principal portion of Basic Lease Payments, each June 30, commencing June 30, 2019, and (b) as to Series 2011A Interest, (i) determined at a Daily Rate, a Weekly Rate, or an Index Floating Rate, two (2) Business Days prior to each applicable Interest Payment Date; (ii) determined at a Short-Term Rate or Rates in a Certificate Interest Term, five (5) Business Days prior to each respective Interest Payment Date related to such rate or rates; (iii) determined at a Long-Term Rate, each June 30 and December 30, commencing on December 30, 2011, and after a Conversion commencing with the June 30 or December 30 next preceding the initial Interest Payment Date specified by the School Board in accordance with Section 202(d)(ii)(A) of the Series 2011A Supplemental Trust Agreement; (iv) determined at an Auction Rate, two (2) Business Days prior to each ARS Interest Payment Date; (v) for Provider Certificates, each date on which interest on the Provider Certificates is due and payable in accordance with the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Liquidity Provider; and (vi) for any Series 2011A Certificate which is to be prepaid (other than by mandatory sinking fund prepayment), five (5) Business Days prior to the Prepayment Date.

“Series 2007B Facilities” shall mean the Facilities described in this Schedule 2007B, as this Schedule 2007B may be amended or supplemented from time to time.

“Series 2007B Facility Sites” shall mean the Facility Sites described in this Schedule 2007B to be ground leased by the School Board to the Corporation, as the same may be amended or supplemented from time to time.

“Series 2011A Supplemental Trust Agreement” means the Series 2011A Supplemental Trust Agreement dated as of July 1, 2011, between the Corporation and the Trustee, pursuant to which the Series 2011A Certificates are issued.

Section 2. Lease Term. The total of all Lease Terms of the Series 2007B Lease is expected to be approximately twenty-five (25) years and five (5) months consisting of an “Original Term” of approximately four (4) months from the Commencement Date through and including June 30, 2007, and twenty-four (24) Renewal Terms of twelve (12) months, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2007 and ending June 30, 2032, and the last Renewal Term of approximately one (1) month from July 1, 2032 through and including August 1, 2032, provided that on such date no Series 2011A Certificates are “Outstanding” under the Trust Agreement. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article II of the Master Lease.

Section 3. Series 2007B Facilities Lease Purchased. A general description and the estimated costs of the Series 2007B Facilities lease-purchased under the Series 2007B Lease are described in Exhibit A hereto. The School Board reserves the right to substitute other facilities for the facilities set forth herein, in accordance with the requirements of the Master Lease.

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2011A Interest may be converted to a Daily Rate, Certificate Interest Term Rate, Long-Term Rate, Weekly Rate, Index Floating Rate or an Auction Rate.

(c) The interest portion of the Basic Lease Payments represented by the Series 2011A Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 215.84, Florida Statutes, since the Series 2011A Certificates are rated within the three highest rating categories by a nationally recognized rating service.

Section 7. Additional Lease Payments. Additional Lease Payments with respect to the Series 2007B Lease consist of the following amounts to be paid with respect to the Series 2007B Lease, except as otherwise provided herein, by the School Board on the following dates:

1. Trustee Fees: Acceptance Fee of \$1,000. Annual fee \$4,000, payable annually in advance.
2. Trustee Expenses: Expenses to be billed at cost. Legal fee and expenses for Trustee counsel at closing of \$4,500.
3. Liquidity Provider Fee: While a Liquidity Facility credit enhances any Series 2011A Certificates, the fees and expenses set forth in an agreement with the provider of such Liquidity Facility.
4. Remarketing Agent Fee: During any period in which a Remarketing Agent is acting under the Trust Agreement, the fees and expenses set forth in an agreement with such Remarketing Agent.
5. Hedge Agreement Payment: Any payment due pursuant to any Hedge Agreement; provided that payments due under a Hedge Agreement in the nature of a termination payment or settlement amount shall be paid only on scheduled Lease Payment Dates and only after Basic Lease Payments have been paid or provided for.
6. Hedge Agreement Insurer Fee: Any premium owed to the insurer of any obligation under a Hedge Agreement.
7. Auction Agent Fee: During any period in which any Series 2011A Interest is determined at an Auction Rate, the fee payable to the Auction Agent.
8. Broker-Dealer Fee: During any period in which any Series 2011A Interest is determined at an Auction Rate, the fee payable to the Broker-Dealers.

The School Board shall pay to the Trustee on or prior to the second Business Day preceding each ARS Interest Payment Date, the Broker-Dealer Fee and the Auction Agent Fee, to be disbursed on the ARS Interest Payment Date by the Trustee to the Auction Agent.

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Section 4. Series 2007B Facility Sites Ground Leased to the Corporation and Permitted Encumbrances. The legal descriptions of the Series 2007B Facility Sites ground leased to the Corporation and Permitted Encumbrances (in addition to those specified in the Master Lease) are set forth in Exhibit B hereto. Substitutions may be made in accordance with the requirements of the Master Lease and the Series 2007B Ground Lease.

Section 5. Application of Certain Proceeds of Series 2011A Certificates. Pursuant to the provisions of Section 402 of the Series 2011A Supplemental Trust Agreement the Trustee will deposit the following sums attributable to the Series 2007B Facilities lease purchased hereunder in the following accounts from the proceeds of the Series 2011A Certificates:

Amount	Account
\$312,284.60	Series 2011A Cost of Issuance Account
\$119,127,862.99	Escrow Deposit Trust Fund

Section 6. Basic Lease Payments. (a) The principal portion and the interest portion of the Basic Lease Payments, the Lease Payment Dates (December 30 and June 30) and the remaining principal portion with respect to the Series 2007B Facilities lease purchased and the Series 2011A Certificates attributable to such Facilities are set forth in Exhibit C hereto. The Composite Schedule of Basic Lease Payments set forth in Exhibit C hereto shall be no less than the principal and interest payments represented by the Series 2011A Certificates and shall only be amended in the event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by the Series 2011A Certificates pursuant to Section 7.2 or 7.3 of the Master Lease and prepayment or defeasance of Series 2011A Certificates pursuant to Section 201 of the 2011A Supplemental Trust Agreement or Section 801 of the Master Trust Agreement or a change to the mandatory sinking fund prepayments in accordance with Section 302 of the Series 2011A Supplemental Trust Agreement in connection with a change in the method of calculation of the Series 2011A Interest.

(b) The Series 2011A Interest shall be payable on the dates set forth in part (b) of the definition of Lease Payment Dates, as applicable for the Interest Rate Period or Periods then in effect. The amount of the Series 2011A Interest due on each Lease Payment Date shall be the actual interest accruing on the Series 2011A Principal during an Auction Period or portion thereof with respect to ARS and with respect to all other Interest Rate Periods, during the period commencing on the applicable Interest Accrual Date and ending on the day preceding the next applicable Interest Payment Date, calculated at the applicable rate or rates then in effect determined in accordance with the Series 2011A Supplemental Trust Agreement or as provided in the Series 2011A Supplemental Trust Agreement with respect to Provider Certificates. Unless and until converted to one or more different Interest Rate Periods, the Series 2011A Interest shall be calculated at Long-Term Rates as determined in accordance with Section 202(d) of the Series 2011A Supplemental Trust Agreement. At the election of the School Board in accordance with the provisions of the Series 2011A Supplemental Trust Agreement, the calculation of the Series

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Section 8. Prepayment Provisions. In lieu of the prepayment provisions of Section 7.2 of the Master Lease, the principal portion of the Basic Lease Payments due as provided in Section 6 of this Schedule 2007B is subject to the following prepayment provisions:

(i) *Daily Rate or Weekly Rate.* During any period in which Series 2011A Interest is determined at a Daily Rate or Weekly Rate, the Series 2011A Principal is subject to optional prepayment at any time upon request of the School Board in whole or in part in such amounts and from such due dates as the School Board shall direct, at a price equal to the Series 2011A Principal to be prepaid, without premium, plus the Series 2011A Interest accrued with respect to such prepaid principal portion to the Prepayment Date.

(ii) *Certificate Interest Term Rate.* During any period in which Series 2011A Interest is determined at a Certificate Interest Term Rate or Rates, the Series 2011A Principal is subject to optional prepayment upon request of the School Board on the day succeeding the last day of any Certificate Interest Term in the amount of the Series 2011A Principal represented by Series 2011A Certificates subject to the related Certificate Interest Term Rate to be prepaid at a price equal to the Series 2011A Principal to be prepaid, without premium, plus the Series 2011A Interest accrued with respect to such prepaid principal portion to the Prepayment Date.

(iii) *Long-Term Rate.*

(a) Series 2011A Principal determined at a Long-Term Rate and represented by Series 2011A Certificates maturing on August 1, 2032, is not subject to optional prepayment during the initial Long-Term Rate Period; provided, however, Series 2011A Principal represented by Series 2011A Certificates maturing on August 1, 2032, is subject to optional prepayment prior to its stated maturity upon request of the School Board in whole or in part on the day succeeding the last day of such initial Long-Term Rate Period at a Prepayment Price equal to the Series 2011A Principal represented by the Series 2011A Certificates to be prepaid, without premium, plus the Series 2011A Interest represented by the Series 2011A Certificates to be prepaid accrued to the Prepayment Date.

(b) Series 2011A Principal determined at a Long-Term Rate and represented by Series 2011A Certificates maturing on August 1, in the years 2022 through and including 2025, is subject to optional prepayment on or after August 1, 2021, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series 2007B Lease in whole or in part at any time, and if in part, in such order of the due dates of the principal portion of the Basic Lease Payments as shall be designated by the School Board to be prepaid, at the Prepayment Price equal to the principal portion of Basic Lease Payments represented by the Series 2011A Certificates or portions thereof to be prepaid, plus the interest accrued to the Prepayment Date.

(c) Except as otherwise provided in subsections (a) and (b) above, during any period in which Series 2011A Principal is determined at a Long-Term Rate, the Series 2011A Principal is subject to optional prepayment upon request of the School Board in whole or in part (i) on the day succeeding the last day of any Long-Term Rate Period, at a Prepayment Price equal to the Series 2011A Principal to be prepaid, without premium, plus the Series 2011A Interest accrued with respect to the prepaid principal portion to the Prepayment Date, and (ii) at the times and at the prices set forth below, and in such amounts and of such maturities (treating

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sinking fund prepayment dates as maturities for such purpose) as the School Board may direct, plus the Series 2011A Interest accrued with respect to such prepaid Series 2011A Principal to the Prepayment Date:

Years from Conversion Date until end of Long-Term Rate Period	First Day of Prepayment Period	Prepayment Price
More than fifteen	Tenth anniversary of Conversion Date	101% declining by 1% on the next anniversary after the tenth anniversary of the Conversion Date and thereafter at 100%
More than ten but not more than fifteen	Seventh anniversary of Conversion Date	101% declining by 1% on the next anniversary after the seventh anniversary of the Conversion Date and thereafter at 100%
More than seven but not more than ten	Fifth anniversary of Conversion Date	101% declining by 1% on the next anniversary after the fifth anniversary of the Conversion Date and thereafter at 100%
More than four but not more than seven	Third anniversary of Conversion Date	101% declining by 1% on the next anniversary after the third anniversary of the Conversion Date and thereafter at 100%
Four or fewer	Not Callable	N.A.

Notwithstanding any provision in the Series 2007B Lease, this Schedule 2007B may be amended as of a Conversion Date upon the request of the School Board, to change the prepayment provisions applicable during a Long-Term Rate Period to such prepayment provisions as are recommended by the Remarketing Agent as conforming to then current market practices and acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee.

(iv) *Auction Rate.* Series 2011A Principal represented by ARS is subject to prepayment at the option of the School Board, on any ARS Interest Payment Date, as a whole or in part in an Authorized Denomination, at a Prepayment Price equal to the Series 2011A Principal represented thereby, without premium, plus the accrued Series 2011A Interest represented thereby to the Prepayment Date.

(v) *Delayed Remarketing.* During any period in which Series 2011A Principal is calculated at the applicable interest rate for Delayed Remarketing Certificates, such Series 2011A Principal is subject to optional prepayment upon request of the School Board in whole or in part on any Business Day at a Prepayment Price equal to the Series 2011A Principal

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Trust Agreement as if it were proceeding under Section 602 of the Master Trust Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount in Outstanding Series 2011A Certificates, shall) or any Holder of the Series 2011A Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the School Board to comply with its obligations under this Section 9.C. For purposes of this Section, "Beneficial Owner" means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2011A Certificates (including persons holding Series 2011A Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2011A Certificates for federal income tax purposes.

D. Section 3.2(b) of the Master Lease. For purposes of the Series 2007B Lease, Section 3.2(b) of the Master Lease shall read as follows:

(b) Upon the completion of acquisition and construction of the Facilities financed under a particular Lease and payment of all Costs of such Facilities or upon the termination of the Lease Term of a particular Lease pursuant to Section 4.1 hereof, the amounts, if any, on deposit in the Acquisition Account for the related Series of Certificates shall be transferred to the Lease Payment Account for such Series, to be applied to Basic Lease Payments next coming due under the Lease; provided, however, that if, upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Facilities financed under a particular Lease (including the failure of the School Board to acquire any component of such Facilities), there shall remain in the related Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, such amount shall be retained in the Acquisition Account for the Series of Certificates relating to such Facilities and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the related Lease as fully as if they were the originally leased Facilities; provided, however, at the direction of the School Board, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due.

E. Section 3.2(c) of the Master Lease. For purposes of the Series 2007B Lease, Section 3.2(c) of the Master Lease shall read as follows:

(c) There shall be deposited in the Lease Payment Account or the Acquisition Account for a Series of Certificates, Net Proceeds realized in the event of damage, destruction or condemnation to be applied to Basic Lease Payments or the costs of Facilities under the related Lease, respectively, in accordance with Section 5.4(b) of the Master Lease.

F. Section 5.4(b) of the Master Lease. For purposes of the Series 2007B Lease, Section 5.4(b) of the Master Lease shall read as follows:

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represented thereby, without premium, plus the Series 2011A Interest represented thereby accrued to the Prepayment Date.

(vi) *Index Floating Rate.* During any period in which Series 2011A Principal is determined at an Index Floating Rate, the Series 2011A Principal is subject to optional prepayment upon request of the School Board in whole or in part on the day succeeding the last day of any Index Floating Rate Period at a price equal to the Series 2011A Principal represented thereby, without premium, plus the Series 2011A Interest represented thereby accrued to the Prepayment Date.

B. Extraordinary Prepayment

The extraordinary prepayment provisions set forth in Section 7.2(B) and Section 5.4(b) of the Master Lease shall not apply to the Series 2007B Lease.

Section 9. Other Special Provisions.

A. Representations.

(i) The School Board hereby confirms its representations, covenants and warranties set forth in Section 2.10 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2007B and all references therein to the Facilities shall include the Series 2007B Facilities, and except as otherwise provided below. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2007B and all references therein to the Facilities shall include the Series 2007B Facilities, and except as otherwise provided below.

(ii) The Corporation hereby represents that the Master Lease is in effect and that to its knowledge there are no defaults on the date of execution of this Schedule 2007B under any Lease, Ground Lease or the Trust Agreement.

(iii) The School Board hereby represents, covenants and warrants that adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the Series 2007B Facility Sites, or the cost of making them available is included in the School Board's acquisition and construction budget for the Series 2007B Facility Sites.

B. Reserved

C. Continuing Disclosure. The School Board hereby covenants and agrees to comply with the terms and provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Series 2007B Lease, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, provided it has been satisfactorily indemnified in accordance with Section 602 of the Master

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(b) **Option B - Deposit to Lease Payment Account or Acquisition Account.**

Provided, however, if the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Facilities as damaged, destroyed or condemned, then the School Board shall not be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are (i) less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities and (ii) equal to or less than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, then such Net Proceeds may, at the option of the School Board, (x) be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) hereof or (y) deposited in the Acquisition Account for the Series of Certificates relating to such Facilities and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the related Lease as fully as if they were the originally leased Facilities. If the Net Proceeds are (i) equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities or (ii) greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, then the Net Proceeds shall be deposited in the Acquisition Account for the Series of Certificates relating to such Facilities and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the related Lease as fully as if they were the originally leased Facilities; provided, however, at the direction of the School Board, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) hereof.

G. Section 6.4 of the Master Lease. For purposes of the Series 2007B Lease, Section 6.4 of the Master Lease shall read as follows:

SECTION 6.4. Substitution of Facilities.

To the extent permitted by law, on or after the Completion Date the School Board may substitute for any Facilities other facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of substantially equal utility as the Facilities to be replaced and meet the requirement of Section 5.9 hereof, (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved by the State Department of Education. In addition, to the extent permitted by law, prior to the Completion Date the School Board may release and/or substitute for any Facilities to be acquired, constructed and installed under a particular Schedule other facilities to be acquired, constructed and installed, provided that (1) any substituted facilities satisfy the requirements of clauses (a), (c), (d) and (e) above

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and (2) following such substitution and/or release, the sum of (x) with respect to Facilities for which a Certificate of Acceptance has not been delivered, the Cost of the acquisition, construction and installation of the Facilities plus (y) with respect to Facilities for which a Certificate of Acceptance has been delivered, the fair market value of the Facilities, financed under the Schedule from which the Facilities are to be substituted and/or released is greater than or equal to the remaining principal portion of Basic Lease Payments due under such Schedule. In order to effect such substitution, the Facilities to be replaced shall be released from the encumbrance of the related Lease and Ground Lease by appropriate instrument executed by the School Board and the Corporation (or Trustee as assignee of the Corporation) in form sufficient to leave good and marketable fee simple title to such Facilities in the School Board subject only to Permitted Encumbrances, and the Facilities to be substituted shall likewise be incorporated in the appropriate Lease and Ground Lease modifications. The related Schedule shall be appropriately amended, and the related Ground Lease shall be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel as described in Section 6.1 hereof with respect to the substitute Facility Site.

For purposes hereof, "fair market value" shall be determined on the basis of an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee.

H. Section 9.4 of the Master Lease. For purposes of the Series 2007B Lease, Section 9.4 of the Master Lease shall read as follows:

SECTION 9.4. Amendments. The terms of this Master Lease and any Schedule shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee, with the consent of the Credit Facility Issuer, if any. In the event that there is no Credit Facility Issuer, except as otherwise provided herein, the consent of the Holders of at least a majority in principal amount of the Certificates Outstanding who are affected by such waiver, alteration, modification, supplement or amendment shall be required. Notwithstanding the foregoing, a Schedule may be amended without obtaining the consent of the Credit Facility Issuer, if any, or of Holders of the affected Certificates, for the purpose of (1) adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Schedule, (2) adding additional Facilities to be financed under such Schedule, (3) substituting Facilities in accordance with Section 6.4 hereof or (4) releasing a Facility or portion thereof if such Facility or portion thereof has been released from the lien of the Lease in accordance with the provisions thereof.

IN WITNESS WHEREOF, the Trustee and the Corporation have each caused this Amended and Restated Schedule 2007B to be executed in its corporate name by its duly authorized officer, and the School Board has caused this Amended and Restated Schedule 2007B to be executed in its name by its duly authorized members or officers, all as of the day and year first written above.

[SEAL] **PALM BEACH SCHOOL BOARD LEASING CORP.**

Attest:

By: _____ By: _____
 William F. Malone Frank A. Barbieri, Jr., Esq.
 Secretary President

[SEAL] **THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA**

Attest:

By: _____ By: _____
 William F. Malone Frank A. Barbieri, Jr., Esq.
 Secretary Chairman

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: _____
 Janalee R. Scott
 Vice President

**SERIES 2007B
GROUND LEASE**

Dated as of March 1, 2007

BETWEEN

**THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
acting as the governing body of
the School District of Palm Beach County, Florida,
as Lessor**

AND

**PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessee**

(Series 2007B Facility Sites)

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SERIES 2007B GROUND LEASE
(Series 2007B Facility Sites)

THIS SERIES 2007B GROUND LEASE dated as of March 1, 2007, between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District"), as Lessor, and the PALM BEACH SCHOOL BOARD LEASING CORP. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617 and Section 1001.453, Florida Statutes, as Lessee. Capitalized terms used, but not defined, herein shall have the meanings assigned thereto in the hereinafter described Trust Agreement.

WITNESSETH:

WHEREAS, the School Board has the power, under Section 1001.42(2), Florida Statutes, as amended, to receive, purchase, acquire, lease, sell, hold, transmit and convey title to real and personal property for educational purposes, and under Section 1001.42(9), Florida Statutes, as amended, to enter into leases or lease-purchase agreements of grounds and educational facilities, or of educational facilities for school purposes; and

WHEREAS, the Corporation has the authority to acquire educational facilities by lease or deed for the benefit of the School Board; and

WHEREAS, the Corporation is a "private corporation" within the meaning of Section 1001.42(9)(b), Florida Statutes, as amended, and is a "direct support organization" within the meaning of Section 1001.453, Florida Statutes, as amended; and

WHEREAS, in order to carry out its powers and authority to acquire facilities and equipment, the School Board and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended and supplemented from time to time, the "Master Lease"); and

WHEREAS, the School Board is the owner of certain real property located in Palm Beach County, Florida and described in Exhibit A attached hereto, as the same may be amended from time to time by the addition of parcels of land to be acquired by the School Board in the future pursuant to one or more supplements thereto (which real property, together with all buildings, structures and improvements now or hereafter erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, now or hereafter located in, on or used in connection with or attached or made to such land is hereinafter referred to as a "Series 2007B Facility Site" or, in the case of separate parcels, such parcels are herein collectively referred to as the "Series 2007B Facility Sites"); and

WHEREAS, the School Board desires to lease-purchase one or more particular educational facilities to be located on the Series 2007B Facility Sites, and desires to lease-purchase certain other educational facilities and sites (individually and collectively, the "Series 2007B Facilities"), pursuant to Schedule 2007B to the Master Lease (which schedule, upon being executed and delivered by the School Board and the Corporation, together with the terms and provisions of the Master Lease, constitutes a

separate lease, as the same may be amended or supplemented from time to time, the "Series 2007B Lease"); and

WHEREAS, it is anticipated that a portion of the Series 2007B Facilities may be attached to one or more existing structures of the School Board adjacent to the Series 2007B Facility Sites; may be dependent upon adjacent property of the School Board for pedestrian and vehicular ingress, egress and access to and from and between the Series 2007B Facilities and the public roads adjoining the adjacent property of the School Board ("Access"); and may further be dependent upon the School Board's adjacent property for utility and other services which would be necessary for the full use and enjoyment of the Series 2007B Facility Sites including, but not limited to, drainage, sewer and water service, electric, telephone and gas service and parking of vehicles (collectively, "Services"); and

WHEREAS, the Corporation desires to acquire from the School Board, pursuant to this Series 2007B Ground Lease, and the School Board is willing to grant to the Corporation, the right to utilize the adjacent property of the School Board to the extent reasonably necessary for Access and for the Services, and the Corporation and the School Board desire to provide for the structural attachment of certain of the Series 2007B Facilities to the adjacent property of the School Board; and

WHEREAS, the ground leasing of the Series 2007B Facility Sites, the sub-leasing of the Series 2007B Facility Sites back to the School Board and the lease-purchase financing and construction of the Series 2007B Facilities are herein collectively referred to as the "Series 2007B Project"; and

WHEREAS, the School Board has on January 17, 2007, after due notice as required by law, held an open, public meeting on the proposal of entering into this Series 2007B Ground Lease, at which meeting a copy of this Series 2007B Ground Lease in substantially final form was available for inspection and review by the public; and

WHEREAS, provisions for the payment of the cost of acquiring and constructing the Series 2007B Facilities have been made by (a) establishing a trust pursuant to the Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2007B Supplemental Trust Agreement dated as of March 1, 2007 (as the same may be further amended or supplemented from time to time, the "Trust Agreement"), between the Corporation and The Bank of New York Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A., Jacksonville, Florida, as trustee (the "Trustee"), and irrevocably assigning to the Trustee without recourse all of the Corporation's right, title and interest in and to this Series 2007B Ground Lease and the Series 2007B Lease (as defined in the Trust Agreement), except for certain rights to indemnification, to receive notices and to hold title to the Series 2007B Facilities, (b) directing the Trustee for such trust to execute and deliver to the public certificates of participation (the "Series 2007B Certificates") evidencing undivided proportionate interests of the Owners thereof in the right to receive Basic Lease Payments to be made by the School Board, as lessor, pursuant to the Series 2007B Lease and (c) directing the Trustee to hold the proceeds of sale of the Series 2007B Certificates in trust subject to application only to pay the costs of acquisition and construction of the Series 2007B Facilities (as defined in the Trust Agreement); and

WHEREAS, each Series 2007B Certificate represents an undivided proportionate interest in the principal portion of the Basic Lease Payments set forth in Schedule 2007B due and payable on the maturity date or earlier prepayment date of the Series 2007B Certificates and in the interest portion of the Basic Lease Payments set forth in Schedule 2007B due and payable semiannually, to and including such maturity date or earlier prepayment date; and

WHEREAS, the Corporation will assign to the Trustee all of its right, title and interest in and to this Series 2007B Ground Lease, the Series 2007B Lease and the Series 2007B Lease Payments (except for certain indemnification rights and the right of the Corporation to hold title to the Series 2007B Facilities and to receive notices), pursuant to the Series 2007B Assignment Agreement dated as of March 1, 2007 (as the same may be amended or supplemented from time to time, the "Series 2007B Assignment Agreement"); and

WHEREAS, the School Board intends for the Series 2007B Lease to remain in full force and effect until at least 31 days after the last Lease Payment Date for the Series 2007B Facilities, unless sooner terminated in accordance with the terms provided therein; and

WHEREAS, the School Board intends for this Series 2007B Ground Lease to remain in full force and effect until the termination of the Lease Term, as provided below.

NOW, THEREFORE, the School Board and the Corporation accordingly hereby covenant and agree as follows:

Section 1. Lease of Series 2007B Facility Sites. Subject to Permitted Encumbrances (as described in Exhibit A attached hereto and made a part hereof), the School Board hereby demises and leases the Series 2007B Facility Sites, more particularly described in Exhibit A, as the same may be amended from time to time pursuant to one or more supplements thereto, to the Corporation, and the Corporation hereby hires, takes and leases the Series 2007B Facility Sites from the School Board, for the term, at the rental and on the conditions herein set forth. Such demising and leasing shall include the following rights:

(i) The right to utilize the adjacent property of the School Board for Access and for the Services reasonably necessary to the full use and enjoyment of the Series 2007B Facility Sites; provided that the locations on the adjacent property of the School Board utilized for such purposes shall be reasonably agreed upon by the Corporation and the School Board; and provided, further, that the rights shall include, but not necessarily be limited to, the right to utilize for such purposes any portion of the adjacent property of the School Board (e.g., the rights shall include, but not necessarily be limited to, the right to utilize for appropriate purposes, any drives, parking areas, drainage facilities or sewer, water, gas, electric or telephone lines from time to time located upon the adjacent property of the School Board, together with the right to "tie-in" or "connect" thereto). If the Lease Term of the Series 2007B Lease terminates prior to the termination of the term of this Series 2007B Ground Lease, the School Board and the Corporation shall each have the right to install such meters or submeters as may be reasonably appropriate to the end that the Corporation is charged for consumption of such utilities on the Series 2007B Facility Sites.

(ii) The adjacent property of the School Board and the Series 2007B Facility Sites may contain certain elements, features or parts which are structural elements of both the adjacent property of the School Board and the Series 2007B Facility Sites. Such Series 2007B Facility Sites include, but are not necessarily limited to, the following:

(A) All utility lines, ducts, conduits, pipes and other utility fixtures and appurtenances which are located on or within either the Series 2007B Facility Sites or Series 2007B Facilities on the one hand or the adjacent property of the School Board on the other hand and which, directly or indirectly, in any way, service the other.

(B) All division walls (hereinafter referred to as "Party Walls") between the Series 2007B Facility Sites and the adjacent property of the School Board upon the common line between the Series 2007B Facility Sites and the adjacent property of the School Board (hereinafter referred to as the "Lot Line") provided that the mere fact that such a division wall is found not to be on the Lot Line shall not preclude that division wall from being a Party Wall.

(C) The roof and all roof support structures and any and all appurtenances to such roof and roof support structures including, without limitation, the roof covering, roof trim and roof drainage fixtures (collectively referred to as "Roofing") to the extent interrelated between the Series 2007B Facility Sites and the adjacent property of the School Board. Should the Roofing of any Series 2007B Facilities extend beyond the Lot Line, the right therefor is hereby granted and should the Roofing of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2007B Facility Sites, the right therefor is hereby reserved.

(D) The entire concrete floor slab or wood floor system if utilized in lieu thereof and all foundational and support structures and appurtenances thereto to the extent interrelated between the Series 2007B Facilities and the adjacent property of the School Board (collectively referred to as "Flooring"). Should the Flooring of the Series 2007B Facilities extend beyond the Lot Line, the right therefor is hereby granted and should the Flooring of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2007B Facility Sites, the right therefor is hereby reserved.

(iii) The Series 2007B Facility Sites rights further include the right of the Series 2007B Facilities to encroach upon the adjacent property of the School Board as a result of minor inaccuracies in survey, construction or reconstruction or due to settlement or movement. The encroaching Series 2007B Facilities shall remain undisturbed for as long as same exist and, for so long as such encroachment exists, that portion of the adjacent property of the School Board on which same exists shall be deemed to be a part of the Series 2007B Facility Sites. In addition, the Series 2007B Facility Sites rights include the right to utilize that portion of the adjacent property of the School Board as may be reasonably necessary in order to maintain and repair the Series 2007B Facilities. The Series 2007B Facility Sites rights further include cross rights of support and use over, upon, across, under, through and into the common structural elements in favor of the Corporation (and like rights are hereby reserved unto the School Board) for the continued use, benefit and enjoyment and continued support, service, maintenance and repair of all such common structural elements.

The School Board, at its sole expense, shall bring or cause to be brought to the Series 2007B Facility Sites adequate connections for water, electrical power, telephone, storm sewerage and sewerage, and shall arrange with the appropriate utility companies for furnishing such services and shall provide to the Series 2007B Facility Sites water services and capacity sufficient for the contemplated operation of the Series 2007B Facilities thereon, including, but not limited to, heating, ventilation and air conditioning equipment. Either the School Board or the Corporation shall have the right, at its own expense, to request and receive telephone and communication services from the utility companies furnishing such services subject to the customary rules and regulations of said utility companies whether the companies deliver such services directly through their own conduits or pipes, or through conduits and pipes owned by the School Board. The School Board agrees to grant such utility companies rights of access over, under and across the remaining property of the School Board adjoining the Series 2007B Facility Sites, if any, as

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(i) if the Lease Term shall have been terminated on a date other than June 30 of any year, the fair market rental determined pursuant to the Appraisal shall be pro rated for the number of days between the date of termination and the next succeeding June 30;

(ii) for each twelve month period beginning on the July 1 next succeeding the date on which such termination occurs and beginning on each succeeding July 1, the amount of the fair market rental determined by the Appraisal shall be adjusted by the percentage (positive or negative) which is equal to the Implicit Price Deflator of the Consumer Price Index published by the United States Department of Commerce for the region of the United States where Florida is located or for the United States as a whole if not so published for such region;

(iii) the fair market rental due in any year shall be paid in the current year only to the extent that the moneys received by the Trustee as assignee of the Corporation from the exercise of the remedies permitted under the Series 2007B Lease during the preceding twelve months prior to such July 1 exceeded the principal and interest portion of Basic Lease Payments under the Series 2007B Lease payable for such preceding twelve months and other amounts described in Section 504 of the Trust Agreement; provided, however, that any portion of such fair market rental not paid in any year due to the provisions of this clause (iii) shall remain due and payable and shall accumulate from year to year and shall be paid in any future year to the extent that moneys received in such year from the exercise of the remedies permitted by the Series 2007B Lease exceed the principal and interest portion of Basic Lease Payments under the Series 2007B Lease and other amounts described in Section 504 of the Trust Agreement and the fair market rental due in such years; and

(iv) the failure to pay any portion of the fair market rental in any year due to insufficiencies of moneys realized from the exercise of the remedies permitted under the Series 2007B Lease (1) shall not give rise to any obligation to pay interest on such unpaid fair market rental and (2) shall not constitute a default under this Series 2007B Ground Lease by the Corporation or the Trustee as the assignee of the Corporation.

Section 4. Title to Series 2007B Facility Sites; Possession. (a) Upon the Commencement Date and throughout the term of this Series 2007B Ground Lease, fee title to the Series 2007B Facility Sites shall be in the name of the School Board, subject to Permitted Encumbrances; title to the Series 2007B Facilities constructed on the Series 2007B Facility Sites shall be in the name of the Corporation but shall remain severed from title to the Series 2007B Facility Sites until the earlier of (i) payment in full, or provision for payment, of all Lease Payments under the Series 2007B Lease or payment of the then applicable Purchase Option Price of the Series 2007B Facilities, in accordance with Sections 7.2 or 7.3 of the Master Lease and Section 2 hereof, or (ii) the end of the term of this Series 2007B Ground Lease.

(b) The Corporation shall at all times during the term of this Series 2007B Ground Lease have a leasehold estate in the Series 2007B Facility Sites with full right to vest the use, enjoyment and possession of such leasehold estate therein in a Permitted Transferee (as defined herein).

(c) Possession and use of the Series 2007B Facility Sites, together with all improvements thereon, shall, upon the last day of the term of this Series 2007B Ground Lease or earlier termination of this Series 2007B Ground Lease pursuant to Section 2 hereof, automatically revert to the School Board free and clear of liens and encumbrances other than Permitted Encumbrances without necessity of any act by the Corporation or any Permitted Transferee. Upon such termination of this Series

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shall be necessary and convenient for the efficient operation of the Series 2007B Facilities, and which do not materially impair the present and future uses of such remaining property of the School Board, if any.

Section 2. Ground Lease Term; Option to Renew. The initial Ground Lease Term for the Series 2007B Facility Sites shall commence on the commencement date of the Series 2007B Lease (the "Commencement Date") and shall end on August 1, 2030. If, upon the termination of the Lease Term as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation or the Trustee as the assignee of the Corporation excludes the School Board from possession of the Series 2007B Facility Sites and Series 2007B Facilities, the School Board grants to the Corporation the right and option to renew this Series 2007B Ground Lease for an additional term not to exceed five (5) years, at a fair market rental to be determined, adjusted and paid in the manner set forth in Section 3 of this Series 2007B Ground Lease.

Notwithstanding the foregoing, this Series 2007B Ground Lease may be terminated by the School Board on any date prior to the end of the initial term or any renewal term hereof, which date is at least one (1) day after the date of termination of the Series 2007B Lease, upon not less than ten (10) days prior written notice to the Corporation, (a) upon payment of the Purchase Option Price, pursuant to Section 7.2 of the Master Lease, with respect to the Series 2007B Facilities, and full performance and satisfaction of the School Board's obligations under the Series 2007B Lease, or (b) upon the provision for payment of all Lease Payments under the Series 2007B Lease pursuant to Section 7.3 of the Master Lease, together in each case with payment of the sum of \$1.00. This Series 2007B Ground Lease may likewise be modified at the request of the School Board at any time, upon similar notice and modification of the Series 2007B Lease (a) to reflect the substitution of all or a portion of the Series 2007B Facilities and Series 2007B Facility Sites in accordance with Section 6.4 of the Master Lease, or (b) upon payment or provision for payment of the Purchase Option Price of all or a portion of one or more particular Series 2007B Facilities pursuant to Section 7.3 of the Master Lease, to reflect the release of one or more portions of the Series 2007B Facility Sites from this Series 2007B Ground Lease.

Section 3. Rent. (a) So long as the Lease Term has not been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay to the School Board as and for rental for the Series 2007B Facility Sites the sum of one dollar (\$1.00) per annum, which sum shall be due in advance on the Commencement Date (pro rated) and annually thereafter on the first day of each renewal Lease Term. At the option of the Corporation, the Corporation may prepay all or a portion of the Ground Rent payable hereunder for the entire initial lease term hereof from the proceeds of sale of the Certificates or otherwise.

(b) From and after the date on which the Lease Term shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay as and for rental for the Series 2007B Facility Sites an amount determined by an M.A.I. appraisal to be the fair market rental for the Series 2007B Facility Sites (the "Appraisal"), which Appraisal shall be prepared by an appraiser selected by the Trustee as assignee of the Corporation (the cost of such Appraisal to be paid by the Trustee and reimbursed as provided in Article VI of the Trust Agreement); provided, however, that such fair market rental and the payment thereof shall be subject to the following adjustments and conditions:

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2007B Ground Lease, the Corporation shall peaceably and quietly surrender to the School Board the Series 2007B Facility Sites together with any improvements located in or upon the Series 2007B Facility Sites. Upon such surrender of the Series 2007B Facility Sites, the Corporation or any Permitted Transferee, at the reasonable request of the School Board, shall execute an instrument in recordable form evidencing such surrender and shall deliver to the School Board all books, records, construction plans, surveys, permits and other documents relating to, and necessary or convenient for, the operation of the Series 2007B Facility Sites in the possession of the Corporation or any Permitted Transferee.

(d) Any personal property of the Corporation, any Permitted Transferee or any Person which shall remain on the Series 2007B Facility Sites after expiration or earlier termination of the term of this Series 2007B Ground Lease and for thirty (30) days after request by the School Board for removal, shall, at the option of the School Board, be deemed to have been abandoned and may be retained by the School Board and the same may be disposed of, without accountability, in such manner as the School Board may see fit.

(e) If the Corporation or any Permitted Transferee holds over or refuses to surrender possession of the Series 2007B Facility Sites after expiration or earlier termination of this Series 2007B Ground Lease, the Corporation or any Permitted Transferee shall be a tenant at sufferance and shall pay rent equal to the fair market rental of the Series 2007B Facility Sites determined in the manner provided in Section 3(b) hereof.

Section 5. Use of Series 2007B Facility Sites; Assignments and Subleases. The Corporation may use the Series 2007B Facility Sites for any lawful purpose; however, the parties agree that unless the Series 2007B Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Series 2007B Facility Sites shall be used solely for educational purposes. Unless the Series 2007B Lease shall have been so terminated, no assignment of this Series 2007B Ground Lease or subletting of the Series 2007B Facility Sites may be made except as provided in the Series 2007B Assignment Agreement, the Series 2007B Lease, the Trust Agreement and in any agreement with a Credit Facility Issuer (as defined in the Trust Agreement), if any, without the prior written consent of the School Board. In the event that the Series 2007B Lease shall be terminated pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, then the Corporation's interest in this Series 2007B Ground Lease may be assigned by the Trustee to any third party, including a Credit Facility Issuer (a "Permitted Transferee"), who may alter, modify, add to or delete from the Series 2007B Facilities existing from time to time on the Series 2007B Facility Sites.

The School Board represents and covenants that the Series 2007B Facility Sites are presently zoned to allow government use, and that the School Board shall take no action with respect to zoning or other land use regulation applicable to the Series 2007B Facility Sites except as directed by the Corporation. The School Board shall do everything in its power to assist the Corporation in obtaining such building permits, subdivision approvals, or zoning changes or variances as the Corporation may deem necessary or desirable or such other permits, licenses, approvals or other actions which the Corporation deems necessary or desirable in order to enable the Corporation to use the Series 2007B Facility Sites for such purposes as the Corporation shall determine, provided, however, that neither the Corporation nor any Permitted Transferee shall use or permit the Series 2007B Facility Sites to be used in violation of any valid present or future laws, ordinances, rules or regulations of any public or governmental authority at any time applicable thereto.

It is understood that all right, title and interest of the Corporation in and to this Series 2007B Ground Lease is to be irrevocably assigned by the Corporation to the Trustee pursuant to the Series

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2007B Assignment Agreement, except that the Corporation shall continue to hold title to the Series 2007B Facilities as described in Section 4 hereof and in the Series 2007B Lease. The School Board agrees that upon such assignment the Trustee shall have all of the rights of the Corporation hereunder assigned to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Series 2007B Ground Lease or otherwise) that the School Board may from time to time have against the Corporation or any person or entity associated or affiliated therewith. The School Board acknowledges that the Trustee is acting on behalf of the Series 2007B Certificate holders, and may, under certain circumstances assign this Series 2007B Ground Lease to a Permitted Transferee.

Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Series 2007B Ground Lease or any of the transactions contemplated hereby, the parties hereto acknowledge and agree that upon the assignment by the Corporation of its rights hereunder to the Trustee pursuant to the Series 2007B Assignment Agreement, the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto nor its successors or assigns shall look to the Corporation for any damages, expenses, fees, charges or claims with respect to the failure of any obligations hereunder to be performed.

Section 6. Right of Entry. Unless the Series 2007B Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the School Board shall have the right for any of its duly authorized representatives to enter upon the Series 2007B Facility Sites at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 7. Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Series 2007B Ground Lease, which default continues for sixty (60) days following notice and demand for correction thereof to the Corporation, the School Board may exercise any and all remedies granted by law; provided, however, that so long as any Series 2007B Certificates are outstanding and except as provided in Section 2 herein, this Series 2007B Ground Lease shall not be terminated. The School Board shall have recourse solely against the leasehold estate of the Corporation in the Series 2007B Facility Sites, and any proceeds thereof, for the payment of any liabilities of the Corporation hereunder.

Section 8. Quiet Enjoyment. The Corporation at all times during the term of this Series 2007B Ground Lease shall peacefully and quietly have, hold and enjoy the Series 2007B Facility Sites, without hindrance or molestation subject to the provisions hereof and of the Series 2007B Lease, the Series 2007B Assignment Agreement and the Trust Agreement.

Section 9. Liens. Unless the Series 2007B Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, neither the School Board nor the Corporation shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to such Series 2007B Facility Sites, other than Permitted Encumbrances. The School Board shall reimburse the Trustee for any expense incurred by the Trustee in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim. Upon termination of the Series 2007B Lease as provided above, the Corporation, the Trustee and any Permitted Transferee may enter into a mortgage or other encumbrance of its leasehold estate in the Series 2007B Facility Sites, provided, however, that the School Board's title to the Series 2007B Facility Sites shall not be subject to or encumbered by any such mortgage or other encumbrance, including without limitation any mechanic's or materialman's liens.

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Section 14. No Merger of Leasehold Estate. There shall be no merger of this Series 2007B Ground Lease or of the leasehold estate hereby created with the fee estate in the Series 2007B Facility Sites by reason of the fact that, through the exercise of remedies hereunder or otherwise, the same person may acquire or hold, directly or indirectly, this Series 2007B Ground Lease or leasehold estate hereby created or any interest herein or therein, and the fee estate in the Series 2007B Facility Sites or any interest in such fee estate. There shall be no merger of this Series 2007B Ground Lease with the Series 2007B Lease by reason of the fact that the School Board is the owner of the fee title to the Series 2007B Facility Sites and the leasehold estate in the Series 2007B Facilities created under the Series 2007B Lease or by reason of the fact that the Corporation is the owner of the leasehold estate in the Series 2007B Facility Sites created hereby and is the owner of the fee title in the Series 2007B Facilities as provided in the Series 2007B Lease.

Section 15. Notices. All notices, certificates, requests or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid to the following addresses, or to such other address or addresses as shall be designated by the parties in writing:

Corporation: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

With copies to

Trustee: The Bank of New York Trust Company, N.A.
10161 Centurion Parkway, 2nd Floor
Jacksonville, Florida 32256
Attention: Corporate Trust Department

Series 2007B
Credit Facility Issuer
and its Fiscal Agent: Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017
Attention: Risk Management
and
U.S. Bank Trust National Association
100 Wall Street, 19th Floor
New York, New York 10005
Attention: Corporate Trust Department

Section 16. Severability. In the event any provision of this Series 2007B Ground Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

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Section 10. Condemnation. In the event that any person, public or private, shall by virtue of eminent domain or condemnation proceedings, or by purchase in lieu thereof, at any time during the Ground Lease Term acquire title to the Series 2007B Facility Sites:

(a) So long as the Series 2007B Lease is in effect, the Net Proceeds resulting therefrom shall be applied pursuant to the Master Lease.

(b) After the end of the Lease Term of the Series 2007B Lease, (i) if such person acquires title to such a substantial portion of the Series 2007B Facility Sites that the Corporation determines that it cannot economically make use of the residue thereof for the lawful purposes intended or permitted by this Series 2007B Ground Lease, such acquisition of title or payment of such claim shall terminate the Ground Lease Term, effective as of the date on which the condemning party takes possession thereof or on the date of payment of such claim, as applicable, and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests may appear; and (ii) if such person acquires title to a portion of the Series 2007B Facility Sites such that the Corporation determines that it can economically make beneficial use of the residue thereof for the purposes intended by this Series 2007B Ground Lease, then this Series 2007B Ground Lease shall continue in full force and effect and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests appear.

(c) Any taking of any portion of the Series 2007B Facilities shall be deemed substantial hereunder.

(d) It is understood that the foregoing provisions of this Section 10 shall not in any way restrict the right of the School Board or the Corporation to appeal the award made by any court or other public agency in any condemnation proceeding.

Section 11. Estoppel Certificates. The School Board, at any time and from time to time, upon not less than thirty (30) days prior written notice from the Corporation, will execute, acknowledge and deliver to the Corporation, or to whomsoever it may direct, a certificate of the School Board certifying that this Series 2007B Ground Lease is unmodified (or, if there have been any modifications, identifying the same), that this Series 2007B Ground Lease is in full force and effect and that there is no default hereunder (or, if so, specifying the default). It is intended that any such certificate may be relied upon by any Person.

Section 12. Amendments. No amendment may be made to this Series 2007B Ground Lease without the prior written consent of the Trustee and the Series 2007B Credit Facility Issuer. Notwithstanding the foregoing, this Series 2007B Ground Lease may be amended without the prior written consent of the Trustee and the Series 2007B Credit Facility Issuer for the purpose of adding or modifying a legal description and/or the permitted encumbrances for any designated Series 2007B Facility Site. Copies of all amendments hereto shall be provided to each Rating Agency (as defined in the Trust Agreement), whether effected pursuant to Section 702 or Section 703 of the Trust Agreement.

Section 13. Binding Effect. This Series 2007B Ground Lease shall inure to the benefit of and shall be binding upon the Corporation and the School Board and their respective successors and assigns, provided, however, that the Trustee is entitled to the benefits of the provisions hereof.

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Section 17. Applicable Law. This Series 2007B Ground Lease shall be governed by and construed in accordance with the laws of the State of Florida.

Section 18. Execution in Counterparts. This Series 2007B Ground Lease may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

Section 19. Memorandum of Lease. Simultaneously with the execution of this Series 2007B Ground Lease, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to this Series 2007B Ground Lease. Said Memorandum of Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of this Series 2007B Ground Lease. Upon the modification of this Series 2007B Ground Lease as provided in Section 2 hereof, the Memorandum of Lease shall be appropriately amended.

Section 20. No Personal Liability. No covenant or agreement contained in this Series 2007B Ground Lease shall be deemed to be the covenant or agreement of any member of the School Board or the Corporation or any officer, employee or agent of the School Board or the Corporation, or of any successor thereto, in an individual capacity, and neither the members of the School Board or the Corporation executing this Series 2007B Ground Lease nor any officer, employee, agent of the School Board or the Corporation shall be personally liable or accountable by reason of the execution or delivery hereof.

Section 21. Third Party Beneficiary. The Series 2007B Credit Facility Issuer shall be deemed to be a third party beneficiary of this Series 2007B Ground Lease.

Section 22. Radon. Pursuant to Section 404.056, Florida Statutes, the following notification is hereby given: "RADON GAS" Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Corporation has caused this Series 2007B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers and the School Board has caused this Series 2007B Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

[SEAL]

By: *William Graham*
 William Graham
 Chairman

Attest:

By: *Dr. Art Johnson*
 Dr. Art Johnson, Secretary

PALM BEACH SCHOOL BOARD LEASING CORP.

[SEAL]

By: *William Graham*
 William Graham
 President

Attest:

By: *Dr. Art Johnson*
 Dr. Art Johnson, Secretary

STATE OF FLORIDA)
) SS:
 COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said School Board and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 20th day of March, 2007.

NOTARY PUBLIC
 SEAL OF OFFICE:



Ethel Isaacs Williams
 NOTARY PUBLIC, STATE OF FLORIDA
Ethel Isaacs Williams

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or
 Produced identification

(Type of Identification Produced)

STATE OF FLORIDA)
) SS:
 COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as President and Secretary, respectively of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 20th day of March, 2007.

NOTARY PUBLIC
 SEAL OF OFFICE:



Ethel Isaacs Williams
 NOTARY PUBLIC, STATE OF FLORIDA
Ethel Isaacs Williams

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or
 Produced identification

(Type of Identification Produced)

EXHIBIT A

SERIES 2007B FACILITY SITES

A. DESCRIPTION OF REAL ESTATE

CARVER MIDDLE ADDITION

A portion of the Southeast one-quarter (SE ¼) of Section 13, Township 46 South, Range 42 East, lying within the City of Delray Beach, Palm Beach County, Florida, being more particularly described as follows:

Commence at the Northwest corner of the Southeast one-quarter (SE ¼) of Section 13, Township 46 South, Range 42 East;

Thence S00°26'21"E along the west line of the Southeast one-quarter (SE ¼) of said Section 13, said line being coincident with the centerline of Barwick Road, for a distance of 70.00 feet;

Thence N89°20'27"E along the westerly extension of and the south right of way line of the Lake Worth Drainage District Canal L-33, as recorded in Official Record Book 1732 at Page 612 of the Public Records of Palm Beach County, Florida, for a distance of 1000.66 feet;

Thence S00°40'00"E along the west line of Villas D'Este, according to the Plat thereof recorded in Plat Book 79, at Page 102 of the Public Records of Palm Beach County, Florida for a distance of 689.37 feet;

Thence S89°20'00"W for 258.00 feet to the Point of Beginning;

Thence S44°30'00"W for 201.33 feet;

Thence N45°30'00"W for 104.00 feet;

Thence N44°30'00"E for 201.33 feet;

Thence S45°30'00"E for 104.00 feet to the Point of Beginning.

HAGEN ROAD ELEMENTARY MODERIZATION

Being a portion of Tracts 73, 74, 87 and 88, Block 55, Palm Beach Farms Company Plat No. 3, as recorded in Plat Book 2, Page 45 through 54, Public Records of Palm Beach County, Florida, being more particularly described as follows:

Commence at the Southeast corner of said Tract 88; Thence North 00°23'06" West, along the East line of said Tract 88, a distance of 52.50 feet;

Thence South 89°36'50" West, a distance of 25.00 feet to a point on the west right of way line of Hagen Ranch Road as described in Deed Book 1135, Page 92, said Public Records, and the Point of Beginning of the herein described parcel;

Thence South 89°36'50" West, a distance of 592.50 feet;

Thence North 00°23'06" West, a distance of 956.01 feet;

Thence North 89°37'08" East, a distance of 592.50 feet to a point on said west right of way line of Hagen Ranch Road;

Thence South 00°23'06" East, along said west right of way line, a distance of 955.96 feet to the Point of Beginning.

LAKE WORTH MIDDLE ADDITION

A portion of the North 266 feet of the South 820 feet of the South Half of the Southwest Quarter (SW ¼) of Section 16, Township 44 South, Range 43 East, lying West of the Seaboard Airline Railway, less railroad right of way, less and except the West 100 feet of said North 266 feet, being more particularly described as follows:

Commence at the intersection of the East right of way line of the Lake Worth Drainage District E-4 Canal said East line being 100 feet East of the West line of Section 16, Township 44 South, Range 43 East and the North line of the North 266 feet of the South 820 feet of the South half of the Southwest Quarter (SW ¼) of Section 16, Township 44 South, Range 43 East, thence South 88°29'57" East along the North line of the North 266 feet of the South 820 feet of the South One Half (S ½) of the Southwest Quarter (SW ¼) of said Section 16, for a distance of 124.26 feet;

Thence South 01°30'03" West, for a distance of 20.92 feet to the Point of Beginning;

Thence South 88°29'57" East for a distance of 374.54 feet;

Thence South 01°30'03" West for a distance of 113.20 feet;

Thence North 88°29'57" West for a distance of 374.54 feet;

Thence North 01°30'03" East for a distance of 113.20 feet to the Point of Beginning.

Said lands situate in the City of Lake Worth, Palm Beach County, Florida.

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Thence southwesterly, at right angles to the preceding course, a distance of 161.37 feet, more or less to a point in the South line of said Section 7;

Thence westerly along said South line of said Section 7 a distance of 92.06 feet, more or less, to a point in a line parallel to and 60 feet northwesterly from, measured at right angles to, the southwesterly extension of the immediately above described course;

Thence northwesterly, along said parallel line, a distance of 171.19 feet, more or less, to a point in a line parallel to and 110 feet westerly from, measured at right angles to, said westerly right of way line of the Florida East Coast Railway;

Thence northwesterly, along said parallel line, a distance of 696.74 feet, more or less, to a point in said North line of the South 640 feet of said Section 7;

Thence easterly, along said North line a distance 79.1 feet, more or less, to the Point of Beginning.

WELLINGTON HIGH AUDITORIUM

Being a portion of Parcel "A" according to the Plat of Greenview Shores No.2 of Wellington (P.U.D.) as recorded in Plat Book 31, Page 122, of the Public Records of Palm Beach County, Florida and being more particularly described as follows:

Commence at the southeast corner of Parcel "B" according to the aforesaid Plat of Greenview Shores No. 2 of Wellington (P.U.D.); thence N00°51'23"E, along the west line of said Parcel "B" a distance of 393.83 feet;

Thence West a distance of 190.45 feet to the Point of Beginning of the following described parcel;

Thence continue West a distance of 143.67 feet;

Thence South a distance of 15.33 feet;

Thence West a distance of 31.33 feet;

Thence North a distance of 7.33 feet;

Thence West a distance of 30.33 feet;

Thence North a distance of 68.67 feet;

Thence West a distance of 10.00 feet;

Thence North a distance of 75.33 feet;

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PALM BEACH GARDENS ELEMENTARY MODERNIZATION

A Parcel of land lying in Section 7, Township 42 South, Range 43 East, Palm Beach County, Florida, being more particularly described as follows:

Beginning at the intersection of the South line of said Section 7 with the centerline of the right of way of 4th Avenue (now Riverside Drive), as shown on Plat No. 1, Palm Beach Gardens Estates, recorded in Plat Book 26, Pages 188 and 189, of the Public Records of Palm Beach County, Florida;

Thence northerly along the northerly extension of said centerline of the right of way of 4th Avenue, a distance of 640 feet;

Thence easterly, parallel to the South line of said Section 7, a distance of 609.91 feet, more or less, to a point in a line parallel to and 50 feet westerly from (measured at right angles to) the Westerly right of way line of the Florida East Coast Railway;

Thence southeasterly, along said parallel line, a distance of 705.18 feet;

Thence southwesterly, at right angles to said parallel line a distance of 161.37 feet, more or less, to a point in the south line of said Section 7;

Thence westerly, along the south line of said Section 7, a distance of 947.15 feet, more or less, to the Point of Beginning.

Subject to an easement for road right of way purposes over the southerly 40 feet and over the westerly 30 feet thereof and to an easement for drainage purposes over a strip of land 12 feet in width between parallel lines; the easterly line of said easement being parallel to and 50 feet westerly from (measured at right angles to) the westerly right of way line of the Florida East Coast Railway.

And Less the following described parcel described in Right of Way Deed recorded in Official Record Book 1019, Page 578:

A parcel of land (being an easement for road purposes) in Section 7, Township 42 South, Range 43 East, City of Palm Beach Gardens, Palm Beach County, Florida more particularly described as follows:

Beginning at a point of intersection of the North line of the South 640 feet of said Section 7 with a line parallel to and 50 feet westerly from, measured at right angles to, the westerly right of way line of the Florida East Coast Railway;

Thence southeasterly, along said parallel line, a distance of 705.18 feet;

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Thence East a distance of 215.33 feet;

Thence South a distance of 47.00 feet;

Thence East a distance of 19.00 feet;

Thence South a distance of 42.00 feet;

Thence West a distance of 19.00 feet;

Thence South a distance of 47.00 feet to the Point of Beginning.

WEST BOYNTON ELEMENTARY (03-Z)

A portion of Tracts 9 through 12 and Tracts 21 through 24, Block 54, Palm Beach Farms Company Plat No. 3, according to the Plat thereof, as recorded in Plat Book 2, Pages 45 through 54, of the Public Records, Palm Beach County, Florida, being more particularly described as follows:

Commence at the southeast corner of said Tract 24; thence North 00°23'24" West, along the east line of said Tract 24, a distance of 63.55 feet;

Thence South 89°26'03" West, a distance of 50.00 feet;

Thence continue South 89°26'03" West, a distance of 1,139.77 feet;

Thence North 00°23'24" West, along a line 130.23 feet east of (as measured at right angles) and parallel with the west line of said Tracts 12 and 21, a distance 215.19 feet, to the Point of Beginning of the herein described parcel;

Thence continue North 00°23'24" West, along said line, a distance of 953.84 feet;

Thence North 89°02'44" East, along a line 77.88 feet south of (as measured at right angles) and parallel with the north line of said Tracts 9 through 12, a distance of 1,161.60 feet;

Thence South 01°02'47" West, a distance of 619.27 feet;

Thence North 89°25'01" West, a distance of 220.20 feet to the beginning of a non-tangent curve (a line to the center point of said curve from the last described point bears N40°36'25"W), said curve being concave to the north and having a radius of 279.00 feet;

Thence southwest and northwest, along the arc of said curve, through a central angle of 81°09'37", a distance of 395.21 feet, to a point of cusp (a line to the center point of last described curve from said cusp bears N40°33'12"E), said point being the beginning of a curve (a line to the center point of said curve from the last described point bears S04°03'35"W), said curve being concave to the south and having a radius of 34.00 feet;

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Thence southwest, along the arc of said curve, through a central angle of 48°28'36", a distance of 28.77 feet, to a point of tangency;

Thence S45°34'59"W, a distance of 44.95 feet to the beginning of a tangent curve, concave to the north and having a radius of 70.00 feet;

Thence southwest along the arc of said curve, through a central angle of 45°00'00", a distance of 54.98 feet;

Thence N89°25'01"W, a distance of 35.89 feet;

Thence S00°34'59"W, a distance of 28.67 feet;

Thence N89°25'01"W, a distance of 107.00 feet;

Thence S00°34'59"W, a distance of 271.14 feet;

Thence N89°25'01"W, a distance of 306.53 feet to the Point of Beginning.

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8. Embankment Easement recorded in Official Record Book 12258, Page 111.
9. Embankment Easement as shown in Lis Pendens recorded in Official Record Book 12413, Page 285 and Agreed Order of Taking recorded in Official Record Book 12744, Page 1840.
10. Right of Way for small lateral ditches recorded in Deed Book 49, Page 122, and Deed Book 55, Page 411.
11. Covenants as shown in deed recorded in Official Record Book 20287, Page 1279.
12. Potable Water Agreement recorded in Official Record Book 20690, Page 153.
13. Reclaimed Water Agreement recorded in Official Record Book 20690, Page 163

LAKE WORTH MIDDLE ADDITION

1. Reservations contained in Deed Book 835, Page 332.
2. Easement Recorded in Official Record Book 6679, Page 705.

PALM BEACH GARDENS ELEMENTARY MODERNIZATION

1. Easement in favor of FPL recorded in Official Record Book 1769, Page 531.
2. Easement in favor of FPL recorded in Official Record Book 7087, Page 818.
3. Easements for road right of way over the South 40 and West 30 recorded in Official Record Book 747, Page 258.

WELLINGTON HIGH AUDITORIUM

1. Restrictions, conditions, reservations, easements and other matters contained on the Plate of Greenview Shores No. 2 of Wellington (P.U.D.), as recorded in Plat Book 31, Page 120; as affected by Resolutions recorded in Official Record Book 3316, Page 1570; Official Record Book 3524, Page 493 and Official Record Book 5512, Page 1260 and Deeds recorded in Official Record Book 4644, Page 849, Official Record Book 4899, Page 1962 and Official Record Book 4899, 1964.
2. Reservations in favor of the Everglades Drainage District now known as the South Florida Water Management District recorded in Deed Book 801, Page 102.

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B. PERMITTED ENCUMBRANCES

CARVER MIDDLE ADDITION

1. Reservations in favor of the Lake Worth Drainage District recorded in Deed Book 669, Page 97 and partially released in Deed Book 1024, Page 647.
2. Reservations in favor of the Lake Worth Drainage District recorded in Deed Book 693, Page 60.
3. Reservations in favor of the Lake Worth Drainage District recorded in Deed Book 723, Page 360.
4. Resolution fixing setback requirements in Deed Book 1115, Page 608.
5. Drainage easement recorded in Official Records Book 7104, Page 1867.
6. Landscape Buffer Agreement recorded in Official Record Book 11881, Page 880.

HAGEN ROAD ELEMENTARY MODERIZATION

1. Boundary lines as shown on Plat in Plat Book 2, Page 45.
2. Reservations to the Trustees of the Internal Improvement Fund recorded in Deed Book 375, Page 106.
3. Reservations to the Trustees of the Internal Improvement Fund recorded in Deed Book 375, Page 212.
4. Reservations to the Trustees of the Internal Improvement Fund recorded in Deed Book 357, Page 516.
5. Easement to Florida Power & Light recorded in Official Record Book 3460, Page 1749.
6. Easement to Florida Power & Light recorded in Official Record Book 3460, Page 1751.
7. Right of Way from small lateral ditches in favor of other tracts as shown in Official Record Book 3854, Page 1904.

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3. Reservations in favor of Southern States Land & Timber Corporation recorded in Deed Book 935, Page 123.
4. Matters contained in the Deed recorded in 4776, Page 292.

WEST BOYNTON ELEMENTARY (03-Z)

1. Restrictions, dedications and easements as contained on the Plat of The Palm Beach Farms Company Plat No. 3 recorded in Plat Book 2, Page 45.
2. Reservations in favor of the Everglades Drainage District, as set forth in Deed recorded in Deed Book 703, Page 198; as further affected by Release of Reservations No. 18048 recorded in Official Record Book 17325, Page 1782, and by Non-Use Commitment No. 1448 which releases the right of entry, as recorded in Official Record Book 17325, Page 1776, as affected by Corrective Release recorded in Official Record Book 17648, Page 856.
3. Easement Deed in favor of the Lake Worth Drainage District recorded in Official Record Book 15760, Page 720.
4. Drainage Easement in favor of Palm Beach County recorded in Official Record Book 17465, Page 1419.

NOTE: ALL RECORDING INFORMATION IS FROM THE PUBLIC RECORDS OF PALM BEACH COUNTY, FLORIDA, UNLESS OTHERWISE SPECIFIED.

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FIRST AMENDMENT

Dated as of April 1, 2008

TO

SERIES 2007B GROUND LEASE

Dated as of March 1, 2007

BETWEEN

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA,
acting as the governing body of
the School District of Palm Beach County, Florida,
as Lessor

AND

THE BANK OF NEW YORK TRUST COMPANY, N.A.
(successor in interest to NationsBank of Florida, N.A.),
as Trustee and Assignee of
PALM BEACH SCHOOL BOARD LEASING CORP.,
As Lessee

(Series 2007B Facility Sites)

THIS FIRST AMENDMENT, dated as of April 1, 2008 (the "First Amendment"), to the Series 2007B Ground Lease dated as of March 1, 2007 (the "Original Series 2007B Ground Lease" and as amended by this First Amendment, the "Series 2007B Ground Lease") between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA (the "School Board"), acting as the governing body of the School District of Palm Beach County, Florida (the "District"), as Lessor, and THE BANK OF NEW YORK TRUST COMPANY, N.A. (as successor to NationsBank of Florida, N.A.) (the "Trustee"), as Trustee and Assignee pursuant to a Series 2007B Assignment Agreement dated as of March 1, 2007 (the "Series 2007B Assignment Agreement") of Palm Beach School Board Leasing Corp. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617, Florida Statutes, as Lessee. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Series 2007B Ground Lease.

WITNESSETH:

WHEREAS, as of March 1, 2007, the School Board and the Corporation entered into the Original Series 2007B Ground Lease; and

WHEREAS, the Corporation assigned all of its interest in the Original Series 2007B Ground Lease to the Trustee pursuant to the Series 2007B Assignment Agreement; and

WHEREAS, the Series 2007B Ground Lease contemplated that it would be amended for the purpose of adding or correcting a legal description and/or permitted encumbrances for any designated Series 2007B Facility Site to be ground leased pursuant to the Series 2007B Ground Lease; and

WHEREAS, the School Board wishes to amend the Series 2007B Ground Lease in order to correct certain scrivener's errors in the legal description for the Series 2007B Facility Site designated as "Hagen Road Elementary Modernization";

NOW, THEREFORE, the parties hereto mutually agree to the following amendments to the Series 2007B Ground Lease, as previously amended:

1. EXHIBIT A - SERIES 2007B FACILITY SITES Subpart A. DESCRIPTION OF REAL ESTATE is hereby amended by deleting and releasing the real estate described in Exhibit A hereto and, in lieu thereof, adding the real estate described in Exhibit B hereto under the heading "Hagen Road Elementary Modernization" in the Series 2007B Ground Lease, a Memorandum of which was recorded on March 23, 2007 in Official Records Book 21551, at Pages 0135, et seq. of the Public Records of Palm Beach County, Florida.

Section 12 of the Series 2007B Ground Lease provides that Series 2007B Ground Lease may be amended without the prior written consent of the Trustee and the Series 2007B Credit Facility Issuer for the purpose of adding or modifying a legal description and/or the permitted encumbrances for any designated Series 2007B Facility Site. The School Board covenants to provide copies of this First Amendment to each of the Rating Agencies.

This First Amendment may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

Except as amended by this First Amendment, the Series 2007B Ground Lease shall remain in full force and effect and the parties hereto, by their execution hereof hereby ratify and confirm the Series 2007B Ground Lease.

IN WITNESS WHEREOF, the School Board has caused this First Amendment to Series 2007B Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials and the Trustee has caused this First Amendment to Series 2007B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

(SEAL)

By: William S. Graham
William Graham
Chairman

Attest:

By: Dr. Art Johnson
Dr. Art Johnson, Secretary

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

(SEAL)

By: Barbara B. Buck
Barbara Buck
Vice President

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said School Board and as their own free and voluntary act, for the uses and purposes therein set forth.

WITNESS my hand and official seal in the County and State last aforesaid this 10th day of March, 2008.

NOTARY PUBLIC
SEAL OF OFFICE:



Ethel Graces Williams
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or
 Produced identification

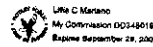
(Type of Identification Produced)

STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Barbara Buck, personally known to me to be the same person whose is a Vice President of The Bank of New York Trust Company, N.A., as Trustee, a national banking association organized under the laws of the United States of America, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for uses and purposes therein set forth.

WITNESS my hand and official seal in the County and State last aforesaid this 12th day of March, 2008.

NOTARY PUBLIC
SEAL OF OFFICE:



Lilia C. Mariano
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or
 Produced identification

(Type of Identification Produced)

EXHIBIT A

LEGAL DESCRIPTION OF SERIES 2007B FACILITY SITE RELEASED

HAGEN ROAD ELEMENTARY MODERIZATION

Being a portion of Tracts 73, 74, 87 and 88, Block 55, Palm Beach Farms Company Plat No. 3, as recorded in Plat Book 2, Page 45 through 54, Public Records of Palm Beach County, Florida, being more particularly described as follows:

Commence at the Southeast corner of said Tract 88; Thence North 00°23'06" West, along the East line of said Tract 88, a distance of 52.50 feet;

Thence South 89°36'50" West, a distance of 25.00 feet to a point on the west right of way line of Hagen Ranch Road as described in Deed Book 1135, Page 92, said Public Records, and the Point of Beginning of the herein described parcel;

Thence South 89°36'50" West, a distance of 592.50 feet;

Thence North 00°23'06" West, a distance of 956.01 feet;

Thence North 89°37'08" East, a distance of 592.50 feet to a point on said west right of way line of Hagen Ranch Road;

Thence South 00°23'06" East, along said west right of way line, a distance of 955.96 feet to the Point of Beginning.

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EXHIBIT B

LEGAL DESCRIPTION OF SERIES 2007B FACILITY SITE ADDED

HAGEN ROAD ELEMENTARY MODERNIZATION

BEING A PORTION OF TRACTS 73, 74, 87 AND 88, BLOCK 55, PALM BEACH FARMS COMPANY PLAT NO. 3, AS RECORDED IN PLAT BOOK 2, PAGES 45 THROUGH 54, PUBLIC RECORDS, PALM BEACH COUNTY, FLORIDA, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCE AT THE SOUTHEAST CORNER OF SAID TRACT 88; THENCE NORTH 00°23'06" WEST, ALONG THE EAST LINE OF SAID TRACT 88, A DISTANCE OF 52.50 FEET; THENCE SOUTH 89°36'50" WEST, A DISTANCE OF 25.00 FEET TO A POINT ON THE WEST RIGHT-OF-WAY LINE OF HAGEN RANCH ROAD AS DESCRIBED IN DEED BOOK 1135, PAGE 92, SAID PUBLIC RECORDS, AND THE POINT OF BEGINNING OF THE HEREIN DESCRIBED PARCEL; THENCE SOUTH 89°36'50" WEST, A DISTANCE OF 595.00 FEET; THENCE NORTH 00°23'06" WEST, A DISTANCE OF 951.81 FEET; THENCE NORTH 89°37'08" EAST, A DISTANCE OF 595.00 FEET TO A POINT ON SAID WEST RIGHT-OF-WAY LINE OF HAGEN RANCH ROAD; THENCE SOUTH 00°23'06" EAST, ALONG SAID WEST RIGHT-OF-WAY LINE, A DISTANCE OF 951.76 FEET TO THE POINT OF BEGINNING.

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SECOND AMENDMENT

Dated as of July 1, 2011

TO

SERIES 2007B GROUND LEASE

Dated as of March 1, 2007

BETWEEN

**THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA,
acting as the governing body of
the School District of Palm Beach County, Florida,
as Lessor**

AND

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
(successor in interest to NationsBank of Florida, N.A.),
as Trustee and Assignee of
PALM BEACH SCHOOL BOARD LEASING CORP.,
As Lessee**

(Series 2007B Facility Sites)

THIS SECOND AMENDMENT, dated as of July 1, 2011 (the "Second Amendment"), to the Series 2007B Ground Lease dated as of March 1, 2007 (the "Original Series 2007B Ground Lease"), as amended as of April 1, 2008, and as amended by this Second Amendment, the "Series 2007B Ground Lease") between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA (the "School Board"), acting as the governing body of the School District of Palm Beach County, Florida (the "District"), as Lessor, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (as successor to NationsBank of Florida, N.A.) (the "Trustee"), as Trustee and Assignee pursuant to a Series 2007B Assignment Agreement dated as of March 1, 2007 (the "Series 2007B Assignment Agreement") of Palm Beach School Board Leasing Corp. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617, Florida Statutes, as Lessee. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Series 2007B Ground Lease.

W I T N E S S E T H:

WHEREAS, as of March 1, 2007, the School Board and the Corporation entered into the Original Series 2007B Ground Lease; and

WHEREAS, the Corporation assigned all of its interest in the Original Series 2007B Ground Lease to the Trustee pursuant to the Series 2007B Assignment Agreement; and

WHEREAS, the School Board wishes to amend the Series 2007B Ground Lease in order to extend the Ground Lease Term to August 1, 2037 in order to facilitate the refinancing of the Series 2007B Facilities by the refunding of the Series 2007B Certificates and the issuance of Certificates of Participation, Series 2011A;

NOW, THEREFORE, the parties hereto mutually agree to the following amendments to the Series 2007B Ground Lease, as previously amended:

- Section 2 of the Series 2007B Ground Lease is hereby amended to extend the Ground Lease Term thereof to August 1, 2037.
- The School Board and Trustee acknowledge that the Trustee is acting on behalf of the holders of the Series 2011A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2007B Lease, and may, under certain circumstances assign this Series 2007B Ground Lease to a Permitted Transferee.

This Second Amendment may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

Except as amended by this Second Amendment, the Series 2007B Ground Lease shall remain in full force and effect and the parties hereto, by their execution hereof hereby ratify and confirm the Series 2007B Ground Lease.

1

STATE OF FLORIDA)
) SS:
 COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Frank A. Barbieri, Jr., Esq. and William Malone, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said School Board and as their own free and voluntary act, for the uses and purposes therein set forth.

WITNESS my hand and official seal in the County and State last aforesaid this ___ day of July, 2011.

NOTARY PUBLIC
 SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or
 Produced identification

(Type of Identification Produced)

3

IN WITNESS WHEREOF, the School Board has caused this Second Amendment to Series 2007B Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials and the Trustee has caused this Second Amendment to Series 2007B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

[SEAL] By: _____
 Frank A. Barbieri, Jr., Esq.
 Chairman

Attest:

By: _____
 Dr. Art Johnson, Secretary

[SEAL] **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee**

By: _____
 Janalee R. Scott
 Vice President

2

STATE OF FLORIDA)
) SS:
 COUNTY OF DUVAL)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Janalee R. Scott, personally known to me to be the same person whose is a Vice President of The Bank of New York Mellon Trust Company, N.A., as Trustee, a national banking association organized under the laws of the United States of America, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereunto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for uses and purposes therein set forth.

WITNESS my hand and official seal in the County and State last aforesaid this ___ day of July, 2011.

NOTARY PUBLIC
 SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or
 Produced identification

(Type of Identification Produced)

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MASTER TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

NATIONSBANK OF FLORIDA, N.A.,
as Trustee

Dated as of November 1, 1994

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MASTER TRUST AGREEMENT

THIS MASTER TRUST AGREEMENT is dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, this "Trust Agreement"), and is between NATIONSBANK OF FLORIDA, N.A., a national banking association with its designated corporate trust office in Fort Lauderdale, Florida (the "Trustee"), and PALM BEACH SCHOOL BOARD LERSING CORP., a not-for-profit corporation, duly organized and existing under the laws of the State of Florida, as lessor under the within mentioned Master Lease (the "Corporation");

W I T N E S S E T H:

WHEREAS, the School Board of Palm Beach County, Florida (the "School Board") desires to lease-purchase certain real property, buildings and improvements and the equipment, fixtures and furnishings to be built, installed or established therein for educational purposes ("Facilities") by entering into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), between the Corporation, as lessor, and the School Board, as lessee; and

WHEREAS, pursuant to Section 2.1 of the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease (each hereinafter referred to as a "Schedule"), direct the Corporation to acquire and lease-purchase to the School Board the Facilities described in such Schedule to the Master Lease; and

WHEREAS, Facilities may be added to the Master Lease by execution of Schedules thereto from time to time; and

WHEREAS, the Master Lease and the terms and conditions thereof with respect to the particular Facilities described on a Schedule are sometimes referred to herein as a "Lease" and the Schedule describing such Facilities is sometimes referred to as "Schedule No. ____" or "Schedule ____"; and

WHEREAS, certain of the Facilities will be located on certain real property located within the School District of Palm Beach County, Florida (the "District") (each such location, or all locations on a single Schedule, together with all buildings, structures and improvements erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, on or used in connection with or attached or made to such land, a "Facility Site") to be leased by the School Board to the Corporation pursuant to a ground lease; and

WHEREAS, the relationship between the Corporation and School Board under the Master Lease is to be a continuing one and Facilities may be added to or deleted from the Master Lease from time

to time in accordance with the terms thereof and of the Schedule describing such Facilities; and

WHEREAS, pursuant to Section 7.1 of the Master Lease, the Corporation, with the consent of the School Board, has the right to assign all of its right, title and interest in and to a particular Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Facilities under Section 6.1 of the Master Lease and its right to receive notices under the Master Lease) to the Trustee including the rights to receive Basic Lease Payments (as hereinafter defined) due under such Lease; and

WHEREAS, the Corporation has requested the Trustee to issue from time to time separate series of Certificates of Participation substantially in the form of Exhibit A hereto (the "Certificates") to third parties to whom such Certificates are sold and for whose benefit and for the benefit of any corresponding Credit Facility Issuer (as hereinafter defined) an Assignment Agreement will be executed and delivered to the Trustee, each such Certificate of a particular Series (as hereinafter defined) evidencing an undivided proportionate interest of the registered owner thereof to the Basic Lease Payments to be made under one or more Leases created by one or more particular Schedules and certain rights of the Corporation under such Lease or Leases; and

WHEREAS, upon receipt by the Trustee from the Corporation of the corresponding Assignment Agreement and satisfaction of the conditions set forth in Section 304 hereof, the Trustee shall issue a Series of Certificates that shall correspond to the Lease or Leases created by a particular Schedule or Schedules; and

WHEREAS, the Trustee has agreed to hold the proceeds corresponding to such Series of Certificates and to disburse such proceeds in accordance herewith and with the Master Lease, and to receive Basic Lease Payments due under the Lease or Leases created by a particular Schedule or Schedules and apply and disburse same in accordance herewith; and

WHEREAS, by this Trust Agreement, the Corporation agrees to direct the School Board to forward the Basic Lease Payments due under the Lease created by a particular Schedule to the Trustee from and after the execution of the corresponding Assignment Agreement by the Corporation;

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the parties hereto agree as follows:

- 2 -

"Board of Directors" shall mean the Board of Directors of the Corporation.

"Business Day" shall mean a day other than a Saturday, Sunday or day on which banks in the State of New York or the State of Florida are authorized or required to be closed, or a day on which the New York Stock Exchange is closed.

"Capitalized Interest Account" shall mean any Capitalized Interest Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement.

"Certificate or Certificates" shall mean the certificates of participation, executed and delivered from time to time by the Trustee pursuant to this Trust Agreement and any Supplemental Trust Agreement. Each Series of Certificates issued under this Trust Agreement and any Supplemental Trust Agreement shall bear a Series designation to identify such Series of Certificates to a particular Schedule to the Master Lease.

"Certificate holder" or "Holder of Certificates" shall mean the registered owner of any Certificate or Certificates.

"Certificate of Acceptance" shall mean the certificate of the School Board substantially in the form of Exhibit B to the Master Lease.

"Chairperson" shall mean the Chairperson of the School Board and any person or persons designated by the School Board and authorized to act on behalf of the Chairperson.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder and under the Internal Revenue Code of 1954.

"Contractor" shall mean the person, firm, corporation or joint venture authorized to do business in Florida with whom a contract has been made directly with the School Board for the performance of the work with respect to any Facilities described by the Instructions to Bidders and General Conditions.

"Corporation" shall mean Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation, its successors and assigns.

"Cost" shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including leasehold interests, easements, rights-of-way and licenses, including, without limitation, lease payments to be made by the Corporation under the terms of a Ground Lease until the expected acceptance of the Facilities related thereto as described herein, (ii) cost and expenses incurred for labor and materials and payments to contrac-

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

101. **Definitions.** The terms set forth in this section shall have the meanings ascribed to them for all purposes of this Trust Agreement unless the context clearly indicates some other meaning, or unless otherwise provided in a Supplemental Trust Agreement. Terms used herein and not otherwise defined shall have the meaning given to them in the Master Lease.

"Acquisition Account" shall mean any Acquisition Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement.

"Additional Lease Payment" shall mean any amount payable by the School Board under the terms of the Master Lease, other than a Basic Lease Payment or a Supplemental Payment, as set forth in a Schedule to the Master Lease and so designated.

"Assignment Agreement" shall mean any assignment agreement pursuant to which the Corporation shall have assigned to the Trustee all of its right, title and interest in and to a Ground Lease and the Lease or Leases created by one or more particular Schedules, including its right to receive Lease Payments under such Lease or Leases.

"Authorized Corporation Representative" shall mean the President of the Corporation and any person or persons designated by the Corporation and authorized to act on behalf of Corporation by a written certificate delivered to the Trustee signed on behalf of the Corporation by the Chairperson of the Board of Directors containing the specimen signature of each such person.

"Authorized Newspaper" shall mean a newspaper containing financial matters, customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language, and of general circulation in the Borough of Manhattan, City and State of New York.

"Authorized School Board Representative" shall mean the Chairperson and any person or persons designated by the Chairperson and authorized to act on behalf of the School Board by a written certificate delivered to the Trustee signed on behalf of the School Board by the Chairperson containing the specimen signature of each such person.

"Basic Lease Payment" shall mean, with respect to each Lease or each Facility financed under such Lease, as of each Lease Payment Date, the amount set forth on the appropriate Schedule of the Master Lease corresponding to such Lease Payment Date and designated as a Basic Lease Payment in such Schedule.

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tors, builders, materialmen and vendors for the acquisition, construction and installation of the Facilities, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be advisable or necessary prior to completion of any of the Facilities, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction and installation of Facilities, (v) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Facilities, (vi) all costs which the School Board shall be required to pay for or in connection with additions to, and expansions of Facilities, (vii) all costs which the School Board shall be required to pay to provide improvements, including offsite improvements, necessary for the use and occupancy of Facilities, including road walkways, water, sewer, electric, fire alarms and other utilities, (viii) any sums required to reimburse the School Board for advances made by it for any of the above items or for other costs incurred and for work done by it in connection with Facilities, (ix) deposits into any Reserve Account established pursuant to Section 401 of this Trust Agreement and in a Supplemental Trust Agreement and any recurring amounts payable to a provider of a Reserve Account Letter of Credit/Insurance Policy, (x) fees, expenses and liabilities of the School Board, if any, incurred in connection with the acquisition, construction and installation of Facilities (xi) Costs of Issuance and (xii) interest during construction and for a reasonable period of time up to six (6) months thereafter.

"Costs of Issuance" shall mean the items of expense incurred in connection with the authorization, sale and delivery of a Series of Certificates, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee and any Credit Facility Issuer or any provider of a Reserve Account Letter of Credit/Insurance Policy, legal fees and charges, professional consultants' fees, fees and charges for execution, delivery, transportation and safekeeping of Certificates, premiums, costs and expenses of refunding Certificates and other costs, charges and fees, including those of the Corporation, in connection with the foregoing.

"Costs of Issuance Subaccount" shall mean a Costs of Issuance Subaccount within an Acquisition Account established under Section 401 hereof and in any Supplemental Trust Agreement in connection with the issuance of a Series of Certificates.

"Credit Facility" shall mean, with respect to a Series of Certificates, the letter of credit, insurance policy, guaranty, surety bond or other irrevocable security device, if any, supporting the obligations of the School Board to make Basic Lease Payments relating to such Certificates.

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"Credit Facility Issuer" shall mean, with respect to a Series of Certificates, the issuer of the Credit Facility, if any, for such Series of Certificates.

"Defeasance Securities", except as otherwise provided in a Supplemental Trust Agreement, shall mean cash or Government Obligations.

"District" shall mean the School District of Palm Beach County, Florida.

"Event of Extraordinary Prepayment" shall mean one or more of the events so designated in Section 7.2 of the Master Lease.

"Excess Earnings" shall mean, with respect to each Series of Certificates, the amount by which the earnings on the Gross Proceeds of such Certificates exceeds the amount which would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on the interest portion of the Basic Lease Payments represented by such Certificates, as such yield is determined in accordance with the Code and amounts earned on the investment of earnings on the Gross Proceeds of such Certificates.

"Facility" or "Facilities" shall mean "educational facilities" as defined in Section 235.011(5), Florida Statutes, as amended, to be acquired from the proceeds of a Series of Certificates consisting of real property, if any, buildings and improvements, and the equipment, fixtures and furnishings which are to be built, installed or established on such buildings or improvements, and all appurtenances thereto and interests therein, all as set forth on a Schedule or Schedules from time to time.

"Facility Site" shall mean the real property (together with all buildings, structures and improvements erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements located on, or used in connection with, or attached or made to such land) either (i) owned by the School Board at the time of the issuance of a Series of Certificates to finance Facilities relating thereto or (ii) to be acquired by the School Board subsequent thereto but not paid for out of the proceeds of such Series of Certificates, upon which a Facility is to be located within the District and more particularly described in a Ground Lease.

"Fiscal Year" shall mean the twelve month fiscal period of the School Board which under current law commences on July 1 in every year and ends on June 30 of the succeeding year.

"Government Obligations" shall mean any obligations which as to principal and interest, constitute non-callable direct obligations of, or non-callable obligations fully and unconditionally guaranteed by the full faith and credit of, the United States of

America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America, to the extent unconditionally guaranteed by the full faith and credit of the United States of America.

"Gross Proceeds" shall mean, with respect to each Series of Certificates, unless inconsistent with the provisions of the Code, in which case as provided in the Code, (i) amounts received by or on behalf of the Corporation from the sale of such Certificates; (ii) amounts received as a result of investments of amounts described in (i); (iii) amounts treated as transferred proceeds of such Certificates in accordance with the Code; (iv) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds; (v) securities or obligations pledged, if any, as security for payment of Basic Lease Payments under the Master Lease (which amounts are limited in accordance with Sections 235.056(3) and 236.25(2)(e) Florida Statutes, as amended); (vi) amounts received with respect to obligations acquired with Gross Proceeds; (vii) amounts used to pay principal and interest portions of the Basic Lease Payments represented by such Certificates; (viii) amounts in any Reserve Account established pursuant to Section 401 of this Trust Agreement and in any Supplemental Trust Agreement; and (ix) amounts received as a result of the investment of Gross Proceeds not described in (i) above.

"Ground Lease" shall mean one or more ground leases between the School Board and the Corporation, as amended and supplemented from time to time, pursuant to which the School Board shall ground lease one or more Facility Sites to the Corporation.

"Instructions to Bidders and General Conditions" shall mean the Instructions to Bidders and General Conditions of the School Board as in effect from time to time.

"Investment Agreement" shall mean an agreement for the investment of moneys entered into by the Trustee with a Qualified Financial Institution whether such agreement is in the form of an interest-bearing time deposit, repurchase agreement or any similar arrangement and any note delivered by a Qualified Financial Institution pursuant to such agreement, which agreement shall have been approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

"Investment Securities" except as otherwise provided in a Supplemental Trust Agreement, shall mean any of the following securities, if and to the extent the same are at the time legal under State law for investment of the School Board's funds:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below).

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's Ratings Group and Moody's Investors Service or any successors thereto; or

(2) (x) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date of dates pursuant to such irrevocable instructions, as appropriate, and (y) which escrow is sufficient as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of this subsection (2) hereof may not be used as Permitted Investments without prior written approval of Standard & Poor's Ratings Group.

(i) Investment Agreements approved in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested (supported by appropriate opinions of counsel) with notice to Standard & Poor's Ratings Group.

(j) Any other investment agreed to in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested with advance notice to Standard & Poor's Ratings Group.

"Lease" shall mean each separate Schedule to the Master Lease executed and delivered by the School Board and the Corporation, together with the terms and provisions of the Master Lease.

"Lease Payment Account" shall mean any Lease Payment Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement.

"Lease Payment Date" shall mean, with respect to a Lease, each date set forth on the corresponding Schedule designated as a Lease Payment Date for such Lease.

"Lease Payments" shall mean, with respect to each Lease, all amounts payable by the School Board pursuant to the terms of a Lease including Basic Lease Payments, Additional Lease Payments and Supplemental Payments.

(b) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

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

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration

(d) Senior debt obligations rated "AAA" by Standard & Poor's Ratings Group and "Aaa" by Moody's Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, and other senior debt obligations of other government-sponsored agencies approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

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

(f) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service and which matures not more than 270 days after the date of purchase.

(g) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's Ratings Group.

(h) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

"Lease Term" shall mean, with respect to each Lease, the period from the date of a Lease through the end of the then current Fiscal Year plus each annual or lesser renewal period thereafter during which such Lease is maintained in effect in accordance therewith, with the maximum number of renewals being specified in the Schedule corresponding to such Lease.

"Master Lease" shall mean the Master Lease Purchase Agreement dated as of November 1, 1994, between the Corporation and the School Board and any and all modifications, alterations, amendments and supplements thereto.

"Net Proceeds" shall mean, with respect to one or more Facilities financed under a Lease, proceeds from any insurance, condemnation, performance bond, Federal or State flood disaster assistance or any other financial guaranty (other than a Credit Facility Issuer) paid with respect to such Facilities remaining after payment therefrom of all expenses, including attorneys' fees, incurred in the collection thereof; and, with respect to insurance, to the extent that the School Board elects to self-insure under Section 5.3 of the Master Lease, any moneys payable from any appropriation made by the School Board in connection with such self-insurance.

"Notice by Mail" shall mean a written notice meeting the requirements of this Trust Agreement mailed by first-class mail to the Certificate holders, at the addresses shown on the register maintained by the Trustee.

"Opinion of Counsel" shall mean an opinion signed by an attorney or firm of attorneys of recognized standing and who are qualified to pass on the legality of the particular matter (who may be counsel to the School Board or Special Tax Counsel) selected by the School Board.

"Outstanding" when used with reference to the Certificates, shall mean, as of any date, Certificates theretofore or thereupon being authenticated and delivered under this Trust Agreement except:

(i) Certificates cancelled by, or duly surrendered for cancellation to, the Trustee at or prior to such date;

(ii) Certificates (or portions of Certificates) for the payment or prepayment of which moneys, equal to the principal portion or Prepayment Price thereof, as the case may be, with interest to the date of maturity or Prepayment Date, shall be held in trust under this Trust Agreement and set aside for such payment or prepayment, (whether at or prior to the maturity or Prepayment Date), provided that if such Certificates (or portions of Certificates) are to be prepaid, notice of such prepayment shall have been given as provided in Article III of this Trust Agreement;

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"Qualified Financial Institution" shall mean a bank, trust company, national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or the Federal National Mortgage Association or any insurance company or other corporation (i) whose unsecured obligations or uncollateralized long term debt obligations have been assigned a rating by a Rating Agency which is not lower than AA/Aa, or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated; or (ii) which collateralizes its obligations at all times at levels in compliance with the requirements of the Rating Agencies for ratings not lower than AA/Aa.

"Rating Agency" shall mean each of Standard & Poor's Ratings Group, Moody's Investors Service and any other nationally recognized rating service which shall have provided a rating on any Outstanding Certificates.

"Reimbursement Agreement" shall mean, with respect to each Lease, any reimbursement agreement among the Corporation, the School Board and any Credit Facility Issuer.

"Reserve Account" shall mean any Reserve Account established pursuant to Section 401 of the Trust Agreement and in any Supplemental Trust Agreement.

"Reserve Account Letter of Credit/Insurance Policy" shall mean the irrevocable letter or line of credit, insurance policy, surety bond or guarantee agreement issued by a Qualified Financial Institution in favor of the Trustee which is to be deposited into a Reserve Account in order to fulfill the Reserve Account Requirement relating thereto.

"Reserve Account Requirement" shall mean, in regard to a Reserve Account to secure a Series of Certificates, such amounts, if any, as shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Series and in the Schedule relating thereto, provided such Reserve Account Requirement shall not exceed the least of (i) the maximum annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, (ii) 125% of the average annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, and (iii) 10% of the stated principal amount of such Series of Certificates.

"Schedule" shall mean a schedule to the Master Lease to be executed and delivered by the School Board and the Corporation for each Project, substantially in the form of Exhibit A to the Master Lease.

(iii) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered pursuant to Article III hereof; and

(iv) Certificates deemed to have been paid as provided in subsection (b) of Section 801 hereof.

"Payment Date" shall mean a date on which the principal portion or the interest portion of Basic Lease Payments is scheduled to be paid to Certificate holders pursuant to the terms of such Certificates.

"Prepayment Account" shall mean any Prepayment Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement.

"Prepayment Date" shall mean the date on which optional prepayment or extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a Series of Certificates Outstanding shall be made pursuant to Section 312 hereof or pursuant to any Supplemental Trust Agreement.

"Prepayment Price" shall mean, with respect to any Certificate, the principal amount thereof (together with the premium, if any, applicable upon an optional prepayment) payable upon prepayment thereof pursuant to such Certificate and this Trust Agreement or any Supplemental Trust Agreement, together with accrued interest represented by such Certificate to the Prepayment Date.

"Project" shall mean the lease-purchase financing and construction or refinancing of the Facilities set forth on a particular Schedule and, if all or a portion of such Facilities shall be comprised of real property, the ground leasing of the related Facility Site by the School Board to the Corporation and the sub-leasing of such Facility Site back to the School Board.

"Project Fund" shall mean the trust fund designated as the "Project Fund" created and established in Section 401 hereof.

"Purchase Option Price" shall mean, with respect to any Facility financed under a Lease, as of each Lease Payment Date, the Basic Lease Payment then due plus the amount so designated and set forth on the Schedule for such Facility as the remaining principal portion of the Purchase Option Price minus any credits pursuant to the provisions of Section 3.2 of the Master Lease, plus, an amount equal to the interest to accrue with respect to the Certificates to be prepaid as a result of the release of such Facility from the Lease, from such Lease Payment Date to the next available date for prepaying such Certificates, unless such prepayment shall occur on such Lease Payment Date, plus an amount equal to a pro-rata portion of any Additional Lease Payments and Supplemental Payments then due and owing under the Lease relating to such Facility, including any prepayment premiums payable on the Certificates prepaid.

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"School Board" shall mean the School Board of Palm Beach County, Florida, a body corporate and the governing body of the District.

"Series" or "Series of Certificates" shall mean the aggregate amount of each series of Certificates evidencing an undivided proportionate interest of the owners thereof in a particular Lease and the Basic Lease Payments thereunder, issued pursuant to this Trust Agreement or a Supplemental Trust Agreement.

"Special Tax Counsel" shall mean Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida, Cunningham & Self, West Palm Beach, Florida and Michael B. Brown, P.A., West Palm Beach, Florida, or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"State" shall mean the State of Florida.

"Superintendent" shall mean the Superintendent of Schools of the District.

"Supplemental Payments" shall mean all amounts due under a Lease other than Basic Lease Payments and Additional Lease Payments.

"Supplemental Trust Agreement" shall mean any agreement supplemental or amendatory of this Trust Agreement.

"Trust Agreement" shall mean this Master Trust Agreement dated as of November 1, 1994, entered into by and between the Corporation and the Trustee, and any Supplemental Trust Agreement.

"Trust Estate" shall mean all estate, right, title and interest of the Trustee in and to (a) the Basic Lease Payments, the Master Lease, the Leases and each Assignment Agreement, and (b) (i) all amounts from time to time deposited in the funds and accounts created pursuant to this Trust Agreement and any Supplemental Trust Agreement in accordance with the provisions of the Master Lease, the Leases and this Trust Agreement, including investment earnings thereon; and (ii) any and all monies received by the Trustee pursuant to the provisions hereof and not required to be remitted to the School Board pursuant to the Master Lease or this Trust Agreement.

"Trustee" shall mean NationsBank of Florida, N.A., Fort Lauderdale, Florida, and its successors or assigns which may at any time be substituted in its place pursuant to the provisions hereof.

192. Rules of Construction. Unless the context shall otherwise indicate, words importing the singular number shall include

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the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies as well as natural persons.

The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in this Trust Agreement, refer to this Trust Agreement.

103. Exhibits. The following Exhibits are attached hereto and by this reference made a part of this Trust Agreement:

Exhibit A.	FORM OF CERTIFICATE
Exhibit B.	FORM OF REQUISITION
Exhibit C.	FORM OF REQUISITION (COSTS OF ISSUANCE)

ARTICLE II

ASSIGNMENT; DECLARATION OF TRUST; REPRESENTATIONS

201. Assignment Agreements. The Corporation shall assign and transfer to the Trustee its rights under each Ground Lease and each Lease pursuant to and to the extent described in the corresponding Assignment Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee shall execute and deliver each Series of Certificates, evidencing an undivided proportionate interest of the Certificate holders in Basic Lease Payments under the corresponding Lease.

202. Declaration of Trust by Trustee. The Trustee hereby declares that it holds and will hold the Trust Estate conferred on it by the Corporation hereunder upon the trusts and apply the amounts as hereinafter set forth for the use and benefit of the Certificate holders, as more particularly set forth in Section 305 hereof.

203. Representations. In the Master Lease, the School Board has agreed to acquire, construct and install the Facilities as agent for the Corporation pursuant to specifications prepared by the School Board and that the School Board will be responsible for the letting of contracts for the acquisition, construction and installation of the Facilities and supervising the acquisition, construction and installation of the Facilities.

204. Description and Estimated Costs of the Facilities. The description of the Facilities to be acquired, constructed and installed and leased by the School Board from the Corporation pursuant to the Master Lease and each Schedule and the estimated Costs of such Facilities shall be set forth in the related Schedule to the Master Lease.

205. Conditions Precedent Satisfied. Each party hereto, represents with respect to itself that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and delivery of this Trust Agreement have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto each represents as to itself that it is now duly empowered to execute and deliver this Trust Agreement.

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ARTICLE III

CERTIFICATES; TERMS AND PROVISIONS

301. Authorization of Certificates.

(a) The number of Series of Certificates which may be created under this Trust Agreement is not limited. The aggregate principal amount of Certificates of each Series which may be issued, authenticated and delivered under this Trust Agreement is not limited except as set forth in the Supplemental Trust Agreement creating such Series.

(b) The Certificates issuable under this Trust Agreement shall be issued in such Series as may from time to time be created in connection with one or more Leases. Each Series shall be designated "Certificates of Participation, Series _____, Evidencing an Undivided Proportionate Interest of the Registered Owners thereof in Basic Lease Payments to be Made by the School Board of Palm Beach County, Florida, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor". The Certificates may, if and when authorized by this Trust Agreement, be designated with such further appropriate particular designations added to or incorporated in such title for the Certificates of any particular Series as the Board may determine and as may be necessary to distinguish such Certificates from the Certificates of any other Series.

302. Execution and Delivery of Certificates. Each Series of Certificates shall be authorized by the Corporation at the request of the School Board and executed and delivered by the Trustee for the purpose of (a) financing the cost of acquisition, construction and equipping of any Facilities, (b) financing the cost of completing the acquisition, construction, installation and equipping of any Facilities, (c) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities, (d) paying or providing for the payment of the principal portion and interest portion of the Basic Lease Payments with respect to, or the Purchase Option Price of, all or a portion of the Facilities financed from the proceeds of any Series of Certificates theretofore executed and delivered, (e) funding a Reserve Account in an amount equal to the Reserve Account Requirement applicable thereto, (f) capitalizing the interest portion of Basic Lease Payments during construction and (g) paying the Costs of Issuance applicable thereto.

Each Series of Certificates shall be substantially in the form set forth in Exhibit A hereto, with such appropriate variations, omissions and insertions as necessary to conform to the provisions of this Trust Agreement, including any use of a book-entry-only system as described in Section 317 hereof. All Certificates may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rule and regulations of any governmental authority or of any securities

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exchange on which the Certificates may be listed or any usage or requirement of law with respect thereto.

303. Terms of Series of Certificates. Certificates may be executed and delivered at any time and from time to time in one or more Series, upon such terms and conditions as may then be permitted by law and as shall be determined by the Corporation and provided in the respective Supplemental Trust Agreement under which such Series of Certificates are authorized. Certificates of any Series:

(a) shall be dated, shall represent interest at a rate not in excess of the maximum rate then permitted by applicable law (calculated on the basis of a 360 day year consisting of twelve 30 day months), and shall be payable and mature in such amounts and at such time or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(b) shall be payable, as to the principal portion, Prepayment Price, if any, and interest portion of such Series of Certificates, at such place or places in lawful money of the United States of America and may have such registration privileges and such exchange privileges as may be provided in the Supplemental Trust Agreement creating such Series of Certificates and allowable under then existing law;

(c) shall have such particular designations added to their title, and shall be in such form and denominations, as provided in the Supplemental Trust Agreement creating such Series of Certificates;

(d) shall be limited as to the maximum principal amount thereof which may be delivered by the Trustee or which may be at any time outstanding, as provided in the Supplemental Trust Agreement creating such Series of Certificates;

(e) may contain provisions for the prepayment thereof at such Prepayment Price or Prices, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(f) may have provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificates, in such amounts, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease as shall be set forth in such Supplemental Trust Agreement;

(g) may contain such other provisions and such other special terms and conditions, not contrary to the provisions hereof, as may be provided in such Supplemental Trust Agreement;

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(h) shall be payable from and secured by the Trust Estate, but solely to the extent provided in and subject to the limitations of Section 305 hereof.

304. Conditions Precedent to Delivery of a Series of Certificates. The Trustee shall execute and deliver one or more Series of Certificates for the purposes set forth in Section 302 hereof to the purchaser or purchasers thereof as requested and authorized by the Corporation in accordance with the provisions of this Section 304.

Prior to the delivery by the Trustee of any Series of Certificates there shall have been received by the Trustee:

(a) A Supplemental Trust Agreement providing for the terms and conditions upon which they shall be executed and delivered by the Trustee;

(b) An executed counterpart of a corresponding Schedule to the Master Lease (or amended Schedule in the case of Certificates issued for the purposes as described in Section 302(b) and (d) above) effective on or before the date of execution and delivery of such Series of Certificates, providing for (i) Lease Payments payable under such Schedule at least equal to the principal portion of, Prepayment Price, if any, and interest portion represented by such Series of Certificates, and (ii) the disposition of the proceeds of the sale of such Series of Certificates, including the acquisition, construction, equipping or improvement of the Facilities to be financed from the proceeds of such Series of Certificates or the payment or refunding of the Series of Certificates to be paid or refunded;

(c) An executed counterpart of an Assignment Agreement, effective on or before the date of execution and delivery of such Series of Certificates, assigning and transferring to the Trustee substantially all of the rights of the Corporation under the Lease relating to such Series of Certificates, except for the provisions with respect to release and indemnity of the Corporation and the right of the Corporation to hold title to various Facilities and to receive notices under the Master Lease;

(d) One or more opinions of Special Tax Counsel to the effect that (i) the Certificates evidence undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the corresponding Lease and (ii) the interest portion of the Basic Lease Payments represented by the Series of Certificates being issued is excludable from gross income for federal income tax purposes, and, in the case of refunding Certificates, that the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments represented by the Certificates being refunded will not be adversely affected by the issuance of the refunding Certificates being issued;

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except that to the extent that Basic Lease Payments available for payment to all Certificate holders are less than all amounts owed with respect to all Series of Certificates on any Payment Date, such amounts available shall be applied on a pro-rata basis to Certificate holders of all Series in accordance with the ratio that the principal balance due on each Series of Certificates Outstanding on such Payment Date bears to the total principal balance due on all Certificates Outstanding under this Trust Agreement on such Payment Date.

(b) Except as otherwise expressly provided in the immediately preceding paragraph and elsewhere herein, all amounts payable by the Trustee with respect to a Series of Certificates or to any Credit Facility Issuer who shall have issued a Credit Facility, if any, securing such Series pursuant to this Trust Agreement, shall be paid only from the portion of the Trust Estate derived from Basic Lease Payments made pursuant to the Schedule corresponding to such Series and only to the extent that the Trustee shall have actually received sufficient income or proceeds from such portion of the Trust Estate to make such payments. Each Certificate holder agrees, and each such Credit Facility Issuer, by its execution and delivery of the Credit Facility shall be deemed to have agreed, except as otherwise expressly provided herein, to look solely to the income of and the proceeds from such portion of the Trust Estate to the extent available for distribution to such holder and each such Credit Facility Issuer as herein provided and that the Trustee is not personally liable to any Certificate holder or any such Credit Facility Issuer for any amounts payable under this Trust Agreement or subject to any liability under this Trust Agreement except liability under this Trust Agreement as a result of negligence or willful misconduct by the Trustee.

(c) So long as the Master Lease or related Ground Leases shall be in effect, all amounts of Lease Payments, insurance proceeds, indemnity payments and other payments of any kind constituting a part of the Trust Estate payable under this Trust Agreement or the Lease corresponding to such Series to the Trustee shall be paid directly to the Trustee for distribution, in accordance with Articles III, V, VI and VII of this Trust Agreement, to or for the Certificate holders or the related Credit Facility Issuer, as the case may be.

306. Execution.

The Certificates shall be executed in the name of, and by, the Trustee, solely as trustee under the Trust Agreement and not in its individual capacity, by the manual signature of any authorized signatory of the Trustee.

307. Negotiability, Transfer and Registration.

(a) The Trustee shall maintain, at its designated corporate trust office, a register of the names and addresses of all Certificate holders as of any particular time, and the Trustee

(e) A written order to the Trustee by an Authorized Corporation Representative to execute and deliver the Series of Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified sum;

(f) Certified copies of resolutions of the Corporation and the School Board authorizing the issuance of such Series of Certificates;

(g) Evidence of approval of the related Lease by the State Department of Education, or an opinion of Special Tax Counsel to the effect that such approval is not required;

(h) Such other documents and opinions as may be provided for in the Supplemental Trust Agreement referred to in subparagraph (a) hereof, including one or more Ground Leases (or amended Ground Leases in the case of Certificates issued for the purposes described in Section 302(b) above), or as may be required under Section 6.1 of the Master Lease;

(i) One or more Opinions of Counsel in form and substance satisfactory to each Credit Facility Issuer to the effect that the issuance of such Series of Certificates for the purposes set forth in Section 302 is authorized by law, and the execution and delivery thereof and of the other documents described in this Section have been duly authorized by the School Board and the Corporation, all conditions precedent to the delivery thereof have been fulfilled and to the further effect that the execution of the Supplemental Trust Agreement is authorized or permitted hereunder; and

(j) A certificate signed by an Authorized Corporation Representative to the effect that the Master Lease is in effect and to its knowledge there are no defaults at the time of issuance under any Lease, Ground Lease or this Trust Agreement.

The proceeds of such Series of Certificates shall be held and disbursed as provided in the Supplemental Trust Agreement providing for such Series of Certificates. The Trustee shall execute and deliver such Series of Certificates to the purchaser or purchasers thereof as directed and authorized in writing by an Authorized Corporation Representative.

305. Payments from Trust Estate Only; Distribution of Trust Estate.

(a) Unless otherwise set forth in a Supplemental Trust Agreement, each Certificate within a Series of Certificates executed and delivered pursuant to this Section shall rank *pari passu* and be equally and ratably secured under this Trust Agreement with each other Certificate of such Series, but not with any Certificates of any other Series issued pursuant to this Trust Agreement and Outstanding, without preference, priority or distinction of any such Certificate over any other such Certificate,

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shall, upon request of the School Board, furnish such information to the School Board.

(b) Each Certificate shall be transferable only upon the register maintained by the Trustee, by the Certificate holder in person or by his/her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Certificate holder or his/her attorney duly authorized in writing. Upon the registration of transfer of any such Certificate, the Trustee shall deliver in the name of the transferee a new Certificate or Certificates of the same series, aggregate principal amount and maturity as the surrendered Certificate.

(c) The person in whose name any Certificate shall be registered upon the books of the Trustee shall be treated as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal portion or Prepayment Price, if applicable, and interest portion represented by such Certificate and for all other purposes, and all such payments so made to any such Certificate holder or upon his/her order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Trustee, the Corporation and the School Board shall not be affected by any notice to the contrary.

(d) Certificates, upon surrender thereof at the designated corporate trust office of the Trustee, together with an assignment duly executed by the Certificate holder or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Certificate holder thereof and upon payment by such Certificate holder of any charges which the Trustee may make as provided in Section 308 hereof, be exchanged for an equal aggregate principal amount of Certificates of the same maturity and series, of any denomination or denominations authorized by this Trust Agreement, representing interest at the same rate, and in the same form as the Certificates surrendered for exchange.

(e) Upon the occurrence and continuance of an Event of Default which requires a Credit Facility Issuer to make payments under a Credit Facility, the Credit Facility Issuer and its designated agent shall be provided with access to inspect and copy the register of the Series of Certificate holders insured by its Credit Facility.

308. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Certificates or registering the transfer of Certificates is exercised, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Trust Agreement. All Certificates surrendered in any such exchanges or registrations of transfer shall forthwith be cancelled by the Trustee. For every such exchange or registration

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of transfer of Certificates, whether temporary or definitive, the Trustee may make a charge sufficient to reimburse it for any title, fee or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Trustee shall not be required (a) to register the transfer of or exchange Certificates for a period of fifteen (15) days preceding any Payment Date until such Payment Date, or for a period of fifteen (15) days preceding any selection of Certificates to be prepaid until after the mailing of any notice of prepayment; or (b) to register the transfer of or exchange any Certificates called for prepayment.

309. Certificates, Mutilated, Destroyed, Stolen or Lost. In case any Certificates shall become mutilated or be destroyed, stolen or lost, the Trustee shall execute and deliver a new Certificate of the same series and of like maturity and principal amount as the Certificate so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Certificate, or in lieu of and substitution for the Certificate destroyed, stolen or lost, upon surrender of such mutilated Certificate or filing with the Trustee of evidence satisfactory to the Trustee that such Certificate has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Trustee with indemnity satisfactory to the Trustee and complying with such other reasonable regulations as the Trustee may prescribe and paying such expenses as the Trustee may incur. All Certificates so surrendered to the Trustee shall be cancelled by it. Any such new Certificates executed and delivered pursuant to this Section in substitution for Certificates alleged to be destroyed, stolen or lost shall be equally secured by and entitled to equal and proportionate benefits, with all other Certificates delivered under the Trust Agreement and Outstanding.

310. Temporary Certificates. Until the definitive Certificates are prepared, the Trustee may execute and deliver, in the same manner as is provided in Section 306, in lieu of definitive Certificates, one or more temporary Certificates of the same series and substantially of the tenor of the definitive Certificates in lieu of which such temporary Certificate or Certificates are issued, in denominations of \$5,000 or any multiples thereof, and with such omissions, insertions and variations as may be appropriate for temporary Certificates. The Trustee, at the expense and direction of the School Board, shall prepare and execute and, upon the surrender of such temporary Certificates, and the cancellation of such surrendered temporary Certificates, the Trustee shall without charge to the Holder thereof, in exchange therefor, deliver definitive Certificates of the same series, of the same aggregate principal amount and maturity as the temporary Certificates surrendered. Until so exchanged, the temporary Certificates shall in all respects be entitled to the same benefits and security as definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement.

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notice, postage prepaid, not less than 30 days before the Prepayment Date in the case of optional prepayment, extraordinary prepayment resulting from damage, destruction or condemnation of Facilities or mandatory sinking fund prepayment, and not less than 5 days nor more than 10 days before the Prepayment Date in the case of extraordinary prepayment resulting from termination of all Leases as a result of nonappropriation or default by the School Board, to the Holders of any Certificates or portions of Certificates which are to be prepaid, at their last addresses appearing upon the registry books, but any defect in the notice to a particular Certificate holder shall not affect the validity of the proceedings for the prepayment of other Certificates. Notwithstanding anything in this Section 314 to the contrary, the Trustee shall not give notice that the Certificates are subject to optional prepayment pursuant to a Supplemental Trust Agreement unless and until the School Board shall have deposited with the Trustee to the credit of the related Prepayment Account an amount sufficient to pay in full the principal of the Certificates subject to prepayment, plus accrued interest and premium, if any, on such Certificates to the date established for such prepayment. Notice of such prepayment shall be provided to any depository not less than two days prior to mailing of such notice, to the extent available.

315. Payment of Prepaid Certificates. Notice having been given in the manner provided in Section 314, the Prepayment Price of the Certificates or portions thereof so called for prepayment shall become due and payable on the Prepayment Date so designated at the Prepayment Price, plus the interest portion accrued and unpaid to the Prepayment Date, and, upon presentation and surrender thereof at the office specified in such notice such Prepayment Price of the Certificates, or portions thereof shall be paid. If there shall be selected for prepayment less than all of the Certificates, the Trustee shall execute and deliver, upon the surrender of such Certificates, without charge to the owner thereof, for the aggregate balance of the principal amount of the Outstanding Certificates so surrendered, at the option of the owner thereof, Certificates of like maturity in any of the authorized denominations. If, on the Prepayment Date, moneys for the payment of the Prepayment Price of all the Certificates of a Series or portions thereof of any like maturity to be prepaid, shall be held by the Trustee so as to be available therefor on the Prepayment Date and if notice of prepayment shall have been given as aforesaid, then, from and after the Prepayment Date the interest portion of the Certificates or portions thereof of such maturity so called for prepayment shall cease to accrue and become payable. If said moneys shall not be so available on the Prepayment Date, the principal portion represented by such Certificates or portions thereof shall continue to bear interest until paid at the same rate as would have accrued had it not been called for prepayment.

316. Cancellation of Certificates. All Certificates paid or prepaid, either at or before maturity, shall be delivered to the Trustee when such payment or prepayment is made, and such Certificates shall thereupon be promptly cancelled and destroyed.

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311. Privilege of Prepayment and Propayment Price. Certificates subject to prepayment prior to maturity pursuant to this Trust Agreement may be prepaid, upon notice given as provided in this Article III, at such times, at such Prepayment Prices and upon such terms as specified in this Article III or in the Supplemental Trust Agreement authorizing the issuance of such Certificate.

312. Prepayment. Whenever by the terms of this Trust Agreement the Certificates are required to be prepaid, the Trustee shall select the Certificates to be prepaid in accordance with the provisions of Section 313 hereof. The Trustee shall select a Prepayment Date, and immediately give the notice of prepayment and pay the Prepayment Price thereof, plus interest accrued and unpaid to the Prepayment Date, in accordance with the terms of this Article III.

313. Selection of Certificates to be Prepaid. If less than all of the Certificates of a Series shall be called for prepayment, the particular Certificates or portions of Certificates to be prepaid shall be in multiples of \$5,000 and, except as otherwise provided in a Supplemental Trust Agreement, such Certificates or portions of Certificates shall be prepaid in such order of maturity as shall be designated by the School Board. If less than all of the Certificates of like maturity shall be called for prepayment, the particular Certificates or portions thereof to be prepaid shall be selected by lot by the Trustee in such manner as the Trustee shall deem fair and appropriate. The portion of any Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate to be prepaid in part by \$5,000.

314. Notice of Prepayment. When prepayment of Certificates is required pursuant to Section 312 hereof, the Trustee shall give notice of the prepayment of such Certificates, which notice shall specify the maturities of the Certificates to be prepaid, the CUSTP numbers (which shall be for informational purposes only and shall not affect the validity of such notice), the prepayment date and the place or places where amounts due upon such prepayment will be payable and, if less than all of the Certificates of a Series are to be prepaid, the letters and numbers or other distinguishing marks of such Certificates to be prepaid, and, in the case of Certificates to be prepaid in part only, such notice shall also specify the respective portions of the principal amounts thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable with respect to each Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof to be prepaid in part only, together with interest accrued to the Prepayment Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such

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Upon the cancellation and deletion of any Certificates by the Trustee, the Trustee shall execute a certificate of cancellation in duplicate by the signature of one of its authorized officers describing the Certificates so cancelled, and executed certificates shall be filed with the School Board and the Corporation and the other executed certificate shall be retained by the Trustee.

317. Qualification for The Depository Trust Company. The Trustee is hereby authorized to take such actions as may be necessary from time to time to qualify any Series of Certificates for deposit with The Depository Trust Company of New York, including but not limited to wire transfers of interest and principal payments with respect to such Series of Certificates, utilization of electronic book-entry data received from The Depository Trust Company of New York in place of actual delivery of Certificates and provision of notices with respect to Certificates registered by The Depository Trust Company of New York (for any of its designees identified to the Trustee) by overnight delivery, courier service, telegram, telecopy or other similar means of communication. No such arrangements with The Depository Trust Company of New York may adversely affect the interest of any of the beneficial owners of the Certificates, provided, however, that the Trustee shall not be liable with respect to any such arrangements it may make pursuant to this Section. Without limiting the foregoing, the Trustee may deliver a Series of Certificates to a bank or trust company serving as custodian (which may be the Trustee serving in the capacity of custodian) to provide for a book-entry or similar method for the registration and registration of transfers of such Series of Certificate; provided that the holders of such Series of Certificates always may receive upon request certificates evidencing their ownership of Certificates.

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ARTICLE IV
ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND
ACCOUNTS; PREPAYMENT OF CERTIFICATES

401. Establishment of Project Fund. There is hereby established with the Trustee a special trust fund to be designated as the "Project Fund". The Trustee shall keep the Project Fund separate and apart from all other funds and moneys held by it. Within the Project Fund, the Trustee shall establish pursuant to each Supplemental Trust Agreement, as necessary, the following accounts and subaccounts for each Series of Certificates: (a) an Acquisition Account and a Cost of Issuance Subaccount therein, more particularly described in Section 402 hereof; (b) a Capitalized Interest Account more particularly described in Section 403 hereof; (c) a Lease Payment Account, more particularly described in Section 404 hereof; (d) a Reserve Account, more particularly described in Section 405 hereof; and (e) a Prepayment Account, more particularly described in Section 406 hereof. The Trustee shall establish separate Acquisition Accounts, Cost of Issuance Subaccounts, Capitalized Interest Accounts, Lease Payment Accounts, Reserve Accounts and Prepayment Accounts for each Project in the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates corresponding to each such Project. The Trustee may create additional Accounts and Subaccounts in any Supplemental Trust Agreement, at the request of the School Board. Each such account and subaccount shall be designated by the Trustee with the Series of the Certificates to which they relate.

On the date of delivery of each Series of Certificates the Trustee shall deposit the proceeds thereof as provided in the Schedule or Schedules and the Supplemental Trust Agreement authorizing such Series of Certificates.

402. Acquisition Account.

(a) There shall be paid into each Acquisition Account the amounts required to be so paid by the provisions hereof or by the provisions of the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(b) Pursuant to an election by the School Board under Section 5.4(a) of the Master Lease, Net Proceeds with respect to any Facilities, may be deposited into the Acquisition Account established under the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(c) The Cost (other than the Costs of Issuance) of the Facilities comprising each Project shall be paid from the amounts on deposit in the related Acquisition Account. Actual amounts paid

able to the School Board confirming the feasibility of the proposed construction; and

- (vii) Certification by the School Board that adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the land, or the cost of making them available is included in the School Board's acquisition and construction budget.

Before payment is made pursuant to a requisition for real estate improvements, regardless of whether the underlying land was previously owned by the School Board or is being acquired with Certificate proceeds, there shall be provided to the Trustee items (i) through (vii) above with respect to the land underlying such real estate improvements, and in the case of underlying land previously owned by the School Board, there shall be provided to the Trustee a related Ground Lease or amendment to the related Ground Lease adding such parcel of land thereto.

(d) Costs of Issuance of Certificates shall be paid from the related Cost of Issuance Subaccount in the related Acquisition Account upon receipt by the Trustee of a requisition substantially in the form of Exhibit C hereto, signed by an Authorized School Board Representative stating with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm, corporation or agency to whom payment is due, (3) the amount to be paid and (4) that such payment obligation has been properly incurred, is a Cost of Issuance for the related Project and has not been the basis of a previous withdrawal.

(e) The completion of the acquisition, construction and installation of the Facilities comprising each Project financed under a particular Lease shall be evidenced by a Certificate of Acceptance of the School Board and the Corporation in the form attached as Exhibit B to the Master Lease, which Certificate of Acceptance shall be filed with the Trustee upon completion of acquisition of such Facilities. Upon the filing of such certificate any amounts remaining in the related Acquisition Account shall be either (a) transferred to the related Lease Payment Account and applied as a credit to Basic Lease Payments due under the particular Schedule with respect to which such surplus is applicable, in accordance with Section 3.2(b) of the Master Lease or (b) if there shall remain in the related Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, transferred to the related Prepayment Account and utilized to prepay the related Series of Certificates at a price of par plus interest accrued to the date of prepayment, in the manner provided in the related Supplemental Trust Agreement and Section 7.2(B) of the Master Lease.

for particular Facilities may be more or less than the estimated amounts set forth initially in a Schedule, so long as the certifications provided below can be made. The Trustee shall make such payments upon receipt of a requisition substantially in the form of Exhibit B hereto, signed by an Authorized School Board Representative certifying with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm, corporation or agency to whom payment is due or has been made, (3) the amount to be paid, (4) that each obligation, item of cost or expense mentioned therein has been properly incurred, is an item of Cost of the Facilities comprising the related Project and has not been the basis of any previous withdrawal, and (5) that the payment of the Cost of the Facilities comprising such Project will not cause the balance remaining in such Acquisition Account after such payment to be less than the amount necessary to pay the remaining estimated Costs to be paid from such account or that sufficient other moneys are available therefor. Payments may be made from such Acquisition Account in order to reimburse the School Board for payments previously made to pay the Costs of the Facilities comprising such Project.

Payments shall be made by the Trustee for Costs of land in accordance with the following:

- (i) Receipt by the Trustee and the related Credit Facility Issuer of a title insurance policy, if required by such related Credit Facility Issuer pursuant to Section 6.1 of the Master Lease (the Trustee shall be notified in writing of such requirement);
- (ii) Receipt by the Trustee and the related Credit Facility Issuer of an Opinion of Counsel described in Section 6.1 of the Master Lease;
- (iii) An executed Schedule or Amendment to the related Schedule describing the land and the cost thereof;
- (iv) A "Phase I" environmental audit prepared by an independent engineer or other qualified consultant acceptable to the applicable Credit Facility Issuer and the School Board;
- (v) A copy of a recent survey plat of the land in questions prepared, sealed and certified to the School Board and the Trustee by a licensed Florida surveyor, in form satisfactory to the School Board;
- (vi) A report on soil conditions and an engineer's certification in form and substance accept-

(f) In the event that a Lease Term terminates under Section 4.1 of the Master Lease prior to the completion of the acquisition, construction and installation of the Facilities comprising the related Project as evidenced by the delivery of a Certificate of Acceptance, the Trustee shall transfer all amounts remaining in the related Acquisition Account to the related Lease Payment Account and apply such amounts pursuant to Section 504 hereof.

403. Capitalized Interest Accounts. Funds in each Capitalized Interest Account relating to a Series of Certificates shall be transferred to the related Lease Payment Account in an amount necessary to pay the interest portion of Lease Payments coming due during construction represented by such Series of Certificates. Such transfer shall be made on the Business Day before each Payment Date for such Series, until the amounts in such Capitalized Interest Account are exhausted.

404. Lease Payment Accounts.

(a) In addition to the moneys required to be deposited in a Lease Payment Account pursuant to Sections 401, 402 and 408 hereof and except as provided in Section 406(b) hereof, all Basic Lease Payments for the Facilities financed under a Lease shall be deposited by the Trustee in the related Lease Payment Account immediately upon their receipt. The Trustee shall pay out of such Lease Payment Account, (i) on each Payment Date, the amount required for the interest portion of the Basic Lease Payment for such Facilities payable on such date to the related Certificate holders, (ii) on each Payment Date for principal the amount required for the principal portion of the Basic Lease Payments for such Facilities payable on such date to the related Certificate holders, and (iii) in the event of the termination of the related Lease Term pursuant to Section 4.1(d) of the Master Lease for deposit in the related Prepayment Account to be applied to the prepayment of the related Certificates pursuant to Section 3.15 hereof amounts on deposit in the related Lease Payment Account sufficient to pay the Prepayment Price of the related Certificates.

(b) Pursuant to an election by the School Board under Section 5.4(b) of the Master Lease, Net Proceeds with respect to any Facilities of less than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to such Facilities shall be deposited in the related Lease Payment Account to be credited against Basic Lease Payments next coming due under the related Schedule in accordance with Section 3.2(c) of the Master Lease.

405. Reserve Accounts.

Pursuant to the Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established

and maintained a separate Reserve Account to secure the payment of the principal and/or interest portion of the Basic Lease Payments related to such Series of Certificates. Each such Reserve Account shall secure only the Series of Certificates for which it has been established.

(a) The Reserve Account shall be maintained by the Trustee at the Reserve Account Requirement until the Basic Lease Payments related to a Series of Certificates for which it was established are paid in full pursuant to the terms of the Master Lease and the related Schedule, or the School Board has prepaid all such Basic Lease Payments in accordance with Section 7.2 or Section 7.3 of the Master Lease, or the Trust Agreement is terminated. The Trustee shall apply moneys in a Reserve Account as provided in this Section 405 or as provided in a Supplemental Trust Agreement.

(b) If on any Lease Payment Date (after taking into account Basic Lease Payments made to the Trustee on such Lease Payment Date) immediately preceding a Payment Date the amount in any Lease Payment Account shall be less than the amount required to pay the interest portion and principal portion of the Basic Lease Payments then due in relation to a Series of Certificates for which it was established, the Trustee shall transfer from the Reserve Account established in relation to such Series of Certificates to such Lease Payment Account the amount necessary to make good the deficiency. Any amounts transferred from a Reserve Account pursuant to this subsection (b) shall, to the extent of such transfer, be deemed to satisfy the School Board's obligation to make such Basic Lease Payment. In the event of any such transfer, the Trustee shall, within five (5) days after making such transfer, provide written notice to the School Board of the amount and date of such transfer and the School Board shall, if the deficiency in any Lease Payment Account is not the result of a failure of the School Board to appropriate moneys as contemplated by Section 3.5 of the Master Lease, pay within thirty (30) days of receipt of notice of such transfer from the Trustee, as Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto. In the event of any deficiency in the value of the Reserve Account pursuant to Section 405 hereof, the Trustee shall, within five (5) days of such valuation, provide written notice to the School Board of such deficiency and the School Board shall pay within thirty (30) days of receipt of notice of such deficiency from the Trustee, as Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto.

(c) Whenever the amount in any Reserve Account, together with the amount in the related Lease Payment Account, is sufficient to pay in full the interest portion and principal portion of the Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms, the funds

on deposit in such Reserve Account shall be transferred to the related Lease Payment Account. Any provision of the Trust Agreement to the contrary notwithstanding, so long as there shall be held in any Lease Payment Account an amount sufficient to pay in full the interest portion and principal portion of all Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms, no deposits shall be required to be made into the Reserve Account established in relation to such Series.

(d) Any amounts on deposit in a Reserve Account in excess of the related Reserve Account Requirement applicable thereto shall be transferred to the Lease Payment Account relating to the Series of Certificates secured by such Reserve Account.

(e) Any income or interest earned by, or increment to any Reserve Account due to the investment thereof paid into the applicable Lease Payment Account established for the particular Series of Certificates secured by such Reserve Account pursuant to Section 408(b) hereof shall be credited toward the interest portion of Basic Lease Payments represented by such Series next coming due, and the Trustee shall (to the extent reasonably ascertainable) notify the School Board thirty (30) days before each Lease Payment Date of the funds to be available for such transfer.

(f) Notwithstanding the foregoing, in lieu of the required deposits into the related Reserve Account, the Trustee is hereby authorized to accept and the Issuer may cause to be deposited into the Reserve Account pursuant to Section 3.1 of the Master Lease, a Reserve Account Letter of Credit/Insurance Policy either in lieu of any cash amount required to be deposited therein in connection with the issuance of any Series of Certificates or in substitution for the full amounts then on deposit therein or in an amount equal to the difference between the amount required to be deposited and the sum, if any, then on deposit in the Reserve Account, which Reserve Account Letter of Credit/Insurance Policy shall be payable (upon the giving of notice as required hereunder) on any Payment Date on which a deficiency exists which cannot be remedied by moneys in any other fund or account held pursuant to the Trust Agreement and available for such purpose. If any such Reserve Account Letter of Credit/Insurance Policy is substituted for moneys on deposit in the Reserve Account, or if on a valuation date there are excess moneys in the Reserve Account, the excess moneys in the Reserve Account shall be transferred to and deposited in the related Lease Payment Account. If a disbursement is made from a Reserve Account Letter of Credit/Insurance Policy, the School Board shall be obligated to either reinstate the maximum limits of such Reserve Account Letter of Credit/Insurance Policy immediately following such disbursement or to deposit into the Reserve Account, as provided in Section 3.1 of the Master Lease for restoration of withdrawals from the Reserve Account, funds in the

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amount of the disbursement made under such Reserve Account Letter of Credit/Insurance Policy.

In the event that upon the occurrence of any deficiency in a Lease Payment Account, the Reserve Account is then funded with a Reserve Account Letter of Credit/Insurance Policy, the Trustee shall, on a Payment Date to which such deficiency relates, draw upon or cause to be paid under the Account Letter of Credit/Insurance Policy an amount sufficient to remedy such deficiency, in accordance with the terms and provisions of the Reserve Account Letter of Credit/Insurance Policy as applicable, and any corresponding reimbursement or other agreement governing the Reserve Account Letter of Credit/Insurance Policy; provided, however, that if at the time of such deficiency the Reserve Account is only partially funded with a Reserve Account Letter of Credit/Insurance Policy, prior to drawing on the Reserve Account Letter of Credit/Insurance Policy, as applicable, the Trustee shall first apply any cash and securities on deposit in the Reserve Account to remedy the deficiency in accordance with the Section 4.05(b) and, if after such application a deficiency still exists, the Trustee shall make up the balance of the deficiency by drawing on the Reserve Account Letter of Credit/Insurance Policy, as provided in this sentence. Amounts drawn on the Reserve Account Letter of Credit/Insurance Policy shall be applied as set forth in Section 4.05(b). Any amounts drawn under a Reserve Account Letter of Credit/Insurance Policy shall be reimbursed to the provider thereof in accordance with the terms and provisions of the reimbursement or other agreement governing such Reserve Account Letter of Credit/Insurance Policy.

406. Prepayment Accounts.

(a) Except as may be otherwise provided in the Supplemental Trust Agreement authorizing the issuance of a Series of Certificates, the Trustee shall apply moneys in each Prepayment Account as provided in this Section 406. Amounts in a Prepayment Account shall be applied within 35 days after deposit therein, to the prepayment of Certificates of the related Series.

(b) The Trustee shall deposit in each Prepayment Account as received, all moneys, if any, paid to it for such purpose by the School Board pursuant to provisions of Section 7.2 of the Master Lease. In the event of the occurrence of an Event of Mandatory Prepayment pursuant to an election under Section 5.4(b) of the Master Lease, the Trustee shall deposit in the related Prepayment Account Net Proceeds for such purpose. Also, in the event of the occurrence of an Event of Mandatory Prepayment at the election of a Credit Facility Issuer as a result of termination of all Leases for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease, the Trustee shall deposit in the related Prepayment Account moneys paid by the School Board and the related Credit Facility Issuer for such purpose, and shall transfer to the

related Prepayment Account moneys on hand in the related Lease Payment Account and not needed to pay the principal portion and interest portion due or past due represented by the related Series of Certificates, sufficient to pay the Prepayment Price of such Series of Certificates pursuant to Section 406 hereof. All of said moneys shall be set aside in the corresponding Prepayment Account for the purpose of prepaying a principal amount of the related Series of Certificates corresponding to the principal portion of Basic Lease Payments prepaid or to the principal portion of the Purchase Option Price of all or a portion of the related Facilities, and shall be applied on or after the Prepayment Date to the payment of such principal amount of the related Series of Certificates, together with the accrued interest relating thereto, upon presentation and surrender of such Certificates.

407. Deposits of Money.

(a) All moneys deposited under the provisions of this Trust Agreement with the Trustee shall be held in trust and applied only in accordance with the provisions of this Trust Agreement, and the Project Fund established by this Trust Agreement shall be a trust fund for the purposes thereof.

(b) All moneys held under this Trust Agreement by the Trustee shall be invested in accordance with Section 408 hereof, provided, however, that it shall not be necessary for the Trustee to give or obtain security for the deposit of any moneys held in trust and set aside by it for the payment of the principal portion or Prepayment Price of or interest portion of the Basic Lease Payments represented by any Certificates, or to give security for any moneys which shall be represented by Investment Securities purchased as an investment of such moneys.

(c) All moneys deposited with the Trustee shall be credited to the particular account to which such moneys belong.

408. Investment of Certain Accounts.

(a) Moneys held in each Acquisition Account, Capitalized Interest Account, Lease Payment Account, Reserve Account and Prepayment Account shall be invested and reinvested by the Trustee, solely as directed by an Authorized School Board Representative, to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Accounts, provided that moneys in each Acquisition Account shall not be invested in Investment Securities maturing more than three (3) years after the date of investment, and provided, further, that moneys in each Reserve Account shall be invested in Investment Securities with maturities not longer than five (5) years. The Trustee shall make all such investments of moneys held by it only as directed in accordance with instructions (which may be standing instructions)

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confirmed in writing, received from an Authorized School Board Representative and the Trustee shall have no responsibility for determining whether Investment Securities are legal under State law for investment of the School Board's funds.

(b) Subject to the first sentence of Section 409, interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investments and net of amounts deemed Excess Earnings) earned on any moneys or investments in an Acquisition Account shall be either (i) at the direction of an Authorized School Board Representative retained in such account until delivery of a Certificate of Acceptance, or (ii) automatically transferred to the related Lease Payment Account without need for any requisition or other direction and, together with interest, earnings on investments in such Lease Payment Account, applied on the next occurring Lease Payment Date as a credit against the Basic Lease Payment then due on such date under the related Lease and deemed to be payment of the interest portion thereof. Interest earned on any moneys or investments in each Cost of Issuance Sub-account shall be deposited in the related Acquisition Account. Interest and other income received by the Trustee from investments of moneys on deposit in each Reserve Account (net of amounts deemed by the School Board to be Excess Earnings) and the related Capitalized Interest Account, if any, shall, prior to delivery of a Certificate of Acceptance, be deposited in the Acquisition Account, and after such date, be deposited in the related Lease Payment Account; provided, however, that all interest and other income received by the Trustee on investment of a Reserve Account shall be retained therein in the event that amounts on deposit in such Reserve Account are less than the Reserve Account Requirement applicable thereto. Interest earned on moneys and investments in a Prepayment Account shall be applied on the next ensuing Prepayment Date toward payment of amounts due to the related Certificate holders, in accordance with the provisions of Article III hereof. The School Board shall give written notice to the Trustee after each calculation period of amounts deemed by the School Board to be Excess Earnings and the Trustee may rely conclusively on such notice for purposes of determining the Excess Earnings amount hereunder.

(c) Nothing in this Trust Agreement shall prevent any Investment Securities acquired as investments of funds held under this Trust Agreement from being issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

409. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any Account created under the provisions of this Trust Agreement shall be deemed at all times to be a part of such Account and any profit realized from the liquidation of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged

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ARTICLE V

COVENANTS, DEFAULT AND LIMITATIONS OF LIABILITY

501. Trustee to Perform each Lease. The Trustee covenants and agrees with the Certificate holders and each Credit Facility Issuer, if any, to perform or cause to be performed all obligations and duties imposed on it as assignee of the Corporation of each Lease, and to enforce each Lease against the School Board.

502. Notice of Nonpayment. In the event of delinquency in the payment when due of Basic Lease Payments by the School Board pursuant to a Lease, the Trustee shall give notice to the School Board on the Business Day following the day payment was due, that such Basic Lease Payments have not been received. In the event of a delinquency in the payment when due of Additional Lease Payments or Supplemental Payments by the School Board pursuant to a Lease, the Trustee shall give notice to the School Board on the Business Day following the day payment was due (if payment was due to the Trustee) or on the Business Day following the date of receipt of notice of nonpayment from the party to whom such Additional Lease Payment or Supplemental Payment was due (if payment was due to a payee other than the Trustee).

503. Events of Default. Each of the following events is hereby declared to be an event of default hereunder:

(a) Payment of any installment of interest represented by any Certificate shall not be made when the same shall become due and payable; or

(b) Payment of any principal, whether at maturity or upon call for redemption, or any redemption premium with respect to any Certificate shall not be made when the same shall become due and payable; or

(c) An "Event of Default" shall occur and be continuing under Section 8.1 of the Master Lease.

504. Remedies on Default or Non-Appropriation. Upon the occurrence of an event of default by the School Board with respect to any Lease under Section 8.1 of the Master Lease, or upon termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee, with the consent or at the direction of each Credit Facility Issuer insuring a Series of Certificates, and upon receipt of indemnity, shall be entitled to enforce the rights and exercise the remedies provided in the Master Lease, as appropriate and shall pursue one or more of such remedies at the direction of the Holders of a majority in aggregate principal amount of the Certificates of each Series Outstanding which is affected by such remedies, subject to the provisions of Section 707 hereof.

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to, the computation of net interest earned on the moneys and investments of such Account.

In computing the amount in any Account created under the provisions of this Trust Agreement for any purpose provided in this Trust Agreement, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations plus accrued interest. Such computation shall be determined as and when needed. Investments in the Reserve Account shall be valued annually.

Except as otherwise provided in this Trust Agreement, the Trustee shall sell at the best price reasonably obtainable or present for redemption or transfer as provided in the next sentence any obligation so purchased as an investment whenever it shall be requested in writing by the Authorized School Board Representative so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Account or sub-account held by it. In lieu of such sale or presentment for redemption, the Trustee may, in making the payment or transfer from any Account mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto if such investment obligations shall mature or be collectible at or prior to the time the proceeds thereof shall be needed and such transfer of investment obligations may be made in book-entry form. The Trustee shall not be liable or responsible for making any such investment in the manner provided above.

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Any amounts collected following an event of default or non-appropriation shall be applied in accordance with the provisions of this Section and if all amounts due on the Certificates or otherwise hereunder have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the School Board.

(a) All such moneys collected in connection with a particular Lease shall be deposited into one or more special accounts established by the Trustee for the Series of Certificates relating thereto and applied:

First: To the payment of the reasonable costs of the Trustee related to such Lease, including counsel fees, any disbursements of the Trustee and its reasonable compensation;

Second: To the payments related to such Lease, if any, required to be paid to the Treasury Department of the United States under the Code;

Third: To the payment to the persons entitled thereto of all installments of the interest then due represented by all Series of Certificates related to such Lease in the order of such maturity of the installments of such interest portion, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due represented by such installment, to the persons entitled thereto, without any discrimination or preference;

Fourth: To the payment to the persons entitled thereto of the unpaid principal portion or Prepayment Price of all Series of Certificates related to such Lease which shall have become due whether at maturity or by call for prepayment in the order of their due dates and, if the amount available shall not be sufficient to pay in full all Certificates due on any date, then to the payment thereof ratably, according to the amount of principal portion, or Prepayment Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

Fifth: To the payment of any ground rent or other amounts then due and payable under the corresponding Ground Lease, if any.

(b) If, at the election of a Credit Facility Issuer, an Event of Extraordinary Prepayment shall have occurred, the Trustee shall send notice of such extraordinary prepayment as required under Section 314 and shall apply all such moneys in accordance herewith and with the applicable Supplemental Trust Agreement.

Except as otherwise provided in Section 305(a) hereof, in the case of partial payment of Basic Lease Payments, whenever moneys are to be applied by the Trustee pursuant to the provisions

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of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on a Lease Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date.

505. Account and Reports.

(a) The Trustee shall keep a copy of this Trust Agreement and all Supplemental Trust Agreements and proper books of record and account in which complete and correct entries shall be made of its transactions relating to each Project and each Account established under this Trust Agreement, which shall be subject to the inspection of the Corporation and the School Board during normal business hours and upon reasonable notice and which shall be maintained by the Trustee at the expense of the School Board for a period of six (6) years following termination of this Trust Agreement.

(b) The Trustee shall advise the Corporation and the School Board promptly after the end of each month of its transactions during such month relating to each Account held by it under this Trust Agreement.

506. Liability to Certificate Holders for Payment. Except as otherwise provided in this Trust Agreement, the Trustee shall have no obligation or liability to the Certificate holders with respect to the School Board's obligation to pay Basic Lease Payments when due, or with respect to the performance by the School Board of any other covenants made by it in the Master Lease. The Trustee shall not be liable or responsible because of the failure of the Corporation or the School Board or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Corporation or the School Board or because of the loss of any money arising through the insolvency or the act or default or omission of any depository. The Trustee shall not be responsible for the application of any of the proceeds of Certificates or any other money deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Trust Agreement. The immunities and exemption from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

507. Possession and Enjoyment. With respect to each Project, from and after the acceptance by the School Board of the Facilities comprising such Project in accordance with the terms of the Master

Lease, the Trustee hereby agrees that it will not interfere with the Lease Terms and that the School Board shall, during such Lease Terms, peaceably and quietly have and hold and enjoy such Facilities, without suit, trouble or hindrance from the Trustee, except as expressly set forth in such Leases.

508. Warranties. THE TRUSTEE, BY ACCEPTANCE OF THE TRUST AGREEMENT, AND THE CORPORATION, BY DELIVERY OF THE LEASES, MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE TITLE TO, VALUE, DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY OF THE FACILITIES, OR PORTION THEREOF, OR AS TO WHETHER THE QUALITY OR CAPACITY OF THE MATERIAL OR WORKMANSHIP IN SUCH FACILITIES OR ANY WARRANTY THAT SUCH FACILITIES WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. In no event shall the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of any Lease or the existence, furnishing, functioning or the School Board's use of any item, product or service provided for in any Lease.

ARTICLE VI CONCERNING THE TRUSTEE

601. Employment of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the Trustee hereby agrees to receive, hold, invest and disburse the moneys to be paid to it pursuant to the Master Lease for credit to the various funds and accounts established by this Trust Agreement; to prepare, execute, deliver and deal with the Certificates; and to apply and disburse the Trust Estate and other moneys received pursuant to the Master Lease to the Certificate holders subject to the limitations set forth in this Trust Agreement; and to perform certain other functions, all as expressly provided in and subject to the express terms and conditions of, this Trust Agreement. Prior to the occurrence of any Event of Default hereunder and after the curing of all such Events of Default that may have occurred, the Trustee shall perform only such duties of the Trustee as are specifically set forth in this Trust Agreement.

602. Trustee Acceptance of Duties.

(a) The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Trust Agreement by executing and delivering this Trust Agreement, and by executing such acceptance the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Certificates thereafter to be delivered, but only, however, upon the express terms and conditions set forth herein.

(b) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect all books, papers and records of the School Board pertaining to each Project and each Lease, and to take such memoranda from and with regard thereto as may be desired.

(c) The Trustee shall not be required to give bond or surety in respect of the execution of said trusts powers or otherwise in respect of this Trust Agreement.

(d) Before taking any action referred to in Article V, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its failure to comply with the standard of care prescribed by Section 612 hereof or liability which is adjudicated to have resulted from its negligence or willful misconduct. Notwithstanding any other provision contained herein, the Trustee shall be under no obligation to institute any suit or to undertake any remedial proceeding in the Event of a Default under this Trust Agreement or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts hereby created

or in the enforcement of any rights and powers hereunder, including its acceptance or possession of the Facilities, until it shall be indemnified to its reasonable satisfaction against any and all reasonable costs, expenses, outlays and reasonable counsel fees and other reasonable disbursements, and against all liability, including any liability in connection with any hazardous waste on any Facility Site.

(e) The Trustee shall not be liable for any error of judgment made in good faith by any officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(f) The recitals, statements and representations in this Trust Agreement or in the Certificates, save only the Trustee's execution of the Certificates, have been made by the Corporation and not by the Trustee, and the Trustee shall be under no responsibility for the correctness thereof. The Trustee shall not be responsible for the validity, priority, recording or filing of this Trust Agreement, the Master Lease, or the Assignment Agreements, or for insuring the Facilities or collecting any insurance moneys, or for the validity of the execution by the Corporation of this Trust Agreement or of any supplements hereto or instruments of further assurance, or for the sufficiency of the Trust Estate, or for the value or title of the Facilities or as to the maintenance of the security hereof, except as otherwise expressly provided herein.

(g) Except as to the acceptance of the trusts created hereunder, the Trustee shall have no responsibility in respect of the due execution or acknowledgment of this Trust Agreement by the Corporation, the validity or sufficiency of this Trust Agreement, or the validity of the Certificates or the issuance thereof.

603. Evidence on Which Trustee May Act.

(a) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of this Trust Agreement shall be protected in acting upon any such instrument reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may, but shall not be obligated to, consult with recognized counsel in the field of commercial banking and corporate trust administration, who may or may not be counsel to the School Board, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Trust Agreement in good faith and in accordance herewith.

(b) Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Trust Agreement, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established

by a certificate of an Authorized School Board Representative, and such certificate shall be full warranty for any action taken or suffered in good faith under the provisions of this Trust Agreement upon the faith thereof. But in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(c) Except as otherwise expressly provided hereunder, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the School Board to the Trustee shall be sufficiently executed in the name of the School Board by an Authorized School Board Representative.

(d) The Trustee shall not be deemed to have notice of any Event of Default hereunder except a default in the payment of Lease Payments, unless the Trustee shall have actual knowledge thereof or be specifically notified thereof in writing.

(e) The Trustee may buy, sell, own, hold and deal in any of the Certificates, and may join in any action which any Certificate holder may be entitled to take with like effect as if the Trustee were not a party to this Trust Agreement. The Trustee, either as principal or agent, may also engage in or have an interest in any financial or other transaction with the School Board or Corporation, and may act as depository, trustee, or agent for any committee or body of Certificate holders or other obligations of the School Board as freely as if it were not Trustee hereunder.

(f) The Trustee shall not be answerable or accountable except for the performance of its duties and obligations as are specifically set forth in this Trust Agreement and except for its own willful misconduct or negligence. The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

(g) No provision of this Trust Agreement shall be construed to relieve the Trustee from liability for its own negligent action, willful misconduct or negligent failure to act. However, in no event shall the Trustee be liable to any party: (i) for any losses on investments made in accordance with Section 408 hereof; (ii) for special, indirect or consequential damages including loss of profits or business, arising under or in connection with this Trust Agreement regardless of the form of action; (iii) for the use of the proceeds of sale of any Certificates; (iv) for compliance by the School Board with any covenant regarding the yield on investments made in accordance with Section 408 hereof.

(h) The Trustee may exercise any powers hereunder and perform any duties required of it through attorneys, agents, receivers, officers or employees, and shall be entitled to advice of counsel concerning its duties hereunder and all questions hereunder. Except as otherwise provided herein, the Trustee shall not be answerable for the exercise of any discretion or power hereunder

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notice as provided in Section 605 or after a vacancy in the office of the Trustee shall have occurred by reason of its removal as provided in Section 606 or by reason of its inability to act, a successor Trustee may be appointed by the Holders of a majority in principal amount of each Series of Certificates then Outstanding, excluding any Certificates held by or for the account of the School Board, by an instrument or concurrent instruments in writing signed and acknowledged by such Certificate holders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Corporation, the School Board and the predecessor. For purposes of this Article VI, "appointment" of a successor Trustee shall be deemed to occur upon designation, acceptance and commencement of performance of duties by the successor Trustee.

(b) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company or national banking association, having capital stock and surplus aggregating at least \$50,000,000, if there be such bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Trust Agreement.

(c) Each Credit Facility Issuer shall be furnished with written notice of the resignation or removal of the Trustee, Paying Agent and Registrar and of the appointment of, and acceptance of duties by, any successor thereto.

608. Transfer of Rights in Property to Successor Trustee. Any successor Trustee appointed under this Trust Agreement shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Corporation and the School Board an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Corporation, the School Board or the successor Trustee execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, assign and deliver to the successor Trustee any money or property subject to the trusts and conditions herein set forth together with any paid but unearned fees. Should any deed, conveyance or instrument in writing from the School Board and the Corporation be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, power and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and as far

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nor for any act or failure to act in connection with the trust hereunder, except only its own willful misconduct or negligence.

604. Compensation to Trustee. The School Board has agreed in the Master Lease to pay to the Trustee reasonable fees and expenses as agreed to between the School Board and the Trustee. The Trustee shall have a lien for the foregoing on the Trust Estate.

605. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Trust Agreement by giving not less than 60 days written notice to the Corporation, the School Board and the Holders of all Certificates Outstanding, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the School Board or the Certificate holders as provided in Section 607, in which event such resignation shall take effect immediately on the appointment of such successor provided, however, that in the event no successor has been appointed, the Trustee shall continue to serve until such appointment. The Trustee may petition a court of competent jurisdiction for the appointment of a successor.

606. Removal of Trustee. Prior to the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be removed at any time by an instrument or concurrent instruments in writing appointing a successor, filed with the Trustee, and signed by the Corporation and the School Board, with cause, or by the Holders of a majority in principal amount of each Series of Certificates then Outstanding or their attorneys-in-fact duly authorized with or without cause, or by the Credit Facility Issuers insuring a majority in principal amount of each Series of Certificates then Outstanding with cause. After the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be so removed with or without cause by the Holders of a majority in principal amount of each Series of Certificates then Outstanding or their attorneys-in-fact duly authorized, or by the Credit Facility Issuers insuring a majority in principal amount of each Series of Certificates then Outstanding.

607. Appointment of Successor Trustee.

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the School Board, as long as the School Board is not in default under the Master Lease and the Master Lease is in full force and effect. In the event that no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within 45 days after the Trustee shall have given to the School Board written

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as may be authorized by law, be executed, acknowledged and delivered by the School Board and the Corporation.

609. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of a state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Trust Agreement, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

610. Addition of Authorized Signature. In case any of the Certificates contemplated to be delivered under this Trust Agreement shall have been executed but not delivered, any successor Trustee may adopt the authorized signature of any predecessor Trustee so executing such Certificates and deliver such Certificates so executed; and in case any of the said Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Certificates or in this Trust Agreement provided that the certificate of the Trustee shall have.

611. Indemnification to Trustee. The School Board has in Section 5.7 of the Master Lease agreed, to the extent permitted by law, including the provisions of Section 768.28 Florida Statutes, to indemnify and save the Trustee harmless from and against all liabilities, including consequential damages and reasonable legal fees and expenses arising out of the administration of the trusts pursuant to this Trust Agreement, and all matters concerning the Trustee's duties and obligations with respect to the Leases and the Assignment Agreements including the issuance of the Certificates, except in the case of liability, obligations and damages arising out of the Trustee's negligence or willful misconduct.

612. Obligation to Act on Defaults. If any Event of Default shall have occurred and be continuing, the Trustee shall, subject to the provisions of Section 501, exercise such of the rights and remedies vested in it by this Trust Agreement and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

613. Intervention by Trustee. The Trustee may intervene, and upon the written request of Certificate holders of a majority in aggregate principal amount of each Series of Certificates then

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Outstanding and receipt of indemnity shall intervene, on behalf of Certificate holders or the related Credit Facility Issuer in any judicial proceeding to which the School Board or the Corporation is a party and which in the opinion of the Trustee and its attorneys has a substantial bearing on the interests of Certificate holders. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

614. Third Party Beneficiaries. Each Credit Facility Issuer is hereby expressly recognized as a third party beneficiary to this Trust Agreement and, so long as the Credit Facility issued by such Credit Facility Issuer is in effect and the Credit Facility Issuer is properly honoring drawings thereunder, it shall be entitled to enforce the obligations to the Credit Facility Issuer hereunder of the Corporation and the Trustee and of the School Board to the Credit Facility Issuer under the Master Lease.

ARTICLE VII

AMENDMENTS

701. Mailing. Any provision in this Article for the mailing of a notice or other paper to Certificate holders of a Series of Certificates shall be fully complied with if it is mailed postage prepaid only (i) to each Holder of Certificates of such Series then Outstanding at his/her address, if any, appearing upon the registry books of the Trustee, (ii) to the Credit Facility Issuer with respect to such Series of Certificates and (iii) to the Trustee.

702. Power of Amendment. The Trust Agreement and the rights and obligations provided hereby may be modified or amended at any time by a Supplemental Trust Agreement, entered into between the Trustee and the Corporation (with the written consent of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder) without the consent of any Certificate holders, but only (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Trust Agreement, or (2) to insert such provisions clarifying matters which they deem necessary or desirable and which are not contrary to or inconsistent with this Trust Agreement as theretofore in effect, or (3) to issue one or more Series of Certificates pursuant to Article III hereof, or (4) to permit a Series of Certificates to be issued in book-entry form with or without physical certificates, or (5) to make any other modification or amendment that in the judgment of the Trustee (upon the advice of counsel, if requested) will not have a material adverse effect on the interests of any of the Certificate holders. Any other modification or amendment of this Trust Agreement and of the rights and obligations of the Corporation and of the Holders of the Certificates hereunder, may be made by a Supplemental Trust Agreement, entered into between the Trustee and the Corporation with the written consent given, as provided in Section 703 hereof but subject to Section 707 hereof, of the Holders of at least a majority in principal amount of the Certificates Outstanding of each Series at the time such consent is given and who are affected by such modifications or amendments and the written consent of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder; provided, however, that if any such modification or amendment will, by its terms, not take effect so long as any affected Certificates remain Outstanding, the consent of the Holders of such Certificates shall not be required and such Certificates shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Certificates under this Section. No such modification or amendment shall permit a change in the terms of prepayment or maturity of the principal portion of any Outstanding Certificates or of any installment of the interest portion thereon or a reduction in the principal portion or the Prepayment Price thereof or in the interest portion thereon or in the consents required for such modifications or amendments without the consent of the Holders of such Certificates, or shall change or modify any of the rights or

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obligations of the Trustee without its written assent thereto. The Trustee shall be entitled to receive an opinion of counsel as to whether or not, in accordance with the foregoing powers of amendment, Certificates of any particular Series or maturity would be affected by any modification or amendment of this Trust Agreement. Copies of all amendments hereto shall be provided to the Rating Agencies, whether effected pursuant to Section 702 or Section 703 hereof.

703. Consent of Certificate Holders. The Trustee and the Corporation (at the direction of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder) may at any time enter into a Supplemental Trust Agreement making a modification or amendment permitted by the provisions of Section 702 to take effect when and as provided in this Section but subject to Section 707 hereof. A copy of such Supplemental Trust Agreement (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to affected Certificate holders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Trustee to such Certificate holders (but failure to mail such copy and request shall not affect the validity of the Supplemental Trust Agreement when consented to as provided in this Section). Such Supplemental Trust Agreement shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Certificates specified in Section 702 and (b) an Opinion of Counsel stating that such Supplemental Trust Agreement has been duly and lawfully entered into by the parties thereto and filed with the School Board, the Trustee and the Corporation in accordance with the provisions of this Trust Agreement, is authorized or permitted by this Trust Agreement, and is valid and binding upon the parties thereto in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the Holder, at the date of such consent, of the Certificates with respect to which such consent is given, which proof shall be such as is permitted by Section 802. A certificate or certificates executed by the Trustee and filed with the School Board and the Corporation stating that it has examined such proof and that such proof is sufficient in accordance with Section 802 shall be conclusive that the consents have been given by the Holders of the Certificates described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Certificates giving such consent and, anything in Section 802 to the contrary notwithstanding, upon any subsequent Holder of such Certificates and of any Certificates issued in exchange thereof (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Certificates giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 703 provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the School Board and the Corporation to the effect that no revocation

thereof is on file with the Trustee. At any time after the Holders of the required percentages in principal amount of Certificates shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the School Board and the Corporation a written statement that the Holders of such required percentages in principal amount of Certificates have filed such consent. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Trust Agreement (which may be referred to as a Supplemental Trust Agreement entered into by the parties thereto on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages in principal amount of Certificates and will be effective as provided in this Section 703, may be given to Certificate holders by the Trustee by mailing such notice to Certificate holders (but failure to mail such notice shall not prevent such Supplemental Trust Agreement from becoming effective and binding as in this Section 703 provided). A record, consisting of the certificates or statements required or permitted by this Section 703 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Trust Agreement making such amendment or modification shall be deemed conclusively binding upon the School Board and the Corporation, the Trustee and the Holders of all Certificates affected by such Supplemental Trust Agreement at the expiration of forty (40) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Trust Agreement in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee, the School Board and the Corporation during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Trust Agreement as they may deem expedient.

704. Modifications by Unanimous Consent. The terms and provisions of this Trust Agreement applicable to a Series of Certificates and the rights and obligations of the Trustee and the Corporation and of the Holders of the Certificates of such Series hereunder may be modified or amended, with the written consent of the School Board in any respect upon entering into by the parties thereto of a Supplemental Trust Agreement and the consent of the Holders of all the Certificates then Outstanding of such Series, such consent to be given as provided in Section 703 except that no notice to Certificate holders by mailing shall be required.

705. Exclusion of Certificates. Certificates owned or held by or for the account of the School Board shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Certificates provided for in this Article VII, and the School Board shall not be entitled with respect to such Certificates to give any consent or take any other action

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provided for in this Article. At the time of any consent or other action taken under this Article, the School Board shall furnish the Trustee a certificate of an Authorized School Board Representative, upon which the Trustee may rely, describing all Certificates so to be excluded.

706. Notation on Certificates. Certificates executed and delivered after the effective date of any action taken as in this Article VII provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the School Board, the Corporation and the Trustee as to such action, and in that case upon demand of the Holder of any Certificate Outstanding at such effective date and presentation of his/her Certificate for the purpose at the designated corporate trust office of the Trustee or upon any transfer or exchange of any Certificate Outstanding at such effective date, suitable notation shall be made on such Certificate or upon any Certificates issued upon any such transfer or exchange by the Trustee as to any such action. If the School Board, the Corporation and the Trustee shall so determine, new Certificates so modified as in the opinion of the Trustee, the Corporation and the School Board to conform to such action shall be prepared, executed and delivered, and upon demand of the Holder of any Certificate then Outstanding shall be exchanged, without cost to such Certificate holder, for Certificates of the same maturity then Outstanding, upon surrender of such Certificates.

707. Credit Facility Issuers Deemed Certificate Holders. Notwithstanding any other provisions of this Trust Agreement, including without limitation this Article VII, whenever the consent of a Certificate holder shall be required under this Trust Agreement for any purpose except those modifications or amendments effecting a change in the terms of prepayment or maturity of the principal portion of any Outstanding Certificates or of any installment of the interest portion thereon or a reduction in the principal portion thereon or of the requirement that such modifications or amendments not be made without the consent of the Holders of such Certificates, any Certificate insured or guaranteed by a Credit Facility shall be deemed to be owned by the Credit Facility Issuer issuing such Credit Facility, so long as such Credit Facility Issuer has not defaulted on the obligations under its Credit Facility.

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have been deposited with the Trustee as escrow holder moneys consisting of either cash in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee as escrow holder at the same time, shall be sufficient, to pay when due the principal portion or Prepayment Price, if applicable, and interest portion due and to become due with respect to said Certificates on or prior to the prepayment date or maturity date thereof, as the case may be, and (c) in the event said Certificates are not by their terms subject to prepayment within the next succeeding 60 days, the School Board shall have given the Trustee in form satisfactory to it, instructions to mail a notice to the Holders of such Certificates that the deposit required by (b) above has been made with the Trustee as escrow holder and that said Certificates are deemed to have been paid in accordance with this Section 801 and stating such maturity or Prepayment Date upon which moneys are expected to be available for the payment of the principal or Prepayment Price, if applicable, of said Certificates, other than Certificates which have been purchased by the Trustee at the direction of the School Board or purchased or otherwise acquired by the School Board and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of prepayment referred to in clause (a) above. The Trustee shall, if so directed by the School Board (i) prior to the maturity date of Certificates deemed to have been paid in accordance with this Section 801 which are not to be prepaid prior to their maturity date or (ii) prior to the mailing of the notice of prepayment referred to in clause (a) above with respect to any Certificates deemed to have been paid in accordance with this Section 801 which are to be prepaid on any date prior to their maturity, apply moneys deposited with the Trustee as escrow holder in respect of such Certificates or sell Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Certificates, and the Trustee shall immediately thereafter cancel all such Certificates so purchased; provided, however, that the moneys and Defeasance Securities remaining on deposit with the Trustee after the purchase and cancellation of such Certificates shall be sufficient to pay when due the principal or Prepayment Price, if applicable, of, and interest portion due or to become due with respect to all Certificates, in respect of which such moneys and Defeasance Securities are being held by the Trustee on or prior to the Prepayment Date or maturity date thereof, as the case may be. If, at any time (i) prior to the maturity date of Certificates deemed to have been paid in accordance with this Section 801 which are not to be prepaid prior to their maturity date or (ii) prior to the mailing of the notice of prepayment referred to in clause (a) with respect to any Certificates deemed to have been paid in accordance with this Section 801 which are to be prepaid on any date prior to their maturity, the School Board shall purchase or otherwise acquire any such Certificates and deliver such Certificates to the Trustee prior to their maturity date or Prepayment Date, as the case may be, the Trustee shall immediately cancel all such Certificates so delivered; such delivery of Certificates to the Trustee shall be accompanied by

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ARTICLE VIII

MISCELLANEOUS

801. Defeasance.

(a) If the principal portion or Prepayment Price of all Certificates, if applicable, and the interest portion due or to become due thereon, shall be paid at the times and in the manner stipulated in such Certificates and in this Trust Agreement, and all amounts owing to the Trustee under this Trust Agreement shall have been paid, then the pledge of the Trust Estate and all covenants, agreements and other obligations of the School Board under this Trust Agreement in favor of such Certificates shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause statements for such period or periods as shall be requested by the School Board to be prepared and filed with the School Board and, upon the request of the School Board, shall execute and deliver to the School Board all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the School Board all moneys or securities held by it pursuant to this Trust Agreement which are not required for the payment of the principal portion or Prepayment Price, if applicable, and interest portion due or to become due with respect to such Certificates not theretofore surrendered for such payment or prepayment or for the payment of amounts owing to any Credit Facility Issuer under a Reimbursement Agreement or as ground rent under any Ground Lease.

(b) Certificates for the payment or prepayment of which moneys shall have been set aside sufficient to pay the principal portion, the Prepayment Price, if applicable, and interest portion to become due to maturity or earlier prepayment, shall be held in trust by the Trustee as escrow holder (through deposit by the School Board of funds for such payment or prepayment of the Purchase Option Price of one or more Facilities pursuant to Section 7.3 of the Master Lease or otherwise) shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 801 except that the obligation of the School Board to make, or cause to be made, Basic Lease Payments from such set-aside amounts shall continue. Any Outstanding Certificates shall, prior to the maturity or Prepayment Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 801 if the Trustee shall receive an opinion of Counsel to that effect and (a) in case any of said Certificates are to be prepaid on any date prior to their maturity, the School Board shall have given to the Trustee irrevocable instructions in writing from an Authorized School Board Representative to mail as provided in Article III a notice of prepayment of such Certificates (other than Certificates which have been purchased by the Trustee at the direction of the School Board or purchased or otherwise acquired by the School Board and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of prepayment) on said date, (b) there shall

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directions from the School Board to the Trustee as to the manner in which such Certificates are to be applied against the obligation to pay or prepay Certificates deemed paid in accordance with this Section 801. The directions given by the School Board to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Certificates so purchased or delivered and cancelled to be applied against the obligation to pay Certificates deemed paid in accordance with this Section 801 upon their maturity date or dates and the portion, if any, of such Certificates so purchased or delivered and cancelled to be applied against the obligation to prepay Certificates deemed paid in accordance with this Section 801 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Certificates as provided in this Section 801 the total amount of moneys and Defeasance Securities remaining on deposit with the Trustee under this Section 801 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Certificates in order to satisfy subclause (b) of this subsection of Section 801, the Trustee shall, if requested by the School Board, pay the amount of such excess to the School Board free and clear of any trust, lien, pledge or assignment securing said Certificates or otherwise existing under this Trust Agreement. Except as otherwise provided in this subsection of Section 801, neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section 801 nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal portion or Prepayment Price, if applicable, and interest portion represented by said Certificates; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, as verified by a certificate delivered to the Trustee by a firm of independent certified public accountants acceptable to the Trustee, shall be paid over to the School Board as received by the Trustee, free and clear of any trust, lien or pledge securing said Certificates or otherwise existing under this Trust Agreement, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Prepayment Price, if applicable, and interest represented by said Certificates on or prior to such prepayment date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the School Board, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Certificates or otherwise existing under this Trust Agreement.

(c) Anything in this Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment of any of the Certificates which remain unclaimed for six (6) years after the date when such Certificates have become due and payable, either at their stated maturity dates or by call for-

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prepayment, if such moneys were held by the Trustee at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Certificates became due and payable, shall, at the written request of the School Board be repaid by the Trustee to the School Board, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Certificate holders shall look only to the School Board for the payment of such Certificates; provided, however, that before being required to make any such payment to the School Board, the Trustee shall, at the expense of the School Board, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the School Board.

802. Evidence of Signatures of Certificate Holders and Ownership of Certificates.

(a) Except as otherwise provided in Section 707 hereof, any request, consent, revocation of consent or other instrument which this Trust Agreement may require or permit to be signed and executed by the Certificate holders may be in one or more instruments of similar tenor, and shall be signed or executed by such Certificate holders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Certificates, shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable: the fact and date of the execution by any Certificate holder or his/her attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a partner of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his/her authority.

(b) The ownership of Certificates and the amount, numbers and other identification, and date of holding the same shall be proved by the register maintained by the Trustee.

(c) Any request or consent by the Holder of any Certificate shall bind all future Holders of such Certificate or any

Certificates issued in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the School Board, the Corporation or the Trustee in accordance therewith.

803. Moneys Held for Particular Certificates. Subject to Section 801(c) hereof, the amounts held by the Trustee for the payment of the interest portion, principal portion or Prepayment Price due on any date with respect to particular Certificates shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Certificates entitled thereto.

804. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject during normal business hours and upon reasonable prior notice to the inspection of the School Board and the Corporation, and any Certificate holder and their agents and their representatives, any of whom may at their own expense make copies thereof.

805. Parties Interest Herein. Subject to Section 614, nothing herein, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Corporation, the Trustee and the Holders of the Certificates, remedies or claims under or by reason hereof or any covenant, condition or stipulation thereof; provided that with respect to the provisions hereof which require the Trustee to give notice to the School Board, obtain the School Board's consent, pay or deliver to the School Board any moneys held by the Trustee hereunder or grant to the School Board any right or privilege whatsoever, such provisions shall also be for the benefit of the School Board and, upon the failure of the Trustee to comply therewith, the School Board shall have such rights, remedies and claims as are provided hereunder or by reason hereof or by law. All covenants, stipulations, promises and agreements herein contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the School Board, the Corporation, the Trustee and the Holders of the Certificates.

806. Severability. If any one or more of the covenants or agreements provided in this Trust Agreement on the part of the Corporation or the Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Trust Agreement.

807. Recording and Filing. The School Board shall be responsible for the recording and filing of instruments or documents of further assurance, if any, as may be required by law in order to effectively convey the interests contemplated by this Trust Agreement.

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808. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications (other than payments by the School Board) to or upon the respective parties listed below shall be deemed to have been given (i) in the case of notice by letter, when delivered to the addressee by hand or on the third day after deposit in the mails, by first class mail, postage prepaid, return receipt requested, (ii) in the case of notice by cable, when delivered to the cable company, charges prepaid, (iii) in the case of notice by telex or bank wire, when sent, answer back received, and (iv) if given by telephone, when communicated to the person or to the holder of the office specified as the person or officeholder to whose attention communications are to be given, addressed to them as follows or to such other address as any of the parties may designate by written notice to the other party:

Corporation:

Palm Beach School Board Leasing Corp.
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board:

The School Board of Palm Beach County, Florida
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

Trustee:

NationsBank of Florida, N.A.
One Financial Plaza, 13th Floor
Fort Lauderdale, Florida 33394
Attention: Corporate Trust Department

Rating Agencies:

Moody's Investor Service, Inc.
99 Church Street
New York, New York
Attention: Public Finance Department

Standard & Poor's Ratings Group
25 Broadway
New York, New York
Attention: Municipal Department

Credit Facility Issuers:

As set forth on the Schedule applicable to the Series of Certificates.

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Notice shall also be given by the School Board to the Rating Agencies of the occurrence of any one or more of the following: (i) the appointment of a Successor Trustee, (ii) the expiration or termination of a Credit Facility, (iii) the prepayment or defeasance of any of the Outstanding Certificates in accordance with Section 801 or 802 hereof or (iv) a material modification of or amendment to this Trust Agreement, the Master Lease, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility.

809. Applicable law. This Trust Agreement shall be construed and governed in accordance with the laws of the State of Florida.

810. Binding on Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties, the Certificate holders and each Credit Facility Issuer and their respective successors and assigns.

811. Captions. Captions preceding the text of the several Articles and Sections hereof, and the table of contents, are solely for convenience of reference and shall not constitute a part of this Trust Agreement or affect its meaning, construction or effect.

812. Legal Holidays. Unless otherwise provided herein if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Trust Agreement, is not a Business Day such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided herein, and no interest shall accrue on such payments for the period after such date.

813. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties have executed this Master Trust Agreement by their duly authorized officers as of the date and year first written above.

(SEAL)

PALM BEACH SCHOOL BOARD LEASING CORP.

Attest: C. Monica Uhlhorn Secretary By: Jody Gleason Vice President

(SEAL)

NATIONSBANK OF FLORIDA, N.A., as Trustee

By: Michael J. Marra Assistant Vice President

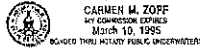
STATE OF FLORIDA) COUNTY OF PALM BEACH) SS:

I, Carmen M. Zopf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary, of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being hereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

Carmen M. Zopf NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC SEAL OF OFFICE:



(Place of Notary Public, Firm, Stamp or Type as Constituted.)

- Personally known to me, or Produced identification: J. Uhlhorn (Type of Identification Produced) DID take an oath, or DID NOT take an oath.

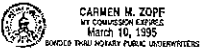
STATE OF FLORIDA) COUNTY OF PALM BEACH) SS:

I, Carmen M. Zopf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Michael J. Marra, personally known to me to be the same person whose name is, as Assistant Vice President of NationsBank of Florida, N.A., a national banking association, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she/he, being hereunto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said association and as her/his own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

Carmen M. Zopf NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC SEAL OF OFFICE:



(Place of Notary Public, Firm, Stamp or Type as Constituted.)

- Personally known to me, or Produced identification: J. Uhlhorn (Type of Identification Produced) DID take an oath, or DID NOT take an oath.

EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

Front of Certificate

REGISTERED NUMBER REGISTERED \$

CERTIFICATE OF PARTICIPATION SERIES

Evidencing an Undivided Proportionate Interest of the Owner Hereof in Basic Lease Payments to be Made by THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

INTEREST RATE MATURITY DATE ORIGINAL ISSUE DATE CUSIP NO.

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

THIS IS TO CERTIFY THAT the registered owner named above is the owner of this Certificate of Participation, Series (this "Certificate"), evidencing an undivided proportionate interest in Basic Lease Payments (as set forth in Schedule No. to the hereinafter mentioned Master Lease Purchase Agreement (collectively, the "Series Lease")) to be made by the School Board of Palm Beach County, Florida (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District") pursuant to the Master Lease Purchase Agreement, dated as of November 1, 1994 (the "Master Lease"), between Palm Beach School Board Leasing Corp., a not-for-profit corporation duly organized and existing under the laws of the State of Florida, as lessor (the "Corporation"), and the School Board, as Lessee. Under a Series Assignment Agreement dated as of (the "Assignment Agreement") entered into by and between the Corporation and NationsBank of Florida, N.A., Fort Lauderdale, Florida, as trustee (such bank and any successor thereto hereinafter called the "Trustee"), the Corporation has transferred to the Trustee, for the benefit of the Certificate Holders, all of its rights under the Series Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series Facilities under Section 6.1 of the Master Lease and its right to receive notices under the Master Lease) including its rights to receive

Basic Lease Payments thereunder, with respect to the Series _____ Facilities identified in said Schedule No. _____ (the "Series Facilities").

The registered owner of this Certificate ("Certificate Holder") is entitled to receive, subject to the terms of the Master Lease and the Trust Agreement (hereinafter defined), on the maturity date specified above (the "Maturity Date"), unless prepaid prior thereto as provided herein, the principal sum specified above, representing the portion of the Basic Lease Payments designated as principal and coming due on the Maturity Date, and to receive on February 1 and August 1 of each year, commencing _____, to and including the final Maturity Date or the date of prepayment, whichever is earlier, the interest portion of the Basic Lease Payments payable to Certificate Holders on such dates. Said amounts are payable in lawful money of the United States of America. The amounts representing principal portion and Prepayment Price shall be payable at the designated corporate trust office of the Trustee and the amounts representing interest portion shall be payable by check or draft of the Trustee mailed to the registered owner at the address of the registered owner as it shall appear on the registration books maintained by the Trustee as of the 15th day of the month next preceding the month in which such payment is due. Such interest portion may be paid by wire transfer to the registered owners of \$1,000,000 or more upon their request in writing received at least 15 days prior to any Payment Date.

The Basic Lease Payments are payable from funds appropriated by the School Board for such purpose from current or other funds authorized by law and regulations of the State of Florida Department of Education. The School Board is not legally required to appropriate moneys for this purpose. NEITHER THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY, EXCEPT FROM APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES _____ LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

THE TRUSTEE HAS NO OBLIGATION OR LIABILITY TO MAKE PAYMENTS WITH RESPECT TO THIS CERTIFICATE EXCEPT FROM FUNDS RECEIVED BY IT PURSUANT TO THE TRUST AGREEMENT REFERRED TO ON THE REVERSE HEREOF.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS CERTIFICATE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH HEREDIN.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and laws of the State of Florida and the Trust Agreement to exist, to have happened and to have been performed precedent to and in connection with the

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Back of Certificate

Capitalized terms used herein but not otherwise defined herein shall have the meaning given to such terms in the Trust Agreement.

All amounts payable by the Trustee with respect to this Certificate shall be paid from (i) the Basic Lease Payments received by the Trustee from the School Board pursuant to the terms of the Series _____ Lease, (ii) all amounts from time to time deposited in the funds and accounts created under the Master Trust Agreement dated as of November 1, 1994, between the Corporation and the Trustee (as the same may be amended and supplemented from time to time, the "Trust Agreement"), including investment earnings; (iii) any proceeds received by the Trustee upon the sale, re-letting or other disposition of the Series _____ Facilities or the pursuit of any other remedy pursuant to the Master Lease, and (iv) Net Proceeds resulting from any insurance or other financial guaranty claim or payment or any claim or condemnation award payable with respect to the Series _____ Facilities pursuant to the Master Lease and the Trust Agreement, but only to the extent that the Trustee shall have actually received sufficient income or proceeds from the Trust Estate (defined in the Trust Agreement) to make such payments. It is provided in the Master Lease that the cost and expense of the performance by the School Board of its obligations thereunder including, without limitation, the payment of all Basic Lease Payments and all other amounts required to be paid by the School Board thereunder, shall be subject to and dependent upon appropriations being duly made from time to time by the School Board for such purposes or other amounts being lawfully available therefor. The payment of the principal portion and interest portion of the Basic Lease Payments represented by the Certificates is not a liability or charge upon the credit of the Trustee or the Corporation, and neither the Trustee nor the Corporation has any obligation to make such payments, other than the Trustee's obligation to make such payments from the income from and proceeds of the sources described above.

This Certificate has been executed by the Trustee pursuant to the Trust Agreement. Copies of the Trust Agreement and the Series _____ Lease are on file at the principal corporate trust office of the Trustee, and reference to the Trust Agreement and the Series _____ Lease and any and all supplements or amendments thereto is made for a description of the funds and accounts established under the Trust Agreement for the purpose of securing the Certificates, the agreements and covenants of the School Board in the Series _____ Lease with respect to the Series _____ Project and Basic Lease Payments to be made by the School Board, the nature, extent and manner of enforcement of such agreements and covenants, the rights and remedies of the Certificate Holders with respect thereto, certain limitations relating to the issuance of additional Series of Certificates under the Trust Agreement, the manner in which the terms of the Trust Agreement may be amended, and the other terms and conditions upon which the Certificates are delivered thereunder.

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execution and delivery of this Certificate have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an Authorized Signatory of the Trustee, not in its individual capacity, but solely as Trustee under the Trust Agreement.

NATIONSBANK OF FLORIDA, N.A.,
as Trustee

By: _____

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Reference is hereby made to the Trust Agreement and any and all supplements, modifications or amendments thereof for a description of the pledge of the Trust Estate and assignment and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Holders of the Certificates with respect thereto, the terms and conditions upon which the Holders of the Certificates shall cease to be entitled to any lien, benefit or security under the Trust Agreement and for the other terms and provisions thereof and the pledge of the Trust Estate and the terms and conditions upon which all covenants of the Trustee to the Holders of such Certificates shall thereupon cease, terminate and become void and be discharged and satisfied. All covenants, agreements and obligations of the School Board under the Series _____ Lease with respect to the Series _____ Facilities or a portion thereof may be discharged and satisfied prior to the maturity or prepayment of this Certificate if moneys or certain specified securities have been deposited with the Trustee in the manner provided in the Trust Agreement.

This Certificate shall be issued initially pursuant to a book-entry-only system administered by the Depository Trust Company, New York, New York ("DTC"), which shall act as securities depository for the Certificates, with no physical distribution of certificates to be made. Any provisions of the Trust Agreement or this Certificate requiring physical delivery of Certificates shall, under the book-entry-only system, be deemed to be satisfied by a notation on the records maintained by DTC of ownership interests of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Certificates ("Beneficial Owners").

This Certificate shall initially be issued in the name of Cede & Co. as nominee for DTC, and so long as this Certificate is held in book-entry-only form Cede & Co. shall be considered the registered owner for all purposes hereof, including the payment of principal and interest portions of Basic Lease Payments represented by this Certificate. Payment to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to individual Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

This Certificate shall be transferable upon the registration books of the Trustee, which shall be kept at the principal corporate trust office of the Trustee upon payment of any charges required. Except when registration of the Certificates is being maintained by persons to a book-entry-only system, the Certificate Holder may transfer this Certificate in person or by such Certificate Holder's attorney duly authorized in writing, upon surrender

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hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Certificate Holder or such Certificate Holder's duly authorized attorney. Upon the transfer of this Certificate, the Trustee shall deliver in the name of the transferee a new Certificate or Certificates of the same aggregate principal amount and maturity as the surrendered Certificate. The Trustee may deem and treat the person in whose name this Certificate is registered upon the register of the Trustee as the absolute owner hereof for all purposes, and all such payments so made to any such Certificate Holder or upon such Certificate Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Trustee shall not be affected by any notice to the contrary.

The Certificates shall be delivered in registered form in the denominations of \$5,000 or any integral multiple of \$5,000. The Certificates, upon surrender thereof at the designated corporate trust office of the Trustee with a written instruction satisfactory to the Trustee, duly executed by the Certificate Holder or such Certificate Holder's attorney duly authorized in writing, may, at the option of the Certificate Holder and upon payment by such Certificate Holder of any charges which the Trustee may make as provided in the Trust Agreement, be exchanged for an equal aggregate principal amount of registered Certificates of the same maturity of any other authorized denominations.

Optional Prepayment: Certificates maturing on or before August 1, _____, shall not be subject to prepayment at the option of the School Board.

Certificates maturing after August 1, _____, shall be subject to prepayment on or after August 1, _____, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series _____ Leases in whole at any time, or in part on any Interest Payment Date, and if in part, in such order of maturity of Certificates corresponding to the due dates of the principal portion of the Basic Lease Payments under the Series _____ Lease(s) as shall be designated by the School Board to be prepaid, and by lot within a maturity in such manner as the Trustee may determine, at the Prepayment Price expressed as a percentage of the principal portion of Basic Lease Payments represented by the Certificates or portions thereof to be prepaid as set forth opposite such period in the following table, plus the interest accrued to the Prepayment Date:

Prepayment Period (Both Dates Inclusive)	Prepayment Price
August 1, _____ through July 31, _____	8
August 1, _____ through July 31, _____	
August 1, _____ and thereafter	

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such manner as the Trustee shall deem fair and appropriate. The portion of any Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat each Certificate as representing that number of Certificates in \$5,000 denominations which is obtained by dividing the principal amount of such Certificate to be prepaid in part by \$5,000. Interest represented by Certificates so prepaid shall be paid from the amount then available to prepay Certificates.

When prepayment of Certificates is required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of such Certificates, which notice shall specify the maturities of the Certificates to be prepaid, the CUSIP numbers (which shall be for informational purposes only and shall not affect the validity of such notice) the prepayment date and the place or places where amounts due upon such prepayment will be payable and, if less than all of the Certificates are to be prepaid, the letters and numbers or other distinguishing marks of such Certificates to be prepaid, and, in the case of Certificates to be prepaid in part only, such notice shall also specify the respective portions of the principal amount thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable upon each Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof in the case of Certificates to be prepaid in part only, together with interest accrued to the prepayment date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than 30 days before the prepayment date in the case of optional prepayment, extraordinary prepayment resulting from damage, destruction or condemnation of Facilities or mandatory sinking fund prepayment for the Certificates to be prepaid and not less than 5 days nor more than 10 days before the Prepayment Date in the case of extraordinary prepayment resulting from termination of all Leases as a result of nonappropriation or default by the School Board, to the Certificate Holders of any Certificates or portions thereof which are to be prepaid, at their last addresses appearing upon the registry books, but any defect in the notice to a particular Certificate Holder shall not affect the validity of the proceedings for the prepayment of other Certificates Notice, to the extent available, of such prepayment shall be provided to any depository not less than two days prior to mailing of such notice.

THE OBLIGATION OF THE SCHOOL BOARD TO MAKE BASIC LEASE PAYMENTS UNDER SCHEDULE NO. _____ OF THE MASTER LEASE IS A SPECIAL AND LIMITED OBLIGATION, SUBJECT TO ANNUAL APPROPRIATION BY THE SCHOOL BOARD, AS FURTHER PROVIDED ON THE FRONT OF THIS CERTIFICATE.

Form of Opinion of Special Tax Counsel

Statement of Insurance

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Extraordinary Prepayment: (i) Certificates shall be subject to prepayment in whole or in part at any time and if in part, in inverse order of maturity or on a proportional basis, as shall be designated by the School Board, and by lot within a maturity in such manner as the Trustee shall determine to be fair and appropriate, in an amount equal to the principal portion of Basic Lease Payments prepaid under the Series _____ Lease(s), at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if (A) there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to the Series _____ Facilities as a result of damage, destruction or condemnation of any portion of the Series _____ Facilities and an election is made by the School Board under Section 5.4(b) of the Master Lease to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to the Series _____ Facilities and represented by the Certificates, or (B) there shall remain in the Series 1994A Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under the Series _____ Lease(s), upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series _____ Facilities.

(ii) At the election of the Series _____ Credit Facility Issuer, Certificates shall be subject to prepayment in whole at any time, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if the Lease Term of all Leases is terminated for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease.

Mandatory Sinking Fund Prepayment: Certificates maturing on August 1, _____ are subject to mandatory prepayment prior to maturity in part, from payments of the principal portion of Basic Lease Payments as set forth in the Series _____ Lease, through the operation of a sinking fund on each August 1 in the years and in the following amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date.

August 1 of the Year	Principal Amount
_____	\$

* Final Maturity.

If less than all the Certificates of like maturity shall be called for prepayment, the particular Certificates or portions thereof to be prepaid shall be selected by lot by the Trustee in

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ASSIGNMENT

For value received _____ the undersigned does hereby sell, assign and transfer unto the within-mentioned Certificate and hereby irrevocably constitutes and appoints _____ attorney, to transfer the same on the Certificate register of the Trustee with full power of substitution in the premises.

Dated: _____
Signature Guaranteed: _____

NOTE: The signature on this Assignment must correspond with the name as written on the face of the within-mentioned Certificate in every particular without alteration or enlargement or any change whatsoever

Social Security or Other
Identifying Number of
Transferee: _____

The following abbreviations, when used in the inscription on the face of the within Certificate, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with the rights of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - _____ Custodian _____ (Minor)
(Cust) _____ (Minor)
_____ under Uniform Gifts to Minors
Act _____ (State)

Additional abbreviations may also be used though not in the above list.

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EXHIBIT B
REQUISITION NO. _____
\$ _____

CERTIFICATES OF PARTICIPATION
SERIES _____

Evidencing Undivided Proportionate Interest of the Owners Thereof in Basic Payments to be Made by THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA As Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

TO: NationsBank of Florida, N.A.
Trustee under the Master Trust Agreement dated as of November 1, 1994, with Palm Beach School Board Leasing Corp. ("Trust Agreement").

This Requisition is made pursuant to Section 402(c) to pay Costs of the Series _____ Facilities.

The Trustee is hereby directed to pay sums out of the Series _____ Acquisition Account as follows:

<u>Name & Address</u> <u>of Payee</u>	<u>Purpose of Payment</u>	<u>Amount</u>
--	---------------------------	---------------

TOTAL _____

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The undersigned hereby certifies that (a) each obligation, item of cost or expense herein has been properly incurred, (b) each obligation, item of cost or expense herein is an item of the Cost of the Series _____ Facilities and has not been the basis of any previous withdrawal, and (c) such payment will not cause the balance remaining in the Series Acquisition Account after such payment to be less than the amount necessary to pay the remaining estimated Costs to be paid from the Series _____ Acquisition Account, or sufficient other moneys are available therefor.

Dated: _____

Authorized School Board
Representative

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EXHIBIT C
REQUISITION NO. _____
\$ _____

CERTIFICATES OF PARTICIPATION
SERIES _____

Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to be made by THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA As Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

TO: NationsBank of Florida, N.A.
Trustee under the Master Trust Agreement dated as of November 1, 1994, with Palm Beach School Board Leasing Corp. ("Trust Agreement")

This Requisition is made pursuant to Section 402(d) to pay Costs of Issuance of the Certificates.

The Trustee is hereby directed to pay sums out of the Cost of Issuance Subaccount in the Series _____ Acquisition Account as follows:

<u>Payee</u>	<u>Purpose of Payment</u>	<u>Amount</u>
--------------	---------------------------	---------------

TOTAL \$ _____

The undersigned hereby certifies that each payment obligation has been properly incurred, is a Cost of Issuance and has not been the basis of a previous withdrawal.

Dated: _____

Authorized School Board
Representative

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SERIES 2011A SUPPLEMENTAL TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
(successor in interest to NationsBank of Florida, N.A.)
as Trustee**

Dated as of July 1, 2011

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SERIES 2011A SUPPLEMENTAL TRUST AGREEMENT

THIS SERIES 2011A SUPPLEMENTAL TRUST AGREEMENT, dated July 1, 2011 (the "**Series 2011A Supplemental Trust Agreement**"), supplements the Master Trust Agreement, dated as of November 1, 1994 (the "**Master Trust Agreement**") and together with this Series 2011A Supplemental Trust Agreement, the "**Trust Agreement**"), by and between **PALM BEACH SCHOOL BOARD LEASING CORP.**, a not-for-profit corporation, duly organized and existing under the laws of the State of Florida (the "**Corporation**"), as lessor under the within mentioned Master Lease, and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (successor in interest to NationsBank of Florida, N.A.), a national banking association with corporate trust powers qualified to accept trusts of the type set forth in the Trust Agreement, with its designated corporate trust office in Jacksonville, Florida (the "**Trustee**").

WITNESSETH:

WHEREAS, The School Board of Palm Beach County, Florida (the "**School Board**"), has deemed it to be in its best interest to lease-purchase certain real and personal property from time to time and has entered into a Master Lease Purchase Agreement, dated as of November 1, 1994 (the "**Master Lease**"), between the Corporation, as lessor, and the School Board, as lessee; and

WHEREAS, pursuant to the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease, direct the Corporation to acquire, construct and lease-purchase to the School Board the items of real or personal property described in such Schedule (which items of property are collectively referred to herein as "**Facilities**"); and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing such Facilities may be made by the issuance and sale from time to time of one or more Series (as defined in the Trust Agreement) of certificates of participation issued under the Trust Agreement (the "**Certificates**"), which shall be secured by and be payable from Basic Lease Payments to be made by the School Board pursuant to the Master Lease and related Schedules; and

WHEREAS, the Trustee, at the direction of the Corporation, has issued series of Certificates of Participation from time to time to provide funds for the lease purchase financing of certain Facilities and the refinancing of the lease-purchase of other Facilities; and

WHEREAS, the Trustee, at the request of the Corporation, has agreed to issue additional Series of Certificates to provide funds for the lease-purchase financing of certain Facilities; and

WHEREAS, each Series of Certificates shall be secured independently from each other Series of Certificates, except as otherwise provided in the Trust Agreement; and

WHEREAS, the School Board and the Corporation have entered into a Series 2007B Ground Lease dated as of March 1, 2007, as amended, and Schedule 2007B, dated as of March 1, 2007, as amended and restated as of April 1, 2008 ("Schedule 2007B" which Schedule together with the Master Lease is herein referred to as the "**Original Series 2007B Lease**"), pursuant to which the School Board leases certain real and personal property to the Corporation (the "**Series**");

2007B Facilities”) and subleases from the Corporation such real property (the “Series 2007B Facility Sites”) and leases the improvements thereon; and

WHEREAS, the Corporation has entered into a Master Trust Agreement dated as of November 1, 1994 (the “Trust Agreement”), with The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), as trustee (the “Trustee”), providing for the issuance of Series of Certificates of Participation to the public from time to time, representing undivided proportionate interests in the principal portion and interest portion of the basic lease payments to be made by the School Board under the Master Lease and the Schedule or Schedules relating to such series of Certificates; and

WHEREAS, to provide funds for the acquisition and/or construction of the Series 2007B Facilities, Certificates of Participation, Series 2007B were issued in the aggregate principal amount of \$119,400,000 all of which remains outstanding (the “Series 2007B Certificates”) pursuant to the Trust Agreement, as supplemented by a Series 2007B Supplemental Trust Agreement, dated as of March 1, 2007, as amended on March 12, 2008 (the Trust Agreement as so supplemented, the “Series 2007B Trust Agreement”); and

WHEREAS, the Corporation assigned substantially all of its interest in the Series 2007B Ground Lease and the Series 2007B Lease to the Trustee pursuant to a Series 2007B Assignment Agreement dated as of March 1, 2007; and

WHEREAS, pursuant to the provisions of Sections 7.3 of the Master Lease and Section 302 of the Trust Agreement, the Corporation and the School Board may direct the Trustee to issue refunding Certificates; and

WHEREAS, the Series 2007B Certificates were issued in an Auction Rate Mode and subsequently converted to a Long-Term Rate Mode which ends on August 1, 2011, at which time such Series 2007B Certificates are subject to a mandatory tender and optional prepayment; and

WHEREAS, the School Board has determined that it is in the best interest of the District to refinance rather than remarket its obligations under the Original Series 2007B Lease and to current refund the outstanding Series 2007B Certificates through the further amendment and restatement of Schedule 2007B, dated as of March 1, 2007, as amended and restated as of April 1, 2008 (together with the Master Lease, collectively, and as amended and restated in connection with the issuance of the hereinafter described Series 2011A Certificates the “Series 2007B Lease”), and the issuance, pursuant to this Series 2011A Supplemental Trust Agreement, of refunding Certificates of Participation, Series 2011A, in the aggregate principal amount of \$112,425,000 (the “Series 2011A Certificates”), representing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Series 2007B Lease; and

WHEREAS, the Trustee has received an order from an Authorized Corporation Representative relating to the issuance of the Series 2011A Certificates; and

WHEREAS, the proceeds of the Series 2011A Certificates will be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (in such capacity, the “Escrow

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“**Applicable ARS Rate**” means the rate per annum at which Series 2011A Interest represented by ARS is calculated for any ARS Interest Period.

“**ARS**” means, on any date, a Series 2011A Certificate while the Series 2011A Interest represented thereby is determined at an Auction Rate as provided in Section 204 of this Series 2011A Supplemental Trust Agreement and the Auction Procedures applicable thereto.

“**ARS Beneficial Owner**” means the Person who is the (a) beneficial owner of ARS according to the records of DTC or its participants or a successor Securities Depository while such ARS are in book-entry form or (b) beneficial owner of ARS according to the records of the Trustee while such ARS are not in book-entry form or (c) is the Broker-Dealer according to the Existing Holder Registry of the Auction Agent.

“**ARS Defaulted Interest**” means the Series 2011A Interest represented by any ARS which is payable but is not punctually paid or duly provided for on any ARS Interest Payment Date.

“**ARS Interest Payment Date**” means, with respect to ARS, notwithstanding anything herein to the contrary, (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following each Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period.

“**ARS Interest Period**” means the period commencing on and including an ARS Interest Payment Date and ending on but excluding the next succeeding ARS Interest Payment Date; provided, that the first ARS Interest Period shall commence on and include the applicable Conversion Date.

“**ARS Interest Rate Period**” means each period during which Series 2011A Interest is calculated at the Applicable ARS Rate.

“**ARS Maximum Rate**” means 12% per annum; provided that in no event shall the ARS Maximum Rate be more than the Maximum Lawful Rate.

“**ARS Payment Default**” means (a) a default in the due and punctual payment of any installment of the Series 2011A Interest represented by ARS or (b) a default in the due and punctual payment of any Series 2011A Principal represented by ARS at stated maturity or pursuant to a mandatory prepayment.

“**ARS Rating Agency**” means Moody’s or S&P, or if any of Moody’s or S&P discontinues its securities rating service, then such other nationally recognized securities rating agency as may be specified by the Broker-Dealer with the consent of the School Board. “**Auction**” means the implementation of the Auction Procedures on an Auction Date.

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Agent”) under an Escrow Deposit Agreement (the “Escrow Deposit Agreement”) to be entered into by the School Board and the Escrow Agent and invested in Government Obligations (as defined therein) until used to pay the Refunded Series 2007B Certificates on their prepayment date; and

WHEREAS, the Series 2011A Certificates shall be secured under the Series 2007B Lease in the manner provided in the Trust Agreement and shall have the terms and provisions contained in this Series 2011A Supplemental Trust Agreement; and

WHEREAS, all things necessary to make the Series 2011A Certificates, when executed by the Trustee and issued as provided herein and in the Trust Agreement, valid, binding and legal obligations according to the terms thereof, have been done and performed, and the creation, execution and delivery of this Series 2011A Supplemental Trust Agreement, and the creation, execution and issuance of the Series 2011A Certificates subject to the terms thereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS SERIES 2011A SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:

ARTICLE I

DEFINITIONS

SECTION 101. DEFINITIONS. Words and terms that are defined in the Trust Agreement shall have the same meanings ascribed to them when used herein, unless the context or use indicates a different meaning or intent. In addition to the words and terms defined in the Trust Agreement or elsewhere defined in this Series 2011A Supplemental Trust Agreement, the following words and terms as used herein with respect to the Series 2011A Certificates shall have the following meaning unless the context or use indicates another or different meaning or intent:

“**Accrual Period**” means with respect to the Series 2011A Certificates other than ARS, the period commencing on an Interest Accrual Date and ending on the day immediately preceding the next Interest Accrual Date.

“**All-Hold Rate**” means, on any date of determination, the interest rate per annum equal to 55% of the Index on such date; provided, that in no event shall the All-Hold Rate be more than the Maximum Lawful Rate.

“**Alternate Letter of Credit**” means an irrevocable direct-pay letter of credit, providing liquidity and credit support for the Series 2011A Certificates and which satisfies the requirements of Section 704. Any extension or renewal of a Letter of Credit is not an “**Alternate Letter of Credit.**”

“**Alternate Liquidity Facility**” means a Liquidity Facility issued and delivered pursuant to Section 502 of this Series 2011A Supplemental Trust Agreement to replace a Liquidity Facility to purchase Series 2011A Certificates (other than ARS) tendered for purchase as provided in this Series 2011A Supplemental Trust Agreement.

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“**Auction Agent**” means, upon Conversion of the Series 2011A Certificates to ARS, an Auction Agent selected by the School Board in accordance with Section 601 hereof unless and until a Substitute Auction Agent Agreement becomes effective, after which “**Auction Agent**” shall include both the Auction Agent (if it is continuing to act in such capacity under this Series 2011A Supplemental Trust Agreement with respect to ARS) and each Substitute Auction Agent so acting.

“**Auction Agent Agreement**” means an auction agent agreement with terms pursuant to which a Person having the qualifications required by Section 601 of this Series 2011A Supplemental Trust Agreement and selected by the School Board agrees with the Trustee to perform the duties of the Auction Agent herein with respect to ARS.

“**Auction Agent Fee**” has the meaning provided in the Auction Agent Agreement.

“**Auction Date**” means, with respect to ARS, the Business Day next preceding the first day of each Auction Period, other than

- (i) each Auction Period commencing after the ownership of such ARS is no longer maintained in book-entry form by a Securities Depository;
- (ii) each Auction Period commencing after the occurrence and during the continuance of an ARS Payment Default;
- (iii) any Auction Period commencing less than two Business Days after the cure or waiver of an ARS Payment Default; or
- (iv) any Auction Period commencing after there is no duly appointed Auction Agent or after there is no duly appointed Broker-Dealer.

The Auction Date determined as provided in this definition may be adjusted as provided in Section 204(j) of this Series 2011A Supplemental Trust Agreement.

“**Auction Period**” means (a) a Flexible Auction Period; (b) with respect to ARS in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next ARS Interest Payment Date, (c) with respect to ARS in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A)	(B)	(C)
When Auctions	Auction Periods	Auction Periods

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Occur on this day	Generally Begin this day	Generally End this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

and (d) with respect to ARS in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); provided, however, that (x) if there is a conversion of ARS with Auctions generally conducted on the day of the week specified in column A of the table above, (1) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARS Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) and (2) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARS Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion, and (y) that in the event of a Conversion of Series 2011A Certificates from another Interest Rate Period to an ARS Interest Rate Period the initial Auction Period following such Conversion shall begin on and include the Conversion Date.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the ARS Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

“**Auction Procedures**” means the provisions set forth in Section 2 of the Auction and Settlement Procedures set forth in Exhibit B to the Auction Agent Agreement.

“**Auction Rate**” means, with respect to the calculation of the Series 2011A Interest represented by ARS, the rate of interest per annum that results from implementation of the Auction Procedures, and determined as described in Section 2(c)(ii) of the Auction Procedures; provided, however, that the Auction Rate shall not exceed the ARS Maximum Rate. While Auction Procedures are suspended, the Auction Rate will be determined as otherwise described herein.

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“**Certificate Purchase Fund**” means the trust fund established with a Tender Agent pursuant to Section 401 of this Series 2011A Supplemental Trust Agreement.

“**Closing Date**” means the date of delivery of the Series 2011A Certificates to the Underwriter against payment therefor.

“**Conversion**” means a conversion of the determination of Series 2011A Interest from one Interest Rate Period to another Interest Rate Period as provided in Section 202(b)(ii), 202(c)(ii), 202(d)(ii), 202(e)(ii), 202(g)(ii), 202(i)(ii), or 204(k) of this Series 2011A Supplemental Trust Agreement.

“**Conversion Date**” means the effective date of a Conversion.

“**Counterparty**” means the Person entering into a Hedge Agreement with the School Board.

“**Daily Rate**” means the rate determined for the interest portion of Basic Lease Payments represented by Daily Rate Certificates for a Daily Rate Period pursuant to Section 202(c) of this Series 2011A Supplemental Trust Agreement.

“**Daily Rate Certificate**” means, on any date, a Series 2011A Certificate while the interest portion of Basic Lease Payments represented thereby is calculated at a Daily Rate.

“**Daily Rate Period**” means, with respect to a Daily Rate Certificate, each period during which a Daily Rate is in effect with respect to the calculation of Series 2011A Interest.

“**Delayed Remarketing Certificates**” means Long-Term Rate Certificates and Index Floating Rate Certificates that have not been remarketed on a mandatory Tender Date.

“**Delayed Remarketing Period**” means, with respect to Delayed Remarketing Certificates, the period commencing on the day immediately following the last day of the preceding Long-Term Rate Period or Index Floating Rate Period, as the case may be, and ending on the day that funds are available to pay the Tender Price of such Series 2011A Certificates.

“**Differential Interest Amount**” means, with respect to any Provider Certificate, the portion of the accrued interest owing to the Liquidity Provider with respect thereto which exceeds the amount of accrued interest payable by the purchaser of such Provider Certificate upon its remarketing by the Remarketing Agent.

“**Disclosure Agreement**” means that certain Disclosure Dissemination Agent Agreement (Series 2011A Certificates), dated the Closing Date, executed and delivered by the School Board and Digital Assurance Certification, L.L.C. in connection with the issuance of the Series 2011A Certificates.

“**Eligible Account**” means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a Standard & Poor’s short-term debt rating of at least ‘A-2’ (or, if no short-term debt rating, a long-term debt rating of ‘BBB+’); or (b) maintained with the corporate trust department of a federal depository institution or state-

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“**Authorized Denominations**” means: (a) \$5,000 or any integral multiple thereof with respect to Long-Term Rate Certificates in a Long-Term Rate Period of ten (10) years or more or to their respective Maturity Dates, (b) \$25,000 or any integral multiple thereof with respect to ARS, (c) \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 in an Interest Rate Period not described in the preceding clause (a) or (b).

“**Bank**” shall mean the issuer of a Letter of Credit, provided that at any time that an Alternate Letter of Credit is in effect each reference to the “**Bank**” shall mean the issuer of such Alternate Letter of Credit.

“**Bid**” has the meaning provided in the Auction Procedures.

“**Broker-Dealer**” means any broker or dealer (each as defined in the Securities Exchange Act of 1934, as the same may be amended from time to time), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (a) is a participant in or member of the Securities Depository as determined by the rules or bylaws of the Securities Depository (or an affiliate of such a participant or member), (b) has been appointed as such by the School Board pursuant to Section 602 of this Series 2011A Supplemental Trust Agreement, (c) has been approved by the Insurer, and (d) has entered into a Broker-Dealer Agreement that is in effect on the date of reference. When used herein at a time when more than one Broker-Dealer is acting under this Series 2011A Supplemental Trust Agreement, the term “**the Broker-Dealer**” means, as the context dictates, either all such Broker-Dealers collectively, or any one Broker-Dealer acting with respect to the ARS.

“**Broker-Dealer Agreement**” means each agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

“**Business Day**” means a day other than (a) a Saturday, Sunday or day on which banks in the State of New York or banks located in each of the cities in which the principal office of the Trustee, the Auction Agent, the Tender Agent, if any, the Remarketing Agent, if any, the Series 2011A Credit Facility Issuer, the Calculation Agent, if any, and the Liquidity Provider, if any, is located are required or authorized by law or executive order to close for business, and (b) a day on which DTC or The New York Stock Exchange is closed.

“**Calculation Agent**” means initially the Trustee and thereafter any other Person appointed by the School Board, to serve as calculation agent with respect to the determination of the Index Floating Rate for the Series 2011A Certificates.

“**Certificate Interest Term**” means, with respect to Short-Term Rate Certificates, each period established in accordance with Section 202(e) of this Series 2011A Supplemental Trust Agreement during which the interest portion of Basic Lease Payments represented by Short-Term Rate Certificates is calculated at a Certificate Interest Term Rate.

“**Certificate Interest Term Rate**” means, with respect to each Series 2011A Certificate, calculation of the interest portion of Basic Lease Payments represented by such Series 2011A Certificate established periodically in accordance with Section 202(e) of this Series 2011A Supplemental Trust Agreement.

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chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity. In the event that an account required to be an “**Eligible Account**” no longer complies with the requirement, the Tender Agent or Trustee, as the case may be, should promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

“**Existing Holder**” means, with respect to any Auction, a Person who was listed as the ARS Beneficial Owner in the applicable Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction.

“**Existing Holder Registry**” means, with respect to ARS, the registry of Persons who are ARS Beneficial Owners, maintained by the Auction Agent as provided in the Auction Agent Agreement.

“**Expiration Date**” means the expiration date of the Liquidity Facility or an Alternate Liquidity Facility, as extended from time to time.

“**Favorable Opinion**” means a written opinion of Special Tax Counsel to the effect that the action proposed to be taken is authorized or permitted by the terms of the Trust Agreement and will not adversely affect the excludability from gross income for federal income tax purposes of the interest portion represented by any Series 2011A Certificate (subject to the inclusion of any exception provided under the Code).

“**Financing Documents**” shall mean collectively, the Series 2007B Lease, the Master Trust Agreement, the Series 2011A Supplemental Trust Agreement, the Series 2007B Ground Lease, and the Series 2007B Assignment Agreement.

“**Flexible Auction Period**” means, with respect to ARS,

- (a) any period of 182 days or less which is divisible by seven and which begins on an ARS Interest Payment Date and ends (i) in the case of ARS with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of ARS with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of ARS with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of ARS with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day and (v) in the case of ARS with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

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(b) any period which is longer than 182 days which begins on an ARS Interest Payment Date and ends not later than the final scheduled maturity date of such ARS.

“**Hedge Agreement**” means an interest rate exchange agreement, an interest rate swap agreement, a forward purchase contract, a put option contract, a call option contract or any other financial product which is used by the School Board as a hedging device not for investment but with respect to its obligation to pay the interest portion of Basic Lease Payments represented by any of the Series 2011A Certificates, entered into between the School Board and a Counterparty, for the purpose of (1) reducing or otherwise managing the School Board’s risk of interest rate changes or (2) effectively converting the School Board’s interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure; provided that such arrangement shall be specifically designated in a certificate of an Authorized School Board Representative as a “**Hedge Agreement**” for purposes of this Series 2011A Supplemental Trust Agreement.

“**Hedge Obligations**” means net payments required to be made by the School Board under a Hedge Agreement from time to time as a result of fluctuation in hedged interest rates, or fluctuation in the value of any index of payment.

“**Hedge Receipts**” means net payments received by the School Board from a Counterparty under a Hedge Agreement.

“**Hold Order**” has the meaning provided in Section 2(a)(i) of the Auction Procedures.

“**Immediate Termination Event**” means the termination of the Liquidity Provider’s obligation to purchase the Series 2011A Certificates supported by its Liquidity Facility without notice or demand in accordance with the Liquidity Facility.

“**Index**” means, on any Auction Date with respect to ARS in any Auction Period, the One Month LIBOR Rate on such date. If such rate is unavailable, the Index for the ARS means an index or rate agreed to by all Broker-Dealers and the Insurer. If for any reason on any Auction Date the Index shall not be determined as provided above, the Index means the Index for the Auction Period ending on such Auction Date.

“**Index Floating Rate**” means the SIFMA Index plus the Spread, applied on the basis of the actual number of days in the period in respect of which payment is being made divided by 365 (or, if any portion of that period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365).

“**Index Floating Rate Certificate**” means, on any date, a Series 2011A Certificate while the Series 2011A Interest represented thereby is calculated at an Index Floating Rate.

“**Index Floating Rate Determination Date**” means, with respect to any Index Floating Rate Certificates, Wednesday of each week, or if such day is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day, and shall be effective each Thursday.

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(vi) for Provider Certificates, each date on which interest on the Provider Certificates is due and payable in accordance with the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Liquidity Provider;

(vii) for ARS, each ARS Interest Payment Date;

(viii) for any Index Floating Rate Certificate, the first Business Day of each calendar month;

(ix) for any Series 2011A Certificates which are to be prepaid, any date on which such prepayment is due and for any Series 2011A Certificate, the Maturity Date.

“**Interest Rate Period**” means each Daily Rate Period, Weekly Rate Period, Short-Term Rate Period, Long-Term Rate Period, Index Floating Rate Period or ARS Interest Rate Period.

“**Investment Agreement**” shall mean an agreement for the investment of moneys entered into by the Trustee with a provider rated at least AA- and Aa3 by S&P and Moody’s, respectively, and whether such agreement is in the form of an interest-bearing time deposit, repurchase agreement or any similar arrangement and any note delivered pursuant to such agreement, which such agreement includes the following restrictions:

(1) the invested funds are available for withdrawal without penalty or premium, at any time that (i) the Trustee is required to pay moneys from the Fund(s) established under this Trust Agreement to which the agreement is applicable, or (ii) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the entity providing, guaranteeing or insuring, as applicable, the agreement;

(2) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks pari passu with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

(3) the Trustee receives an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(4) the agreement provides that if during its term the rating of the provider providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency or falls below AA- by S & P or Aa3 by Moody’s, the provider must, within 10 days, either: (i) collateralize the agreement by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to

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“**Index Floating Rate Period**” means, with respect to an Index Floating Rate Certificate, each period during which an Index Floating Rate is in effect.

“**Initial Auction Agent**” means the Auction Agent initially appointed by the School Board pursuant to Section 601 hereof.

“**Initial Auction Agent Agreement**” means the Auction Agent Agreement, between the Trustee and the Initial Auction Agent, including any amendment or restatement thereof or supplement thereto.

“**Interest Accrual Date**” with respect to the Series 2011A Certificates other than ARS means:

(a) for Weekly Rate Certificates, the first day of the Weekly Rate Period and, thereafter, the first day of each calendar month;

(b) for Daily Rate Certificates, the first day of the Daily Rate Period and, thereafter, the first day of each calendar month;

(c) for Long-Term Rate Certificates, the first day of the Long-Term Rate Period and, thereafter, each Interest Payment Date during that Long-Term Rate Period other than the last such Interest Payment Date; and

(d) for each Short Term Certificate, the first day of the Certificate Interest Term within a Short-Term Rate Period.

(e) for Index Floating Rate Certificates, the first day of the Index Floating Rate Period and, thereafter, the first day of each calendar month during such Floating Rate Period;

“**Interest Payment Date**” means with respect to Series 2011A Certificates,

(i) for any Daily Rate Certificate, the first Business Day of the next succeeding calendar month;

(ii) for any Weekly Rate Certificate, the first Business Day of each calendar month;

(iii) for any Long-Term Rate Certificate, each February 1 and August 1, commencing February 1, 2012, and after a Conversion each February 1 and August 1, commencing on the February 1 or August 1 specified by the School Board in its notice of Conversion;

(iv) for any Short-Term Rate Certificate in a Certificate Interest Term, the day next succeeding the last day of that Certificate Interest Term;

(v) for each Interest Rate Period, the day next succeeding the last day thereof;

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maintain the then current rating of the Series 2011A Certificates (if the agreement is not already collateralized) with Investment Securities described in paragraph (b) consisting of direct obligations of the United States Treasury that have a value equal to at least 100% of the principal plus accrued interest or senior debt obligations and/or debentures issued by the Federal agencies or government sponsored entities described in paragraph (c) or (d) of the definition of Investment Securities that have a value equal to at least 103% of the principal plus accrued interest, or (ii) terminate the agreement.

“**Investment Securities**” shall mean any of the following securities, if and to the extent the same are at the time legal under State law and School Board policy for investment of the School Board’s funds:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below).

(b) Noncallable direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(c) Noncallable obligations of any federal agency the timely payment of the principal and interest on which are guaranteed by the full faith and credit of the United States of America.

(d) Senior debt obligations rated “AAA” by S & P and “Aaa” by Moody’s issued by Fannie Mae or Freddie Mac, and other senior debt obligations of other government-sponsored agencies approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

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

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

(g) Investments in a money market fund rated “AAAm” or “AAAm G” or better by S & P.

(h) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

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

(2) (x) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date of dates pursuant to such irrevocable instructions, as appropriate, and (y) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of this subsection (2) hereof may not be used as Investment Securities without prior written approval of the Rating Agency.

(i) An Investment Agreement;

(j) Repurchase agreements ("Repos") providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the School Board or Trustee (buyer/lender), and the transfer of cash from the School Board or Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the School Board or Trustee in exchange for the securities at a specified date.

Repos must satisfy the following criteria:

(i) Repos must be between the School Board or Trustee and a dealer bank or securities firm satisfying the following criteria: (A) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the Securities Investor Protection Corporation ("SIPC") and (B) which are rated "A-" and "A3" or better by S&P and Moody's.

(ii) The written Repo contract must include the following:

(A) Securities which are acceptable for transfer are:

(I) Obligations described in paragraph (b) above.

(II) Obligations described in paragraph (c) above.

(B) The term of the Repo may be up to 30 days.

(C) The collateral must be delivered to the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the

Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

(D) The Trustee has a perfected first priority security interest in the collateral.

(E) The collateral is free and clear of third party liens and in the case of SIPC brokers was not acquired pursuant to a Repo or reverse Repo.

(F) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate the collateral.

(G) Valuation of Collateral.

(I) The securities must be valued by the dealer bank or securities firm, as applicable, weekly, marked-to-market at current market price plus accrued interest:

(II) The value of collateral must be equal to 103% of the amount of cash transferred by the School Board or Trustee to the dealer bank or security firm under the Repo plus accrued interest. If the value of securities held as collateral slips below 103% of the value of the cash transferred by the School Board or Trustee, then additional cash and/or acceptable securities must be transferred.

(H) In the event of a provider downgrade below either "A-" or "A3" by S&P and Moody's, respectively, the agreement shall terminate.

(k) Forward delivery agreements with providers rated at least "A-" and "A3" by S&P and Moody's, respectively, provided that, in the event of a provider downgrade below either "A-" or "A3" by S&P and Moody's, respectively, the agreement shall terminate; further provided, that no investment delivered pursuant to a forward purchase agreement may have a maturity of more than five years.

(l) Collateralized investment agreements with providers rated at least "A-" and "A3" by S&P and Moody's, respectively, provided that, (i) collateral consisting of direct obligations of the United States Treasury be posted that has a value equal to at least 104% of the principal plus accrued interest or collateral consisting of "AAA"-rated debt obligations and/or debentures described in paragraph (c) or (d) above be posted that has a value equal to at least 105% of the principal plus accrued interest, and (ii) in the event of a provider downgrade below either "A-" or "A3" by S&P and Moody's, respectively, the agreement shall terminate.

(m) Any other investment if such investment is within the guidelines of the Rating Agency for similar obligations with the then-current rating on the related Certificates, in both cases with advance notice to the Rating Agency.

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"**Lease Payment Dates**" shall have the meaning given to such term in the Series 2007B Lease.

"**Letter of Credit**" means a letter of credit, any replacement letter of credit, any confirming letter or credit and any renewal(s) or extension(s) of any such letter of credit; and, upon the expiration or termination of the Letter of Credit and the issuance and delivery of an Alternate Letter of Credit, each reference to the Letter of Credit shall mean such Alternate Letter of Credit.

"**Letter of Credit Agreement**" means an agreement entered into between the School Board and the provider of a Letter of Credit.

"**Liquidity Facility**" means a line of credit, letter of credit, standby purchase agreement or similar liquidity facility, issued by a commercial bank or other financial institution which is of sufficient strength to cause the short-term ratings for the Series 2011A Certificates to be at least "A-1+" by S&P or "VMIG-1" by Moody's, delivered to or entered into and accepted by the Trustee and the Tender Agent and acceptable to the Insurer.

"**Liquidity Provider**" means the commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institution so obligated, under) a Liquidity Facility then in effect.

"**Liquidity Facility Purchase Account**" means the account with that name established within the Certificate Purchase Fund pursuant to Section 401 of this Series 2011A Supplemental Trust Agreement.

"**Long-Term Rate**" means a term, nonvariable interest rate established in accordance with Section 202(d) of this Series 2011A Supplemental Trust Agreement.

"**Long-Term Rate Certificate**" means, on any date, a Series 2011A Certificate while the Series 2011A Interest represented thereby is calculated at a Long-Term Rate.

"**Long-Term Rate Period**" means, with respect to a Long-Term Rate Certificate, each period during which a Long-Term Rate is in effect.

"**Mandatory Standby Tender**" means the mandatory tender of the Series 2011A Certificates pursuant to Section 307(c) of this Series 2011A Supplemental Trust Agreement upon receipt by the Trustee of written notice from the Liquidity Provider that an event with respect to the Liquidity Facility has occurred which requires or gives the Liquidity Provider the option to terminate such Liquidity Facility upon notice and requires that all Outstanding Series 2011A Certificates be tendered for purchase. Mandatory Standby Tender shall not include Immediate Termination Events, in which case there will be no mandatory tender.

"**Maturity Date**" means with respect to a Series 2011A Certificate, the applicable date set forth in Section 201 hereof.

"**Maximum Lawful Rate**" means the lesser of (a) eighteen percent (18)% or (b) the maximum rate of interest on the relevant obligation permitted by applicable law.

"**Maximum Provider Rate**" means the lesser of (a) eighteen percent (18)% or, (b) the maximum rate of interest on the relevant obligation permitted by applicable law.

"**Maximum Rate**" means (a) with respect to Series 2011A Certificates other than ARS, the lesser of twelve percent (12%) per annum and the Maximum Lawful Rate, (b) with respect to ARS, the lesser of twelve percent (12%) per annum and the Maximum Lawful Rate, in each case calculated in the same manner as Series 2011A Interest is calculated for the particular Interest Rate Period to which the Series 2011A Certificates are subject.

"**Moody's**" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the School Board and not unacceptable to the Series 2011A Credit Facility Issuer, with notice to the Trustee.

"**Non-Payment Rate**" means, on any date of determination, 12% per annum; provided, that in no event shall the Non-Payment Rate be more than the Maximum Lawful Rate.

"**Notice of ARS Payment Default**" means a notice substantially in the form of Exhibit E to the Auction Agent Agreement.

"**Notice of Cure of ARS Payment Default**" means a notice substantially in the form of Exhibit B attached hereto.

"**One Month LIBOR Rate**" means, as of any date of determination, the offered rate for deposits in United States dollars for a one-month period that appears on Reuters on page LIBOR01 (or any other page as may replace such page on such service (or any successor service) for the purpose of displaying the London interbank rates of major banks for United States dollars) as of 11:00 a.m., London time, on such date or if such date is not a day on which dealings in United States dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

"**Order**" has the meaning provided in Section 2(a)(i) of the Auction Procedures.

"**Participating Underwriter**" means any of the original underwriters of the Series 2011A Certificates required to comply with the Rule in connection with the offering of the Series 2011A Certificates.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, unless the context shall otherwise indicate.

"**Policy**" means an insurance policy issued by the Insurer insuring payment of the principal and interest in respect of the Series 2011A Certificates when due.

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“**Potential Holder**” means, with respect to any Auction, any Person, including any Existing Holder, who may be interested in acquiring a beneficial interest in ARS subject to such Auction in addition to the ARS, if any, currently owned by such Person.

“**Provider Certificates**” means Series 2011A Certificates purchased with funds made available under or pursuant to the Liquidity Facility, registered in the name of the Liquidity Provider or its nominee, designee or assignee and held by the Trustee in trust for the benefit of the Liquidity Provider or its nominee, designee or assignee.

“**Provider Rate**” means the interest rate which Provider Certificates bear, from time to time, as determined in accordance with the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Liquidity Provider, but in no event in excess of the Maximum Provider Rate.

“**Rating Agency**” means each of Moody’s, S&P and any other nationally recognized rating service which shall have provided a rating on any Outstanding Series 2011A Certificates at the request of the School Board.

“**Rating Category**” means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical or symbolic modifier or otherwise.

“**Record Date**” means (a) with respect to Series 2011A Certificates other than ARS and Provider Certificates, (i) in the case of Daily Rate Certificates, with respect to any Interest Payment Date in respect to any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect to a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (ii) in the case of Weekly Rate Certificates, Index Floating Rate Certificates or any Short-Term Rate Certificates, the Business Day immediately preceding each Interest Payment Date, (iii) in the case of Long-Term Rate Certificates, the fifteenth day of the month immediately preceding each Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Rate Period, that first day, and (b) with respect to ARS, the Business Day next preceding each ARS Interest Payment Date.

“**Remarketing Account**” means each account with that name established within the Certificate Purchase Fund pursuant to Section 401 of this Series 2011A Supplemental Trust Agreement.

“**Remarketing Agent**” means each Person qualified under Section 503 of this Series 2011A Supplemental Trust Agreement to act as Remarketing Agent for Series 2011A Certificates and appointed by the School Board from time to time.

“**Remarketing Agreement**” means an agreement between the School Board and a Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent with respect to Series 2011A Certificates.

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Interests of the Owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp. as Lessor.

“**Series 2011A Certificates**” means the \$112,425,000 Certificates of Participation, Series 2011A Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor.

“**Series 2011A Cost of Issuance Subaccount**” means the Series 2011A Cost of Issuance Subaccount within the Project Account established in Section 401 hereof.

“**Series 2011A Interest**” means the interest portion of Basic Lease Payments represented by the Series 2011A Certificates.

“**Series 2011A Principal**” means the principal portion of Basic Lease Payments represented by the Series 2011A Certificates.

“**Short-Term Rate Certificate**” means, on any date, a Series 2011A Certificate while the Series 2011A Interest represented thereby is calculated at a Certificate Interest Term Rate.

“**Short-Term Rate Period**” means, with respect to a Short-Term Rate Certificate, each period, consisting of Certificate Interest Terms, during which the Series 2011A Interest is calculated at one or more Certificate Interest Term Rates.

“**SIFMA Index**” means for any day the level of the most recently effective index rate which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a data base maintained by Municipal Market Data which meets specific criteria established from time to time by the Securities Industry and Financial Markets Association (SIFMA) issued on Wednesday of each week, or if any Wednesday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day. If such index is no longer published or otherwise not available, the SIFMA Index for any day will mean the level of the “S&P Weekly High Grade Index” (formerly the J.J. Kenny Index) maintained by Standard & Poor’s Securities Evaluations Inc. for a 7-day maturity as published on the Index Floating Rate Determination Date or most recently published prior to the Index Floating Rate Determination Date. If neither such index is any longer available, the SIFMA Index will be the prevailing rate on the Index Floating Rate Determination Date determined most recently on or before the effective date of such index for tax-exempt state and local government bonds meeting then-current Securities Industry and Financial Markets Association criteria.

“**Special Purchase Series 2011A Certificates**” means the Series 2011A Certificates to be purchased in lieu of prepayment in accordance with Section 304 hereof.

“**Special Purchase Date**” means the date on which Series 2011A Certificates are scheduled to be purchased in lieu of prepayment pursuant to Section 304 hereof.

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“**Request**” means a request by the Tender Agent under a Liquidity Facility or an Alternate Liquidity Facility for the payment of the Tender Price of Series 2011A Certificates in accordance with the terms of this Series 2011A Supplemental Trust Agreement.

“**Rule**” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw Hill Companies Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the School Board and not unacceptable to the Series 2011A Credit Facility Issuer, with notice to the Trustee.

“**Schedule 2007B**” means Schedule 2007B to the Master Lease, dated as of March 1, 2007, as amended and restated as of April 1, 2008, and as further amended and restated as of July 1, 2011.

“**Securities Depository**” means DTC or, if applicable, any successor securities depository appointed pursuant to the penultimate paragraph of Section 201(d).

“**Sell Order**” has the meaning provided in the Auction Procedures.

“**Series 2007B Assignment Agreement**” means the Series 2007B Assignment Agreement dated as of March 1, 2007, pursuant to which the Corporation has assigned to the Trustee all of its right, title and interest in and to the Series 2007B Ground Lease and the Series 2007B Lease, except as otherwise provided therein.

“**Series 2007B Facilities**” means the Series 2007B Facilities described in Schedule 2007B to the Master Lease.

“**Series 2007B Ground Lease**” shall mean the Series 2007B Ground Lease dated as of March 1, 2007, between the School Board as Lessor and the Corporation as Lessee, as amended as of April 1, 2008, by the First Amendment to Ground Lease, and as of July 1, 2011, by the Second Amendment to Ground Lease, each among the School Board, the Corporation and the Trustee, as the same may be further amended or supplemented from time to time.

“**Series 2007B Lease**” means the Master Lease as supplemented by Schedule 2007B.

“**Series 2007B Lease Payment Account**” means the Series 2007B Lease Payment Account established by the Series 2007B Supplemental Trust Agreement, as supplemented.

“**Series 2007B Supplemental Trust Agreement**” means the Series 2007B Supplemental Trust Agreement dated as of March 1, 2007, between the Corporation and the Trustee, pursuant to which the Series 2007B Certificates were issued.

“**Series 2007B Certificates**” means the \$119,400,000 aggregate principal amount of outstanding Certificates of Participation, Series 2007B Evidencing Undivided Proportionate

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“**Special Purchase Price**” means the amount equal to the prepayment amount which would have been due if the Series 2011A Certificates to be purchased in lieu of prepayment pursuant to Section 304 hereof were instead prepaid pursuant to Section 303 hereof.

“**Special Record Date**” means a special date fixed to determine the names and addresses of holders of ARS for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in Section 204(e)(ii) of this Series 2011A Supplemental Trust Agreement.

“**Spread**” means, prior to any Index Floating Rate Period, the number of basis points determined by the Remarketing Agent on or before the first day of such Index Floating Rate Period that, when added to the SIFMA Index, would equal the minimum interest rate per annum that would enable the Remarketing Agent to sell the Series 2011A Certificates on such date at a price equal to the principal amount thereof, plus accrued interest, if any, thereon and without a premium.

“**Submitted Hold Orders**” has the meaning provided in Section 2(c)(i) of the Auction Procedures.

“**Substitute Auction Agent**” means the Person with whom the Trustee enters into a Substitute Auction Agent Agreement.

“**Substitute Auction Agent Agreement**” means an auction agent agreement with terms substantially similar to the terms of the Initial Auction Agent Agreement pursuant to which a Person having the qualifications required by Section 601 of this Series 2011A Supplemental Trust Agreement and selected by the School Board agrees with the Trustee to perform the duties of the Auction Agent herein with respect to ARS.

“**Sufficient Clearing Bids**” has the meaning provided in the Auction Procedures.

“**Suspension**” means the immediate suspension of the Liquidity Provider’s obligation to purchase Series 2011A Certificates without notice or demand pursuant to the provisions of its Liquidity Facility.

“**Tender Agent**” means a tender agent appointed in accordance with Section 505 of this Series 2011A Supplemental Trust Agreement.

“**Tender Date**” means the date on which Series 2011A Certificates are required to be tendered pursuant to Section 306 or Section 307 of this Series 2011A Supplemental Trust Agreement.

“**Tender Price**” means the purchase price to be paid to the holders of Series 2011A Certificates purchased pursuant to Section 306 and Section 307 of this Series 2011A Supplemental Trust Agreement, which shall be equal to the principal portion represented thereby tendered for purchase, without premium, plus accrued interest from the immediately preceding Interest Accrual Date to the Tender Date (if the Tender Date is not an Interest Payment Date); provided, however, that in the case of a Conversion or attempted Conversion from a Long-Term Rate Period on a date on which Series 2011A Certificates being converted would otherwise be

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subject to optional prepayment pursuant to Section 303(d) if such Conversion did not occur, the Tender Price shall also include the optional prepayment premium, if any, provided for such date under Section 303(d).

“**Undelivered Certificate**” means any Series 2011A Certificate which constitutes an Undelivered Certificate under the provisions of Section 308 of this Series 2011A Supplemental Trust Agreement.

“**U.S. Government Securities Business Day**” means any day other than (a) a Saturday, a Sunday, or (b) a day on which the Securities Industry and Financial Markets Association (SIFMA) recommends that the fixed income departments of its members be closed for the entire day for the purposes of trading in U.S. government securities.

“**Weekly Rate**” means a variable interest rate determined for a Weekly Rate Period in accordance with Section 202(b) of this Series 2011A Supplemental Trust Agreement.

“**Weekly Rate Certificate**” means, on any date, a Series 2011A Certificate while the Series 2011A Interest represented thereby is calculated at a Weekly Rate as provided in Section 202(b) of this Series 2011A Supplemental Trust Agreement.

“**Weekly Rate Period**” means, with respect to Weekly Rate Certificates, each period during which a Weekly Rate is in effect.

“**Wrongful Dishonor**” means an uncured failure by the Bank to pay a draw to the Trustee upon proper and timely presentation of documents required by, and which conform to, the terms and conditions of the Letter of Credit then in effect.

ARTICLE II

THE SERIES 2011A CERTIFICATES

SECTION 201. AUTHORIZATION, PURPOSE, TERMS OF SERIES 2011A CERTIFICATES.

(a) Authorization Purpose. There is hereby created a Series of Certificates to be issued under the Trust Agreement to be known as “Certificates of Participation, Series 2011A, Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor”. The Series 2011A Certificates are issued for the purpose of (i) providing funds for the refunding of the Series 2007B Certificates, and (ii) paying Costs of Issuance of the Series 2011A Certificates.

(b) General Terms.

(i) The principal portion of Basic Lease Payments represented by the Series 2011A Certificates due at maturity or upon prepayment thereof, whichever is earlier, shall represent undivided proportionate interests in the principal portion of the Basic Lease Payments due on each of the dates set forth on Schedule 2007B to the Master Lease.

no later than the Record Date prior to any Interest Payment Date. The Trustee may charge a Series 2011A Certificate holder a reasonable fee for the cost of the wire transfer.

(d) So long as there shall be maintained a book-entry-only system with respect to the Series 2011A Certificates, the following provisions shall apply:

The Series 2011A Certificates shall initially be issued in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), which will act initially as securities depository for the Series 2011A Certificates and so long as the Series 2011A Certificates are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the Series 2011A Certificates shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interest of its participants (“DTC Participants”) and other institutions that clear through or maintain a custodial relationship with DTC Participants, either directly or indirectly (“Indirect Participants”). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Series 2011A Certificates (“Beneficial Owners”).

The principal and interest portions of Basic Lease Payments represented by the Series 2011A Certificates shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

The Series 2011A Certificates shall initially be issued in the form of one fully registered Series 2011A Certificate for each maturity of each interest rate mode (and for each interest rate within a maturity) and shall be held in such form until maturity. Individuals may purchase beneficial interests in Authorized Denominations in book-entry-only form, without certificated Series 2011A Certificates, through DTC Participants and Indirect Participants.

During the period for which Cede & Co. is registered owner of the Series 2011A Certificates, any notice to be provided to any registered owner will be provided to Cede & Co. DTC shall be responsible for notice to DTC Participants and DTC Participants shall be responsible for notice to Indirect Participants, and DTC Participants and Indirect Participants shall be responsible for notice to individual purchasers of beneficial interests.

(i) None of the School Board, the Trustee or any of their respective affiliates shall have any responsibility or obligation with respect to:

(A) the accuracy of the records of DTC or any DTC Participant with respect to any beneficial ownership interest in the Series 2011A Certificates;

(B) the delivery to any DTC Participant, any beneficial owner of the Series 2011A Certificates or any other Person, other than DTC, of any notice with respect to the Series 2011A Certificates; or

(ii) The interest portion represented by the Series 2011A Certificates shall be payable on each Interest Payment Date as set forth herein. Said interest shall represent an undivided proportionate interest in the interest portion of Basic Lease Payments due on each Lease Payment Date as set forth on Schedules 2007B to the Master Lease, to and including the maturity or earlier prepayment date of each Series 2011A Certificate.

(iii) Unless the Corporation shall otherwise direct, the Series 2011A Certificates shall be lettered and numbered in such manner as the Trustee shall deem adequate and appropriate.

(c) Terms of Series 2011A Certificates.

Maturity Date (August 1)	Principal Amount	Interest Rate
2019	\$1,565,000	4.000%
2019	4,065,000	5.000
2020	620,000	4.000
2020	5,275,000	5.000
2021	2,180,000	4.000
2021	4,155,000	5.000
2022	6,750,000	5.000
2023	6,605,000	4.125
2023	200,000	5.000
2024	5,095,000	4.250
2024	2,000,000	5.000
2025	5,035,000	4.500
2025	975,000	5.000

Series 2011A Term Rate Certificates

\$67,905,000 Series 2011A Certificates issued as Long-Term Rate Certificates representing the right to receive interest at an annual rate of 5.00% for a period ending on August 1, 2016; maturing on August 1, 2032, subject to a Mode Change and subject to serialization of such Series 2011A Certificates pursuant to Section 203(d)(ii)(A) hereof; until converted to another Mode as provided herein, such Series 2011A Certificates shall be substantially in the form attached as Exhibit A hereto.

(i) Except as otherwise provided in connection with the maintenance of a book-entry-only system of registration of the Series 2011A Certificates, the Series 2011A Principal or the Prepayment Price of the Series 2011A Certificates shall be payable at the designated corporate trust office of the Trustee. The Series 2011A Interest shall be payable by check or draft of the Trustee mailed to the Series 2011A Certificate holder at the address of such Series 2011A Certificate holder shown on the registration records maintained by the Trustee as of the Record Date next preceding the Interest Payment Date. Such Series 2011A Interest may be paid by wire transfer within the United States to the registered owners of \$1,000,000 or more in aggregate principal amount of Series 2011A Certificates upon their request in writing received

(C) the payment to any DTC Participant, any beneficial owner of the Series 2011A Certificates or any other Person, other than DTC, of any amount with respect to the principal or interest portions of Basic Lease Payments represented by the Series 2011A Certificates.

(ii) So long as the Series 2011A Certificates are issued pursuant to this subsection (d), the School Board and the Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series 2011A Certificates for all purposes whatsoever, including without limitation:

(A) the payment of the principal and interest portions of Basic Lease Payments represented by the Series 2011A Certificates;

(B) giving notices of prepayment, tender and other matters with respect to the Series 2011A Certificates;

(C) registering transfer with respect to the Series 2011A Certificates; and

(D) the selection of Series 2011A Certificates for prepayment.

The School Board has entered into a Blanket Issuer Letter of Representations with DTC providing for such book-entry-only system. Such agreement may be terminated at any time by either DTC or the School Board. In the event of such termination, the School Board shall select another securities depository. If the School Board does not replace DTC, the Trustee will register and deliver to the Beneficial Owners replacement Series 2011A Certificates in the form of fully registered Series 2011A Certificates, in accordance with instructions from Cede & Co.

Series 2011A Certificates will be issued directly to owners of the Series 2011A Certificates other than DTC, or its nominee, upon the occurrence of the following events (subject, however, to operation of the two sentences following clause (3) below):

(1) DTC determines not to continue to act as securities depository for the Series 2011A Certificates; or

(2) the School Board has advised DTC of its determination that DTC is incapable of discharging its duties; or

(3) the School Board has determined that it is in the best interest of the Series 2011A Certificate holders not to continue the book-entry system of transfer or that interests of the Beneficial Owners of the Series 2011A Certificates might be adversely affected if the book-entry system of transfer is continued.

Upon occurrence of the event described in (1) or (2) above the School Board shall attempt to locate another qualified Securities Depository. If the School Board fails to locate another qualified Securities Depository to replace DTC, the Trustee shall authenticate and deliver Series 2011A Certificates in certificated form. In the event the School Board makes the determination noted in (2) or (3) above, and has made provisions to notify the Beneficial Owners

of the Series 2011A Certificates of the availability of Series 2011A Certificates by mailing an appropriate notice to DTC, the School Board shall cause the Trustee to authenticate and deliver Series 2011A Certificates in certificated form, to DTC's Participants (as requested by DTC) in appropriate amounts.

SECTION 202. INTEREST RATE PROVISIONS

The interest portion of Basic Lease Payments represented by Series 2011A Certificates which are ARS shall be calculated as provided in Section 204 hereof.

(a) **General.** Except as provided in Section 202(f) with respect to Provider Certificates, the interest rate and Interest Rate Period for the calculation of the Series 2011A Interest represented by the Series 2011A Certificates maturing on August 1, 2032, may be adjusted as set forth in this Section 202.

Series 2011A Interest shall at no time be calculated at an interest rate in excess of the Maximum Rate, except that, as provided in Section 202(f), the Series 2011A Interest paid by the School Board with respect to Provider Certificates pursuant to any Liquidity Facility or agreement providing for a Liquidity Facility shall not exceed the Maximum Provider Rate.

(i) **Payment of Interest.** Except as provided in Section 202(f) with respect to Provider Certificates, the interest portion of Basic Lease Payments represented by each Series 2011A Certificate shall be paid on each applicable Interest Payment Date therefor.

(ii) **Interest Accrual.** Except during a Long-Term Rate Period or an ARS Interest Rate Period, the Series 2011A Interest shall accrue on the basis of the actual number of days elapsed during the applicable Interest Rate Period and a year of 365 days (366 days in a leap year). Series 2011A Interest represented by Long-Term Rate Certificates shall accrue on the basis of a 360 day year based on twelve 30 day months.

Series 2011A Interest shall be paid on each applicable Interest Payment Date. Series 2011A Interest shall accrue from and including the applicable Interest Accrual Date immediately preceding the date of authentication thereof or, if such date of authentication is an Interest Accrual Date to which Series 2011A Interest has been paid in full or duly provided for, from such date of authentication or, if it is the first payment of Series 2011A Interest with respect to such Series 2011A Certificate, the date thereof. Provided, however, if, as shown by the records of the Trustee, the Series 2011A Interest is in default, Series 2011A Interest represented by Series 2011A Certificates issued in exchange for Series 2011A Certificates surrendered for registration of transfer or exchange shall accrue from the date to which Series 2011A Interest represented by the Series 2011A Certificates so surrendered has been paid in full or, if no Series 2011A Interest has been paid with respect to such Series 2011A Certificates, from the date thereof. Provided further, if all Series 2011A Certificates to be remarketed are Provider Certificates, Series 2011A Interest with respect to the Series 2011A Certificates issued in exchange for Provider Certificates surrendered for registration or transfer shall accrue from the date to which Series 2011A Interest has been paid in full with respect to the Provider Certificates so exchanged.

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Date and shall apply to the period commencing on the Conversion Date and ending on and including the next succeeding Wednesday. Thereafter, each Weekly Rate shall apply to the period commencing on and including Thursday and ending on and including the next succeeding Wednesday, unless such Weekly Rate Period ends on a day other than Wednesday, in which event the last Weekly Rate for such Weekly Rate Period shall apply to the period commencing on and including the Thursday preceding the last day of such Weekly Rate Period and ending on and including the last day of such Weekly Rate Period.

Each Weekly Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2011A Certificates and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if applied to Series 2011A Interest, would enable the Remarketing Agent to sell all of the Weekly Rate Certificates on the effective date of that rate at a price (without regard to accrued interest) equal to the principal portion represented thereby.

If the Remarketing Agent fails to establish a Weekly Rate for any week then the Weekly Rate with respect to Weekly Rate Certificates for such week shall be the same as the immediately preceding Weekly Rate if such Weekly Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Rate was not determined by the Remarketing Agent, or if the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Rate for such week, as determined by the Remarketing Agent, shall be equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Weekly Rate would otherwise be determined as provided herein for such Weekly Rate Period.

(ii) **Conversion to Weekly Rate.** Subject to Section 203 hereof, the School Board may, from time to time, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealers (if any), elect that all or a portion of the Series 2011A Interest shall accrue at a Weekly Rate. The direction of the School Board shall specify (A) the proposed effective date of the Conversion to a Weekly Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of the then current Long-Term Rate Period or a day on which the Long-Term Rate Certificates would otherwise be subject to optional prepayment pursuant to Section 303(d) hereof if such Conversion did not occur, (3) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of the Short-Term Rate Period determined in accordance with Section 202(e)(iv), (4) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, and (5) in the case of a Conversion from an Index Floating Rate Period, the day immediately following the last day of the Index Floating Rate Period; and (B) the Tender Date for the Series 2011A Certificates subject to such Conversion which shall be the proposed effective date of the Conversion to a Weekly Rate and (C) the amount of Series 2011A Principal which will be subject to Conversion to a Weekly Rate Period. In addition, the direction of the School Board shall be accompanied by a form of notice to be mailed to the holders of Series 2011A Certificates subject to such Conversion by the Trustee as

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(A) With respect to Daily Rate Certificates, Series 2011A Interest shall be payable on each applicable Interest Payment Date for the period commencing on the Interest Accrual Date preceding the prior Interest Payment Date and ending on the last day of such month.

(B) With respect to Weekly Rate Certificates, Series 2011A Interest shall be payable on each applicable Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on and including the day immediately preceding the Interest Payment Date (or, if sooner, the last day of the Weekly Rate Period).

(C) With respect to Short-Term Rate Certificates or Long-Term Rate Certificates, Series 2011A Interest shall be payable on each applicable Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date.

(D) With respect to Index Floating Rate Certificates, Series 2011A Interest shall be payable on each applicable Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on and including the day immediately preceding the Interest Payment Date (or, if sooner, the last day of the Index Floating Rate Period).

In any event, Series 2011A Interest shall be payable for the final Interest Rate Period to the date on which the Series 2011A Certificates have been paid in full.

The terms of the Series 2011A Certificates shall be divided into consecutive Interest Rate Periods during which the Series 2011A Interest shall be determined at the Daily Rate, Weekly Rate, Index Floating Rate, Certificate Interest Term Rates, Long-Term Rate and/or Auction Rate.

(iii) **Determinations of Remarketing Agent and Calculation Agent Binding.** The determination for Series 2011A Certificates of the Daily Rate, Weekly Rate and Long-Term Rate and each Certificate Interest Term and Certificate Interest Term Rate by the Remarketing Agent shall be conclusive and binding upon the School Board, the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Provider and the holders of the Series 2011A Certificates. The determination for Series 2011A Certificates of an Index Floating Rate by the Calculation Agent shall be conclusive and binding upon the School Board, the Trustee and the holders of the Index Floating Rate Certificates.

(b) Weekly Rate and Weekly Rate Period.

(i) **Determination of Weekly Rate.** During each Weekly Rate Period, the Series 2011A Interest represented by Weekly Rate Certificates shall be calculated at the Weekly Rate, which shall be determined by the Remarketing Agent by 5:00 p.m., New York City time, on Wednesday of each week during the Weekly Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Rate for each Weekly Rate Period shall be determined on or prior to the first day of such Weekly Rate Period and shall apply to the period commencing on the first day of such Weekly Rate Period and ending on and including the next succeeding Wednesday; provided, the first Weekly Rate for an initial Weekly Rate Period after a Conversion to a Weekly Rate shall be determined prior to the Conversion

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provided in Section 202(b)(iii). During each Weekly Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the Series 2011A Interest represented by such Weekly Rate Certificates shall accrue at a Weekly Rate.

(iii) **Notice of Conversion to Weekly Rate.** The Trustee shall give notice by first class mail of a Conversion to a Weekly Rate Period to the holders of the Series 2011A Certificates subject to such Conversion not less than 30 days prior to the proposed effective date of such Weekly Rate Period. Such notice shall state (A) that the calculation of the interest rate on the Series 2011A Interest represented by the Series 2011A Certificates which they hold shall be converted to a Weekly Rate unless the School Board rescinds its election to convert the interest rate to a Weekly Rate as provided in Section 203(b); (B) the proposed effective date of the Weekly Rate Period; (C) that the Series 2011A Certificates subject to such Conversion are subject to mandatory tender for purchase on the proposed Conversion Date and setting forth the Tender Price and the place of delivery for purchase of such Series 2011A Certificates; and (D) the information set forth in Section 307(e).

(c) Daily Rate and Daily Rate Period.

(i) **Determination of Daily Rate.** During each Daily Rate Period, Series 2011A Interest represented by Daily Rate Certificates shall be calculated at the Daily Rate, which shall be determined by the Remarketing Agent on each Business Day for such Business Day.

The Daily Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2011A Certificates and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) on or before 10:30 a.m., New York City time, on a Business Day to be the minimum interest rate which, if applied to all of the Daily Rate Certificates, would enable the Remarketing Agent to sell the Daily Rate Certificates on such Business Day at a price (without regard to accrued interest) equal to the principal portion represented thereby. The Daily Rate for any day which is not a Business Day shall be the same as the Daily Rate for the immediately preceding Business Day.

If for any reason a Daily Rate is not so established for any Business Day by the Remarketing Agent, the Daily Rate for such Business Day shall be the same as the Daily Rate for the immediately preceding day and such rate shall continue until the earlier of (A) the date on which the Remarketing Agent determines a new Daily Rate or (B) the seventh day succeeding the first such day on which such Daily Rate is not determined by the Remarketing Agent. In the event that the Daily Rate shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Rate for a period of seven days as described in clause (B) of the immediately preceding sentence, the interest rate, as determined by the Remarketing Agent, shall be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal as reported for each Business Day (and for the immediately preceding Business

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Day for each day which is not a Business Day) until such Daily Rate is again validly determined by such Remarketing Agent.

(ii) *Conversion to Daily Rate.* Subject to Section 203 hereof, the School Board may, from time to time, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealers (if any), elect that all or a portion of the Series 2011A Interest shall be calculated at a Daily Rate. The direction of the School Board shall specify (A) the proposed effective date of such Conversion to a Daily Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Weekly Rate Period, any Business Day, (3) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of the then current Long-Term Rate Period or a day on which the Long-Term Rate Certificates would otherwise be subject to optional prepayment pursuant to Section 303(d) if such Conversion did not occur, (4) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of the Short-Term Rate Period determined in accordance with Section 202(e)(iv), (5) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, and (6) in the case of a Conversion from an Index Floating Rate Period, the day immediately following the last day of the Index Floating Rate Period; (B) the Tender Date for the Series 2011A Certificates subject to such Conversion, which shall be the proposed effective date of the Conversion to a Daily Rate and (C) the amount of Series 2011A Principal the interest accruing on which will be converted to calculation at a Daily Rate. In addition, the direction of the School Board shall be accompanied by a form of notice to be mailed by the Trustee to the holders of Series 2011A Certificates subject to such Conversion as provided in Section 202(c)(iii). During each Daily Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the Series 2011A Interest represented by the Daily Rate Certificates shall accrue at a Daily Rate.

(iii) *Notice of Conversion to Daily Rate.* The Trustee shall give notice by first class mail of a Conversion to a Daily Rate Period to the holders of the Series 2011A Certificates subject to such Conversion not less than 30 days prior to the proposed effective date of such Daily Rate Period. Such notice shall state (A) that the interest rate shall be converted to a Daily Rate unless the School Board rescinds its election to convert the interest rate to a Daily Rate as provided in Section 203(b); (B) the proposed effective date of the Daily Rate Period; (C) that Series 2011A Certificates subject to such Conversion are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of the Series 2011A Certificates subject to such Conversion and (D) the information set forth in Section 307(e).

(d) Long-Term Rate and Long-Term Rate Period.

(i) *Determination of Long-Term Rate.* During each Long-Term Rate Period, the Series 2011A Interest represented by Long-Term Rate Certificates shall be calculated at a Long-Term Rate. The Long-Term Rate for each Long-Term Rate Period shall be determined by the Remarketing Agent on a Business Day no later than the effective date of such Long-Term Rate Period; provided, that the Long-Term Rates for the initial Long-Term Rate Certificates shall

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Rate Period, the day immediately following the last day of the Short-Term Rate Period determined in accordance with Section 202(e)(iv), (y) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, (z) in the case of a continuation of a Long-Term Rate Period, the day immediately following the last day of the then current Long-Term Rate Period or a day on which the Long-Term Rate Certificates would otherwise be subject to optional prepayment pursuant to Section 303(d), and (aa) in the case of a Conversion from an Index Floating Rate Period, the day immediately following the last day of the Index Floating Rate Period, (2) shall specify a Tender Date on or prior to which holders of Series 2011A Certificates subject to such Conversion are required to deliver their Series 2011A Certificates to be purchased; (3) shall specify the amount of Series 2011A Principal the interest accruing on which will be converted to calculation at a Long-Term Rate, and (4) subject to the requirement of a Favorable Opinion as provided in Section 203(c) hereof, may specify Prepayment Prices and periods, and, if the last day of the Long-Term Rate Period shall be the day immediately prior to the Maturity Date, shall provide for the Long-Term Rate Certificates to mature serially in the principal portions scheduled for mandatory sinking fund prepayment in accordance with a schedule set forth by the School Board. On or prior to the effective date specified pursuant to clause (1) above, the School Board shall, by such means as the School Board deems practicable, give notice to the Trustee, the Tender Agent, the Liquidity Provider (if any) and the Remarketing Agent (if any) of the initial Interest Payment Date for such Long-Term Rate Period and the last day of the Long-Term Rate Period (which last day shall be either the day immediately prior to the Maturity Date, or a day which both immediately precedes a Business Day and is at least 181 days after the effective date thereof).

(B) The direction of the School Board described in Section 202(d)(ii)(A) shall be accompanied by a form of the notice to be mailed by the Trustee to the holders of the Series 2011A Certificates subject to such Conversion as provided in Section 202(d)(iii). During the Long-Term Rate Period, the Series 2011A Interest represented by Long-Term Rate Certificates shall accrue at a Long-Term Rate.

(C) If, by the second Business Day preceding the 29th day prior to the last day of any Long-Term Rate Period, the Trustee has not received notice of the School Board's election that, during the next succeeding Interest Rate Period, the Series 2011A Interest represented by the Long-Term Rate Certificates shall be calculated at a Weekly Rate, a Daily Rate, the Applicable ARS Rate, Index Floating Rate or another Long-Term Rate and/or at Certificate Interest Term Rates, the next succeeding Interest Rate Period for such Long-Term Rate Certificates shall be either (i) the shortest possible Long-Term Rate Period, if the School Board is able to obtain a Favorable Opinion, or (ii) a Long-Term Rate Period of the same duration as the previous Long-Term Rate Period, if the School Board is not able to obtain a Favorable Opinion, until such time as the interest rate shall be adjusted to a Daily Rate, Weekly Rate, Long-Term Rate or Certificate Interest Term Rates, Index Floating Rate and/or the Applicable ARS Rate as provided in this Section 202 or Section 204(k), and such Long-Term Rate Certificates shall be subject to mandatory purchase as provided in Section 307(b) hereof on the first day of such Long-Term Rate Period. The Series 2011A Interest represented by such Long-Term Rate Certificates shall be calculated at a Long-Term Rate determined in accordance with Section 202(d)(i)(A) hereof, provided that if the Remarketing Agent fails to establish the Long-Term Rate as required by Section 202(d)(i)(A) then the Series 2011A Interest represented

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be determined by Morgan Stanley & Co. LLC, prior to the Closing Date and shall apply to the period commencing on the Closing Date and ending on but not including the end of the initial Long-Term Rate Period or to maturity, as applicable.

(A) The Long-Term Rate for a Long-Term Rate Period shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2011A Certificates and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if applied to all of the Long-Term Rate Certificates, would enable the Remarketing Agent to sell the Long-Term Rate Certificates for the applicable Long-Term Rate Period on the effective date at a price (without regard to accrued interest) equal to the principal portion represented thereby, provided that in connection with a Conversion to or continuation of a Long-Term Rate pursuant to Section 202(d)(ii) hereof, the Long-Term Rate may be the minimum interest rate which, if applied to the Series 2011A Interest represented by such Long-Term Rate Certificate for the applicable Long-Term Rate Period, would enable the Remarketing Agent to sell all of the Long-Term Rate Certificates on the effective date at a price (without regard to accrued interest) greater than the Series 2011A Principal represented thereby upon consent of the School Board and delivery of a Favorable Opinion.

(B) In the event that for any reason the Remarketing Agent does not establish the Long-Term Rate as required above, then the Series 2011A Interest represented by the Long-Term Rate Certificates shall continue to be calculated at the rate in effect for the immediately prior Long-Term Rate Period for a new Long-Term Rate Period equal in length to the immediately prior Long-Term Rate Period, unless (1) the School Board is able to obtain a Favorable Opinion and a Liquidity Facility meeting the requirements hereof with respect to Weekly Rate Periods is in effect, in which case such Long-Term Rate Certificates shall be converted to Weekly Rate Certificates, or (2) if no Liquidity Facility meeting the requirements hereof with respect to the Weekly Rate Period is available, but the School Board is able to obtain a Favorable Opinion, Series 2011A Interest represented by Long-Term Rate Certificates shall continue to accrue at the rate in effect for the immediately prior Long-Term Rate Period, but for a new Long-Term Rate Period of one year, and such Long-Term Rate Certificates shall continue to be subject to mandatory tender for purchase on the effective date of the new Interest Rate Period.

(C) In the event that any Long-Term Rate Certificate is not remarketed, the Series 2011A Interest represented thereby shall be determined as provided in Section 202(g)(ii) hereof.

(ii) *Conversion to or Continuation of Long-Term Rate.* (A) Subject to Section 203, at any time, the School Board, by written direction to the Trustee, the Tender Agent, the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealers (if any), may elect that all or a portion of Series 2011A Interest shall be calculated, or continue to be calculated, at a Long-Term Rate. The direction of the School Board (1) shall specify the proposed effective date of the Long-Term Rate Period, which date shall be (v) a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (w) in the case of a Conversion from a Daily Rate Period or Weekly Rate Period, any Business Day, (x) in the case of a Conversion from a Short-Term

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by such Long-Term Rate Certificates shall be calculated at a Long-Term Rate determined in accordance with Section 202(d)(i)(B) hereof.

(iii) *Notice of Conversion to or Continuation of Long-Term Rate.* The Trustee shall give notice by first class mail of a Conversion to (or the establishment of another) Long-Term Rate Period to the holders of Long-Term Rate Certificates affected thereby not less than 30 days prior to the effective date of the Long-Term Rate Period. Such notice shall state (A) that all or a portion of Series 2011A Interest shall be converted to, or continue to be calculated at, a Long-Term Rate unless (1) the School Board rescinds its election to adjust the interest rate to a Long-Term Rate as provided in Section 203(b) or (2) all Series 2011A Certificates subject to such Conversion or continuation are not remarketed at a Long-Term Rate; (B) the proposed effective date; (C) that the Series 2011A Certificates subject to such Conversion or continuation are subject to mandatory tender for purchase on the proposed effective date of the new Long-Term Rate Period and setting forth the Tender Price and the place of delivery for purchase of the affected Series 2011A Certificates; and (D) the information set forth in Section 307(e).

(iv) *Conversion from Long-Term Rate Period.* The School Board may elect by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any) and the Remarketing Agent (if any), subject to Section 203 hereof, that, on the day immediately following the last day of a Long-Term Rate Period or a day on which the Long-Term Rate Certificates would otherwise be subject to optional prepayment pursuant to Section 303(d), some or all of the Series 2011A Interest represented by Long-Term Rate Certificates shall no longer accrue at the current Long-Term Rate and shall instead accrue at a Weekly Rate, a Daily Rate, Certificate Interest Term Rates, the Applicable ARS Rate, an Index Floating Rate and/or a new Long-Term Rate, as specified in such election. In the notice of such election, the School Board shall also specify the effective date of the new Interest Rate Period, which date (1) shall be a Business Day no earlier than the 30th day after the second Business Day following the date of receipt by the Trustee of the notice of election from the School Board or, in the case of adjustment to a new Long-Term Rate Period, the 30th day after the second Business Day following the date of receipt by the Trustee of such notice and (2) shall be the day immediately following the last day of the Long-Term Rate Period currently in effect or a day on which the Long-Term Rate Certificates would otherwise be subject to optional prepayment pursuant to Section 303(d) if such Conversion did not occur. Such Long-Term Rate Certificates shall be subject to mandatory tender for purchase on the effective date of the new Interest Rate Period, in accordance with Section 307(b).

(e) Certificate Interest Term Rates and Short-Term Rate Periods.

(i) *Determination of Certificate Interest Terms and Certificate Interest Term Rates.* During each Short-Term Rate Period, the Series 2011A Interest represented by Short-Term Rate Certificates shall be calculated during each Certificate Interest Term at the Certificate Interest Term Rate for that Short-Term Rate Certificate. The Certificate Interest Term and the Certificate Interest Term Rate for each Short-Term Rate Certificate need not be the same for any two Short-Term Rate Certificates, even if determined on the same date. Each Certificate Interest Term and Certificate Interest Term Rate shall be determined by the Remarketing Agent no later than 9:00 a.m., New York City time, the first day of each Certificate Interest Term. Except for any Short-Term Rate Certificate purchased by the Liquidity Provider on behalf of the School

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Board and remaining unsold by the Remarketing Agent at the close of business on the first day of the Certificate Interest Term, each Certificate Interest Term shall be for a period of days within the range or ranges announced by the Remarketing Agent as possible Certificate Interest Terms no later than 9:00 a.m., New York City time, on the first day of each Certificate Interest Term. Each Certificate Interest Term shall be a period of not more than 180 days, determined by the Remarketing Agent in its reasonable judgment to be the period which, together with all other Certificate Interest Terms for all Short-Term Rate Certificates then Outstanding, will result in the lowest overall interest expense on the Short-Term Rate Certificates. Any Short-Term Rate Certificate purchased on behalf of the School Board and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Certificate Interest Term for such Short-Term Rate Certificate shall have a Certificate Interest Term of one day or, if that Certificate Interest Term would not end on a day immediately preceding a Business Day, a Certificate Interest Term ending on the day immediately preceding the next Business Day. Each Certificate Interest Term shall end either on a day which immediately precedes a Business Day or on a day immediately preceding the Maturity Date for such Short-Term Rate Certificates. If for any reason a Certificate Interest Term cannot be determined by the Remarketing Agent, or if the determination of such Certificate Interest Term is held by a court of law to be invalid or unenforceable, then such Certificate Interest Term shall be 30 days, but if the day so determined is not a day immediately preceding a Business Day, that Certificate Interest Term shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, the Certificate Interest Term shall end on the day immediately preceding such Maturity Date. In determining the number of days in each Certificate Interest Term, the Remarketing Agent shall take into account the following factors: (1) existing short term tax exempt market rates and indices of such short term rates, (2) the existing market supply and demand for short term tax exempt securities, (3) existing yield curves for short term and long term tax exempt securities for obligations of credit quality and other characteristics comparable to the Series 2011A Certificates, (4) general economic conditions, (5) industry, economic and financial conditions that may affect or be relevant to the Series 2011A Certificates, and (6) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent in its sole discretion shall determine to be relevant; provided, however, that the number of days in any Certificate Interest Term shall not exceed the number of days of interest coverage provided under the Liquidity Facility, less five days and no Certificate Interest Term shall end after the date which is five Business Days prior to the expiration date of the Liquidity Facility.

The Certificate Interest Term Rate for each Certificate Interest Term shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the reasonable judgment of such Remarketing Agent, to the Short-Term Rate Certificates and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if applied to the Series 2011A Interest represented by such Short-Term Rate Certificate for such Certificate Interest Term, would enable the Remarketing Agent to sell such Short-Term Rate Certificate on the effective date of such Certificate Interest Term at a price equal to the principal amount thereof.

If for any reason a Certificate Interest Term Rate for any Short-Term Rate Certificate in a Short-Term Rate Period (other than a Provider Certificate) is not established by the Remarketing

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interest at a Weekly Rate, a Daily Rate, a Long-Term Rate, an Index Floating Rate and/or the Applicable ARS Rate, as specified in such election.

The date on which all Certificate Interest Terms determined for such Short-Term Rate Certificates shall end shall be the last day of the current Short-Term Rate Period with respect thereto and the day next succeeding such date shall be the Maturity Date or the effective date of the Daily Rate Period, Weekly Rate Period, Long-Term Rate Period, Index Floating Rate Period and/or ARS Interest Rate Period elected by the School Board.

(f) Provider Certificates. Notwithstanding anything in the Trust Agreement to the contrary, the Series 2011A Interest represented by Provider Certificates shall be calculated at the rates (and on the basis) applicable from time to time under the applicable Liquidity Facility and such interest portion shall accrue and be payable on the dates as specified in the applicable Liquidity Facility; provided that, in any event, the Series 2011A Interest represented by Provider Certificates shall not exceed the Maximum Provider Rate. Not less than five (5) Business Days prior to each Interest Payment Date for Provider Certificates, the Trustee shall give telephonic notice, confirmed in writing, to the School Board of the estimated Series 2011A Interest due to the Liquidity Provider on such Interest Payment Date and by 1:30 p.m. on the Business Day preceding each Interest Payment Date for Provider Certificates, the Trustee shall give telephonic notice, confirmed in writing, to the School Board of the Series 2011A Interest due to the Liquidity Provider on such Interest Payment Date.

In the event that Series 2011A Certificates to be remarketed are only partially held as Provider Certificates, the Series 2011A Certificates and Provider Certificates shall be remarketed at a purchase price equal to the principal portion represented by the Series 2011A Certificates and Provider Certificates to be remarketed plus accrued interest from the prior Interest Accrual Date to the remarketing date calculated at the rate for the Series 2011A Certificates that are not Provider Certificates. Promptly upon being notified of any date of remarketing of Provider Certificates, but not later than 11:00 a.m., New York City time, on the remarketing date, the Trustee shall request from the Liquidity Provider the amount of accrued interest represented by Provider Certificates and shall then determine the Differential Interest Amount. The Trustee is directed to (y) pay the Differential Interest Amount to the Liquidity Provider with amounts deposited with the Trustee by the School Board from the Certificate Purchase Fund on the date of remarketing and (z) notify the Tender Agent and the Remarketing Agent of the amount of the interest portion that would have accrued on the same principal portion represented by Series 2011A Certificates, if any, that were not Provider Certificates. Notwithstanding anything in the Trust Agreement to the contrary, in the event that all Series 2011A Certificates being remarketed are Provider Certificates, such Provider Certificates shall be remarketed to the purchasers thereof without accrued interest.

(g) Failed Remarketing; Liquidity Failure. (i) Daily Rate Certificates, Weekly Rate Certificates or Short-Term Rate Certificates. In the event that any Daily Rate Certificates, Weekly Rate Certificates or Short-Term Rate Certificates cannot be remarketed by the Remarketing Agent, and a Liquidity Facility is either unavailable or the Liquidity Provider for any reason fails to make payment thereunder, the Series 2011A Interest represented by such Series 2011A Certificates shall accrue at nine percent (9.00%) per annum until such time as the Remarketing Agent is able to remarket such Series 2011A Certificates or a Liquidity Facility is

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Agent for any Certificate Interest Term, or the determination of such Certificate Interest Term Rate is held by a court of law to be invalid or unenforceable, then the Certificate Interest Term Rate for such Certificate Interest Term, as determined by the Remarketing Agent, shall be the rate per annum equal to 85% of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported on the first day of such Certificate Interest Term and which maturity most nearly equals the Certificate Interest Term for which a Certificate Interest Term Rate is being calculated.

(ii) Conversion to Certificate Interest Term Rates. Subject to Section 203 hereof, the School Board may, from time to time, by written direction to the Trustee, the Tender Agent, the Liquidity Provider (if any), the Remarketing Agent (if any), the Rating Agency (if any), the Auction Agent (if any) and the Broker-Dealers (if any), elect that all or a portion of Series 2011A Interest shall accrue at Certificate Interest Term Rates. The direction of the School Board shall specify (A) the proposed effective date of the Short-Term Rate Period (during which such Series 2011A Interest shall accrue at Certificate Interest Term Rates), which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, and (2) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of such Long-Term Rate Period or a day on which the Long-Term Rate Certificates would otherwise be subject to optional prepayment pursuant to Section 303(d) if such Conversion did not occur, (B) the Tender Date for the Series 2011A Certificates, which shall be the proposed effective date of the Short-Term Rate Period and (C) the amount of Series 2011A Principal the interest accruing on which will be converted to calculation at Certificate Interest Term Rates. In addition, the direction of the School Board shall be accompanied by a form of the notice to be mailed by the Trustee to the holders of Series 2011A Certificates subject to such Conversion as provided in Section 202(e)(iii). During each Short-Term Rate Period commencing on the date specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the Series 2011A Interest represented by each Short-Term Rate Certificate shall be calculated at a Certificate Interest Term Rate during each Certificate Interest Term for that Short-Term Rate Certificate.

(iii) Notice of Conversion to Certificate Interest Term Rates. The Trustee shall give notice by first class mail of a Conversion to a Short-Term Rate Period to the holders of the Series 2011A Certificates subject to such Conversion not less than 30 days prior to the proposed effective date of such Short-Term Rate Period. Such notice shall state (A) that the interest portion of Basic Lease Payments represented by the Series 2011A Certificates subject to Conversion shall be calculated at Certificate Interest Term Rates unless the School Board rescinds its election to convert the interest rate calculation to Certificate Interest Term Rates as provided in Section 203(b); (B) the proposed effective date of the Short-Term Rate Period; (C) that the Series 2011A Certificates subject to Conversion are subject to mandatory tender for purchase on the proposed effective date of the Short-Term Rate Period and setting forth the applicable Tender Price and the place of delivery for purchase of the Series 2011A Certificates subject to such Conversion; and (D) the information set forth in Section 307(e).

(iv) Conversion from Short-Term Rate Period. Subject to Sections 203(b) and 203(c) hereof, at any time during a Short-Term Rate Period, the School Board may elect, pursuant to Section 202(b)(ii), 202(c)(ii), 202(d)(ii) or 204(k) that all or a portion of the Series 2011A Certificates no longer shall bear interest at Certificate Interest Term Rates and shall bear

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available to pay the Tender Price of such Series 2011A Certificates or such Series 2011A Certificates are converted to a new Interest Rate Period with the Tender Price being paid upon Conversion.

(ii) Long-Term Rate Certificates; Index Floating Rate Certificates. In the event that any Long-Term Rate Certificates or Index Floating Rate Certificates cannot be remarketed, then the Series 2011A Interest represented by such Delayed Remarketing Certificates shall accrue at (A) with respect to a Long-Term Rate Period or Index Floating Rate Period for which a Liquidity Facility is in effect, One Month LIBOR Rate plus one-half percent (0.50%) per annum (which rate shall not exceed the Maximum Rate), and (B) with respect to a Long-Term Rate Period or Index Floating Rate Period for which no Liquidity Facility is in effect, eleven percent (11%) per annum, during the Delayed Remarketing Period.

(h) Special Provisions Relating to Delayed Remarketing Certificates. Notwithstanding anything in the Trust Agreement to the contrary, the following provisions shall apply with respect to Delayed Remarketing Certificates.

On each Business Day during the Delayed Remarketing Period, the Remarketing Agent shall continue to use its best efforts to remarket the Delayed Remarketing Certificates into the Interest Rate Period designated by the Trustee, at the direction of the School Board (or such other Interest Rate Period as the Trustee, at the direction of the School Board, shall thereafter designate to the Remarketing Agent and the prospective holders of such Series 2011A Certificates). Once the Remarketing Agent has advised the Trustee that it reasonably believes that it is able to remarket all of the Delayed Remarketing Certificates into the designated Interest Rate Period, the Trustee, at the direction of the School Board, will give notice by mail to the Holders of the Delayed Remarketing Certificates no later than five (5) Business Days prior to the proposed effective date of the new Interest Rate Period (the "Delayed Remarketing Date"), which notice shall state (A) that the Series 2011A Interest represented by such Delayed Remarketing Certificates will continue to be calculated at a Long-Term Rate or Index Floating Rate or will be adjusted to calculation at a Daily Rate, Weekly Rate, Certificate Interest Term Rate, Index Floating Rate, Long-Term Rate or Applicable ARS Rate unless the remarketing proceeds available on the Delayed Remarketing Date is less than the amount required to purchase all of the Delayed Remarketing Certificates at the Tender Price; (B) the Delayed Remarketing Date and, with respect to Delayed Remarketing Certificates for which the Series 2011A Interest represented thereby shall continue to accrue at a Long-Term Rate or Index Floating Rate, the proposed duration and last day of the Long-Term Rate Period or Index Floating Rate Period, as the case may be; (C) that the Delayed Remarketing Certificates are subject to mandatory tender for purchase on the Delayed Remarketing Date and setting forth the Tender Price and the place of delivery for purchase of the Delayed Remarketing Certificates; (D) the information set forth in Section 307(f); and (E) that if sufficient funds are not available to pay the Tender Price of all Delayed Remarketing Certificates on the Delayed Remarketing Date, then the Series 2011A Interest on all such Delayed Remarketing Certificates shall accrue at the rate set forth in Section 202(g)(ii) hereof until all such Series 2011A Certificates are purchased as required in accordance with this Series 2011A Supplemental Trust Agreement, and all tendered Delayed Remarketing Certificates shall be returned to their respective Holders. The Trustee shall send a copy of any notice sent to Delayed Remarketing Certificate holders pursuant to the preceding sentence to the Tender Agent, the Liquidity Provider (if any), the Remarketing Agent

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(if any), the Rating Agency (if any), the Auction Agent (if any), the Broker-Dealers (if any) and the Series 2011A Credit Facility Provider.

The Delayed Remarketing Certificates are subject to prepayment in accordance with Section 303(h) hereof. The Trustee shall give notice of any such prepayment to the Delayed Remarketing Certificate holders at least five (5) Business Days prior to the Prepayment Date and otherwise in accordance with Section 314 of the Master Trust Agreement.

(iii) During the Delayed Remarketing Period, the Series 2011A Interest represented by Delayed Remarketing Certificates shall be paid to the Holders thereof (A) on each Interest Payment Date applicable to the prior Interest Rate Period occurring during the Delayed Remarketing Period and (B) on the last day of the Delayed Remarketing Period. In the case of clause (A), payment of the Series 2011A Interest represented by Delayed Remarketing Certificates shall be made by the Trustee from the Series 2011A Lease Payment Account pursuant to the Series 2011A Trust Agreement. In the case of clause (B), payment of the Series 2011A Interest represented by Delayed Remarketing Certificates shall be payable solely from the proceeds of remarketing and without duplication of any payment made pursuant to clause (A).

(i) Index Floating Rate and Index Floating Rate Period.

(i) Determination of Index Floating Rate. During each Index Floating Rate Period, the Series 2011A Interest represented by Index Floating Rate Certificates shall be calculated at the Index Floating Rate. No later than 3:00 p.m., New York time, on the Business Day prior to each Interest Payment Date during the Index Floating Rate Period, the Calculation Agent shall determine for such Interest Payment Date the Series 2011A Interest accrued on the Index Floating Rate Certificates from the last Interest Payment Date of which Series 2011A Interest was paid. The first Index Floating Rate for an initial Index Floating Rate Period after a Conversion to an Index Floating Rate shall be determined prior to the Conversion Date and shall apply to the period commencing on the Conversion Date and ending on and including the next succeeding Index Floating Rate Determination Date. Thereafter, each Index Floating Rate shall apply to the period commencing on and including Thursday and ending on and including the next succeeding Index Floating Rate Determination Date, unless such Index Floating Rate Period ends on a day other than Index Floating Rate Determination Date, in which event the last Index Floating Rate for such Index Floating Rate Period shall apply to the period commencing on and including the Thursday preceding the last day of such Index Floating Rate Period and ending on and including the last day of such Index Floating Rate Period.

(ii) Conversion to Index Floating Rate or Continuation of Index Floating Rate. Subject to Section 203 hereof, the School Board may, from time to time, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealers (if any), elect that all or a portion of the Series 2011A Interest shall accrue at an Index Floating Rate or continue to accrue at an Index Floating Rate. The direction of the School Board shall specify (A) the proposed effective date of the Conversion to an Index Floating Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of the then current Long-Term Rate Period or

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be subject to mandatory tender for purchase on the effective date of the new Interest Rate Period, in accordance with Section 307(b).

(v) In the event that any Index Floating Rate Certificate is not remarketed, the Series 2011A Interest represented thereby shall be determined as provided in Section 202(g)(ii) hereof.

SECTION 203. CONVERSION OF INTEREST RATE PERIODS. At the direction of the School Board, from time to time, some or all of the Series 2011A Certificates maturing on August 1, 2032, may be converted from an Interest Rate Period to one or more other Interest Rate Periods as provided in Section 202(b)(ii), 202(c)(ii), 202(d)(ii), 202(e)(ii), 202(i)(ii) or 204(k).

(a) Notice Upon Converting Interest Rate Period. If the School Board elects to convert the calculation of the Series 2011A Interest as provided in Section 202(b)(ii), 202(c)(ii), 202(d)(ii), 202(e)(ii), 202(i)(ii) or 204(k), respectively, the written direction furnished by the School Board to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealers (if any) as required by those Sections shall be made by registered or certified mail, or by teletype confirmed by registered or certified mail. That direction shall specify whether the Series 2011A Interest is to be calculated at the Weekly Rate, Daily Rate, Long-Term Rate, Certificate Interest Term Rates, Floating Index Rate and/or Applicable ARS Rate and shall be accompanied by a copy of the notice required to be given by the Trustee pursuant to Section 202(b)(ii), 202(c)(iii), 202(d)(iii), 202(e)(iii), 202(i)(iii) or 204(l), as the case may be.

(b) Rescission of Election. Notwithstanding anything in Section 202 or 204(k) or this Section 203, in connection with any Conversion of the Interest Rate Period for the Series 2011A Certificates, the School Board shall have the right to deliver to the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Provider (if any), the Auction Agent (if any) and the Broker-Dealers (if any) on or prior to 10:00 a.m., New York City time, on the second Business Day preceding the effective date of any such Conversion a notice to the effect that the School Board elects to rescind its election to make such Conversion. If the School Board rescinds its election to make such Conversion, then Series 2011A Interest shall continue to accrue in accordance with the Interest Rate Period in effect immediately prior to such proposed Conversion commencing on the date which would have been the effective date of the Conversion. In any event, if notice of a Conversion has been mailed to the holders of Series 2011A Certificates as provided in Section 202 or 204(l) and the School Board rescinds its election to make such Conversion, then the Series 2011A Certificates (except ARS) which would have been subject to such Conversion shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in Section 307(b).

(c) Certain Additional Conditions. No Conversion from one Interest Rate Period to another shall take effect under this Series 2011A Supplemental Trust Agreement unless each of the following conditions, to the extent applicable, shall have been satisfied.

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a day on which the Long-Term Rate Certificates would otherwise be subject to optional prepayment pursuant to Section 303(d) hereof if such Conversion did not occur, (3) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of the Short-Term Rate Period determined in accordance with Section 202(c)(iv), (4) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, and (5) (z) in the case of a new Floating Index Rate Period, the day immediately following the last day of the then current Floating Index Rate Period, and (B) the Tender Date for the Series 2011A Certificates subject to such Conversion which shall be the proposed effective date of the Conversion to an Index Floating Rate and (C) the amount of Series 2011A Principal which will be subject to Conversion to an Index Floating Rate Period and (D) the end of such Index Floating Rate Period. In addition, the direction of the School Board shall be accompanied by a form of notice to be mailed to the holders of Series 2011A Certificates subject to such Conversion by the Trustee as provided in Section 202(b)(iii). During each Index Floating Rate Period commencing on a date so specified and ending on the day immediately preceding the last day of such Index Floating Rate Period, the Series 2011A Interest represented by such Index Floating Rate Certificates shall accrue at an Index Floating Rate.

(iii) Notice of Conversion to Index Floating Rate or Continuation of Index Floating Rate. The Trustee shall give notice by first class mail of a Conversion to (or the establishment of another) Index Floating Rate Period to the holders of the Series 2011A Certificates subject thereto not less than 30 days prior to the proposed effective date of such Index Floating Rate Period. Such notice shall state (A) that the calculation of the interest rate on the Series 2011A Interest represented by the Series 2011A Certificates which they hold shall be converted to, or continue to be calculated at, an Index Floating Rate unless (1) the School Board rescinds its election to convert the interest rate to an Index Floating Rate as provided in Section 203(j); or (2) all Series 2011A Certificates subject to such Conversion or continuation are not remarketed at an Index Floating Rate; (B) the proposed effective date of the Index Floating Rate Period and the end of such Index Floating Rate Period; (C) that the Series 2011A Certificates subject to such Conversion or continuation are subject to mandatory tender for purchase on the proposed effective date of the new Index Floating Rate Period and setting forth the Tender Price and the place of delivery for purchase of such Series 2011A Certificates; and (D) the information set forth in Section 307(e).

(iv) Conversion from Index Floating Rate Period. The School Board may elect by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any) and the Remarketing Agent (if any), subject to Section 203 hereof, that, on the day immediately following the last day of an Index Floating Rate Period, some or all of the Series 2011A Interest represented by Index Floating Rate Certificates shall no longer accrue at the current Index Floating Rate and shall instead accrue at a Weekly Rate, a Daily Rate, Certificate Interest Term Rates, the Applicable ARS Rate, a Long-Term Rate and/or a new Index Floating Rate, as specified in such election. In the notice of such election, the School Board shall also specify the effective date of the new Interest Rate Period, which date (1) shall be a Business Day no earlier than the 30th day after the second Business Day following the date of receipt by the Trustee of the notice of election from the School Board or, in the case of adjustment to a new Index Floating Rate Period, the 30th day after the second Business Day following the date of receipt by the Trustee of such notice and (2) shall be the day immediately following the last day of the Index Floating Rate Period currently in effect. Such Index Floating Rate Certificates shall

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(i) The School Board shall have obtained and provided to the Trustee if the Liquidity Facility is to remain in effect following the Conversion, the written consent of the Liquidity Provider.

(ii) With respect to a new Interest Rate Period, there shall be in effect a Liquidity Facility if and as required under Section 501.

(iii) The Trustee shall have received a Favorable Opinion with respect to such Conversion dated the effective date of such Conversion.

(iv) In the case of any Conversion with respect to which there shall be no Liquidity Facility in effect to provide funds for the purchase of Series 2011A Certificates on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the Series 2011A Certificates subject to such Conversion at the Tender Price, not including any premium.

(v) *[Reserved]*

(vi) In the case of any Conversion to an ARS Interest Rate Period, prior to the Conversion Date the School Board shall have appointed an Auction Agent and one or more Broker-Dealers and there shall have been executed and delivered an Auction Agent Agreement and a Broker-Dealer Agreement for each Broker-Dealer.

(vii) In the case of any Conversion of the Series 2011A Interest to any Interest Rate Period during which the continuing disclosure requirements of the Rule would apply, prior to the Conversion Date the School Board shall have entered into a written undertaking, satisfactory in form and substance to the Remarketing Agent, whereby the School Board agrees to comply with the continuing disclosure requirements of the Rule, if and as then applicable.

(viii) The School Board shall have given notice of the proposed Conversion to each Rating Agency then maintaining a rating on the Series 2011A Certificates at the School Board's request, at least 30 days prior to the proposed Conversion Date.

(ix) In the case of any Conversion of some but not all of the Series 2011A Certificates, confirmation from the Rating Agency that such Conversion would not affect the rating on the Series 2011A Certificates that are not subject to Conversion.

(d) Failure to Meet Conditions. In the event that any condition to the Conversion of Series 2011A Certificates (other than ARS) shall not have been satisfied as provided in this Section 203 or otherwise under the Trust Agreement, then the Interest Rate Period shall not be converted and the Series 2011A Interest shall continue to accrue at the Weekly Rate, Daily Rate, Long-Term Rate (unless (1) the School Board is able to obtain a Favorable Opinion, and a Liquidity Facility meeting the requirements hereof with respect to Weekly Rate Periods is in effect, in which case the Series 2011A Certificates subject to such Conversion shall be converted to Weekly Rate Certificates, or (2) if no such Liquidity Facility is then in effect but the School Board is able to obtain a Favorable Opinion, in which case the Series 2011A Certificates subject to such Conversion shall be converted to the shortest possible Long-Term Rate Period), Index Floating Rate and/or Certificate Interest Term Rates, as the case may be, as in effect immediately

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prior to such proposed Conversion, and the Series 2011A Certificates subject to such Conversion shall continue to be subject to mandatory tender for purchase on the date which would have been the Conversion Date as provided in Section 307(b). In the event of a failed remarketing of any Series 2011A Certificates (other than ARS) at the Weekly Rate, Daily Rate, Long-Term Rate, Index Floating Rate and/or Certificate Interest Term Rates prescribed in the preceding sentence, then the Series 2011A Interest represented by such Series 2011A Certificates shall be determined as provided in Section 202(g) hereof. In the event of a failed Conversion from an ARS Interest Rate Period, the Series 2011A Interest represented by ARS shall be calculated at the ARS Maximum Rate for the Auction Period, which shall be a seven-day Auction Period, commencing on the date which would have been the Conversion Date and such ARS will not be subject to mandatory tender for purchase on the date which would have been the Conversion Date.

SECTION 204. ARS INTEREST RATE PROVISIONS. The Series 2011A Interest represented by ARS shall accrue from the applicable Conversion Date or the most recent ARS Interest Payment Date to which the Series 2011A Interest represented thereby has been paid or duly provided for, as the case may be.

(a) The Trustee shall determine the aggregate amount of Series 2011A Interest payable in accordance with subsection (d) below with respect to ARS on each ARS Interest Payment Date.

(b) The Series 2011A Interest represented by ARS shall be computed on the basis of a 360-day year for the actual number of days elapsed. The Applicable ARS Rate for each ARS Interest Period after the first ARS Interest Period shall be the Auction Rate; provided that, in the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period (except as contemplated otherwise herein pursuant to (x), (y) and (z) below), the new Auction Period shall be the same as the preceding Auction Period and the Auction Rate for the new Auction Period shall be the same as the Auction Rate for the preceding Auction Period for a period of up to 35 days, after which time the Auction Rate will be the ARS Maximum Rate.

Notwithstanding the foregoing,

(x) if the ownership of ARS is no longer maintained in book entry form by a Securities Depository, Auctions shall cease and the Applicable ARS Rate for any ARS Interest Period commencing after the delivery of certificates representing ARS pursuant to Section 201(d) shall equal the ARS Maximum Rate; or

(y) if an ARS Payment Default shall have occurred, the Applicable ARS Rate for the ARS Interest Period commencing on or immediately after such ARS Payment Default and for each ARS Interest Period thereafter, to and including the ARS Interest Period, if any, during which, or commencing less than two Business Days after, such ARS Payment Default is cured in accordance with this Series 2011A Supplemental Trust Agreement, shall equal the Non-Payment Rate on the first day of each such ARS Interest Period, provided that if an Auction occurred on the Business Day immediately preceding any such ARS Interest Period, the Applicable ARS Rate for such ARS Interest Period shall be the Non-Payment Rate; or

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on the Business Day immediately preceding each ARS Interest Payment Date after the delivery of certificates representing such ARS pursuant to Section 201(d). If an ARS Payment Default shall have occurred, the Trustee shall announce the Non-Payment Rate on the first day of (i) each ARS Interest Period commencing on or after the date of the occurrence and during the continuance of such ARS Payment Default and (ii) any ARS Interest Period commencing less than two Business Days after the cure of any ARS Payment Default. The determination by the Auction Agent of the All-Hold Rate shall (in the absence of manifest error) be final and binding upon all ARS Beneficial Owners and all other parties. The Auction Agent shall promptly advise the Trustee of the All-Hold Rate.

(g) Notification of Rates, Amounts and Payment Dates.

(i) So long as the ownership of ARS is maintained in book-entry form by the Securities Depository, the Trustee shall advise the Securities Depository (i) of each Record Date for the ARS at least two Business Days prior thereto and (ii) of each succeeding ARS Interest Payment Date on each ARS Interest Payment Date.

(ii) On the Business Day preceding each ARS Interest Payment Date with respect to the ARS, the Trustee shall advise the School Board and the Securities Depository, so long as the ownership of the ARS is maintained in book-entry form by the Securities Depository, of the amount of Series 2011A Interest distributable in respect of each \$25,000 in Series 2011A Principal represented by ARS for any ARS Interest Period or part thereof, calculated in accordance with Section 204(d).

(iii) If any day scheduled to be an ARS Interest Payment Date shall be changed after the Trustee shall have given notice, the Trustee shall, not later than 9:15 a.m., New York City time, on the Business Day next preceding the earlier of the new ARS Interest Payment Date or the old ARS Interest Payment Date, by such means as the Trustee deems practicable, give notice of such change to the Auction Agent, so long as no ARS Payment Default has occurred and is continuing and the ownership of ARS is maintained in book-entry form by the Securities Depository.

(h) **Adjustment with Respect to ARS Provisions.** Notwithstanding any other provision of this Series 2011A Supplemental Trust Agreement relating to ARS, including without limitation the mandatory tender provisions and the definitions of terms used in this Section 204 (including without limitation the definitions of Applicable ARS Rate, All-Hold Rate, ARS Maximum Rate and Non-Payment Rate), the ARS provisions may be amended at the written request of the School Board, (i) upon obtaining an Opinion of Counsel that the same does not materially adversely affect the rights of the ARS Beneficial Owners or (ii) by obtaining the consent of a majority of the ARS Beneficial Owners and, in each case, delivering a Favorable Opinion. In the case of clause (ii) above, the Trustee shall mail notice of such amendment to the ARS Beneficial Owners of which it has knowledge, and if, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed such notice, Sufficient Clearing Bids have been received or all of the ARS are subject to Submitted Hold Orders and if the Insurer has provided written consent by such Auction Date, the proposed amendment shall be deemed to have been consented to by the ARS Beneficial Owners. As an additional condition precedent to any such amendment pursuant to the provisions of this Section 204(h) and without duplication of

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(z) for any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, the Auction Period shall remain the same and the Auction Rate for the new Auction Period shall be 125% of the Index if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, if there is a failure to make such calculation or if the Index is not ascertainable on such date, the Auction Rate for the new Auction Period shall be 125% of the Index for the preceding Auction Period; and for the next succeeding Auction Period and thereafter the Auction Rate will be the ARS Maximum Rate.

(c) **Medium of Payment.** Unless otherwise requested by the Securities Depository, payments of Series 2011A Principal represented by ARS, at maturity or upon prepayment, and payments of Series 2011A Interest represented by ARS made by wire transfer, shall be made by the Trustee in immediately available funds, provided, however, that such method of payment may be modified by written agreement among the Trustee, the Securities Depository and the Auction Agent.

(d) **Computation of Interest Distributable on ARS.** The amount of Series 2011A Interest distributable to ARS Beneficial Owners, in respect of each \$25,000 in principal amount thereof for any ARS Interest Period or part thereof, shall equal (i) the Applicable ARS Rate for such ARS Interest Period or part thereof, multiplied by (ii) the principal portion of \$25,000, multiplied by (iii) the actual number of days in such ARS Interest Period or part thereof divided by (iv) 360, and rounding the resultant figure to the nearest cent (a half cent being rounded upward).

(e) ARS Defaulted Interest.

(i) The Trustee shall determine not later than 2:00 p.m., New York City time, on each ARS Interest Payment Date, whether an ARS Payment Default has occurred. If an ARS Payment Default has occurred, the Trustee shall, not later than 2:30 p.m. New York City time on such Business Day, send a Notice of ARS Payment Default to the Auction Agent and each Broker-Dealer by teletype or similar means and, if such ARS Payment Default is cured, the Trustee shall immediately send a Notice of Cure of ARS Payment Default to the Auction Agent and each Broker-Dealer by teletype or similar means.

(ii) ARS Defaulted Interest shall forthwith cease to be payable to an ARS Beneficial Owner on the relevant Record Date by virtue of having been such ARS Beneficial Owner and such ARS Defaulted Interest shall be payable to the Person in whose name the ARS are registered at the close of business on a Special Record Date fixed therefor by the Trustee, which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of ARS Defaulted Interest. The Trustee shall promptly notify the School Board of the Special Record Date and at the School Board's expense mail to each ARS Beneficial Owner of which it has knowledge, not less than ten days before the Special Record Date, notice of the date of the proposed payment of such ARS Defaulted Interest.

(f) **Calculation of All-Hold Rate.** The Auction Agent shall calculate the All-Hold Rate on each Auction Date. If the ownership of the ARS is no longer maintained in book-entry form by the Securities Depository, the Auction Agent shall announce the ARS Maximum Rate

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any other requirement herein, there shall be delivered to the Corporation, the School Board and the Trustee an opinion of Special Tax Counsel to the effect that such amendment will not adversely affect the validity of the ARS or the exclusion of the interest portion of Basic Lease Payments represented by any of the ARS from gross income for federal income tax purposes. Written notice of each such amendment shall be delivered by the School Board to the Trustee, the Auction Agent, and each Broker-Dealer.

(i) Changes in Auction Period.

(i) The Auction Period for the ARS with respect to each ARS Interest Rate Period, if any, shall be either a seven-day period or a 35-day period commencing generally on a Monday, generally on a Tuesday, generally on a Wednesday, generally on a Thursday or generally on a Friday, in each case as announced by the School Board in its notice of the proposed Conversion to such subsequent ARS Interest Rate Period as provided in Section 204(k).

(ii) During any ARS Interest Rate Period, the School Board may from time to time on any ARS Interest Payment Date change the length of the Auction Period with respect to all of the ARS among daily, seven-days, 35-days and a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate at which the Series 2011A Interest represented by ARS is calculated. The School Board shall initiate the change in the length of the Auction Period by giving written notice to the Trustee, the Insurer, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least three Business Days prior to the Auction Date for such Auction Period.

(iii) Any such changed Auction Period shall be for a period of one day, seven-days, 35-days or a Flexible Auction Period and shall apply for all of the ARS.

(iv) No change in the length or the day of commencement of the Auction Period for ARS shall be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given and the Auction immediately preceding the proposed change.

(v) The change in length of the Auction Period for ARS shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for the first such Auction Period. For purposes of the Auction for such first Auction Period only, except to the extent any Existing Owner submits an Order with respect to such ARS, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its ARS if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If the condition referred to in the first sentence of this clause (v) is not met, the Auction Rate for the next Auction Period shall be the ARS Maximum Rate, and the Auction Period shall be the Auction Period already in effect.

(j) **Changes in Auction Date.** During any ARS Interest Rate Period, the School Board may specify an earlier Auction Date for any Business Day earlier (but in no event more

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than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar instruments or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate at which Series 2011A Interest represented by ARS is calculated. The School Board shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Corporation, each Broker-Dealer, the Auction Agent and the Securities Depository, which will, in turn, notify the Holders. No change in the day of commencement of the Auction Period for ARS shall be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given and the Auction immediately preceding the proposed change. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

(k) Conversion to Applicable ARS Rate. Subject to Section 203 hereof, the School Board may, from time to time, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and each Broker-Dealer (if any), elect that all or a portion of the Series 2011A Interest shall be calculated at the Applicable ARS Rate. The direction of the School Board shall specify

(i) the proposed effective date of the Conversion to the Applicable ARS Rate, which shall be

(A) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction,

(B) in the case of a Conversion from a Daily Rate or a Weekly Rate, any Business Day,

(C) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long Term Interest Rate Period or a day on which the Long-Term Rate Certificates would otherwise be subject to optional prepayment pursuant to Section 303(d) if such Conversion did not occur, and

(D) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of the Short-Term Rate Period,

(E) in the case of a Conversion from an Index Floating Rate Period, the day immediately following the last day of the then-current Index Floating Rate Period,

(ii) the Tender Date for the Series 2011A Certificates to be purchased, which shall be the proposed effective date of the Conversion to the Applicable ARS Rate,

(iii) the amount of Series 2011A Principal for which the Series 2011A Interest will be converted to calculation to the Applicable ARS Rate, and

ARTICLE III

PREPAYMENTS; TENDERS

SECTION 301. EXTRAORDINARY PREPAYMENT OF SERIES 2011A CERTIFICATES. The Series 2011A Certificates shall not be subject to extraordinary prepayment.

SECTION 302. MANDATORY SINKING FUND PREPAYMENT. Series 2011A Certificates maturing on August 1, 2032, are subject to mandatory prepayment prior to maturity in part from payments of the Series 2011A Principal as set forth in the Series 2007B Lease, through the operation of a sinking fund on each August 1 in the years and in the amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date; provided, however, while a Letter of Credit is in effect, mandatory prepayments shall be paid first from a draw on the Letter of Credit.

Date (August 1)	Principal Amount
2030	\$27,035,000
2031	9,385,000
2032*	31,485,000

* Final Maturity

With respect to ARS, mandatory sinking fund prepayments scheduled to occur during an Auction Period shall be made on the ARS Interest Payment Date immediately succeeding the Auction Period during which such scheduled sinking fund prepayment would otherwise have occurred; provided, however, if this Series 2011A Supplemental Trust Agreement is modified to provide for an Auction Period of 180 days or more, mandatory sinking fund prepayments scheduled to occur during such Auction Period of 180 days or more shall occur on the scheduled sinking fund Prepayment Date. The Trustee shall provide notice to the Auction Agent and the Broker-Dealers of mandatory sinking fund prepayments which occur with respect to ARS.

Any Series 2011A Certificate subject to mandatory prepayment as provided herein may be purchased by the School Board prior to the forty-fifth (45th) day preceding the respective Prepayment Date at a price (including any brokerage and other charges) not exceeding the principal portion represented thereby, plus accrued interest to the date of purchase. At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such applicable Prepayment Date, the School Board may receive a credit against its mandatory prepayment obligation for the applicable Series 2011A Certificates which prior to such date have been (i) purchased by the School Board and presented to the Trustee for cancellation or (ii) prepaid (otherwise than through the operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund prepayment obligation. Each Series 2011A Certificate so purchased, delivered or previously prepaid and cancelled shall be credited by the Trustee at 100% of the principal portion represented thereby against the obligation of the School Board on such sinking fund prepayment date. Any excess over such obligation shall be credited against applicable future sinking fund prepayment obligations, or deposits with respect

(iv) the initial Auction Period for the Series 2011A Certificates converted to ARS.

In addition, the direction of the School Board shall be accompanied by a form of notice to be mailed to the holders of Series 2011A Certificates by the Trustee as provided in Section 204(l). During each ARS Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate at which the Series 2011A Interest represented by ARS shall be calculated shall be the Applicable ARS Rate.

Upon the election of the School Board to convert all or a portion of the Series 2011A Certificates to the Applicable ARS Rate, the School Board may elect to create one or more subseries within ARS, which may auction on different dates and have different Auction Periods.

(l) Notice of Conversion to Applicable ARS Rate. The Trustee shall give notice by first-class mail of an adjustment to an ARS Interest Rate Period to the holders of the affected Series 2011A Certificates not less than 30 days prior to the proposed effective date of such ARS Interest Rate Period. Such notice shall state (i) that the calculation of Series 2011A Interest shall be adjusted to the Applicable ARS Rate unless the School Board rescinds its election to adjust such Series 2011A Interest to the Applicable ARS Rate as provided in Section 203(b); (ii) the proposed effective date of the ARS Interest Rate Period; (iii) that the affected Series 2011A Certificates are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of such Series 2011A Certificates; and (iv) the information set forth in Section 307(e).

SECTION 205. PROVISIONS RELATING TO AUCTIONS. None of the School Board, the Corporation, the Trustee or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor shall any of the School Board, the Corporation, the Trustee, the Broker-Dealers or the Auction Agent be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers. None of the School Board, the Corporation, the Trustee, the Broker-Dealers or the Auction Agent shall have any liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

SECTION 206. AGREEMENT OF HOLDERS. By purchasing ARS, whether in an Auction or otherwise, each prospective purchaser of ARS and its Broker-Dealer will be deemed to have agreed to the provisions for the replacement of the Auction Agent and each Broker-Dealer as provided in this Series 2011A Supplemental Trust Agreement, and relevant agreements among the School Board, the Trustee, the Auction Agent and the Broker-Dealers, as appropriate.

SECTION 207. ISSUANCE OF SERIES 2011A CERTIFICATES. The Series 2011A Certificates shall be issued upon delivery to the Trustee of the documents referred to in Section 304 of the Master Trust Agreement and the payment of the purchase price therefor.

thereto, in chronological order, and the principal portion represented by such Series 2011A Certificates to be prepaid by operation of the mandatory sinking fund shall be accordingly reduced.

Notwithstanding any provision in the Trust Agreement or the Series 2011A Certificates to the contrary, this Series 2011A Supplemental Trust Agreement and the Series 2011A Certificates may be amended as of a Conversion Date upon the request of the School Board and provision of a Favorable Opinion to the Trustee, without the consent of any of holders of the Series 2011A Certificates, to revise the sinking fund prepayment provisions in connection with a Conversion of the Series 2011A Certificates to a Long-Term Rate (including to enable the issuance of serial Series 2011A Certificates rather than or in addition to term Series 2011A Certificates) and a concurrent revision to the schedules of Basic Lease Payments set forth in the Series 2007B Lease, provided that any modification which does not result in substantially level payments of the Basic Lease Payments represented by the Series 2011A Certificates together with the Basic Lease Payments represented by the Series 2011A Certificates shall require the prior written consent of the Insurer.

SECTION 303. OPTIONAL PREPAYMENT OF SERIES 2011A CERTIFICATES.

(a) General.

(i) Series 2011A Certificates shall be subject to prepayment if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series 2007B Lease at the times, and in the amounts provided below.

(ii) While a Letter of Credit is in effect, optional prepayments shall be paid first from a draw on the Letter of Credit.

(b) Daily Rate Certificates and Weekly Rate Certificates. Daily Rate Certificates and Weekly Rate Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part on any Business Day in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct at a price equal to the Series 2011A Principal represented thereby, without premium, plus the Series 2011A Interest represented thereby accrued to the prepayment date.

(c) Short Term Rate Certificates. Short Term Rate Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part on the day succeeding the last day of any Certificate Interest Term with respect to each Short Term Rate Certificate in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct at a price equal to the Series 2011A Principal represented thereby, without premium, plus the Series 2011A Interest represented thereby accrued to the Prepayment Date.

(d) Long-Term Rate Certificates.

(i) (a) Series 2011A Principal determined at a Long-Term Rate and represented by Series 2011A Certificates maturing on August 1, 2032, is not subject to optional prepayment during the initial Long-Term Rate Period; provided, however, Series 2011A Principal represented by Series 2011A Certificates maturing on August 1, 2032, is subject to optional prepayment prior to its stated maturity upon request of the School Board in whole or in part on the day succeeding the last day of such initial Long-Term Rate Period at a Prepayment Price equal to the Series 2011A Principal represented by the Series 2011A Certificates to be prepaid, without premium, plus the Series 2011A Interest represented by the Series 2011A Certificates to be prepaid accrued to the Prepayment Date.

(b) Series 2011A Principal determined at a Long-Term Rate and represented by Series 2011A Certificates maturing on August 1, in the years 2022 through and including 2025, is subject to optional prepayment on or after August 1, 2021, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series 2007B Lease in whole or in part at any time, and if in part, in such order of the due dates of the principal portion of the Basic Lease Payments as shall be designated by the School Board to be prepaid, at the Prepayment Price equal to the principal portion of Basic Lease Payments represented by the Series 2011A Certificates or portions thereof to be prepaid, plus the interest accrued to the Prepayment Date.

(ii) Except as otherwise provided in subsections (a) and (b) above, during any period in which Series 2011A Principal is determined at a Long-Term Rate, the Series 2011A Principal is subject to optional prepayment upon request of the School Board in whole or in part (A) on the day succeeding the last day of any Long-Term Rate Period, at a Prepayment Price equal to the Series 2011A Principal to be prepaid, without premium, plus the Series 2011A Interest accrued with respect to the prepaid principal portion to the Prepayment Date, and (B) at the times and at the prices set forth below, and in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct, plus the Series 2011A Interest accrued with respect to such prepaid Series 2011A Principal to the Prepayment Date:

Years from Conversion Date until end of Long-Term Rate Period	First Day of Prepayment Period	Prepayment Price
More than fifteen	Tenth anniversary of Conversion Date	101% declining by 1% on the next anniversary after the tenth anniversary of the Conversion Date and thereafter at 100%
More than ten but more than fifteen	Seventh anniversary of Conversion Date	101% declining by 1% on the next anniversary after the seventh anniversary of the Conversion Date and thereafter at 100%

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(g) ARS. ARS are subject to prepayment at the option of the School Board, on any ARS Interest Payment Date, as a whole or in part in an Authorized Denomination, at a prepayment price equal to the Series 2011A Principal represented thereby, without premium, plus the accrued Series 2011A Interest represented thereby to the Prepayment Date. The Trustee shall provide notice to the Auction Agent and the Broker-Dealers of optional prepayments of ARS.

(h) Delayed Remarketing Certificates. Delayed Remarketing Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part on any Business Day at a Prepayment Price equal to the Series 2011A Principal represented thereby, without premium, plus the Series 2011A Interest represented thereby accrued to the Prepayment Date.

(i) Index Floating Rate Certificates. Index Floating Rate Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part on the day succeeding the last day of any Index Floating Rate Period with respect to each Index Floating Rate Certificate in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct at a price equal to the Series 2011A Principal represented thereby, without premium, plus the Series 2011A Interest represented thereby accrued to the Prepayment Date.

SECTION 304. PURCHASE IN LIEU OF PREPAYMENT. If all or a portion of the Series 2011A Certificates are called for prepayment pursuant to Section 303 hereof and a conditional notice of redemption is sent pursuant to Section 303(e) hereof, the Series 2011A Certificates called for prepayment may, in lieu of such prepayment, be purchased by the Trustee, at the written direction of the School Board to the Trustee, given not less than 10 days prior to the scheduled optional Prepayment Date, in which case the Special Purchase Series 2011A Certificates shall be subject to mandatory tender in accordance with Section 307(d) hereof. The Trustee shall give immediate notice of such direction to the Auction Agent, the Broker-Dealers, the Tender Agent, if any, the Remarketing Agent, if any, and the Liquidity Provider, if any; provided, however, that no notice (other than the notice of optional prepayment) of a Special Purchase Date shall be given to Series 2011A Certificate holders. Such purchase shall be made on the date the Special Purchase Series 2011A Certificates are otherwise scheduled to be prepaid at the Special Purchase Price.

SECTION 305. SELECTION OF SERIES 2011A CERTIFICATES TO BE PREPAID OR PURCHASED.

(a) If less than all of the Series 2011A Certificates shall be called for prepayment pursuant to Section 301 or Section 303, Provider Certificates shall be prepaid prior to any other Series 2011A Certificates and the particular Series 2011A Certificates or portions of Series 2011A Certificates to be prepaid shall be in such order of maturity as shall correspond to the due dates of the principal portions of Basic Lease Payments due under the Series 2007B Lease designated by the School Board in connection with its prepayment of the principal portion of Basic Lease Payments represented by such Series 2011A Certificates or portions thereof. If the Series 2011A Certificates are subject to more than one Interest Rate Period at the time of such prepayment, the School Board may designate the particular Series 2011A Certificates to be

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More than seven but not more than ten	Fifth anniversary of Conversion Date	thereafter at 100% 101% declining by 1% on the next anniversary after the fifth anniversary of the Conversion Date and thereafter at 100%
More than four but not more than seven	Third anniversary of Conversion Date	101% declining by 1% on the next anniversary after the third anniversary of the Conversion Date and thereafter at 100%
Four or fewer	Not Callable	N.A.

Notwithstanding any provision in the Trust Agreement or the Series 2011A Certificates to the contrary, this Series 2011A Supplemental Trust Agreement and the Series 2011A Certificates may be amended as of the Conversion Date to a Long-Term Rate Period upon the request of the School Board, without the consent of any of the Series 2011A Certificate holders, to change the prepayment provisions applicable during such Long-Term Rate Period to such prepayment provisions as are recommended by the Remarketing Agent as conforming to then current market practices and acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee.

(e) Conditional Notice of Prepayment. Notwithstanding anything in Section 314 of the Master Trust Agreement to the contrary, prior to notice being given to the Owners of affected Series 2011A Certificates of any optional prepayment of Series 2011A Certificates under this Section 303, either (i) there shall be deposited with the Trustee an amount sufficient to pay the principal portion of the Basic Lease Payments represented by Series 2011A Certificates subject to prepayment, plus accrued interest to the prepayment date, plus any premium applicable to such prepayment, or (ii) such notice shall state that the prepayment is conditioned on the receipt of moneys for such prepayment by the Trustee on or prior to the Prepayment Date. In the event that a conditional notice of prepayment is given and such moneys are not timely received, the prepayment for which such notice was given shall not be undertaken. Amounts deposited pursuant to this paragraph shall be kept by the Trustee in a trust account separate and segregated from all other moneys deposited under the Trust Agreement and shall be held uninvested unless invited at the direction of an Authorized Officer only in Government Obligations that mature on or before the Prepayment Date.

(f) Provider Certificates. Provider Certificates are subject to prepayment prior to maturity (i) at the option of the School Board as a whole or in part in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct on any date at the principal portion represented thereby, without premium, plus the accrued interest portion of Basic Lease Payments represented thereby to the prepayment date and (ii) otherwise as provided in the Liquidity Facility or other reimbursement or similar agreement entered into between the School Board and the Liquidity Provider.

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prepaid by the Interest Rate Period to which they are subject. If less than all of the Series 2011A Certificates of like maturity shall be called for prepayment, the Trustee shall assign to each Outstanding Series 2011A Certificate to be prepaid a distinctive number for each unit of Series 2011A Principal represented by such Series 2011A Certificate equal to the applicable minimum Authorized Denomination and shall select the particular Series 2011A Certificates or portions thereof to be prepaid using such method of selection as it shall, in its discretion, deem fair and appropriate; provided, however, the portion of Series 2011A Certificates to be prepaid and the Series 2011A Principal represented by such Series 2011A Certificates to be retained by the Holder thereof shall be in the amount of an Authorized Denomination for the Interest Rate Period to which such Series 2011A Certificates are then subject. Any new Series 2011A Certificate issued pursuant to this paragraph shall be issued in the same Interest Rate Period as the surrendered Series 2011A Certificate and in any Authorized Denomination applicable to such Interest Rate Period equal to the unprepaid principal portion represented by the Series 2011A Certificate surrendered.

(b) If less than all of the Series 2011A Certificates shall be subject to mandatory tender pursuant to Section 307(b)(i), the School Board may designate the particular Series 2011A Certificates to be subject to such mandatory tender by the Interest Rate Period to which they are subject and the Trustee shall select the particular Series 2011A Certificates subject to such Interest Rate Period to be subject to such mandatory tender using such method of selection as it shall, in its discretion, deem fair and appropriate; provided, however, the portion of Series 2011A Certificates to be tendered shall be in Authorized Denominations for the Interest Rate Period to which such Series 2011A Certificates will be subject after Conversion and the Series 2011A Principal represented by such Series 2011A Certificates to be retained by a Holder thereof shall be in the amount of Authorized Denominations for the Interest Rate Period to which such Series 2011A Certificates are then subject.

SECTION 306. OPTIONAL TENDER OF DAILY RATE CERTIFICATES AND WEEKLY RATE CERTIFICATES.

(a) During Weekly Rate Period. Except as otherwise provided in the next succeeding paragraph, Weekly Rate Certificates (other than Provider Certificates) shall be purchased in an Authorized Denomination (provided that the amount of any such Weekly Rate Certificate not to be purchased shall also be in an Authorized Denomination) from its Certificate holder at the option of such Certificate holder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its principal office for delivery of Series 2011A Certificates, to the Trustee at its principal office and to the Remarketing Agent of an irrevocable written notice which states the principal portion represented by such Weekly Rate Certificate, the Series 2011A Principal to be purchased and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day after the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received on the next succeeding Business Day. For payment of the Tender Price on the Tender Date, such Weekly Rate Certificate must be delivered at or prior to 10:00 a.m., New York City time, on the Tender Date to the Tender Agent at its principal office for delivery of Series 2011A Certificates accompanied by an instrument of transfer, in form satisfactory to the Tender Agent executed in blank by the Weekly Rate Certificate holder or its duly authorized

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attorney, with such signature guaranteed by a commercial bank, trust company, or member firm of the New York Stock Exchange.

During any Weekly Rate Period for which a book-entry-only system is in effect, any Weekly Rate Certificate or portion thereof (provided that the principal portion represented by such Weekly Rate Certificate to be purchased and the principal portion represented thereby to be retained shall each be an Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the Participant, shall be delivered on any Business Day by the Participant for such Weekly Rate Certificate to the Tender Agent at its principal office for the delivery of such Series 2011A Certificates, to the Trustee at its principal office and to the Remarketing Agent. That notice shall state the principal portion represented by such Weekly Rate Certificate (or interest therein), the principal portion represented thereby to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven days after the date of delivery of such notice to the Trustee. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Weekly Rate Certificates at least equal to the principal portion represented by the Weekly Rate Certificates specified in such irrevocable written notice, payment of the Tender Price of such Weekly Rate Certificate shall be made by 3:00 p.m., New York City time, or as soon as practically possible thereafter, upon the receipt by the Trustee of the Tender Price as set forth in Section 309(b) on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Weekly Rate Certificate tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 10:00 a.m., New York City time, on the date specified in such notice.

(b) During Daily Rate Period. Except as otherwise provided in the next succeeding paragraph, Daily Rate Certificates (other than a Provider Certificates) shall be purchased in an Authorized Denomination (provided that the principal portion represented by any such Daily Rate Certificate not to be purchased shall also be in an Authorized Denomination) from its Certificate holder at the option of the Daily Rate Certificate holder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its principal office for delivery of Series 2011A Certificates, to the Trustee at its principal office and to the Remarketing Agent, by no later than 11:00 a.m., New York City time, on such Business Day, of an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by teletype or other writing, which states the principal portion represented by such Daily Rate Certificates to be purchased and the date of purchase. For payment of such purchase price on the date specified in such notice, such Daily Rate Certificates must be delivered, at or prior to 12:00 noon, New York City time, on such Business Day, to the Tender Agent at its principal office for delivery of Series 2011A Certificates, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Daily Rate Certificate holder thereof or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

During any Daily Rate Period for which a book entry only system is in effect, any Daily Rate Certificate or portion thereof (provided that the principal portion represented by such Daily Rate Certificate to be purchased and the principal portion to be retained shall each be an

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cease to accrue on the last day of each Certificate Interest Term. The Tender Price shall be payable only upon surrender of such Short-Term Rate Certificate to the Tender Agent at its principal office for delivery of Series 2011A Certificates, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Series 2011A Certificate holder or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

(b) On First Day of Each Interest Rate Period. The Series 2011A Certificates shall be subject to mandatory tender for purchase on (i) a Conversion Date for such Series 2011A Certificate, and (ii) for Short-Term Rate Certificates, Index Floating Rate Certificates or Long-Term Rate Certificates, on the first day of each Interest Rate Period with respect to such Series 2011A Certificates (or on the day which would have been the first day of an Interest Rate Period with respect to such Series 2011A Certificates had one of the events specified in Section 203(b), 203(c) or 203(d) hereof not occurred which resulted in the calculation of the Series 2011A Interest represented by such Series 2011A Certificates not being adjusted, except for a failed Conversion from an ARS Interest Rate Period), at the Tender Price, payable in immediately available funds. For payment of the Tender Price on the Tender Date, a Series 2011A Certificate must be delivered at or prior to 10:00 a.m., New York City time, on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day.

(c) Upon Termination, Replacement or Expiration of Liquidity Facility; Mandatory Standby Tender. While a Letter of Credit is in effect, this Section 307(c) shall be replaced with Section 704(e) with respect to Series 2011A Certificates supported by the Letter of Credit. If at any time the Trustee gives notice, in accordance with Section 501(c) hereof, that the Tender Price on any Series 2011A Certificates tendered for purchase shall, on the date specified in such notice, cease to be subject to purchase pursuant to the Liquidity Facility then in effect as a result of (i) the termination (except for an Immediate Termination Event), replacement or expiration of the term, as extended, of that Liquidity Facility, including but not limited to termination at the option of the School Board in accordance with the terms of such Liquidity Facility, or (ii) the occurrence of a Mandatory Standby Tender, then, on the substitution date in the case of any such replacement or on the fifth Business Day preceding any such termination or expiration (but in the case of a Mandatory Standby Tender, in no event later than the 20th day after the receipt by the Trustee of notice from the Liquidity Provider directing the Mandatory Standby Tender) of such Liquidity Facility, including any termination as a result of a Mandatory Standby Tender, each such Series 2011A Certificate shall be purchased or deemed purchased at the Tender Price.

For payment of the Tender Price on the Tender Date, a Series 2011A Certificate must be delivered at or prior to 10:00 a.m., New York City time, on the Tender Date. Payment of the Tender Price of any such Series 2011A Certificate shall be made in immediately available funds by 3:00 p.m., New York City time, on the Tender Date upon delivery of such Series 2011A Certificate to the Tender Agent at its principal office for delivery of Series 2011A Certificates, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Series 2011A Certificate holder with the signature of such holder guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 12:00 noon, New York City time, on the Tender Date specified in Section 501(c). If, as a result of any such Mandatory Standby Tender, expiration, termination with notice, or replacement of such a Liquidity Facility, any Series 2011A Certificate is no longer subject to purchase pursuant

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Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the Participant, shall be delivered on any Business Day by the Participant for such Daily Rate Certificate to the Tender Agent at its principal office for the delivery of such Series 2011A Certificates, to the Trustee at its principal office and to the Remarketing Agent by 11:00 a.m., New York City time. That notice shall state the principal portion represented by such Daily Rate Certificate (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Daily Rate Certificates at least equal to the principal portion represented by Daily Rate Certificates specified in such irrevocable written notice, payment of the Tender Price of such Daily Rate Certificate shall be made by 3:00 p.m., New York City time, or as soon as practically possible thereafter, upon the receipt by the Trustee of the Tender Price as set forth in Section 309(b) on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Daily Rate Certificate tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 1:30 p.m., New York City time, on the date specified in such notice.

(c) Irrevocable Notice Deemed to be Tender of Series 2011A Certificate. The giving of notice by a holder of Daily Rate or Weekly Rate Certificates as provided in this Section 306 shall constitute the irrevocable tender for purchase of each Series 2011A Certificate with respect to which such notice is given regardless of whether that Series 2011A Certificate is delivered to the Tender Agent for purchase on the relevant Tender Date.

The Tender Agent may refuse to accept delivery of any Series 2011A Certificate for which a proper instrument of transfer has not been provided. However, such refusal shall not affect the validity of the purchase of such Series 2011A Certificate as described in this Series 2011A Supplemental Trust Agreement.

(d) In the event of an Immediate Termination Event or Suspension, there will be no mandatory tender of the Series 2011A Certificates and the obligation of the Liquidity Provider to purchase the Series 2011A Certificates pursuant to the Liquidity Facility will cease without notice. The School Board shall not be obligated to provide funds for the payment of the Tender Price of Series 2011A Certificates upon any tender.

SECTION 307. MANDATORY TENDER OF SERIES 2011A CERTIFICATES.

(a) On the Day Next Succeeding Last Day of Each Certificate Interest Term. On the first day following the last day of each applicable Certificate Interest Term for a Short-Term Rate Certificate, unless such day is the first day of a new Interest Rate Period (in which case such Short-Term Rate Certificate shall be subject to mandatory purchase pursuant to Section 307(b)), such Series 2011A Certificate shall be subject to mandatory tender for purchase at the Tender Price, payable by wire transfer in immediately available funds, if such Short-Term Rate Certificate is delivered to the Tender Agent on or prior to 12:00 noon, New York City time, on the Tender Date, or if delivered after 12:00 noon, New York City time, on the next succeeding Business Day. Series 2011A Interest represented by such Short-Term Rate Certificate shall

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to a Liquidity Facility, the Tender Agent (upon receipt from the holder thereof in exchange for payment of the Tender Price thereof) shall present such Series 2011A Certificate to the Trustee for notation of such fact thereon. **In no event shall the School Board be obligated to provide funds for the payment of the Tender Price of the Series 2011A Certificates.**

(d) Upon Purchase in Lieu of Prepayment. The Series 2011A Certificates Outstanding shall be subject to mandatory tender for purchase if in accordance with Section 304 hereof the School Board gives written direction to the Trustee not less than ten (10) days prior to a scheduled optional Prepayment Date to purchase the Series 2011A Certificates rather than prepay them on such date. Such purchase shall be made on the date the Special Purchase Series 2011A Certificates are otherwise scheduled to be prepaid at the Special Purchase Price.

(e) Notice. In connection with any mandatory tender for purchase of Series 2011A Certificates in accordance with Section 307(b) hereof, the Trustee shall give the notice required by this Section 307(e) as a part of the notice given pursuant to Section 202(b)(iii), 202(c)(iii), 202(d)(iii), 202(e)(iii), 202(i)(iii) or 204(l), as the case may be. In connection with any mandatory tender for purchase of Series 2011A Certificates in accordance with Section 307(c) or Section 704(f) hereof, the Trustee shall give the notice required by this Section 307(e) as a part of the notice given pursuant to Section 501(c). Each notice shall state that (i) the Tender Price of any Series 2011A Certificate subject to mandatory tender for purchase shall be payable only upon surrender of that Series 2011A Certificate to the Tender Agent at its principal office for delivery of Series 2011A Certificates, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Series 2011A Certificate holder or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (ii) provided that moneys sufficient to effect such purchase shall have been provided through the remarketing of such Series 2011A Certificates by the Remarketing Agent or through the Liquidity Facility, all Series 2011A Certificates subject to mandatory tender for purchase shall be purchased on the mandatory Tender Date; and (iii) if any holder of a Series 2011A Certificate subject to mandatory tender for purchase does not surrender that Series 2011A Certificate to the Tender Agent for purchase on the mandatory Tender Date, then that Series 2011A Certificate shall be deemed to be an Undelivered Certificate, that no interest shall accrue on that Series 2011A Certificate on and after the mandatory Tender Date and that the holder shall have no rights under this Series 2011A Supplemental Trust Agreement other than to receive payment of the Tender Price. In addition, in the case of a mandatory tender for purchase pursuant to Section 307(c) hereof, such notice shall also state that the Liquidity Facility will expire, terminate or be replaced and that Series 2011A Certificates which had been secured by such Liquidity Facility will no longer be payable from the Liquidity Facility then in effect and that any rating applicable to such Series 2011A Certificates may be reduced or withdrawn.

In connection with a mandatory tender pursuant to Section 307(d), the Trustee is not required to give notice to Owners other than the notice of optional prepayment required in accordance with the Trust Agreement; provided, however, in the event that all Series 2011A Certificates shall be held in a book-entry-only system, the Trustee shall give notice of such mandatory tender to the Securities Depository.

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(f) **Inadequate Funds for Purchase.** If sufficient funds are not available for the purchase of all Series 2011A Certificate tendered or deemed tendered and required to be purchased on any Tender Date, all tendered Series 2011A Certificates shall be returned to their respective Holders and the Series 2011A Interest on all such Series 2011A Certificates tendered or deemed tendered shall accrue at the rate set forth in Section 202(g) hereof, until all such Series 2011A Certificates are purchased as required in accordance with this Series 2011A Supplemental Trust Agreement. Notwithstanding any other provision of this Series 2011A Supplemental Trust Agreement, such failed purchase and return shall not constitute an Event of Default. Thereafter, the Trustee shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Provider (if any).

SECTION 308. UNDELIVERED SERIES 2011A CERTIFICATES. The Tender Agent may refuse to accept delivery of any Series 2011A Certificate for which a proper instrument of transfer has not been provided. However, such refusal shall not affect the validity of the purchase of such Series 2011A Certificate as described in this Series 2011A Supplemental Trust Agreement. If any holder of a Series 2011A Certificate who has given notice of tender of purchase pursuant to Section 306 hereof or any holder of a Series 2011A Certificate subject to mandatory tender for purchase pursuant to Section 307 hereof, shall fail to deliver that Series 2011A Certificate to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver such Series 2011A Certificate properly endorsed, that Series 2011A Certificate shall constitute an Undelivered Certificate. If funds in the amount of the purchase price of the Undelivered Certificate are available for payment to the holder thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (A) the Undelivered Certificate shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Trust Agreement; (B) the Series 2011A Interest shall no longer accrue for an Undelivered Certificate; and (C) funds in the amount of the Tender Price of the Undelivered Certificate shall be held uninvested by the Trustee for the benefit of the holder thereof (provided that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Certificate to the Tender Agent or Trustee, as the case may be, at its principal office for delivery of Series 2011A Certificates.

SECTION 309. NOTICE OF SERIES 2011A CERTIFICATES DELIVERED FOR PURCHASE; PURCHASE OF SERIES 2011A CERTIFICATES; DEPOSIT OF TENDER PRICE.

(a) **Determination by Tender Agent; Notice of Tender.** For purposes of Section 306 and 307 hereof, the Tender Agent or the Trustee, as the case may be, shall determine timely and proper delivery of Series 2011A Certificates pursuant to this Series 2011A Supplemental Trust Agreement and the proper endorsement of Series 2011A Certificates delivered. That determination shall be binding on the holders of those Series 2011A Certificates, the School Board, the Liquidity Provider, the Remarketing Agent and the Insurer, absent manifest error.

The Tender Agent shall give notice by telephone or teletype, promptly confirmed by a written notice, to the Trustee, the School Board, the Remarketing Agent and the Liquidity Provider specifying the Series 2011A Principal as to which it receives notice of tender for purchase in accordance with Section 306 hereof.

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(a) **Remarketing.** Upon a mandatory tender (other than a Mandatory Standby Tender or upon termination, replacement or expiration of the Liquidity Facility) or notice of tender for purchase of Series 2011A Certificates, the Remarketing Agent shall offer for sale and use its best efforts to sell such Series 2011A Certificates (including Provider Certificates) on the same date designated for purchase thereof in accordance with Section 306 or 307 hereof, as the case may be, and, if not remarketed on such date, thereafter until sold, at a price equal to the Series 2011A Principal represented thereby plus the Series 2011A Interest accrued as provided in Section 202(f). Series 2011A Certificates subject to a Mandatory Standby Tender shall not be remarketed, unless such Series 2011A Certificates are in a Long-Term Rate Period or Certificate Interest Term Period to their Maturity Date, or an Alternate Liquidity Facility is in full force and effect. Series 2011A Certificates shall not be remarketed to the School Board or the Corporation or any affiliate of either.

(b) **Notice of Rates and Terms.** The Remarketing Agent shall determine the interest rate at which Series 2011A Interest is calculated during each Interest Rate Period (except during the ARS Interest Period, Index Floating Rate Period and the Long-Term Rate Period) and each Certificate Interest Term relating thereto and the Certificate Interest Terms for Short-Term Rate Certificates during each Short-Term Rate Period relating thereto as provided in Section 202 hereof and shall furnish to the Trustee and the School Board on the date of determination for Series 2011A Certificates in the Certificate Interest Term Rate (or in the case of the Daily Rate, Friday of each week, or in the case of the Weekly Rate, the date after determination) each rate of interest applicable to the Series 2011A Interest and the Certificate Interest Term so determined by telephone or teletype, promptly confirmed in writing. In lieu of the notification provided in the preceding sentence, the Remarketing Agent may make such information available by readily accessible electronic means.

(c) **Notice of Purchase and Remarketing.** The Remarketing Agent shall give notice by facsimile transmission, telephone or teletype, promptly confirmed by a written notice, to the Trustee and the Tender Agent on each date on which Series 2011A Certificates have been purchased pursuant to Section 309(b)(i) specifying the principal portion represented by such Series 2011A Certificates, if any, sold by it pursuant to Section 310(a) along with a list of the purchasers showing the names and denominations in which such Series 2011A Certificates shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers.

SECTION 311. DELIVERY OF SERIES 2011A CERTIFICATES.

(a) Series 2011A Certificates purchased with money described in Section 309(b)(i) shall be made available by the Trustee to the Tender Agent and the Remarketing Agent for delivery to the purchasers thereof against payment therefor.

(b) Series 2011A Certificates purchased with money described in Section 309(b)(ii) shall be registered in the name of the Liquidity Provider and delivered in certificated form to the Liquidity Provider or as directed by the Liquidity Provider.

(c) Series 2011A Certificates delivered as provided in this Section 311 shall be registered in the manner directed by the recipient thereof.

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(b) **Purchase of Series 2011A Certificates; Sources and Deposits of Tender Price.** Series 2011A Certificates required to be purchased in accordance with Sections 306 and 307 hereof shall be purchased from the holders thereof, on the Tender Date and at the Tender Price. Funds for the payment of the Tender Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated:

(i) proceeds of the sale of Series 2011A Certificates remarketed pursuant to Section 310 and the Remarketing Agreement and furnished to the Tender Agent or the Trustee, as the case may be, by the Remarketing Agent for deposit into the Remarketing Account of the Certificate Purchase Fund; and

(ii) money furnished by the Liquidity Provider to the Tender Agent or the Trustee, as the case may be, for deposit into the Liquidity Facility Purchase Account of the Certificate Purchase Fund from Requests on the Liquidity Facility, if any (provided that moneys from Requests on the Liquidity Facility shall not be used to purchase Provider Certificates).

(iii) In the event that a portion of the Series 2011A Interest represented by the Series 2011A Certificates accrues in an Interest Rate Period not covered by a Liquidity Facility while a portion of the Series 2011A Interest represented by the Series 2011A Certificates accrues in an Interest Rate Period covered by a Liquidity Facility, the Tender Price of the Series 2011A Certificates not covered by such Liquidity Facility shall not be paid with draws on such Liquidity Facility. In such event, separate subaccounts of the Certificate Purchase Fund established pursuant to Section 401(c) hereof shall be created for each particular Interest Rate Period to which the Series 2011A Certificates are subject.

In no event shall the School Board be obligated to provide funds for the payment of the Tender Price of the Series 2011A Certificates.

Money held in the Certificate Purchase Fund shall be held uninvested by the Tender Agent.

(c) **Undelivered Series 2011A Certificates; Tender Price.** If a Series 2011A Certificate purchased as provided in this Section 309 is not presented to the Tender Agent or the Trustee, as the case may be, the Tender Agent or the Trustee, as the case may be, shall segregate and hold uninvested the money for the Tender Price of such Tender Certificate in trust for the benefit of the former holder of such Series 2011A Certificate, who shall, except as provided in the following sentences of this paragraph, thereafter be restricted exclusively to such money for the satisfaction of any claim for the Tender Price. Any money which the Tender Agent or the Trustee, as the case may be, segregates and holds in trust for the payment of the Tender Price of any Series 2011A Certificate which remains unclaimed for five years after the date of purchase shall be paid to the School Board. After the payment of such unclaimed money to the School Board, the former holder of such Series 2011A Certificate shall look only to the School Board for the payment thereof. The School Board shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money.

SECTION 310. REMARKETING OF SERIES 2011A CERTIFICATES; NOTICE OF INTEREST RATES.

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(d) When any Provider Certificates are remarketed, the Tender Agent shall not release Series 2011A Certificates so remarketed to the Remarketing Agent until the Tender Agent has received and forwarded to the Liquidity Provider the proceeds of such remarketing and, unless the Liquidity Facility is no longer to remain in effect, the Liquidity Facility has been reinstated.

SECTION 312. DELIVERY OF PROCEEDS OF SALE. The proceeds of the sale by the Remarketing Agent of any Series 2011A Certificates shall be delivered to the Tender Agent for deposit into the Remarketing Account of the Certificate Purchase Fund as provided herein and in the Remarketing Agreement or, in the case of the sale of Provider Certificates, delivered to the Liquidity Provider.

SECTION 313. TENDER MECHANICS.

(a) (i) As soon as practicable upon its receipt, but not later than 11:15 A.M. on the day of receipt of such notice, the Tender Agent shall notify the Remarketing Agent, the Liquidity Provider, the Trustee and the School Board by telephone, promptly confirmed in writing, or by teletype, of receipt, in the case of a Series 2011A Certificate bearing interest at a Daily Rate, from a registered owner of an outstanding Series 2011A Certificate of a notice pursuant to Section 306(b), specifying the principal amount of Series 2011A Certificates for which it has received a notice pursuant to Section 306(b) of the Series 2011A Supplemental Trust Agreement, the names of the registered owners thereof and the date on which such Series 2011A Certificates are to be purchased in accordance therewith.

(ii) As soon as practicable upon its receipt, but not later than 12:00 noon on the following Business Day, the Tender Agent shall notify the Remarketing Agent, the Liquidity Provider, the Trustee and the School Board by telephone, promptly confirmed in writing, or by teletype, of receipt, in the case of a Series 2011A Certificate bearing interest at a Weekly Rate, from a registered owner of an outstanding Series 2011A Certificate of a notice pursuant to Section 306(a), specifying the principal amount of Series 2011A Certificates for which it has received a notice pursuant to Section 306(a), the names of the registered owners thereof and the date on which such Series 2011A Certificates are to be purchased in accordance therewith.

Any date on which Series 2011A Certificates are to be purchased pursuant to Sections 306 or 307 is hereinafter referred to as a "Purchase Date".

(b) On the Business Day immediately preceding each Purchase Date (except with respect to a Purchase Date pursuant to Section 306(b)), the Remarketing Agent shall give written notice to the Liquidity Provider by facsimile of the principal amount of Series 2011A Certificates to be tendered on the next Business Day for which, as of 4:00 p.m., it did not have commitments for purchase.

(c) As soon as practicable, but in any event by no later than 11:30 A.M. on the Purchase Date in the case of Series 2011A Certificates to be purchased pursuant to Sections 306 and 307, the Remarketing Agent shall inform the Tender Agent by telephone, promptly confirmed in writing, or by written notice, of the principal amount of Series 2011A Certificates tendered for purchase sold by the Remarketing Agent and the name, address and taxpayer

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identification number of each such purchaser, the principal amount of Series 2011A Certificates to be purchased and the denominations in which such Series 2011A Certificates are to be delivered. Upon receipt from the Remarketing Agent of such information, the Tender Agent shall prepare Series 2011A Certificates in accordance with such information received from the Remarketing Agent for registration of transfer and redelivery to the Remarketing Agent. Promptly upon receipt of such notice from the Remarketing Agent, the Tender Agent shall notify the Liquidity Provider and the School Board as to the projected Funding Amount, if any.

The term "Funding Amount" is hereby defined to mean an amount equal to the difference between (1) the total purchase price of those Series 2011A Certificates with respect to which a notice was received pursuant to Section 306 and those Series 2011A Certificates to be purchased pursuant to Section 307, and (2) the purchase price of those Series 2011A Certificates to be purchased pursuant to Section 309 that are remarketed by the Remarketing Agent and for which funds have been transferred by the Remarketing Agent to the Tender Agent.

(d) By 12:00 noon on the Purchase Date, following receipt of remarketing proceeds transferred by the Remarketing Agent to the Tender Agent not later than 11:45 A.M., the Tender Agent shall (i) notify the School Board, the Trustee and the Liquidity Provider by telephone, promptly confirmed in writing, as to the aggregate purchase price of Series 2011A Certificates to be purchased and as to the Funding Amount and (ii) request a drawing under the Liquidity Facility by notice to the Liquidity Provider in an amount equal to the Funding Amount, such drawing to be in the manner and form required by the Liquidity Facility. A copy of such drawing shall be mailed by the Tender Agent to the School Board and the Trustee. A Liquidity Provider shall purchase such Series 2011A Certificates by 2:40 P.M. by transferring funds equal to the Purchase Price to the Tender Agent for deposit in the Liquidity Facility Purchase Account.

As used herein, the term "Purchase Price" of any Series 2011A Certificate tendered for purchase means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date for any Series 2011A Certificate tendered for purchase is an Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Series 2011A Certificate shall be paid to the registered owner of such Series 2011A Certificate pursuant to the Series 2011A Supplemental Trust Agreement.

(e) The Tender Agent shall deposit into the Remarketing Account any amounts received in immediately available funds on any Purchase Date from the Remarketing Agent against receipt of Series 2011A Certificates by the Remarketing Agent and on account of Series 2011A Certificates remarketed.

(f) At or before 2:40 P.M. on the Purchase Date, the amount of the drawing under the Liquidity Facility shall be paid directly to the Tender Agent. The Tender Agent shall deposit the funds made available by the Liquidity Provider, which shall be in immediately available funds, to the Liquidity Facility Purchase Account.

(g) The Tender Agent shall deposit into the Remarketing Account any amounts received in immediately available funds by 12:15 P.M. on any Business Day on which Provider Certificates are remarketed against receipt of Series 2011A Certificates remarketed by the

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Account of the Certificate Purchase Fund for application to the Tender Price of the Series 2011A Certificates required to be purchased on a Tender Date in accordance with Section 309(b)(ii) to the extent that the money on deposit in the Remarketing Account of the Certificate Purchase Fund shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Series 2011A Certificates shall be immediately returned to the Liquidity Provider.

(d) The moneys on deposit in the Accounts and Subaccounts described herein shall be disbursed by the Trustee in the manner and for the purposes described in the Trust Agreement.

SECTION 402. APPLICATION OF PROCEEDS OF SERIES 2011A CERTIFICATES. From proceeds of the sale of the Series 2011A Certificates, the Trustee shall deposit: (a) \$119,127,862.99 in the Escrow Deposit Trust Fund created pursuant to the Escrow Deposit Agreement, and (b) \$312,284.60 in the Series 2011A Cost of Issuance Subaccount. The Trustee shall transfer \$2,762.01 from the Series 2007B Lease Payment Account to the Escrow Deposit Trust Fund.

ARTICLE V

LIQUIDITY FACILITY; REMARKETING AGENT; TENDER AGENT; CALCULATION AGENT

SECTION 501. LIQUIDITY FACILITY

(a) **Requirement of Liquidity Facility.** A Liquidity Facility, in an amount equal to the sum of outstanding Series 2011A Principal and Series 2011A Interest calculated at the Maximum Rate for 35 days, or such other amount as may be approved by each Rating Agency, and having an initial term of at least 364 days shall be maintained by the School Board with respect to Weekly Rate, Daily Rate and Short-Term Rate Certificates. If Series 2011A Certificates are converted to any Interest Rate Period other than a Daily Rate Period or a Weekly Rate Period, and a Liquidity Facility is required to be in place pursuant to this Section 501, each rating agency then rating the Series 2011A Certificates must approve the number of days of interest coverage to be included in the Liquidity Facility. Notwithstanding the foregoing, no Liquidity Facility shall be required in any Interest Rate Period during which Series 2011A Certificates receive a rating from each Rating Agency in the highest short-term category without regard to gradations within such category which rating is not based on a Liquidity Facility. The suspension of a Liquidity Facility shall not be deemed a failure to provide a Liquidity Facility.

(b) **Requests to Pay Tender Price.** If there is not a sufficient amount of money available to pay the Tender Price pursuant to Section 309(b)(i) hereof on a Tender Date on which Series 2011A Certificates are required to be purchased pursuant to Section 306 or 307, the Tender Agent shall make a Request or Requests under the Liquidity Facility in accordance with its terms, at the times and in the manner required by the Liquidity Facility to receive immediately available funds on the Tender Date sufficient to pay the balance of the Tender Price. The Tender Agent agrees to deposit the proceeds of such Requests in the Liquidity Facility Purchase Account pursuant to Section 309(b)(ii) hereof pending application of that money to the payment of the Tender Price. In determining the amount of the Tender Price then due, the Tender Agent shall

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Remarketing Agent and on account of Provider Certificates remarketed. Amounts deposited in the Remarketing Account shall be transferred by the Tender Agent to the Liquidity Provider or its designee. The Tender Agent shall give notice of such transfer to the School Board.

ARTICLE IV

ESTABLISHMENT OF ACCOUNTS; APPLICATION OF SERIES 2011A CERTIFICATE PROCEEDS; DISBURSEMENTS

SECTION 401. ESTABLISHMENT OF ACCOUNTS.

(a) Funds, Accounts And Subaccounts:

There is hereby established within the Series 2007B Acquisition Account in the Project Fund, the Series 2011A Cost of Issuance Subaccount. The Series 2007B Supplemental Trust Agreement has established the Series 2007B Lease Payment Account and Series 2007B Prepayment Account within the Project Fund, as more particularly described in Sections 404 and 406, respectively, of the Master Trust Agreement.

(b) The moneys on deposit in the Accounts and Subaccounts described herein shall be disbursed by the Trustee in the manner and for the purposes described in the Master Trust Agreement. Moneys in the Series 2007B Lease Payment Account shall be paid in accordance with Section 404 of the Master Trust Agreement to the holders of the Series 2011A Certificates. Moneys in the Series 2007B Prepayment Account shall be paid in accordance with Section 406 of the Master Trust Agreement to the holders of the Series 2011A Certificates.

(c) At any time a Liquidity Facility is maintained with respect to the Series 2011A Certificates, there shall be established with and maintained by the Tender Agent for the Series 2011A Certificates a separate trust fund which shall be referred to herein as a "Certificate Purchase Fund" and within such Certificate Purchase Fund a separate trust account to be referred to herein as a "Remarketing Account", and a separate trust account to be referred to herein as a "Liquidity Facility Purchase Account." All amounts held in the Certificate Purchase Fund by the Tender Agent shall be held uninvested and separate and apart from all other funds and accounts and exclusively for the payment of the Tender Price of Series 2011A Certificates. The Certificate Purchase Fund and the accounts therein shall be Eligible Accounts.

(i) **Remarketing Account.** Upon receipt of the proceeds of a remarketing of Series 2011A Certificates on a Tender Date pursuant to Section 312, the Tender Agent or the Trustee, as the case may be, shall deposit such proceeds in the Remarketing Account of the Certificate Purchase Fund for application to the Tender Price of Series 2011A Certificates in accordance with Section 309(b)(i) and, if the Tender Agent is not a paying agent with respect to such Series 2011A Certificates, shall transmit such proceeds to the Trustee for such application. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Provider Certificates, the Tender Agent shall immediately pay such proceeds to the Liquidity Provider.

(ii) **Liquidity Facility Purchase Account.** Upon receipt from the Liquidity Provider of the immediately available funds transferred to the Tender Agent pursuant to Section 501 hereof, the Tender Agent shall deposit such money in the Liquidity Facility Purchase

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not take into consideration any Provider Certificates. No Requests shall be made under a Liquidity Facility to pay the Tender Price of Provider Certificates or Certificates owned by, for the account of or on behalf of the School Board or the Corporation. Provider Certificates may not be tendered for purchase at the option of the Liquidity Provider.

The Tender Agent, by accepting its appointment as such, agrees without further direction, to make Requests under each Liquidity Facility then in effect, if any, for the purchase of Series 2011A Certificates in accordance with the terms and conditions set forth in this Series 2011A Supplemental Trust Agreement and the Liquidity Facility at the times, in the manner and for the purposes set forth herein and therein.

(c) **Notice of Termination, Event of Default or Other Change in Liquidity Facility.** The Trustee shall give notice by mail to the Remarketing Agent and the holders of Series 2011A Certificates secured by a Liquidity Facility (i) on or before the 20th day preceding the termination, replacement or expiration of such Liquidity Facility (except in the case of a termination resulting from an event referred to in the following paragraph) in accordance with its terms, or (ii) in the case of any Mandatory Standby Tender under such Liquidity Facility, as soon as reasonably possible, but no later than the Business Day following the receipt by the Trustee of notice of the Mandatory Standby Tender. The notice shall be accompanied by directions for the purchase of Series 2011A Certificates pursuant to Section 307(c) hereof. The notice shall (A) state the date of such termination, replacement or expiration and the date of the proposed substitution of an Alternate Liquidity Facility (if any), (B) state that the Series 2011A Certificates will be purchased pursuant to Section 307(c) hereof (1) on the fifth Business Day preceding such termination or expiration, including any termination as a result of a Mandatory Standby Tender (but in the case of a Mandatory Standby Tender, in no event later than the 20th day after the receipt by the Trustee of notice from the Liquidity Provider directing the Mandatory Standby Tender) or (2) on the substitution date in the case of replacement of the Liquidity Facility, and (C) any other information required in the notice to the holders of such Series 2011A Certificates by Section 307(e) hereof.

If there should occur any Immediate Termination Event or Suspension, then the Trustee shall as soon as practically possible thereafter notify the holders of all Series 2011A Certificates secured by such Liquidity Facility then outstanding that: (i) the Liquidity Facility has been terminated or suspended, as the case may be; (ii) the Tender Agent will no longer be able to purchase Series 2011A Certificates with moneys available under the Liquidity Facility; and (iii) the Liquidity Provider is under no obligation to purchase Series 2011A Certificates or to otherwise advance moneys to fund the purchase of Series 2011A Certificates.

(d) **Surrender of Liquidity Facility.** If an Alternate Liquidity Facility is delivered to the Tender Agent pursuant to Section 502 hereof with the documents required by Section 502, then the Tender Agent shall accept the Alternate Liquidity Facility and surrender the Liquidity Facility previously held for cancellation, provided that no Liquidity Facility shall be surrendered until after the date on which Series 2011A Certificates required to be purchased pursuant to Section 307(c) have been purchased in accordance with Section 307(c). If a Liquidity Facility automatically terminates, the Tender Agent shall surrender such Liquidity Facility to the issuer thereof for cancellation in accordance with the terms of the Liquidity Facility. On the substitution date in the case of a replacement of the Liquidity Facility, the Trustee shall if

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necessary draw against the Liquidity Facility being replaced and shall not surrender such Liquidity Facility until all draws thereon have been honored. Upon the defeasance of all Series 2011A Certificates secured by such Liquidity Facility pursuant to this Series 2011A Supplemental Trust Agreement and at such time as all Series 2011A Certificates secured by such Liquidity Facility are no longer subject to tender for purchase, the Tender Agent shall surrender the Liquidity Facility, if any, to the Liquidity Provider for cancellation in accordance with the terms of that Liquidity Facility. The Tender Agent shall comply with the procedures set forth in each Liquidity Facility relating to the termination thereof and shall deliver any certificates reducing the stated amount of the Liquidity Facility in accordance with the provisions thereof.

(e) Notices from School Board and Trustee.

(i) Notices from School Board. The School Board shall give notice to the Trustee, the Remarketing Agent and the Tender Agent promptly upon the appointment of a successor to any of the Liquidity Provider, the Remarketing Agent or the Tender Agent.

(ii) Notices from Trustee to Holders of Series 2011A Certificates. The Trustee shall, promptly upon receipt of notice, give written notice to the School Board, the Tender Agent, the Remarketing Agent and the holders of Outstanding Series 2011A Certificates supported by a Liquidity Facility of the occurrence of the extension of the Expiration Date or the execution of an Alternate Liquidity Facility, and to the School Board, the Tender Agent, the Remarketing Agent and the holders of Outstanding Series 2011A Certificates supported by a Liquidity Facility of the occurrence of a Mandatory Standby Tender or an Immediate Termination Event or Suspension of the Liquidity Facility, as the case may be, with the information set forth in Section 501(c).

(f) Any provision in this Series 2011A Supplemental Trust Agreement requiring notice to or from a Liquidity Provider or the consent thereof prior to any action by the Trustee or the School Board shall have no force or effect with respect to such Liquidity Provider (i) following (A) the termination or expiration of such Liquidity Facility, and (B) the repayment of all amounts owed to such Liquidity Provider pursuant to the credit or reimbursement agreement pursuant to which such Liquidity Facility was issued and its cancellation or (ii) following the failure or refusal of such Liquidity Provider to honor a properly presented and conforming draw under such Liquidity Facility, except with respect to all rights accruing to the Liquidity Provider with respect to unreimbursed draws on the Liquidity Facility.

SECTION 502. ALTERNATE LIQUIDITY FACILITIES.

(a) Delivery by School Board.

(i) Not later than 35 days prior to the expiration or termination of a Liquidity Facility relating to Series 2011A Certificates secured by such Liquidity Facility, in accordance with the terms of that Liquidity Facility, the School Board may provide for the delivery to the Tender Agent of an Alternate Liquidity Facility which has a term of at least 364 days. Any Alternate Liquidity Facility delivered to the Tender Agent pursuant to this Section 502(a)(i) shall contain administrative provisions reasonably acceptable to the Tender Agent. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, the School Board

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delivery of the Alternate Liquidity Facility or the remarketing of such Series 2011A Certificates with the benefits thereof, or (y) the offering and sale of such Series 2011A Certificates, to the extent evidencing the Alternate Liquidity Facility, has been registered under the Securities Act and any indenture required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (x) of this paragraph is given, such Series 2011A Certificates and any transfer records relating to such Series 2011A Certificates shall be noted indicating the restrictions on sale and transferability described in such clause (x).

(c) [Reserved]

(d) Acceptance by Tender Agent. If at any time there is delivered to the Tender Agent (i) an Alternate Liquidity Facility, (ii) the information, opinions and data required by Section 502(a), and (iii) all information required to give the notice of mandatory tender for purchases of such Series 2011A Certificates, then the Tender Agent shall accept such Alternate Liquidity Facility and, after the date of the mandatory tender for purchase established pursuant to Section 307(c), promptly surrender the Liquidity Facility then in effect to the issuer thereof for cancellation in accordance with its terms or deliver any document necessary to reduce the coverage of such Liquidity Facility due to the delivery of such Alternate Liquidity Facility.

(e) Notice of Termination. The Trustee shall give notice to the Tender Agent, the Remarketing Agent, and the holders of Series 2011A Certificates secured by the Liquidity Facility of the termination or expiration of any Liquidity Facility in accordance with its terms as provided in Section 501(c).

SECTION 503. REMARKETING AGENT. Each Remarketing Agent appointed by the School Board shall designate its principal office in a Remarketing Agreement. The Remarketing Agent shall signify its acceptance of the duties and obligations imposed upon it under the Trust Agreement by a written instrument of acceptance (which may be the Remarketing Agreement) delivered to the School Board, the Trustee, the Tender Agent, the Series 2011A Credit Facility Issuer and the Liquidity Provider, under which the Remarketing Agent shall agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the School Board, the Trustee, the Tender Agent, the Series 2011A Credit Facility Issuer and the Liquidity Provider at all reasonable times.

SECTION 504. QUALIFICATIONS OF REMARKETING AGENT; RESIGNATION AND REMOVAL. Each Remarketing Agent shall be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least \$15,000,000 and authorized by law to perform all the duties imposed upon it by the Trust Agreement and the Remarketing Agreement. Each Remarketing Agent shall be acceptable to the Liquidity Provider and the Series 2011A Credit Facility Issuer. A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Series 2011A Supplemental Trust Agreement by giving notice to the School Board, the Trustee, the Tender Agent, the Series 2011A Credit Facility Issuer and the Liquidity Provider. Such resignation shall take effect on the 45th day after the receipt by the School Board of the notice of resignation. A Remarketing Agent may be removed at any time on 15 days prior written notice, by an instrument signed by the School Board and the Series 2011A Credit Facility

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shall furnish to the Tender Agent (A) if the Alternate Liquidity Facility is issued by a Liquidity Provider other than a domestic commercial bank, an Opinion of Counsel satisfactory to the Tender Agent, the Remarketing Agent and the Insurer that no registration of the Alternate Liquidity Facility is required under the Securities Act, and no qualification of the Trust Agreement is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled and (B) an Opinion of Counsel satisfactory to the Tender Agent, the Remarketing Agent and the Insurer to the effect that such Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof.

(ii) In lieu of the Opinion of Counsel required by clause (A) of subparagraph (i) above, there may be delivered an Opinion of Counsel reasonably satisfactory to the School Board, the Remarketing Agent, the Tender Agent and the Insurer to the effect that either (A) at all times during the term of the Alternate Liquidity Facility, the Series 2011A Certificates secured by such Alternate Liquidity Facility will be offered, sold and held by holders in transactions not constituting a public offering of such Series 2011A Certificates or the Alternate Liquidity Facility under the Securities Act, and accordingly no registration under the Securities Act, nor qualification of the Trust Agreement under the Trust Indenture Act, will be required in connection with the issuance and delivery of the Alternate Liquidity Facility or the remarketing of such Series 2011A Certificates with the benefits thereof, or (B) the offering and sale of such Series 2011A Certificates, to the extent evidencing the Alternate Liquidity Facility, has been registered under the Securities Act and any indenture required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (A) of this paragraph is given, such Series 2011A Certificates and any transfer records relating to such Series 2011A Certificates shall be noted indicating the restrictions on sale and transferability described in such clause (A).

(b) Delivery of Alternate Liquidity Facility at Option of School Board. At the sole discretion of the School Board, the School Board may at any time provide for delivery of an Alternate Liquidity Facility. Any Alternate Liquidity Facility delivered to the Tender Agent pursuant to this subparagraph shall contain administrative provisions reasonably acceptable to the Tender Agent. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, the School Board shall furnish to the Tender Agent (A) if the Alternate Liquidity Facility is issued by a Liquidity Provider other than a domestic commercial bank, an Opinion of Counsel satisfactory to the Tender Agent, the Remarketing Agent and the Insurer that no registration of the Alternate Liquidity Facility is required under the Securities Act, and no qualification of the Trust Agreement is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled and (B) an Opinion of Counsel satisfactory to the Tender Agent, the Remarketing Agent and the Insurer to the effect that such Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof. In lieu of the Opinion of Counsel required by clause (A) of above, there may be delivered an Opinion of Counsel reasonably satisfactory to the School Board, the Remarketing Agent, the Tender Agent and the Insurer to the effect that either (x) at all times during the term of the Alternate Liquidity Facility, the Series 2011A Certificates secured by such Alternate Liquidity Facility will be offered, sold and held by holders in transactions not constituting a public offering of such Series 2011A Certificates or the Alternate Liquidity Facility under the Securities Act, and accordingly no registration under the Securities Act, nor qualification of the Trust Agreement under the Trust Indenture Act, will be required in connection with the issuance and

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Issuer, and delivered to such Remarketing Agent, the Trustee and the Tender Agent. Notwithstanding the provisions of this paragraph, such resignation or removal shall not take effect prior to the date that a successor Remarketing Agent acceptable to the Series 2011A Credit Facility Issuer has been appointed by the School Board and has accepted such appointment; provided, however, that if a replacement Remarketing Agent has not been so appointed within 45 days of the notice of resignation of the Remarketing Agent, the Remarketing Agent may petition a court of competent jurisdiction to appoint a substitute Remarketing Agent.

SECTION 505. TENDER AGENT. The Trustee shall be the Tender Agent with respect to the Series 2011A Certificates. The Trustee hereby agrees to carry out its responsibilities as Tender Agent set forth in this Series 2011A Supplemental Trust Agreement. The Tender Agent agrees:

(a) to hold all Series 2011A Certificates delivered to it as agent and bailee of, and in escrow for the benefit of, the respective holders which have delivered such Series 2011A Certificates until money representing the purchase price of such Series 2011A Certificates shall have been delivered to or for the account of or to the order of such holders;

(b) to hold all Series 2011A Certificates registered in the name of the new holders thereof which have been delivered to it by the Trustee for delivery to the Remarketing Agent;

(c) to hold Series 2011A Certificates for the account of the School Board and Provider Certificates for the account of, or as directed by, the Liquidity Provider;

(d) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the School Board, the Trustee, the Liquidity Provider and the Remarketing Agent at all reasonable times; and

(e) that the Tender Agent shall have no claim on any moneys obtained from a claim on the Liquidity Facility or the Series 2011A Credit Facility, proceeds from a remarketing or moneys held for the prepayment of Series 2011A Certificates notice of which has been sent to the holders of such Series 2011A Certificates, all of which moneys shall be used as provided in the Trust Agreement.

SECTION 506. QUALIFICATIONS OF TENDER AGENT; RESIGNATION AND REMOVAL. Each Tender Agent shall be a commercial bank with trust powers or a trust company duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$15,000,000 and authorized by law to perform all the duties imposed upon it by this Series 2011A Supplemental Trust Agreement.

SECTION 507. QUALIFICATIONS OF CALCULATION AGENT; RESIGNATION AND REMOVAL. A Calculation Agent may at any time resign and be discharged of the duties and obligations created by this Series 2011A Supplemental Trust Agreement by giving notice to the School Board and the Trustee. Such resignation shall take effect on the 45th day after the receipt by the School Board of the notice of resignation. A Calculation Agent may be, removed at any time on 45 days prior written notice, by an instrument signed by the School Board delivered to such Calculation Agent and the Trustee.

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Notwithstanding the provisions of this paragraph, such resignation or removal shall not take effect prior to the date that a successor Calculation Agent has been appointed by the School Board and has accepted such appointment; provided, however, that if a replacement Calculation Agent has not been so appointed within 45 days of the notice of resignation of the Calculation Agent, the Calculation Agent may petition a court of competent jurisdiction to appoint a substitute Calculation Agent. The Calculation Agent shall be a financial institution, or bank or registered broker/dealer authorized by law to perform all the duties imposed upon it by the Trust Agreement and this Series 2011A Supplemental Trust Agreement.

ARTICLE VI

AUCTION AGENT; BROKER-DEALERS

SECTION 601. AUCTION AGENT. (a) On or before the effective date of a Conversion to an ARS Interest Period, or upon the resignation or removal of the Auction Agent, an Auction Agent shall be appointed by the School Board and approved by the Insurer. At the time of Conversion of Series 2011A Certificates to ARS, the Trustee, at the direction of the School Board shall enter into an Auction Agent Agreement with an Auction Agent. An Auction Agent shall be (i) subject to the written approval of the Insurer and Broker-Dealer, (ii) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, New York, or such other location as approved by the Trustee in writing and having a combined capital stock or surplus of at least \$15,000,000, or (iii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000, and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Trust Agreement by giving at least 90 days' notice to the Trustee, the School Board, the Corporation, the Broker-Dealers and the Insurer. The Auction Agent may be removed at any time by the Trustee, upon the written direction of (i) the School Board, (ii) the Insurer, or (iii) the ARS Beneficial Owners of 66-2/3% of the aggregate principal portion represented by ARS then outstanding, by an instrument signed by the Trustee and filed with the Auction Agent, the Insurer and the School Board upon at least 30 days' notice. Neither the resignation nor the removal of the Auction Agent pursuant to the preceding two sentences shall be effective until and unless a Substitute Auction Agent has been appointed and has accepted such appointment. Notwithstanding the foregoing, the Auction Agent may terminate the Auction Agent Agreement if, within 45 days after notifying the Trustee, the School Board, and the Insurer in writing that it has not received payment of any Auction Agent Fee due in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment. The Trustee shall not be liable for any action taken, suffered or omitted by the Auction Agent.

(b) If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the School Board shall use its best efforts to appoint a Substitute Auction Agent.

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Facility Issuer or of all or a substantial part of its assets, or shall admit in writing its inability, or be generally unable, to pay its debts as such debts become due, or shall make a general assignment for the benefit of its creditors, or commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect) or shall file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or shall fail to contest in a timely and appropriate manner, or acquiesce in writing to, any other petition filed against the Series 2011A Credit Facility Issuer in any involuntary case under said Federal Bankruptcy Code, or shall take any other action for the purpose of effecting the foregoing; or

(iii) any proceeding or case shall be commenced without the application or consent of the Series 2011A Credit Facility Issuer, in any court of competent jurisdiction seeking the liquidation, reorganization, dissolution, winding up or composition or readjustment of debts of the Series 2011A Credit Facility Issuer or the appointment of a trustee, receiver, custodian, liquidator, sequestrator (or other similar official) or the like, of the Series 2011A Credit Facility Issuer or of all or a substantial part of its assets, or similar relief with respect to the Series 2011A Credit Facility Issuer under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or for relief, rehabilitation, reorganization, conservation, liquidation or, with respect to the Insurer if the Policy is in effect, dissolution under Article 16 of the New York Insurance Law or any successor or similar applicable provision of New York law or the law of any other state and such proceeding or case shall continue undismissed and an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed in effect for a period of sixty (60) days from the commencement of such proceedings or case, or any order for relief against the Series 2011A Credit Facility Issuer shall be entered in an involuntary case under said Federal Bankruptcy Code; or

(iv) the Series 2011A Credit Facility Issuer shall no longer provide credit enhancement for any of the insured Certificates.

SECTION 702. RESERVED

SECTION 703. RESERVED

SECTION 704. PROVISIONS RELATED TO A LETTER OF CREDIT. In the event that the School Board has provided a direct-pay Letter of Credit as liquidity and credit support for the payment of all or a portion of Series 2011A Principal and Series 2011A Interest, this Section 704 shall apply to the Series 2011A Certificates supported by such Letter of Credit.

(a) The Trustee shall draw on the Letter of Credit in accordance with its terms in order to make timely payments on each (i) Interest Payment Date, (ii) Prepayment Date and (iii) maturity date and (iv) the Tender Date (other than for Provider Certificates or Series 2011A Certificates held by the School Board or the Corporation) in accordance with Section 309.

(b) The Trustee shall accept a Letter of Credit or Alternate Letter of Credit delivered to the Trustee in substitution for the Letter of Credit then in effect if (i) the Letter of Credit shall be in an amount required for a Liquidity Facility by Section 501 hereof; (ii) the Letter of Credit

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(c) In the absence of bad faith, negligent failure to act or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts.

(d) The Auction Agent may be removed at any time, at the written request of the School Board or at the direction of the Insurer, for any breach of its obligations hereunder or under the Auction Agent Agreement.

SECTION 602. BROKER-DEALERS.

(a) On or before the effective date of a Conversion to an ARS Interest Period, the Auction Agent shall enter into a Broker-Dealer Agreement with each Broker-Dealer selected by the School Board and approved by the Insurer if the Policy is in effect. The School Board may, from time to time, approve one or more additional Persons to serve as Broker-Dealers under Broker-Dealer Agreements and shall be responsible for providing such Broker-Dealer Agreements to the Trustee and the Auction Agent.

(b) A Broker-Dealer may be removed at any time, at the written request of the School Board.

ARTICLE VII

SERIES 2011A CREDIT FACILITY

SECTION 701. SERIES 2011A CREDIT FACILITY.

In the event that some or all of the Series 2011A Certificates are insured, the following shall apply:

(a) The Series 2011A Credit Facility Issuer shall have all the rights provided for a Credit Facility Issuer under the terms of the Trust Agreement with respect to the Insured Certificates.

(b) Anything provided herein or in the Master Trust Agreement to the contrary notwithstanding, the Series 2011A Credit Facility Issuer shall not be entitled to any benefits of the Trust Agreement or any rights specifically granted to it thereunder to consent to, approve or participate in any actions proposed to be taken by the School Board, the Corporation, an Insured Certificateholder, or any of them pursuant to the Trust Agreement if:

(i) the Series 2011A Credit Facility Issuer shall be in default in the due and punctual performance of its payment obligations under the Series 2011A Credit Facility or if the Series 2011A Credit Facility for whatever reason is not then enforceable and in full force and effect; or

(ii) the Series 2011A Credit Facility Issuer shall apply for or consent to the appointment of a receiver, custodian, trustee or liquidator of the Series 2011A Credit

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shall provide for payment in immediately available funds to the Trustee upon receipt of the Trustee's request for such payment with respect to any Interest Payment Date, and Prepayment Date or purchase date (if applicable) pursuant to the Series 2011A Trust Agreement, (iii) the Letter of Credit shall be an irrevocable letter of credit (A) having the characteristics of a "credit" or "letter of credit" set forth in the equivalent of Section 5-103 of the UCC of the jurisdiction which governs such letter of credit except that a letter of credit (1) may not be revocable and (2) may be issued only by (I) a national bank, (II) any banking institution organized under the laws of any state, territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the state or territorial banking commission or similar officials or (III) a branch or agency of a foreign bank, provided that the nature and extent of federal and/or state regulation and the supervision of the particular branch or agency is substantially equivalent to that applicable to federal or state chartered domestic banks doing business in the same jurisdiction, and (iv) the Bank issuing the Letter of Credit shall deliver to the Trustee on or before the effective date of the Letter of Credit (A) an Opinion of Counsel to the Bank issuing the Letter of Credit, in form and substance satisfactory to the School Board and the Trustee, relating to the due authorization and issuance of the Letter of Credit and its enforceability and, (B) with respect to an Alternate Letter of Credit, a Favorable Opinion. Except as otherwise provided in this Section 704, a Letter of Credit or an Alternate Letter of Credit shall be treated as a Liquidity Facility or Alternate Liquidity Facility, as the case may be, and subject to the provisions of Section 501 and Section 502 hereof, as applicable.

(c) While a Letter of Credit is in effect, the Trustee shall disburse or transfer, as applicable, moneys on deposit in the Series 2007B Lease Payment Account at the following times and apply such moneys in the following manner and in the following order of priority:

(1) on each (i) Interest Payment Date, (ii) Prepayment Date and (iii) maturity date of the Series 2011A Certificates, the Trustee shall disburse to the Bank the amount of any Draw under the Letter of Credit unless a Wrongful Dishonor has occurred; and

(2) in the event of a Wrongful Dishonor until such Wrongful Dishonor is cured, the Trustee shall disburse to the applicable Certificateholders on each Interest Payment Date, and Prepayment Date, an amount equal to Series 2011A Principal and Series 2011A Interest due on the Series 2011A Certificates on such date.

(d) At any time a Letter of Credit is maintained with respect to any Series 2011A Certificates, the Trustee shall establish and maintain a Letter of Credit Account.

(1) *Deposits into the Letter of Credit Account.* The Trustee shall deposit into the Letter of Credit Account all Draws under the Letter of Credit (other than Draws to pay the Tender Price of Series 2011A Certificates). No other moneys shall be deposited into the Letter of Credit Account and the Letter of Credit Account shall be maintained as a segregated account solely for the benefit of the holders of the Series 2011A Certificates and moneys in it shall be held uninvested and shall not be commingled with any other moneys held under this Trust Agreement. The Letter of Credit Account shall be closed at such time as the Bank has no continuing liability under the Letter of Credit.

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(2) *Transfers from the Letter of Credit Account.* The Trustee shall cause amounts deposited into the Letter of Credit Account to be applied on the date payment is due to the payments for which the Draw was made pursuant to the Letter of Credit. Any amounts remaining in the Letter of Credit Account after making the payment for which the Draw was made pursuant to the Letter of Credit shall be immediately refunded to the Bank.

(e) (i) While a Letter of Credit is in effect, Section 307(c) shall be replaced with the following:

(c) **Upon Termination, Replacement or Expiration of Letter of Credit.** If at any time the Trustee gives notice, in accordance with Section 501(c) hereof, that the Tender Price on any Series 2011A Certificates tendered for purchase shall, on the date specified in such notice, cease to be subject to purchase pursuant to the Letter of Credit then in effect as a result of the termination, replacement or expiration of the term, as extended, of that Letter of Credit, including but not limited to termination at the option of the School Board in accordance with the terms of such Letter of Credit, then, on the substitution date in the case of any such replacement or on the fifth Business Day preceding any such termination (except in the case of a termination resulting from an event referred to in Section 704(f)) or expiration of such Letter of Credit each such Series 2011A Certificate shall be purchased or deemed purchased at the Tender Price.

For payment of the Tender Price on the Tender Date, a Series 2011A Certificate must be delivered at or prior to 10:00 a.m., New York City time, on the Tender Date. Payment of the Tender Price of any such Series 2011A Certificate shall be made in immediately available funds by 3:00 p.m., New York City time, on the Tender Date upon delivery of such Series 2011A Certificate to the Tender Agent at its principal office for delivery of Series 2011A Certificates, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Series 2011A Certificate holder with the signature of such holder guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 12:00 noon, New York City time, on the Tender Date specified in Section 501(c). If, as a result of any such expiration, termination with notice, or replacement of such a Letter of Credit, any Series 2011A Certificate is no longer subject to purchase pursuant to a Letter of Credit, the Tender Agent (upon receipt from the holder thereof in exchange for payment of the Tender Price thereof) shall present such Series 2011A Certificate to the Trustee for notation of such fact thereon. In no event shall the School Board be obligated to provide funds for the payment of the Tender Price of the Series 2011A Certificates.

(ii) *While a Letter of Credit is in effect, Section 501(c) shall be replaced with the following:*

(c) **Notice of Termination, Event of Default or Other Change in Liquidity Facility.** The Trustee shall give notice by mail to the Remarketing

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as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School Board to comply with its obligations under the Series 2007B Lease. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, the Series 2011A Certificates (including persons holding such Series 2011A Certificates through nominees, depositories or other intermediaries), or (b) is treated as the Holder of the Series 2011A Certificates for federal income tax purposes. All information which is made public and filed pursuant to this section shall also be provided to the Series 2011A Credit Facility Issuer and the Liquidity Provider, if any.

SECTION 802. AMENDMENT OF MASTER TRUST AGREEMENT. With respect only to the Series 2011A Certificates,

(a) clause First of Section 504(a) is hereby amended to read as follows (added language is underlined):

First: To the payment of the reasonable costs of the Trustee related to such Lease, including counsel fees and expenses, any disbursements of the Trustee and its reasonable compensation; provided, however, that no moneys obtained from a claim on the Liquidity Facility or the Credit Facility, proceeds from a remarketing or moneys held for the prepayment of Certificates notice of which has been sent to the holders of such Certificates shall be used as provided in this clause;

(b) Section 504(a) is hereby further amended by renumbering the current clause Fifth as clause Sixth and adding as clause Fifth the following:

Fifth: To the payment to the persons entitled thereto of the unpaid Additional Lease Payments related to such Lease which shall have become due and, if the amount available shall not be sufficient to pay in full all such amounts, then to the payment thereof ratably, according to the amount due on such date, to the persons entitled thereto, without any discrimination or preference;

(c) Section 801 is hereby amended to add the following as clause (d) thereto:

(d) For purposes of this Section 801, (i) the interest rate on the interest portion represented by a Certificate which is not fixed to the maturity thereof shall be assumed to bear interest at the maximum rate applicable to such Certificate for any period prior to such Certificate's specified maturity or Prepayment Date for which such interest rate is not fixed and (ii) for any Certificate subject to tender for purchase on a date prior to the specified maturity or prepayment date of such Certificate, (A) a Liquidity Facility must remain in effect and (B) the School Board must receive confirmation from each Rating Agency that such action will not result in the withdrawal or downgrade of the ratings on the Series 2011A Certificates.

SECTION 803. PROVISIONS OF TRUST AGREEMENT NOT OTHERWISE MODIFIED. Except as expressly modified or amended hereby, the Trust

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Agent and the holders of Series 2011A Certificates secured by a Liquidity Facility (i) on or before the 20th day preceding the termination, replacement or expiration of such Liquidity Facility (except in the case of a termination resulting from an event referred to in Section 704(f)) in accordance with its terms, or (ii) in the case of an event referred to in Section 704(f)(i), as soon as reasonably possible, but no later than five days following the receipt by the Trustee of notice from the Bank and in the case of an event referred to in Section 704(f)(ii), as soon as reasonably possible after the date of such Wrongful Dishonor or repudiation. The notice shall be accompanied by directions for the purchase of Series 2011A Certificates pursuant to Section 307(c) hereof. The notice shall (A) state the date of such termination, replacement or expiration and the date of the proposed substitution of an Alternate Liquidity Facility (if any), (B) state that the Series 2011A Certificates will be purchased pursuant to Section 307(c) hereof (1) on the fifth Business Day preceding such termination or expiration (but in the case of a mandatory tender pursuant to Section 704(f), in accordance with clause (ii) above) or (2) on the substitution date in the case of replacement of the Liquidity Facility, and (C) any other information required in the notice to the holders of such Series 2011A Certificates by Section 307(c) hereof.

(f) While a Letter of Credit is in effect, the following shall be additional mandatory tenders in connection with a Letter of Credit:

(i) *At Direction of the Bank.* The Series 2011A Certificates shall be subject to mandatory tender for purchase upon the occurrence of any event which is an Event of Default under the Letter of Credit Agreement, and receipt by the Trustee from the Bank of written notice of such default and a direction to purchase the Series 2011A Certificates for the Bank's own account, which mandatory tender shall occur no later than ten days after receipt of such notice by the Trustee.

(ii) *Upon Wrongful Dishonor.* The Series 2011A Certificates shall be subject to mandatory tender for purchase upon the occurrence of a Wrongful Dishonor or the Letter of Credit has been repudiated by the Bank, which mandatory tender shall occur no later than fifteen days after the date of such Wrongful Dishonor or repudiation.

ARTICLE VIII

AMENDMENT OF TRUST AGREEMENT; MISCELLANEOUS PROVISIONS

SECTION 801. CONTINUING DISCLOSURE. Pursuant to the Series 2007B Lease, the School Board has undertaken all responsibility for compliance with continuing disclosure requirements, and neither the Corporation nor the Trustee shall have liability to the owners of the Series 2011A Certificates or any other person with respect to the Rule. Notwithstanding any other provision of the Trust Agreement, failure of the School Board to comply with a Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of any related Participating Underwriter or the Holders of at least 25% aggregate principal portion represented by the Series 2011A Certificates, shall) or any owner of the Series 2011A Certificates or Beneficial Owner may take such actions

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Agreement shall remain in full force and effect. With respect to the Series 2011A Certificates, to the extent of any conflict between the terms of the Master Trust Agreement and this Series 2011A Supplemental Trust Agreement, the terms hereof shall control.

SECTION 804. AMENDMENT OF SERIES 2011A SUPPLEMENTAL TRUST AGREEMENT. Notwithstanding anything to the contrary in the Trust Agreement, this Series 2011A Supplemental Trust Agreement may be modified or amended without the consent of, or notice to, the Series 2011A Certificate holders for one or more of the following purposes:

(a) To make any change to this Series 2011A Supplemental Trust Agreement when all Series 2011A Certificates have been tendered pursuant to the terms of this Series 2011A Supplemental Trust Agreement but have not yet been remarketed following such tender;

(b) Effective upon any Conversion Date to a new interest rate determination method, to make any amendment affecting only the Series 2011A Certificates being converted;

(c) To make any change necessary to secure from a nationally recognized securities rating agency a rating on a Series 2011A Certificates equal to the rating of the unsecured, short-term indebtedness of the issuer of any Liquidity Facility then in effect;

(d) To modify this Series 2011A Supplemental Trust Agreement or the Series 2011A Certificates if at least 30 days' notice of such modification is provided to the Series 2011A Certificate holders, and (A) Series 2011A Certificate holders have the right to optionally tender their Series 2011A Certificates at any time during such notice period or (B) Series 2011A Certificates are subject to mandatory tender at any time during such notice period;

(e) To modify any provisions of this Series 2011A Supplemental Trust Agreement relating to ARS, so long as such modification, in the judgment of the Trustee, is not to the prejudice of the holders of the Series 2011A Certificates;

(f) To modify the provisions of this Series 2011A Supplemental Trust Agreement relating to ARS in accordance with Section 204(h) hereof.

SECTION 805. TRUSTEE'S CLAIMS; NO INDEMNIFICATION.

(a) The Trustee shall have no lien or claim for payment of its compensation, expenses, disbursements, losses or liabilities upon the proceeds of the remarketing of the Series 2011A Certificates, or amounts in its possession derived from a claim on the Liquidity Facility or Series 2011A Credit Facility and shall not use any such moneys for such purpose.

(b) The Trustee may not seek indemnification pursuant to Section 611 of the Master Trust Agreement before suffering, taking or omitting any action under the Trust Agreement related to (i) paying Series 2011A Principal or Purchase Price of, prepayment premium (if any) and Series 2011A Interest as the same shall become due and payable, (ii) drawing upon the Liquidity Facility or the Letter of Credit, (iii) exercising its obligations in connection with a mandatory tender of the Series 2011A Certificates under Section 307 of the Series 2011A Supplemental Trust Agreement, and (iv) exercising its obligations in connection with the prepayment of Series 2011A Certificates.

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SECTION 806. COUNTERPARTS. This Series 2011A Supplemental Trust Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 807. HEADINGS. Any heading preceding the text of the several Articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Series 2011A Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 808. LAWS. This Series 2011A Supplemental Trust Agreement shall be construed and governed in accordance with the laws of the State of Florida.

SECTION 809. NOTICES. The Trustee shall notify the Rating Agencies, the Series 2011A Credit Facility Issuer and the Liquidity Provider, if any, and, with respect to (b)(i) below, the Auction Agent and Broker-Dealers, as soon as practicable (a) after the Trustee becomes aware of (i) any expiration, termination or renewal of the Liquidity Facility, (ii) any change in the Liquidity Facility or to this Series 2011A Supplemental Trust Agreement, or (iii) the failure of the Liquidity Provider to reinstate the interest portion of the Liquidity Facility within the time allotted for such reinstatement to occur, or (b) if (i) the Trustee resigns or is removed or a new Trustee is appointed, (ii) the Tender Agent resigns or is removed or a new Tender Agent is appointed, (iii) the Remarketing Agent resigns or is removed or a new Remarketing Agent is appointed, (iv) an Alternate Liquidity Facility is provided, (v) there is a call for prepayment or mandatory tender for purchase of Series 2011A Certificates in whole, (vi) there is a change in the interest mode or otherwise in the method for determination of the interest portion of Basic Lease Payments represented by the Series 2011A Certificates, or (vii) all of the Series 2011A Certificates are defeased.

As to each Liquidity Provider, Auction Agent, Broker-Dealer, Remarketing Agent and Tender Agent from time to time required to receive notice under the Trust Agreement, notice shall be sent to such address as such Person shall have provided in writing to each of the School Board and the Trustee.

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STATE OF FLORIDA)
)SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Frank A. Barbieri, Jr., Esq. and William F. Malone, personally known to me to be the same persons whose names are, respectively, as President and Secretary, respectively, of Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that she, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as her own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this ___ day of July, 2011.

NOTARY PUBLIC, STATE OF FLORIDA
NOTARY PUBLIC
SEAL OF OFFICE:

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
- Produced identification:

(Type of Identification Produced)

IN WITNESS WHEREOF, the parties have executed this Series 2011A Supplemental Trust Agreement by their duly authorized officers as of the date and year first written above.

(SEAL)

**PALM BEACH SCHOOL BOARD
LEASING CORP.**

Attest: _____
William F. Malone, Secretary

By: _____
Frank A. Barbieri, Jr., Esq., President

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee**

By: _____
Janalee R. Scott, Vice President

The School Board of Palm Beach County, Florida hereby consents to the execution of this Series 2011A Supplemental Trust Agreement by the parties hereto and agrees to abide by the terms applicable to it herein.

**THE SCHOOL BOARD OF PALM
BEACH COUNTY, FLORIDA**

By: _____
Frank A. Barbieri, Jr., Esq., Chairman

STATE OF FLORIDA)
)SS:
COUNTY OF DUVAL)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Janalee R. Scott, personally known to me to be the same person whose name is, as Vice President of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereunto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for uses and purposes therein set forth.

GIVEN under my hand and notarial seal this ___ day of July, 2011.

NOTARY PUBLIC, STATE OF FLORIDA
NOTARY PUBLIC
SEAL OF OFFICE:

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
- Produced identification:

(Type of Identification Produced)

EXHIBIT A
FORM OF SERIES 2011A CERTIFICATES

EXHIBIT B
FORM OF NOTICE OF CURE OF ARS PAYMENT DEFAULT
Certificates of Participation, Series 2011A Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with the PALM BEACH SCHOOL BOARD LEASING CORP., as Lessor

CUSIP NO. _____

NOTICE IS HEREBY GIVEN that the ARS Payment Default with respect to the Series 2011A Certificates identified above has been waived or cured. The next ARS Interest Payment Date is _____ and the next scheduled Auction Date is _____.

Dated: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as trustee

By: _____
Name:
Title:

A-1

B-1

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w/c 42



CFN 20070144096
OR BK 21551 PG 0155
RECORDED 03/23/2007 16:07:23
Palm Beach County, Florida
Sharon R. Bock, CLERK & COMPTROLLER
Pgs 0155 - 164; (10pgs)

This instrument was prepared by and when recorded
should be returned to:

Robert C. Gang, Esq.
Greenberg Traurig, P.A.
1221 Brickell Avenue
Miami, Florida 33131

(This space reserved for Clerk)

**SERIES 2007B
ASSIGNMENT AGREEMENT**

BETWEEN

PALM BEACH SCHOOL BOARD LEASING CORP.

AND

THE BANK OF NEW YORK TRUST COMPANY, N.A.
(successor in interest to NationsBank of Florida, N.A.)
As Trustee

Dated as of March 1, 2007

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**SERIES 2007B
ASSIGNMENT AGREEMENT**

THIS SERIES 2007B ASSIGNMENT AGREEMENT (this "Agreement"), made and entered into as of this 15th day of February, 2007, by and between the PALM BEACH SCHOOL BOARD LEASING CORP., a not-for-profit corporation organized under the laws of the State of Florida (the "Corporation"), and THE BANK OF NEW YORK TRUST COMPANY, N.A., Jacksonville, Florida (successor in interest to NationsBank of Florida, N.A.), as trustee (the "Trustee");

WITNESSETH THAT, in the joint and mutual exercise of their powers, and in consideration of \$10.00 and other good and valuable consideration and the mutual covenants herein contained, the parties hereto recite and agree as follows:

Section 1. Recitals.

1.01 The School Board of Palm Beach County, Florida (the "School Board"), and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), and have executed Schedule 2007B to the Master Lease, a Memorandum of which was recorded on _____, 2007 in Official Records Book [____], at Pages [____], et seq. of the Public Records of Palm Beach County, Florida, dated as of March 1, 2007, which Master Lease together with such schedule constitutes a separate lease (the "Series 2007B Lease") with respect to certain educational facilities and sites being financed, and have entered into a Series 2007B Ground Lease dated as of March 1, 2007 (as the same may be amended or supplemented from time to time, the "Series 2007B Ground Lease"), a Memorandum of which was recorded on _____, 2007 in Official Records Book [____], at Pages [____], et seq. of the Public Records of Palm Beach County, Florida, with respect to the Series 2007B Facility Sites (hereinafter defined).

1.02 Pursuant to the Series 2007B Lease, the School Board and the Corporation have agreed that there shall be acquired, constructed, installed and equipped for lease-purchase to the School Board certain educational facilities and sites as described in Schedule 2007B to the Master Lease (the "Series 2007B Facilities"), such facilities being located on certain lands described in Schedule 2007B (which, together with the improvements thereon are hereinafter collectively referred to as the "Series 2007B Facility Sites"). Schedule 2007B sets forth Lease Payments (the "Series 2007B Lease Payments") to be paid by the School Board for the Series 2007B Facilities. The School Board has agreed to lease-purchase the Series 2007B Facilities from the Corporation.

1.03 The Corporation and the Trustee have entered into a Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2007B Supplemental Trust Agreement dated as of March 1, 2007 (as the same may be further amended or supplemented from time to time, the "Trust Agreement"), which acknowledges and contemplates the execution of this Agreement in conjunction therewith. This Agreement is made for the purpose of enabling the Trustee to act as lessor under the Series 2007B Lease.

1.04 The Corporation desires to sell, assign and convey all of its right, title and interest as lessee of the Series 2007B Facility Sites under the Series 2007B Ground Lease, and as sublessor of the Series 2007B Facility Sites and lessor of the Series 2007B Facilities under the Series 2007B Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to

certain of the Series 2007B Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2007B Ground Lease and its right to receive notices under the Master Lease), to the Trustee for the benefit of the holders of the Series 2007B Certificates to be issued under the Trust Agreement.

1.05 The Trustee is willing to accept this assignment on the terms and conditions hereinafter provided.

1.06 Each of the parties has authority to enter into this Agreement and has taken all actions necessary to authorize its execution by the officers signing it.

All terms capitalized but not defined herein shall have the meanings given to them in the Trust Agreement and the Series 2007B Lease.

Section 2. Assignment.

2.01 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Trustee, without recourse, for the benefit of all of the Series 2007B Certificate holders, all of its right, title and interest under the Series 2007B Ground Lease and the Series 2007B Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to certain of the Series 2007B Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2007B Ground Lease and its rights to receive notices under the Master Lease), including, without limitation, all Series 2007B Lease Payments and other amounts required to be paid by the School Board under the Series 2007B Lease. Said assignment is absolute and unconditional and the Corporation shall have no right to receive or recover the right, title and interest herein assigned. Said assignment is not given as additional security and is not intended to be nor shall it be construed to be a mortgage, or other security agreement of any nature whatsoever, and the Corporation will hereafter have no further right or interest or claims in and to the right, title and interest herein assigned, or any part thereof, or the interest or profits and other proceeds that may be derived therefrom of any kind whatsoever. Accordingly, upon execution of this Agreement, the Corporation shall deliver to the Trustee executed counterparts of the Series 2007B Ground Lease and the Series 2007B Lease. Delivery to the Trustee of such documents shall make the sale, assignment and conveyance of the Series 2007B Ground Lease and the Series 2007B Lease herein made, complete and effective for all purposes. Title to the Series 2007B Facility Sites shall remain vested in the School Board throughout their Lease Terms and title to the Series 2007B Facilities shall remain vested in the Corporation throughout their Lease Terms; provided, however, that upon termination of the Lease Terms as a result of nonappropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall, upon request of the Trustee, transfer title to such Series 2007B Facilities to the Trustee, or to any Permitted Transferee designated by the Trustee.

2.02 With respect to the sale, assignment and conveyance of the rights and interests contemplated hereunder to the Trustee, the Corporation represents, warrants and covenants to and with the Trustee and the Series 2007B Certificate holders that, upon the date of execution of this Agreement and the effective date of the sale, assignment and conveyance of the Corporation's rights under the Series 2007B Ground Lease and the Series 2007B Lease, the facts stated below are and will be true and correct:

A. The Corporation is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with corporate powers and authority to own its property and carry on its business as now being conducted, and is qualified wherever necessary to perform its obligations under the Series 2007B Ground Lease, the Series 2007B Lease, the Trust Agreement and this Agreement.

B. The Corporation has full power, authority and legal right to enter into and perform its obligations under the Series 2007B Ground Lease, the Series 2007B Lease, the Trust Agreement and this Agreement; the execution, delivery and performance of the Series 2007B Ground Lease, the Series 2007B Lease, the Trust Agreement and this Agreement by the Corporation have been duly authorized by all necessary corporate actions on the part of the Corporation, and all required approvals and consents have heretofore been duly obtained; and the Series 2007B Ground Lease, the Series 2007B Lease, this Agreement and the Trust Agreement are in full force and effect.

C. The execution, delivery and performance of the Series 2007B Ground Lease, the Series 2007B Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it or any of its property is bound or any constitutional or statutory provision, or order, rule, regulation, decree or ordinance of any Federal or State court, government or governmental body having jurisdiction over the Corporation or any of its properties and by which the Corporation or any of its property is bound.

D. The Series 2007B Ground Lease, the Series 2007B Lease, this Agreement and the Trust Agreement are in full force and effect and the Corporation is not in default thereunder; the Series 2007B Ground Lease, the Series 2007B Lease, this Agreement and the Trust Agreement are legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms, all such enforcement being subject to certain laws relating to bankruptcy, reorganization, moratorium and creditors' rights generally, and to principles of equity in the event that equitable remedies are sought.

E. The Series 2007B Ground Lease and the Series 2007B Lease delivered to the Trustee are duly executed duplicate originals and, together with all Exhibits thereto, comprise the entire writing, obligation and agreement between the Corporation and School Board respecting the Series 2007B Facility Sites and the Series 2007B Facilities.

F. The Corporation has complied and will at all times hereafter comply with and duly perform its obligations under the Series 2007B Ground Lease, the Series 2007B Lease, the Trust Agreement and this Agreement.

G. Except as disclosed in the Offering Statement dated March 12, 2007, prepared in connection with the offering of the Series 2007B Certificates, there is no pending or, to the knowledge of the Corporation, threatened action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency in any way affecting the ability of the Corporation to perform its obligations under the Series 2007B Ground Lease, the Series 2007B Lease, the Trust Agreement or this Agreement.

H. The Series 2007B Ground Lease and the Series 2007B Lease being herein assigned are free and clear of all claims, liens, security interests and encumbrances arising through any act or omission of the Corporation or any person claiming by, through or under it, except the rights of the School Board under the Series 2007B Lease and the Series 2007B Ground Lease, including the fact that fee title to the Series 2007B Facility Sites is vested in the School Board.

2.03 Except as otherwise set forth in Section 2.01, from and after the date of delivery to the

Trustee of this Agreement, the Corporation shall have no further rights or interest under the Series 2007B Ground Lease or the Series 2007B Lease or in any Series 2007B Lease Payments or other moneys due with respect thereto or to become due under the Series 2007B Lease.

2.04 The Corporation agrees to execute and deliver to the Trustee upon request by the Trustee, any documents deemed necessary by the Trustee to further evidence or perfect the assignment and conveyance herein made with respect to the Series 2007B Ground Lease and the Series 2007B Lease.

2.05 The Corporation hereby irrevocably constitutes and appoints the Trustee, its successors and assigns, as its lawful attorney, with full power of substitution and resubstitution, to collect and to sue on behalf of the Corporation in the name of the Corporation or otherwise in any court for any Series 2007B Lease Payment or other amounts due under the Series 2007B Lease, or any part thereof, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Series 2007B Lease upon any terms, all without the assent of the Corporation; and, further, to take possession of and to endorse in the name of the Corporation any instrument for the payment of moneys received on account of the Series 2007B Lease Payments or other amounts due under the Series 2007B Lease.

2.06 The Corporation agrees that it will authorize and direct the School Board to pay to the Trustee, its successors and assigns, all Series 2007B Lease Payments and all other amounts coming due under the Series 2007B Lease.

2.07 Upon request of the Trustee, the Corporation agrees to cooperate in the Trustee's efforts to collect and cause to be remitted to the Trustee any Series 2007B Lease Payment or other amount.

2.08 In the event the Corporation receives notice from the School Board that it will exercise its option under Section 7.2 of the Master Lease to prepay the Series 2007B Lease Payments to become due thereunder or that the Series 2007B Lease will not be renewed as a result of any event of non-appropriation under the Lease, the Corporation shall notify the Trustee of this fact in writing no later than five Business Days after such receipt provided, however, that failure to provide such notice shall not create any liability on the part of the Corporation.

Section 3. Administrative Provisions.

3.01 This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

3.02 Any provision of this Agreement found to be prohibited by applicable laws shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

3.03 This Agreement may not be amended without the prior written consent of the Series 2007B Credit Facility Issuer.

3.04 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.05 This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

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Section 4. Non-Recourse.

4.01 The assignment contained in this Agreement is agreed to be non-recourse with respect to the Corporation and the Corporation shall have no liability to the Trustee, or any Certificate holders hereunder with respect to the occurrence of any event of default by the School Board under the Series 2007B Lease whether such default consists of failure to pay moneys, breach of covenant or otherwise; provided, however, that nothing contained in this Section 4 shall excuse the Corporation from performance of its obligations under Section 2.04 through 2.08 hereof.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for the assignment effected by Section 2 hereof or for any claim based thereon under this Agreement against any member, officer, employee or agent of the parties hereto.

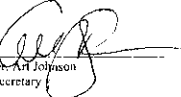
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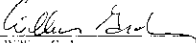
IN WITNESS WHEREOF, the parties hereto have executed this Series 2007B Assignment Agreement on the date set forth below their respective signatures and as of the day and year first written above.

[SEAL]

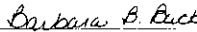
ATTEST:

By: 
Dr. Art Johnson
Secretary

**PALM BEACH SCHOOL BOARD
LEASING CORP.**

By: 
William Graham
President

**THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee**

By: 
Barbara Buck
Vice President

[SEAL]

6

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

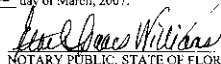
The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as President and Secretary, respectively of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 20th day of March, 2007.

NOTARY PUBLIC
SEAL OF OFFICE:



Ethel Isaacs Williams
Commission #00298127
Expires: Mar 08, 2008
Bonded Firm
Atlantic Bonding Co., Inc.


NOTARY PUBLIC, STATE OF FLORIDA
Ethel Isaacs Williams

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or
 Produced identification

(Type of Identification Produced)

7

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Barbara Duck, personally known to me to be the same person whose name is, as Vice President of The Bank of New York Trust Company, N.A., as Trustee, a national banking association organized under the laws of the United States of America, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereto duly authorized, signed on behalf of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 20th day of March, 2007.

Ethel Isaac Williams
NOTARY PUBLIC, STATE OF FLORIDA
Ethel Isaac

NOTARY PUBLIC
SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or
Type as Commissioned.)

Personally known to me, or
 Produced identification

(Type of Identification Produced)

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APPENDIX D

FORM OF CO-SPECIAL TAX COUNSEL OPINION

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APPENDIX D

PROPOSED FORM OF CO-SPECIAL TAX COUNSEL OPINION

On the date of issuance of the Series 2011A Certificates in definitive form, Greenberg Traurig, P.A., and Edwards & Associates, P.A., Co-Special Tax Counsel, expect to be able to render their approving opinions in substantially the following form.

[CLOSING DATE]

The School Board of Palm Beach County, Florida
3300 Forest Hill Boulevard
West Palm Beach, Florida 33406

Re: Certificates of Participation, Series 2011A Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to be Made by The School Board of Palm Beach County, Florida, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

Ladies and Gentlemen:

We have acted as co-special tax counsel in connection with the issuance of \$112,425,000 aggregate principal amount of Certificates of Participation, Series 2011A, evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor (the "Series 2011A Certificates"), and in connection with the Master Lease Purchase Agreement described below. In that capacity, we have reviewed the Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), between The School Board of Palm Beach County, Florida (the "School Board") and Palm Beach School Board Leasing Corp. (the "Corporation"); Schedule 2007B, dated as of March 1, 2007 ("Schedule 2007B"), as Amended and Restated as of July 1, 2011 attached to the Master Lease and executed by the School Board, the Corporation and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee") and as assignee of the Corporation; (Schedule 2007B together with the Master Lease being hereinafter referred to as the "Series 2007B Lease"); the Series 2007B Ground Lease dated as of March 1, 2007, as amended as of April 1, 2008, and July 1, 2011, between the School Board and the Corporation; the Series 2007B Assignment Agreement dated as of March 1, 2007 between the Corporation and the Trustee; the Master Trust Agreement, dated as of November 1, 1994, as supplemented by a Series 2011A Supplemental Trust Agreement, dated as of July 1, 2011 (collectively, the "Trust Agreement"), between the Corporation and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida (successor in interest to NationsBank of Florida, N.A.), as trustee (the "Trustee"); the form of the Series 2011A Certificate attached to the Trust Agreement; and various other related documents and certificates. The Series 2011A Certificates are payable from the Basic Lease Payments made pursuant to the Series 2007B Lease.

The Basic Lease Payments are payable from funds appropriated by the School Board from current and other funds authorized by law and regulations of the Department of Education of the State of Florida. The School Board is not legally required to appropriate money for such purpose. None of the School Board, the School District of Palm Beach County, Florida (the "District"), the State of Florida, or any political subdivision thereof shall be obligated to pay, except from appropriated funds, any sums due under the Series 2007B Lease from any source of taxation, and the full faith and credit of the School Board and the District is not pledged for payment of such sums due thereunder and such sums do not constitute an indebtedness of the School Board or the District within the meaning of any constitutional or statutory provision or limitation.

As to questions of fact material to our opinion, we have relied upon the representations of the School Board contained in the Series 2007B Lease and in the certified proceedings and other certifications of officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Series 2007B Lease has been duly authorized, executed and delivered by the School Board and, assuming due authorization, execution and delivery by the Corporation, constitutes the valid and legally binding agreement of the School Board enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights or by the exercise of judicial discretion in accordance with general principles of equity.

2. Under existing statutes, regulations, rulings and court decisions, subject to the assumptions stated in the following paragraph, the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2011A Certificates is excludable from gross income for federal income tax purposes. Furthermore, the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2011A Certificates is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest portion of the Basic Lease Payments is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the interest portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2011A Certificates, or the ownership or disposition of the Series 2011A Certificates. Furthermore, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2011A Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an Event of Default thereunder.

In rendering the opinion in the preceding paragraph, we have assumed continuing compliance by the School Board with the requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder that must be met after the issuance of the Series 2011A Certificates in order that the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2011A Certificates be and remain excludable from gross income for federal income tax purposes. The School Board's failure to meet such requirements may cause the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2011A Certificates to be included in gross

income for federal income tax purposes retroactively to the commencement date of the Series 2011A Certificates. The School Board has covenanted to comply with such requirements.

3. The Series 2011A Certificates evidence an undivided proportionate interest of the owners thereof in the Basic Lease Payments to be made by the School Board pursuant to the Series 2007B Lease.

4. The Series 2011A Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2011A Certificates are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined therein; provided, however, that no opinion is expressed with respect to tax consequences under the laws of the State of Florida of any payments received with respect to the Series 2011A Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

We express no opinion regarding the accuracy, adequacy or completeness of the Offering Statement relating to the Series 2011A Certificates, or regarding the perfection or priority of the lien on the Trust Estate (as defined in the Trust Agreement). Further, we express no opinion regarding tax consequences arising with respect to any payments received with respect to the Series 2011A Certificates other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

GREENBERG TRAUERIG, P.A.
EDWARDS & ASSOCIATES, P.A.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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\$112,425,000
CERTIFICATES OF PARTICIPATION,
SERIES 2011A

**Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease
Payments to be made by THE SCHOOL BOARD OF PALM BEACH COUNTY,
FLORIDA, As Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach
School Board Leasing Corp., as Lessor**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by The School Board of Palm Beach County, Florida (the "School Board") in connection with the issuance of \$112,425,000 Certificates of Participation, Series 2011A (the "Certificates"). The Certificates are being issued pursuant to the provisions of a Master Trust Agreement, as supplemented, dated as of November 1, 1994, as supplemented by a Series 2011A Supplemental Trust Agreement dated as of July 1, 2011 (collectively, the "Trust Agreement"), between the Palm Beach School Board Leasing Corp., and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee"). The School Board hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School Board for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the School Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which, (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Dissemination Agent" shall mean the School Board, or any successor Dissemination Agent designated in writing by the School Board and which has filed with the School Board a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Official Statement" means that Offering Statement prepared by the School Board in connection with the sale and issuance of the Certificates.

"Participating Underwriter" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Florida.

SECTION 3. Provision of Annual Reports.

(a) The School Board shall, or shall cause the Dissemination Agent to, not later than each January 15th following the end of the School Board’s fiscal year (presently June 30), commencing with the report for the fiscal year ended June 30, 2011, provide to the MSRB at <http://emma.msrb.org/>, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School Board may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the School Board’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date on which the Annual Report shall be provided to the MSRB pursuant to subsection (a) above, the School Board shall provide the Annual Report to the Dissemination Agent (if other than the School Board). If the School Board is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the School Board shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report verify the filing specifications of the MSRB; and
- (ii) if the Dissemination Agent is other than the School Board, file a report with the School Board certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided to the MSRB.

(d) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Section shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 4. Content of Annual Reports. The School Board’s Annual Report shall contain or include by reference the following:

(a) If available at the time of such filing, the audited financial statements of the School Board for the prior fiscal year, prepared in accordance with generally accepted auditing standards, and Government Auditing Standards issued by the Comptroller General of the United States. If the School Board’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report within thirty (30) days of the date that they become available.

(b) the School Board’s Annual Financial Report (“AFR”) for the immediately preceding Fiscal Year; and

(c) to the extent not set forth in the AFR, additional financial information and operating data

of the type included with respect to the School Board in the final Official Statement, including:

1. Updates of information in the Official Statement relating to:
 - a. Revenue sources as described under the headings “AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS” and “OPERATING REVENUES OF THE DISTRICT;” and
 - b. Statistical Data, Statement of Operations for the General Fund and the Capital Projects Fund, Tax Levies, Assessed Values, Principal Taxpayers, Statement of District, Overlapping and Underlying Debt and Debt Ratios and Related Statistical Information as described in “APPENDIX A - INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA” and “APPENDIX B - EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2010.”
2. Description of any material litigation which would have been disclosed in the Official Statement if such litigation were pending at the time the Official Statement was prepared.
3. Any other financial information or operating data of the type included in the Official Statement which would be material to a holder or prospective holder of the Certificates.

For purposes of this Disclosure Certificate, “Fiscal Year” means the period commencing on July 1 and ending on June 30 of the next succeeding year, or such other period of time provided by applicable law.

SECTION 5. Reporting of Notice Events.

(a) Pursuant to the provisions of this Section 5, the School Board shall give, or cause to be given, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB notice of the occurrence of any of the following events with respect to the Certificates:

1. Principal and interest payment delinquencies,
2. Non-payment related defaults, if material,
3. Unscheduled draws on debt service reserves reflecting financial difficulties,
4. Unscheduled draws on credit enhancements reflecting financial difficulties,
5. Substitution of the 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 interest portion of Basic Rent Payments represented by the Certificates, or other material events affecting the tax-exempt status of the interest portion of Basic Rent Payments represented by the Certificates,
7. Modifications to rights of Certificate holders, if material,

8. Certificate calls, if material, and tender offers,
9. Defeasances,
10. Release, substitution or sale of property securing repayment of the Certificates, if material
11. Rating changes,
12. Bankruptcy, insolvency or similar event of an obligated person,

13. The consummation of a merger, consolidation or acquisition of an obligated person or the sale of all or substantially all of the assets of an obligated person, 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,

Note to subsection (a)(13) of this Section 5: For the purposes of the event described in subsection (a)(13) of this Section 5, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person 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 Obligated Person, 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 Obligated Person.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material, and,

(b) Whenever the School Board obtains knowledge of the occurrence of a Listed Event, the School Board shall as soon as possible determine if such event would be material under applicable federal securities laws, provided, however, that any event under subsections (a)(1), (3), (4), (5), (11) and (12) above will always be deemed to be material.

(c) If the School Board determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the School Board shall promptly file a notice of such occurrence with the MSRB accompanied by a cover sheet in the form set forth in Exhibit B.

(d) Pursuant to the provisions of this Section 5, the School Board shall give, or cause to be given, in a timely manner, to the MSRB notice of a failure of the School Board to provide required annual financial information on or before the date specified in Section 3 above, in substantially the form attached as Exhibit A, accompanied by a cover sheet in the form set forth in Exhibit B.

SECTION 6. Termination of Reporting Obligation. The School Board's obligations under this Disclosure Certificate shall terminate (A) upon the legal defeasance, prior redemption or payment in full of all of the Certificates, or (B) upon the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action. If termination pursuant to (A) occurs prior to the final maturity of the Certificates, the School Board shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The School Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The

Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the School Board pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School Board may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be 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 an obligated person with respect to the Certificates, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized securities law counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either, (i) is approved by the Holders of the Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized securities law counsel, materially impair the interests of the Holders or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the School Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the School Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the School Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the School Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the School Board shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the School Board to comply with any provision of this Disclosure Certificate the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Certificates, shall), or any Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Master Lease, the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the School Board to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Dissemination Agent. The School Board may, from time to time, appoint or

engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

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SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School Board, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: July 13, 2011

THE SCHOOL BOARD OF PALM BEACH COUNTY,
FLORIDA

By: _____
Frank A. Barbieri, Jr., Esq.
Chairman

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
Obligor: The School Board of Palm Beach County, Florida
Name of Certificate Issue: \$112,425,000 Certificates of Participation, Series 2011A
Date of Issuance: July 13, 2011
Date of Offering Statement: June 15, 2011
School Board's Six-Digit CUSIP Number:

NOTICE IS HEREBY GIVEN that the School Board has not provided an Annual Report with respect to the above-named Certificates as required by Sections 3 and 4 of the Continuing Disclosure Certificate dated July 13, 2011, of the School Board. The School Board anticipates that the Annual Report will be filed by _____.

Dated: _____

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

By: _____

cc: The Bank of New York Mellon Trust Company, N.A., as Trustee

EXHIBIT B

EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the Municipal Securities Rulemaking Board pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

School Board's and/or Other Obligated Person's Name: The School Board of Miami-Dade County, Florida

Nine-Digit CUSIP Number(s) of the Certificates to which this event notice relates:

Number of pages of attached material event notice: _____

Description of Notice Event (Check One):

- 1) Principal and interest payment delinquencies
- 2) Non-Payment 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, IRS notices or events affecting the tax status of the Certificates
- 7) Modifications to rights of Certificate holders, if material
- 8) Certificate calls, if material
- 9) Defeasances
- 10) Release, substitution, or sale of property securing repayment of the Certificates, if material
- 11) Rating changes
- 12) Tender offers
- 13) Bankruptcy, insolvency or receivership or similar event of the Obligated Person
- 14) Merger, consolidation or acquisition of the Obligated Person, if material
- 15) Appointment of a successor or additional trustee, or the change of name of a trustee, if material

Failure to provide annual financial information as required

I hereby represent that I am authorized by the School Board or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: _____

Date: _____

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